ACCELERATING THE NATION'S PROGRESS

PAN ASIA BANKING CORPORATION PLC
ANNUAL REPORT 2024

PAN ASIA BANK
The Truly Sri Lankan Bank

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ACCELERATING THE NATION'S PROGRESS

As Sri Lanka stands on the brink of transformative progress, Pan Asia Bank is proud to play a pivotal role in empowering citizens to move forward and seize the rewards of their hard work.

As a truly Sri Lankan bank, we are dedicated to consistency in performance, dependability, and our promise of turning aspirations into reality. By offering personalised, high-quality banking and financial services, underpinned by cutting-edge technology and innovation, we position ourselves as a trusted partner in every journey and a catalyst for national growth.

At Pan Asia Bank, our commitment runs deep. We are deeply invested in advancing Sri Lanka's prosperity and progress. We are securing brighter futures and accelerating our nation's journey toward success.

Pan Asia Bank; Accelerating the Nation's Progress

PAN ASIA BANK
The Truly Sri Lankan Bank

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OVERVIEW

About Pan Asia Bank

Pan Asia Bank demonstrated unwavering resilience in 2024, reinforcing its status as a dependable provider of innovative banking solutions. By delivering a strong financial performance, the Bank continued to inspire trust among its growing customer base, supported by its forward-thinking products, services, and highly skilled team. The Bank expanded its outreach significantly over the year, leveraging advanced digitalisation to empower customers with cutting-edge technology. With a steadfast commitment to supporting entrepreneurs - the backbone of the nation's economy - Pan Asia Bank played a pivotal role in fostering growth and economic empowerment.

Recognised for excellence both locally and internationally, the Bank added numerous accolades to its portfolio, underscoring the high standards of its operations. With a focus on sustainable growth, Pan Asia Bank has cemented its reputation as one of Sri Lanka's strongest and most trusted financial institutions by adhering to robust governance practices.

Strengthening its identity as "The Truly Sri Lankan Bank," Pan Asia Bank maintained its emphasis on innovative product development, catering to diverse customer segments. By deploying integrated marketing strategies, the Bank sustained its position as a modern, future-ready brand, committed to shaping financial prosperity for all.

Our Vision

To become the most customer preferred commercial bank in Sri Lanka.

Our Mission

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

Our Values

Our Bank's foundation is built on our values, which distinguish us and guide our actions to deliver results. We conduct our business in a socially and environmentally responsible manner, respecting the laws and universal human rights to benefit communities where we work.

Act with Courage and Integrity

We stand firm for what is right and work with absolute trust and confidence in all our dealings.

Dependability

We demonstrate consistent performance by fulfilling expectations, being personally accountable and by living up to commitments.

Team Work

We are a group of strong and diverse individuals who collaborate with each other and stand unified by a clear common purpose.

Strive for Excellence

We will do our best to provide the highest quality of Banking by understanding customer needs and exceeding expectations.

Commitment

We are dedicated to the success of our organisation and stakeholders including customers, employees and ourselves.

Mutual Trust and Respect

We connect to customers, communities, regulators and each other with respect, dignity and with mutual trust.

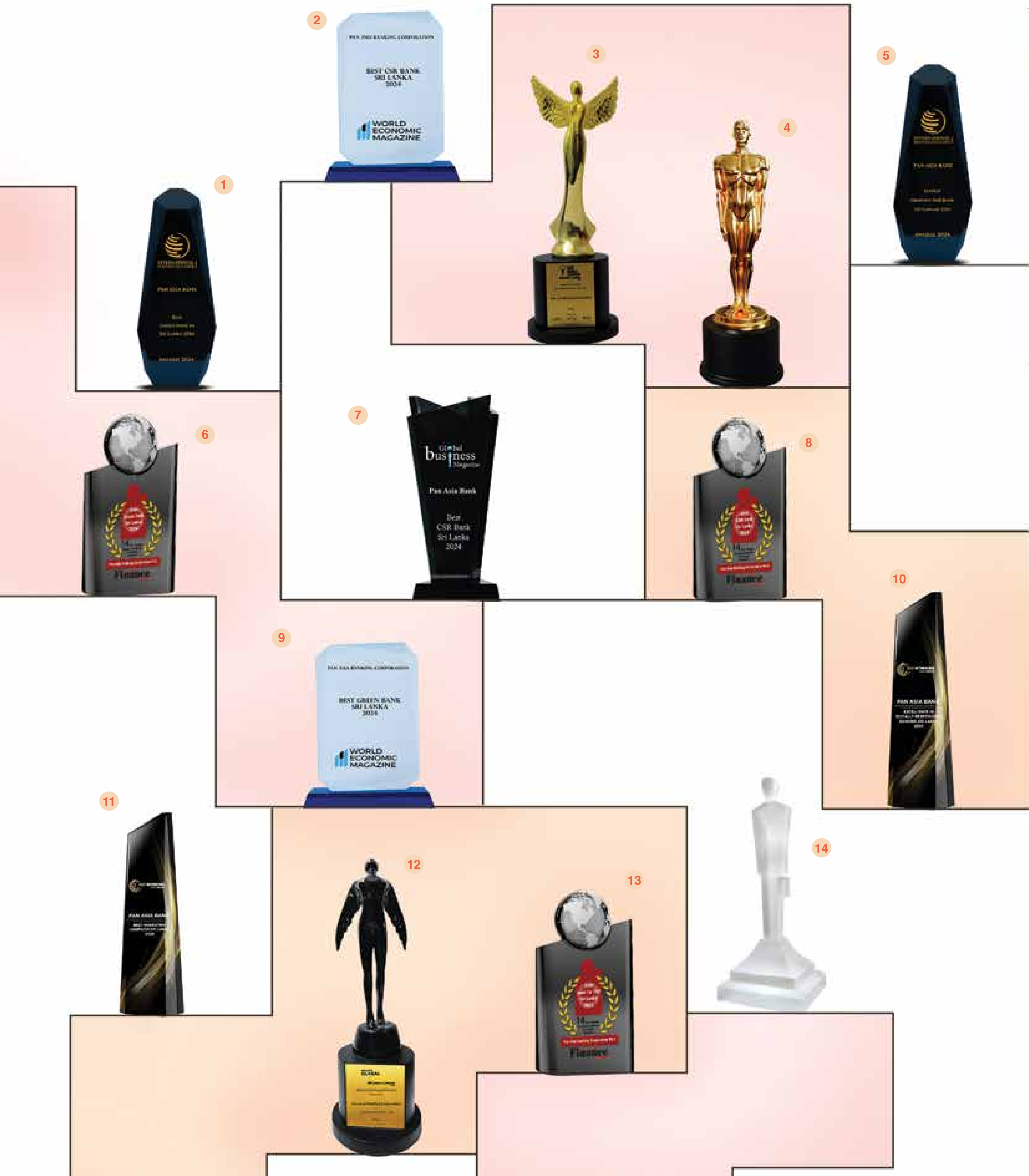
PAN ASIA BANK
The Truly Sri Lankan Bank

Pan Asia Banking Corporation PLC is a Public Limited Liability Company incorporated in Sri Lanka on 6th March 1995 under the Companies Act No.17 of 1982 and re-registered under the Companies Act No.07 of 2007. It is a Licensed Commercial Bank under the Banking Act No.30 of 1988 and listed in the Colombo Stock Exchange.

Company Registration No. PQ 48
Fitch Rating 'BBB (lka)' (Stable)

for more information
www.pabcbank.com

Accomplishments of the Year ▸



1. **Best Green Bank Sri Lanka 2024**
   International Business Magazine
2. **Best CSR Bank in Sri Lanka 2024**
   World Economic Magazine
3. **Most Admired Brand of the Year**
   ACEF Leadership Awards 2024
4. **Global CEO Leadership Excellence Awards**
   Global CEO Magazine
5. **Fastest Growing SME Bank in Sri Lanka 2024**
   International Business Magazine
6. **Best Green Bank Sri Lanka**
   Global Banking and Finance Review
7. **Best CSR Bank Sri Lanka 2024**
   Global Business Magazine
8. **Best CSR Bank Sri Lanka 2024**
   Global Banking and Finance Review
9. **Best Green Bank in Sri Lanka 2024**
   World Economic Magazine
10. **Excellence In Socially Responsible Banking Sri Lanka 2024**
    Gazet International
11. **Best Marketing Campaign Sri Lanka 2024**
    Gazet International
12. **Digital Marketing – Innovative (Bronze)**
    ACEF Global Customer Engagement Awards 2024
13. **Best Bank for ESG Sri Lanka 2024**
    Global Banking and Finance Review
14. **Business Today**
    Top 40 Corporate Entities
15. **Digital Marketing – Innovative (Silver)**
    ACEF Global Customer Engagement Awards 2024
16. **Best ESG Bank Sri Lanka 2024**
    World Economic Magazine
17. **Best CSR Bank 2024**
    Brands and Business Magazine
18. **Infosys – Channel Innovation – Platinum**
19. **Best Bank for Women Empowerment Sri Lanka 2024** - Global Business Magazine
20. **Great Managers Awards**
    Colombo Leadership Academy 2024
21. **Most Sustainable ESG Bank in Sri Lanka 2024**
    Gazet International

OTHER AWARDS

Sri Lanka Domestic CSR Initiative of the Year
Asian Banking and Finance

Best Marketing Campaign Award
Biztech Outlook

Ecosystem Initiative of the Year Sri Lanka
Asian Banking and Finance

LMD Top 100
LMD Magazine

Fastest Growing SME Bank
Sri Lanka 2024 by Global Brands Magazine

Best Bank for ESG Sri Lanka 2024
Global Business Outlook

Best Green Bank Sri Lanka 2024
World Business Outlook

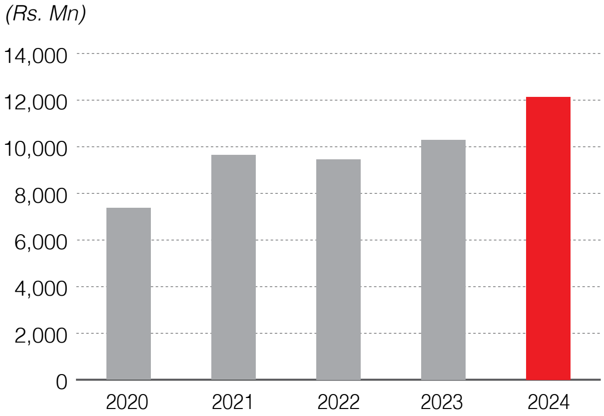
Best Bank for ESG Sri Lanka 2024
World Business Outlook

Excellence in CSR Bank Award 2024
Biztech Outlook

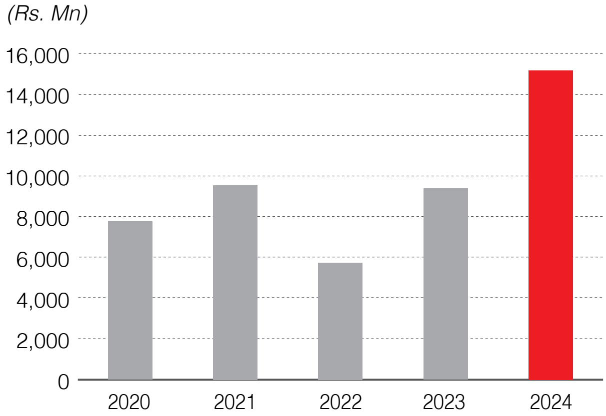
Financial Highlights ▸

	2024	2023	Change %
Financial Performance (Rs. Mn)			
Gross Income	28,831.60	38,971.23	(26.02)
Net Interest Income	12,135.74	10,302.47	17.79
Net Fee and Commission Income	1,837.15	1,484.08	23.79
Net Gains from Trading	753.37	910.21	(17.23)
Net Other Operating Losses	(863.18)	(718.03)	(20.22)
Net Operating Income	15,177.25	9,380.75	61.79
Operating Profit Before Taxes on Financial Services	7,898.24	3,325.67	137.49
Profit Before Tax	6,027.51	2,328.35	158.87
Profit for the Year	4,134.72	1,854.96	122.90
Financial Position (Rs. Mn)			
Gross Loans and Advances	160,885.70	139,885.76	15.01
Total Assets	262,863.01	233,456.32	12.60
Due to Depositors	191,293.16	175,344.87	9.10
Shareholders' Funds	26,777.78	22,597.65	18.50
Profitability			
Net Interest Margin (%)	4.93	4.67	5.57
Return on Equity (%)	17.30	8.62	100.70
Return on Assets-After Tax (%)	1.68	0.84	100.00
Cost-to-Income Ratio (%)	52.68	50.06	5.23
Investor Information			
Earnings per Share (Rs.)	9.34	4.19	122.91
Net Asset Value per Share (Rs.)	60.51	51.06	18.51
Market Price per Share (Rs.)	35.00	19.10	83.25
Earnings Yield (%)	26.69	21.94	21.65
Price Earnings Ratio (Times)	3.75	4.56	(17.76)
Price to Book Value (Times)	0.58	0.37	56.76
Market Capitalisation (Rs.Mn)	15,489.66	8,452.93	83.25
Dividends per Share (Rs.)	1.00	0.25	300.00
Dividends Yield (%)	2.86	1.31	118.32
Dividends Payout (%)	10.71	5.96	79.70
Stability and Resilience			
Capital Adequacy			
Common Equity Tier I Capital Ratio (%) (Minimum Requirement - 7%)	19.17	16.45	16.53
Tier I Capital Ratio (%) (Minimum Requirement - 8.5%)	19.17	16.45	16.53
Total Capital Ratio (%) (Minimum Requirement - 12.5%)	20.98	18.52	13.28
Leverage Ratio (%) (Minimum Requirement - 3%)	8.18	7.60	7.63
Liquidity			
Liquidity Coverage Ratio (Minimum Requirement - 100%)			
Rupee (%)	264.10	520.84	(49.29)
All Currency (%)	344.37	458.18	(24.84)
Net Stable Funding Ratio (%) - (Minimum Requirement -100%)	153.44	152.97	0.31
Asset Quality			
Stage 3 Loans (Impaired Loans) to Total Loans (%)	3.10	4.36	(28.90)
Stage 3 Loan Impairment to Stage 3 Loans (Stage 3 Provision Cover) (%)	60.10	47.13	27.52
Total Impairment Provision Cover (%)	6.10	6.14	(0.65)

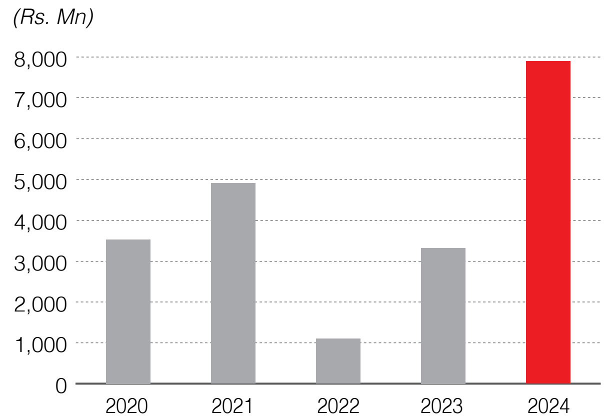
Net Interest Income



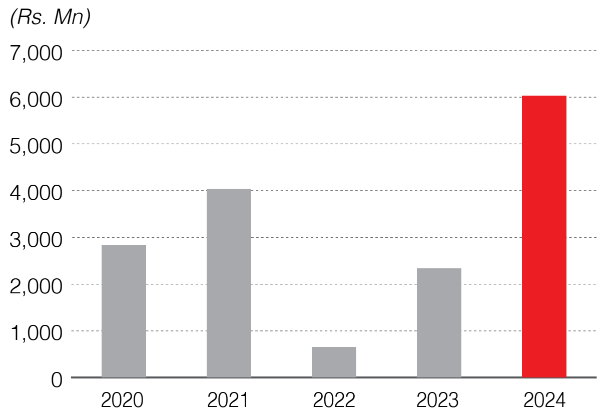
Net Operating Income



Operating Profit



Profit Before Tax



Rs. 160.89 Bn

Loans and Advances

Increased by 15.01%

17.30%

Return on Equity

Increased by 100.70%

Rs. 262.86 Bn

Total Assets

Increased by 12.60%

20.98%

Total Capital Ratio(CAR)

Increased by 13.28%

Rs. 191.29 Bn

Due to Depositors

Increased by 9.10%

153.44%

Net Stable Funding Ratio (NSFR)

Increased by 0.31%

Chairman's Message ►

Rs. 442 Mn

Gross Dividends Declared

Increased by 300%

> Pan Asia Bank's sound performance was a testament to our resilience, strategic foresight and operational excellence. We have not only navigated challenges with agility but have also set new benchmarks in performance, innovation and customer service.

Dear Shareholders,

I am pleased to welcome you to the 30th Annual General Meeting of Pan Asia Banking Corporation PLC and to place before you the Annual Report and Audited Financial Statements for the year 2024. The period under review was an extraordinary one in which we solidified our position as one of the best performing banks in Sri Lanka. Amidst a challenging yet stabilising economic and political landscape, we met and surpassed our strategic objectives, emerging as a beacon of resilience and excellence in the banking industry.

Overview of Operating Conditions

During 2024, the economy began to stabilise, ushering in a period of political consistency and renewed investor confidence. Despite the inherent risks associated with elections during the year, the banking sector demonstrated remarkable resilience, supported by a reduction in volatility across interest and exchange rates. This stability provided fertile ground for strategic growth, which Pan Asia Bank capitalised on to deliver exceptional financial results.

Sri Lanka's economic recovery during the year 2024 was both encouraging and hard-earned. After enduring two years of deep contraction, we are now seeing tangible progress, particularly in some key sectors. Challenges such as weak private consumption due to constrained household incomes remain, although the broader macroeconomic landscape is stabilising. Furthermore, inflation remained in check, supported by currency appreciation and improved supply conditions, while business confidence is gradually returning. A pivotal moment in this journey was the successful completion of the country's external debt restructuring in December 2024. This milestone has provided much-needed financial stability, allowing us to move forward with greater optimism. The banking sector, too, has shown resilience, with improved liquidity levels, stronger earnings, elevated capital levels and improving credit quality matrices. The restructuring of International Sovereign Bonds (ISBs) concluded during 2024 eased pressure on financial institutions, strengthening their balance sheets and unlocking new opportunities for growth.

As we look ahead, there is much to be hopeful about. Gross Domestic Product (GDP) growth has gained momentum, reaching 5.5% in the third quarter of 2024, the economy’s fastest expansion since the crisis. Industries such as construction and tourism are playing a central role in driving this recovery, while lower interest rates have helped fuel private sector credit growth, reaching a 32-month high by year-end. Moreover, worker remittances and tourism earnings have significantly improved, reinforcing our external position and strengthening the rupee. With gross official reserves rising to USD 6.1 billion, Sri Lanka is regaining its financial footing.

It’s important to take cognizance of the fact that there is still work to be done, but the foundation has been laid for sustainable growth. Our focus now must be on maintaining this momentum, fostering investment, strengthening economic reforms, and ensuring that this recovery translates into real, long-term benefits for businesses and people alike.

Strong Financial Performance

Pan Asia Bank’s achievements were underpinned by a series of forward-thinking initiatives launched in 2023, which were meticulously designed to align with emerging market dynamics. As Sri Lanka’s sovereign debt restructuring process reached a pivotal milestone, our pre-emptive provisioning for potential losses in prior years showcased our prudence and foresight. This strategic approach enabled us to release a portion of these provisions back into profitability in the year 2024, further reinforcing our robust financial standing. The bank’s growth was driven by overall excellence in core banking performance, with net interest income increasing due to higher business volumes and sustained improved margins. Notably, the bank achieved its highest-ever Profit After Tax (PAT) and total asset growth in absolute terms in its history during 2024. The Bank reported PAT of Rs. 4.13 billion in 2024, reflecting an increase of 123% compared to the previous year.

In 2024, Pan Asia Bank achieved a stellar credit growth of Rs. 21 billion, driven by a decisive expansion across all segments, with key contributions from Corporate banking and SME Banking. Strategic diversification has enhanced our lending operations and positioned us as a preferred partner for businesses seeking growth capital. The Bank recorded a total deposit growth of Rs. 15.95 billion, which was predominantly driven by the branch network. This strong performance includes growth in Current and Savings Accounts (CASA) by over Rs. 9 billion and time deposit growth closer to Rs. 7 billion. Moreover, our unwavering commitment to asset quality was reflected in maintaining one of the lowest stage 3 loan ratios in the industry - a testament to our rigorous credit risk management and underwriting standards.

The Bank’s performance was complemented by our ability to navigate external challenges adeptly. While government imposed restrictions on legal recoveries posed headwinds, we proactively refined our recovery strategies to minimise the impact. Moreover, amidst heightened competition for talent in the banking sector, we introduced a comprehensive review of our benefits and rewards framework, ensuring we remain an employer of choice.

Expanding Shareholder Wealth

Pan Asia Bank delivered exceptional shareholder value during the year, with its share price nearly doubling to close at Rs. 35. The Earnings per Share (EPS) more than doubled during the year, surging from Rs. 4.19 in 2023 to Rs. 9.34 per share in 2024. This increase reflects the Bank’s enhanced earnings capacity and continued commitment to delivering value to its shareholders. The Net Asset Value per Share stood at Rs. 60.51, further reinforcing the Bank’s strong financial position. This remarkable growth reflects the market’s confidence in the Bank’s strategic vision, financial strength, and ability to capitalise on emerging opportunities.

The sharp appreciation in share price underscores the Bank’s resilience in a challenging economic environment, reinforcing its commitment to sustainable growth and long-term value creation. As the Bank continues to expand its footprint and enhance its service offerings, shareholders stand to benefit from its strong fundamentals and forward-looking strategy.

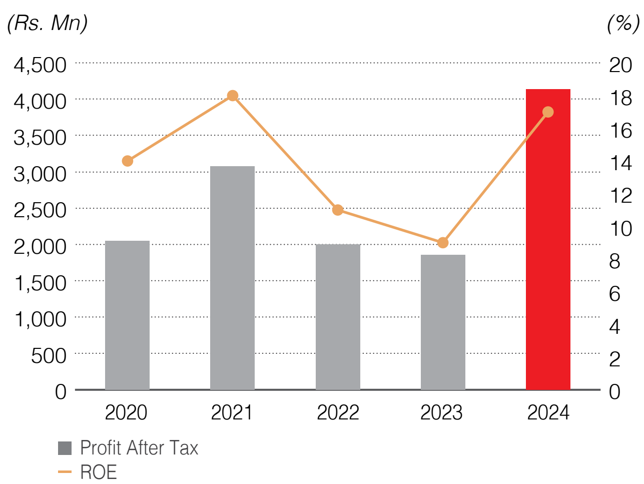
Return on Equity

During the year under review, Return on Equity (ROE) witnessed a remarkable increase, rising to 17.30% from 8.62% in the previous year, more than doubling within a single year. This substantial improvement underscores the Bank’s ability to generate higher returns for its shareholders, driven by robust earnings growth and enhanced operational efficiencies.

Return On Assets

Return On Assets (ROA), a key measure of profitability, also recorded a notable improvement, increasing from 0.84% in 2023 to 1.68% in 2024. This upward trajectory highlights the Bank’s effective asset utilisation and prudent risk management strategies, which contributed to improved bottom-line performance.

Returns Over the Years



Dividend Payout

In line with this impressive performance, the Board has proposed a dividend of Rs. 1.00 per share, marking a significant fourfold increase compared to the previous year. This substantial rise in dividends, along with a dividend payout ratio growth exceeding 79% demonstrates the Bank's dedication to rewarding its shareholders while maintaining a sustainable balance between capital retention and distribution.

Capital Adequacy & Liquidity Position

The Bank maintained a strong capital and liquidity position throughout the year, reinforcing its financial stability and resilience in a dynamic operating environment. Capital buffers remained well above the minimum regulatory requirements, reflecting prudent capital management and a solid financial foundation.

The Common Equity Tier 1 (CET1) Ratio stood at 19.17%, significantly exceeding the regulatory minimum of 7.00%. Similarly, the Tier 1 Capital Ratio was maintained at 19.17%, well above the minimum requirement of 8.50%. The Total Capital Ratio further strengthened to 20.98%, underscoring the Bank's robust capital adequacy and its ability to absorb potential risks while continuing to support business expansion.

The Bank's liquidity position also remained strong, ensuring its ability to meet obligations and sustain operations under various market conditions. The Liquidity Coverage Ratio (LCR) across All Currencies was an impressive 344.37%, while the LCR for the Rupee stood at 264.10%, both well above the regulatory thresholds. These healthy liquidity levels reaffirm the Bank's commitment to maintaining financial prudence and ensuring the stability required to navigate economic uncertainties while supporting future growth.

Good Governance

The Board's commitment to robust risk management, well-defined processes and strong governance framework served as critical pillars in steering the organisation towards steady and long-term growth. Our commitment to regulatory compliance and corporate governance remained unshakable.

Recognising the growing importance of sustainability in banking, we reinforced our commitment to Environmental, Social, and Governance (ESG) principles. Our initiatives in this space earned industry recognition, further strengthening our reputation as a socially responsible financial institution.

By maintaining capital adequacy ratios well above the regulatory requirements, Pan Asia Bank not only demonstrated its financial strength but also resumed investments in critical growth areas.

Looking Ahead

As we position ourselves for the next phase of growth, Pan Asia Bank stands poised at the threshold of immense opportunity. With Sri Lanka's economic recovery gaining momentum, bolstered by external debt restructuring and improving macroeconomic stability, the Bank is primed to accelerate its growth trajectory. Our strategic vision for 2025 is underpinned by bold expansion plans, including an aggressive branch network rollout, the introduction of cutting-edge IT solutions and a continued focus on enhancing our digital banking capabilities. These include plans to launch 15 new branches in 2025 and a continued focus on digital transformation to enhance customer experience and operational efficiency.

Reflecting on the past year, Pan Asia Bank's sound performance was a testament to our resilience, strategic foresight and operational excellence. We have not only navigated challenges with agility but have also set new benchmarks in performance, innovation and customer service. As we chart our course for the future, we remain unwavering in our commitment to our stakeholders, ensuring that Pan Asia Bank continues to lead the industry with strength, integrity and a relentless pursuit of excellence.

Appreciation

I extend my gratitude to my colleagues on the Board, whose support has been invaluable. I must also commend the resilience and dedication displayed by the CEO, the Corporate Management team and all employees. Their collective determination has been truly inspiring and instrumental in driving the Bank's strong performance amidst numerous challenges over the past year.

This year's achievements are a testament to the strength of unified action and shared purpose. I am deeply appreciative of the guidance and support extended by the regulators, including the Central Bank of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, in navigating these testing times.

I am especially thankful to our loyal customers who stood by us and their interests will always remain our priority. Together, we are poised to navigate the future with confidence and deliver sustainable growth for years to come.

Aravinda Perera
Chairman

14th February 2025

Rs. 6.03 Bn

Profit Before Tax

Increased by 159%

> One of the key differentiators for Pan Asia Bank in the financial year has been its strategic focus on lending and deposits. The year saw a shift from income predominantly derived from trading and government securities, to a more resilient and sustainable model based on business lending and deposit acquisition.

Dear Shareholders,

Pan Asia Bank demonstrated exceptional performance through the period under review - a year marked by strategic foresight and a sustained focus on core banking operations. Successfully navigating a challenging economic environment during 2024, we leveraged our strong operational foundation to deliver impressive results.

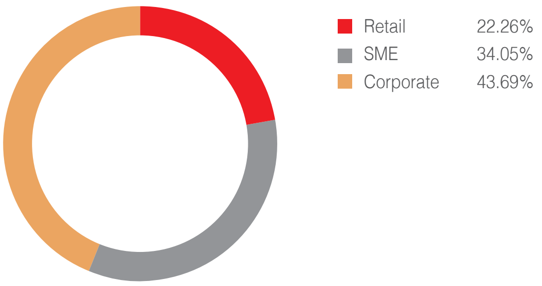
A key pillar was the strategy to streamline services and enhance the customer experience, while maintaining a robust financial position. By focusing on improving digital capabilities and expanding the customer base, Pan Asia Bank was able to offer innovative products and solutions that fulfilled the evolving needs of both individual and business clients. Significant strides were made in managing the risk profile, maintaining healthy liquidity and strengthening capital adequacy. This strategic balance enabled Pan Asia Bank to thrive in a competitive market during the financial year 2024 while positioning itself for continued success in the future.

Sector Overview

The banking sector showed signs of improvement in the first half of 2024, driven by better overall economic conditions. Key indicators such as loan quality, liquidity and capital levels suggested that financial institutions were becoming more resilient. However, some challenges lingered, as the ratio of bad loans remained high, though banks were setting aside more funds to cover potential losses. As market interest

> "At the core of its future vision, the Bank remains committed to responsible lending, sustainability and digital innovation. By embracing ESG principles and prioritising customer-centricity, Pan Asia Bank is positioning itself as a forward-thinking financial institution that meets evolving market demands while upholding ethical banking practices"

Key Drivers of Loans & Advances Growth - 2024



rates declined and domestic demand grew, lending activity picked up, especially in the private sector. State-Owned Enterprises (SOEs) reduced their reliance on bank loans, mainly because the government took on some of their debt. Despite this, the sector continued to increase its exposure to government bonds, as these investments offered higher returns than other options, boosting the sector's liquidity in local currency.

Banks also held significant foreign currency reserves, showing they were managing their international finances prudently. The sector's profitability improved, mainly due to higher income from interest on loans and deposits, largely due to banks paying less on deposits, even though they kept lending rates relatively stable. As a result, the sector's overall capital strength improved, supported by increased investments in government securities and the issuance of additional capital through debentures. Overall impairments declined during the period under review as the economy showed an uptick.

Financial Performance

In financial terms, the Bank witnessed a stellar year of growth and profitability, with an increase in Profit After Tax (PAT) of 123% and Profit Before Tax (PBT) soaring by 159%. This growth is reflective of the Bank's robust portfolio management and commitment to generating sustainable profits. As a result, the Bank ended the financial year 2024 with a PAT of Rs. 4.13 billion, the highest-ever profit in Pan Asia Bank's history of three decades.

1.68% ▲

Return on Assets

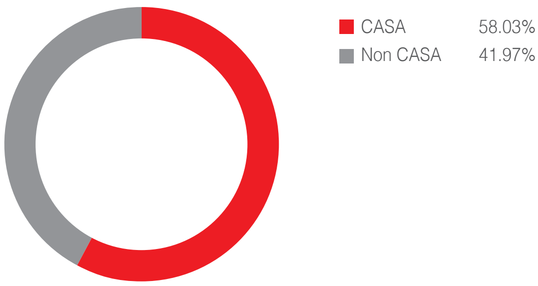
Increased by 100%

The Bank's total assets grew by Rs. 29.41 billion or by 13%, driven predominantly by a significant expansion in advances, once again reflecting the highest-ever absolute term asset growth in the history of the Bank. With an increase of approximately Rs. 21 billion in advances, Pan Asia Bank has secured a dominant position in the lending sector, underscoring its pivotal role in supporting the economy.

Notably, the growth in advances has been broad-based, with Rs. 17 billion coming from business lending, including Small and Medium-sized Enterprises (SMEs) and corporate lending, a testament to the Bank's strategic decision to focus on entrepreneurship and business development.

Furthermore, deposits rose by Rs. 15.95 billion, highlighting the trust and confidence customers place in the Bank's services. The Bank also witnessed an improvement in its credit quality levels as the stage 3 loan ratio improved from 4.36% in 2023 to 3.10% in 2024. This improvement was supported by improved underwriting standards, concerted recovery and collection efforts, and improved macroeconomic conditions during 2024.

Composition of Deposits Growth - 2024



One of the key differentiators for Pan Asia Bank in the financial year has been its strategic focus on lending and deposits. The year saw a shift from income predominantly derived from trading and government securities, to a more resilient and sustainable model based on business lending and deposit acquisition. This strategic pivot has not only bolstered the Bank's profitability but has also aligned it more closely with the country's economic recovery and growth trajectory post-crisis. The lending growth witnessed during the year has come at a crucial time - when businesses, particularly in the SME and corporate sectors, are gearing up for recovery.

Meanwhile, Net Interest Income (NII) surged by 18% during the year 2024, outpacing many competitors in the sector, demonstrating effective asset-liability management and strong growth in lending. The increase in fee-based income, which has risen by 24%, reflects the bank's diversified revenue streams and its ability to adapt to changing market conditions. These results reflect the Bank's holistic approach to financial services, shifting the focus from traditional income sources to more sustainable and diversified revenue-generating activities.

Meanwhile, total operating expenses increased by 20% mainly due to increased staff remuneration following a salary review and increased allocations for staff performance bonuses.

During the period under consideration, the Bank maintained a solid capital and liquidity position, reinforcing its financial strength in a dynamic environment. Capital buffers remained well above regulatory requirements, reflecting prudent management. The Common Equity Tier 1 (CET1) and Tier 1 Capital Ratios stood at 19.17%, exceeding the regulatory minimums of 7.00% and 8.50%, respectively. The Total Capital Ratio rose to 20.98%, ensuring resilience and growth capacity. Liquidity remained robust, with an all-currency Liquidity Coverage Ratio (LCR) at 344.37% and Rupee LCR at 264.10%, both comfortably surpassing regulatory thresholds. These strong metrics underline the Bank's commitment to financial stability and sustainable expansion.

Meanwhile, Return on Equity (ROE) more than doubled to 17.30%, up from 8.62%, driven by higher earnings and operational efficiency. Return On Assets (Post Tax) improved to 1.68%, from 0.84%, reflecting better asset utilisation and risk management.

The strong financial performance of Pan Asia Bank during the year under review was reflected in its share price, which nearly doubled during the year under review, closing at Rs. 35. This significant appreciation highlights investor confidence in the Bank's strategic direction, growth potential and financial stability. The surge in share price is a testament to the Bank's resilience in navigating economic challenges while delivering consistent value to its stakeholders.

Harnessing Innovation

Pan Asia Bank has embraced innovation and digital transformation as central pillars of its strategy. The implementation of automated systems such as e-signature for all memos and a new loan origination system has expedited banking processes and enhanced operational efficiency.

The introduction of LIME, a digital onboarding platform, will further streamline customer acquisition and service delivery, enhancing both speed and customer satisfaction. During the year, the Bank upgraded its mobile banking app to provide a more user-friendly experience, reflecting its commitment to customer-centric innovation. Digital zones in select branches have further contributed to higher transaction volumes, proving the success of the Bank's digital initiatives.

In a year defined by economic recovery and resurgence, Pan Asia Bank has positioned itself as a responsible corporate citizen, contributing to the country's turnaround. Our marketing and strategic initiatives were centered on empowering entrepreneurs. By partnering with the National Chamber of Commerce of Sri Lanka and Certified Professional Managers (CPM), Pan Asia Bank has facilitated financial literacy programmes aimed at enhancing the financial acumen of SMEs and individuals, equipping them to make informed decisions in their entrepreneurial journeys. The Bank was the premier sponsor of the 'Western Province Entrepreneur of the Year' awards ceremony organised by the National Enterprise Development Authority and the National Chamber of Commerce Sri Lanka. These efforts align with the Bank's larger vision of fostering entrepreneurship and supporting economic revitalisation in Sri Lanka.

The Bank also took significant steps to educate customers on credit scores and the importance of maintaining healthy credit profiles. This initiative, particularly our work with the Credit Information Bureau of Sri Lanka (CRIB), is designed to ensure responsible lending practices and improve access to financing for businesses and individuals alike.

The Bank has made substantial strides in enhancing its brand presence. The redesigned branches, with striking red-and-white signage, have set a new standard in local branding, ensuring that Pan Asia Bank stands out in any location. Coupled with the sponsorship of Derana Dream Star, one of the country's premier reality shows, the Bank has leveraged both traditional and digital platforms to elevate its market perception. These efforts not only strengthen the Bank's local footprint but also attract new customers, expanding its market reach.

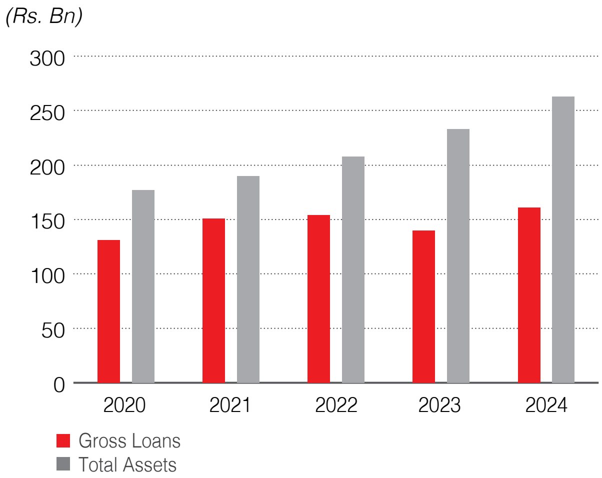
Furthermore, Pan Asia Bank has upgraded its mobile banking app and introduced digital zones in 15 branches, with plans to expand this initiative to 50 branches. These efforts are expected to drive transaction volumes and further embed the Bank's services into the daily lives of its customers. The Bank's commitment to digitalisation is an essential part of its strategy to remain competitive in an increasingly tech-driven financial landscape.

Environmental, Social, and Governance (ESG) Commitment

In line with its vision for long-term sustainable growth, Pan Asia Bank has demonstrated its commitment to Environmental, Social, and Governance (ESG) principles. The Bank was one of the pioneers in integrating ESG frameworks within the banking sector and continues to lead in this domain. Key initiatives include the promotion of drip irrigation projects to support sustainable agriculture, as well as funding mini hydro and solar energy projects and domestic solar units that contribute to a greener future.

In terms of governance, Pan Asia Bank has adhered to stringent regulatory requirements, ensuring that the Bank meets the latest standards in consumer protection and governance. The Bank has proactively incorporated the Banking (Amendment) Act 2024 and related policies, positioning itself as a responsible financial institution that places a premium on transparency and accountability.

Growth over the Years



Talent Development

Pan Asia Bank remains committed to strengthening its workforce despite ongoing challenges in recruitment and staff retention caused by migration. The Bank's HR team has implemented a strategic hiring approach, resulting in an increase in staff strength even in a difficult labour market. This demonstrates the effectiveness of its recruitment initiatives and its ability to attract and retain skilled professionals. These efforts are crucial as the Bank continues to expand its operations and work towards its ambitious long-term objectives.

A key focus area for the Bank is leadership development, ensuring that future leaders are well-equipped to drive growth. Pan Asia Bank has introduced extensive training programmes to support this objective aimed at developing aspiring managers and enhancing service capabilities across all branches. These initiatives are designed to improve customer experience while also preparing employees for greater responsibilities within the organisation. By investing in skills development, the Bank is fostering a dynamic workforce capable of meeting evolving market demands.

Aligned with its strategic vision, Pan Asia Bank is on track to becoming a mid-sized bank by 2027, with a target asset base of Rs. 400 Billion. Achieving this milestone requires a strong and capable workforce, and mandates making talent development a top priority. By continuously enhancing recruitment strategies and investing in employee growth, we are ensuring that we have the right people in place to support our expansion plans. Our long-term approach to human capital management will be instrumental in driving sustainable progress.

Future Outlook and Strategic Vision

Pan Asia Bank is firmly focused on achieving sustained growth and expansion in the years ahead. A key element of our strategic vision is to establish a balanced portfolio with an equal focus on retail and business banking. This 50-50 balance will allow the Bank to strengthen its presence in both segments, ensuring diversified revenue streams and enhanced financial stability. A crucial part of this strategy involves expanding operations in the corporate and SME sectors, where the Bank sees significant potential for growth. Working towards our expansion plans, Pan Asia Bank aims to increase its physical presence across the country, with a near-term target of operating 100 branches, enabling the Bank to reach a wider customer base while reinforcing its market position in the banking industry.

The Bank's growth strategy is firmly rooted in organic expansion, with a special emphasis on high-potential sectors such as remittances, tourism and exports. Recognising the importance of remittances in the national economy, Pan Asia Bank has already taken steps to strengthen its foothold in this space, aiming to facilitate seamless fund transfers for Sri Lankans working abroad. Moreover, we are actively capitalising on opportunities in tourism and small hotel financing, supporting businesses in these sectors as they recover and grow. By aligning its financial services with key economic drivers, Pan Asia Bank is not only working towards its own growth objectives but also contributing to Sri Lanka's broader economic recovery.

At the core of its future vision, the Bank remains committed to responsible lending, sustainability and digital innovation. By embracing ESG principles and prioritising customer-centricity, Pan Asia Bank is positioning itself as a forward-thinking financial institution that meets evolving market demands while upholding ethical banking practices. Moving forward, Pan Asia Bank will continue to play a key role in fostering economic resilience, supporting innovation and delivering lasting value to its stakeholders, reinforcing its reputation as a trusted and dynamic player in Sri Lanka's banking sector.

Appreciation

I wish to express my gratitude to the Chairman Aravinda Perera, and the Board of Directors for their valuable guidance through a challenging year. The Corporate Management and the rest of the team have extended their fullest cooperation and loyalty. I would also like to thank the Central Bank of Sri Lanka, the Securities and Exchange Commission of Sri Lanka and other stakeholders for their unwavering support. We are grateful to our loyal customers for partnering us with our journey of growth and profitability.

Naleen Edirisinghe
Director/Chief Executive Officer

14th February 2025

MANAGEMENT DISCUSSION AND ANALYSIS

Macroeconomic Review ▸

Sri Lanka's economy is recovering after a contraction during 2022 and 2023 driven by a rebound in the industrial sector, particularly in construction and food and beverage manufacturing, as well as a strong performance in tourism-related services. Private consumption remained weak as household disposable incomes continued to be depressed. Inflation remained in the negative territory supported by downward adjustments in administered prices, currency appreciation and improved supply conditions, whilst demand was subdued. The external debt restructuring process, except for a small portion, was completed successfully in December 2024, strengthening the external sector outlook of the country. The economic recovery gained momentum, supported by the improving business confidence and market sentiments as well as the robust expansion of private sector credit, reflecting relaxed monetary conditions.

Banking Industry

With the gradual dissipation of spillover effects of the economic crisis on the financial sector, the soundness of the banking sector improved during the year. Lending activities in the banking sector continued to grow, while the credit quality improved as reflected by the reduction in the non-performing loan (NPL) ratio. Earnings of the sector improved notably while liquidity and capital positions remained resilient.

Further, the successful conclusion of international sovereign bond (ISB) restructuring during the latter part of the year alleviated pressure on the banking industry, improving the financial profiles of the sector. Moreover, the recent credit rating upgrade of licensed commercial banks (10 LCBs) following sovereign rating upgrades will help regain access to foreign funding going forward. The outlook for the banking sector is indeed optimistic, especially given the expected economic recovery and ongoing stability in macroeconomic factors.

Government External Debt Restructuring

Sri Lanka has completed the more complicated part of its ISB restructuring agreement, a milestone toward recovering from bankruptcy. Debt restructuring gives Sri Lanka sizeable debt relief, enabling to rebuild fiscal and external buffers for economic recovery and growth.

Restructuring of International Sovereign Bonds

ISBs accounted for USD 12.55 billion of face amount of debt, out of the total central government external face amount of debt of USD 37 billion as of end 2023. Over 40% of the ISB investments were held by international bond holders while Sri Lankan domestic financial market holders of ISBs, held approximately 12% of the aggregate outstanding amount. The restructuring also features an exchange programme for bonds, aimed at shaving debt service payments by about USD 9.5 billion over four years under the IMF-supported Sri Lankan economic recovery plan. These are GDP-linked and governance-linked bonds in which the payments are indexed to economic performance and governance reforms. This restructuring package encompasses USD12.5 billion of bonds in default and past due interest, to be exchanged for new instruments, including macro-linked bonds

The ISBs being restructured comprise 11 series of bonds with a total face value (excluding interest) of USD 12,550 million. On 20th December 2024, Sri Lanka concluded the successful settlement of the ISB restructuring and immediately Fitch Ratings upgraded Sri Lanka's credit rating from Restricted Default to CCC+. On 23rd December 2024, Moody's also upgraded Sri Lanka from Ca to Caa1. The debt exchange converted 11 international sovereign bonds and accumulated past due interest (PDI) into a mix of four macro-linked bonds, one governance-linked bond and one PDI bond. Bondholders were given an option to choose the local alternative governed by domestic law, with rupee-denominated bonds and a US dollar bond with step-up coupon payments.

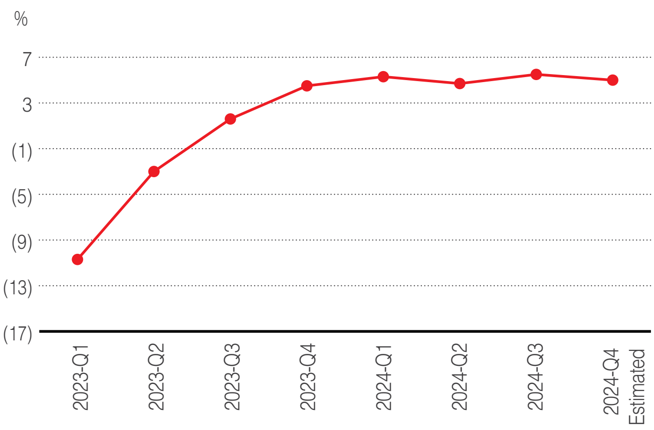
Positive outcome on Banking Industry

The ISB restructuring has significantly alleviated pressure on local banks by reducing the burden of debt they held, thereby easing concerns about liquidity and credit risk, and improving banks overall financial stability. This was achieved by allowing local banks to exchange a portion of their ISBs for new Sri Lankan rupee-denominated bonds with a reduced principal amount, minimising immediate losses and stabilising the domestic financial market. The option to exchange ISBs for Sri Lankan rupee-denominated bonds helped to mitigate currency risk and provide more stability in the domestic financial system. Moreover, with reduced sovereign debt exposure, the creditworthiness of Sri Lankan banks was perceived to be improving, potentially leading to better access to funding. Moreover, credit rating upgrade of 10 LCBs by Fitch Ratings on 21st January 2025 certainly create new funding opportunities as banks could regain access to foreign-currency wholesale funding, following the restoration of the sovereign's creditworthiness.

GDP Growth

Sri Lanka's economy experienced a transition from one of the worst economic crises in its history to a path of gradual recovery and growth. In the first quarter of 2024, Sri Lanka's GDP growth rate reached 5.3%, while second quarter of 2024 saw a GDP growth rate of 4.7%, maintaining the positive trend as the economy continued to stabilise and grow. By the third quarter of 2024, the GDP growth rate had increased to 5.5%, marking the fastest expansion since the economic crisis began. This growth was driven by robust performances in the construction, manufacturing and services sectors, as well as easing inflationary pressures and declining interest rates. Continued implementation of economic reforms and structural adjustments helped stabilise the macroeconomic environment, facilitating sustained growth. The latest economic indicators suggest that robust economic growth is likely to have continued, resulting in higher growth for

Quarterly Real GDP Growth



Source : Central Bank of Sri Lanka

2024 than initially projected. According to the World Bank Sri Lanka's economy is projected to show moderate growth of around 4.4% in 2024, signifying signs of stabilisation after the severe downturn in 2022.

During 09 months period in year 2024, In the Agriculture sector, a modest growth of 1.9% was recorded. The industrial sector in 2024 showed a positive performance recording 11.2% growth with significant growth in production volume, particularly in the construction and food and beverage manufacturing segments, contributing to the overall economic rebound after a recent downturn. The Services sector saw a 2.6% increase, supported by a 27.7% surge in accommodation, food and beverage serving activities, benefiting from the resurgence of tourism. Insurance, reinsurance, and pension funding also posted strong growth of 13.1%.

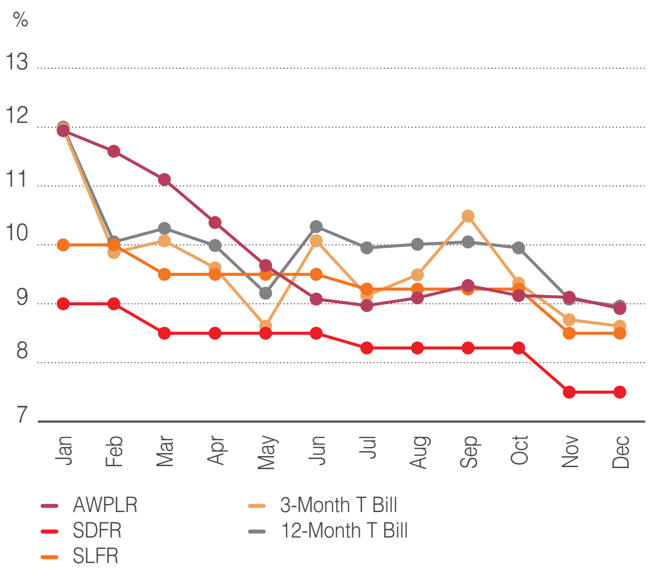
Interest Rates

The volatility in interest rates during 2024 was influenced by the country's economic conditions and monetary policy adjustments. The Average Weighted Prime Lending Rate (AWPLR), which represents lending rates offered by banks to their best customers, started the year at 11.94% in January and steadily decreased to 8.92% by December. This decline reflected the overall easing of lending rates. The Central Bank of Sri Lanka eased its monetary policy stance by 150 bps during the year. These reductions were part of efforts by the Central Bank (CBSL) to lower borrowing costs and encourage economic activities. A significant decrease in risk premiums on government securities aimed to drive market interest rates, including lending rates, even lower in the months ahead.

Further, effective 27th November 2024, the CBSL moved to a single policy interest rate mechanism from its dual policy interest rate mechanism. Accordingly, the Overnight Policy Rate (OPR), set at 8.00 per cent, which serves as the primary monetary policy tool of the Central Bank to signal and operationalise its monetary policy stance henceforth. Moreover, with this transition to the single policy interest rate mechanism, the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) are no longer considered policy interest rates of the CBSL.

Overall, 2024 saw a clear trend toward lower interest rates as part of the CBSL's strategy to boost economic recovery and growth. The reduction in policy rates, Treasury bill rates, and lending rates highlight CBSL's efforts to make borrowing more affordable while balancing inflation control and supporting economic activities.

BEHAVIOUR OF INTEREST RATES

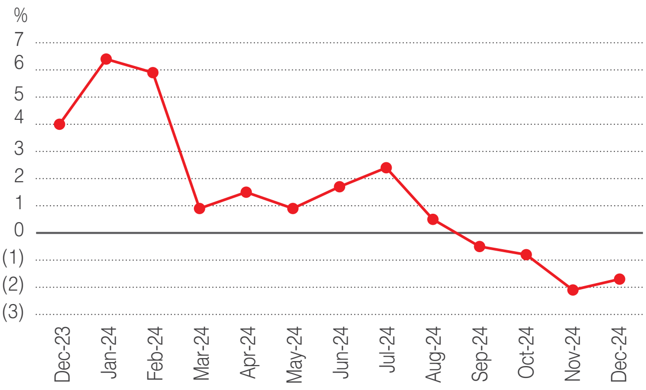


Source : Central Bank of Sri Lanka

Inflation

The inflation data for Sri Lanka from December 2023 to December 2024 shows significant fluctuations. Starting at 4.00% in December 2023, the inflation rate peaked at 6.40% in January 2024. This initial rise can be attributed to post-holiday season demand and adjustments in prices. However, the inflation rate began to decline steadily influenced by effective monetary policies and stabilisation efforts by the Central Bank of Sri Lanka. Inflation remained in the negative territory during the period of September to December 2024, recording a deflation of 1.7% in December 2024, mainly driven by downward revisions to electricity tariffs and domestic fuel prices, amidst subdued demand pressures. Looking ahead, headline inflation is expected to remain in the negative territory in the next few months, driven by the persistent effects of significant downward adjustments in energy prices and the reduction in volatile food prices, coupled with the considerable base effect, owing to the price increases experienced in early 2024 due to tax amendments. Nevertheless, inflation is expected to turn positive thereafter and gradually align with the targeted level of 5% over the medium term, aided by appropriate policy measure.

Inflation: Y-o-Y % Change in CCPI



Inflation Rate

Source : Central Bank of Sri Lanka

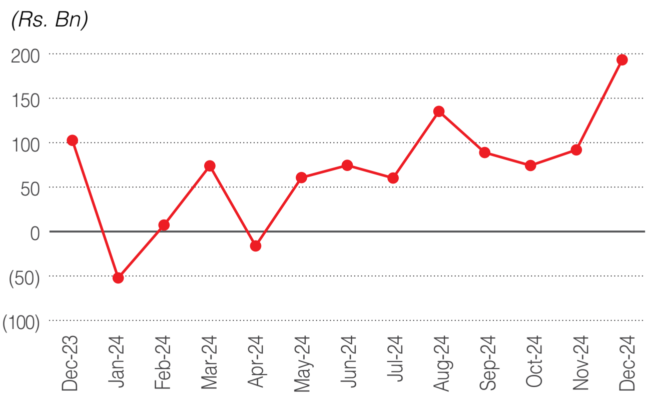
Credit to Private Sector

The growth of private sector credit continued to accelerate, supported by declining market lending interest rates and revival in economic activities. The CBSL's easing accommodative policy stance has fuelled increased credit flows to the private sector, reflecting a broader recovery in economic activities.

As per CBSL data, private sector credit in December 2024 reached a 32-month high of 193 billion rupees, while the expansion of private sector credit recorded a 27-month high of 10.7 percent year-on-year.

The CBSL anticipates that the expansionary momentum of private sector credit will persist in the coming months, further strengthening economic growth.

Monthly Change in Credit to Private Sector



Credit to Private sector

Source : Central Bank of Sri Lanka

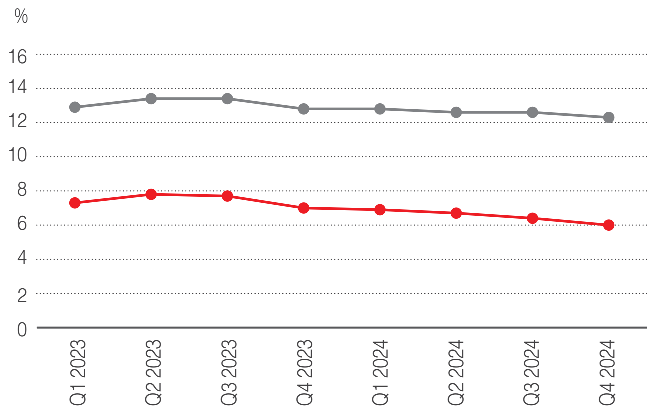
Credit Quality

Sri Lanka's banking sector experienced mixed trends in asset quality during year 2024, reflecting both the challenges posed by prolonged economic pressures and the early signs of recovery. The gross stage 3 ratio, a key indicator of non-performing loans, rose from 12.7% in Q1 2023 to its peak of 13.6% in Q3 2023, highlighting the strain on borrowers caused by economic difficulties, including reduced income levels and inflationary pressures. However, the situation improved gradually, with the ratio declining to 12.8% in Q4 2023 and stabilising further at 12.3% by Q4 2024. This recovery was supported by proactive measures by banks to manage credit risks and strengthen loan portfolios.

As Sri Lanka's economy began to recover, favourable economic conditions contributed to an improved repayment capacity among borrowers, further supporting the decline in non-performing loans.

These trends highlight the ongoing challenges in maintaining credit quality while also indicating cautious optimism. The combination of better loan recovery strategies, strengthened risk management, and improving economic conditions has provided a pathway for stabilisation in the banking sector as it adapts to a gradually recovering economy.

Assets Quality



Gross Stage 3 Ratio - Industry

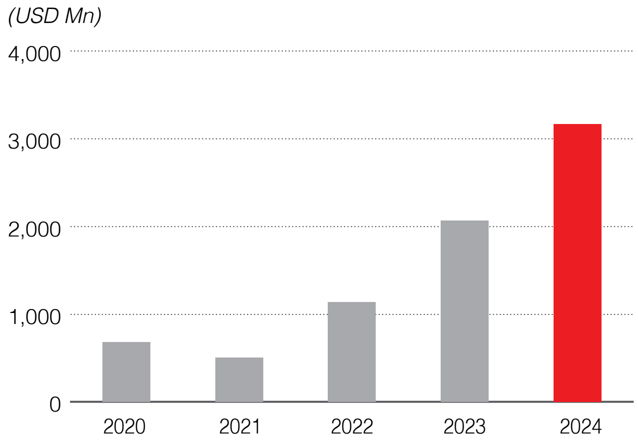
Net Stage 3 Ratio - Industry

Source : Central Bank of Sri Lanka

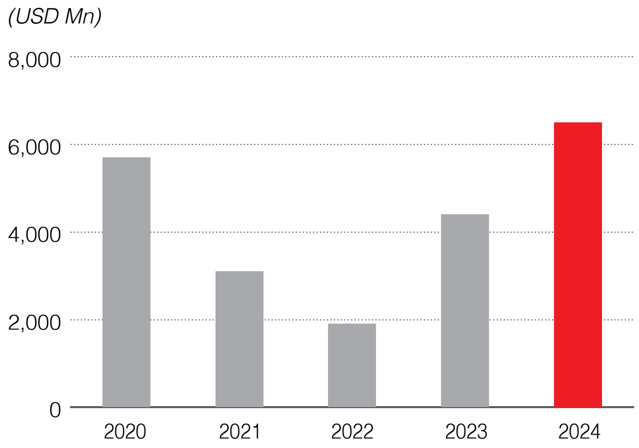
External Sector Performance

The external sector remained strong despite a wider trade deficit in 2024, driven by higher import growth outpacing exports. Increased earnings from tourism and workers' remittances supported the external current account, while the Sri Lankan rupee appreciated by 10.7% in 2024.

Earnings from Tourism

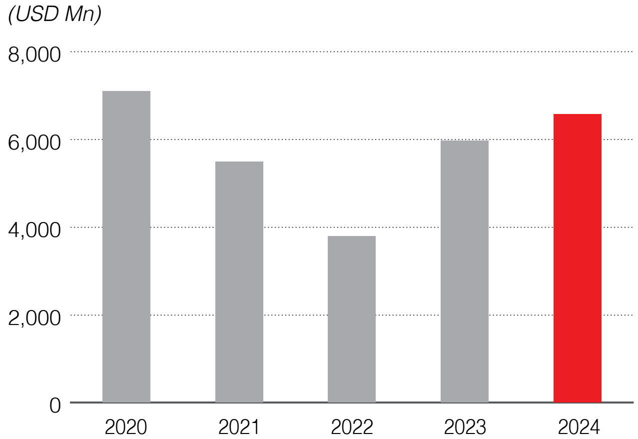


Gross Official Reserves



Gross Official Reserves (GOR) improved to USD 6.1 billion at end of December 2024 compared to USD 4.4 billion at end December 2023. GOR include the swap facility with the People's Bank of China (PBOC), which is subject to conditionalities on usability.

Worker Remmitances



By 2024, the tourism earnings increased to USD 3,168 million, slightly below pre-pandemic levels. This robust recovery highlights the resilience of Sri Lanka's tourism industry and its ability to bounce back from the severe impacts of both the pandemic and the economic crisis.

Worker remittances also notably improved as the migrants continued to support their families back home, helping to mitigate some of the economic hardships faced by the country. The increased migration significantly boosted worker remittances, contributing to the higher figures observed in these years. In 2024, the highest volume of remittances was received from Kuwait, Saudi Arabia and Qatar, reflecting the significant presence of Sri Lankan workers in these countries. Worker remittances recorded USD 6,575 million by end of December 2024.

Financial Review ▸

Overview

Pan Asia Banking Corporation PLC reported an impressive overall financial performance amidst challenges emerging from an uncertain but improved macroeconomic environment. The Bank's financial performance in the year 2024 is reflective of its robust portfolio management and commitment to generating sustainable profits.

During 2024, the Sri Lankan economy achieved significant strides in restoring macroeconomic stability and maintaining the stability of its financial system. According to the World Bank, Sri Lanka's economy is projected to show moderate growth of around 4.4% in 2024, signifying signs of stabilisation after the severe downturn in 2022; this growth is primarily driven by a rebound in the industrial sector, particularly construction and food manufacturing, along with a strong performance in tourism-related services. The market interest rates have stabilised, supporting notable credit growth to the private sector since May 2024. Despite a widened trade deficit due to higher import expenditure, external resilience is bolstered by the International Monetary Fund (IMF)'s Extended Fund Facility (EFF) programme, successful conclusion of external debt restructuring process, and multilateral financial support.

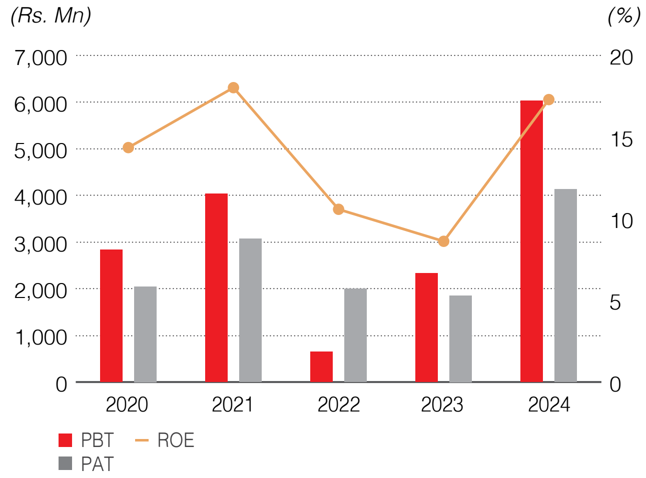
Profitability

The Bank reported an Operating Profit before Taxes on Financial Services of Rs. 7.90 billion for the year ended 31st December 2024, with an increase of 137% compared to the previous year, supported by improved net interest income, increased fee and commission income and net provision reversal from sovereign debt exchange. Meanwhile, the Bank's Pre-Tax Profit of Rs. 6.03 billion for the year ended 31st December 2024, which is a 159% increase compared to the preceding year, demonstrates excellence despite an increased financial service tax base. Furthermore, the Bank reported a Profit after Tax (PAT) of Rs. 4.13 billion for the year 2024. which is the highest ever in the Bank's history. All key performance indicators (KPIs) of the Bank showed substantial improvements, reflecting its resilience and commitment to delivering value.

The Bank reported Earnings Per Share (EPS) of Rs. 9.34 for the year 2024, having increased from Rs. 4.19 in 2023. Further, the Board of Directors has proposed a first and final cash dividend of Rs. 1.00 per share for the financial year 2024 to be paid subject to the approval of the shareholders at the forth coming Annual General Meeting.

The Bank reported an improved Net Interest Margin (NIM) of 4.93% for the year 2024 after recording an improvement of 26 bps over the previous year. Meanwhile, Return on Equity (ROE) more than doubled to 17.30%, up from 8.62%, driven by higher earnings and operational efficiency. Post Tax Return on Assets improved to 1.68% from 0.84%, reflecting better asset utilisation and risk management.

Profitability



Gross Income

The Gross Income of the Bank showed a substantial decline of 26% during the year under review, predominantly due to decline in gross interest income responding to declining market interest rates conditions, one-off net derecognition loss on Sri Lanka international sovereign bonds carried at amortised cost, substantially reduced net trading gains from government securities and increased other operating losses compared to the preceding year. Consequently, the Bank's gross income decreased from 38.97 billion in 2023 to Rs. 28.83 billion in 2024.

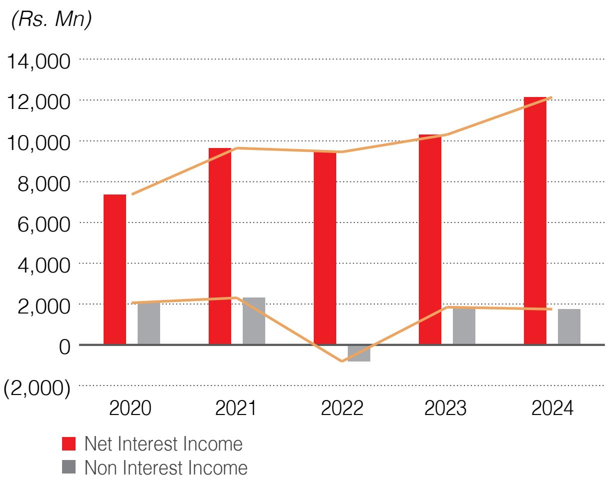
Net Interest Income

The interest income decreased by 17% during the year 2024 compared to the year 2023 due to the continuous decline in market interest rates in line with the improved liquidity conditions in the domestic market and the Central Bank of Sri Lanka (CBSL)'s relaxed monetary policy stance, despite the remarkable growth in interest earning assets of over 15%. The decline in interest income during the year 2024 compared to year 2023 was mainly caused by low yields from both new loans and advances and new securities of the Government of Sri Lanka. This was a result of low interest rates offered in the government security market and low interest rates on new lending, supported by the improved market liquidity conditions and the downward re-pricing effect of the loans and advances book.

Despite the reasonable growth in the deposit base and other interest-bearing liabilities seen during the year 2024, total interest expense of the Bank for the year 2024 also declined by a significant percentage of over 30%. This was caused by the steep decrease in interest rates of deposits and other interest-bearing liabilities throughout the year 2024, responding to the CBSL accommodative monetary policy stance.

The net interest income of the Bank increased by 18% during the year 2024 compared to the preceding year as the decline in expenses on interest bearing liabilities outpaced the decline in interest income on loans and advances and other interest earning assets. As a result, the Bank reported an improved Net Interest Margin (NIM) of 4.93% for the year 2024, having improved by 26 bps over the past twelve months.

Net Interest Income Vs Non Interest Income



Non-Interest Income

The Bank's net fee and commission income has increased by 24% during the year 2024 mainly due to the sharp rise in fee income generated from loans and advances of 58%, driven by the increased demand for credit, which resulted from the prevailing low-interest rate regime and other conducive macroeconomic factors in the country. Meanwhile, increased income from credit cards, trade and remittances and guarantee businesses also contributed positively towards improved fee and commission income in year 2024.

The net gains from trading decreased by 17% during the year 2024 due to the substantial reduction in capital gains from Sri Lanka Government Rupee Securities classified under Fair Value through Profit or Loss (FVPL) which netted off against the gains from units trust investments and increased net forward forex gains compared the figures reported in 2023.

The remarkable contribution from the increased net fee and commission income in year 2024 due to the Bank's non-interest income was negated to some extent by reduced capital gains from government securities and losses from revaluation in foreign exchange.

Participation in Sovereign Bond Exchange

The Bank suffered a substantial Net Loss on Derecognition of Sri Lanka International Sovereign Bonds (SLISBs) carried at amortised cost amounting to Rs. 3.7 billion due to participation in the GOSL sovereign debt exchange programme in December 2024. However, the bond exchange contributed to the Bank's net operating income favourably as the provision reversal on the old SLISBs of over Rs. 6.3 billion exceeded the net derecognition loss of Rs. 3.7 billion.

Credit Quality

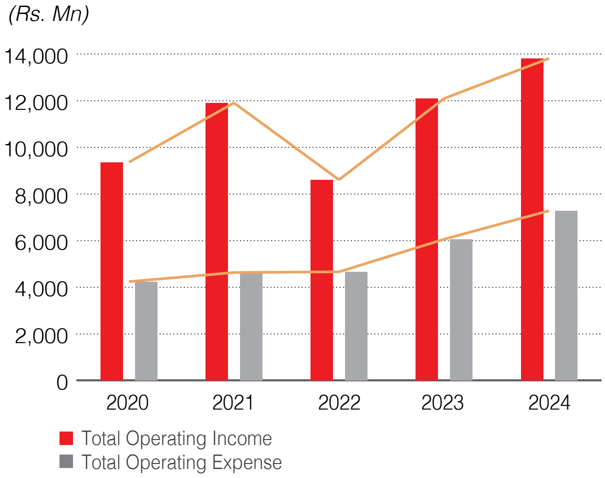
The Bank managed to navigate the turbulent period successfully by maintaining healthy Stage 3 Loan ratios of 3.10% as against an industry average of 6% despite various challenges during the year under review. This strong Net Stage 3 Loan Ratio reflects the improved credit underwriting standards, aggressive collection and recovery efforts of the management, and improved provision coverage due to prudent provisioning policies of the Bank. Meanwhile, the strong growth in loan and advances book of over Rs. 21 billion also contributed towards improving the Bank's Stage 3 Loan Ratio positively. With economic conditions improving, asset quality indicated signs of recovery.

Impairment Charges

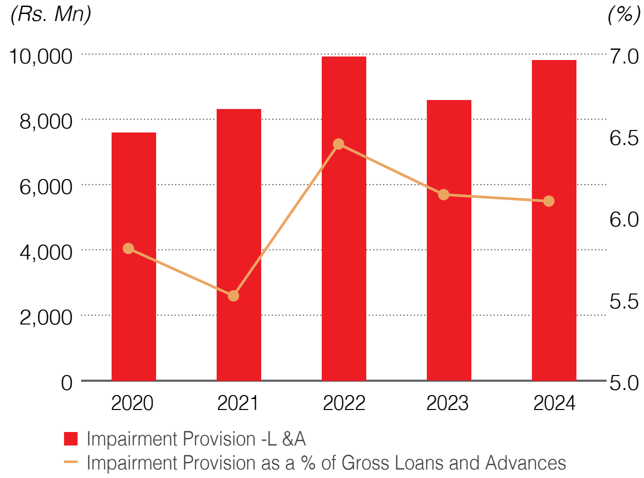
The Bank reported a net impairment provision reversal of Rs. 5.06 billion in 2024 predominantly driven by the significant one-off net reversal of impairment provisions made on account of international sovereign bonds amounting to Rs. 6.3 billion.

Meanwhile, the net impairment charges made on loans and advances during the year 2024 remained barely unchanged compared to the year 2023 as the Bank recognised further Expected Credit Losses (ECL) provisions of over Rs. 1.2 billon during the year 2024, continuously calibrating models to account for unforeseen risk factors. This included additional provisions made on credit impaired borrowers and the Bank's exposure to distressed/high-risk segments.

Total Operating Income Vs Total Operating Expenses



Impairment Provision - L&A



The accounting assumptions and estimates used in preparation of the financial statements, including the adequacy of provision for ECL recognised in the financial statements, have been carefully evaluated given the gradual improvements in the macro-economic variables. The models used for collective impairment in 2023 were continued in 2024 with modifications to reflect improvements in macroeconomic conditions. The management overlays applied in the previous year was reassessed and updated during 2024, considering the revival of economic activities. However, the Bank recognised additional provisions on borrowers and segments which exhibited stress and showed significant increase in credit risks.

The Bank witnessed an increase in impairment charges on Stage 1 portfolio during the year 2024 as the credit growth saw a revival in 2024 with the gradual recovery in economic activities. Nevertheless, Stage 2 credit losses on loans and advances saw a substantial reduction as the Stage 2 loan book experienced a large contraction in absolute terms during the year 2024 compared to the previous year-end position. The increased loan related credit costs were predominantly caused by the increased provision buffers on Stage 3 exposure, which resulted in the Bank closing the year 2024 with a healthy Stage 3 provision cover of 60.10%, compared to the Stage 3 provision coverage of 47.13% of the previous year.

Meanwhile, the Bank managed to end the year with healthy credit quality matrices due to improved credit underwriting standards, concerted collection and recovery efforts and significant loan growth of over Rs. 21 billion, which impacted the Bank's Stage 3 Loan Ratio positively.

Operational Efficiency

The Bank strived for earnings maximisation through portfolio re-alignment and cost management despite sector vulnerabilities that prevailed during last couple of years. Despite the challenges, the Bank reported a slightly deteriorated Cost-to-Income Ratio of 52.68% during the year 2024 from 50.06% in year 2023 as the increase in overhead costs led by the rise in personnel expenses outpaced the growth in total operating income.

The Bank's total operating expenses for the year 2024 increased by 20% compared to the year 2023, mainly caused by the steep rise in personnel expenses of 32% due to the salary revisions, annual salary increments, increased allowances and increased allocations for performance bonuses.

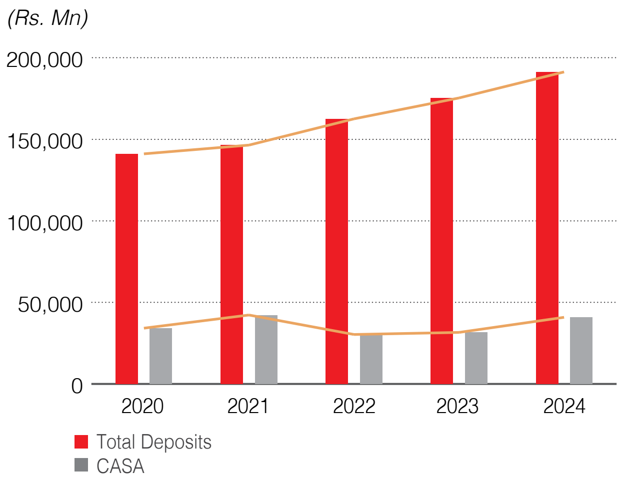
The increase in other operating expenses of 12% is primarily due to the increase in service fees for computer maintenance, marketing and business development expenses, card-related expenses and rising prices of goods and services compared to the preceding year.

Taxation

Taxes and levies on financial services increased by 88% during 2024 was primarily attributable to the increase in operating profits and hike in personnel expenses of over 32% which is not allowed as a deduction in paying Value Added Tax (VAT) and Social Security Contribution Levy (SSCL) on financial services.

Income tax expense increased by 300% in 2024 due to both increased operating profits and derecognition of sizeable, deferred tax asset held on account of ECL provisions on international sovereign bonds. Meanwhile, another successful outcome of an income tax matter (which went through the income tax appeal process) saw the Bank's bottom-line in 2024 gaining with the addition of Rs. 513 million. The Bank's total effective income tax rate increased significantly in 2024 to 31.40% from 20.33% in 2023 due to charging off deferred tax asset recognised in the prior years ECL provisions held on SLISBs and held in the Statement of Financial Position. Meanwhile, the Bank's total effective tax rate with the effect of taxes and levies on financial services increased from 44.22% in 2023 to 47.65% in 2024 driven by derecognition of large deferred tax asset held on ECLs of SLISBs.

Total Deposits Vs CASA



Financial Position

Supported by the improving macroeconomic environment, the Bank's Total Assets increased by Rs. 29 billion while recording a growth of 13%. The total assets growth predominantly stemmed from the growth in the Bank's loans and advances book of over Rs. 21 billion and investments in Sri Lanka Government Rupee securities classified under FVOCI and FVPL categories.

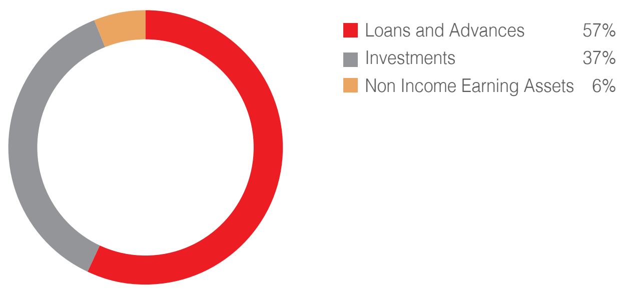
Composition of Assets

Towards mitigating the impact of current challenging but improving macroeconomic conditions, the Bank has adopted a strong attitude in expanding its lending to the sectors and the borrowers that exhibited stability and resilience. The Bank did not lend vigorously to sectors that exhibited high stress and instead promoted lending to high-end corporate facilities and secured SME/Retail lending during the year 2024.

Despite the cautious lending approach, the gross loan book of the Bank enlarged by 15% to reach Rs. 160.89 billion during the year 2024 in contrast with the previous year's negative credit growth. Meanwhile, the Rupee appreciation impact on foreign currency loans and advances had a negative impact on the growth of the loan book during the year 2024.

The Bank's concentration on Retail sector lending reduced to 55% in 2024 from 61% in 2023 as Corporate Banking and SME segments expanded their books at a faster rate to end the year 2024 with concentrations of 28% and 17% for SME and Corporate credit respectively.

Composition of Total Assets



Funding Structure

The Bank's total liabilities increased by Rs. 25 billion, marking an increase of 12% during last twelve months since December 2023. This was largely supported by the healthy growth in the customer deposits of 9% to reach Rs. 191 billion to close the year 2024, attributable to concerted deposit mobilization efforts of the Bank.

The Bank's time deposits experienced a moderate growth of nearly Rs. 7.25 billion during year 2024, demonstrating the Bank's ability to mobilise new funds into the Bank despite the steep drop-in market interest rates. The growth in Current and Savings Balances (CASA) of over Rs. 9.26 billion ensured the Bank growing its CASA Ratio to end the year 2024 with 21.36% as compared to 18.02% in the year 2023.

These enhancements ensured that the Bank maintained a strong liquidity position throughout the year with Liquidity Coverage Ratios (LCR), being well above the minimum regulatory requirements.

Shareholders' Funds

The Bank's Total Shareholders' Funds increased by 18% in 2024 with a growth of over Rs. 4 billion compared to the previous year. The strong growth in shareholders' funds in 2024 was predominantly driven by the internally generated funds while fair value gains from financial assets carried at FVOCI while revaluation effect of land and buildings also contributed to this increase to some extent. Also, the Bank transferred Rs. 595.77 million to the Special Reserve created at the advice of the Director of Bank Supervision Department of the Central Bank of Sri Lanka based on the carrying values of new USD Step-up Bonds.

The Bank's Net Assets Value Per Share as of 31st December 2024 stood at Rs. 60.51, having appreciated from the previous year-end figure of Rs. 51.06. In line with the impressive overall financial performance of the Bank, the Board of Directors have proposed a payment of a first and final dividend of Rs. 1.00 per share by a four-fold marking compared to the previous year, subject to the approval of the shareholders at the forthcoming Annual General Meeting to be held on 28th March 2025. This substantial rise in dividends, along with a dividend payout ratio exceeding 10%, demonstrates the Bank's dedication to rewarding its shareholders while maintaining a sustainable balance between capital retention and distribution.

Regulatory Capital

The Bank maintained a sound capital position during the year under review as reflected in the strong capital ratios. The Bank's internal capital generation was key in supporting the capital ratios, especially despite the increase in risk-weighted assets (RWAs) due to asset expansion. The Common Equity Tier 1 (CET 1) Capital before Adjustments of the Bank as of 31st December 2024 amounted to Rs. 24.44 billion, whilst the Total Regulatory Capital stood at Rs. 26.35 billion.

The Bank's Common Equity Tier 1 (CET 1) Capital Ratio and Tier 1 Capital Ratio at the end of 2024 improved to 19.17% from 16.45% in the year before, mainly supported by the strong internal capital generation despite the solid expansion in asset book. Both CET 1 and Tier 1 Capital Ratios as of 31st December 2024 stood well above the regulatory minimum requirements of 7.00% and 8.50% respectively.

The Bank's Total Capital Ratio at the end of 2024 climbed to 20.98% from 18.52% in the previous year against the regulatory minimum requirement of 12.50%. Meanwhile, the Bank's Leverage Ratio also improved to 8.18% in December 2024 from 7.60% reported in December 2023 owing significantly improved bottom line earnings.

The Bank believes that focusing on maintaining a strong capital position is a proactive way to ensure that it can weather potential economic turbulence, support sustainable growth and meet regulatory requirements. Hence, a robust capital planning process is prioritised to ensure sustainable growth, given the importance of stability in uncertain or challenging times.

Liquidity

The strong liquidity position reflected in the Liquidity Coverage Ratios indicates that the Bank has maintained sufficient high-quality liquid assets to meet obligations, even as customer loan demand was slower than expected. Following the same industry phenomenon, a pickup in customer lending compelled the Bank to leverage excess liquidity in government security investments, resulting in robust liquidity position. The All-Currency Liquidity Coverage Ratio (LCR) at the end of 2024 stood at 344.37% while Rupee Liquidity Coverage Ratio stood at 264.10%. Both ratios as of 31st December 2024 stand well above the statutory minimum requirement of 100%. The Bank's Net Stable Funding Ratio (NSFR) as at the end of the year 2024 stood at 153.44% compared to the statutory minimum requirement of 100% as of 31st December 2024.

In a Summary

The Bank followed proactive measures to navigate the financial year under review, considering existing challenges in the operating environment. Lending growth fueled by low interest rates prevailing in the market coupled with revival in economic activities paved the way for an improved financial performance during the period. Low inflationary pressures and measures adopted by the Bank to create a cost-efficient culture secured expected earnings, while funding strategies supported for CASA generation lowered the cost of funds. As a strategic measure for a sustainable business growth, the Bank focused on expanding its business banking lending share while ensuring retail lending growth as well. This strategy worked well and delivered expected lending growth and non-funded income. By prioritising business banking lending, the Bank tapped into a potentially high-growth sector with the added benefit of longer-term relationships. Meanwhile, the ISB restructuring has significantly alleviated pressure on the Bank by reducing the burden of debt held, thereby easing concerns about liquidity and credit risk, and improving the Banks overall financial stability.

Moreover, the digital transformation and process automation helped the Bank to enhance operational efficiency, reduce costs, offer superior customer experiences and ensure better compliance. By investing in these technologies, the

Bank is positioned well to keep up with the evolving financial landscape and gain a competitive edge in a fast-changing market.

With further easing of monetary policy during November 2024, the market lending and deposit interest rates also continued to decline, reflecting CBSL's accommodative monetary policy stance. Meanwhile, yields on government securities continued to decline, reflecting improved fiscal performance and reduced sovereign risk premia. In the backdrop of lowering interest income on interest earnings assets, it will be very challenging to maintain interest margin to sustain with envisaged profit targets. Hence, the Bank must proactively manage its assets and liabilities ensuring best possible returns in the period ahead.

The recent upgrade of the Bank's credit rating (Fitch Ratings) from 'BBB-' to 'BBB', following the sovereign credit rating upgrade, is indeed a positive development. This enhancement is expected to create key opportunities for the Bank, especially in the context of accessing foreign funding.

The Board of Directors strongly believes that the future growth of the Bank largely depends on the sustained recovery of the Sri Lankan economy, consumer spending patterns and the overall resurgence of the country's enterprises. The Bank continuously monitors the impact of the current reviving macroeconomic conditions in the country and takes proactive steps to manage its impact on the operations and performance of the Bank to ensure business continuity.

Future Outlook ▸

Sri Lanka has made a significant recovery after enduring its worst economic crisis in history. The measures adopted to restore financial sector stability through the strengthening of the regulatory framework and improved risk management and monitoring, anchored inflation reaching levels below the target of 5%. Foreign exchange inflows improved and progress was made on the fronts of debt restructuring as well as the Extended Fund Facility (EFF) arrangement with the International Monetary Fund (IMF). These developments helped restore investor confidence and provided a platform for the long-term transformation of the economy.

Global Economy

The International Monetary Fund (IMF) has forecasted global growth to be around 3.3% both in 2025 and 2026, below the historical (2000–19) average of 3.7%. Among advanced economies, the USA's economic growth is projected to be at 2.7% in 2025, due to underlying robust demand, reflecting strong wealth effects, a less restrictive monetary policy stance and supportive financial conditions. In Europe, growth is expected to pick up but at a more gradual pace with geopolitical tensions continuing to weigh on sentiment. Weaker than expected momentum at the end of 2024, especially in manufacturing and heightened political and policy uncertainty explain a downward revision of 0.2 percentage points to 1.0% in 2025. In 2026, growth is set to rise to 1.4 %, helped by stronger domestic demand, as financial conditions loosen, confidence improves and uncertainty recedes somewhat.

In emerging market and developing economies, growth performance in 2025 and 2026 is expected to broadly match that in 2024. Economic growth in China is expected to be around 4.6% in year 2025. This reflects carryover from 2024, and the fiscal package announced in November largely offsetting the negative effect on investment from heightened trade policy uncertainty and property market. In 2026, growth is projected mostly to remain stable at 4.5%, as the effects of trade policy uncertainty dissipate, and the retirement age increase slows down the decline in the labour supply. In India, growth is projected to be solid at 6.5% in 2025 and 2026.

Global headline inflation is expected to decline to 4.2% in 2025 and to 3.5% in 2026, converging back to target earlier in advanced economies than in emerging market and developing economies.

Sri Lankan Economy

According to the World Bank, Sri Lanka's economy is projected to show moderate growth of around 4.4% in 2024. This follows a modest recovery from the recent economic crisis, with growth expected to remain moderate in the medium term due to the scarring effects of the economic crisis. Expected recovery remains fragile and hinges on maintaining macroeconomic stability. Improvements in industrial and services activities will largely contribute to sustainable growth. Meanwhile, there is a significant opportunity for diversifying and expanding exports in manufacturing services and agriculture, provided the necessary reforms are implemented. There is an opening for Sri Lanka to deepen its participation in global value chains and take advantage of its geography and an evolving global landscape to generate jobs and sustain growth.

The deflationary environment resulting from the one-off effects of supply-side price adjustments will continue in early 2025 as per the current projections of the CBSL. However, inflation is expected to reach the target level of 5% in the latter half of the year with the dissipation of the effects of such supply-side factors. Meanwhile this temporary period of deflation would provide some respite for the general public by dampening the cost of living to some extent.

With the introduction of the Overnight Policy Rate (OPR) under the single policy interest rate mechanism and simultaneous monetary policy easing, the short-term market interest rates, particularly the Average Weighted Call Money Rate (AWCMR) remained well aligned with the OPR. The Central Bank has planned several further measures for 2025 to enhance the effectiveness of monetary policy implementation. Domestic market liquidity is expected to gradually increase with appropriate monetary policy adoptions facilitating the short-term interest rates in line with its monetary policy stance. Hence, interest rates stability is expected during the period ahead.

The CBSL is in the process of reviewing the current Statutory Reserve Requirement (SRR) Framework in line with the Flexible Inflation Targeting (FIT) framework and the best international practices. The required changes will be implemented following stakeholder consultations to optimise the SRR framework for the benefit of effective monetary policy implementation and the overall financial system

Sri Lanka has been able to record a current account surplus continuously for two years in 2023 and 2024. However, as economic activity picks up, the external current account is likely to record a deficit in 2025. A gradual recovery in import expenditure is expected, particularly in the context of the planned relaxation of vehicle import restrictions in 2025 by the Government. Furthermore, the external current account will be supported by inflows from the services trade and workers remittances, which together are expected to reach historically high levels. Meanwhile the easing of vehicle import restrictions, resumption of debt repayments and rising imports could exert downward pressure on the Sri Lankan rupee. However, upgrades of Sri Lanka's sovereign credit rating supposed to improve investor confidence and foreign investment flows.

Credit to the private sector also displays broad-based growth across all major economic sectors. The expansionary momentum of credit to the private sector is expected to continue, underpinned by favourable market lending interest rates, the anticipated expansion of domestic economic activity and improving sentiments. Timely monetary policy intervention is supposed to prevent excessive swings in interest rates, setting the platform for the economy to navigate through challenging economic circumstances, while facilitating the economy to reach its potential. The CBSL will closely monitor the development in credit ensuring revival in economic activities as anticipated. The recovery in credit to the private sector has been supported by the noteworthy reduction in market lending interest rates. Further, risks associated with lending are on the decline while the credit appetite of banks and financial institutions is improving given recovery witnessed in the economy.

The expected economic recovery in Sri Lanka will positively influence credit quality as businesses and individuals have increased capacity to service their loans. While credit quality is improving, NPLs might remain a challenge, requiring careful monitoring and management by banks. Central Bank is actively reviewing and adjusting its regulatory framework to address potential vulnerabilities as the credit cycle moves towards expansion. Meanwhile, following a recent sovereign rating upgrade by Fitch Ratings, several Sri Lankan banks have also seen their national ratings upgraded, indicating a positive trend in credit quality.

Industrial Impact

According to current forecasts, Sri Lanka's industrial outlook for 2025 appears positive, with signs of economic stabilisation and potential for growth across multiple sectors, particularly in tourism, apparel and pharmaceuticals.

External Sector

Sri Lanka's external sector in 2025 is on track to surpass the benchmark set in 2019 and build on the recovery achieved in 2024. This growth reflects increased export capacity, a robust tourism recovery and the strategic expansion of the service sector.

The tourism and hospitality industry is one of the most compelling sectors for investment. In 2024, tourism earnings surged by 54%, reaching USD 3.2 billion, supported by a significant rise in tourist arrivals to USD1.8 million. By 2025, arrivals are expected to surpass USD 2 million, with earnings projected to exceed USD 3.2 billion, nearing the pre-pandemic peak of USD 3.6 billion in 2019.

IT and business process outsourcing (BPO) sector continues to demonstrate steady growth, with inflows reaching USD 773 million in 2024. Sri Lanka's competitive labour costs, skilled workforce and government incentives to promote IT exports will support this sector for further expansion in 2025.

Agriculture and agro-exports also present strong growth potential. Agricultural exports, including tea, spices and coconut products saw notable increases in 2024, with tea exports alone growing by 8.8%. Rising global demand for organic and value-added agricultural products is expected to drive further expansion in 2025.

Textiles and apparel sector remains a cornerstone of Sri Lanka's export economy, nearing USD 4.6 billion in 2024. With growing global demand for sustainable and ethically produced apparel, the sector is poised for continued growth in 2025.

Renewable energy and infrastructure development represent emerging opportunities aligned with global sustainability trends. With increasing policy emphasis on energy independence, investments in solar and wind power projects, as well as green construction technologies, are expected to grow.

Banking Industry

Sri Lanka will focus on stronger recovery in year 2025 after posting a real GDP growth of 4.4% (Estimated) in 2024, the highest in seven years. Successful debt restructuring supposed ease the burden on banks' financial profiles, boosting business generation and revenue prospects in 2025.

The restored macroeconomic and financial sector stability, the revival of business activities and the improved investor sentiment together will create a favourable environment for credit expansion. Banks should capitalise on this favourable climate, while carefully managing risk, to ensure sustainable lending and contribute to the broader economic success.

The credit quality in the Sri Lankan banking industry for 2025 is expected to show a gradual improvement, with a focus on managing risks and strengthening capital buffers, as the economy recovers from recent challenges. However, non-performing loans (NPLs) remain a concern that needs continued monitoring to avoid new step-in. The suspension, till March 2025, of the parate execution law and proposed SME relief measures are likely to create complexities that would have to be carefully navigated. The banks will also need to adeptly manage foreign exchange risk amidst global uncertainty.

During year 2024, pressures on foreign and local currency funding and liquidity have eased considerably due to better external sector flows and efforts to preserve liquidity by banks.

Moreover, banks expect to regain access to foreign-currency wholesale funding, following the restoration of the sovereign's creditworthiness.

Digital transformation and cybersecurity will be other priorities, with rapidly changing customer expectations demanding sophisticated and secure technology-driven solutions.

Regulatory Measures

The CBSL expects to implement an array of policy measures spanning from the near term to medium term.

The CBSL will monitor the implementation of the Directions issued under the Banking (Amendment) Act covering areas such as large exposures, corporate governance, liquidity ratios, related party transactions and offshore banking business in 2025.

The CBSL, with the coordination of the Colombo Port City Economic Commission will facilitate the conduct of offshore banking business through required regulatory and supervisory functions.

Further, resilience of the financial system would also be strengthened through enhanced crisis management and resolution measures.

Key Product Offerings ▸

LEASING

A variety of leasing products customised to take you closer to your dream vehicle. Our leasing proposition includes Pan Asia Budget plus leasing that allows you to stretch your budget while Pan Asia Business plus leasing gives you the option to fulfill your short-term cash requirements using your vehicle.

RAN ATHTHAMA

Obtain the highest value for your gold. Pan Asia Ran Aththama - a simple way to meet your urgent cash requirements, as sometimes in life, a little push is all you need.

RISING FD

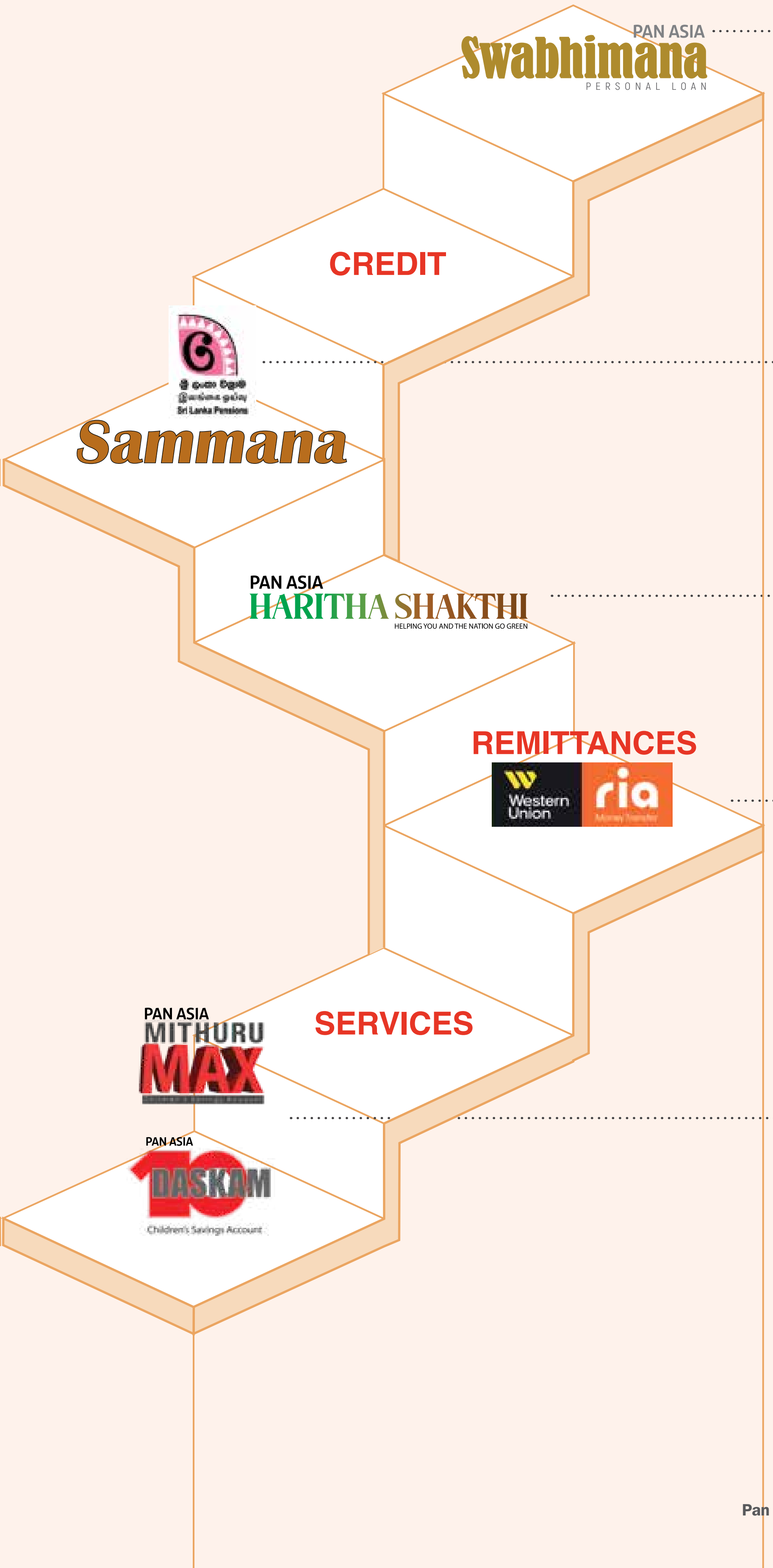
Unique Fixed Deposit that increase interest rates in line with market rate increases while safeguarding you from any interest rate decreases.

CHAMPION SAVER

Designed to give you the best of both worlds the freedom to withdraw multiple times from your savings account while enjoying the high interest rates usually only offered on fixed deposit

CREDIT CARDS

Credit Card customers have the privilege to enjoy fantastic discounts with every swipe of their Pan Asia Bank Credit Card at local / international leading merchants and lifestyle brands across all categories.



SWABHIMANA

Swabhimana fulfills the personal loan needs of employees of selected government, semi government and private companies. Borrowers can obtain a loan of up to Rs 6 million with a repayment up to 12 years.

SAMMANA

Specialised package tailor-made for government pensioners to fulfill their dreams and live a life of dignity.

HARITHA SHAKTHI

Sustainability Development Loan scheme is designed to help you and the nation to go green while offering you customised loans schemes to finance your sustainable development projects.

REMITTANCES

A fast, simple way to transfer (remit) money to beneficiaries in Sri Lanka, through Western Union, Ria or any other remittance partner, enabling them to collect cash from any Pan Asia Bank Branch.

CHILDREN SAVINGS ACCOUNTS

To secure the future of your child, Pan Asia Daskam Children's Savings account offers you an additional 10% deposit on top of each and every deposit you make to your child's account while our Mithuru Max Children's Savings account offers your children an array of amazing gifts as the account balance grows.

Business Review ▸

> The Bank made significant strides in enhancing the efficiency of its SME lending processes. Credit facility approvals were automated through the implementation of a new Credit Approval System, which has streamlined workflows and improved processing times

OVERVIEW

Pan Asia Bank delivered an outstanding performance in the financial year 2024, marked by strategic foresight, robust financials and an unwavering focus on core banking operations. Despite challenging economic conditions, the Bank navigated the year with resilience, leveraging its operational foundation to drive growth and profitability. The Bank achieved significant milestones, including a 123% increase in Profit After Tax (PAT) and 159% rise in Profit Before Tax (PBT). Pan Asia Bank ended the year under review with an outstanding PAT of Rs. 4.13 billion underscoring strong portfolio management and sustainable profit generation.

A key driver of this success was the Bank's strategic emphasis on lending and deposits, which supported its growth across various segments, particularly business lending. The Bank saw a 13% growth in total assets, primarily driven by a Rs. 21 billion increase in advances, including Rs. 17 billion in business lending to SMEs and Corporates. Deposits rose by LKR 16 billion, reflecting customer trust and confidence. Net Interest Income (NII) surged by 17.79%, while fee-based income rose by 23.86%, highlighting the Bank's diversified revenue streams.

Pan Asia Bank's commitment to innovation and digital transformation played a pivotal role in its achievements. The implementation of automated systems like e-signature and a new loan origination system enhanced operational efficiency, while the introduction of digital onboarding and upgraded mobile banking improved customer experience. Moreover, the expansion of digital zones in branches further increased transaction volumes, solidifying the Bank's competitive position.

The Bank's sustainability efforts were equally noteworthy. Pan Asia Bank took the lead in promoting Environmental, Social, and Governance (ESG) principles, supporting sustainable agriculture

Business Review Key Points

CORPORATE LENDING GROWTH
Rs. 9.64 Bn ▲

SME LENDING GROWTH
Rs. 8.08 Bn ▲

LEASING GROWTH
Rs. 2.25 Bn ▲

SAMMANA LENDING GROWTH
Rs. 1.55 Bn ▲

RETAIL DEPOSITS GROWTH
Rs. 15.11 Bn ▲

and green energy projects. It adhered to the latest regulatory standards, ensuring transparency and consumer protection. The Bank also focused on talent development, with extensive training programs aimed at leadership development and enhancing customer service.

Looking forward, Pan Asia Bank is poised for continued growth. With a strategic focus on achieving a balanced portfolio between retail and business banking, the Bank plans to expand its footprint and target key sectors such as remittances, tourism and exports, with the goal of becoming a leading mid-sized bank.

Retail Banking

Conditions in the Banking industry showed a marked improvement from the previous year in the year 2024. As a result of the positive indicators, the retail banking segment performed strongly, with retail deposits growing by Rs.15.11 billion in the period under review. Earnings from retail banking constituted over 40% the overall profits in 2024. The drop in interest rates had a favourable impact on the lending growth although increased personal income tax imposed will temper a more strident growth.

Sammana & Ranaviru

Committed to add value to pensioners, who form part of its customer base, Pan Asia Bank has redefined financial independence for this segment with its flagship product, the Sammana loan scheme. Sammana is a testament to Pan Asia Bank's commitment to understanding and addressing the aspirations of Sri Lankans across all walks of life.

Since its inception in 2013, Sammana has become a lifeline for retirees, empowering them to remain active contributors to the economy while maintaining their financial independence. It is an pioneering facility designed by the Bank specifically to meet the needs of Central Bank of Sri Lanka and government pensioners.

The Sammana loan scheme allows pensioners to access up to Rs. 5 Mn without the need for guarantors, simply by directing their pensions to Pan Asia Bank. This unprecedented solution has enabled countless pensioners to establish small businesses, pursue personal aspirations and improve their living standards.

In 2024, Pan Asia Bank's Sammana product demonstrated strong growth, driven by customer- centric solutions such as the Pensioners Advance, the Pensioners Credit Card and the efficient Life Certificate facility, which have resonated well with our valued customers. This product truly reflects the Bank's dedication to supporting and uplifting the lives of pensioners, offering them dignity and opportunity during their retirement years.

Pawning and Ran Loans

Pawning remains one of the most accessible financial solutions for individuals seeking quick cash advances while retaining the value of their assets. Recognising the unique needs of its customers, Pan Asia Bank has positioned itself as a reliable partner in this space, offering a straightforward and transparent pawning process. The Bank has invested in new systems which have augmented operational efficiency for pawning customers. This user-friendly approach has solidified the Bank's reputation as a preferred choice for Sri Lankans in need of immediate financial support.

> "Pan Asia Bank took the lead in promoting Environmental, Social, and Governance (ESG) principles, supporting sustainable agriculture and green energy projects."

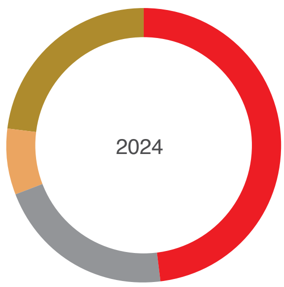
In the period under review, the rise in gold prices significantly enhanced the value proposition of Pan Asia Bank's pawning product. Customers benefited from higher loan values for their gold, further boosting the appeal of this product as a quick and efficient solution for financial needs. The Bank's sound financial credentials and simple and transparent pawning procedure makes it a preferred pawning partner for Sri Lankans.

A substantial portion of these loans supports agricultural activities, underscoring the Bank's broader contribution to Sri Lanka's economic development. By enabling farmers to access much- needed funds, Pan Asia Bank helps sustain livelihoods and strengthen the agricultural and fishery sector, vital pillars of the nation's economy.

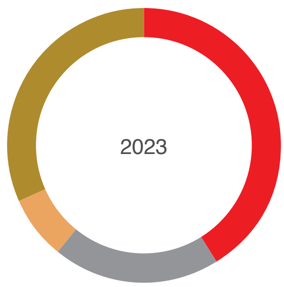
Swabhimana

Pan Asia Bank's Swabhimana product stands out as a personal loan solution designed to benefit government, semi-government and private sector employees across the nation. Under Swabhimana, borrowers can access loans of up to Rs. 6 Mn with a maximum tenure of 12 years. This flexibility allows individuals to pursue goals such as child education and home improvement.

Composition of Revenue



Retail	48.16%
SME	21.18%
Corporate	7.73%
Treasury	22.92%



Retail	41.37%
SME	19.60%
Corporate	7.49%
Treasury	31.54%

Despite facing challenges during the year due to unfavourable market conditions, the Swabhimana product remained a cornerstone of Pan Asia Bank's commitment to supporting the financial well-being of Sri Lankans. This achievement underscores the trust and confidence customers have in Pan Asia Bank as a reliable financial partner.

Leasing

The Leasing portfolio recorded notable growth in 2024, expanding from 9.14 billion to Rs. 11.39 billion, reflecting an impressive increase of Rs. 2.25 billion the end of December. Despite the continuation of import restrictions on vehicles throughout the year, the Bank strategically redirected its focus towards financing registered vehicles and brand-new, locally assembled vehicles as part of its growth strategy for 2024. A key priority was to maintain a high-quality portfolio while pursuing measured expansion amidst challenging macroeconomic conditions. Notably, the Bank's Leasing portfolio remains one of the best in the industry, with a Stage 3 loans-to-total-loans ratio of 3.8%, underscoring its prudent risk management practices.

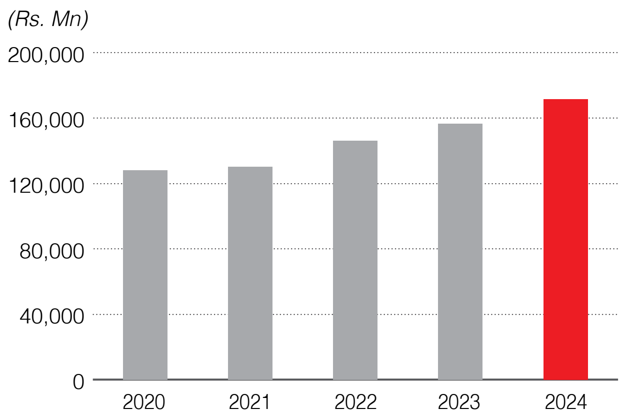
In addition, the Bank extended its support to the SME sector through its Business PLUS lease product, offering tailored solutions for working capital needs and providing short-term funding to meet business requirements. Further diversifying its offerings, the Bank introduced customised lease packages for a broad spectrum of clients under the tagline 'Make Little Dreams Bigger with Pan Asia Leasing', catering to customers' aspirations of vehicle ownership.

While the leasing market grew increasingly competitive due to declining interest rates, the Bank implemented robust measures to remain competitive. These efforts enabled the Bank to achieve both its financial objectives and portfolio growth targets. In addition, to elevate customer experience, the Bank also strengthened its dedicated leasing sales force, enhancing service quality and providing hassle-free, doorstep solutions for its valued clients.

Housing Loans

The period under review was one of the best years for the Bank's housing loans business unit as it witnessed a portfolio growth by 34% which is its best-ever performance during the last decade. Some of the key pillars of this achievement were contributions from the entire network covering island-wide demand, coupled with lower interest rates and material cost reductions, as the housing loan market has a higher dependency on the said factors of the Banking sector. As a result of the favourable market conditions, an increased demand was seen for housing loans. Since Pan Asia Bank's housing loans also come bundled with energy solution to support solar loans, the Bank's housing loans attracted greater attention. While domestic income-earners approached the Bank for loans, an increased demand was also seen from foreign exchange income-earners for larger volume housing loans due to the higher affordability and repayment capacity.

Retail Deposits Growth over the years



The Pan Asia Bank Nivasa Housing loan scheme is a unique hybrid solution to cater to the evolving housing needs of Sri Lankans. The hybrid nature of this scheme provides solutions both for housing needs as well as for the domestic renewable energy needs. The Bank caters to all sectors of the community from salaried professionals to non-salaried business individuals and further extends its wings towards supporting the foreign exchange earners.

Anyone can enjoy a Housing loan to build a new home on his own land, to purchase a block of land, to purchase a block of land and to build a home, to purchase a fully constructed house, to purchase a condominium property or even to renovate or enhance the value of an existing property already owned. The Bank also extends value added services such as advisory services related to construction and energizing homes with solar plants and possesses adequate resources to support clients towards supporting in all fields related to housing needs.

Credit Cards

The year 2024 has been a defining period for Pan Asia Bank's Credit Card product, marked by pivotal strategic corrections and realignments. Since 2019, the country's volatile economic conditions, had hindered growth prospects. However, the credit card industry as a whole has demonstrated promising signs of recovery and expansion in 2024.

In response to evolving market dynamics, we reduced card interest rates from 28% to 26%. These efforts reflect the overall positive trend in consumer confidence and spending, which has had a direct and favourable impact on our business. Pan Asia Bank's Credit Card business astutely capitalised on these positive market trends by recalibrating product value propositions and service offerings to meet the shifting expectations of customers. Our strategic initiatives, ranging from operational optimisation to enhanced risk management, have been instrumental in fostering a stable and robust business performance. This resilience underscores our ability to adapt swiftly and effectively within an agile market environment.

Key actions taken this year include the introduction of portfolio analytics, proactive customer engagement, the launch of innovative products such as the Privilege Credit Card, as well as improvements in customer experience and journey management.

These efforts have not only led to improved Credit cost management and cost control but also contributed to our ability to exceed the profit target set for 2024. Our commitment to a customer- centric, solutions-oriented approach will continue to be the cornerstone of our growth strategy in 2025.

SME Banking

During the year under review, Pan Asia Bank's SME advances portfolio experienced notable growth, although it fell short of the target. A significant volume of new facilities was disbursed during the year, despite large- value settlements of existing facilities across the Bank's branch network. These fresh credit facilities were extended to a diverse range of sectors, including tourism, road and infrastructure construction, goods and services supply, pharmaceuticals trade, tea and other crop cultivation, distributorships, import and export trade, as well as general trading activities.

In addition to organic lending, the Bank played an active role in supporting the SME sector through various refinancing initiatives. This included participation in government-backed programs such as the Stimulating Package for Re-Energize the MSME Sector of Sri Lanka, the SME Loan Capital – Small & Medium Enterprises WeFi Grant Scheme, the SME Loan Capital – Tea, the SME Loan Capital II Working Capital Scheme and the Manusavi Loan Scheme for Migrant Workers. The Bank collaborated with key refinancing partners, including the Ministry of Finance, the Asian Development Bank (ADB), Central Bank of Sri Lanka, the Ministry of Industries and the Bureau of Foreign Employment to facilitate these schemes. Our continued engagement with these refinancing programs underscores our commitment to supporting the growth of the Micro SME (MSME) sector and broadening access to critical financing.

Moreover, the Bank strengthened its connections with the international trade community through continuous engagement initiatives. A dedicated committee, comprising senior officers from the international trade functions, was formed to actively onboard businesses within the export sector and to arrange tailored credit facilities to meet their financing needs.

On the internal operational front, the Bank made significant strides in enhancing the efficiency of its SME lending processes. Credit facility approvals were automated through the implementation of a new Credit Approval System, which has streamlined workflows and improved processing times. Continuous improvements are being made to this system, including the integration of turnaround time monitoring and various other value-added features. Moreover, structural changes within the management of the branch credit department were introduced, including the recruitment of new senior officers and the optimisation of delegated authorities and reporting lines, further strengthening the Bank's operational effectiveness and success in supporting the MSME sector in the coming year.

> "The Pan Asia Bank Nivasa Housing loan scheme is a unique hybrid solution to cater to the evolving housing needs of Sri Lankans."

Savings & Investments

- Current Accounts
- Champion Saver
- Salary Saver
- Savings Accounts
- Sammana Savings
- Target Investment Plan
- Children's Savings

Fixed Deposits

- Fixed Deposits
- Rising Fixed Deposits

Obtain a Loan

- Housing Loan
- Pawning & Ran Loans
- Solar Consumer Loan
- Consumer Loans
- Pan Asia Leasing
- Business Plus Leasing
- Budget Plus Leasing
- Ranaviru Harasara
- Sammana Loans
- Saviya - Microfinance
- Swabhimana
- Haritha Shakthi

Credit Cards

- World Master card
- Pan Asia Black
- Pan Asia Gold
- Balance Transfer (BT)
- Visa Debit Card

Corporate Banking

Throughout the year, the Bank's Corporate Banking segment demonstrated remarkable resilience and adaptability in a challenging economic environment. Offering a comprehensive suite of financing and core banking services, the Bank achieved notable loan growth and a significant increase in fee income, underscoring its strong operational capabilities.

Despite the complexities of the operating landscape, the Corporate Banking segment maintained a steadfast commitment to portfolio quality and operational efficiency, which played a critical role in sustaining its performance throughout the year. By strategically consolidating its presence in key corporate sectors, the unit was able to preserve a relatively stable loan portfolio by year-end, reflecting prudent management and strategic foresight. In 2024, the segment achieved a loan growth of more than 50% and an increase in fee income of 18% compared to the previous year.

In pursuit of its long-term objectives, the Corporate Banking segment focused on leveraging its sectoral expertise and expanding its influence in core corporate segments. This strategy not only ensured stability but also laid the foundation for future growth, further strengthening the Bank's relationships with its key corporate clients.

Pan Asia Bank's syndication loan portfolio played a pivotal role in these efforts, enabling the Bank to provide large-scale financing solutions to off-shore customers. Through strategic partnerships with other financial institutions, the Bank successfully diversified risks while offering competitive loan structures for complex projects. Moving forward, Pan Asia Bank intends to enhance its syndication capabilities by tapping into emerging sectors and expanding cross-border partnerships, which will contribute to the growth of the Bank's asset base.

Looking ahead, Pan Asia Bank's Corporate Banking segment remains optimistic despite anticipated challenges in the macroeconomic environment. The unit aims to aggressively expand its asset book, targeting 68% growth, primarily through trade finance and working capital facilities. Key strategies for 2025 include prioritising high-quality lending opportunities by focusing on leading corporate clients and increasing wallet share; exploring international expansion by identifying well-placed overseas lending opportunities; and driving innovation in trade finance to meet the evolving needs of corporate clients and maintain the Bank's competitive advantage in this vital segment.

Deposit Mobilisation

The Deposit Mobilisation unit had a strong performance in the year under review, witnessing steady growth across both fixed deposits and CASA. While some challenges arose due to fluctuating interest rates, especially during latter part of the year, an uptick in fixed deposits was seen. The Bank's efforts were aimed at mobilising low-cost deposits and achieving a balanced portfolio. To improve the cost of funds, the Bank made a strategic shift, focusing more on acquiring current and savings accounts while continuing to grow fixed deposits at low cost. Despite some low interest rate regime, significant growth was achieved, especially in CASA, which saw high volumes. The key factors behind the Bank's deposit moblisation efforts in 2024 were its integrated approach and close collaboration between the deposit mobilisation team and the branch network.

A strong focus was maintained on high-value, mid-sized and smaller ticket customers aggressively through campaigns. During the year, the Bank acquired around 50,000 new customers, while also upscaling existing ones. This integrated strategy resulted in a substantial rise in deposit volumes. Total deposit mobilisation jumped from Rs. 12 billion in the previous year to approximately Rs. 16 billion in 2024, marking a significant increase.

While macroeconomic conditions had a mixed impact, the Bank's focus on relationship banking over offering competitive rates helped build stronger customer trust. Overall, even in times of political uncertainty, the team managed to maintain stability and continue growth in deposits.

Remittance

The remittance unit saw tremendous progress this year, transitioning from a dormant vertical to one of strategic focus for the Bank. With the rise in the Sri Lankan diaspora, particularly in countries like the Middle East, there was a growing opportunity to capture market share in remittances. The focus from the Bank's board and Chief Executive Officer aligned with this trend, and the unit was equipped with the right talent, resulting in significant improvement. The year's progress was marked by increased remittance volumes and the expansion of the Bank's partner network. New partners were onboarded and advertising campaigns rolled out to target both Sri Lankans living abroad and those in Sri Lanka. The internal team was educated on remittance services to better support customers while tailoring marketing campaigns to specific regions, especially in the North and East, where remittance volumes are traditionally higher. During key festival periods, branch hours were extended to accommodate customers, further enhancing the Bank's presence in this sector. As a result, the remittance business is expected to be a major growth driver for Pan Asia Bank in 2025.

Treasury

The Treasury department continued to be an instrumental driver of the Bank's financial performance and strategic growth throughout the year. Maintaining a strong foundation in liquidity management, profitability, risk mitigation and market engagement, the division upheld its critical role in supporting the Bank's broader objectives.

In terms of profitability, the Treasury Division demonstrated a commendable performance, with net treasury income playing a pivotal role in bolstering the Bank's overall earnings. The increase in income was largely driven by a diversification of the Bank's portfolio, which now spans a broad spectrum of money market instruments and fixed income securities. This diversification, coupled with a strategically timed positioning to capitalise on favourable interest rate trends, resulted in improved yields. The division benefited from a marked increase in foreign exchange income, with a higher volume of interbank and customer foreign exchange transactions.

The management of excess liquidity was a key area of focus, with the Treasury successfully ensuring a healthy net interest income (NII) generation. Through the deployment of proactive liquidity strategies and effective utilisation of management tools, the Bank Maintained healthy regulatory liquidity coverage ratios (LCR). This proactive approach guaranteed uninterrupted support for both customers and internal operations, contributing positively to the overall financial stability of the Bank.

Market participation was another area where the Treasury division made notable strides. By reinforcing its position as a key player in the market for treasury products and services, the Bank expanded its customer base and deepened relationships with existing clients. This customer- centric approach not only facilitated greater market penetration but also solidified the Bank's reputation as a reliable and forward-thinking financial partner.

Risk management remained a cornerstone of the division's operations, as the Treasury continued to employ prudent frameworks designed to mitigate market, credit and liquidity risks. A range of key initiatives reinforced the Bank's ability to anticipate and navigate the volatility inherent in the financial markets. The combination of these robust risk management practices and an increasingly diversified portfolio enhanced the overall resilience of the Bank's treasury operations.

Looking ahead, the Treasury Department remains focused on driving continued value creation for the Bank and its stakeholders. Future plans include enhancing market penetration, exploring opportunities within sustainable finance and improving operational efficiency through ongoing innovation.

Trade Finance

Sri Lanka's trade finance landscape in 2024 was characterised by a combination of challenges and opportunities resulting from various economic pressures in the preceding years. Prioritising resilience and efficiency, Pan Asia Bank took strategic actions to enhance its Trade Finance business, with a focused effort on diversifying its client portfolio and expanding the range of industries served. This was part of its broader initiative to increase sustainable trade income and mitigate risks associated with concentrated dependencies.

Historically reliant on vehicle imports, the Bank responded to a temporary ban on vehicle imports by swiftly broadening its trade product offerings. This proactive diversification led to a notable increase in outward remittances associated with a broader spectrum of imported commodities.

Further bolstering its capabilities, the Trade Finance team underwent a significant strengthening in 2024, incorporating industry expertise to improve operational efficiency. This expansion allowed for the acceleration of Corporate, Retail and SME business activities, enhancing the Bank's capacity to support diverse trade transactions.

During 2024, Pan Asia Bank organised a series of knowledge-sharing sessions on trade finance. These sessions, conducted in collaboration with branches showing significant potential, aimed to upskill staff and deepen product knowledge, thus empowering them to drive the growth of trade business across the Bank's national network while forging relationships with importers across a diverse set of industries and regions.

Information Technology (IT)

Pan Asia Bank achieved remarkable strides in digital transformation throughout 2024, successfully navigating the challenges posed by a dynamic economic and industry landscape. The Bank's strategic investments in technology have yielded transformative outcomes, significantly elevated operational efficiency and redefining the customer experience.

The introduction of Digital Zones at branches, the automation of credit approvals and technology advancements in the customer onboarding process have collectively enhanced the Bank's technological posture, streamlined processes and ensured exceptional service delivery while addressing key risk & governance requirements.

The launch of the Bank common inquiry platform further revolutionised customer service at branches and back offices, underscoring Pan Asia Bank's commitment to innovation.

Complementing these advancements, the implementation of a new Loan Origination System has modernised credit operations, expedited loan approvals and optimised the operational workflows.

Significant progress was made in fortifying the Bank's infrastructure, with the deployment of a Software Defined Wide Area Network (SD-WAN) solution delivering improved stability, scalability and efficiency.

In support of Sri Lanka's digitalisation mandate, Pan Asia Bank took a leading role in facilitating online payments through LankaPay's common Online Payment Platform (LPOPP) and the LankaPay QR Merchant Payment Platform, establishing itself as a force to be reckoned with in the digital payment solutions space.

As part of its ongoing digital transformation journey, the Bank embarked on a comprehensive revamp of its Mobile and Internet Banking platforms, set for completion in 2025. This initiative is designed to deliver a seamless and secure user experience, meeting the expectations of increasingly tech-savvy customers.

Customer onboarding mobility solutions introduced in 2024 have empowered staff to provide personalised and efficient services at customer locations, adding another dimension to the Bank's customer-centric approach.

Meanwhile, enhanced risk and security measures have ensured the Bank remains at the forefront of secure and advanced digital banking solutions, aligning with global standards. Notably, Pan Asia Bank's efforts were recognised on the global stage with the prestigious Platinum Award at the Infosys Finacle Innovation Awards 2024. This accolade celebrates the Bank's exceptional innovation in integrating its core banking system with other platforms through Application Programming Interfaces (APIs), a true testament to its dedication to excellence.

With these transformative initiatives successfully delivered in 2024 and others set to conclude in 2025, Pan Asia Bank is confidently poised to shape the future of banking with an unwavering focus on customer satisfaction, while continuing to contribute meaningfully to the broader financial ecosystem.

Digital Transformation

In the fiscal year 2024, Pan Asia Bank made significant strides in its digital transformation journey. The standout achievement was the revamp of the mobile banking application, which has received positive feedback from customers. With an enhanced user interface, improved features, and an overall better experience, the app has seen strong adoption. The new digital strategy extends to cash-recycling machines (CRMs). Previously, the Bank had limited numbers of CRMs across the network, but has since increased the deployment significantly. By the end of 2025, Pan Asia Bank aims to have a CRM at every branch, providing customers with the ability to deposit funds 24/7. This focus on digital has also been reflected in the growing adoption of online transactions. Today, around 80-90% of its transactions are happening through digital channels, through its mobile app and e-banking platform. The deployment of CRMs has also been a key driver for customer acquisition, particularly in the CASA segment.

With an eye on the future, the Bank has made significant investments in digital talent, with a dedicated team focused exclusively on enhancing digital adoption and this is expected to be a focal point for the Bank in 2025, with further innovations and features on the horizon. The Bank's efforts to empower branch managers and engage the entire team in customer acquisition have paid off. Continuous training and workshops have helped build the confidence of branch managers, improving their business negotiation skills and soft skills. The increased collaboration across departments and ongoing campaigns has led to a more unified approach to business development, contributing to the Bank's success during the period under review.

Marketing

In 2024, Pan Asia Banks Marketing and Branding efforts demonstrated exceptional foresight and strategic acumen, solidifying the institutions position as the "Truly Sri Lankan Bank". Despite external market challenges, the Marketing and Branding effort adeptly steered the Bank, fostering unwavering trust among stakeholders and capitalising on emerging opportunities to further its market presence.

The core of the marketing strategy focused on amplifying brand awareness and resonance with a diverse audience, aligning seamlessly with the Bank's core attributes of trust, sustainability, and innovation. Through a harmonious blend of traditional values and forward-thinking initiatives, Pan Asia Bank deepened its engagement with customers, reinforcing the Bank's commitment to supporting the community in extraordinary times.

Among the pillars that drove this successful marketing strategy were:

- Strengthening Brand Positioning: Positioning Pan Asia Bank as a modern, future-ready institution while steadfastly maintaining its identity as a "Truly Sri Lankan Bank".
- Enhancing Community Engagement: Launching impactful community development and CSR initiatives aimed at uplifting diverse populations across the country.
- Driving Innovation: Expanding the Bank's product portfolio to meet the evolving needs of customers and optimising digital marketing platforms to enhance reach and engagement.

The year was marked by several key highlights that reflected the depth of Pan Asia Bank's commitment to education and sportsmanship for national excellence, environmental preservation, empowering entrepreneurship for economic growth, and uplifting communities to advance equality and financial inclusivity:

- 'Bring a Smile' CSR Project in partnership with the University of Sri Jayewardenepura, impacted 300 students in Sri Lanka's North Central Province by providing them with essential educational equipment.
- Financial Literacy Programmes conducted in collaboration with the Central Bank of Sri Lanka, empowered over 1,200 students across Kurunegala, Kandy, Dankotuwa, and Wennappuwa, equipping them with foundational financial skills to ensure financial independence and responsibility.
- Facilitating Entrepreneurial Growth through strategic partnerships, such as the one with CPM Sri Lanka, providing critical resources and tools to aspiring entrepreneurs to drive sustainable national economic progress.
- Workshops for SMEs conducted in Galle and Ella, empowered small and medium enterprises with the financial literacy and entrepreneurial tools needed to strengthen the backbone of Sri Lanka's economy.
- In a tribute to civilian bravery, the 'Daskam' initiative recognised extraordinary acts of courage, exemplifying the Bank's commitment to fostering exceptional values within Sri Lankan society.
- In its continued effort to support underprivileged communities, Pan Asia Bank extended its reach through collaborations with organisations such as the Salvation Army, further uplifting marginalised populations and offering them pathways to a brighter future.

- Care Beyond Remittances saw the Bank strengthening relationships with remittance customers, engaging not only the senders but their families as well.
- Recognising academic excellence, the Bank honored 61 outstanding O-Level performers from the Hatton region through 'Daskam', reinforcing its commitment to education and youth empowerment.

Looking ahead, Pan Asia Bank remains unwavering in its dedication to creating value through its marketing initiatives. By continuing to foster innovation, sustainability and community engagement, the Bank is poised to solidify its long-term brand equity, inspiring entrepreneurial growth and serving as a trusted partner in Sri Lanka's ongoing journey toward progress.

Our array of accolades in 2024 across key domains such banking, leadership, sustainability and digital marketing reflects the profound impact of our initiatives on brand recognition and stakeholder trust. From setting benchmarks in digital innovation to advancing corporate social responsibility and environmental stewardship, these awards reflect our consistent efforts to innovate, lead, and contribute meaningfully to our industry and communities.

Notably, being named one of Business Today's "Top 40 Corporate Entities" and LMD's "Top 50," along with being recognised as the "Most Admired Brand of the Year," are powerful endorsements of our exceptional performance and industry leadership. These accolades, coupled with awards such as the "Fastest Growing SME Bank in Sri Lanka" and "Best Bank for ESG," reinforce our reputation as a trusted, innovative, and forward-thinking brand.

Some of the prestigious accolades are:

- LMD Top 50
- Top 40 Corporate Entities by Business Today;
- Most Admired Brand of the Year, Digital Marketing – Innovative (Silver), and Digital Marketing – Innovative (Bronze) by ACEF Leadership and Global Customer Engagement Awards;
- Fastest Growing SME Bank - Sri Lanka 2024 by Global Brands Magazine;
- Best ESG Bank in Sri Lanka 2024 by International Business Magazine;
- Sri Lanka Domestic CSR Initiative of the Year and Ecosystem Initiative of the Year - Sri Lanka by Asian Banking and Finance; Best Green Bank in Sri Lanka 2024 and Best CSR Bank in Sri Lanka 2024 by World Economic Magazine;
- Best CSR Bank Sri Lanka 2024 by Global Banking and Finance Review, Global CEO Leadership Excellence Awards, and Great Managers Awards 2024 by Colombo Leadership Academy.

Branch Network ▸

1. JAFFNA DISTRICT
- Chunnakam
- Jaffna
- Nelliady

2. KILINOCHCHI DISTRICT
- Kilinochchi

3. VAVUNIYA DISTRICT
- Vavuniya

4. TRINCOMALEE DISTRICT
- Trincomalee

5. ANURADHAPURA DISTRICT
- Anuradhapura
- Kekirawa

6. PUTTALAM DISTRICT
- Chilaw
- Dankotuwa
- Puttalam
- Wennappuwa

7. KURUNEGALA DISTRICT
- Kuliyapitiya
- Kurunegala

8. MATALE DISTRICT
- Dambulla
- Galewela
- Matale

9. POLONNARUWA DISTRICT
- Kaduruwela

10. BATTICALOA DISTRICT
- Arayampathy
- Batticaloa

11. AMPARA DISTRICT
- Akkaraipattu
- Kalmunai

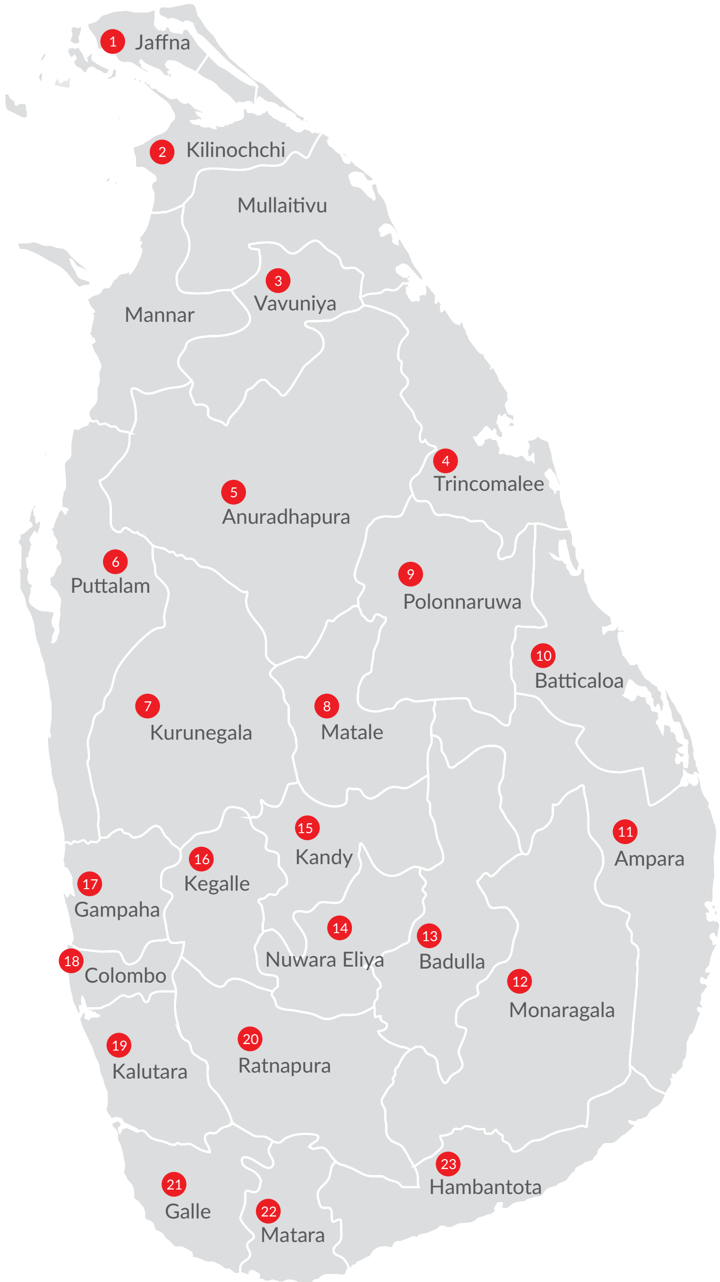
12. MONARAGALA DISTRICT
- Monaragala

13. BADULLA DISTRICT
- Badulla
- Bandarawela

14. NUWARA ELIYA DISTRICT
- Hatton

15. KANDY DISTRICT
- Gampola
- Kandy
- Kandy City Centre
- Katugastota
- Kundasale
- Peradeniya
- Pilimathalawa

16. KEGALLE DISTRICT
- Mawanella
- Kegalle
- Warakapola



17. GAMPAHA DISTRICT
- Gampaha
- Ja-Ela
- Kadawatha
- Kiribathgoda
- Minuwangoda
- Negombo
- Wattala

18. COLOMBO DISTRICT
- Bambalapitiya
- Battaramulla
- Borella
- Colombo Gold Centre
- Dam Street
- Dehiwala
- Homagama
- Kaduwela
- Kalubowila
- Kirulapone
- Kollupitiya
- Kotahena
- Kottawa
- Maharagama
- Malabe
- Moratuwa
- Narahenpita
- Nawala
- Nugegoda
- Old Moor Street
- Panchikawatta
- Pettah
- Piliyandala
- Rajagiriya
- Ratmalana
- Thalawathugoda
- Wellawatte
- World Trade Centre

19. KALUTARA DISTRICT
- Horana
- Kalutara
- Panadura

20. RATNAPURA DISTRICT
- Balangoda
- Embilipitiya
- Ratnapura

21. GALLE DISTRICT
- Ambalangoda
- Galle
- Hikkaduwa

22. MATARA DISTRICT
- Akuressa
- Matara
- Weligama

23. HAMBANTOTA DISTRICT
- Ambalantota
- Tangalle

Branch Name	Branch Code	Address	District	Telephone No	Fax No	Opening Hours
Akkaraipattu	060	No 8/2, Sagama Road,Akkaraipattu	Ampara	067-4924071	067-2279576	Weekdays : 9.00 AM to 3.00 PM
Akuressa	072	No 54, Matara Road, Akuressa	Matara	041-4935855	041-2284677	Weekdays : 9.00 AM to 3.00 PM
Ambalangoda	041	No 103, Galle Road, Ambalangoda	Galle	091-4943166	091-2258064	Weekdays : 9.00 AM to 3.00 PM
Ambalantota	053	No 155/1, Tissa Road, Ambalantota	Hambantota	047-4931850	047-2225056	Weekdays : 9.00 AM to 3.00 PM
Anuradhapura	032	No 49, Main Street, Anuradhapura	Anuradhapura	025-4976777	025-2234763	Weekdays : 9.00 AM to 3.00 PM
Arayampathy	057	No. 73b,73b 1/1,73C and 73C 1/1,,Main street,Arayampathy East,Kattankudy	Batticaloa	065-4926901	065-2248468	Weekdays : 9.00 AM to 3.00 PM
Badulla	045	No 22A, Bank Road (Lower Kings Street), Badulla	Badulla	055-4976777	055-2225771	Weekdays : 9.00 AM to 3.00 PM
Balangoda	062	No 84, Barns Rathwatte Mawatha, Balangoda	Ratnapura	045-4928310	045-2289081	Weekdays : 9.00 AM to 3.00 PM
Bambalapitiya	009	No. 343, Galle Road, Colombo 04	Colombo	011-4374055	011-2506825	Weekdays : 9.00 AM to 3.00 PM
Bandarawela	048	No 340/1A, Badulla Road, Bandarawela	Badulla	057-4976777	057-2233554	Weekdays : 9.00 AM to 3.00 PM
Battaramulla	063	No 123C, Pannipitiya Road, Battaramulla	Colombo	011-4343260	011-2885622	Weekdays : 9.00 AM to 3.00 PM
Batticaloa	040	No 293, Trincomalee Road, Batticaloa	Batticaloa	065-4976777	065-2228486	Weekdays : 9.00 AM to 3.00 PM
Borella	031	No 996A, Maradana Road, Colombo 8	Colombo	011-4374207	011-2696461	Weekdays : 9.00 AM to 3.00 PM
Chilaw	036	No. 58, Colombo Road, Chilaw	Puttalam	032-4976777	032-2224756	Weekdays : 9.00 AM to 3.00 PM
Chunnakam	061	No 92, Dr. Subramaniyam Road, Chunnakam	Jaffna	021-4923422	021-2241889	Weekdays : 9.00 AM to 3.00 PM
Colombo Gold Centre	078	No 48 GF & 53 UF, Colombo Gold Center, Central Super Market, Pettah	Colombo	011-4061241	011-2339383	Weekdays : 9.00 AM to 3.00 PM
Dam Street	019	No 22, Dam Street, Colombo 12	Colombo	011-4374130	011-2346052	Weekdays : 9.00 AM to 3.00 PM
Dambulla	049	Jayalanka Building, Kandy Road, Dambulla	Matale	066-4928970	066-2284844	Weekdays : 9.00 AM to 3.00 PM
Dankotuwa	083	No 17 and 19,Nattandiya Road, Dankotuwa	Puttalam	031-4937130	031–2265790	Weekdays : 9.00 AM to 3.00 PM
Dehiwala	015	No 104, Galle Road, Dehiwala	Colombo	011-4374077	011-2730624	Weekdays : 9.00 AM to 3.00 PM
Embilipitiya	038	No 49, New Town Road, Embilipitiya	Ratnapura	047-4976777	047-2261624	Weekdays : 9.00 AM to 3.00 PM
Galewela	071	No. 35, 35/1, Dambulla-Kurunegala Road, Matale Junction, Galewala	Matale	066-4929970	066-2288320	Weekdays : 9.00 AM to 3.00 PM
Galle	025	No 32, Old Matara Road, Galle	Galle	091-4976777	091-4976777	Weekdays : 9.00 AM to 3.00 PM
Gampaha	011	No 15, Rest house road, Gampaha	Gampaha	033-4976777	033-2220048	Weekdays : 9.00 AM to 3.00 PM
Gampola	030	No 29, Nuwara Eliya Road, Gampola	Kandy	081-4944625	081-2353998	Weekdays : 9.00 AM to 3.00 PM
Hatton	075	No. 68, Co-operative Square Building, Hatton	Nuwara Eliya	051-4932040	051-2225665	Weekdays : 9.00 AM to 3.00 PM
Hikkaduwa	084	299/C, Galle Road, Pannamgoda, Hikkaduwa.	Galle	091-4944956	091-2274084	Weekdays : 9.00 AM to 3.00 PM
Homagama	076	No 381, High Level Road, Homagama	Colombo	011-4385740	011-2098484	Weekdays : 9.00 AM to 3.00 PM
Horana	077	No 95, Ratnapura Road, Horana	Kalutara	034-4941060	034-2266566	Weekdays : 9.00 AM to 3.00 PM
Ja-Ela	066	No. 206,Colombo Road,Weligampitiya,Ja-Ela	Gampaha	011-4344149	011-2232824	Weekdays : 9.00 AM to 3.00 PM
Jaffna	037	No 570, Hospital Road, Jaffna	Jaffna	021-4976777	021-2221485	Weekdays : 9.00 AM to 3.00 PM
Kadawatha	026	No. 143/H, Kandy Road, Kadawatha	Gampaha	011-4374185	011-2925192	Weekdays : 9.00 AM to 3.00 PM
Kaduruwela	052	No 918, Batticaloa Road, Kaduruwela	Polonnaruwa	027-4976777	027-2224474	Weekdays : 9.00 AM to 3.00 PM
Kaduwela	081	No 508/4,Avissawella Road,Kaduwela	Colombo	011-4328295	011-2538552	Weekdays : 9.00 AM to 3.00 PM

Branch Network ▶

Branch Name	Branch Code	Address	District	Telephone No	Fax No	Opening Hours
Kalmunai	042	No 100,104, Batticaloa Road, Kalmunai	Ampara	067-4976777	067-2225590	Weekdays : 9.00 AM to 3.00 PM
Kalubowila	047	No 46A, S D S Jayasinghe Mawatha, Kalubowila	Colombo	011-4374254	011-2828338	Weekdays : 9.00 AM to 3.00 PM
Kalutara	033	No.219/3, Galle Road, Kalutara South	Kalutara	034-4976777	034-2221258	Weekdays : 9.00 AM to 3.00 PM
Kandy	005	No 123, D S Senanayake Veediya, Kandy	Kandy	081-4976777	081-2232994	Weekdays : 9.00 AM to 3.00 PM
Kandy City Centre	044	No L1-5A,Lower ground floor, Kandy City Centre, No 5,Dalada Veediya, Kandy	Kandy	081-4951034	081-2205776	365 Days : 9.00AM to 3.00 PM
Katugastota	020	No 57, Kurunegala road, Katugastota	Kandy	081-4946135	081-2500362	Weekdays : 9.00 AM to 3.00 PM
Kegalle	027	No 107 ,Main Street, Kegalle	Kegalle	035-4976777	035-2221018	Weekdays : 9.00 AM to 3.00 PM
Kekirawa	067	No 91,93, Main Street, Kekirawa	Anuradhapura	025-4928934	025-2264598	Weekdays : 9.00 AM to 3.00 PM
Kilinochchi	043	No.161,Kandy Road, Kilinochchi	Kilinochchi	021-4925952	021-2280075	Weekdays : 9.00 AM to 3.00 PM
Kiribathgoda	054	No 67, Makola Road, Kiribathgoda	Gampaha	011-4376061	011-2911041	Weekdays : 9.00 AM to 3.00 PM
Kirulapone	022	100 High Level Road, Colombo 06	Colombo	011-4374152	011-2515227	Weekdays : 9.00 AM to 3.00 PM
Kollupitiya	003	No 450, Galle Road, Colombo 03	Colombo	011 - 4667022	011-2301150	365 Days : 9.00AM to 3.00 PM
Kotahena	014	No 215A, George R De Silva Mawatha, Colombo 13	Colombo	011-4374066	011-2346066	Weekdays : 9.00 AM to 3.00 PM
Kottawa	080	No 364/11, High level Road, Kottawa	Colombo	011-4324145		Weekdays : 9.00 AM to 3.00 PM
Kuliyapitiya	046	No 74 Kurunegala Road, Kuliyapitiya	Kurunegala	037-4943733	037-2284141	Weekdays : 9.00 AM to 3.00 PM
Kundasale	058	No 248, Digana Road, Kundasale	Kandy	081-4951644	081-2424624	Weekdays : 9.00 AM to 3.00 PM
Kurunegala	012	No 22, Suratissa Mawatha, Kurunegala	Kurunegala	037-4976777	037-2221731	Weekdays : 9.00 AM to 3.00 PM
Maharagama	023	173/1, Highlevel Road, Maharagama	Colombo	011-4374163	011-2838397	365 Days : 9.00AM to 3.00 PM
Malabe	035	No 410/2, Athurugiriya Road, Malabe	Colombo	011-4374218	011-2744405	Weekdays : 9.00 AM to 3.00 PM
Matale	039	No 165, Trincomalee Street, Matale	Matale	066-4976777	066-2223007	Weekdays : 9.00 AM to 3.00 PM
Matara	013	No 45B, Anagarika Dharmapala Mawatha, Matara	Matara	041-4976777	041-2231362	Weekdays : 9.00 AM to 3.00 PM
Mawanella	082	No 300, Kandy Road, Mawanella	Kegalle	035-4935291	035-2246140	Weekdays : 9.00 AM to 3.00 PM
Minuwangoda	069	No 42, Veyangoda Road, Minuwangoda	Gampaha	011-4335770	011-2295929	Weekdays : 9.00 AM to 3.00 PM
Monaragala	059	No:141,Wellawaya Road,Monaragala	Monaragala	055-4929312	055-2277223	Weekdays : 9.00 AM to 3.00 PM
Moratuwa	024	No. 517,Galle Road, Rawathawatte, Moratuwa.	Colombo	011-4374174	011-2641354	Weekdays : 9.00 AM to 3.00 PM
Narahenpita	021	No 526, Elvitigala Mawatha, Colombo 05	Colombo	011-4374141	011-2368667	Weekdays : 9.00 AM to 3.00 PM
Nawala	079	No 162, Nawala Road, Nugegoda	Colombo	011-4322814	011-2853043	Weekdays : 9.00 AM to 3.00 PM
Negombo	010	No 199, St. Joseph's Street, Negombo	Gampaha	031-4976777	031-2231259	Weekdays : 9.00 AM to 3.00 PM
Nelliady	056	No 208A, Jaffna Road, Nelliady	Jaffna	021-4923164	021-3734879	Weekdays : 9.00 AM to 3.00 PM
Nugegoda	008	No 132C, High Level Road, Nugegoda	Colombo	011-4374044	011-2828228	Weekdays : 9.00 AM to 3.00 PM
Old Moor Street	018	No 314, Old Moor Street, Colombo 12	Colombo	011-4374099	011-2392897	Weekdays : 9.00 AM to 3.00 PM
Panadura	017	No 506, Galle Road, Panadura	Kalutara	038-4976777	038-2243053	Weekdays : 9.00 AM to 3.00 PM
Panchikawatta	002	No 262 , Sri Sangaraja Mawatha, Colombo 10	Colombo	011-4374011	011-2447452	Weekdays : 9.00 AM to 3.00 PM
Peradeniya	051	No 767, 769 & 769/11,Sirimawo Bandaranayake Mawatha, Kandy	Kandy	081-4951180	081-2232441	Weekdays : 9.00 AM to 3.00 PM
Pettah	004	No 64, Keyzer Street, Colombo 11	Colombo	011-4374022	011-5363652	Weekdays : 9.00 AM to 3.00 PM

Branch Name	Branch Code	Address	District	Telephone No	Fax No	Opening Hours
Pilimathalawa	065	No 217,Kandy Road, Manadeniya,Pilimathalawa.	Kandy	081-4951870	081-2575335	Weekdays : 9.00 AM to 3.00 PM
Piliyandala	055	No 107, Horana Road, Mampe, Piliyandala	Colombo	011-4376251	011-2604070	Weekdays : 9.00 AM to 3.00 PM
Puttalam	064	No 116A, Kurunegala Road, Puttalam	Puttalam	032-4929663	032-2267967	Weekdays : 9.00 AM to 3.00 PM
Rajagiriya	006	No 468, Kotte Road, Rajagiriya	Colombo	011-4374033	011-2866823	Weekdays : 9.00 AM to 3.00 PM
Ratmalana	050	No 446, Galle Road, Ratmalana	Colombo	011-4374261	011-2738840	Weekdays : 9.00 AM to 3.00 PM
Ratnapura	007	No 37, Bandaranayake Mawatha, Ratnapura	Ratnapura	045-4976777	045-2231848	Weekdays : 9.00 AM to 3.00 PM
Tangalle	074	No 3, Annapitiya Road, Tangalle	Hambantota	047-4929626	047-2241215	Weekdays : 9.00 AM to 3.00 PM
Thalawathugoda	068	No 351/E, Pannipitiya Road, Thalawathugoda	Colombo	011-4344650	011-2796016	Weekdays : 9.00 AM to 3.00 PM
Trincomalee	073	No 459, Dockyard Road, Trincomalee	Trincomalee	026-4925525	026-2225700	Weekdays : 9.00 AM to 3.00 PM
Vavuniya	034	No 14, 2nd Cross Street, Vauniya	Vavuniya	024-4976777	024-2225444	Weekdays : 9.00 AM to 3.00 PM
Warakapola	070	No 139, Kandy Road, Warakapola	Kegalle	035-4928777	035-2267544	Weekdays : 9.00 AM to 3.00 PM
Wattala	016	No. 218, Negombo road, Wattala	Gampaha	011-4374088	011-2945104	Weekdays : 9.00 AM to 3.00 PM
Weligama	085	204, Hettiveediya, Weligama	Matara	041-4933116		Weekdays : 9.00 AM to 3.00 PM
Wellawatte	029	No. 135, Galle Road, Colombo 06	Colombo	011-4374196	011-2362399	Weekdays : 9.00 AM to 3.00 PM
Wennappuwa	028	No 6, Chilaw Road, Wennappuwa	Puttalam	031-4934870	031-2249556	Weekdays : 9.00 AM to 3.00 PM
World Trade Centre	001	Level 2, East Tower, World Trade Centre, Colombo 01	Colombo	011-4976777	011-2346053	Weekdays : 9.00 AM to 3.00 PM

Correspondent Banks ▸

1. CANADA
- Royal Bank of Canada
- Toronto-Dominion Bank

2. UNITED STATES OF AMERICA
- Standard Chartered Bank
- Citibank N.a.
- Hab Bank
- Israel Discount Bank of New York
- The Bank of New York Mellon
- Mashreq Bank Psc
- Wells Fargo Bank, N.a

3. UNITED KINGDOM
- Arab National Bank
- Bank of Ceylon (Uk) Ltd.
- Standard Chartered Bank

4. GERMANY
- Commerzbank Ag
- Landesbank Hessen-Thueringen Girozentrale
- Standard Chartered Bank Ag

5. ITALY
- Credit Agricole Friuladria Spa
- Banca Ubae Spa

6. CZECH REPUBLIC
- Unicredit Bank Czech Republic and Slovakia, A.s.

7. SERBIA
- Unicredit Bank Srbija A.d.

8. EGYPT
- Mashreq Bank

9. CYPRUS
- National Bank of Greece (Cyprus) Ltd.
- Hellenic Bank Public Company Ltd.

10. ISRAEL
- Mercantile Discount Bank Ltd.

11. SAUDI ARABIA
- Bank Al-Jazira

12. KUWAIT
- National Bank of Kuwait S.a.k.p.
- Doha Bank

13. QATAR
- Doha Bank
- Mashreq Bank

14. UNITED ARAB EMIRATES
- Mashreq Bank Psc
- Bank Saderat Iran
- Habib Bank Ag Zurich
- Emirates Islamic Bank P J S E
- Standard Chartered Bank
- National Bank of Ras Al-Khaimah
- Doha Bank

15. SEYCHELLS
- Bank of Ceylon

16. PAKISTAN
- Mcb Bank Limited
- Standard Chartered Bank (Pakistan) Limited
- Summit Bank Ltd
- Habib Metropolitan Bank Limited

17. MALDIVES
- Bank of Ceylon
- Bank of Maldives Plc

18. INDIA
- Mizuho Bank, Ltd.
- Bank of Ceylon
- Citibank N.a.
- Hdfc Bank Limited
- Icici Bank Limited
- Mashreq Bank
- Standard Chartered Bank
- Tamilnad Mercantile Bank Limited
- Doha Bank Q S C

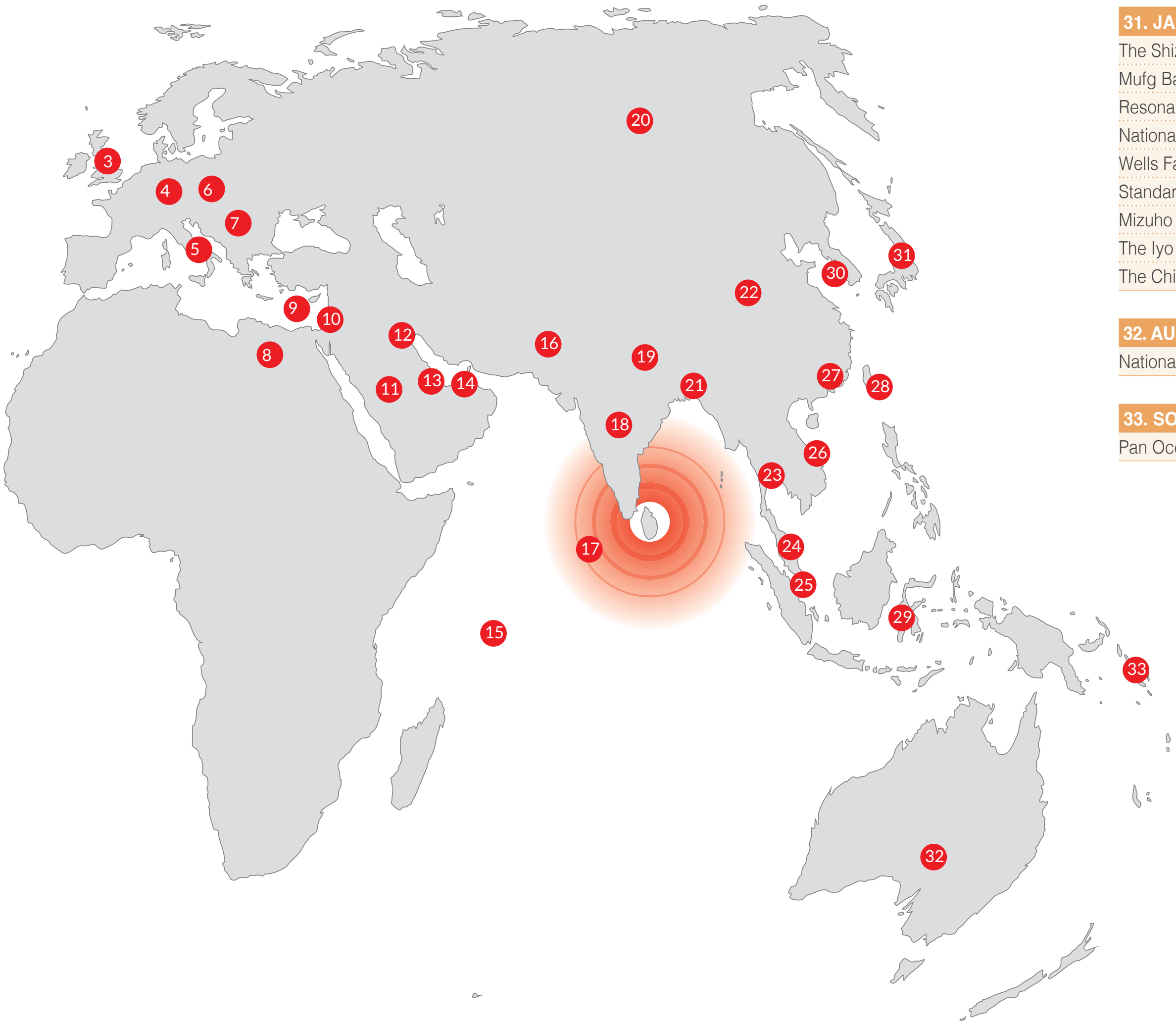
19. NEPAL
- Himalayan Bank Ltd.
- Laxmi Sunrise Bank Limited

20. RUSSIA
- Unicredit Bank Ao

21. BANGLADESH
- Islami Bank Bangladesh Ltd.
- Mercantile Bank Limited
- Bank Asia Ltd.

22. CHINA
- Bank of China
- Qilu Bank Co. Ltd.
- Laishang Bank Co. Ltd
- Standard Chartered Bank (China) Limited
- Zhejiang Tailong Commercial Bank

23. THAILAND
- Standard Chartered Bank (Thai) Pcl



31. JAPAN
- The Shizuoka Bank Ltd.
- Mufg Bank Ltd.
- Resona Bank Ltd.
- National Bank of Pakistan
- Wells Fargo Bank N.a.
- Standard Chartered Bank
- Mizuho Bank Ltd.
- The Iyo Bank, Ltd.
- The Chiba Kogyo Bank Ltd.

32. AUSTRALIA
- National Australia Bank Limited

33. SOLOMON ISLANDS
- Pan Oceanic Bank Limited

24. MALAYSIA
- Standard Chartered Bank Malaysia Berhad

25. SINGAPORE
- Standard Chartered Bank (Singapore) Limited
- Standard Chartered Bank
- Citibank,N.a.
- Dbs Bank Ltd
- The Hongkong And Shanghai Banking Corporation Limited

26. VIETNAM
- Standard Chartered Bank (Vietnam) Limited

27. HONG KONG
- Habib Bank Zurich (Hong Kong) Limited
- Wells Fargo Bank, N.a.
- Standard Chartered Bank (Hong Kong) Limited

28. TAIWAN
- Standard Chartered Bank (Taiwan) Limited
- Dbs Bank (Taiwan) Ltd

29. INDONESIA
- Bank Negara Indonesia - Pt (Persero)
- Standard Chartered Bank

30. KOREA
- Kookmin Bank
- Woori Bank
- Keb Hana Bank
- Shinhan Bank

Corporate Social Responsibility ▸

In 2024, Pan Asia Bank upheld its steadfast commitment to corporate social responsibility and sustainability, embodying its core values of trust, sustainability, and community engagement. With a focus on creating tangible positive change, the Bank's CSR initiatives during the year were part of its broader CSR & Sustainability platform as the Truly Sri Lankan Bank. This platform fosters education for national excellence, environmental preservation, empowering entrepreneurship for economic growth, sportsmanship and uplifting communities to promote equality and financial inclusivity.

To bring this vision to life, the Bank implemented several impactful projects, either independently or in partnership with organisations such as the Business/industry Chambers, universities, government agencies, community centers, and religious bodies:

The 'Bring a Smile' Project

In collaboration with the University of Sri Jayewardenepura, the 'Bring a Smile' CSR project sought to provide much-needed support to students in Sri Lanka's North Central Province. This initiative directly impacted more than 300 students from two schools by supplying them with essential educational equipment, including books, stationery and school supplies. The aim was to alleviate the financial burdens faced by these students, enabling them to pursue their studies with confidence and focus. Pan Asia Bank's involvement in this project underscores its commitment to advancing education and supporting the future of the country's youth.

Putting smiles on children's faces.

Smiles shine brighter with the gift of education

Dear Father Project: Empowering Fathers, Advancing Gender Equality, and Building an Inclusive Sri Lanka

In special partnership with the Department of Samurdhi Development, the Rotary Club of Colombo Uptown, and the Women's International Foundation, Pan Asia Bank supported the Dear Father Project, which highlighted the role of fathers in promoting gender equality and empowering women. Launched on International Women's Day 2024, the program trained over 500 change agents from the Samurdhi network to educate more than 5,000 fathers who are bread winners in the family on financial literacy, equity, and non violence. By fostering engaged and equitable parenting, this initiative aspired to create a more inclusive society while addressing pressing social issues in Sri Lanka.

Pan Asia MasterCard Football Championship

Pan Asia Bank, in collaboration with MasterCard International, launched the Pan Asia MasterCard Football Champions Trophy 2024, and aimed at fostering youth empowerment through sports in Vavuniya. Football, a beloved passion among the region's youth, served as the catalyst for creating a platform where over 20 schools competed in a spirit of harmony and sportsmanship. The event, supported by key figures from Pan Asia Bank and MasterCard, emphasised inclusivity and skill development, aligning with the Bank's commitment to youth advancement and national development.

Promoting harmony through a shared love for sports

Fostering Team Spirit and Excellence – Partnering Sri Jayawardenapura Football League

Pan Asia Bank, in collaboration with the Sri Jayawardenapura Football League, hosted an exhilarating futsal tournament in Colombo, bringing together top teams from Kotte, Pannipitiya, Kolonnawa, Maharagama, Homagama, and Kaduwela. The event celebrated exceptional talent, teamwork, and fair play, energizing the futsal spirit among participants and spectators alike. As the Truly Sri Lankan Bank, Pan Asia Bank remains committed to fostering community engagement and encouraging physical activity. Through this partnership, the Bank aims to unite communities and inspire youth participation in sports, contributing to a healthier and more connected society.

Clear Vision, Shared Mission: Pan Asia Bank and Rotary Club of Kelaniya Illuminate Elderly Eye Care in Matara Region

Pan Asia Bank, in partnership with the Kelaniya Rotary Club, launched a large-scale CSR project to address a vital need for senior citizens in the Matara area by establishing a specialised eye clinic. This initiative specifically benefited more than 100 government retirees from Pan Asia Bank's Sammana customer base and 25 deserving individuals identified through the Matara Niladhari Division. Beyond eye care, the project also symbolised hope and growth by gifting each participant a small tree to nurture. The project reflects Pan Asia Bank's commitment to improving the quality of life for its customers and the broader community, showcasing the spirit of being the "Truly Sri Lankan Bank" through meaningful collaborations and impactful initiatives.

"The Bank's CSR initiatives during the year were part of its broader CSR & Sustainability platform as the Truly Sri Lankan Bank. This platform fosters education for national excellence, environmental preservation, empowering entrepreneurship for economic growth, sportsmanship and uplifting communities to promote equality and financial inclusivity."

Improving the quality of life for senior citizens

Empowering senior citizens with clearer vision

Empowering the Next Generation with Financial Inclusivity – Collaboration with the Central Bank and Akshi Media

One of the most impactful initiatives in 2024 was the Financial Literacy Programme, a collaboration between Pan Asia Bank and the Central Bank of Sri Lanka. Over 1,200 students from the regions of Kurunegala, Kandy, Dankotuwa and Wennappuwa participated in this programme, which aimed to equip young minds with essential financial skills. These sessions focused on critical topics such as budgeting, saving, investing and responsible financial management. By fostering a strong foundation in financial literacy, the Bank hopes to empower these young individuals to achieve financial independence and make informed financial decisions, thus contributing to their long-term economic success.

Entrepreneurial Growth through Strategic Partnerships

Pan Asia Bank recognises the significant role that entrepreneurship plays in driving national economic development. In 2024, the Bank partnered with CPM Sri Lanka to run a series of entrepreneurial development programmes across the country to provide valuable knowledge, tools and resources to aspiring and existing entrepreneurs, with the goal of enabling sustainable business growth. Furthermore, Pan Asia Bank, in partnership with the National Enterprise Development Authority (NEDA), the Asian Development Bank (ADB), and Deloitte, was the first to onboard the SME Connect platform, a comprehensive hub for entrepreneurs, advancing financial literacy and fostering growth in Sri Lanka's SME sector. The Bank's support aimed to help entrepreneurs build successful, resilient businesses that can contribute to job creation, innovation and the overall economic development of Sri Lanka.

Educating Selected Business Segments on Resilience through Financial Literacy

In 2024, Pan Asia Bank, in collaboration with the National Chamber of Commerce (NCC), launched a transformative initiative to support the backbone of Sri Lanka's economy—the SME sector. Through a series of dynamic workshops held in key regions such as Galle, Ella, and Kandy, the Bank provided SME owners with invaluable tools to enhance their financial literacy and entrepreneurial acumen. The goal was to empower SMEs to better manage their finances, understand the importance of financial resilience, and adopt strategies for long-term growth. These initiatives helped strengthen the SME sector, contributing to its sustainability and ability to withstand economic pressures.

> “Pan Asia Bank remains dedicated to creating positive change, empowering the next generation and fostering a sustainable future for Sri Lanka.”

Tribute to Civilian Bravery through 'Daskam'

As part of its ongoing commitment to inspiring courage and resilience, Pan Asia Bank honoured Charithma Jinendri Maitipe, a 17-year-old student, through its Daskam initiative for her extraordinary act of bravery in 2024. Charithma risked her life to save two individuals trapped in flash floodwaters in Padukka Wagandapola. Her heroic actions exemplify selflessness and resilience in the face of adversity. By recognising such remarkable contributions, Pan Asia Bank reaffirms its dedication to fostering a culture of integrity and courage while encouraging others to contribute to the welfare of their communities. This recognition underscores the Bank's unwavering support for nurturing exceptional values across Sri Lanka.

Rewarding exceptional bravery

Supporting Communities through Partnerships

Pan Asia Bank extended its outreach to underprivileged communities through collaborations with various organisations, most notably with the Salvation Army. These partnerships were designed to uplift marginalised groups by providing them with critical resources and opportunities. In 2024, the Bank contributed to the provision of food, clothing, healthcare and educational support to these communities, helping to brighten their futures and offer new prospects.

Care Beyond Remittances

Recognising the importance of remittances to many Sri Lankan families, Pan Asia Bank launched the 'Care Beyond Remittances' programme to strengthen its relationships with customers sending foreign remittances. This initiative focused on engaging with both the remittance senders and their loved ones in Sri Lanka. By offering additional services, resources, and emotional support, the Bank aimed to create a more personalised and meaningful connection with its customers. This initiative reflects the Bank's commitment to supporting the well-being of families and ensuring that their financial needs are met.

Honouring Academic Excellence

Pan Asia Bank believes in the power of education to shape the future of Sri Lanka's youth. In 2024, the 'Daskam' programme was expanded to recognise 61 outstanding O-Level performers from the Hatton region. These students were celebrated for their academic excellence, receiving recognition and rewards for their hard work and dedication. By honouring academic achievers, Pan Asia Bank continues to emphasise the importance of education and encourages other young people to strive for excellence, thus contributing to the development of a knowledgeable, skilled and competitive workforce for the future.

Looking Ahead

The CSR initiatives undertaken by Pan Asia Bank in 2024 reflect a deep commitment to supporting Sri Lanka's social and economic development. The diverse range of projects - focused on education, financial literacy, entrepreneurship, community support and the recognition of exceptional values – enables the Bank to play an active role in enriching the lives of individuals and communities. Pan Asia Bank remains dedicated to creating positive change, empowering the next generation and fostering a sustainable future for Sri Lanka.

Human Capital ▸

“ Its positioning as a preferred employer was enhanced by its robust employer branding, permitting the application of diverse sourcing strategies. ”

The year 2024 presented continued challenges in the labour market, particularly with regard to talent retention and acquisition, since the ongoing brain drain remained an ongoing challenge during this period as well. The opening of the job market and the high demand for skilled manpower by competitors, particularly for experienced professionals offering competitive compensation packages, continues to strain efforts to retain talent. As a result, Pan Asia Bank faced difficulties in maintaining its workforce but has made significant strides in addressing these issues through innovative talent retention and acquisition strategies.

1,567

Total Head count

390

Total Recruitments

292

Total Exits

41,488

Training Hours

Talent Acquisition and Onboarding

Amidst the shortage of experienced professionals in the market, the recruitment costs rose in 2024. Despite this, the Bank was able to hire talented, young professionals who are expected to play a crucial role in the future growth of the organisation. A total of 390 new hires were on boarded during the year, reflecting the Bank's continued commitment to building a strong, capable workforce.

The Bank prioritised its recruitment efforts to align with business requirements, thereby ensuring that all departments and branches were sufficiently staffed. Its positioning as a preferred employer was enhanced by its robust employer branding, permitting the application of diverse sourcing strategies. This included active participation in several job fairs conducted in Colombo, Kelaniya, and Kuliyapitiya. Following the restructuring of the Credit Card Sales Team, the Bank organised walk-in interviews in Colombo, Matara, Embilipitiya, Kurunegala, and Bandarawela. This initiative successfully attracted a pool of talented individuals to both the sales team and the Junior Executive Trainee pools. The recruitment operations functioned at full capacity throughout the year, ensuring the timely availability of staff.

Additionally, a major transformation took place in the Bank's talent acquisition and on boarding process. The transition from a manual recruitment process to a systematised process via the HRIS system's Hiring module has improved efficiency and streamlined operations. Further, the implementation of a systematic candidate onboarding solution also through the existing HRIS, streamlined the employee onboarding process and improved operational excellence and the candidate experience. All necessary documents, apart from those required for audit purposes, are now obtained in soft copy format which are systematically uploaded to our HRIS and stored in electronic personal files, significantly reducing paper usage and speeding up the onboarding process. This initiative is aligned with the Bank's sustainable practices and effective document management.

Career Progression and Retention

The year 2024 was particularly challenging in terms of staff retention. To counter this, the Bank strategically opened internal positions for the 2024 promotion cycle. Job tests were conducted at 10 E-Soft Centers around the country, and following thorough evaluations, 85 staff members were promoted during the year. This enabled the Bank to retain experienced staff by way of giving them career progression within rather than having to look for opportunities elsewhere. Additionally, 05 new Branch Managers and 01 Area Manager were appointed internally. This was an initiative to foster retention, where the Bank deployed trained staff quickly and provided them with clear career progression opportunities. One of the key strategies for retaining talent involved placing staff as close to their homes as possible, ensuring staff members do not have to spend on accommodation and can stay with their families. Transfers are made only within the regions where employees reside, making it easier for them to balance their work and personal lives.

Aligning the reward system

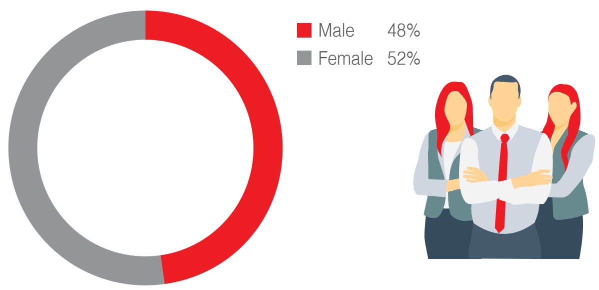
Compensation plays an integral role in attracting and retaining the most talented and capable staff within the organisation. The Bank has made efforts to align the compensation to raise external and internal expectations thereby reviewing the reward structure that took place during the year and salary scales of Manager II and below grades were revised to be competitive with industry levels and to boost morale of the staff despite a challenging year. The Bank has put in place a strong team of professionals in every role after evaluating their strengths and weaknesses, which has enhanced the contribution they make to the profitability.

Further, the Bank has already established a close link between employee compensation and their performance. Thereby a Performance Bonus was paid during 2024 to all eligible staff for the Bank's previous year performance, depending on their individual performance rating.

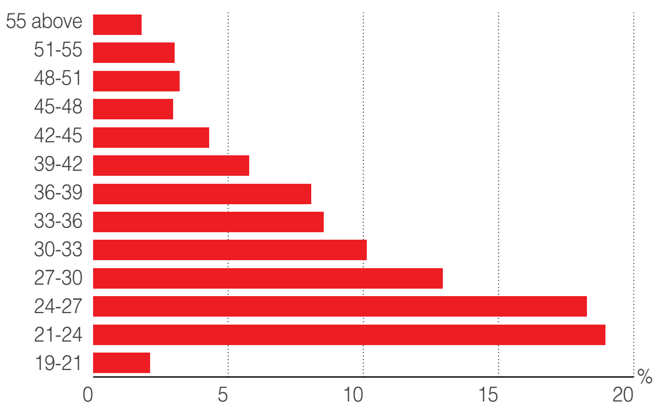
Work force by Province

Province	Permanent	Probation	Contract	Trainee	Total
Central	112	-	-	3	115
Eastern	37	3	-	2	42
North Central	19	-	-	6	25
North Western	46	4	-	6	56
Northern	36	1	-	5	42
Sabaragamuwa	21	-	-	5	26
Southern	93	-	-	5	98
Uva	21	-	-	3	24
Western	914	64	23	138	1,139
Total	1,299	72	23	173	1,567

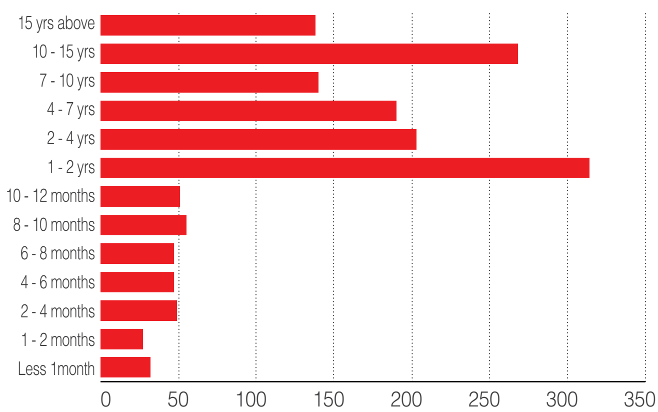
Gender Analysis



Age Analysis



Tenure Analysis



Learning and Development

Pan Asia Bank remains deeply committed to the professional growth and development of its employees, recognising that a skilled and knowledgeable workforce is essential to achieving its strategic goals.

Due to the high turnover and the challenge of hiring staff with the necessary skills, Pan Asia Bank placed a heavy emphasis on internal staff development. Recognising the need to have a highly skilled and readily available workforce to meet growing business demands.

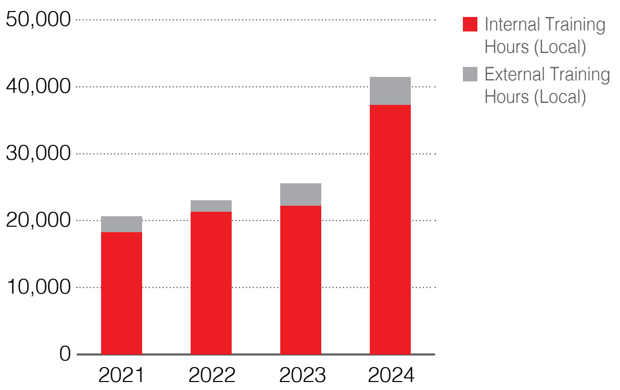
Training Hours

In the year 2024, training man hours of 41,488 were delivered which is the highest during the recent years.

This translated into over 26 hours of training per employee despite the challenges faced. A plethora of learning opportunities was provided by offering practical training, thus breathing life into theoretical training.

Training Category	2021	2022	2023	2024
Internal Training Hours (Local)	18,245	21,330	22,185	37,281
External Training Hours (Local)	2,428	1,670	3,413	4,207
Total Training Hours	20,673	23,000	25,598	41,488

Total Training Hours



In 2024, the Bank prioritised internal talent development by providing continuous training opportunities. To facilitate this, forming a 'Talent Crew' was initiated, providing staff members with an excellent opportunity aimed at nurturing future leaders and experts within the Bank. These pools were created after a rigorous evaluation process to identify high-potential employees. Talent Crews were formed for 3 key roles within the branch network namely, for "Branch Manager", "Second Officer" and the "Credit Officer". The Bank is focused on training its existing employees in these critical roles within the branch network. It has implemented structured learning programs designed to enhance these identified employees' skills and leadership capabilities, ensuring they are equipped to meet both current and future business needs. Further, through targeted upskilling initiatives and the creation of talent pools, the Bank not only fosters career progression but also strengthens employee loyalty and prepares its workforce for long-term success.

A series of training programmes were implemented for upskilling employees, with a particular focus on preparing future leaders to take the organisation to new heights. The Bank continued to invest in leadership development to ensure that its leadership team is equipped to tackle any future challenges. These efforts helped foster loyalty among employees and contributed to the overall success of the Bank.

Some key programmes conducted during the year are as follows:

Strategy Workshop: Mental Process Re-Engineering for 10X Growth

Strategic thinking is pivotal to achieving organisational goals, and at Pan Asia Bank, we prioritise aligning our leadership's mindset with our ambitious vision. A transformative full-day workshop, titled "Mental Process Re-Engineering for 10X Growth," was conducted during the first two months of 2024. It Initially targeting the Corporate Management but later the program was extended to senior managers and all branch managers.

This workshop was designed to synchronise the leadership's strategic thinking with the Bank's objectives for 2024 and beyond. It emphasised the CEO's visionary goal of transforming the Bank into a mid-sized bank within three years. Achieving this requires doubling growth annually, culminating in a 10X expansion. The session not only equipped our leaders with the tools to meet these challenges but also fostered a collective commitment to excellence.

Strategy workshop for Corporate Management

Branch Manager Talent Pool Development Program

Recognising and nurturing in-house talent is integral to the Bank's growth strategy. In 2024, we identified 20 high-potential employees for our Branch Manager Talent Pool Development Program. This initiative prepares participants to take on branch manager roles by equipping them with critical skills and knowledge through a structured eight-month program.

The program consisted of 10 modules covering credit evaluation, branch operations, people management, strategic planning, emotional intelligence, business communication, and professional grooming. Facilitated by renowned internal and external experts, this initiative reflects our dedication to empowering future leaders.

Second Officer Talent Pool Program
To build a robust talent pipeline, the Bank launched a specialised 10-module program aimed at grooming selected employees for Second Officer roles in branch network. This initiative mirrors the structure of the Branch Manager Talent Pool Program but focuses more on branch operations, ensuring candidates are well-prepared for their future responsibilities. By fostering internal growth opportunities, we aim to retain talent and offer clear career progression pathways.

Credit Officer Skills Enhancement Program
To enhance the credit expertise of our officers, the Bank conducted a structured 12-session module delivered over 10 months. Segregated into three batches, the program was facilitated by in-house credit experts to ensure consistency in knowledge dissemination. This initiative underscores our commitment to continuous professional development and operational excellence.

Assistant Credit Officer Skills Enhancement Program
In 2024, we introduced a comprehensive training program for Assistant Credit Officers, marking our first batch of young, dynamic talent ready to become skilled credit professionals. The curriculum combined theoretical knowledge with hands-on experience, reflecting our focus on cultivating future leaders.

Certifying Pawning Officers
Pawning remains a key business driver for Pan Asia Bank. To elevate professionalism and ensure operational excellence, we partnered with the Institute of Bankers of Sri Lanka (IBSL) to certify our pawning officers. This two-day intensive program, conducted by an industry expert, culminated in participants receiving joint certification as "Certified Pawning Officers," enabling them to handle business transactions with greater expertise and confidence.

Certificate awarding ceremony for Pawning Officers

Strengthening Expertise in Cash Officer Functions
Cash officers play a critical role in ensuring the smooth and efficient operation of branch banking services. To enhance their knowledge and skills, the Operations Team conducted in-depth workshops on cash officer functions covering cash handling, compliance, and operational efficiency, equipping cash officers with the expertise required to perform their duties with precision and confidence. These sessions were organised region-wise to foster better engagement and enable more focused interactions with participants.

People Management Skills Training for Assistant Managers
Effective leadership requires the ability to specialised manage diverse teams effectively. Our Assistant Managers underwent a training program focused on understanding the dynamics of a multi-generational workforce, including Baby Boomers, Generation X, Millennials, and Generation Z. By tailoring leadership approaches to these generational differences, the program aimed to foster collaboration, drive innovation, and promote inclusivity. Participants were segmented into three batches to ensure focused learning and engagement.

CEO Mindset Workshop for Branch Managers
To inspire leadership excellence, the Bank conducted a workshop for all branch and regional managers, emphasising the mindset - "Every Manager is the CEO of Their Territory." led by an industry expert. This program provided actionable strategies to navigate challenges and drive growth. This initiative aligns with our vision of becoming a mid-sized bank and reinforces our commitment to equipping leaders with the tools to succeed.

Paradigm Shift for Newly Promoted Staff
Pan Asia Bank celebrates internal talent by promoting deserving staff to executive levels. To support their transition, we conducted comprehensive orientation sessions focusing on strategic thinking, leadership, and the shift from operational to managerial roles. For newly promoted managers, additional motivational and strategic-level workshops were included, ensuring they are well-prepared for their new responsibilities.

KPI Setting Workshop for 2025
The Bank's commitment to measurable outcomes is reflected in our program organised for "Mastering KPIs and Feedback for Sustained Growth" workshop. This session was initially conducted to the Corporate Management and thereafter for senior management team with actionable insights into setting SMART KPIs and leveraging feedback to enhance team performance. The interactive workshop laid a strong foundation for achieving our ambitious growth targets in 2025.

KPI Setting workshop for Corporate Management

Outbound Training for Recovery and IT Teams

Outbound Training (OBT) sessions were organised to enhance teamwork, leadership, and problem-solving skills. Through immersive outdoor activities, participants developed strategic planning abilities and situational leadership skills. Tailored for our Recovery and IT teams. This program fostered resilience and camaraderie, equipping them to tackle the high-pressure demands of their roles effectively.

Outbound training for Recovery Team

The Importance of CASA and Deposit Mobilisation

As a cost-efficient source of funding, CASA enhances the Bank's financial stability while enabling competitive lending rates and improved service offerings. Recognising its pivotal role, the Deposit Mobilisation Team has been actively working to align efforts across all regions, emphasising the importance of CASA in achieving branch-level and organisational targets.

To foster a deeper understanding and equip teams with actionable strategies, targeted sessions were conducted for Branch Managers and Assistant Managers in every region. These interactive sessions offered valuable insights, shared best practices, and strengthened the focus on CASA as a critical growth enabler.

The Importance of Project Management in Driving Success

Effective project management is a cornerstone for achieving organisational goals and ensuring the seamless execution of initiatives. A series of specialised sessions were organised to enhance project management capabilities across the organisation.

These sessions were conducted in collaboration with an industry expert and were attended by Regional Managers and selected Branch Managers. The program focused on equipping participants with essential tools, techniques, and best practices in project management, fostering a culture of accountability and precision in achieving organisational milestones.

Driving Excellence in Trade Finance

Trade finance plays a pivotal role in fostering economic growth and supporting businesses to thrive in global markets. The Trade Finance Team initiated a new drive, focusing on engaging and empowering branch staff to maximise opportunities in trade finance.

Through a series of branch visits, the team provided hands-on guidance, shared insights on trade finance products and services, and encouraged collaboration among staff members. These interactions not only enhanced the teams' knowledge and skills but also fostered a sense of ownership and commitment to growing the Bank's trade finance portfolio.

Elevating Customer Service Excellence

Exceptional customer service remains the cornerstone of building lasting relationships and sustaining customer loyalty in the Banking industry. Recognising this, we provided comprehensive training to all Customer Service Officers across the branch network, focusing on enhancing their skills and aligning their approach with evolving customer expectations.

The training introduced new concepts and best practices in customer service, guided by an industry expert, to upskill our teams and ensure they are equipped to deliver exceptional experiences.

Revolutionising Onboarding with LIME

In our continuous pursuit of excellence and innovation, we have introduced LIME, a cutting-edge onboarding system designed to transform the customer onboarding experience. This advanced system significantly reduces onboarding time from 40 minutes to just 10 minutes, offering a seamless and paperless solution that integrates effortlessly with all existing systems.

To ensure a smooth transition, comprehensive training was conducted for all branch staff by our dedicated implementation team. The sessions provided in-depth insights into LIME's features, functionality, and benefits, empowering teams to utilise the system effectively and enhance the overall customer journey.

Enhancing Soft Skills for a Dynamic Banking Environment

Soft skills are a vital complement to technical expertise, enabling staff to build strong relationships, communicate effectively, and adapt to the evolving needs of the Banking sector. Recognising their importance, a series of sessions on soft skill development were conducted throughout the year for nominated staff across the Bank.

These sessions focused on enhancing communication, interpersonal skills, emotional intelligence, and problem-solving abilities, essential competencies in today's competitive banking arena. By providing practical techniques and real-world scenarios, the program empowered participants to deliver exceptional customer service and collaborate effectively within their teams.

These investments in training and development are critical to the Bank's mission of sustaining growth while nurturing a highly knowledgeable skilled and motivated workforce.

Transforming Learning and Development with an LMS

The Bank signed agreements with a new vendor for its Learning Management System (LMS) which marked a significant step forward in modernising training processes and enhancing employee development.

This transformative initiative aims to provide staff with seamless access to up-to-date learning resources and interactive training modules. The LMS enables the organisation to deliver scalable, engaging, and flexible learning experiences while effectively tracking and measuring outcomes.

By leveraging cutting-edge technology, this initiative empowers employees to build essential skills and competencies, ensuring they are well-prepared to thrive in today's dynamic and competitive environment. The implementation of the LMS underscores the organisation's unwavering commitment to continuous learning, equipping its workforce with the tools needed for personal and professional success.

IBSL and Pan Asia Bank Unite to Elevate Practical Training in Banking Education

In 2024, the Bank partnered with the Institute of Bankers of Sri Lanka (IBSL) to provide practical training for students pursuing careers in banking and finance. This collaboration reflects the bank's commitment to developing future talent by offering hands-on training aligned with IBSL's Practical Training Guidelines. This will be a key factor for Pan Asia Bank to offer the students of the IBSL the most important practical training opportunities based on the Practical Training Guidelines set by the IBSL. This partnership underscores Pan Asia Bank's dedication to advancing banking education and contributing to the sustainable development of Sri Lanka's banking sector.

Mou signed with IBSL to evaluate practical training in Banking

Effective Employee Relations

In Pan Asia Bank, individuals are encouraged to raise concerns and speak up through the usual escalation channels. The management actively encourages employees to share their concerns and suggests improvements to achieve the set goals. As a result, employees feel confident to participate in the decision-making process of the Bank by involving in direct discussions with the CEO and top management. Opportunities were available for staff for such discussions during the year through the following forums:

Joint Consultative Council (JCC)

Reflecting its commitment to fostering healthy employer-employee relations, the Joint Consultative Committee (JCC) meetings were held online via Zoom, led by the CEO and supported by several members of the Corporate Management. These sessions provided employees with a platform to share their opinions on matters affecting them. Since the introduction of this mechanism, the Bank has seen significant improvements in organisational efficiency and employee productivity, creating greater value for all stakeholders

Coffee with CEO

As part of the Bank's ongoing efforts to strengthen the connection between management and staff, the "Coffee with the CEO" sessions were organised. This program facilitates meaningful interactions by providing selected employees with a unique opportunity to engage in candid discussions with our CEO over coffee and snacks. In 2024, we successfully conducted three such sessions, fostering open dialogue and closer ties between leadership and employees

Coffee with CEO organised for selected top performers

Employee Engagement

Employee engagement is critical to maintaining a motivated and productive workforce, especially in times of uncertainty. Recognising this, Pan Asia Bank continued to focus on creating a work environment that promotes work-life balance.

The year under review witnessed the successful execution of a planned calendar of events, including cultural, religious and fun activities, aimed at engaging employees and maintaining a positive workplace culture. These initiatives play a crucial role in keeping employees engaged, reducing turnover, and ensuring high levels of morale throughout the year.

Some of the activities held during the year 2024 were;

Thai Pongal Celebrations

Pan Asia bank celebrated the Thai Pongal ceremony – the cherished harvest festival of the Tamil community with the active participation of all staff members. Employees across the Pan Asia network engaged enthusiastically in traditional rituals and religious observances, adorning our workplaces with vibrant "Kolam" designs and thoranam decorations. Dressed in colourful traditional attire. Staff members from diverse backgrounds contributed to the festive ambiance.

Head Office staff celebrating Thaipongal

Healthy Food Day

"Healthy Food Day" was organised to promote indigenous Sri Lankan cuisine and encourage healthy eating habits among staff. Employees were inspired to make healthier food choices throughout the year

Healthy Food Day

Women's Day

Pan Asia Bank is committed to fostering an inclusive workplace for women. On Women's Day, our female employees were honored by presenting each with a rose as a token of appreciation and respect. This heartfelt gesture recognised the invaluable contributions of our female workforce in helping the Bank achieve its business goals

Women's Day Celebrations

E Games Tournament

The E-Games Tournament invites all staff members, regardless of age, to participate in online gaming, promoting teamwork and engagement. With lively commentary, employees from various branches and departments team up to compete in exciting matches, streamed live on YouTube to a broader audience. This event combines fun and competition, boosting morale and strengthening relationships among colleagues.

Traditional Avurudu Attire

As part of our New Year celebrations, Pan Asia Bank reinforced its identity as a truly Sri Lankan bank by embracing traditional values and customs. A special day was organised encouraging staff members to wear traditional Avurudu attire, celebrating the rich cultural heritage of Sri Lanka.

Avurudu Kumara & Kumariya

The Avurudu celebrations featured an exciting highlight with the selection of the Avurudu Kumara (prince) and Kumariya (princess). This unique contest was held on a digital platform, allowing staff to participate by voting for their favourite candidates, adding extra fun and engagement to the festivities.

Avurudu Kumara & Kumariya – 2024

Pan Asia Avurudu Games

To mark the Sinhala and Tamil New Year, Pan Asia Bank organised the traditional Avurudu games on the first working day after the holidays. This annual tradition captured the festive spirit, fostering joy and camaraderie as staff came together to participate in friendly competitions.

Avurudu Games

Vesak Card Competition

Staff members participated in the Vesak card competition, using their creativity to share messages of peace with loved ones, peers, and the wider community. The competition saw a large number of entries, with an impressive array of creatively designed cards, each reflecting the significance of the revered Buddhist festival of Vesak.

Award winning cards of the competition

Vesak Lantern Competition

To mark the Vesak Day celebrations, a Vesak lantern competition was organised across the branch network and at the Head Office, symbolising the light of the Buddha, Dhamma, and the Sangha. Staff were encouraged to decorate their workplaces with beautiful Vesak lanterns, lights, and other decorations. The most creatively designed lanterns were awarded prizes for their artistic expression.

Award winning decorations of the Vesak Lantern Competition

Pan Asia Bank Cricket Fiesta

For the first time Team HR in collaboration with the Sports Club, hosted the "Pan Asia Cricket Fiesta 2024", marking the largest employee engagement event in recent history. Over one thousand staff members participated, with a record of 17 women's teams and 31 men's teams competing for the challenge trophy. Teams represented various branches and departments across Sri Lanka. The event was filled with vibrant energy, delicious food, and refreshing beverages, while attendees were entertained by DJ music and a papare band, creating a truly festive atmosphere.

Winning team celebrating during the Cricket Fiesta

Enjoying the game of cricket

Poson Bathi Gee

The traditional Poson Bhakthi Gee devotional songs program was organised, with many staff members participating from branches and the Head Office. The program was telecasted on Ada Derana 24 on Poson Poya day, allowing the wider public to enjoy and benefit from this meaningful cultural event.

Poson Ice Cream Dansala

In keeping with the timeless tradition of offering alms, Pan Asia Bank organised an ice cream dansala during the Poson festival. Held at the Head Office premises, the event saw active participation from staff members. Over 7,500 ice creams were distributed to the public, spreading joy and goodwill during the celebration.

Ice Cream Dansala

Staff Art Competition

The ever-popular art competition among staff entered its fifth consecutive year, attracting numerous talented artists who enthusiastically participated. This year's topics were "Sri Lanka – The Wonder of Asia," "Abstract Art," and "Future." The competition provided a platform for staff to showcase their creativity

Prize winning artists with CEO,AGM HR & DGM Credit

Kids Art Competition

The eagerly awaited Kids' Art Competition was held for the fifth consecutive year, providing a platform for the children of staff members to showcase their creativity, supporting their learning and development. As in previous years, the competition received an enthusiastic response from young participants, eager to display their talents in drawing and painting.

Photography Competition

The Pan Asia Bank Photography Contest was launched, inviting staff members who have embraced photography as a hobby to participate. The contest was open to employees of all ages, backgrounds, and skill levels, encouraging them to submit their 'best shot.' As always, the contest received an overwhelming response, with over 400 entries competing for a place among the winners.

Top Prize winning photos

Blood Donation

As part of its ongoing commitment to saving lives, Pan Asia Bank organised another blood donation program, continuing its series of CSR initiatives in celebration of the Bank's 29th anniversary. The blood donation camp, an annual employee engagement activity, provides a platform for staff to contribute to the well-being of society and make a positive impact on the community

Blood Donation Program - 2024

Paan Party

Special event was organised to boost employee morale and motivation. The Paan Party provided an opportunity for staff members to connect with their teams, strengthen relationships, and relieve stress. This event also played a key role in reinforcing company values, culture, and communication

Enjoying the Paan Party

Pan Asia Bank 29th Anniversary Celebrations.

In October 2024, Pan Asia Bank celebrated 29 years of dedicated service to the nation. The celebrations included a Pirith ceremony and various religious observances, held to invoke blessings for the staff, their families, and the Bank's customers. On the anniversary day, all staff members were dressed in corporate colours.

Religious Ceremony

Deck the Hall Contest

Christmas adornments are not just about adding glamour, they can also create a neurological shift, fostering happiness and providing an opportunity for bonding. A contest was launched to acknowledge and reward creatively decorated branches and Head Office departments adding an extra layer of excitement during Christmas. Overwhelming participation by staff was experienced which resulted in beautifully decorated workplaces. The top five well-decorated departments from the Head Office and five from the branch network were rewarded for their outstanding efforts.

Award winning decorations of the Deck the Hall Contest

Christmas Carols Program

Pan Asia Bank continued its annual tradition of hosting Christmas Carols, with staff members gathering nationwide to celebrate the festive season. To bring the Christmas spirit to young hearts, a special carols program was recognized at Lady Ridgeway Hospital. In addition the Bank carried out a meaningful charity project, donating much-needed supplies to parents and children at the hospital.

Staff singing Carols at The Lady Ridgeway Hospital

Long Service Awards

After a lapse of a few years this ceremony was held during 2024, to recognise long-standing employees who had served the Bank for over 15, 20, and 25 years, respectively, honouring those whose dedication has helped shape Pan Asia Bank into the dynamic and innovative organisation it is today. The recipients were presented with gold sovereigns, awards, and certificates, acknowledging their immense contributions to the Bank's growth, stability, and success through their experience, commitment, and loyalty.

Long Service Awards

Pan Asia Ridma (Talent Show)

"Pan Asia Ridma", the talent show, showcased a variety of performances, including singing, dancing, and other creative expressions. This was published on our official social media platforms which provided participants with an opportunity to, improve their skills, and gain confidence in performing. It encouraged teamwork and fostered a sense of community, allowing employees to connect with one another in a fun and supportive environment. The talent show became a platform for staff to express their creativity, celebrate their diverse talents, and contribute to the vibrant culture at Pan Asia Bank.

"Pan Asia Ridma"

Risk Management ▸

Vision and Culture

Every business encounter risks that pose potential threats to its success. Broadly defined, risk is the potential adverse outcome of a situation, determined by the product of its impact and probability. Effective risk management, through the adoption of industry best practices and the use of advanced processes, methods, and tools, enables the Bank to mitigate these risks and uncertainties while capitalising on opportunities for growth. This approach not only safeguards the value already created but also supports the Bank's strategic aspirations.

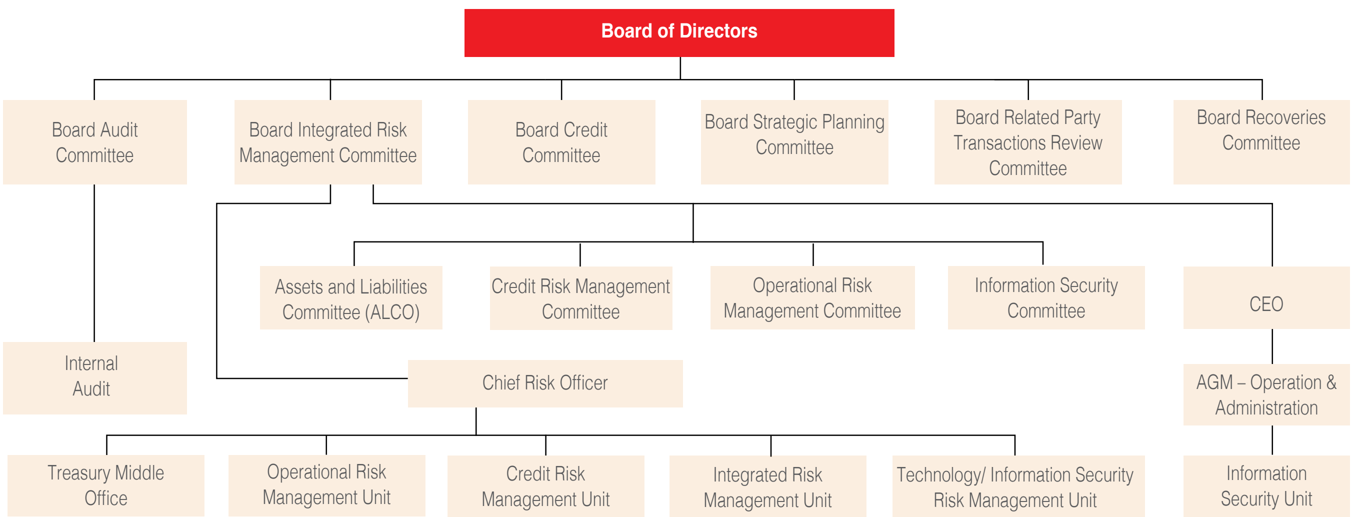
Aligned with the Bank's overarching strategy and five-year strategic plan, the strategic decision-makers, including the Board of Directors, Chief Executive Officer, and Corporate Management, determine the acceptable level of risk as the risk appetite. These leaders ensure that the agreed-upon strategies are implemented without exceeding this risk appetite.

Beyond formal controls and high-quality risk reporting, the Bank fosters a strong risk culture, which is integral to embedding the risk appetite set by the Board at all organisational levels. Risk culture reflects the shared attitudes, values, and practices concerning risk and guides how employees at every level integrate risk considerations into their daily activities.

The Bank's risk management function is proactive, focusing on identifying potential risks, assessing their significance, and implementing strategies to address them. By anticipating risks and formulating response plans in advance, the Bank is better prepared to manage challenges effectively and efficiently, ensuring a cost-effective approach to mitigating risks should they materialise.

The control techniques employed by the Bank for risk management are;

- Risk policies and governance at the Board level
- Organisation structure with required independence, authority, responsibilities and accountabilities.
- Corporate governance system equipped with the Board Committees constituted according to the industry best practices and regulatory guidelines.
- Independent risk management function led by Chief Risk Officer and separate units to manage main risk associated with the business mainly credit, market, operational and supported by officers with required expertise and exposure in respective risk areas. Risk aggregation methodology is adopted to assess the overall risk level of the Bank.
- Continuous adherence to regulatory guidelines and management effort to adapt to the dynamic market environment with appropriate risk assessments on an ongoing basis.
- Adherence to the Internal Capital Adequacy Assessment Process in order to maintain adequate risk- based capital buffer.
- Maintain a well-balanced risk management function with required independence and effective support for decision making.
- Risk oversight - This constitutes identifying and assessing risks, ensuring the risk is appropriately controlled by way of setting goals and monitoring and reporting same to the Board Integrated Risk Management Committee for corrective and remedial action.
- Day-to-day risk management function is done by the business units which are also known as the 'first line of defence'



The responsibility of understanding the risks assumed by the Bank and ensuring that the risks are appropriately managed, is vested with the Board of Directors. The Board ensures that the Bank has established a robust and acceptable risk culture with clear policies that define risk management as the responsibility of the Bank's corporate and senior management, subject to the oversight of the Board establishing limits based on the risk appetite of the Bank. The Senior Management has established an integrated Risk Management Framework in order to assess and appropriately manage various risk exposures of the Bank, developed systems to monitor risk exposures and relate them to Bank's capital on an ongoing basis, established methods to monitor the Bank's compliance with internal policies relating to risk management and effectively communicate all policies and procedures throughout the Bank via the intranet, e-learning portals and training program.

Roles and responsibilities for risk management are defined under a Three Lines of Defence Model. Each line of defence describes a specific set of responsibilities for risk management and control framework.

- The first line of defence is that all employees are required to ensure the effective management of risks within the scope of their direct organisational responsibilities. Business unit and function heads are accountable for risk management in their respective businesses and functions.

- The second line of defence comprises the risk control owners supported by their respective control functions. Risk control owners are responsible for ensuring that the residual risks arising under their responsibilities remain within the risk appetite of the Bank. The scope of each risk control owner's responsibilities is defined by a given type of risk and is not constrained by function and business.

- The third line of defence is the independent assurance provided by the Internal Audit function. Its role is defined and overseen by the Board Audit Committee. The Internal Audit provides independent assurance of the effectiveness of management's control of its own business activities (the first line) and of the processes maintained by the Risk Control Function (the second line). As a result, the Internal Audit provides assurance that the overall system of control effectiveness is working as required within the Risk Management Framework.

Three Lines of Defence		
First line of defence	Second line of defence	Third line of defence
Involvement by the Board, CEO, Corporate Management, Board and Management Committees, accountability and responsibility of Senior and Middle Management supported by internal controls, governance structure, processes and risk management	Oversight by BIRMC and independent risk monitoring and Compliance	Oversight by the Board Audit Committee an independent check and quality assurance
Strategy, performance and risk management	Policy, monitoring and oversight	Independent assurance
Board of Directors, Managing Director/CEO, Corporate Management, Senior Management and all Business and Operations Units	Integrated Risk Management Units and Compliance Department	Internal Audit and External Audit

Credit Risk

Credit risk refers to the potential loss of interest, capital or value of the collateral due to an obligor's failure to meet the term of a contract or otherwise failing to perform as agreed. Credit risk can arise from both on and off-balance sheet activities consisting of contingent liabilities incurred by the Bank and due to the Bank, from counterparties such as letters of credit, letters of guarantee etc. The Bank has adopted stringent credit risk management process to mitigate the risk associated with the loan book by way of following strategic initiatives:

- The credit risk management organisational structure includes a dedicated Credit Risk Management Unit that reports directly to the Chief Risk Officer (CRO). The CRO, in turn, reports to the Board Integrated Risk Management Committee (BIRMC).

- Written policies on credit granting procedure, Bank wide risk management, credit risk management, loan review mechanism and review of such policies on a yearly basis.

- Instructions and guidance to employees in credit chain on annually/quarterly review of credit facilities, credit origination and maintenance procedures and guidelines for portfolio management.

- Established accountability of credit officers, branch managers, relationship managers and business unit heads for managing credit risk within credit risk management framework of the Bank.

- Post disbursement credit monitoring unit, which is coming under the Head of Recoveries direct supervision, monitors payment due loans and advances to initiate recovery, rescheduling and restructuring action to curtail new additions to non-performing loans and advances, thereby ensuring quality of advances portfolios.

- The Business Revival Unit supports customers in navigating economic challenges by providing tailored guidance to help businesses recover, particularly those severely impacted by the country's economic downturn. This reinforces the Bank's commitment to resilience and sustainable growth.

- Delegate authority on lending powers to officers in the credit chain based on a predetermined consistent set of standards of grade, experience and job functions, abilities and judgemental capabilities.
- Assignment of borrower risk rating for general credit facilities.
- Risk-based pricing : depending on the rating of the borrower, the Bank decides the pricing and requirement of the collateral.
- Requirement for higher level sanction for proposed credit facilities increase as risk rating deteriorates.
- Established dual responsibility in the credit proposals with independent review by Credit Risk Management Department for credit facilities based on a value threshold and structured retail facilities.
- Established independent Credit Administration Unit to ensure accuracy and maintenance of security documentation of credit facilities and limit setting.
- Established credit risk limits for risk rating and concentration on segment, industry, geography, and personal banking products.
- Independent loan reviews carried out by the Credit Risk Department by way of post disbursement examinations of credit papers in order to ensure the quality of the loan book.
- Impairment on the potential delinquents by way of reviewing objective evidence assessments by the business units and adequacy of impairment provisions to absorb credit risk of the lending book.
- A constant stress testing methodology is applied on all significant credit exposures and stress tests are carried out on a regular basis.
- Improving skills in evaluating credit proposals through knowledge sharing and training programs facilitated by both internal and external experts.

Credit Risk Management Committee

The committee is responsible for the day-to-day credit risk management, operation and control functions of the Bank in conformity with policies and strategies approved by the Board of Directors. The Committee is chaired by the CEO and comprises senior management from the credit related function of the Bank.

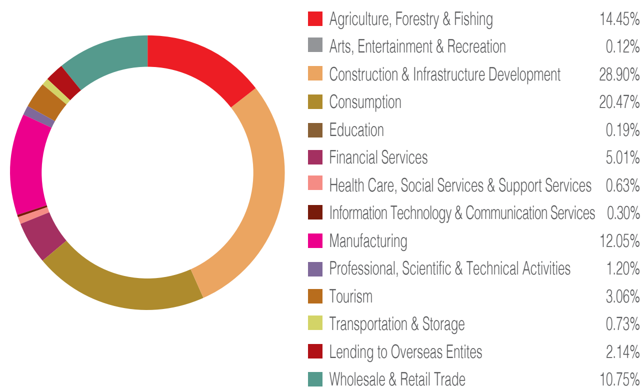
Credit Concentration

Concentration risk turns up when the credit portfolio is unevenly distributed to individual issuers or counterparties or within industry sectors/sub sectors, segments, internal risk ratings, geographical regions and products.

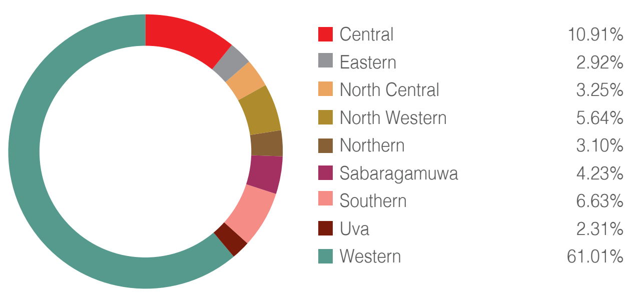
Sector Concentration

The Bank's sector concentration is on par with the widely accepted norms, risk appetite and regulatory requirements directed by the regulator. Exposure to each sector is closely monitored by the Board Integrated Risk Management Committee against the predetermined limits. Exposures which exceed the predetermined limits are extensively deliberated at the meeting and corrective action is taken based on regulations and risk appetite of the Bank. The committee strikes the correct blend of portfolios ensuring the least impact on the business when changes take place in the operating environment.

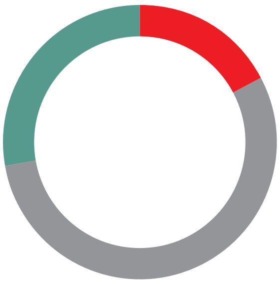
Sector Wise Concentration



Geographical Concentration



Segment Wise Concentration



In 2024, the Bank has significantly strengthened its credit risk management capabilities by establishing a dedicated Business Revival Unit. This unit plays a pivotal role in engaging closely with customers as they navigate the economic challenges affecting their businesses. Through tailored support and expert guidance, the Bank aims to empower businesses on their path to recovery, particularly those severely impacted or collapsed due to the country's economic downturn.

Impairment remains a critical concern for the Bank and addressing it is a top priority. To bolster these efforts, the Credit Risk unit has been entrusted with an expanded scope, enabling it to take on a more active and independent role in mitigating impairment risks. Few new initiatives have been implemented on the impairment process in 2024 with the involvement of the Credit Risk unit which provides focused expertise and ensures a proactive and collaborative approach to managing these challenges effectively. By adopting this strategy, the Bank aims to safeguard financial stability while delivering robust support to its customers.

Market Risk

Market risk is the risk associated with movements in market factors, including foreign exchange rates, interest rates, equity prices and commodity prices which have an impact on the Bank's income or the value of its portfolios. Its effective recognition could minimise the potential loss of earnings or economic values arising principally from customer driven transactions and the Bank's relevant investments.

The categories of market risk of the Bank are:

- Interest rate risk
- Foreign exchange risk
- Equity price risk
- Commodity price risk

Market Risk Governance

Market risk exposures arising from the trading book are managed by the Treasury Department whilst the non- trading activities relating to market risks are managed through the Assets and Liabilities Committee (ALCO).

The Board Integrated Risk Management Committee (BIRMC) is responsible for policies and other standards for the control of market risk. Market risk goals are closely monitored by Treasury Middle Office and discussed on a periodic basis for appropriate and timely action.

Value at Risk (VaR)

The Bank measures the risk of losses arising from future potential adverse movements in market rates, prices and volatilities using VaR methodology for selected portfolios using the following simulation techniques:

- Historical simulation
- Monte Carlo simulation
- Parametric method

VaR, in general, is a quantitative measure of market risk that applies recent historical market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. This exercise is carried out by Treasury Middle Office with the help of Bloomberg system. Results are reviewed periodically at the Board Integrated Risk Management Committee (BIRMC) meetings. VaR is calculated for expected movements over a horizon of one month with confidence levels of 95%, 97.5% and 99%. Apart from the standard Bloomberg VaR computation, the Bank also calculates an interest rate VaR for the entire Bank using a statistical approach.

Stress Testing

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward-looking scenarios. A consistent stress-testing methodology is applied to trading and non-trading books. Regular stress tests are carried out on liquidity risk (both bank specific and market specific scenarios) & foreign exchange risk.

Middle Office conducted its own internal stress test, which explored the potential impacts of key vulnerabilities to which the Bank is exposed. The internal stress test considered the impacts of various risk scenarios across key risk types and on capital resources. The results of the internal stress test were shared with Senior Management and BIRMC. Middle Office also monitors macroeconomic risks.

The Bank adopts procedures and controls based on an assessment of the potential impacts on its portfolios.

Liquidity Risk

Liquidity risk is defined as the risk that the Bank will encounter in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is the policy of the Bank to ensure that adequate liquidity is maintained in all currencies to meet its obligations.

ALCO monitors the liquidity risk which is performed through cash flow management, maintenance of liquidity ratios such as liquidity coverage ratio, net stable funding ratio and advances to deposit ratio. Results are also reported to Board integrated Risk Management Committee on a quarterly basis.

Assets and Liabilities Committee (ALCO)

The Bank's Market Risk and Liquidity Risk exposures are controlled by limits approved by the Board which are monitored by the Assets and Liabilities Committee. ALCO overlooks the management of the Bank's overall liquidity position and is responsible for liquidity risk and market risk management of the Bank and implementation of liquidity management policies, procedures and practices approved by the Board of Directors. This is achieved through proper representation of key business heads, frequent ALCO meetings and continuous monitoring of the liquidity position of the Bank through reports submitted by Treasury Middle Office and Planning Departments.

Treasury Middle Office (TMO)

Market Risk management function which is separate from the Treasury is monitored by the independent Treasury Middle Office (TMO) which consists of highly qualified experienced staff members. Key monitoring activities of Market Risk/Middle Office include:

- Daily monitoring of adherence to Board approved counterparty limits and exposure limits set by the Central Bank of Sri Lanka (example net open position limit).
- Monitoring activities prescribed by CBSL such as Liquidity Coverage Ratio, Reserve Requirements etc.
- Monitoring of treasury trading activities including take profit and loss limits.
- Marked to market calculations of trading and investment portfolios.

The BIRMC discusses in detail the key risk goals in relation to market risk at each meeting. During the year under review, corrective actions have been taken where necessary to mitigate/avoid current and potential market risks envisaged. This is supported by a Board approved treasury procedure manual. In addition, Value-at-Risk (VaR) computations are done by Treasury Middle Office on a monthly basis.

TMO continued to focus on improving the quality and timeliness of its monitoring activities. It monitors regulatory and wider industry developments closely and engage with regulators, as appropriate, to help ensure new regulatory requirements are implemented effectively and in a timely way, adjusting our policies, procedures and relevant controls as required. The Bank continues to actively review and develop its risk management framework and enhance its approach to managing risk. In 2024 new risk management techniques/models were introduced accordingly.

Recovery Plan (RCP)

The Bank has its Board approved Recovery Plan as the tool to guide the Bank to recovery at a time when it is in a distressed scenario in an orderly manner. Recovery plan identifies credible options to survive a range of severe but plausible stressed scenarios. Plan covers the key elements such as scope, what critical functions and critical shared services bank should operate, recovery triggers and recovery options, responsibilities of Board of Directors and Management, availability of management information, communication planning and reporting requirements.

The Monitoring of recovery indicators is done by Treasury Middle Office. Also, it reviews the plan on an annual basis. The Bank is committed to further developing its recovery and resolution capabilities in line with the regulatory developments.

In 2024, the Treasury Middle Office initiated the development and implementation of a comprehensive policy on the FX Global Code (FXGC), a set of globally recognised principles of good practice for the foreign exchange market, as mandated by the regulator.

Additionally, advanced stress testing methodologies were introduced for the two liquidity coverage ratios. Furthermore, enhancements were made to the monitoring of liquidity parameters, incorporating updates to both the Treasury Procedure Manual and the Bank's Recovery Plan.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and system or from external events. Operational risk is relevant to every aspect of the Bank's business and covers a wide spectrum of issues. Losses arising through fraud, unauthorised activities, errors, omissions, inefficiency, and system failure or from other external events fall within the operational risk definition. However, the mentioned definition includes risk resulting from legal aspects and excludes the risk resulting strategic and reputational aspects.

Objectives and Benefits

Efforts on operational risk and control management are increasingly valuable to the business at Pan Asia Bank. In addition to the regulatory need, these efforts are important to minimise losses and protect the Bank's capital.

All employees have a clear vision of the potential benefits. Some of the objectives and benefits of the Operational Risk Management Framework of the Bank are as follows:

- Identifies the Risk Exposures - Operational Risk Management Framework enables the Bank to identify, measure, monitor and control the inherent risks of the business/operations units to mitigate losses.
- Develops Visibility - The Operational Risk Management Strategy provides visibility to the ongoing risk management efforts and brings high risk areas to the focus of Management and enhances capability to compile and

submit reports to appropriate risk management committees, forums and the regulator.

- Risk Smart Workforce - The application of the Risk Management Framework and strategy support a cultural shift in the Bank to have risk smart employees and a risk sensitive work environment, which help the Bank to have a competitive edge in the market.
- Personal Accountability of Employees - Operational Risk Management Framework allows the management to better incorporate accountability into the work environment and individual performance of employees
- Efficient Allocation and Optimum Usage of Bank's Capital - Under the local regulatory directions, the Banks are required to maintain capital on operational risk and further require banks to apply more advanced approaches to calculate the capital requirements. With streamlined risk management processes the Bank strives for efficient allocation of risk sensitive capital.
- Brand Image of the Bank - Better operational risk management will enhance and improve the Bank's ratings, share price and market reputation since industry analysts perceive it as long-term stability and performance of the Bank.

Principles of Operational Risk

The following principles govern the management of operational risk in the Bank:

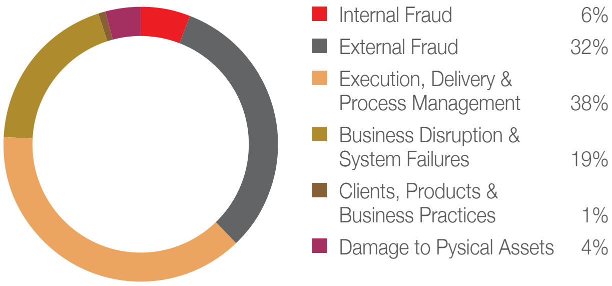
- The internal operating policies of the Bank's Operational Risk Management Framework are outlined in the Operational Risk Management Policy which is approved by the Board of Directors and annually reviewed and updated.
- Currently the Bank is contemplating to migrate to advanced approaches in calculation of capital charge for operational risk.
- The Bank's Operational Risk Management practices are subject to independent review by internal and external auditors.
- The Bank has a dedicated Operational Risk Management Unit to manage and monitor operational risks and controls, ensure loss data is accurately recorded and reported internally as well as externally. Operational risk related incidents are closely investigated, and recommendations given on required controls to avoid similar operational risk related incidents in the future.
- The Operational Risk Management Unit has introduced an automated incident reporting system during the period under review to escalate operational risk Incidents in a timely manner in order to take appropriate actions effectively and efficiently to avoid or mitigate similar incidents in future.

Methodologies and Strategies

For effective monitoring and mitigation of operational risk, the Bank has implemented the following methodologies and strategies: The Management of operational risk comprises of;

- Identification, assessment, monitoring and control of operational risk and reporting. This is required to maintain losses within acceptable levels and to protect the Bank from foreseeable future losses. Acceptable losses are highlighted in the Bank's risk appetite statement.
- The Operational Risk Management Unit, under the supervision of the Unit Head - Integrated Risk Management, is responsible for conducting Risk and Control Assessments (RCAs) for the business and operations units across the entire Bank. In 2024, the unit conducted RCAs and monitored Key Risk Indicators (KRIs) for 44 units/ departments and KRI monitoring for 85 branches.
- Root cause analysis for Operational risk related incident reports are performed and required remedial actions are recommended and reported to relevant Key Management Personnel.
- Significant risk exposures are reported to business/ operations units as and when identified.
- Approved key risk indicators are managed through data gathering and report to BIRMC on a quarterly basis.
- The Operational Risk Management Unit provides continuous training to employees of the branch network and all other departments on Operational Risk Management Framework.
- Risk and Controls Assessments (RCAs) are performed on new and existing products and processes to minimise any losses that may be incurred on identified risks. In addition, the activities to be outsourced and cost-effective controls are recommended to the relevant business/operations unit to minimise any future losses.
- Stress testing on operational risk losses is now conducted quarterly. The results are tabled at the Board Integrated Risk Management Committee.
- Minimise the financial impact of operational risk related losses through adequate monitoring, follow-up and utilisation of insurance cover.
- Outsource activities monitoring is performed by Operational Risk Management Unit.

Classification of Operational Risk Incidents reported during the year 2024



The majority of reported incidents stemmed from failures in execution, delivery, and process management, including near misses and no-loss events. External fraud incidents, which ranked as the second highest category, were largely stemming from pawning related incidents which were mitigated through insurance.

Operational Risk Management Committee

The Committee is responsible for supporting and overseeing the functioning of the Bank's operational risk management and business continuity management to comply with the Bank's Operational Risk Management Policy. This includes monitoring and supporting every unit in implementing the operational risk management framework at the unit level, managing operational risk at the organisation level, reviewing operational risk management aspects in product and service development process, calculating the capital requirements for operational risk in line with the Basel framework, and maintaining the operational risk database and analysing the loss data in the database, etc.

The Bank also ensures the cooperation among Operational Risk Management Unit, Information Security Compliance and Internal Audit, in respect of information sharing, analysing and setting of controls to enhance the efficiency of operational risk management and internal control of the Bank.

IT & IS Risk Management Unit

Established IT & IS Risk Management Unit under Integrated Risk Management in addition to the above as per the requirements of Regulatory Framework on Technology Risk Management and Resilience for Licensed Banks. The main tasks of the unit are;

- Develop, build, and maintain measurable technology risk indicators with approved risk tolerance levels.
- Conduct risk assessments & risk mitigation planning to identify potential technology-related risks and vulnerabilities within the organisation's systems and processes.
- Ensure the Risk management measures in the 'Product approval process', when a new technology-driven product or service is introduced or when a change is made to such product or service.
- Collaborate with various teams to develop and maintain effective controls in relation to IT, ensuring compliance with regulatory requirements and industry best practices.
- Implement and monitor the quarterly Risk and Control Self-Assessment (RCSA) process and monitor the risk management function in relation to IT Risk.
- Provide guidance and support to business units on technology risk management matters
- Assist in the preparation of risk reports for management and regulatory purposes.
- Vendor risk management: evaluate and manage risks associated with third party vendors and service providers including assessing their security posture and ensuring compliance with contractual security requirements.

Insurance

As part of controlling and managing threats the Bank uses insurance as a 'risk transferring strategy' for low probability and high severity impact events that are beyond the control of the Bank such as damage to physical assets by natural disasters, fire, etc. The Bank has also transferred such risk by obtaining necessary insurance policies from leading insurance providers covering; burglary, transits, forged cheques and securities, counterfeit currencies, infidelity and negligence of employees, teller cash shortages, pawned articles, fraudulent withdrawals and shortages from ATMs, electronic equipment, strikes and riots, terrorism, etc. The adequacy of the insurance covers is reviewed and monitored by relevant departments in the Bank. Operational Risk Management Unit analysing the data of past incidents of operational loss to support the review.

The Business Continuity Plan (BCP)

The BCP is an essential part of an organisation's response planning. It sets out how the business will operate following a disaster incident and how it expects to return to 'business as usual' in the quickest possible time thereafter. The BCP of the Bank covers all areas of banking operations with agreed arrangements for bringing events under control. The necessary resources for maintaining critical business functions and staff required are also included in the plan. The BCP document is reviewed by the Bank Disaster Recovery Management Team along with the respective business users annually and obtains the Board approval. Disaster Recovery drills are conducted at least once a year for Core Banking and other critical systems to ensure business resilience in an event of a major system disruption. Table-top exercise of various scenarios preparedness is carried out at least once a year. The BCP policy has defined clearly about establishing the responsibilities of all the critical departments to further embed the business continuity culture in the day-to-day work and the Business Impact Analysis of each department of the Bank. The Bank is implementing controls in line with the ISO 22301.

Details of the Due Diligence Test of Third-Party Service Providers

Due diligence tests of third-party service providers are carried out by respective Business/Risk Owners prior to executing new agreements and renewal of existing agreements. the Assistance of Information Security Officer and the Information Systems Audit Unit is obtained when conducting due diligence tests of vendors which provide IT services.

Due Diligence Tests on Outsourced Activities

In the provision of banking services, the Bank outsources few service activities related to financial services and core banking, to meet the challenges of rapid changes and innovations in technology leads to increasing specialisation in the market, cost control of operations by minimising costs of directly handling such activities, and effectively compete in the market. The outsourcing activities are governed by the laws applicable to the banking industry and directions issued by the regulator. Further, the Bank has an Outsourcing Policy approved by the Board of Directors which clearly stipulates required internal controls and due diligence in obtaining outsourced services. The Operational Risk Management Unit acts as centralised Outsourced Activities Monitoring Unit (OAMU). monitoring all the required documents of outsource service providers. These are collected by the relevant business units and to monitor any complaints relating to Outsource Service Providers. OAMU assess risks arising from outsource providers and ongoing performance reviews for critical service providers to support smooth function of the business.

*** List of Outsourced Activities are as follows;

Changes effected based on the latest outsource providers list for 2024.

Deliverables/ Services	Basis of the Payment
Card Management system, cards Personalisation's & Support Services	Per Card
Debt collection, Skip tracing, Asset verification	Based on the output volumes
Legal Services for Recovery Matters	Per case
Processing of Salary and benefits	Per Staff - Monthly Fee
Hiring and deployment of personnel to carry out specific non - core banking services / activities	Per Person
Archival of Documents	Per Cartoon
Statements Printing	Per Statement
Cash Counting, Sorting, collection and Deliveries	Per Activity
Maintenance of "Security operations center"	Monthly Fee
Maintenance of IT hardware rented	Per hardware item
Travel Cards	Per Card

Information and Cyber Security Risk

The Bank identifies that the information security risk comprises the impacts on business functions and its stakeholders that could occur due to the threats and vulnerabilities associated with the operation and use of information systems and the environments in which those systems are operating. Information security has a significant impact on the delivery of critical banking services and meeting regulatory and compliance requirements. Information security risk overlaps with many other types of risk in terms of the kinds of impact that might result from the occurrence of a security- related incident. It is also influenced by factors attributed to other categories of risk, including strategic, product development, project management, legal, reputation, and compliance risk.

The Bank has identified the requirement of systematic application of policies, procedures, and practices to the task of establishing the context, identifying, analysing, evaluating, treating, monitoring, and communicating information security risks to all its stakeholders. The Bank has a comprehensive, Board-approved Information Security Policy which defines all the security requirements to be fulfilled by all internal and external stakeholders as per the Information Security Management System (ISMS). To make the policies and procedures as living documents within the context, the Information Security Unit (ISU) has carried out periodic policy reviews, introduced new policy domains according to the current requirements, obtained the Board of Director's approval, and communicated changes to all stakeholders on time.

The Bank always considers information security risk management as an ongoing process of discovering, correcting, and preventing security problems. The primary means of mitigating information security related risk is through the selection, implementation, maintenance, and continuous monitoring of preventive, detective and corrective security controls to protect information assets from compromise or to limit the damage to the Bank should a compromise occur. The Bank uses a Security Information and Event Management (SIEM) system for continuous monitoring of information security events. Further, the Bank has implemented a Managed Security Operations Centre (MSOC). A SOC is a centralised function within an organisation that employs people, processes, and technology to continuously monitor in real-time and improve an organisation's security posture while preventing, detecting, analysing, and responding to cyber security incidents.

The Bank is in line with the controls of 'Baseline Security Standards' (BSS) for most of its banking functions as an effective risk control mechanism. The Bank's information security risk management status is presented to the BIRMC in a quarterly manner by the Information Security Officer (ISO) through the information security dashboard. The information security dashboard is the monitoring tool of the current and desired posture of information security in the Bank. It allows the Bank to assess, identify, and modify its overall security posture. It also enables security, operations, organisational leadership, and other personnel to collaborate and view the entire Bank from an attacker's perspective.

Comprehensive security risk management could also determine the value of the various types of data

generated and stored across the Bank. To precisely assess the risk of data loss, internal data was categorised, and controls were instituted using the Microsoft O365 system.

The Management has identified the importance of having information security knowledge among all the staff for day-to-day banking operations. Consequently, the Bank has consistently organised cybersecurity awareness sessions and utilised an information security e-learning module for PABC staff. The course includes an exam, and upon successful completion, a certificate is awarded.

The Bank has identified the Vulnerability Assessment and Penetration testing (VAPT) as an important subset of the risk assessment process. The Bank has initiated VAs in many key points, including after change(s) to a system, new system prior to going live periodic assessments to identify threats, etc. The VAPTs are scheduled to be conducted by expert internal staff as well as by external expertise parties when required and as a managed service.

When it comes to cyber security, alerts are one of the most important information sources. The Bank has registered for many trusted alert sources, including FinCSIRT and treated alerts are the notifications that aim to inform about serious security incidents or threats regarding the system and network. Alerts are crucial for internal security professionals to handle with various security incidents immediately and contain any threats before they cause serious problems.

Strategic Risk

The Bank does not operate in isolation and interacts not only with financial markets. It also deals with the 'real' economy. Accordingly, the Bank is exposed to the strategic risk that every firm faces regardless of the industry in which it operates.

Strategic risk refers to the risk of organisation's earnings and profitability that could arise from strategic decisions, changes in business conditions and improper execution of strategies.

In cascading strategic goals and business objectives, the Bank has established clear communication channels from its top to bottom and vice versa. The Bank has also allocated a significant amount of resources in the operating system, infrastructure, delivery channels and increasing managerial skills.

A formal framework has been introduced to assess strategic risks arising from market trends/ development in competition, product, channel, process, human resources and technology. The Bank's overall strategy has been periodically reviewed by the Board Strategic Planning Committee. The Committee assesses the impact, risk and corrective and remedial action that needs to be taken to ensure the overall effectiveness of the strategy.

Reputation Risk

Reputational risk arises from damage to the Bank's image among stakeholders due to adverse publicity with regard to business practices and/or management and it could result in loss of revenue or declining of stakeholder confidence in the business. The reputation of the Bank can be perceived as an intangible asset similar to goodwill.

The Bank considers reputational risk as a consequence of a failure to manage its key risks. The Bank is therefore committed to manage reputational risk by promoting strong corporate governance and risk culture at all levels of the organisation, by understanding how different aspects of its business affect stakeholders perception of the organisation through effective communication in the form of timely and accurate financial reports and new bulletins, by maintaining a strong media presence, valuable client service and investor relationships and complying effectively with current laws and regulations.

New initiatives and changes during the year

In the pursuit of continuous improvement and in response to the evolving financial landscape, the Bank has undertaken several key initiatives and changes during the year to enhance its risk management framework. These initiatives are designed to strengthen the Bank's resilience, improve risk assessment accuracy, and ensure sustainable growth. The following highlights the key developments in risk management that have been implemented throughout the year.

1. Enhanced Stress Testing Scenarios

   In response to the challenging economic environment marked by country's external default risks and economic downturn, Bank has introduced new stress scenarios in the stress testing framework. Recognising the importance of preparing for adverse scenarios, these enhancements allow the Bank to assess its resilience under a wide range of potential economic challenges. The inclusion of stress scenarios related to sovereign default and economic downturn reflects the Bank's commitment to robust risk management and its ability to adapt to dynamic market conditions.

2. Prudent Capital Adequacy Planning

   The Bank has taken more prudent measures in planning for capital adequacy, Recognising its critical role in ensuring financial stability and regulatory compliance. The Internal Capital Adequacy Assessment Process (ICAAP) has been developed with meticulous consideration of various stress scenarios. All stakeholders, including management, have actively contributed their inputs, leading to a comprehensive and realistic ICAAP. It is noteworthy that the Bank has maintained high capital adequacy ratios, underscoring the Bank's commitment to sound capital management and positioning its well for sustained growth and stability.

3. Enhanced Management Information System (MIS) Reports

   In its commitment to fostering a data- driven risk management approach the Bank has implemented a series of new Management Information System (MIS) reports. These reports are specifically designed to provide comprehensive insights into various aspects of risk, enabling more informed decision-making by both the risk management team and the management. The introduction of these MIS reports signifies a proactive step towards leveraging data analytics for a more nuanced understanding of risk dynamics, enhancing the Bank's ability to identify and respond to emerging challenges in a timely manner.

4. Migration Analysis for Portfolio Quality Shifts

   Recognising the dynamic nature of the financial landscape, the Bank has introduced Migration Analysis as part of its risk management toolkit. This analysis is instrumental in understanding shifts in portfolio quality over time. By tracking changes in the credit quality of assets within the portfolio, the Bank can gain valuable insights into potential trends and anticipate credit risks. This proactive approach enables the Bank to make timely adjustments to its risk mitigation strategies, ensuring the overall health of the portfolio.

5. Validation and improvements to Borrower Risk Rating (BRR) Models and Economic Factor Adjustment (EFA) Model

   Annual exercise of BRR Model validation with back testing and improvements supported by data is performed which enhances the credit underwriting process. The EFA model for impairment process is reviewed under prudential basis ensuring additional economic stresses incorporated in the collective impairment process.

Way Forward in Risk Management for PABC

To ensure a robust and forward-looking risk management framework, the Bank will enhance existing tools and adopt advanced measures to maintain risks within tolerable levels. By leveraging both top-down and bottom-up approaches, the Bank will focus on innovation and efficiency to proactively address foreseeable risks.

The following strategic priorities will guide the Bank's risk management improvements:

Economic Trend Analysis and Sectorial Growth

- Monitor macroeconomic trends and policy amendments to identify potential opportunities and risks.
- Develop additional risk management strategies for entering new markets or unexplored sectors.
- Strengthen scenario analysis to assess the impact of economic and regulatory changes on the Bank's operations.

Enhanced Risk Monitoring Tools

- Invest in advanced methodologies and tools to assess, quantify, and manage risks more effectively.
- Create a comprehensive risk aggregation framework to measure total risk exposure across all areas of the Bank.
- Present detailed risk profiles and aggregated risk metrics to the Board Integrated Risk Management Committee (BIRMC) for strategic decision-making.

Integration of Social and Environmental Factors

- Implement a robust Social and Environmental Management Policy aligned with the Bank's credit policies.
- Embed environmental and social risk assessments into credit evaluation and Internal Capital Adequacy Assessment Process (ICAAP).
- Reinforce the Bank's commitment to the triple bottom line—People, Planet, and Profits—enhancing corporate social responsibility and sustainability credentials.

Improved Risk Monitoring Frequency

- Increase the frequency of risk monitoring to quickly detect and address emerging threats from economic volatility, competitive pressures, and margin compression.
- Develop predictive risk measurement tools to anticipate and mitigate market vulnerabilities effectively.

Automated Risk Rating Methodologies

- Fully automate internal risk rating systems by incorporating additional risk attributes and factors.
- Leverage technology to improve the accuracy, consistency, and efficiency of risk ratings across diverse portfolios.

Capacity Building for Front-Line Staff

- Provide specialised training to enhance the skills of front-line staff, enabling them to act as an effective first line of defence.
- Foster a culture of proactive risk identification and management, supported by sophisticated tools and methods.
- Promote employee engagement to ensure a high degree of accuracy in risk mitigation practices.

Enhanced System Security Measures

- Strengthen cybersecurity frameworks by adopting baseline security standards and achieving ISO 27001 certification.
- Regularly update and test security protocols to protect sensitive data and systems from emerging threats.
- Enhance incident response mechanisms to ensure swift resolution of security breaches.

By prioritising innovation, sustainability, and employee capacity-building, the Bank aims to create a resilient and dynamic risk management framework. These measures will enable the Bank to navigate uncertainties, capitalise on opportunities, and maintain a competitive edge in a challenging market environment.

GOVERNANCE AND STEWARDSHIP

Board of Directors ▸

1. **Aravinda Perera** - Chairman 2. **B D A Perera** - Deputy Chairman / Senior Independent Director 3. **Sandra Walgama** - Director 4. **Kawshi Amarasinghe** - Director 5. **Malik Ranasinghe** - Director 6. **Dharshanie Perera** - Director 7. **Ashoka Goonesekere** - Director 8. **Naleen Edirisinghe** - Director/Chief Executive Officer 9. **Nayantha Fernando** - Company Secretary

> “Strong governance is the foundation of sustainable growth. Our commitment to transparency, accountability, and ethical practices ensures that we meet the highest standards of integrity, building trust with our stakeholders and contributing to the long-term success of the Bank.”

1

Aravinda Perera

Chairman

Non-Independent, Non-Executive Director

Appointed to the Board on 03rd August 2017
Deputy Chairman from 02nd May 2021
Chairman from 11th August 2023

Committees	
Board Strategic Planning Committee	Chairman
Board Human Resources & Remuneration Committee	Member
Board IT Steering Committee	Member
Board Nominations and Governance Committee	Member
Board Credit Committee	Member

Qualifications
MBA - University of Sri Jayewardenapura
BSc Engineering - University of Moratuwa
Fellow of the Institute of Bankers SL (FIB)
Fellow of the Institute of Chartered institute of Management Accountants (UK) (CIMA)

Nature of expertise in relevant functional areas
Business Administration, Engineering, Banking, Accounting

Other Directorships	*Listed Entities – 03*	
Names of Companies	Director or KMP	Executive/Non-Executive
Royal Ceramics Lanka PLC	Managing Director	Executive
Singer Finance Lanka PLC	Chairman	Non-Executive
Hayleys PLC	Director	Non-Executive
	Unlisted Entities - 06	
Names of Companies	Director or KMP	Executive/Non-Executive
Snaps Residencies (Pvt) Ltd	Chairman	Non-Executive
Kosgulana Hydro Company (Pvt) Ltd	Director	Non-Executive
Hayleys Advantis Ltd	Director	Non-Executive
Hayleys Aventura (Pvt) Ltd	Director	Non-Executive
Fentons Ltd	Director	Non-Executive
Rocell Bathware Ltd	Director	Non-Executive

*The above information is given based on the position as at 31st December 2024

Profile

Mr. Aravinda Perera counts over 41 years in the banking sector and was the Managing Director of Sampath Bank PLC from 01st January 2012, until his retirement in September 2016. Presently he is the Managing Director of Royal Ceramics Lanka PLC and Chairman of Singer Finance (Lanka) PLC. He is also a former Governing Board Member of the Institute of Bankers of Sri Lanka and Past President of Association of Professional Bankers, Sri Lanka. He is a Member of the Institution of Engineers of Sri Lanka (MIESL).

Mr. Perera was honoured with the 'CEO Leadership Achievement Award 2016' by the Asian Banker and was also the recipient of the prestigious 'Platinum Honours - 2014' award by the Postgraduate Institute of Management Alumni (PIMA) of Sri Jayewardenepura University. He was also honoured with the 'Award for the Outstanding Contribution to the Banking Industry - 2015' by the Association of Professional Bankers and was also awarded an Honorary Life Membership by the Association of Professional Bankers in October 2018.

2

B D A Perera

Deputy Chairman / Senior Independent Director

Independent, Non-Executive Director

Appointed to the Board on 01st April, 2021
Deputy Chairman / Senior Independent Director from 01st November, 2024

Committees	
Board Recoveries Committee	Chairman
Board Nominations & Governance Committee	Chairman
Board Credit Committee	Member
Board IT Steering Committee	Member
Board Expenditure Rationalisation Committee	Member
Board Human Resources & Remuneration Committee	Member

Qualifications
B.Sc.in Business Administration - University of Sri Jayewardenepura
Associate Member of the Chartered Institute of Management Accountants (ACMA) UK
Chartered Global Management Accountant (CGMA)

Nature of expertise in relevant functional areas
Business Administration, Accounting, Auditing, Financial Analysis

Other Directorships	*Listed Entities – 01*	
Names of Companies	Director or KMP	Executive/Non-Executive
LB Finance PLC	Director	Executive
	Unlisted Entities - Nil	

* The above information is given based on the position as at 31st December 2024.

Profile

Mr. B D A Perera is the Executive Director - Asset Management at LB Finance PLC.

Having joined LB Finance in 2004 as General Manager - Asset Management, he was appointed to the LB Finance Board on 1st January 2007. He also serves as a Non Executive Director at L B Finance Myanmar Ltd.

He has successfully completed High Potentials Leadership Program in 2012 at Harvard Business School in Boston, MA, USA. Counts over 22 years of experience in the leasing industry that includes positions at Commercial Leasing Company Limited, Lanka Orix Leasing Company PLC and Merchant Bank in Bangladesh.

3

Sandra Walgama

Director

Independent, Non-Executive Director

Appointed to the Board on 28th January, 2022

Committees	
Board Human Resources & Remuneration Committee	Chairperson
Board Related Party Transactions Review Committee	Chairperson
Board Credit Committee	Chairperson
Board Expenditure Rationalisation Committee	Chairperson
Board Nominations & Governance Committee	Member
Board Recoveries Committee	Member

Qualifications
Chartered Institute for Securities and Investment, London - Diploma in Wealth Management
Institute of Bankers of Sri Lanka - Diploma in Bank Management
Associate of the Institute of Administrative Accounting, London
Associate of the Institute of Bankers of Sri Lanka

Nature of expertise in relevant functional areas
Banking, Finance, Accounting

Other Directorships
Total Number of Directorships - Nil

* The above information is given based on the position as at 31st December 2024.

Profile

Ms. Sandra Walgama was the former Senior Deputy General Manager - Personal Banking at Commercial Bank of Ceylon PLC. She has over 42 years of banking experience and is specialised in Banking, Finance, Wealth Management, Corporate banking and SME/Retail banking.

4

Kawshi Amarasinghe

Director

Non-Independent, Non-Executive Director

Appointed to the Board on 31st August, 2023

Committees	
Board Strategic Planning Committee	Member
Board Integrated Risk Management Committee	Member
Board IT Steering Committee	Member
Board Audit Committee	Member

Qualifications
Bachelor of International Studies - University of Queensland, Australia and University of Lausanne, Switzerland.
Certificate in Management Acceleration - Insead Business School, France

Nature of expertise in relevant functional areas
Strategic Planning, brand equity building, digital marketing, digital banking and emerging technologies know-how, economics.

Other Directorships	*Listed Entities – 04*	
Names of Companies	Director or KMP	Executive/Non-Executive
Vallibel One PLC	Director	Executive
The Fortress Resorts PLC	Director	Non-Executive
Hayleys Leisure PLC	Director	Non-Executive
Singer Sri Lanka PLC	Director	Non-Executive
	Unlisted Entities - 01	
Names of Companies	Director or KMP	Executive/Non-Executive
Greener Water Ltd	Director	Non-Executive

* The above information is given based on the position as at 31st December 2024.

Profile

Ms. Kawshi Amarasinghe, as Group Director of International Business Development & CSR at Vallibel One PLC, plays a pivotal role in driving sustainable growth across its subsidiaries. Her strategic insight and commitment to sustainable practices are key to the group's success.

Additionally, as CEO of the Dhammika & Priscilla Perera Foundation, she leads initiatives to provide over 1.5 million Sri Lankan learners with free, quality education, demonstrating her dedication to social development. Her background includes a strategic policy internship at the Department of Community Safety in Queensland, Australia, laying a strong foundation for her current leadership roles.

5

Malik Ranasinghe

Director

Independent, Non-Executive Director

Appointed to the Board on 01st January, 2024.

Committees	
Board IT Steering Committee	Chairman
Board Credit Committee	Member
Board Strategic Planning Committee	Member
Board Recoveries Committee	Member

Qualifications
PhD - University of British Columbia, Vancouver, Canada
MASc - University of British Columbia, Vancouver, Canada
BSc Eng. (Hons) - University of Moratuwa, Sri Lanka
Fellow of the Institution of Engineers of Sri Lanka/Chartered Engineer
Fellow of Institute of Project Managers, Sri Lanka
Graduate Member of the Sri Lanka Institute of Directors
Fellow of National Academy of Sciences of Sri Lanka

Nature of expertise in relevant functional areas
Engineering Economics, Risk Management, Civil Engineering, Project Management, Corporate Governance

Other Directorships	*Listed Entities – 02*	
Names of Companies	Director or KMP	Executive/Non-Executive
Access Engineering PLC	Director	Non-Executive
Resus Energy PLC	Director	Non-Executive
	Unlisted Entities - Nil	

*The above information is given based on the position as at 31st December 2024.

Profile

Professor Malik Ranasinghe is an Emeritus Professor in Civil Engineering at the University of Moratuwa. He is a Chartered Engineer, International Professional Engineer and Fellow of the Institution of Engineers, Sri Lanka, Fellow of the National Academy of Sciences, Sri Lanka, Fellow of the Institute of Project Managers, Sri Lanka and Graduate Member of Sri Lanka Institute of Directors.

Professor Malik Ranasinghe is a former Vice Chancellor of the University of Moratuwa and a former Chairman of Sampath Bank PLC, Information and Communication Agency of Sri Lanka, and the Committee of Vice- Chancellors and Directors of Sri Lanka. He is a former Commission Member of the University Grants Commission, former Council Member of the National Research Council, and a former Dean of the Faculty of Engineering at the University of Moratuwa. He is a former Fellow of the National University of Singapore, and former independent non-executive Director of the Colombo Stock Exchange, Teejay Lanka PLC, United Motors Lanka PLC, Sampath Bank PLC, Lanka IOC PLC and Hemas Power PLC.

6

Dharshanie Perera

Director

Independent, Non-Executive Director

Appointed to the Board on 22nd May, 2024

Committees	
Board Integrated Risk Management Committee	Chairperson
Board Audit Committee	Member
Board Related Party Transaction Review Committee	Member

Qualifications
Diploma in Banking - Institute of Bankers of Sri Lanka
Associate in Banking AIB - Institute of Bankers of Sri Lanka
Member Chartered Institute of Marketing – MCIM (UK) - Chartered Institute of Marketing (UK)
Fellow - Sri Lanka Institute of Credit Management – FICM (SL) - Sri Lanka Institute of Credit Management
Fellow - Institute of Chartered Professional Managers (FCPM) - The Institute of Chartered Professional Managers

Nature of expertise in relevant functional areas
Banking / Finance, Marketing, Business /Administration

Other Directorships - Nil

*The above information is given based on the position as at 31st December 2024.

Profile

Counting over 40 years of Banking, Mrs. Dharshanie Perera was the former Assistant General Manager of Commercial Bank of Ceylon PLC and brings in a wealth of diverse experience in the fields of specialised in banking, Corporate/SME/Retail lending, digitization of banking products, and credit monitoring. While holding a diploma in banking, she is also a Fellow member of the Sri Lankan Institute of Credit Management (FICM), a Fellow member of the Institute of Chartered Professional Managers (FCPM),Member of the Chartered Institute of Marketing (MCIM) and an Associate member of the Institute of bankers (AIB).

7

Ashoka Goonesekere ▶

Director

Independent, Non-Executive Director

Appointed to the Board on 22nd July, 2024

Committees	
Board Audit Committee	Chairman
Board Integrated Risk Management Committee	Member
Board Related Party Transaction Review Committee	Member

Qualifications
MBA - University of Sri Jayawardenapura
Fellow member – Institute of Chartered Accountants of Sri Lanka [FCA] - Institute of Chartered Accountants of Sri Lanka
Fellow member – Institute of Cost and Management Accountants of Sri Lanka [FCMA] - Institute of Cost and Management Accountants of Sri Lanka

Nature of expertise in relevant functional areas
Financial reporting, financial management, corporate taxation, Risk management, Information Technology and Economics

Other Directorships	*Listed Entities – 1*	
Names of Companies	Director or KMP	Executive/Non-Executive
HNB Assurance PLC	Senior Director	Non-Executive
PMF Finance PLC	Director	Non-Executive
Distilleries Company of Sri Lanka PLC	Director	Non-Executive
Melstacorp PLC	Director	Non-Executive
	Unlisted Entities – Nil	

*The above information is given based on the position as at 31st December 2024

Profile

With a wealth of over 36 years of expertise in the banking industry, Mr. Ashoka Goonesekere brings a distinguished background in financial reporting, financial management, corporate taxation, risk management, Information Technology and Economics. Holding an MBA from the University of Sri Jayewardenepura (PIM), he is a fellow member of both the Institute of Chartered Accountants of Sri Lanka and the Institute of Cost and Management Accountants of Sri Lanka.

Ashoka has held pivotal roles in corporate management, serving as the Chief Financial Officer of Hatton National Bank PLC and as the Senior Vice President/Chief Financial Officer, as well as the Senior Vice President Integrated Risk Management/Chief Risk Officer at DFCC Bank PLC. His extensive experience extends to board positions at Acuity Partners (Pvt) Ltd, Acuity Stock Brokers (Pvt) Ltd, Acuity Securities Ltd, and Sithma Development Ltd. Notably, he has contributed as a board member to the Sri Lanka Accounting and Auditing Standards Monitoring Board, demonstrating his commitment to upholding industry standards. In addition to his board responsibilities, Ashoka has chaired and actively participated in various board sub-committees.

8

Naleen Edirisinghe

Director/Chief Executive Officer

Appointed to the Board on 03rd April, 2023

Committees
Board Credit Committee
Board Recoveries Committee
Board IT Steering Committee
Board Related Party Transactions Review Committee - by Invitation
Board Expenditure Rationalisation Committee
Board Integrated Risk Management Committee - by Invitation
Board Human Resources and Remuneration Committee - by Invitation
Board Nominations and Governance Committee - by Invitation
Board Audit Committee - by Invitation
Board Strategic Planning Committee - by Invitation

Qualifications
Master of Science in Management - University of Sri Jayewardenapura
Senior Fellow of the Institute of Bankers of Sri Lanka - Institute of Bankers of Sri Lanka
Fellow of the Institute of Certified Professional Managers (FCPM) - Institute of Certified Professional Managers
Certified Life & Business Coach - Sri Lanka Institute of Training & Development

Current Positions
Total Number of Directorships - N/A

* The above information is given based on the position as at 31st December 2024.

Profile

Counting over 24 years with Pan Asia Bank, his journey at Pan Asia Bank has seen him making significant contributions to the milestones and success achieved by the Bank. Counting over 35 years of overall banking experience - with extensive experience in Retail and SME Banking including Credit, Recoveries, Project Financing and Branch Operations, Mr. Edirisinghe is currently the Chairman of the Banking Subcommittee of the National Chamber of Commerce Sri Lanka and a Member of the Governing Board and Training Committee of the Institute of Bankers Sri Lanka. Prior to joining Pan Asia Bank, he was with National Development Bank. Having started his banking career with Commercial Bank of Ceylon in 1987.

9

Nayantha Fernando

Deputy General Manager - Company Secretary

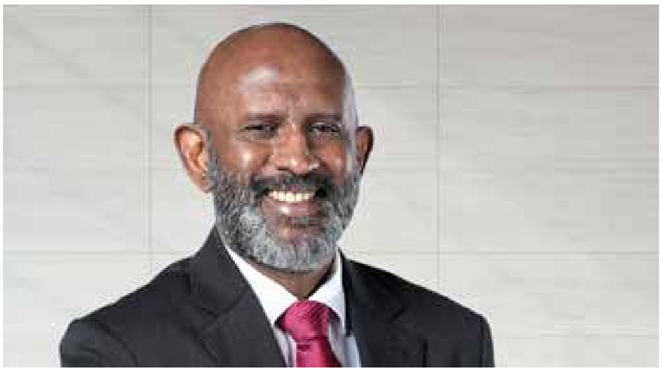
Appointed as the Company Secretary on 16th July 1998

Qualifications
Attorney-at-Law

Profile

Nayantha is an Attorney-at-Law with over 34 years of experience. She was appointed as the Bank's Company Secretary in 1998 and has been serving the Bank for over two decades. She is also a member of the Association of Professional Bankers, of Sri Lanka.

Corporate Management ▸



Naleen Edirisinghe
Director/Chief Executive Officer

Nayantha Fernando
Deputy General Manager / Company Secretary

Jeremy De Zilva
Deputy General Manager - Internal Audit

Gayanath De Silva
Deputy General Manager - Credit

Suranga Fernando
Deputy General Manager / Chief Financial Officer

Shiyan Perera
Assistant General Manager - Retail Credit

Nimal Ratnayake
Assistant General Manager - Branch Credit

Kanchana Devasurendra
Chief Information Officer

Rajith Thoradeniya
Assistant General Manager - Operations and Administration

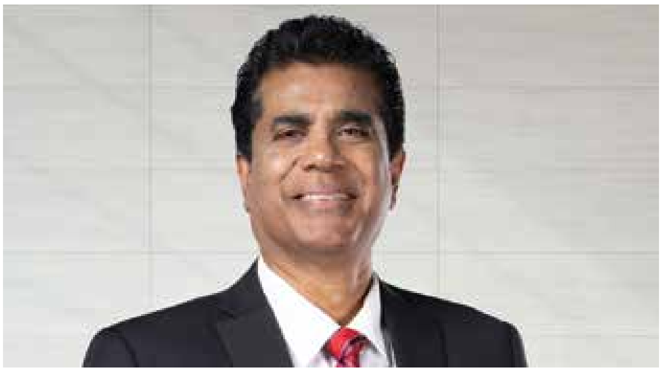
Thushari Malalgoda
Assistant General Manager - Human Resources

Buddhika Perera
Assistant General Manager - Deposit Mobilization

Gayan Kaushalya
Assistant General Manager - Treasury

Muditha Karunarathne
Assistant General Manager - Legal

Premilakanthy Arunasalam
Assistant General Manager - Risk /Chief Risk Officer



Amal Alles
Assistant General Manager - Branch Credit

Senior Management ▸

Umaharan Jeganathan
Head - Colombo Metropolitan & Colombo Inner

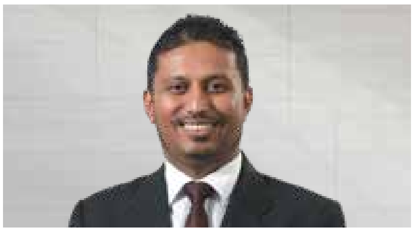
Yohan Ebell
Chief Manager - Bancassurance, Housing and Swabhimana Loans

Harsha Samaranayake
Chief Manager - Corporate Banking

Sirimevan Senevirathne
Chief Manager - Marketing

Thamara Rathnayaka
Chief Compliance Officer

Dhanushka Sapugasthanna
Chief Manager - Consumer Banking



Anuradha Ranaweera
Chief Manager - Recoveries

Shailajah Sukumaran
Chief Manager - Trade Operations and Financial Institutions

Nilan Fernando
Senior Manager II - Branch Credit

Kithsiri Weerakoon
Senior Manager II - Business Revival

Renuka Wickramasinghe
Senior Manager II - Branch

Jagath Athukorala
Senior Manager II - IT Infrastructure

Trishene De Mel
Senior Manager II - SME Credit Marketing

Dushan Premarathna
Senior Manager II - Software Development & Business Intelligence

Chamath Atukorale
Senior Manager II - Treasury Middle Office

Aravinda Rodrigo
Senior Manager II - SME Credit Marketing

Darshika Peiris
Senior Manager II - Treasury Settlement

Sithara Jayakody
Senior Manager II - Operations

Thushara Suraweera
Senior Manager - SME Credit Marketing

Anuradha Gamage
Senior Manager - Branch

Sudhila Perera
Senior Manager - Branch Credit

Primal Vithana
Senior Manager / Area Manager - Colombo South

Sanjaya Silva
Senior Manager - SME Credit Marketing

Duminda Hettiarachchi
Senior Manager Branch

Hareen Semage
Senior Manager / Area Manager - Southern

Devika Halwathura
Senior Manager - Recoveries

Prasanna Bandara
Senior Manager - Retail Banking

Vindya Rangajeewa
Senior Manager - Deposit Mobilization

Yohan Dananjaya
Senior Manager - Human Resources

Tiran Herath
Senior Manager - Information Security

Nadeeka Fonseka
Senior Manager - Planning & Research

Gamini Perera
Senior Manager - IT Operations

Arul Arutkumaran
Senior Manager / Area Manager - North & East

Nayani Jayasinghe
Senior Manager - Recoveries

Samanthi Rajakaruna
Senior Manager - Legal

Christman Fonseka
Senior Manager - Branch Credit

Dushantha Samanthilake
Senior Manager - Branch Credit

Ishara Premarathne
Senior Manager - Remittance

Iroshini De Silva
Senior Manager - Legal

Saman Fernando
Senior Manager Branch

Corporate Governance Report ►

The Corporate Governance Framework of Pan Asia Banking Corporation PLC guides the Bank and drives towards progress by way of developing and implementing appropriate corporate strategies. The approach to governance is based on the principle that there is a link between high quality governance and the creation of long-term stakeholder value. In pursuing corporate objectives, the Bank is committed to the highest level of governance and strives to foster a culture that values and rewards exemplary ethical standards, personal and corporate integrity, and mutual respect.

The Board of Directors, led by the Chairman, is responsible for governance of the Bank and developing effective Governance Framework to meet challenges both in short and long term. The Board is committed to improving the systems to provide transparency and accountability and initiate transformational changes whenever necessary by reviewing the systems continuously to ensure best practices are maintained and enhanced according to the principles of Corporate Governance.

The Board sets the tone at the top by promoting professional standards and corporate values that cascade to corporate management and the rest of the employees of the Bank. The codified policies, procedures and processes are some of the key mechanisms through which these standards and values are cascaded down to ensure adherence across the Bank. The Board is also supported by robust and independent risk, audit and compliance functions that provide effective oversight over the governance process.

Board Committees

The following Board committees are in place to assist the Board in fulfilling its governance responsibilities and the reports of the committees are given in the pages stated below:

Board Audit Committee - Pages 118 to 121

Board Integrated Risk Management Committee - Pages 122 to 123

Board Human Resources and Remuneration Committee - Page 124

Board Nominations and Governance Committee - Pages 125 to 127

Board Credit Committee – Page 128

Board Strategic Planning Committee - Page 129

Board Related Party Transactions Review Committee - Pages 130 to 131

Board Recoveries Committee - Page 132

Board Information Technology Steering Committee - Page 133

Board Expenditure Rationalisation Committee – Page 134

Major Steering Instruments on Governance

The following internal and external driven factors play a vital role in maintaining a robust governance structure within the Bank.

External

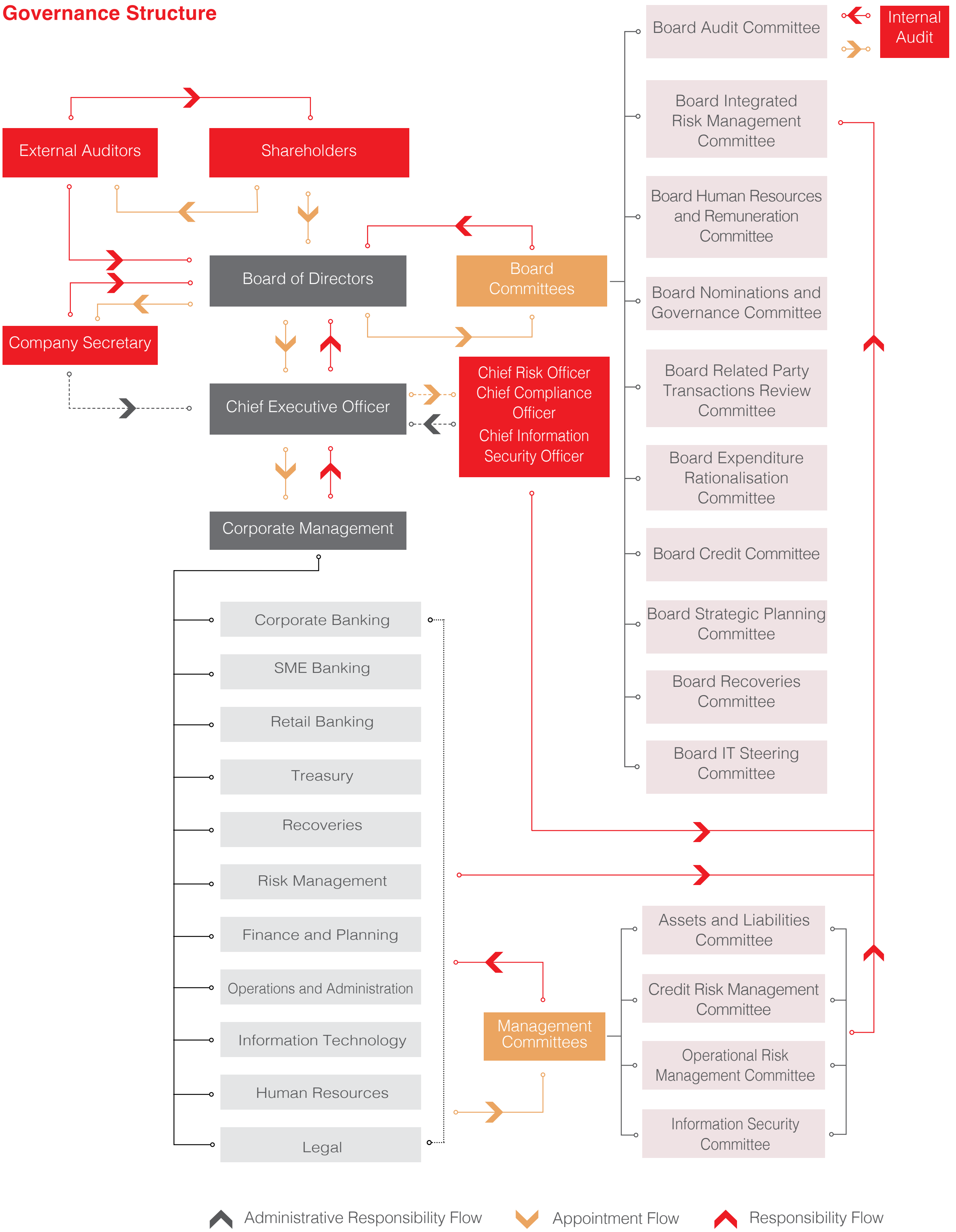
- Banking Act No.30 of 1988 and amendments thereto
- Banking Act Direction No. 11 of 2007 on Corporate Governance of Licensed Commercial Banks and amendments thereto
- Other Directions, Determinations, and Circulars issued to Commercial Banks by CBSL
- Companies Act No.7 of 2007 and amendments thereto
- Securities and Exchange Commission of Sri Lanka (SECSL) Act No. 19 of 2021
- Listing Rules of the Colombo Stock Exchange
- Code of Best Practices of Related Party Transactions issued by the SECSL
- The Anti-Money Laundering Laws and Regulations
- All other laws and regulations

Governance

- Articles of Association of the Bank
- Corporate Governance Framework of the Bank
- Policy on Matters relating to the Board of Directors and Board Procedures
- Charters/Terms of References of Board committees
- Charters/Terms of References of Management Committees
- Code of Business Conduct and Ethics for Employees
- Board approved policy frameworks for governance, risk, compliance, and operational areas
- Customer Charter

Internal

Governance Structure



Regulatory Framework

The Central Bank of Sri Lanka (CBSL) has issued Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka (as amended subsequently) which the banks have to comply with a view of enhancing effective Corporate Governance practices, transparency and accountability.

The Bank's compliance with the Corporate Governance Requirements in listing rules issued by Colombo Stock Exchange is disclosed in pages 107 to 114 of the Annual Report 2024.

External Auditors' Review on Compliance with Direction No. 11 of 2007 on Corporate Governance

Messrs. Ernst & Young, the Bank's external auditors annually carry out a review of the Bank's compliance with the Corporate Governance Principles specified in Section 3 (1) to 3 (8) of the Banking Act Direction No.11 of 2007 (as amended subsequently) in accordance with the Sri Lanka Standard on Related Services 4400 (SLSRS 4400) and provides a report of factual findings on the extent of the Bank's compliance with the said Directions. The external auditors carried out their procedures in respect of the year 2024 as well and have issued a report on their review and factual findings on same.

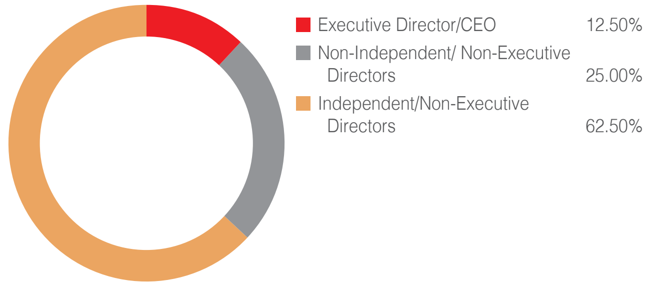
External Auditors' Review on Board's Statement of Internal Controls over Financial Reporting

The external auditors were also engaged to carry out a review of the Board's Statement on Internal Controls relating to Financial Reporting System of the Bank based on Sri Lanka Standard on Assurance Engagements 3050 (SLSAE 3050) - Revised and their report is given on page 117 of the Annual Report.

Report on Degree of Compliance with Direction No.11 of 2007 on Corporate Governance and Subsequent Amendments

The following section summarises the Bank's degree of compliance with Corporate Governance principles specified in the Banking Act Direction No.11 of 2007 (as amended subsequently) on Corporate Governance for Licensed Commercial Banks in Sri Lanka and the action taken to uphold the good governance.

Board Composition

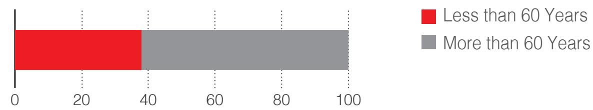


Gender Diversity

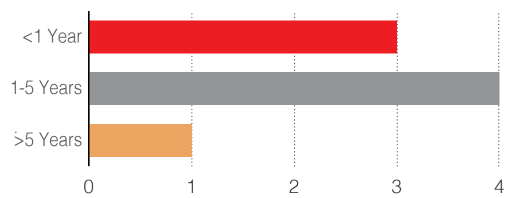
37.50% female representation

Age Diversity

Average Age 58.88 Years



Diversity of Board Tenure



Corporate Governance Disclosure on Compliance with Banking Act Direction No.11 of 2007

CBSL Section	Principle, Compliance and Implementation
3(1)	Responsibilities of the Board
3(1)(i)	Ensuring Strengthened Safety and Soundness of the Bank
	(a) Setting Strategic Objectives and Corporate Values - Complied with ✓ The Bank's strategic objectives and corporate values are incorporated into the Board approved strategic plan for 2024-2027. These strategic objectives are communicated to relevant staff at regular briefing sessions and discussion meetings and then cascaded down to all levels. The corporate values which are derived from vision and mission statements are communicated to all existing staff and new recruits are informed as a part of their Induction programme.
	(b) Overall Business Strategy including Risk Policy and Management - Complied with ✓ The overall business strategies of the Bank set up by the Board in consultation with the corporate management are focused on promoting sustainable and profitable growth of the Bank. The Board approved the strategic plan containing measurable goals for 2024-2027 period is in place. The business strategy is reviewed on a needy basis with updates. The Board approved annual budget has been derived from the Bank's strategic plan. The Risk Management framework and mechanisms set in line with the strategic plan were also approved by the Board. Measurable goals have been set and monthly/quarterly performance is measured against the set goals. These are reviewed on an annual basis and revised on a needy basis.
	(c) Risk Management - Complied with ✓ The Board takes overall responsibility for risk management of the Bank. The Board Integrated Risk Management Committee (BIRMC) is assisting the Board in structuring the Banks's risk policy, defining risk appetite, identifying risks, setting governance structures, and implementing procedures to measure, monitor and manage the identified risks. Further a stringent risk management process has been established covering a whole range of risk stemming from the risk appetite of the Bank. Further, appropriate credit, market, operational, liquidity, strategic, information security and compliance strategies have been adopted across the business and other oversight functions ensuring their functions are in line with the agreed risk tolerance level. The following reports provide further insights in this regard: • Risk Management Report is on pages 64 to 74 • Board Integrated Risk Management Committee Report is on pages 122 to 123 • Board Credit Committee Report is on page 128 • Board Strategic Planning Committee Report on page 129
	(d) Communication with all Stakeholders - Complied with ✓ The Board approved Policy on Relations with Shareholders and Investors is in place while a customer charter has been disseminated to all customers' contact points of the Bank. Further, a Whistle Blowing Policy and Grievance handling procedures are in place for staff to voice their concerns.
	(e) Internal Control System and Management Information Systems - Complied with ✓ Refer pages 115 and 116 for Directors' Statement on Internal Control Over Financial Reporting. 1. Internal Audit Department: The department operates independently and reports directly to the BAC, ensuring that internal controls and management information systems are adequately reviewed. The work often includes audits of various business units, follow-ups on previously identified issues, and providing recommendations for improvements. 2. Board Audit Committee (BAC): The BAC plays a crucial role in assessing the integrity of the internal control systems. They review reports from the Internal Audit Department and follow up on any outstanding actions. 3. Board of Directors: The Board reviews the BAC's findings to evaluate the effectiveness of the bank's internal control over financial reporting. They concluded that the system is effective for 2024.

CBSL Section	Principle, Compliance and Implementation
	(f) Key Management Personnel (KMPs) - Complied with ✓ 'Officers Performing Executive Functions' as referred to in the Banking Act Determination No. 01 of 2019 on Assessment of Fitness and Propriety of Officers Performing Executive Functions in Licensed Commercial Banks have been identified as 'Key Management Personnel' of the Bank. All appointments of designated KMPs are approved by the Board Nominations and Governance Committee.
	(g) Define Areas of Authority and Key Responsibilities for Directors and KMP - Complied with ✓ The Board shares its responsibilities as a team. Depending on specific skills and expertise they are appointed to different Board committees to manage the affairs of the Bank. Also, the defined areas of authority, goals and targets for the Board of Directors have been approved by the Board. The responsibilities and authority of Chief Executive Officer and other KMPs are also defined.
	(h) Oversight of Affairs of the Bank by Key Management Personnel- Complied with ✓ The KMPs are present or are called in for discussions at the main Board and Board committees as and when a matter arises in their respective areas. The Affairs of the KMP are monitored by the Board and Board Committees regularly.
	(i) Assesses Effectiveness of own Governance Practices including Selection and Nomination of Directors and KMPs, Management of Conflict of Interest and Determination of Weaknesses - Complied with ✓ The Board Nominations and Governance Committee recommends to the Board on the selection, nomination and election of the Directors and KMPs and the Board thereafter decides on the matter. Self-assessments of the Directors are attended to by the Directors annually. Also the Board assesses the effectiveness of its own governance practices on an annual basis.
	(j) Succession Plan for KMP- Complied with ✓ The Bank has a succession plan for most of the KMP positions aligned to the Bank's strategic objectives and talent management programme. Also, the Bank reviews and updates the KMP succession plan periodically and continuously makes improvement for same.
	(k) Regular Meetings with KMP - Complied with ✓ KMPs are regularly invited to attend the meetings of the main Board and Board Committees for discussion on matters concerning their areas of responsibility or make presentations on key agenda items.
	(l) Regulatory Environment and Effective Relationship with Regulators - Complied with ✓ The Board Secretary furnishes Directors a set of rules with regard to regulatory directions and requirements on their appointment. They are also briefed about developments in the regulatory environment at board meetings to ensure that their knowledge is updated regularly to facilitate effective discharge of their responsibilities. Further the Chief Compliance Officer submits reports on regulatory requirements to the BIRMC enabling the committee identifying the regulatory environment. The Chairman, CEO and Directors maintain a good relationship with the regulators with regard to strategic matters of the Bank while the Compliance Officer maintains effective relationship with the regulator with regard to all Compliance matters.
	(m) Hiring and Oversight of External Auditor - Complied with ✓ The BAC is responsible for the hiring and oversight of the external auditor. The Charter of the BAC specifies these requirements. The appointment of the External Auditor is made at the Bank's Annual General Meeting (AGM).

CBSL Section	Principle, Compliance and Implementation
3(1)(ii)	Appointment of Chairman and CEO and their Functions and Responsibilities - Complied with ✓ The Chairman and the CEO are appointed by the Board. The functions and responsibilities of the Chairman and the CEO have been defined and approved by the Board.
3(1)(iii)	Board Meetings - Complied with ✓ Regular board meetings are held, and special meetings are scheduled if the need arises. Thirteen (13) board meetings were held during the year 2024 and the regulation has been complied accordingly. Obtaining Board consent through circulation of papers has been avoided as far as possible unless otherwise it was on an extremely urgent matter. The attendance of the Board and Board Committee meetings are given on page 106.
3(1)(iv)	Arrangements for Directors to include Proposals in the Agenda - Complied with ✓ Agenda, minutes and board papers are forwarded to the directors as per the corporate governance directives within the stipulated time frame enabling Directors to submit their views, proposals, and observations under any other business at the board meetings.
3(1)(v)	Notice of Meetings - Complied with ✓ Notice of regular board Meetings are circulated among the directors generally seven days prior to the meeting, providing Directors an opportunity to attend.
3(1)(vi)	Directors' Attendance - Complied with ✓ The Directors are apprised of their attendance in accordance with the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks. The Board meetings have been duly attended by all the Directors as identified in page106.
3(1)(vii)	Appointment and setting responsibilities of Company Secretary - Complied with ✓ The Board has appointed the Company Secretary, who satisfies the provisions of Section 43 of the Banking Act No. 30 of 1988. Company Secretary carries out duties as specified in the statutes and regulations to her stakeholders including the Board and the shareholders.
3(1)(viii)	Directors' Access to Advice and Services of Company Secretary - Complied with ✓ All members of the Board have the opportunity to obtain advice and services of the Company Secretary. Board approved policy is in place in this regard.
3(1)(ix)	Maintenance of Board Minutes - Complied with ✓ The minutes of the Board Meetings are maintained by the Company Secretary. The directors can inspect the Board Minutes as and when required.
3(1)(x)	Minutes to be in Sufficient Detail and Accessible as a Reference for Regulators and Supervisory Authorities - Complied with ✓ The Board minutes contain a summary of data and information used by the Board in its deliberations, decisions, and Board resolutions. The Board minutes also contain and refer to the fact-finding discussions, matters which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations. An understanding of the risks to which the Bank is exposed, and an overview of the risk management measures adopted too are contained in the Board minutes. The minutes and the Board Papers are maintained to provide the details stipulated.
3(1)(xi)	Directors' Ability to Seek Independent Professional Advice - Complied with ✓ An approved Board procedure includes a provision to enable the Directors to seek independent professional advice at the Bank's expense when necessary.

CBSL Section	Principle, Compliance and Implementation
3(1)(xii)	Dealing with Conflicts of Interest - Complied with ✓ The Board procedure includes provisions to manage conflicts of interests of Directors. The Bank follows guidelines issued by the Director Bank Supervision regarding Related Party Transactions and Directors abstain from voting and taking part in discussions where issues or items pertaining to conflict of interest are being discussed. Additionally, the Director concerned is not counted in the quorum in such instances. Also, the Bank maintains the Register of Directors' Interests which is regularly updated in line with the regulatory requirements.
3(1)(xiii)	Formal Schedule of Matters Reserved for Board's Decision - Complied with ✓ The Board has a formal schedule of mandatory matters specifically reserved for the Board, apart from the other Board Papers that are included in every Board meeting.
3(1)(xiv)	Inform Central Bank on Probable Solvency Issues - Complied with ✓ The Board is aware of the need to inform the Director of Bank Supervision prior to taking any decision or action, if the Bank is about to become insolvent or about to suspend payments to its depositors and other creditors. If such a situation arises, the Bank will duly inform the Director of Bank Supervision. However, such a situation did not arise during the year 2024. Through the Corporate Governance requirements, the Directors are given with the responsibility of informing the Director of Bank Supervision and making necessary public and other disclosures upon the occurrence of such an event.
3(1)(xv)	Compliance with Capital Adequacy - Complied with ✓ The Board and the Board Strategic Planning Committee (BSPC) monitor capital adequacy requirements periodically. The Bank was in compliance with the Capital Adequacy Ratio requirements stipulated by the Central Bank of Sri Lanka and other prudential grounds throughout the year 2024.
3(1)(xvi)	Publish Corporate Governance Report in Annual Report - Complied with ✓ The Corporate Governance Report setting out the level of compliance with the banking Act direction no. 11 of 2007 is published on pages 92 to 105 of Annual Report.
3(1)(xvii)	Self-Assessment of Directors - Complied with ✓ Self-assessment of each Director is performed annually, and a summarised paper is submitted to the Board. Records are filed with the Company Secretary.
3(2)	Composition of the Board
3(2)(i)	Number of Directors - Complied with ✓ The Board composition complied with the requirement throughout the year 2024. The Board comprised of eight (8) Directors as at 31 December 2024.
3(2)(ii)	Period of Service of a Director - Complied with ✓ The Company Secretary monitors the service period of Directors. During the year under review, there were no Directors whose tenure of service on the Board exceeded nine years or 70 years of age as stipulated under the Direction No. 11 of 2007.
3(2)(iii)	Appointment of an Employee as a Director - Complied with ✓ The Board comprised of one executive director during the year 2024. Accordingly, the number of Executive Directors has not exceeded the specified threshold of one-third of the total number of Directors at any given time during the year 2024. The composition of the Board is identified on page 106.
3(2)(iv)	Independent, Non-Executive Directors - Complied with ✓ The Bank has complied with the prescribed requirement regarding Independent, Non-Executive Directors throughout the year 2024. There were five Independent, Non-Executive Directors on the Board as at 31st December 2024 as identified in the composition of the Board on page 106.

CBSL Section	Principle, Compliance and Implementation
3(2)(v)	Alternate Directors - Complied with ✓ There were no alternate Directors appointed during the year 2024.
3(2)(vi)	Criteria for Non-Executive Directors - Complied with ✓ Non-Executive Directors are persons with credible track records and have necessary skills and experience to bring an independent judgement on overall functionality of the Board. The Board considers Nominations and Governance Committee recommendation prior to considering the appointment of Non-Executive Directors. The profiles of the Non-Executive Directors are detailed on pages 77 to 82.
3(2)(vii)	More than half the quorum of Board Meetings to comprise Non-Executive Directors - Complied with ✓ The required quorum has been complied with during the year 2024 as evidenced by the attendance of the board members at the board meetings for the year 2024.
3(2)(viii)	Identify Independent Non-Executive Directors in Communications and Disclose the Categories of Directors - Complied with ✓ Independent Non–Executive Directors are expressly identified by specifying their individual directorship status in all corporate communications that disclose the names of Directors. The composition of directors by the category is disclosed on page 106 of the Annual Report 2024.
3(2)(ix)	Formal and transparent procedure for appointments to the Board - Complied with ✓ The Board has a formal and transparent process in place for the appointment of Directors. Also, the Board has established a Board Nominations and Governance Committee to make recommendations regarding the appointment of new Directors. Accordingly, three new Directors were appointed by the Board upon considering the recommendations of the Board Nominations and Governance Committee.
3(2)(x)	Election of Directors Filling Casual Vacancies - Complied with ✓ Two Directors were appointed to fill casual vacancies during the period until the Annual General Meeting and will be subject to election by shareholders at the Annual General Meeting to be held in March 2025.
3(2)(xi)	Communication of Reasons for Removal or Resignation of Director - Complied with ✓ Resignation of Directors with reasons for resignations was duly notified to the relevant regulatory authorities in accordance with the requirements of the CSE Listing Rules and the Companies Act No.07 of 2007 together with a statement affirming there are no matters that need to be brought to the attention of the shareholders.
3(2)(xii)	Prohibition of Directors or Employees of a Bank becoming a Director at another Bank - Complied with ✓ None of the Bank's Directors or Employees held Directorships in any other Bank during the year. The Board Nominations and Governance Committee considers this requirement in their deliberations when considering appointments of Directors. The Staff Code of Conduct includes provisions regarding conflict of interest including prohibitions on electing as Director of another bank.
3(3)	Criteria to Assess Fitness and Propriety of Directors
3(3)(i)	Retiring age of directors - Complied with ✓ The Company Secretary maintains the records of the Directors. There are no Directors who are over seventy (70) years of age.
3(3)(ii)	Directors should not hold Directorships of more than 20 Companies - Complied with ✓ As per the declarations provided by the directors, none of the directors hold directorships in more than 20 companies.

CBSL Section	Principle, Compliance and Implementation
3(3)(iii)	Cooling-off period when appointing Directors or CEO - Complied with ✓ The Bank has complied with the directions when appointing Directors during the year 2024.
3(4)	Management Functions Delegated by the Board
3(4)(i)	Understand and study delegation arrangements - Complied with ✓ The Board consciously delegates authority to perform different functions as it deems fit to appropriate officers of the management.
3(4)(ii)	Extent of Delegation should not Hinder Board's Ability to Discharge its Functions - Complied with ✓ All delegations are made in a manner that would not hinder or reduce the Board's ability to discharge its functions.
3(4)(iii)	Review Delegation Arrangements Periodically to Ensure Relevance to Operations of the Bank - Complied with ✓ The Board periodically reviews and approves the delegation arrangements in place and ensures that the extent of delegation addresses the needs of the Bank whilst enabling the Board to discharge their functions effectively.
3(5)	The Chairman and CEO
3(5)(i)	Separation of Roles - Complied with ✓ There is a clear separation between the roles of the Chairman and the CEO, ensuring a balance of power for decision-making.
3(5)(ii)	Non-Executive Chairman and Appointment of a Senior Independent Director - Complied with ✓ As the Chairman is a Non-Executive, Non-Independent Director, Mr. B.D.A. Perera, Non-Executive, Independent Director appointed as the "Senior Independent Director". A Board-approved Terms of Reference (TOR) of the SID is in place to ensure the independent element in decision making.
3(5)(iii)	Disclosure of the Identity of the Chairman, CEO and any Relationships among the Board Members - Complied with ✓ All members of the Board sign a declaration annually to this effect and there is no material financial, business or family relationships reported between the Chairman, CEO, and other members of the Board, according to the Declarations provided by them.
3(5)(iv)	Chairman to provide leadership to the Board - Complied with ✓ The Chairman is responsible for conducting of Board meetings, preserving order, and ensuring that the proceedings of the meetings are conducted in a proper manner and that the Board works effectively and discharges its responsibilities while all the key & appropriate issues are discussed, in a timely manner. He ascertains the views of the Directors on the issues being discussed before decisions are taken. Aforementioned elements are assessed annually by the Board through the Performance Evaluation of the Board of Directors.
3(5)(v)	Chairman's Responsibility for Agenda - Complied with ✓ The company secretary to whom the powers for drawing up of the Agenda has been delegated prepares the same in consultation with the Chairman.
3(5)(vi)	Ensure that Directors are Properly Briefed and Provided with Adequate Information - Complied with ✓ The Chairman ensures that the Board is adequately briefed and informed regarding the matters arising at the Board. The Board Papers are sent seven days prior to the meeting in order for Directors to request any other information if necessary. Management information is provided to Directors for the Board meeting and Committee meetings enabling them to assess the stability and performance of the Bank.
3(5)(vii)	Encourage Active Participation by all Directors and Lead in Acting in the Interests of the Bank - Complied with ✓ The Chairman ensures that all members effectively participate as a team in Board decisions and Directors concerns and comments are duly recorded in the minutes. This is evident from the responses in the self-evaluation forms submitted by each Director at the year end.

CBSL Section	Principle, Compliance and Implementation
3(5)(viii)	**Encourage Participation of Non-Executive Directors and Relationships between Non-Executive and Executive Directors - Complied with ✓** The Chairman ensures that the Non-Executive Directors actively contribute to decisions at board level and also ensures constructive relations between Executive and Non-Executive Directors. All Non-Executive Directors participate in Board committees ensuring proactive involvement in Bank matters.
3(5)(ix)	**Chairman shall refrain from Direct Supervision of Key Management Personnel and Executive Duties - Complied with ✓** The Chairman is a Non-Executive Director, and he does not directly get involved in the supervision of KMP or any other executive duties.
3(5)(x)	**Ensure Effective Communication with Shareholders - Complied with ✓** The Chairman ensures that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board. All shareholders have access to the Company Secretary at any given time, and the shareholder communications are communicated to the Board. A Board approved policy on Relations with Shareholders and Investors is in place to this effect.
3(5)(xi)	**CEO Functions as the Apex Executive in Charge of the Day-to-Day Operations - Complied with ✓** The Chief Executive Officer functions as the Apex Executive in charge of day-to-day management.
3(6)	Board Approved Committees
3(6)(i)	**Establishing Board Sub-Committees, their Functions and Reporting - Complied with ✓** The Board has established ten (10) Committees namely; Audit, Nominations & Governance, Human Resources and Remuneration, Integrated Risk Management, Credit, Strategic Planning, Related Party Transactions Review, Recoveries, IT Steering and Expenditure Rationalisation. The minutes of the Board committee meetings are shared with the main Board. Chairman of Board committees update the main Board on recommendations made and any matters of importance that are discussed at the respective Board committee, when required. The reports of all such Committees are included in the Annual Report on page 118 to 134.
3(6)(ii)	Board Audit Committee (BAC)
	(a) The Chairman to be an Independent Non-Executive Director with Qualifications and Experience in Accountancy and/ or Audit - Complied with ✓ a. The present Chairman of the Audit Committee is a Non-Executive, Independent Director and a Fellow of the Institute of Chartered Accountants of Sri Lanka whose qualifications and experience is disclosed on page 82. b. The former Chairman was a Non-Executive, Independent Director (retired on 30th October 2024) and was a fellow of the Institute of Chartered Accountants of England & Wales and the Institute of Chartered Accountants of Sri Lanka.
	(b) Committee to Comprise Solely of Non-Executive Directors - Complied with ✓ All directors who were members of the BAC during the year 2024 are Non-Executive Directors.
	(c) Functions of the Board Audit Committee - Complied with ✓ The Audit Committee has made its recommendations on the following during the year 2024 as applicable. (i) the appointment of the external auditors and services to be provided follow the relevant statutes. (ii) the implementation of the CBSL guidelines issued to Auditors from time to time. (ii) the application of the relevant accounting standards (iv) the service period, audit fee and any resignation or dismissal of the Auditors. The Engagement Audit Partner was rotated in May 2024. Further, the Committee ensures that the service period of the engagement of the External Audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the Audit before the expiry of three years from the date of the completion of the previous term.

CBSL Section	Principle, Compliance and Implementation
	(d) Review and Monitor External Auditor´s Independence, Objectivity and the Effectiveness of the Audit Processes - Complied with ✓ The Board Audit Committee (BAC) plays a vital role in ensuring the integrity of the external audit process. • The BAC is responsible for reviewing and monitoring the independence and objectivity of the external auditor and ensure that the auditor can operate without conflicts of interest. • The BAC evaluates the effectiveness of the audit processes by assessing compliance with applicable standards and best practices. This involves analysing the methodologies and practices employed by the external auditor. • The BAC relies on representations from the external auditor to gain insights into their processes and any potential issues that may arise, ensuring transparency and accountability.
	(e) Provision of Non-Audit Services by the External Auditor - Complied with ✓ The Audit Committee Charter includes the specified policy requirements. Assigning non-audit services to the external Auditor is discussed at the BAC meetings and required approvals are obtained to that effect. Further relevant information is obtained from the External Auditor to ensure that their independence is not impaired as a result of providing such non-audit services.
	(f) Determine the Nature and Scope of Audit with the External Auditors - Complied with ✓ The nature and scope of the annual audit of financial statements in accordance with relevant accounting principles and reporting obligations related engagements such as an assessment of the Bank’s compliance with the relevant Directions in relation to Corporate Governance and Internal Controls over Financial Reporting are discussed at the BAC meetings.
	(g) Review Financial Information of the Bank - Complied with ✓ The Audit committee has reviewed the financial information of the bank, in order to monitor the integrity of the annual and quarterly Financial Statements prepared with disclosures and the significant financial reporting judgments contained therein. Their view focuses on following major judgmental areas; • Any changes in accounting policies and practices • Significant adjustments arising from the audit. • Appropriateness of the going concern assumption • Compliance with relevant accounting standards and legal requirements The committee made their recommendations to the Board on the above on a quarterly basis.
	(h) Discussions with External Auditor without the Executive Management on Interim and Final Audits - Complied with ✓ The Committee has met with the external auditors and discussed related matters in the absence of KMP of the bank on two occasions during the year 2024. The related discussion minutes are recorded and maintained independently by the Company Secretary.
	(i) Review of Management Letter and Bank’s Response - Complied with ✓ The Committee reviewed • The External Auditor’s Management Letter and the management response thereto. • The progress and the action plans of outstanding items are reviewed on an ongoing basis and reasons for delays are discussed with management.

CBSL Section	Principle, Compliance and Implementation
	(j) Review of Internal Audit Function - Complied with ✓ • The committee reviewed and monitored the internal audit function and progress of the annual audit plan. • The annual plan was reviewed and approved at the beginning of the year 2024. • Internal audit reports, investigation reports, follow up status reports, continuous monitoring assessment exceptions were discussed with the BAC necessary actions were taken at the committee meetings. • Performance of the DGM –Internal Audit and Senior staff members of the internal audit division were reviewed during 2024. • The committee reviewed the appointments of senior staff to the internal audit department during the year 2024. • Reviewed Outsourced activities (The bank did not outsource any audit assignments to third parties during the year 2024). • The Committee is appraised of resignations of senior staff members of the Internal Audit Department during 2024, and committee has held discussion with such staff to ascertain their reasons for resignation.
	(k) Internal Investigations - Complied with ✓ Major findings of all internal investigations performed by Internal Audit Department along with management's responses/ actions thereto are considered by the BAC and recorded in the minutes. The committee also ensured that the recommendations of such investigations have been implemented.
	(l) Attendees at Meetings of the Board Audit Committee - Complied with ✓ • The Deputy General Manager- Internal Audit is the Secretary to the committee • Representatives of external auditors attend monthly BAC meetings. • The CEO, CFO, other corporate and senior management personnel attend meetings upon invitation. • The BAC met with external auditors on two occasions during the year independently without the executive management being present.
	(m) Explicit Authority, Resources and Access to Information - Complied with ✓ The Charter of the BAC clearly defines the authority and the responsibilities of the Committee in compliance with this Direction. The Board Audit committee has. (i). explicit authority to investigate any matter within its terms of reference. (ii). the resources which it needs to do so. (iii). full access to information and (iv). authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.
	(n) Regular Meetings - Complied with ✓ The BAC had regular meetings in compliance with its Charter and scheduled additional meetings when required. Accordingly, the BAC met fourteen (14) times during the year 2024 and the committee's conclusions are recorded in the minutes.
	(o) Disclosures in Annual Report - Complied with ✓ The details of the Committee are disclosed in the Annual Report, on pages 118 to 121. The details of attendance by individual directors on page 106 of the Annual Report.

CBSL Section	Principle, Compliance and Implementation
	(p) Maintain Minutes of Meetings - Complied with ✓ The Secretary of the Committee, Deputy General Manager- Internal Audit records and maintains minutes of the committee meetings at the Internal Audit Department. For Independent meetings with external auditors, the Company Secretary records and maintains the minutes at the Company Secretary's department.
	(q) Whistleblowing Policy and Relationship with External Auditor - Complied with ✓ The Whistle Blowing Policy was reviewed and approved by the Committee and any matters which are of concern is referred and timely investigated via Internal Audit and the outcome of such investigations are tabled at BAC. The BAC is the key representative body for overseeing the Bank's relations with the external auditors and meets the external auditors on a regular basis to discharge this function.
3(6)(iii)	Board Human Resources and Remuneration Committee (BHRRC)
	(a) Policy to Determine the Remuneration of Directors, CEO and KMPs - Complied with ✓ Board-approved policies to determine the remuneration of directors, CEO and KMP is in place
	(b) Goals and Targets for the Directors, CEO and KMP - Complied with ✓ Goals and targets of the CEO and KMP for the year 2024 were documented and recommended by the BHRRC and then tabled for the approval of the Board based on the objectives set for the year 2024 under review. The Board approved Terms of Reference/Charters of each Board committee elaborate the collective goals and targets of the Directors.
	(c) Evaluation of the Performance of the CEO and KMPs against the Set Targets and Goals and Determine the Basis for Revising Remuneration - Complied with ✓ The Committee evaluates and recommends to the Board for approval of the performance of the CEO and KMP against the set targets and goals periodically and determines the basis for revising remuneration, benefits, and other payments of performance-based incentives.
	(d) CEO's Presence at BHRRC Meetings - Complied with ✓ The Chief Executive Officer attends all meetings of the BHHRC by invitation and he has been excused when matters relating to him is being discussed.
3(6)(iv)	Board Nominations and Governance Committee (BNGC)
	(a) Appointment of Directors, CEO and KMPs - Complied with ✓ Formal procedures to appoint new Directors, CEO and KMP in accordance with regulatory requirements is in place.
	(b) Re-election of Directors - Complied with ✓ The Board Nominations and Governance Committee makes recommendations regarding re-election of current directors who retire by rotation in terms of the Articles of Association to the Board.
	(c) Eligibility Criteria for Appointments to Key Managerial Positions including the CEO - Complied with ✓ The duly approved eligibility criteria for the selection (appointment or promotion) to the position of CEO and KMP positions are in place.
	(d) Fit and Proper Criteria for Directors, CEO and KMPs - Complied with ✓ The Directors' and CEO's affidavits are tabled at the Board Nominations and Governance Committee for their recommendation and then tabled at the board meeting for approval prior to forwarding to the Central Bank of Sri Lanka for further approval to ensure that the Directors are fit and proper persons to hold office. The Board Nomination and Governance Committee ensures and recommends to the Board that all KMPs are fit and proper persons to hold office in with these criteria prior to appointment and necessary affidavits are approved by the Board before forwarded to CBSL for approval.

CBSL Section	Principle, Compliance and Implementation
	(e) Succession Plan and New Expertise - Complied with ✓ Succession arrangements for retiring Directors are considered as and when required, on a timely manner. New requirements for KMP positions are also considered and recommended by the Committee. Succession arrangements for KMP are in place. This process is expected to be strengthened further in future.
	(f) Committee Chairman and Other Members - Complied with ✓ The Committee is Chaired by a Non-Executive, Independent Director and the majority of the committee members are independent Non Executive Directors. The CEO attends meetings by invitation when necessary.
3(6)(v)	Board Integrated Risk Management Committee (BIRMC)
	(a) Composition of BIRMC - Complied with ✓ Please see detailed Report of BIRMC on pages 122 to 123
	(b) Risk Assessment of the Bank, Subsidiary Companies and Associate Companies - Complied with ✓ Continuous assessments and monitoring are being carried out on credit, market, liquidity, operational, information security and strategic risks and other contingencies based on predetermined risk indicators and goals/limits, reports are submitted to the BIRMC for deliberations and corrective actions if required. Accordingly, the BIRMC discharges its responsibilities by periodically reviewing reports on pre-established risk indicators prepared by the Risk Management Department. The Bank has formed management committees to assess risks on a monthly/quarterly basis and any significant risk related finding are submitted for the BIRMC for the perusal of the Committee whereas the BIRMC minutes are tabled at the main Board.
	(c) Review the Adequacy and Effectiveness of Management Level Committees - Complied with ✓ The Committee reviewed reports and minutes submitted by the management committees such as Credit Risk Management Committee, Assets & Liabilities Committee (ALCO), Information security Committee and Operational Risk Management Committee against predetermined quantitative and qualitative risk limits. The adequacy and effectiveness of the above management level Committees against the respective TORs based on an independent assessment was reviewed at BIRMC meeting and the result was satisfactory.
	(d) Corrective Action to Mitigate Specific Risks Exceeding Prudential Levels - Complied with ✓ The Risk Appetite Limits and Key Risk Indicators of the Bank are approved by the BIRMC and the Board and are monitored on a regular basis. Risk indicators are reviewed against the risk goals and regulatory limits with adequate deliberations during the Committee meetings and corrective actions are initiated for any deviations.
	(e) Frequency of Meetings - Complied with ✓ The BIRMC met six times during the year 2024.
	(f) Officers Responsible for Failure to Identify Specific Risks or Implement Corrective Action - Complied with ✓ The Committee takes appropriate action against the officers responsible, through the Human Resources Department, for any failures to identify and monitor specific risks in managing the business of the Bank.
	(g) Risk Assessment Report to Board - Complied with ✓ Risk assessment report along with the minutes of each Committee meeting is submitted to the Board Meeting immediately following the Committee meeting for deliberations and concurrence.
	(h) Compliance Function - Complied with ✓ An independent compliance function is in place led by a dedicated Compliance Officer to assess and ensure Bank's business activities are complied with all laws, regulatory guidelines, internal policies, and control procedures. This function is headed by a dedicated Chief Compliance Officer who functionally reports to the BIRMC. The CCO submits assurance certificates on compliance with mandatory banking and other statutory requirements to BIRMC on a quarterly basis.

CBSL Section	Principle, Compliance and Implementation
3(7)	RELATED PARTY TRANSACTIONS
3(7)(i)	Avoiding Conflicts of Interest - Complied with ✓ A Board approved policy on Related Party transactions is in place to avoid any conflicts of interest that may arise from any transaction of the Bank with any person. The BRPTRC oversees the process relating to the said subject and the Committee report is provided on pages 130 to 131. Steps have been taken by the board to avoid conflict of interest that may arise in transacting with related parties as per the direction. The directors provide declarations to the board regarding their business interests at the time of the appointment and periodically thereafter. The respective director does not participate in when and excused themselves from the meeting, when the board considers matters regarding lending to related entity is discussed and where a conflict of interest may arise.
3(7) (ii)	Related Party Transactions Covered by Direction - Complied with ✓ The Board approved policy of related party transactions covers all transactions falls within the scope of the direction.
3(7)(iii)	Monitoring of Related Party Transactions Defined as More Favourable Treatment - Complied with ✓ A formal policy to enhance the transparency of related party transactions is in place by the Board of Directors. Steps have been taken by the Board to avoid any conflict of interest that may arise when transacting with 'Related Parties'. Total Net Accommodations to related parties from its total regulatory capital is decided by the credit risk policy of the bank and monitor the ratio monthly to ensure that bank not exceeding the agreed ratio. Further, the Board ensures that no favourable treatment offered to related parties. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Bank and is comparable with what is applied to similar transactions between the Bank and its unrelated customers. The Board Related Party Transaction Review Committee reviews Related Party Transactions reported to the committee.
3(7)(iv)	Granting Accommodation to a Director or Close Relation of a Director - Complied with ✓ Regulatory requirements for Related Party Transactions are properly stipulated in the policy document for related party transactions. This policy elaborates the approved securities and limits for such related parties. Any accommodation granted to directors and their related parties are sanctioned by the Board of Directors with not less than two-thirds of the number of Directors other than the Director concerned, voting in favor of such accommodation.
(3(7)(v)	Accommodation Granted to a Person or a Close Relation of a Person or to any Concern in which the Person has Substantial Interest, who Subsequently are Appointed as Directors of the Bank - Complied with ✓ Prior to the appointment, each director is required to submit an affidavit disclosing all interests related to the Bank. The Company Secretary is proactively taking the necessary steps to notify the relevant Director and the respective business units in this regard.
3(7)(vi)	Favourable Treatment on accommodation to Bank Employees or their Close Relations - Complied with ✓ No favourable treatment was allowed for Bank employees or their close relations regarding accommodation provided to other than those provided under the general staff loan schemes applicable to all employees.
3(7)(vii)	Remittance of Accommodation Subject to Monetary Board Approval - Complied with ✓ No such instances have arisen in the Bank during the year 2024.

CBSL Section	Principle, Compliance and Implementation
3(8)	Disclosures
3(8)(i)	Publish Annual and Quarterly Financial Statements - Complied with ✓ Annual Audited Financial Statements and Quarterly Financial Statements were prepared and published in newspapers in Sinhala, Tamil and English in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards.
3(8)(ii)	Disclosures in Annual Report
	(a) A Statement to the Effect that the Annual Audited Financial Statements have been Prepared in line with Applicable Accounting Standards and Regulatory Requirements, Inclusive of Specific Disclosures - Complied with ✓ Statements to this effect are included in the Annual Report of the Board of Directors on the Affairs of the Bank on pages 135 to 144, Directors' Responsibility for financial Reporting on page 146, CEOs and CFOs responsibility to the Financial Reporting on page 147 and Note 2.1 (Statement of Compliance) to the Financial Statements on page 160.
	(b) Report by the Board on the Bank's Internal Control Mechanism - Complied with ✓ The Bank Annual Report 2024 includes the Directors' Statement on Internal Controls over Financial Reporting is included on pages 115 to 116, where the Board confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.
	(c) External Auditor´s Certification on Effectiveness of the Internal Control Mechanism Referred in 3(8)(ii)(b) - Complied with ✓ The Bank has obtained independent assurance from the External Auditors to confirm that effectiveness of the Bank's Internal Controls Over Financial Reporting system as per the 'Sri Lanka Standard on Assurance Engagements SLSAE 3050'. This independent assurance report is published on page 117.
	(d) Details of Directors including names, fit and propriety, fees and transactions with bank - Complied with ✓ The profiles of the directors are given on pages 77 to 83. The remuneration paid to Directors (including CEO) and their transactions with the bank is disclosed in note 55 to the financial statements on page 250.
	(e) Net Accommodation Granted to Each Category of Related Parties and as a Percentage of the Bank's Regulatory Capital - Complied with ✓ The details of net accommodation granted to related parties as a percentage of total regulatory capital are given below.

Category of Related Party Transaction	Rs. Mn	%
a) A director of the Bank	0.86	0.00%
b) Director's Close Relations	3.71	0.01%
c) Concerns in which the Directors of the Bank have a substantial interest	Nil	-
d) Concerns in which close relations of any of the Bank's directors have a substantial interest	Nil	-
e) A chief executive officer or an officer performing executive functions of a licensed bank	13.74	0.05%
f) Shareholders owing material interest in the Bank	Nil	-
g) a subsidiary or an associate company	Nil	-
h) Holding Company of the Bank	Nil	-
i) Directors of Subsidiary Companies	Nil	-
j) Directors of the Holding Company of the Bank	Nil	-
k) a close relation of a person specified in Direction (e) and (f) above;	Nil	-
l) a concern, whose director or partner is a director of the bank;	800.00	2.97%
m) Concerns in which the Bank's material shareholders of the bank have a substantial interest	9,918.00	36.81%
n) A concern in which a close relation of an individual material shareholder has substantial interest	Nil	-

CBSL Section	Principle, Compliance and Implementation
	(f) Aggregate Values of Remuneration Paid to and Transactions with Key Management Personnel - Complied with ✓
	The aggregate values of remuneration paid to KMP (as per CBSL guidelines) during the year are as follows.

	Rs. Mn
Short term Benefits	235.20
Retirement Benefits	40.42

The aggregate value of transactions by KMP with the Bank as at the year-end areas follows

	Rs. Mn
Loans, Advances and Credit Card Balances	87.36
Deposits	51.35

CBSL Section	Principle, Compliance and Implementation
	(g) External Auditor´s Certification of Compliance - Complied with ✓
	The Bank has obtained the certification of the bank's external auditors on compliance with these direction on Corporate Governance and relevant disclosures are included on page 91 of the Annual Report under 'Corporate Governance Report'. The findings presented in the Report of Factual Findings Report of the external auditors are consistent with the matters disclosed above.
	(h) Report Confirming Compliance with Prudential Requirements, Regulations, Laws and Internal Controls - Complied with ✓
	A statement of Directors' Responsibility on Financial Reporting which clearly sets out the details of regarding compliance with prudential requirements, regulations, laws, and internal controls is given on page 146. There were no instances of material non-compliance to report on corrective action taken during the year 2024.
	(i) Measures Taken to Rectify Non-Compliant Issues - Complied with ✓
	There were no significant supervisory concerns on lapses on Bank's Risk Management or non-compliance with this Direction that have been pointed out by the Director of Bank Supervision and requested by the Monetary Board to be disclosed to the public during the year 2024.
3(9)	Transitional and Other General Provisions
	The Bank has complied with the transitional provisions, where applicable.

Attendance of the Directors During the Year - 2024

Name of Director	Board Meetings		Board Audit Committee		Board Credit Committee		Board Integrated Risk Management Committee		Board Human Resources & Remuneration Committee		Board Nominations and Governance Committee		Board Strategic Planning Committee		Board Related Party Transactions Review Committee		Board Recoveries Committee		Board IT Steering Committee		Board Expenditure Rationalisation Committee	
	Eligibility	Attendance	Eligibility	Attendance	Eligibility	Attendance	Eligibility	Attendance	Eligibility	Attendance	Eligibility	Attendance	Eligibility	Attendance	Eligibility	Attendance	Eligibility	Attendance	Eligibility	Attendance	Eligibility	Attendance
Aravinda Perera	13	13	-	-	15	15	-	-	3	3	10	10	4	4	-	-	7	7	3	3	-	-
B D A Perera	13	13	1	1	15	15	-	-	1	0	10	10	-	-	-	-	12	12	3	3	3	3
Sandra Walgama	13	13	1	1	15	15	-	-	3	3	10	10	-	-	1	1	12	12	-	-	3	3
Kawshi Amarasinghe	13	11	13	12	-	-	6	5	-	-	-	-	4	4	-	-	-	-	3	3	-	-
Malik Ranasinghe	13	13	7	7	6	6	3	3	-	-	-	-	4	4	2	2	5	5	3	3	-	-
Dharshanie Perera	8	8	8	8	-	-	3	3	-	-	-	-	-	-	3	3	-	-	-	-	-	-
Ashoka Goonesekere	6	6	6	6	-	-	3	3	-	-	-	-	-	-	3	3	-	-	-	-	-	-
Naleen Edirisinghe	13	13	14	12	15	15	6	6	3	3	10	10	4	4	5	5	12	12	3	3	3	3
Nihal Kekulawala	11	11	12	12	-	-	5	5	2	2	-	-	3	3	4	4	-	-	-	-	-	-
Hiroyuki Ota	12	12	-	-	-	-	-	-	-	-	-	-	-	-	5	4	-	-	-	-	-	-
Chethiya Umagiliya	1	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-

DIRECTORS COMPOSITION DURING THE YEAR - 2024

Name of The Director	Category
Aravinda Perera	Non-Independent, Non-Executive Director
B D A Perera	Independent, Non- Executive Director
Sandra Walgama	Independent, Non- Executive Director
Kawshi Amarasinghe	Non-Independent, Non-Executive Director
Malik Ranasinghe	Independent, Non- Executive Director
Dharshanie Perera	Independent, Non- Executive Director
Ashoka Goonesekere	Independent, Non- Executive Director
Naleen Edirisinghe	Director/Chief Executive Officer
Chethiya Umagiliya	Independent, Non- Executive Director (Resigned in February, 2024)
Nihal Kekulawala	Independent, Non- Executive Director (Retired in October, 2024)
Hiroyuki Ota	Non-Independent, Non-Executive Director (Retired in December, 2024)

Corporate Governance Disclosure on Compliance with Colombo Stock Exchange (CSE) Listing Rules - Section 09

Code Ref	Requirement Extent of Compliance	Effective Date of compliance
9.1	Corporate Governance Rules	
9.1.1 9.1.2 9.1.3	Extent of Compliance with Corporate Governance Rules The extent of compliance with Corporate Governance Section 09 of the listing rules issued by CSE is tabulated below.	01st October 2023
9.2	Policies	
9.2.1	Availability of Policies The following policies which are mandated by the CSE listing rules are currently in place. a) Policy on the matters relating to the Board of Directors b) Policy on Board Committees c) Policy on Corporate Governance, Nominations and Re-election d) Policy on Remuneration e) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities f) Policy on Risk management and Internal controls g) Policy on Relations with Shareholders and Investors h) Policy on Environmental, Social and Governance Sustainability i) Policy on Control and Management of Company Assets and Shareholder Investments j) Policy on Corporate Disclosures k) Policy on Whistleblowing l) Policy on Anti-Bribery and Corruption The above policies are available in the Bank website for reference.	01st October 2024
9.2.2	Waivers and Exemptions At present there are no waivers and exemptions applicable to the Bank	01st October 2024
9.2.3	Disclosures in the Annual Report Policies listed in section 9.2.1 above disclosed in the Bank website for reference.	01st October 2024
9.2.4	Requesting Bank Policies by Shareholders The bank shall make available any of the policies in section 9.2.1 above to the shareholders upon a written request being made.	01st October 2024
9.3	Board Committees	
9.3.1	Establishment of Board Committees The Nominations & Governance Committee, Remuneration Committee, Audit Committee and Related Party Transactions Review Committee are in place.	01st October 2023
9.3.2	Board Composition Responsibilities and Disclosures The composition of all Committees are in line with the CSE listing rules. Each Committee is governed by its own Terms of Reference and has a secretary who arranges the meetings, maintains minutes and records under the supervision of the Chairperson of the respective Committee. The Chairperson of the respective Committee is accountable for the effective functioning of the Committee and reports on a periodic basis to the Board on the activities of the Committee, highlighting matters for the attention of the Board. The Committee Terms of Reference/Charters are reviewed regularly.	01st October 2023

Code Ref	Requirement Extent of Compliance	Effective Date of compliance
9.3.3	Chairperson of Board Committees The Chairperson of the Board of Directors is not the Chairperson of Nominations & Governance Committee, Remuneration Committee, Audit Committee or the Related Party Transactions Review Committee during 2024.	01st October 2024
9.4	Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders	
9.4.1	Record Maintenance The Company Secretary is responsible for maintaining comprehensive records of all resolutions and details from General Meetings, including the following, a) The number of shares in respect of which proxy appointments have been validly made; b) The number of votes in favour of the resolution; c) The number of votes against the resolution; and d) The number of shares in respect of which the vote was directed to be abstained.	01st October 2023
9.4.2	Communication and relation with Shareholders and Investors The Bank has an established policy on communication with shareholders and investors.	01st October 2023
9.5	Policy on matters relating to the Board of Directors	
9.5.1	Availability of policy on governing matters relating to the Board of Directors The requirements are currently captured in the Policy on matters relating to the Board of Directors.	01st October 2024
9.5.2	Disclosures in the Annual Report Disclosures are made in the Annual Report of the Board of Directors given on pages 135 to 144.	01st October 2024
9.6	Chairperson and CEO	
9.6.1	Chairperson and CEO The Chairperson is a Non-Executive Director. The position of Chairperson and CEO is not held by the same individual.	01st October 2023
9.6.2	Disclosure of non-compliances Not applicable	01st October 2023
9.6.3	Appointment of Senior Independent Director Since the Chairperson and CEO are not the same person or the Chairperson and CEO are not Close Family Members nor related parties, the designation of a Senior Independent Director doesn't arise under the CSE listing rules. However, since the Board Chairman is a non independent director, a Senior Independent Director was designated in terms of direction 3(5)(ii) of Banking Act Direction No.11 of 2007 on Corporate Governance issued by the Central Bank of Sri Lanka. Please refer to the Profiles of the Board of Directors given in Pages 77 to 83 for further details.	01st October 2023
9.6.4	Disclosure of Non-Compliances in the Annual Report Not applicable.	01st October 2023

Code Ref	Requirement Extent of Compliance	Effective Date of compliance
9.7	Fitness of Directors and CEOs	
9.7.1 9.7.2	Appointment of Fit and Proper Persons Directors and the CEO are, at all times, fit and proper persons as required in terms of these Rules. The Board has a formal and transparent process in place for the succession and appointment of Directors. The Nominations and Governance Committee processes and short-lists candidates and makes recommendations to the Board for approval. The attributes and experience required from potential appointees are identified and agreed prior to the search process, considering the combined knowledge, experience and diversity of the Board, in relation to the Bank's strategic plans and any gaps thereof. The candidate's other directorships and commitments are also considered to ensure sufficient time to discharge their role at the Bank, effectively. Upon completion of this process, names are referred to the Director of the Bank Supervision Department of the Central Bank of Sri Lanka for approval as a "fit and proper" person, prior to the appointment. All appointments were duly notified to CSE. All Directors appointed to the Board are subject to re-election by shareholders at the first Annual General Meeting after their appointment. All new appointments after the effective date of the listing rules are considered criteria listed in 9.7.3.	01st October 2023
9.7.3	Fit and Proper Assessment Criteria a) Honesty, Integrity and Reputation b) Competence and Capability c) Financial Soundness The assessment criteria detailed in the CSE listing rules have been incorporated into the annual declaration of the Directors and CEO.	01st April 2024
9.7.4	Annual Declarations from Directors and CEO Annual declarations from Directors confirming that each of them have continuously satisfied the fit and proper assessment criteria set out in the CSE listing rules were obtained as at 31 December 2024.	01st October 2023
9.7.5	Disclosures in the Annual Report Disclosures are made in the Annual Report of the Board of Directors given on pages 135 to 144.	01st October 2023
9.8	Board Composition	
9.8.1	Board at Minimum to consist of Five (5) Directors. The Bank complied with the requirement on minimum number of Directors throughout the relevant period. The Board of Directors of the Bank consisted of eight (8) Directors as at 31 December 2024.	01st October 2024
9.8.2	Minimum number of Independent Directors (Min:2 or 1/3 of total number, whichever is higher) The Bank complied with the requirement on minimum number of Independent Directors throughout the relevant period. The Board of Directors of the Bank consisted of five (5) Independent Directors as at 31 December 2024.	01st October 2024
9.8.3 & 9.8.4	Criteria for determining Independence The Bank complied with the criteria for determining the independence of a Director.	01st October 2023

Code Ref	Requirement Extent of Compliance	Effective Date of compliance
9.8.5	Declarations Annual Declaration was obtained from the Board of Directors incorporating the provisions made under the CSE listing rules as at 31 December 2024.	01st October 2023
9.9	Alternate Directors	
	Appointment of Alternate Directors No Alternate Directors were appointed to represent Non-Executive Directors.	01st January 2024
9.10	Disclosures relating to Directors	
9.10.1	Policy on the maximum number of Directorships In terms of direction 3(3)(ii) of Banking Act Direction No.11 of 2007 on Corporate Governance issued by the Central Bank of Sri Lanka, Directors should not be Directors of more than twenty (20) companies or not more than ten (10) companies classified as Specified Business Entities. As such Directors do not hold Directorships of more than twenty (20) companies / entities / institutions inclusive of Subsidiaries or Associate Companies of the Bank.	01st October 2023
9.10.2	Appointment of new Director Nominations and Governance Committee reviews all new appointments. All new appointments are subject to an immediate Market Announcement including the following. (i) a brief resume of such Director. (ii) his/her capacity of directorship; and, (iii) Statement by the Entity indicating whether such appointments have been reviewed by the Nominations and Governance Committee of the Entity	01st October 2023
9.10.3	Changes to the Composition of Committees After the effective date of the CSE listing rules, whenever a change in the composition of Human Resources and Remuneration Committee, Board Related party Transaction Review Committee, Board Audit Committee and Board Integrated Risk Management Committee had taken place, an immediate market announcement had been made on same.	01st October 2023
9.10.4	Disclosures in the Annual Report Please refer pages 77 to 83 for brief profiles of the Directors Please refer pages 77 to 83 for Directorships held by the Directors in other companies Please refer page106 for the composition / attendance of Board meetings and Statutory Committees.	01st October 2023
9.11	Nominations and Governance Committee	
9.11.1	Availability of Nominations and Governance Committee The Bank formed a Nomination and Governance Committee complying with the listing Rules	01st October 2024
9.11.2	Appointment and reelection of Directors The Committee follows a formal procedure for appointments and re-election of Directors.	01st October 2024
9.11.3	Terms of Reference The Committee has adopted Terms of Reference which defines the scope, authority and duties. The terms of Reference complies with the CSE listing rules.	01st October 2024

Code Ref	Requirement Extent of Compliance	Effective Date of compliance
9.11.4 (1)	Composition - (Minimum of three (3) Directors, out of which a minimum of two (2) members shall be Independent Directors) The Bank is in compliance throughout the year with the CSE listing rules. The composition of the Nominations and Governance Committee is given in pages 125 to 127.	01st October 2024
9.11.4 (2)	Composition - Independent Director shall be appointed as the Chairperson of the Committee. An Independent Director functioned as the Chairman of the Committee throughout the year.	01st October 2024
9.11.4 (3)	Composition - The Chairperson and the members of the Committee shall be identified in the Annual Report The Chairman and the members of the Committee are identified in the Nominations and Governance Committee report given on pages 125 to 127.	01st October 2024
9.11.5	Functions Functions of the Committee are documented in the Terms of Reference. All functions are effectively discharged by the Committee. Please refer to the Nominations & Governance Committee Report on pages 125 to 127.	01st October 2024
9.11.6	Disclosures in the Annual Report Disclosure requirements are covered in the Nominations & Governance Committee Report given on pages 125 to 127.	01st October 2024
9.12	Remuneration Committee	
9.12.1	Definition of Remuneration The Bank has established a formal transparent policy on remuneration and defined remuneration in terms of cash and non-cash benefits.	01st October 2023
9.12.2	Remuneration Committee A Human Resources and Remuneration Committee is in place.	01st October 2023
9.12.3	Remuneration Policy Remuneration policy laid down the Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration.	01st October 2023
9.12.4	Executive Directors/ Non-Executive Directors Remuneration for Executive and Non-Executive Directors is defined in the Policy.	
9.12.5	Terms of Reference The Committee has adopted Terms of Reference which define the scope, authority and duties in compliance with the CSE listing rules.	01st October 2023
9.12.6 (1) (a) & (b)	Composition – Minimum of three (3) Directors, out of which a minimum of two (2) members shall be Independent Directors The composition of the Human Resources and Remuneration Committee during 2024 is given in page No 124.	01st October 2024
9.12.6 (2)	Composition – Independent Director shall be appointed as the Chairperson of the Committee An Independent Director functioned as the Chairman of the Committee.	01st October 2023

Code Ref	Requirement Extent of Compliance	Effective Date of compliance
9.12.7	Functions The Bank has documented the functions of the Committee in the Terms of Reference. All functions are effectively discharged by the Committee. Please refer Human Resources and Remuneration Committee Report on page 124.	01st October 2023
9.12.8	Disclosures in the Annual Report Disclosure requirements are covered in the Human Resources and Remuneration Committee Report given on page 124.	01st October 2023
9.13	Audit Committee	
9.13.1	Audit and Risk Committees The Bank has established separate Committees to perform the Audit and Risk Functions.	01st October 2023
9.13.2	Terms of Reference The Committee has adopted Terms of Reference which define the scope, authority and duties.	01st October 2023
9.13.3 (1) & (4)	Composition - A Minimum of three (3) Directors, out of which a minimum of two (2) or a majority of the members, whichever higher, shall be Independent Directors The Bank complied with the requirement in the CSE listing rules throughout the year. The composition of the Audit Committee during 2024 is given in pages 118 to 121 Board Audit Committee Report.	01st October 2024
9.13.3 (2)	Composition - The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be Independent Directors As per the Board Audit Committee Charter, the quorum for a meeting would be two members and majority of those in attendance to be independent directors. Throughout the year, the majority of attendees at all meetings were Independent Directors. The Bank revised its Terms of Reference to align with the requirements of the CSE Listing Rules.	01st October 2024
9.13.3 (3)	Composition - The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market The Committee met Fourteen (14) times during the year. The Committee reviewed the quarterly and annual financial statements and recommended the same to the approval of Board of Directors prior to releasing the same to market.	01st October 2024
9.13.3 (4)	Composition – Independent Director shall be appointed as the Chairperson of the Committee An Independent Director functioned as the Chairman of the Committee throughout the year.	01st October 2024
9.13.3 (5)	Composition - The CEO and the CFO shall attend the Audit Committee meetings by invitation. The Director/CEO and Chief Financial Officer attend Board Audit Committee meeting by invitation.	01st October 2024
9.13.3 (6)	Composition – The Chairperson of the Audit Committee shall be a Member of a recognised professional accounting body The Directors who functioned as the Chairpersons of the Board Audit Committee during the year are members of recognised Professional Accounting bodies.	01st October 2024

Code Ref	Requirement Extent of Compliance	Effective Date of compliance
9.13.4	Functions The Bank has documented the functions of the Committee in the Audit Committee Charter. These functions are effectively discharged by the Committee as disclosed in the Board Audit Committee Report on pages 118 to 121.	01st October 2024
9.13.5	Disclosures in the Annual Report Disclosure requirements are covered in the Board Audit Committee Report given on pages 118 to 121.	01st October 2024
9.14	Related Party Transactions Review Committee	
9.14.1	Availability of Related Party Transactions Review Committee A Related Party Transactions Review Committee is in place complying with the CSE Listing Rules..	01st October 2023
9.14.2	**Composition - A minimum of three (3) Directors, out of which two (2) members shall be Independent Directors. The committee may also include Executive Directors. An Independent Director shall be appointed as the Chairperson of the Committee.** The Bank complied with the requirement throughout the year. The composition of the Related Party Transactions Review Committee during 2024 is given in the Related Party Transactions Review Committee Report in pages 130 to 131. Also an Independent Director functioned as the Chairman of the Committee throughout the year.	01st April 2024
9.14.3	Functions The Related Party Transactions Review Committee is responsible for reviewing Related Party Transactions, to ensure the interests of shareholders as a whole are taken into account when entering into Related Party Transactions. The Committee has established and maintained a policy, procedure and process for the identification, clarification and reporting the Related Party Transactions. Please refer Related Party Transactions Review Committee Report on pages 130 to 131.	01st October 2023
9.14.4 (1)	General requirements - The Committee shall meet at least once a calendar quarter The Committee met four (4) times during 2024. The minutes of all meetings are properly documented and tabled at the subsequent Board meetings for ratification.	01st October 2023
9.14.4 (2)	General requirements - The Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions The Committee has adequate knowledge and expertise to assess all aspects of Related Party Transactions.	01st October 2023
9.14.4 (3)	General requirements - Approval by Board of Directors Where necessary, the Committee shall request the Board of Directors to approve the Related Party Transactions which have been reviewed by the Committee.	01st October 2023
9.14.4 (4)	General requirements - Conflict of Interest The Related Party Transactions Review Committee oversees the process relating to the said subject. Steps have been taken by the Board to avoid any conflicts of interest that may arise in transacting with related parties. Directors make declarations to the Board about their material interest in business transactions at the time of appointment and thereafter on a quarterly basis. Directors do not participate in, and excuse themselves from the Meeting, when the Board considers any matters in which transactions with related entities are discussed and where a conflict in interest may arise.	01st October 2023

Code Ref	Requirement Extent of Compliance	Effective Date of compliance
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee The Committee considers the provision of the said listing rules when reviewing related party transactions.	01st October 2023
9.14.6	Shareholder Approval A situation to obtain shareholder approval as per the CSE listing rules has not arisen during the year.	01st October 2023
9.14.7	Immediate Disclosures A situation has not arisen where immediate disclosure is required to be made as per the CSE listing rules.	01st October 2023
9.14.8	Disclosures in the Annual Report Disclosure requirements are covered in the Related Party Transactions Review Committee Report given on pages 130 to 131.	01st October 2023
9.14.9	Acquisition and Disposal of assets from/to related parties The Bank has not acquired/disposed substantial assets from/to related parties.	01st October 2023
9.14.10	Exempted Related Party Transactions The provisions of the sections are considered when evaluating the Related Party Transactions by the Committee	01st October 2023
9.16	Additional Disclosures	
9.16	Annual Report of the Board of Directors included in the disclosures. (i) Declaration of all material interest (ii) Review of internal controls and compliance controls (iii) Compliance with laws, rules and regulations (iv) Material Non- Compliances Material non-compliance with any Law or Regulation has not arisen during the year 2024. Disclosure requirements are covered in the Annual Report of the Board of Directors given on pages 135 to 144	01st October 2023

Directors' Statement on Internal Controls over Financial Reporting

Responsibility

In line with the Banking Act Direction No.11 of 2007, section 3(8) (ii) (b), the Board of Directors present this report on Internal Controls over Financial Reporting.

The Board of Directors ("the Board") is responsible for the adequacy and effectiveness of the internal control over financial reporting mechanism in place at Pan Asia Banking Corporation PLC, ("the Bank"). In considering such adequacy and effectiveness, the Board recognises that the business of banking requires reward to be balanced with risk on a managed basis and as such the internal control over financial reporting systems are primarily designed to highlight any deviations from the limits and indicators which comprise the risk appetite of the Bank. In this light, the system of internal controls over financial reporting can only provide reasonable, but not absolute assurance, against material misstatement of financial information and records or financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating, and managing the significant risks faced by the Bank and this process includes enhancing the system of internal controls over financial reporting as and when there are changes to a business environment or regulatory guidelines. The process is regularly reviewed by the Board and accords with the Guidance for Directors of Banks on the Directors' Statement on Internal Controls over financial reporting issued by the Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal controls over financial reporting, considering principles for the assessment of the internal controls over financial reporting system as given in that guidance.

The Board is of the view that the system of internal controls in place over financial reporting is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The Management assists the Board in the implementation of the Boards' policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation, and monitoring of suitable internal controls to mitigate and control these risks.

The Bank has an island-wide presence catering to major sectors of the economy and is tasked with providing continuous banking service to its customer base. Accordingly, the Bank has adopted innovative methods to ensure its unique customer service is continued to be provided in line with the risk appetite of the Bank. The Bank's management has adopted various controls to ensure that service remains uninterrupted for the Bank and the control environment remains resilient despite these developments.

Key Features of the process adopted in applying and reviewing the design and effectiveness of the Internal Control System Over Financial Reporting

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Various Committees are established by the Board to assist the Board in ensuring the effectiveness of Bank's daily operations and that the Bank's operations are in accordance with the corporate objectives, strategies, and the annual budget as well as the policies and business directions that have been approved. (Activities of each committee is denoted from pages 118 to 134)

- The Internal Audit Department of the Bank checks for compliance with policies and procedures and the effectiveness of the internal control systems/Information System controls on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance. Further, Onsite, Online and Offsite audits are carried out covering all departments and branches in accordance with the annual audit plan reviewed and approved by the Board Audit Committee (BAC), Findings of the Internal Audit Department are submitted to the Board Audit Committee for review at their periodic meetings.

- Scope of Online audits/continuous monitoring was further enhanced to capture the new risks that the Bank is exposed to due to the country's economic situation, recruitment of new staff, shifts in regulatory developments. The Board Audit Committee of the Bank reviews internal control issues identified by the Internal Audit Department, the External Auditors, Regulatory Authorities, and the Management and evaluates the adequacy and effectiveness of the risk management and internal control system. They also review the internal audit function with particular emphasis on the scope of audits and quality of the same. The Board Audit Committee further reviews the status of implementation of audit recommendations and rectification of audit findings periodically to ensure all the issues are being addressed timely by the Management. The minutes of the Board Audit Committee meetings are forwarded to the Board periodically. Further details of the activities undertaken by the Board Audit Committee of the Bank are set out in the Audit Committee Report on pages 118 to 121.

- In assessing the internal control system over financial reporting, identified officers of the Bank continued to review and update all procedures and controls that relate to significant accounts and disclosures of the Financial Statements of the Bank. The Internal Audit Department continued to verify the suitability of design and effectiveness of these procedures and controls on an ongoing basis.

Directors' Statement on Internal Controls over Financial Reporting ▸

- The Bank adopted SLFRS 9 – "Financial Instruments" in 2018 which became applicable for financial reporting periods beginning on or after 1st January 2018. During the year under review, the Bank continued to refine the statistical models used in the computations and the data extraction procedures pertaining to the calculations performed in respect of SLFRS 9.

  Since the adoption of this standard, a progressive improvement on processes to comply with new requirements of classification, estimation of expected credit losses and disclosure were made whilst, further strengthening of processes will continue to take place pertaining to expected credit loss estimation and financial statement disclosures. Internal Audit and Risk Management Department carried out validations and testing on models in use by the Bank. The outcome of such exercises was tabled regularly for review by the BAC during the year 2024.

- Adequate training and awareness sessions have been conducted for the Board and the Senior Management regarding SLFRS 9. Further, the Board ensures that processes and controls are put in place for use of management information systems and validation of information extracted to comply with SLFRS 9.

- The comments made by the External Auditors in connection with the internal control system over financial reporting in previous years were reviewed during the year and appropriate steps have been taken to rectify them. The recommendations made by the External Auditors in 2024 in connection with the internal control system over financial reporting will be dealt with in the future.

Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Bank has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

Review of the Statement by External Auditors

The External Auditors, Messrs Ernst & Young, have reviewed the above Directors' Statement on Internal Controls over Financial Reporting included in the Annual Report of the Bank for the year ended 31st December 2024 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal controls over financial reporting of the Bank. Their Report on the Statement of Internal Controls over Financial Reporting is given on page 117 of this Annual Report.

By Order of the Board

Ashok Goonesekere
Chairman – Board Audit Committee

Aravinda Perera
Chairman

Naleen Edirisinghe
Director/Chief Executive Officer

Colombo, Sri Lanka
14th February 2025

External Auditor's Assurance Report on Bank's Internal Control Over Financial Reporting

Shape the future
with confidence

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TO THE BOARD OF DIRECTORS OF PAN ASIA BANKING CORPORATION PLC

Report on the Directors' Statement on Internal Control over Financial Reporting

We were engaged by the Board of Directors of Pan Asia Banking Corporation PLC ("the Bank") to provide assurance on the Directors' Statement on Internal Control over Financial Reporting ("the Statement") included in page 115 and 116 of the Annual Report for the year ended 31st December 2024.

Management's Responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued in compliance with section 3 (8) (ii) (b) of the Banking Act Direction No. 11 of 2007, by the Institute of Chartered Accountants of Sri Lanka.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities and Compliance with SLSAE 3050 (Revised)

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Bank.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3050 (Revised), Assurance Report for Banks on Directors' Statement on Internal Control, issued by the institute of Charted Accountants of Sri Lanka.

This Standard required that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control over Financial Reporting.

For purpose of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed an audit or review of the financial information.

Summary of Work Performed

We conducted our engagement to assess whether the Statement is supported by the documentation prepared by or for directors; and appropriately reflected the process the directors have adopted in reviewing the system of internal control over financial reporting of the Bank.

The procedures performed were limited primarily to inquiries of Bank personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3050 (Revised) does not require us to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Bank's risk and control procedures. SLSAE 3050 (Revised) also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Bank, the event or transaction in respect of which the Statement has been prepared.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Bank.

Ernst & Young

14 February 2025
Colombo

Board Audit Committee Report ▸

Composition of the Audit Committee

In accordance with the currently accepted best practices and Banking Act Direction No.11 of 2007 and CSE circular no 04/2023 listing rules, on Corporate Governance guidelines, the Board has formed the Audit Committee which comprised of the following Directors during the year 2024.

Name of the Committee Member	Directorship Status*	Membership Status	Date of Appointment to the Committee	Attendance (Attended/Eligibility)
Ashoka Goonesekere (Appointed as the Chairman w.e.f. 01st November 2024)	IN NE	Chairman	25th July 2024	06/06
Kawshi Amarasinghe	NI NE	Member	24th January 2024	12/13
Dharshanie Perera	IN NE	Member	30th May 2024	08/08
Nihal Kekulawala (Retired w.e.f. 30th October 2024)	IN NE	Former Chairman	31st August 2016	12/12
B D A Perera (Resigned from the committee w.e.f. 24th January 2024)	IN NE	Member	25th May 2021	01/01
Sandra Walgama (Resigned from the committee w.e.f. 24th January 2024)	IN NE	Member	29th July 2022	01/01
Malik Ranasinghe (Resigned from the committee w.e.f. 25th July 2024)	IN NE	Member	24th January 2024	07/07

**IN NE – Independent Non-Executive*
**NI NE – Non-Independent Non-Executive*

The Chairman of the Committee, Mr Goonesekere is an Independent Non - Executive Director and a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

Role of the Committee

A board approved Audit Committee Charter/Terms of reference is available, and it clearly defines the role and responsibilities of the Board Audit Committee and is periodically reviewed and revised by the Board of Directors. In line with CSE rules on Corporate Governance that took effect from 01st October 2023, the areas related were considered by the committee and charter of the committee was updated and board approval obtained in July 2024. The Committee is responsible to the Board of Directors and reports its activities regularly.

The main objective of the Board Audit Committee is to assist the Board of Directors in fulfilling its responsibilities in financial reporting, internal controls, internal and external audits.

The Committee is empowered by the Board to:

- Monitor the integrity of the Financial Statements and review of significant reporting judgments contained therein to comply with Sri Lanka Accounting Standards.
- Review the Interim Financial and Annual Financial Statements, Internal controls, and Risk Management measures.
- Review the Bank's compliance with legal and regulatory requirements.
- Monitor and review the effectiveness of the internal audit function and its independence.
- Review and assess the effectiveness of the Bank's risk management measures/internal control system/ Information system Controls/Governance processes to avoid and mitigate or transfer current and evolving risks.
- Make recommendations to the Board about the appointment of the external auditor and approve the remuneration and terms of engagement of the external auditor.
- Review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process.
- Review the engagement of external auditors for the provision of non-audit services.
- Ensure that the Bank's policies are firmly committed to the highest standards of good Corporate Governance Practices and operations conform to the highest ethical standards, in the best interest of all stakeholders.

Meetings

The Committee held 14 meetings during the period under review. The members attended meetings physically and online.

Deputy General Manager - Internal Audit functioned as the Secretary to the committee.

The Chief Executive Officer regularly attended the meeting by invitation and Chief Financial Officer and Other members of the Corporate Management and Senior Management participated in meetings by invitation as and when required.

The Committee met the external auditors on two occasions without the presence of CEO and Corporate Management personnel within the year and related minutes are recorded by the Company Secretary.

The proceedings of the Audit Committee meetings are regularly reported to the Board of Directors.

Activities

The committee carried out the following activities.

Financial Statements

The Committee reviewed,

- The effectiveness of the financial reporting system in place to ensure that information provided to the stakeholders is reliable and is in strict adherence and compliance with the requirements of Sri Lanka Accounting Standards (SLFRS/LKAS), disclosure requirements as per CSE rules, Companies Act, SEC Act and CBSL regulations/requirements.

- The Committee deliberated on the Quarterly and Annual Financial Statements of the Bank on its acceptability of accounting principle, and the reasonableness of significant estimates and judgements and their impacts on the Financial Statement reporting process before recommending same for approval by the Board.

- Assesses the future impacts of the capital requirements and remedial measures to be taken.

- The committee discussed with External Auditors, CEO, CFO the possible implications and the sectors which could be impacted by the regulatory directions issued by Central Bank and or any other regulatory body on the financial reporting process.

- Assessed the impact on changes to tax regulations.

- Obtained an assurance statement from CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Banks operations and finances.

Regulatory Compliance

The procedures to ensure compliance with mandatory banking and other regulatory requirements were under scrutiny by the committee.

The committee continuously emphasised upholding ethical values of the staff and has reviewed and revised the Whistle-Blowers policy encouraging staff to report any suspected wrongdoings in confidence to the committee.

The committee has reviewed and revised the Audit Committee Charter and Internal Audit Manual and obtained Board approval.

The Committee has adopted a checklist to validate quarterly the committee's compliance with section 3 (6) (ii) of the Banking Act Direction No 11 of 2007 on the Corporate Governance and CSE listing rules circular no 04/2023 issued on 11th September 2023.

Policy on adoption of Sri Lanka Accounting Standards SLFRS 9

The Committee annually reviewed Adoption of the Sri Lanka Accounting Standard SLFRS 9 on Financial Instruments. The Committee also followed up and monitored the progress of the implementation of IT Systems for automation of impairment assessment of the Bank in preparation of Financial Statements as per the Sri Lanka Accounting Standards and Regulatory Requirements.

Internal Audit

During the year under review the committee reviewed

  - The independence, objectivity, and performance of the Internal Audit Department.
  - Established a process for periodic assessment of internal control systems.

- Annual Audit Plan:
  - Prepared based on a Risk-Based Planning methodology for assessing auditable areas.
  - Regularly monitored internal audit coverage to ensure effective functioning of the control environment.

- Continuous Monitoring and Risk Identification:
  - Utilised Computer Aided Audit Techniques for proactive monitoring and review.
  - Shared results with Management and the Board Audit Committee during monthly meetings to strengthen the control environment.
  - Conducted verifications to analyse trends in financial transactions.

- o Identified risk trigger points and escalated areas for immediate management attention, discussed in Board Audit Committee meetings.

- Evaluation of Internal Controls:
  - o Reviewed and evaluated all internal controls, findings from internal audits, investigations, and online audit reviews.
  - o Ensured adequate control over business processes to mitigate risks effectively.
- Implementation of Audit Recommendations and Corrective actions:
  - o Periodically reviewed the status of implementation of audit recommendations and management actions on outstanding observations.
  - o Emphasised the implementation of Information Systems controls to strengthen IT systems.
  - o Issued instructions for corrective actions to enhance procedures and internal controls.
  - o Aimed to manage overall risk and improve efficiency and effectiveness of key processes.
- Performance Appraisal:
  - o Reviewed performance appraisals of the DGM-Internal Audit and senior staff.
  - o Assessed training, development, and resource availability within the Internal Audit Department to fulfill the audit plan.

External Audit

The Committee met with M/s Ernst & Young and discussed

- All relevant matters arising from the interim and final audits.
- Discussed the audit fee, scope, approach and methodology to be adopted.
- Management Responses to the Management Letter of the External Auditors
- The committee has followed up on the rectification actions taken by the management in improving the financial reporting based on the Management Letter of 2023.
- External Auditors were invited to attend regular meetings and make a presentation of their observations and recommendations.

The Audit Committee has evaluated the independence of the External Auditors by carrying out the following.

- Conducting independent meetings with External Auditors excluding the management (Two meetings held during the year and meeting minutes are recorded independently by Company Secretary)
- Establishing a policy on engagement of auditors for non-audit services. (The Bank has not obtained any non-audit services from the Auditors during the financial year 2024).
- Obtaining affirmative confirmation from the auditors on their independence and evaluating performance of the external auditors.
- Assessing the Audit engagement team's experiences and expertise, obtaining feedback on the auditors' performance from CFO and CEO.
- Ensured that the lead audit partner was rotated every five years.

The auditors have assured us that they have no cause to compromise their independence. The Audit Committee has determined the independence and performance of the External Auditors and has recommended to the Board of Directors that M/s Ernst & Young, Chartered Accountants, be reappointed as the auditors of the Bank for the financial year ending 31st December 2025, subject to the approval of the Shareholders at the forth coming Annual General Meeting.

Risk and Control

Bank's Risk Management activities are monitored by Board Integrated Risk Management Committee which overlooks the function of CRO as mandated by the direction 11 of 2007 issued by Central Bank of Sri Lanka. The Bank has also established an Integrated Risk Management Policy and was approved by the Board of Directors.

The detailed activities of Board Integrated Risk Management Committee are presented in the pages 122 to 123 of this report.

The committee has obtained and reviewed assurance from the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the bank's risk management and internal control systems by ensuring remedial action is implemented on audit observation and recommendation on agreed action dates.

Conduct, ethics, and good governance:

The Committee continuously emphasised upholding ethical values of the staff members. In this regard, the Bank has a Code of Ethics, a Whistleblowing Policy in place. These ensure and encourage all staff members to be ethical, transparent, and accountable and resort to whistleblowing if they suspect any wrongdoings or other improprieties. The highest standards of corporate governance and adherence to the Bank's Code of Ethics were ensured. All appropriate procedures were in place to conduct independent investigations into incidents reported through whistleblowing or identified through other means.

Training and Development of Committee Members

Training and continuous professional development were undertaken by BAC includes attending seminars, conferences, workshops, presentations done by Central Bank of Sri Lanka, CSE, SEC and external auditor on areas such as new banking regulations, directions, accounting standards, tax etc.

Conclusion

The Board Audit Committee is of the view that adequate internal controls and procedures are in place at the Bank to provide reasonable assurance that its assets are safeguarded to ensure that the financial position and the results disclosed in the Audited Financial Statements are free from any material misstatements and meet with all regulatory and reporting requirements. The Committee also concluded that the internal audit function was independent and effective.

On behalf of the Board Audit Committee

Ashoka Goonesekere
Chairman

Board Audit Committee
Colombo, Sri Lanka

14th February 2025

Board Integrated Risk Management Committee ▸ Report

Composition of the Committee

The Board Integrated Risk Management Committee comprised of the following Directors during the year 2024.

Name of the Committee Member	Directorship Status*	Membership Status
Dharshanie Perera (Appointed to the committee on 30th May 2024 and appointed as the Chairperson to the committee on 01st November 2024)	IN NE	Chairperson
Kawshi Amarasinghe	NI NE	Member
Asoka Goonesekera (Appointed to the committee w.e.f. 25th July 2024)	IN NE	Member
Malik Ranasinghe (Appointed to the committee w.e.f. 01st January 2024 and resigned from the committee w.e.f. 25th July 2024)	IN NE	Member
Sandra Walgama (Resigned from the committee w.e.f.24th January 2024)	IN NE	Member
Nihal Kekulawala (Retired w.e.f. 30th October 2024)	IN NE	Former Chairman

**IN NE – Independent Non-Executive*
**NI NE – Non-Independent Non-Executive*

In addition to the above members, the Committee comprises as permanent invitees Chief Executive Officer, Chief Risk Officer, Chief Compliance Officer, Officers in Charge of Information Security, Credit Risk, Operations and Integrated Risk, Treasury Middle Office attend the meetings as permanent invitees. The Committee invites other management personnel to attend the meetings depending on the subject matters under consideration in the agenda.

Responsibilities

Overall risk management function is assigned to the Board Integrated Risk Management Committee which is an independent Committee as per the corporate governance rules and guidelines on Integrated Risk Management Framework issued by the Central Bank of Sri Lanka.

The main scope of the Committee is to review and monitor overall risk management policy framework of the Bank. It regularly reviews the key risk indicators under credit, market, operational, compliance, reputational, strategic, baseline security, legal and other contingencies and monitors the risk goals and regulatory limits under each of these risk indicators. Further, the Committee recommends risk management directives for the approval of the Board of Directors.

At the meetings, the Committee makes adequate deliberations reviewing the achievement of set risk goals and progress made between the reporting periods that are indicated in risk dashboards. More significant and critical factors are discussed under 'Risk Heat Map'. Recommended actions if any are initiated via circulation of meeting minutes among the head of respective business units, operational and support units and the head of each risk unit.

Subsequent to each meeting, relevant minutes along with risk commentary are submitted to the Board of Directors for their review and guidance.

Secretary

The Manager II - Integrated Risk Management functions as the Secretary to the Committee.

Meetings

The Committee had four meetings during the year. The attendance of committee meeting is given on page 106 of the Annual Report.

Functions of the Committee

In order to fulfill the review and monitoring requirements under the Integrated Risk Management Framework, the Committee carries out following functions;

- Regular review of Internal Capital Adequacy Assessment Process (ICAAP) and assessment of the Bank's business strategy, growth plans and governance ensuring risk based capital adequacy.
- Determine and review risk indicators and risk goals on a regular basis on credit, market, operational and all other significant risk areas that the Bank is exposed to.
- Peruse and review activities and progress of under mentioned management committees that have been set up for the management of major risks embedded in the day-today activities of the Bank.

  I. Assets and Liabilities Committee (ALCO)

  II. Credit Risk Management Committee

  III. Operational Risk Management Committee

  IV. Information Security Committee

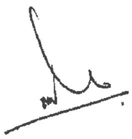
- Regular review and update of all policies relating to the risk management and the introduction of new risk-related policies and procedures.
- Recommendation of improvements to the Bank's strategy for lending, business expansion and growth and review mitigating factors for adverse impact on the Bank's overall strategy.
- Extensive deliberation on potential risk arising from various risk drivers and take measures proactively.
- Review business continuity plan, business impact analysis and the disaster recovery plan of the Bank.

- Evaluation of Internal Borrower Risk Rating Model and Risk Based Pricing Methodology in order to have better understanding on the movement of risk profiles of borrowers over the period of time.
- Review of retail product exposure limits taking into consideration of the market developments.
- Revamping stress testing policies with more appropriate variables in view of managing risks in an integrated manner.
- Evaluate compliance function ensuring the adherence of compliance requirements on time and controlling the reputational risk of the Bank.

The Committee ensures that adequate mechanisms are in place to identify, transfer, manage and mitigate the risks identified and recognised as per the risk management policies of the Bank.

During the year 2024, the Committee has reviewed the process of identification, evaluation and management of all risk indicators and set risk goals as per the risk appetite of the Bank.

On behalf of the Board Integrated Risk Management Committee;



Dharshanie Perera
Chairperson
Board Integrated Risk Management Committee

Colombo, Sri Lanka
14th February 2025

Board Human Resources and Remuneration Committee Report

Regulations/Rules Relevant to the Functions of the Committee

The role, function and the composition of the committee are defined by the provisions of the;

- Banking Act Direction No.11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka.
- Section 9.12 of the Listing Rules of Colombo Stock Exchange on Corporate Governance.

Composition of the Committee

The Board Human Resources and Remuneration Committee is comprised of the following directors during the year 2024.

Name of the Committee Member	Directorship Status*	Membership Status
Sandra Walgama (Appointed as the Chairperson to the committee w.e.f. 24th January 2024)	IN NE	Chairperson
Aravinda Perera (Ceased to be the Chairperson of the committee w.e.f. 24th January 2024)	NI NE	Member
B D A Perera (Appointed to the committee w.e.f. 01st November 2024)	IN NE	Member
Nihal Kekulawala (Retired w.e.f. 30th October 2024)	IN NE	Member

**IN NE - Independent Non-Executive*
**NI NE - Non-Independent Non-Executive*

As per CSE Rule No.9.12.6 (3) chairperson of the committee has been appointed.

The Chief Executive Officer participates at the committee meetings by invitation except when matters relating to the CEO are being discussed.

Refer Pages 77 to 83 for the profiles of the Committee Members.

Secretary

The Company Secretary functions as the Secretary to the Committee.

Meetings

The Committee met three times during the year 2024. The attendance of the Committee members at each of these meetings are given on page 106 of the Annual Report.

Functions and Responsibilities

- The committee shall determine the Bank's remuneration policy and its specific application to Directors, CEO and Key Management Personnel (KMPs) and periodic review and evaluation of the Policy against industry practice.
- The committee shall decide salaries, allowances, other cash and non- cash benefits and incentives, including annual increments/ terminal benefits/ pension rights etc. for the CEO, KMPs and other staff of the Bank.
- Approving performance goals (KPI) for CEO and KMPs and performance based incentive schemes.
- Evaluating the accomplishment of set performance goals by CEO and KMPs and rewarding or giving feedback to them.
- Reviewing the strategic Human Resource policies of the Bank and recommending same to the Board.

The aggregate remuneration of the Executive and Non - Executive Directors are stated under Note 55.3 in audited financial statements on page 250 to 251.

Reporting to the Board

The Minutes of the Committee meetings are tabled at the immediate next Board meeting, thereby providing Board members with access to the deliberations of the Committee.

Policy

Board approved Remuneration Policy is in place as per Colombo Stock Exchange Rule No.9.2.1 and available in the Banks website for perusal.

On behalf of the Board Human Resources and Remuneration Committee;

Sandra Walgama
Chairperson
Board HR and Remuneration Committee

Colombo, Sri Lanka
14th February 2025

Board Nominations and Governance Committee Report

Regulations/Rules Relevant to the Functions of the Committee

The role, function and the composition of the committee are defined by the provisions of the;

- Banking Act Direction No.11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka.
- Section 9.11 of the Listing Rules of Colombo Stock Exchange on Corporate Governance.
- Code of Best practice on Corporate Governance 2023 issued by The Institute of Chartered Accountants of Sri Lanka.

Composition of the Committee

The Board appointed Nominations and Governance Committee comprises of two Independent, Non-Executive Directors and one Non-Independent, Non-Executive Director as set out below.

Composition of the Committee during the year 2024

The Board Nominations and Governance Committee is comprised of the following directors during the year 2024.

Name of the Committee Member	Directorship Status*	Membership Status	Date of Appointment to the Committee	Attendance (Attended/ Eligibility)
B D A Perera	IN NE	Chairman	28th October 2021	10/10
Aravinda Perera	NI NE	Member	11th August 2017	10/10
Sandra Walgama	IN NE	Member	24th January 2024	10/10
Nihal Kekulawala (Resigned from the Committee w.e.f 24th January 2024)	IN NE	Member	31st August 2023	-
Chethiya Umagiliya (Resigned from the Bank w.e.f 07th February 2024)	IN NE	Member	24th February 2022	1/0

**IN NE – Independent Non-Executive*
**NI NE – Non-Independent Non-Executive*

Refer Pages 77 to 83 for the profiles of the Committee Members.

The Chief Executive Officer participates at the meeting by invitation.

Secretary

The Company Secretary functions as the Secretary to the Committee.

Meetings

The Committee met ten times during the year 2024. The attendance of the Committee members at each of these meetings are given on page 106 of the Annual Report.

Disclosures

- A documented Policy and process is in place when Nominating Directors, and on the appointment and reappointment of Directors.
- Board comprises of diversified members in the range of skills, experience, age and gender which is an essential factor for effective Board performance.
- Corporate Governance, Listing Rules, Securities market regulations and other applicable laws and regulations have been communicated to the newly appointed Directors.
- Directors took part in an awareness session on "Unlocking the True Value – The power of a Balance Performance by Hewapattini, Cybersecurity awareness programmes by Madu Ratnayake and Wasantha Perera.
- Directors requiring to submit themselves for re-election at regular intervals and at least once in three years have been complied with.
- Re-elections - In terms of Article No's. 82 and 83 of the Articles of the Association of the Bank, Kawshi Amarasinghe and Malik Ranasinghe retire by rotation and being eligible, offer themselves for re-election, on an unanimous recommendation by the Board Nominations and Governance Committee and the Board of Directors.
- In terms of Article 89 of the Articles of the Association of the Bank Dharshanie Perera and Ashoka Goonesekere appointed under casual vacancies and being eligible, offer themselves for re-election, on an unanimous recommendation by the Board Nominations and Governance Committee and the Board of Directors.

Directors details who are being proposed for re-election

Name of the Director	Board Committees Served	Position	Date of first appointment as a Director	Date of last re-appointment as a Director	Directorships held during the preceding three years
Kawshi Amarasinghe	Board Audit Committee Board Integrated Risk Management Committee Board Strategic Planning Committee Board IT Steering Committee	Member Member Member Member	31st August 2023	N/A	Nil
Malik Ranasinghe	Board IT Steering Committee Board Credit Committee Board Strategic Planning Committee Board Recoveries Committee	Chairman Member Member Member	01st January 2024	N/A	Teejay Lanka PLC - Director United Motors Lanka PLC - Director Information Communication Technology Agency of Sri Lanka - Chairman
Dharshanie Perera	Board Integrated Risk Management Committee Board Audit Committee Board Related Party Transactions Review Committee	Chairperson Member Member	22nd May 2024	N/A	Nil
Ashoka Goonesekere	Board Audit Committee Board Integrated Risk Management Committee Board Related Party Transactions Review Committee	Chairman Member Member	22nd July 2024	N/A	Nil

Present Directorships / Chairmanships and Other Principal Commitments

Name of the Director	Names of Company	Position	Other Principal Commitments
Kawshi Amarasinghe	Vallibel One PLC The Fortress Resorts PLC Greener Water Ltd Hayleys Leisure PLC Singer Sri Lanka PLC	Executive Director Director Director Director Director	CEO of the Dhammika & Priscilla Perera Foundation
Malik Ranasinghe	Access Engineering PLC Resus Energy PLC	Director Director	Nil
Dharshanie Perera	NIL		
Ashoka Goonesekere	HNB Assurance PLC Melstacorp PLC Distilleries Company of Sri Lanka PLC PMF Finance PLC	Senior Director Director Director Director	Nil

- Directors have declared that the Directors and their family members do not have any relationships with the Directors, the Bank or its shareholders holding more than ten per-centum (10%) of the shares of the Bank.

- Performance evaluations of the Board of Directors and CEO have been conducted.

- Process has been adopted to inform the Independent Directors of major issues relating to the entity.

- Independent Directors of the listed entity meets the criteria as per Colombo Stock Exchange Corporate Governance rules for determining Independence and CBSL Directions on Corporate Governance.

- Corporate Governance requirements stipulated under the Listing Rules of the CSE have been met.

Reporting to the Board

The Minutes of the Committee meetings are tabled at the immediate next Board meeting, thereby providing Board members with access to the deliberations of the Committee.

On behalf of the Board Nominations and Governance Committee;

B D A Perera
Chairman
Board Nominations and Governance Committee

Colombo, Sri Lanka
14th February 2025

Board Credit Committee Report ▸

Composition of the Committee

The Board Credit Committee is comprised of the following directors during the year 2024.

Name of the Committee Member	Directorship Status*	Membership Status
Sandra Walgama	IN NE	Chairperson
Aravinda Perera	NI NE	Member
B D A Perera	IN NE	Member
Malik Ranasinghe (Appointed to the committee w.e.f. 25th July 2024)	IN NE	Member
Naleen Edirisinghe	Director/CEO	Member

**IN NE – Independent Non-Executive*

**NI NE – Non-Independent Non-Executive*

Status

The Chief Risk Officer, Chief Financial Officer and other members of the management in charge of Corporate Banking, Branch Credit, Retail Banking, Credit Risk, Recoveries and Legal attend the meetings by invitation.

Responsibilities

The Committee derives its operating scope and authority from the Board of Directors, with the following key responsibilities:

- Ensure a sound credit evaluation and granting process within the Bank.
- Maintain appropriate credit administration, control, and monitoring processes to manage credit risk effectively.
- Ensure adequate measurement and controls over credit risk exposures, mitigating potential financial impacts.
- Identify, monitor, and manage problematic credit facilities, including watch-listed and non-performing advances.
- Evaluate new lending proposals of high value that fall within the purview and authority of the Committee, ensuring alignment with the Bank's risk tolerance and strategic goals.
- Evaluate and manage new lending opportunities and threats arising in the operating environment, ensuring proactive measures are taken.
- Monitor changes in the economic and operational environment of the Bank and take timely, proactive decisions related to credit operations to mitigate risks and capitalise on opportunities.
- Provide guidance and directives for credit origination operations, ensuring that new credit is consistent with the Bank's policies and strategic objectives.

Secretary

Manager II - Credit Risk functioned as the Secretary to the Committee during the year.

Meetings

The Committee held 15 meetings during the year, and the minutes of each meeting were duly circulated among the Committee members and relevant management personnel for follow-up actions and credit disbursement as per the conditions set by the Committee. All credit approvals were subject to thorough deliberations among the Committee members.

To fulfill its duties and responsibilities, the Committee carries out the following functions:

- Review and sanction credit proposals that require Committee approval, as per the delegated lending authorities within the Bank.
- Review changes to the credit policy initiated by the Management of the Bank and recommend them to the Board of Directors for approval.
- Ensure compliance with lending activities, ensuring adherence to approved credit policies, statutory and regulatory requirements, and guidelines.
- Review the credit portfolio through regular reports on new facilities granted, margin trading, share-backed advances, advances to special segments, special lending products, and exposure to pawning and gold loans.
- Define the credit approval framework and assign delegated approval limits for lending in accordance with the Bank's credit policy.
- Review and recommend credit proposals relating to Related Parties to the Board Related Party Transactions Review Committee for final approval by the Board of Directors.
- Ensure that credit risk exposures remain within the Bank's risk appetite to maximise the Bank's risk-adjusted rate of return.
- Monitor the quality of the Bank's credit portfolio, reviewing periodic credit portfolio reports and assessing the performance of the lending book on an ongoing basis.
- Review new lending products from a credit risk management perspective and implementing appropriate controls to maintain the quality of the portfolio.
- Sanction credit proposals via circulation when the urgency of the subject matter requires it.
- Review high-risk exposure periodically and take corrective action to keep them within the Bank's risk tolerance.
- Ensure an adequate level of credit growth without compromising the credit quality of the lending portfolio.

The Committee ensures that the Board-approved Credit Policy, regulatory guidelines, and directives are adhered to when accommodating credit facilities and managing the Bank's lending book.

On behalf of the Board Credit Committee.

Sandra Walgama
Chairperson
Board Credit Committee

Colombo, Sri Lanka
14th February 2025

Board Strategic Planning Committee Report ▸

Composition of the Committee

The Board Strategic Planning Committee is comprised of the following directors during the year 2024.

Name of the Committee Member	Directorship Status*	Membership Status
Aravinda Perera	NI NE	Chairman
Kawshi Amarasinghe	NI NE	Member
Malik Ranasinghe (Appointed to the committee w.e.f. 24th January 2024)	IN NE	Member
Nihal Kekulawala (Retired w.e.f. 30th October 2024)	IN NE	Member

**IN NE - Independent Non-Executive*

**NI NE - Non-Independent Non-Executive*

The Chief Executive Officer and the members of the Corporate and Senior Management attend the meetings by invitation.

Secretary

The Chief Financial Officer functioned as the Secretary to the Committee during the year.

Meetings

The Committee met four times during the year 2024. The attendance of the Committee members at each of these meetings are given on page 106. of the Annual Report. The minutes of the committee meetings are submitted to the Board of Directors for information by the committee secretary.

Functions and Responsibilities

- Approving the periodic strategic plan/significant amendments to the existing strategic plan and recommending same to the Board.
  - a) Providing strategic direction and strategic thinking of the Board to the management in the development and implementation of the Bank's strategic plan
  - b) Overseeing the strategy formulation process leading to preparation of strategic plan.
  - c) Ensuring post implementation reviews of the strategic initiatives are carried out on a timely basis in comparison to Key Performance Indicators (KPIs) and provide advice on further improvements to strategies and alternative courses of action on non-achievement of KPIs.
  - d) Examining the effectiveness of key strategies for achieving the goals and objectives and guiding management towards implementation of strategic decisions taken by the Board.
  - e) Creating a risk-based culture and resilience to environmental changes
  - f) Reviewing internal strengths, resources, capabilities, and weaknesses of the Bank and to provide guidelines to the management.
- Ensuring that the annual bank budget is prepared in line with the goals and objectives of the strategic plan and recommending the same to the Board of Directors.
- Reviewing the actual performance of the Bank against the Bank's annual budget and the strategic plan.
- Reviewing the appropriateness of current vision, mission, and corporate values of the Bank.
- Reviewing the adequacy and composition of the Bank's capital structure in the context of the growth targets, regulatory requirements and making recommendations to the Board of Directors
- Approving all strategic investment decisions such as mergers and acquisitions and recommending the same to the Board.

Performance

The Committee reviewed the Bank's performance against the budget for the year 2024 and the strategic plan 2024-2027 and reviewed reasons for deviations and directed the management for remedial actions.

The committee discussed and reviewed the Annual Bank Budget for the year 2025 in detail and changes to be incorporated were recommended before submitting it to the Board of Directors for their approval. The Committee reviewed and took note of the Bank's capital structure against its growth targets.

The Committee reviews its own performance, constitution, and scope of work to ensure that it is operating smoothly and efficiently. Its scope also extends to making recommendations to the Board when the need arises.

Aravinda Perera
Chairman
Board Strategic Planning Committee

Colombo, Sri Lanka
14th February 2025

Board Related Party Transactions Review Committee Report

The Bank constituted the Board Related Party Transaction Review Committee to assist the Board in reviewing all related party transactions performed by the Bank ensuring full compliance with applicable regulations.

Regulations / Rules Relevant to the Functions of the Committee

- Banking Act Direction No.11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka and amendments there too. (Direction amended as Corporate Governance Direction No.05 of 2024 – Effective from 01st January 2025.)
- Section 9.14 of Listing Rules of the Colombo Stock Exchange
- Code of best practices issued by the institute of Chartered Accountants of Sri Lanka

Composition of the Committee

During the year under review, the Board Related Party Transactions Review Committee (the BRPTRC) consisted of both Independent Non-executive Directors and Non-Executive Directors. The Composition of the BRPTRC for the year under review is outlined below.

Name of the Committee Member	Directorship Status*	Membership Status	Attendance - (Attended/Eligibility)
Sandra Walgama (Appointed as the chairperson to the committee w.e.f. 01st November 2024)	IN NE	Chairperson	1/1
Dharshanie Perera (Appointed to the committee w.e.f. 25th July 2024)	NI NE	Member	3/3
Ashoka Goonesekere (Appointed to the committee w.e.f. 25th July 2024)	IN NE	Member	3/3
Malik Ranasinghe (Appointed to the committee w.e.f. 24th January 2024 and resigned from the committee w.e.f. 25th July 2024)	IN NE	Member	2/2
Nihal Kekulawala (Retired w.e.f. 30th October 2024)	IN NE	Former Chairman	4/4
Hiroyuki Ota (Retired w.e.f. 13th December 2024)	NI NE	Member	4/5
Regular attendees by invitation			
Mr. Naleen Edirisinghe	Director / CEO	Invitee	5/5

**IN NE – Independent Non-Executive*
**NI NE – Non-Independent Non-Executive*

Secretary to the Committee

The Chief Compliance Officer of the Bank functioned as the secretary to the committee.

The Committee invites Key Management Personnel and other senior management members on a need basis to provide further clarifications on relevant subject matters.

The Committee Chairman, Nihal Kekulawala, retired on 31st October 2024, after completing nine years of service as an Independent Director. Consequently, the Board appointed Sandra Walgama, an Independent Director, as the Committee Chairperson, effective 01st November 2024.

Meetings During the year 2024

The Committee held five meetings during the year under review, in compliance with Section 9.14.4 (1) of the Listing Rules of the Colombo Stock Exchange (CSE).

The secretary to the Committee reviewed the related party transactions reported by the business heads, benchmarking them against criteria applicable for comparable non-related party transactions. This process ensures that related parties have not received any more favourable or preferential treatment.

The Committee reviewed all related party transactions, along with the comments and observations made during these reviews. A summary of the Related party transactions, along with any committee observations if any, have been communicated to the Board of Directors.

Functions and Responsibilities

The Committee assists the Board in reviewing all related party transactions (RPTs) carried out by the Bank, to ensure that the interests of all shareholders are upheld. This ensures that Directors, Key Management Personnel (KMP) and shareholders with substantial holding do not gain any undue advantage due to their positions, thereby preventing conflicts of interest. The

Committee also assists the Board in maintaining transparency regarding RPTs with the required disclosures.

The Committee's scope and responsibilities are defined by the Board of Directors and clearly outlined in Terms of References, which are periodically reviewed by the Board. Terms of References of the Committee include the following.

- To formulate and implement a well-established procedure, which comprehensively adheres to regulatory requirements of monitoring of all related party transactions of the Bank.
- Independently review all accommodations to related parties and if necessary, provide comments/ observations to the Board of Directors prior to the final approval.
- Review all related party transactions in line with the regulatory requirements.
- Making immediate market disclosure of any applicable related party transactions as required under Section 9 of the Listing Requirements of the Colombo Stock Exchange.
- Making appropriate disclosures in the Annual Report on related party transactions as per the regulatory guidelines.
- In the case of recurrent related party transactions, the Committee may set up guidelines for Senior Management to follow up for the ongoing dealings with Related Parties, subject to annual review of such guidelines with the appropriateness of the transactions.

Activities in 2024

In February 2024, the Related Party Transactions (RPT) Policy was reviewed and updated in accordance with Section 9 of the Listing Rules. Subsequently, in October 2024, the RPT Policy and Terms of Reference (TOR) were further revised to align with the Corporate Governance Directions issued by the Central Bank of Sri Lanka. The amended policy and TOR were duly approved by the Board of Directors. Arrangements were also made to disseminate the updated RPT Policy among all relevant stakeholders.

To ensure compliance with the new regulatory framework, awareness sessions were conducted for the relevant business units to enhance their ability to identify and report related party transactions effectively. Additionally, the Committee introduced measures to improve the reporting formats for RPT submissions to the Committee.

BRPTRC ensures that the Bank has adhered to the Board approved Terms of References on the Related Party Transaction Review Committee and all relevant regulatory guidelines when dealing with the related parties.

Performance Evaluation of the Committee

Annual self – evaluation of the Committee was conducted at the year end by members of the BRPTRC, with the evaluation indicating that its performance was effective.

On behalf of the Board Related Party Transactions Review Committee.

Sandra Walgama
Chairperson
Board Related Party Transactions Review Committee

Colombo Sri Lanka
14th February 2025

Board Recoveries Committee Report ▸

Composition of the Committee

The Board Recoveries Committee is comprised of the following directors during the year 2024.

Name of the Committee Member	Directorship Status*	Membership Status
B D A Perera	IN NE	Chairperson
Sandra Walgama	IN NE	Member
Malik Ranasinghe (Appointed to the committee w.e.f. 25th July 2024)	IN NE	Member
Aravinda Perera (Resigned from the committee w.e.f. 25th July 2024)	NI NE	Member
Naleen Edirisinghe	Director/CEO	Member

**IN NE – Independent Non-Executive*

**NI NE – Non-Independent Non-Executive*

DGM Recoveries (Retired w.e.f. 31st October 2024), Chief Risk Officer, Chief Financial Officer, AGM – Retail Credit, AGM - Branch Credit, AGM - Legal Chief Manager - Corporate Banking, Head of Branch Credit and Trade Business, Chief Manager - Recoveries, Senior Manager II - Branch Credit, Area Managers and other product heads attend as invitees to the Committee.

The Board Recoveries Committee was established with the intention of minimising Non-Performing Advances (NPAs) and maximising profitability. Recoveries play a crucial role in the overall performance of the bank, and it is essential to ensure commitment from all relevant stakeholders to support the recovery process. The Committee was formed to strengthen the recovery process and minimise potential NPAs, ensuring sustainable growth and stability over time.

Responsibilities

The Committee derives its operating scope and authority from the Board of Directors and has the following key responsibilities:

- Implement a sound Non-Performing Advances (NPA) management process to effectively handle distressed credit.
- Review reports on NPL (Non-Performing Loan) management and watchlist exposures to track problematic accounts and mitigate risks.
- Providing guidance on expedited recoveries and post-disbursement monitoring by adopting appropriate strategies to improve recovery outcomes.
- Ensure adequate controls over Non-Performing Advances, minimising potential losses and maximising asset recovery.
- Review the identified problematic Non-Performing Advances, taking corrective actions as necessary to prevent further deterioration.
- Implement a robust Non-Performing Advances (NPA) resolution process to address distressed credit effectively.
- Take appropriate measures based on NPL (Non-Performing Loan) management reports and watchlist exposures to mitigate risks in problematic accounts.
- Prioritise recovery efforts and utilise suitable strategies to optimise recovery outcomes and minimise losses.
- Ensure proper measures are in place to manage Non-Performing Advances, focusing on asset recovery and loss containment.
- Proactively address and resolve problematic Non-Performing Advances by implementing corrective actions to prevent further deterioration.

Reports Discussed at Meetings

The following reports are regularly reviewed at the Committee's meetings:

- Non-Performing Loans Management and Post-Disbursement Monitoring reports.
- Margin Trading Division Status Report.
- Watchlist of accounts under observation for potential risk.
- Statement of Non-Performing Advances for tracking the overall NPA situation.

In addition to the above, other matters related to recoveries and NPA management were also discussed at the meetings.

Secretary

Manager II - Credit Risk acted as the Secretary to the Committee during the year under review.

Meetings

The Committee held 12 meetings during the year, and the minutes of each meeting were duly circulated among the Committee members and management for follow-up actions.

Functions of the Committee

To fulfill its duties and responsibilities, the Committee carries out the following functions:

- Establish appropriate recovery strategies for Non-Performing Advances (NPAs) and delinquent credit within the Bank.
- Review performance against recovery targets agreed upon with the respective Area Managers and Department/Product Heads of the Bank.
- Guide the management team on potential recovery actions and strategies.
- Advise the Management on avoiding vulnerable industries and sectors that fall outside the Bank's risk appetite.
- Ensure compliance with regulatory guidelines related to recoveries and NPA management.
- Ensure adequate resources for the recovery process, enabling the Bank to manage recoveries efficiently and smoothly.
- Propose actions for quality credit underwriting to minimise the addition of new NPAs to the portfolio.

On behalf of the Board Recoveries Committee.

B D A Perera
Chairman
Board Recoveries Committee

Colombo, Sri Lanka
14th February 2025

Board Information Technology Steering Committee Report

The Board Information Technology Steering Committee was established by the Board of Directors to provide strategic direction to the Information Technology function of the Bank, to assess the IT Strategy, monitor key initiatives, progress against the IT roadmap, review risk management and recommend future actions to management/Board.

Composition of the Committee

The Board Information Technology Steering Committee is comprised of the following directors during the year 2024.

Name of the Committee Member	Directorship Status*	Membership Status
Malik Ranasinghe (Appointed to the committee and chairman to the committee w.e.f. 24th January 2024)	IN NE	Chairman
Aravinda Perera (Ceased to be the Chairman of the committee w. e. f. 24th January 2024)	NI NE	Member
B D A Perera	IN NE	Member
Kawshi Amarasinghe	NI NE	Member
Naleen Edirisinghe	Director/CEO	Member

**IN NE - Independent Non-Executive*

**NI NE - Non-Independent Non-Executive*

Secretary

The Deputy General Manager Internal Audit functioned as the secretary to the Committee during 2024.

Meetings

The committee met three times during the year 2024.

Attendance of the Committee members at the meetings are given on Page 106 of the Annual Report.

Scope

The Board Information Technology Steering Committee shall provide strategic directions to the Information Technology function by helping align technology objectives and initiatives with those of the business, and evaluate new opportunities provided by emerging technology suggested by the management. If required, the Board Information Technology Steering Committee may seek independent advice on matters which assist in discharging its responsibilities.

Reporting to the Board

The Minutes of the Committee meetings are tabled at the immediate next Board meeting, thereby providing Board members with access to the deliberations of the Committee.

On behalf of the Board Information Technology Steering Committee.

Malik Ranasinghe
Chairman
Board Information Technology Steering Committee

Colombo
14th February 2025

Board Expenditure Rationalisation Committee ▸ Report

As required by the Banking Act Direction No. 01 of 2023 on 'Restrictions on Discretionary Payments of Licensed Banks', the Board of Directors has formed the Board Expenditure Rationalisation Committee during the year 2023 entrusting the responsibility of evaluating and approving any non-essential and/or non-urgent expenditure and capital expenditure to be incurred by the Bank. The Committee operated until 31st December 2024 as stipulated in the said Banking Act Direction.

Composition of the Committee

The Board Expenditure Rationalisation Committee is comprised of the following directors during the year 2024.

Name of the Committee Member	Directorship Status*	Membership Status
Sandra Walgama	IN NE	Chairperson
B D A Perera	IN NE	Member

**IN NE – Independent Non-Executive*

The Chief Executive Officer and other members of the corporate and senior management attended committee meetings by invitation.

Secretary

The Chief Financial Officer functioned as the Secretary to the Committee during the year under review.

Functions and Responsibilities

The Committee derives its operating scope and responsibilities from the Terms of Reference (TOR) of the Board Expenditure Rationalisation Committee which has been approved by the Board of Directors.

The TOR of the Committee includes inter-alia approval of the following expenditure.

(i) Non-essential and/or non-urgent expenditure to be incurred by the Bank.

(ii) Capital expenditure to be incurred by the Bank.

The Committee exercised extreme due diligence and prudence when evaluating and approving any non-essential and/or non-urgent expenditure and capital expenditure to be incurred by the Bank.

Meetings

The Committee had three meetings during the year under review. The attendance of the Committee members at each of these meetings are given on page 106 of the Annual Report.

Reporting to the Board

The minutes of the committee meetings are tabled at the subsequent board meetings, thereby providing board members with access to the deliberations of the Committee.

On behalf of the Board Expenditure Rationalisation Committee;

Sandra Walgama
Chairperson
Board Expenditure Rationalisation Committee

Colombo, Sri Lanka
31st December 2024

Annual Report of the Board of Directors' on the Affairs of the Bank

Your Board of Directors have pleasure in presenting to the members their Annual Report together with the Audited Financial Statements for the year ended 31st December 2024.

The details set out herein provide the relevant information required by the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and the best accounting practices recommended by the Institute of Chartered Accountants of Sri Lanka and necessary disclosures in the best interest of stakeholders of the Bank.

General

Pan Asia Banking Corporation PLC, a Licensed Commercial Bank listed on the Colombo Stock Exchange was incorporated in Sri Lanka, as 'Pan Asia Bank Limited' on 06th March 1995 under the Companies Act No. 17 of 1982 and Licensed as a Commercial Bank under the Banking Act No. 30 of 1988 changed its name to 'Pan Asia Banking Corporation Limited' on 23rd April 2004 and has now been re-registered as per the requirement under the new Companies Act No. 07 of 2007 and changed its name to 'Pan Asia Banking Corporation PLC'.

The Annual Report of the Board of Directors on the Affairs of the Bank and the Financial Statements were approved by the Board of Directors at the meeting held on 14th of February 2025.

Statutory Disclosures

No.	Disclosure Requirement	Reference to the Companies Act No. 7 of 2007	Disclosure Reference for Compliance	Page/ pages
1	The nature of the Business of the Bank	Section 168 (1) (a)	About Pan Asia Banking Corporation PLC	04
			Note 1 to the Financial Statements - Principal Activities and Nature of operations.	160
2	Financial statements for the accounting period completed and signed in accordance with Section 152	Section 168 (1) (b)	The Financial Statements for the year ended 31st December 2024 have been duly signed by the Chief Financial Officer, the Chairman, the Deputy Chairman, Chief Executive Office/Director and the Company Secretary of the Bank.	157
			Note 2.1 to the Financial Statements of the Bank (Statement of Compliance).	160
3	Auditor's report on the Financial Statements of the Bank	Section 168 (1) (c)	Independent Auditor's Report on the Shareholders of Pan Asia Banking Corporation PLC.	151-155
			Based on the declaration provided by Messrs. Ernst & Young and as far as the Directors are aware, the Auditors do not have any relationship with or interest with the Bank that in our judgment, may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Sri Lanka, applicable as of the date of this Report. The retiring Auditors, Messrs. Ernst & Young, have expressed their willingness to continue in office. They come up for re-election at the upcoming Annual General Meeting, with the recommendation of the Board Audit Committee and the Board of Directors. In accordance with the Companies Act, a resolution proposing the reappointment.	N/A
4	Changes in Accounting Policies during the accounting period	Section 168 (1) (d)	There were no changes to the Accounting Policies during the year 2024.	N/A
			The Summary of Material Accounting Policies.	163-176

No.	Disclosure Requirement	Reference to the Companies Act No. 7 of 2007	Disclosure Reference for Compliance	Page/ pages
5	Particulars of entries in the Interests Register made during the accounting period	Section 168 (1) (e)	The Bank maintains the Directors' Interest Register as required under the provisions of Section 168 (1) (e) of the Companies Act. The Directors of the Bank have made necessary declarations of their respective interests in contracts or proposed contracts, in terms of the Sections 192 (1) and 192 (2) of the Companies Act. These interests have been recorded in the Directors' Interest Register, which is available for inspection in terms of the Companies Act. As a practice and in terms of Corporate Governance requirements, the Directors have refrained from voting on matters in which they have a material interest. The Directors have no direct or indirect interest in contracts or proposed contracts with the Bank other than those disclosed.	N/A
			The Directors' Interest Register	145
6	Remuneration and other benefits paid to the Directors during the accounting period	Section 168 (1) (f)	Note 55.3 to the Financial Statements - Compensation to Key Management Personnel	250-251
7	Total amount of donations made by the Bank during the accounting period	Section 168 (1) (g)	The Board of Directors have not approved any donations during the year 2024	N/A

<table>
<tr><th>No.</th><th>Disclosure Requirement</th><th>Reference to the Companies Act No. 7 of 2007</th><th>Disclosure Reference for Compliance</th><th>Page/ pages</th></tr>
<tr><td rowspan="3">8</td><td rowspan="3">Information on Directors of the Bank at the end of the accounting period</td><td rowspan="3">Section 168 (1) (h)</td><td>The names of the Directors of the Bank during the period 01st January 2024 to date are given below and the changes occurred in the composition of the Board during the year 2024. The classification of Directors into ‘Executive’, ‘Non-Executive’, ‘Non - Independent’, and ‘Non-Executive Independent’ are given against the names as per the directives issued under the Banking Act and the Listing Rules of the Colombo Stock Exchange.
<table>
<tr><td>Aravinda Perera</td><td>Non-Independent, Non-Executive Director since August 2017. Appointed as ‘Deputy Chairman’ in May 2021. Appointed as ‘Chairman’ in August 2023.</td></tr>
<tr><td>B D A Perera</td><td>Independent, Non-Executive Director since April 2021. Appointed as ‘Deputy Chairman/Senior Independent Director’ in November 2024.</td></tr>
<tr><td>Sandra Walgama</td><td>Independent, Non-Executive Director since January 2022.</td></tr>
<tr><td>Kawshi Amarasinghe</td><td>Non-Independent, Non-Executive Director since August 2023.</td></tr>
<tr><td>Malik Ranasinghe</td><td>Independent, Non-Executive Director since January 2024.</td></tr>
<tr><td>Dharshanie Perera</td><td>Independent, Non-Executive Director since May 2024.</td></tr>
<tr><td>Ashoka Goonesekere</td><td>Independent, Non-Executive Director since July 2024.</td></tr>
<tr><td>Naleen Edirisinghe</td><td>Director/Chief Executive Officer since April, 2023.</td></tr>
<tr><td>Chethiya Umagiliya</td><td>Independent, Non-Executive Director since January 2022. Resigned in February, 2024.</td></tr>
<tr><td>Nihal Kekulawala</td><td>Independent, Non-Executive Director since August 2016. Appointed as ‘Senior Director’ in July 2022. Appointed as ‘Deputy Chairman’ in August 2023. Completed nine (9) years* and retired in October, 2024.</td></tr>
<tr><td>Hiroyuki Ota</td><td>Non-Independent, Non-Executive Director since November 2022. Completed nine (9) years** and Retired in December, 2024.</td></tr>
</table>
*Nihal Kekulawala was a director previously from August 2013 to July 2014.
**Hiroyuki Ota was an Alternate Director from May 2015 to April 2022.</td><td>N/A</td></tr>
<tr><td>Profiles of the Board of Directors</td><td>77-83</td></tr>
<tr><td>Composition of the Board of Directors</td><td>106</td></tr>
</table>

No.	Disclosure Requirement	Reference to the Companies Act No. 7 of 2007	Disclosure Reference for Compliance	Page/ pages
9	Amounts payable to the Auditor as audit fees and fees for other services rendered during the accounting period by the Bank	Section 168 (1) (i)	Note 17.3 to the Financial Statements - Auditor's Remuneration.	183
10	Particulars of any relationship (other than in the capacity of the auditor) which the auditor has with or any interests which the auditor has in the Bank	Section 168 (1) (i)	The Bank's external auditors during the period under review were Messrs. Ernst & Young, Chartered Accountants. The Board Audit Committee periodically reviews the independence and objectivity of the External Auditor and considers the adherence to the policy on non-audit services to ensure that their independence is maintained. Based on the declaration provided by Messrs Ernst & Young, and as far as the Directors are aware, the auditors do not have any relationship or interest with the Bank that in our judgment, may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), applicable on the date of this Report. In accordance with the Companies Act No. 07 of 2007, a resolution re-appointing Messrs. Ernst & Young as Auditors for the ensuing year and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting to be held on 28th March 2025.	N/A
11	Annual Report of the Board of Directors on the Affairs of the Bank to be signed on behalf of the Board by two Directors and the Company Secretary	Section 183 (1) (k)	Annual Report of the Board of Directors on the Affairs of the Bank.	135-144

Additional Disclosures

No.	Disclosure Requirement	Disclosure Reference	Page/ Pages
1.	Vision, Mission, Values and Corporate Conduct	About Pan Asia Bank	4
2.	Review of Operations	The review of the financial and operational performance of the Bank together with important events that took place during the year 2024 have been explained in the following Reports.	N/A
		Chairman's Message	10
		Chief Executive Officer's Review	14
		Financial Review	24
		Business Review	34
		No new branches were opened during the year under review.	N/A
3.	Future Developments	Chairman's Message	10
		Chief Executive Officer's Review	14
		Future Outlook	30
4.	Directors' Responsibility for Financial Reporting	Directors' Responsibility for Financial Reporting	146
5.	Financial Results and Appropriations	Income – Note 6 to the Financial Statements	177
		Profit and Appropriations	
		Statement of Comprehensive Income	156
		Statement of Financial Position	157
		Statement of Changes in Equity	158
		Statement of Cash Flows	159
6.	Taxation	Note 18, 19 and 36 to the Financial Statements	183-186 & 210
7.	Dividends	The Board of Directors have recommended the payment of a first and final dividend of Rs.1/- per ordinary share to the Shareholders of the Bank for the financial year ended 31st December 2024, subject to obtaining the approval of the Shareholders at the forth-coming Annual General Meeting. The Board of Directors was satisfied that the Bank would meet the solvency test immediately after the payment of final dividend proposed, in terms of the Section 31(3) of the Companies Act. The Board provided the Statement of Solvency to the Auditors and obtained a Certificate of Solvency from the Auditors in respect of the dividend payment conforming to the statutory provision.	N/A
8.	Reserves	Note 42 to the Financial Statements - Statutory Reserve Fund	215
		Note 43 to the Financial Statements – Special Reserve	215
		Note 44 to the Financial Statements - Retained Earnings	215
		Note 45 to the Financial Statements - Fair Value Through Other Comprehensive Income (FVOCI) Reserve	215
		Note 46 to the Financial Statements - Revaluation Reserve	216
		Statement of Changes in Equity	158

No.	Disclosure Requirement	Disclosure Reference	Page/ Pages
9.	Capital Expenditure	The expenditure on Property, Plant & Equipment made during the year 2024 amounted to Rs.196,418 (000'), details of which are given in Note 29 to the Financial Statements. The expenditure on Intangible Asset during the year 2024 amounted to Rs.68,783 (000'), details of which are given in Note 31 to the Financial Statements.	202 & 207
10.	Capital Commitments	Capital expenditure approved and contracted for and approved and not contracted for as at 31st December 2024 is given in Note 53.1.1 to the Financial Statements.	249
11.	Property, Plant and Equipment	Note 29 to the Financial Statements	201-204
12.	Market Value of Freehold Land and Building	The Bank applies Revaluation model in LKAS 16 - Property, Plant and Equipment to the entire class of freehold lands and buildings. Such properties are revalued every three years or more frequently if the fair values are substantially different from the carrying values. Accordingly, all freehold lands and buildings of the Banks were revalued as at 31st December 2024 by a professionally qualified independent valuer. The results of the revaluation were brought into the Financial Statements to ensure that the carrying amount of such properties reflects the market prices prevailed at that time.	N/A
		Note 29 to the Financial Statements- Property, Plant and Equipment.	201-204
13.	Statutory Payments	The Board of Directors are satisfied to the best of their knowledge and belief, that statutory payments to all authorities have been paid up to date, on a timely basis.	N/A
14.	Re-elections	In terms of Article No's. 82 and 83 of the Articles of the Association of the Bank, Kawshi Amarasinghe and Malik Ranasinghe retire by rotation and being eligible offer themselves for re-election, on a unanimous recommendation by the Board Nominations and Governance Committee and the Board of Directors. In terms of Article 89 of the Articles of the Association of the Bank, Dharshanie Perera and Ashoka Goonesekere appointed under casual vacancies and being eligible offer themselves for re-election, on an unanimous recommendation by the Board Nominations and Governance Committee and the Board of Directors.	N/A
		Notice of Meeting	292
		Form of Proxy	295-296
15.	Internal Controls and Risk Management	The Board of Directors have put in place an effective and comprehensive system of internal controls covering financial operations, compliance and risk management which are required to carry on the business of banking prudently and ensure as far as possible, accuracy and reliability of records.	N/A
		Risk Management.	64-74
		Directors' Statement on Internal Control Over Financial Reporting.	115-116

No.	Disclosure Requirement	Disclosure Reference	Page/ Pages
16.	Directors' Responsibility for Financial Reporting	The Directors are responsible for the preparation of Financial Statements of the Bank to reflect a true and fair view of the state of its affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards and Companies Act No. 07 of 2007 Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Banking Act No. 30 of 1998 and amendments thereto and the Listing Rules of the Colombo Stock Exchange.	146
17.	Corporate Governance	The Bank has complied with the CBSL Banking Act Directions on Corporate Governance and Colombo Stock Exchange Listing rules on Corporate governance.	N/A
		Corporate Governance Report	89-114
18.	Related Party Transactions	The Board confirms that section 9 of the Listing Rules of Colombo Stock Exchange has been complied with in respect of Related Party Transactions. The Board further confirms that the Bank has not been engaged in transactions with any related party in a manner that would grant such party a 'more favourable treatment' than it is accorded to other similar unrelated parties.	N/A
		Note 55 to the Financial Statements - Related Party Disclosure.	250-251
19	Directors' Interest in Shares and Debentures	See table below. None of the Directors hold Basel III Compliant - Tier 2, Unsecured Subordinated Redeemable Debentures with a Non-Viability Conversion (2020/2025) issued by the Bank.	N/A
20.	Material Business Relationships	Based on the individual declarations obtained from the Directors, it was evident that none of the Directors or their close family members have any business relationships with other Directors of the Bank.	N/A
21.	Regulatory Compliance and Awareness	The Directors have made themselves aware of laws, rules, and regulations applicable to the bank and, are aware of changes to the Colombo Stock Exchange Listing Rules and applicable capital market provisions. Further the Bank is not aware of any material non-compliance with law or regulations and any fines, which are material, imposed by the government or regulatory authority.	N/A
22.	Shareholding and Share Information	Investor Relations	281-285

Name of Director	No of Shares As at 01.01.2024	No. of Shares As at 31.12.2024
Aravinda Perera	-	-
B D A Perera	-	-
Sandra Walgama	-	-
Kawshi Amarasinghe	-	-
Malik Ranasinghe	-	-
Dharshanie Perera	-	-
Ashoka Goonesekere	-	-
Naleen Edirisinghe	1,950	1,950

No.	Disclosure Requirement	Disclosure Reference	Page/ Pages
23.	Equitable Treatment of Shareholders	The Bank has at all times ensured that all shareholders are treated fairly and equitably.	N/A
24.	Employee Share Ownership/Option Plans (ESOP)	The Bank did not initiate or establish any Employee Share Ownership/Option Plans during the year 2024.	N/A
25.	Debentures	The details of all Debentures of the Bank are given in Note 40 to the Financial Statements.	214
26.	Register of Directors and Secretaries	The Bank maintains a Register of Directors and Secretaries containing relevant information as required under Section 223 (1) of the Companies Act.	N/A
27.	Board Committees	The Board of Directors, while assuming the overall responsibility and accountability for the management oversight of the Bank, has also appointed Board Committees to ensure that the activities of the Bank are conducted with the highest ethical standards and the best interests of all its stakeholders. The Board of Directors have formed 10 Board Committees including six (06) mandatory Board Committees as required by the Banking Act and four (04) mandatory Board Committee as required by Section 9 of the Listing Rules of the Colombo Stock Exchange. In addition to the 6 compulsory Board Committees, the Board has also formed four (04) discretionary Board Committees. The appointments to these committees have been made based on knowledge and expertise of each Director in conformity with relevant laws and regulations.	N/A
		Board Committee Reports	118-134
		Corporate Information (Inner Back Cover)	IBC
28.	Directors' Meetings	Attendance of the Directors during the Year 2024	106
29.	New Branches	No branches were opened during the year under review. The total number of branches stood at 85 at the end of 2024.	N/A

No.	Disclosure Requirement	Disclosure Reference	Page/ Pages
30.	Going Concern Assessment and the Implications of Government of Sri Lanka External Debt Exchange Program (SLEDEP)	The Board of Directors after making necessary inquiries and reviews including reviews of the budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and such other matters required to be addressed in the Banking Act direction No.11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the CBSL, are satisfied that the Bank has adequate resources to continue operations into the foreseeable future. These budgets and cash flow forecasts considered the implications of the SLEDEP, including projections of the impact on the Bank's capital, funding, and liquidity requirements. Further in preparation of the budgets and cash flow forecast the bank factored the impact of the macro-economic conditions post SLEDEP. As part of this assessment, the Board of Directors considered the sufficiency of the Bank's financial resources before and after debt exchange. The Bank has conducted stress tests on its capital and liquidity for that matter going concern after conclusion of SLEDEP, the outcome is that the Bank's Capital and Liquidity ratios stands above the regulatory minimums. Accordingly, the Bank continue to adopt the going concern basis in preparing the Financial Statements.	N/A
31.	Policy on Matters Relating to the Board of Directors	The policy on matters relating to the Board of Directors is in place.	N/A
32.	Fitness and Propriety Assessment	The Directors and the CEO of the Bank has declared that they have continuously satisfied the fit and proper assessment criteria stipulated in the listing rules of the Colombo Stock Exchange during the financial year 2024.	N/A
33.	Events after the Reporting Period	No circumstances have arisen since the Statement of Financial Position date, which would require adjustments to or disclosure in the accounts, except those disclosed in the Financial Statements.	N/A
		Note 56 to the Financial Statements - Events after Reporting Period.	251
34.	Environment Protection	The Bank has not engaged in any activity that is harmful or hazardous to the environment. to the best knowledge of the Board of Directors. The Board of Directors also confirm that to the best of their knowledge and belief, the Bank has complied with the relevant environmental laws and regulations.	N/A
35.	Outstanding Litigation	In the opinion of the Board of Directors who in consultation with the Bank's lawyers and external counsels have established that litigation currently pending against the Bank will not have a material impact on the reported financial results or the future operations of the Bank.	N/A
		Note 53.2 to the Financial Statements – Material Litigation Against the Bank.	249

Annual Report of the Board of Directors' on the Affairs of the Bank

Annual General Meeting

In complying with the good governance practices, the Annual Report of the Bank is dispatched to Colombo Stock Exchange and shareholders as per the regulatory requirements after the end of the financial year and completion of the audit of financial statements.

The Annual General Meeting will be held as a virtual meeting on 28th March 2025. The Notice of Meeting can be found on page 292 of the Annual Report 2024.

Acknowledgement of the Contents of the Report

As required by Section 168 (1) (k) of the Companies Act No. 7 of 2007, the Board of Directors hereby acknowledges the contents of this Annual Report.

For and on behalf of the Board of Directors;

Aravinda Perera
Chairman

B D A Perera
Deputy Chairman/Senior Independent Director

Naleen Edirisinghe
Director/Chief Executive Officer

Nayantha Fernando
Company Secretary

Colombo, Sri Lanka
14th February 2025

Directors' Interest register ▸

Director's / Company Name	Relationship	Assets/Liabilities/Off Balance Sheet Accommodation	Balance Outstanding as at 31.12.2024 Rs 000
Aravinda Perera			
Royal Ceramics Lanka PLC	Managing Director	Deposits	548
Singer Finance Lanka PLC	Chairman	Deposits	1,852
		Loans and Advances	1,000,000
Hayleys PLC	Director	Deposits	28
Hayleys Fentons Limited	Director	Deposits	85
		Loans and Advances	150,682
		Off Balance Sheet Accomodations	5,950
Hayleys Aventure (Private) Limited	Director	Deposits	26
Rocell Bathware Limited	Director	Deposits	270
B D A Perera			
LB Finance PLC	Executive Director	Deposits	175,834
		Loans and Advances	318,750
Kawshi Amarasinghe			
Greener Water Limited	Director	Deposits	150,310
Vallibel One PLC	Director	Deposits	880,358
		Loans and Advances	26,766
		Off Balance Sheet Accomodations	40,327
Hayleys Leisure PLC	Director	Deposits	5,589
		Loans and Advances	199,909
Singer Sri Lanka PLC	Director	Deposits	304,561
		Off Balance Sheet Accomodations	72,951
Malik Ranasinghe			
Resus Energy PLC	Director	Deposits	10
		Loans and Advances	5
Ashoka Goonesekere			
PMF Finance PLC	Director	Deposits	605,178
		Loans and Advances	50,000
Distilleries Company of Sri Lanka PLC	Director	Deposits	44
HNB Assurance PLC	Senior Director	Deposits	25

Directors' Responsibility for Financial Reporting

The responsibility of the Directors in relation to the Financial Statements of the Bank prepared in accordance with the Provisions of the Companies Act No. 07 of 2007 is set out in the following statements. The responsibilities of the External Auditors in relation to the Financial Statements are set out in the Report of the External Auditors given on pages 151 to 155 of the Annual Report.

In terms of Sections 150 (1) and 151 (1) of the Companies Act No. 07 of 2007, the Directors of the Bank are responsible for ensuring that the Bank prepares the Financial Statements that gives a true and fair view of the state of affairs of the Bank as at the date of the Statement of Financial Position and the profit of the Bank for the financial year ended on the date of the Statement of Financial Position and place them before a general meeting. The Financial Statements comprise of the Statement of Financial Position as at 31st December 2024, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow for the year then ended and notes thereto.

Accordingly, the Directors confirm that the Financial Statements of the Bank give a true and fair view of;

a) the state of affairs of the Bank as at the date of the Statement of Financial Position and

b) the profit of the Bank for the financial year ended on the date of the Statement of Financial Position.

The Financial Statements of the Bank have been certified by the Bank's Chief Financial Officer, the person responsible for their preparation, as required by the Act. Financial Statements of the Bank have been signed by the Chairman, the Deputy Chairman, the Director/Chief Executive Officer and the Company Secretary of the Bank on 14th February 2025 as required by the 150 (1) of the Companies Act No. 07 of 2007.

Under 148 (1) of the Companies Act, it is the overall responsibility of the Directors to oversee and ensure to keep proper accounting records which correctly record and explain the Bank's transactions with reasonable accuracy at any time and to enable the Directors to prepare Financial Statements, in accordance with the said Act and also to enable the Financial Statements to be readily and properly audited.

The Directors in preparing these Financial Statements are required to ensure that;

I. The appropriate accounting policies have been selected and applied in a consistent manner and material departures have been disclosed and explained if any.

II. The judgements and estimates that are reasonable and prudent are made.

III. All applicable accounting standards, as relevant have been followed.

The Directors are also required to ensure that the Bank has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements. The Financial Statements prepared and presented in the report are consistent with the underlying books of accounts and are in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Banking Act No. 30 of 1988 and amendments thereto and the Continuing Listing Rules issued by the Colombo Stock Exchange.

In view of this Directors have taken adequate efforts on inspecting financial reporting system through Board Audit Committee Meetings and granting approvals for issuing of Interim and Annual Financial Statements.

The Board of Directors have also instituted an effective and comprehensive system of Internal Controls. This comprises internal checks, Internal Audits and the whole system of financial and other controls required to carry on the banking business in an orderly manner, safeguard assets, prevent and detect frauds and other irregularities and secure as far as practicable, the accuracy and reliability of the records. The results of such reviews carried out during the year ended 31st December 2024 is given on pages 115 & 116 of the Annual Report, "Directors' Statement on Internal Controls Over Financial Reporting". External Auditors' Assurance Report on the Bank's Internal Controls Over Financial Reporting is given on page 117 of the Annual Report.

The Bank's External Auditors, Messrs Ernst and Young carried out reviews and sample checks on the system of Internal Controls as they considered appropriate and necessary for expressing their opinion on the Financial Statements and maintaining accounting records. They have examined the Financial Statements made available to them together with all financial records, related data and minutes of shareholders' and Directors meetings and expressed their opinion which appears as reported by them on pages 151 to 155 of this Annual Report.

The Directors to the best of their knowledge are satisfied that all statutory payments in relation to all regulatory and statutory authorities which were due and payable by the Bank were paid, or where relevant provided for.

As required by Section 56(2) of the Companies Act, the Directors have made an assessment of the Solvency of the Bank, immediately after the payment of the proposed final dividend of Rs 1.00 per share for the year ended 31st December 2024 and confirm that the Bank satisfies the Solvency Test as required by Section 57 of the Companies Act. The Directors have also obtained the Certificate of Solvency from the External Auditors.

The Directors of the Bank are of the view that they have discharged their responsibilities as set out in this statement.

By Order of the Board

N Fernando

Nayantha Fernando
Company Secretary

Colombo, Sri Lanka
14th February 2025

CEO's and CFO's Responsibility for Financial Reporting

The Financial Statements of Pan Asia Banking Corporation PLC ("the Bank") for the year ended 31st December 2024 have been prepared in conformity with the requirements of the following:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka
- Companies Act No.07 of 2007 and amendments thereto
- Sri Lanka Accounting and Auditing Standards Act No.15 of 1995
- Banking Act No. 30 of 1988 and amendments thereto
- Directions, Determinations, Circulars and Guidelines issued by the Central Bank of Sri Lanka (CBSL)
- The Listing Rules of the Colombo Stock Exchange.
- Section 3(8)(ii)(b) of the Banking Act Direction No. 11 of 2007 and amendments thereto on Corporate Governance issued by the CBSL.

The Bank presents its financial results to its shareholders on quarterly basis. The formats used in the preparation of the Financial Statements and disclosures made in the annual report and the interim financial statements comply with the formats prescribed by the Central Bank of Sri Lanka. The Accounting Policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Bank. There are no material departures from the prescribed Accounting Standards in their adoption. The significant accounting policies and estimates that involved a high degree of judgement and complexity were discussed with the Board Audit Committee and the External Auditors. Comparative information has been reclassified wherever necessary to comply with the current presentation.

The Board of Directors and the Management of the Bank accept responsibility for the integrity and objectivity of these Financial Statements. The Board of Directors has carried out an assessment on the ability of the Bank to continue as a going concern taking into consideration the potential implications of the changes in economic environment prevailing in the country, the associated uncertainties and the potential implications on the business environment. Based on the above assessment we remain confident on the appropriateness of adopting going concern basis for the perpetration of the Financial Statements.

The estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions and that the Bank's state of affairs is reasonably presented. To ensure this, the Bank has taken proper and sufficient care in installing a system of Internal Control and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis.

The Bank's Internal Audit Department has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Bank were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of Internal Controls and accounting.

Further the Board assessed the effectiveness of the Bank's Internal Controls over Financial Reporting during the year ended 31st December 2024, as required by section 3(8)(ii)b of the Banking Act Direction No. 11 of 2007 on Corporate Governance, result of which is given on pages 115 and 116 in the Annual Report, the "Directors' Statement on Bank's Internal Controls over Financial Reporting". In addition "External Auditors' Assurance Report on the Bank's Internal Controls over Financial Reporting" is given on page 117 of the Annual Report which has provided and unmodified opinion.

The Financial Statements of the Bank were audited by Messrs Ernst & Young, Chartered Accountants, the independent External Auditors. Their report is given on pages 151 to 155 of the Annual Report. The Board Audit Committee of the Bank meets periodically with the Internal Audit team and the independent External Auditors to review their audit plans, assess the manner in which these auditors are performing their responsibilities and to discuss their reports on Internal Controls and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

The Audit Committee approves the audit and non audit services provided by External Auditors, Messrs Ernst & Young, in order to ensure that the provision of such services does not impair independence of the External Auditors and does not contravene the guidelines issued by Central Bank of Sri Lanka on permitted non-audit services.

The Bank has taken appropriate action to implement New Sri Lanka Accounting Standards on due dates and all the processes are in place to address the requirements of the new Sri Lanka Accounting Standards.

We confirm to the best of our knowledge;

- The Bank has complied with all applicable laws, regulations and prudential requirements
- In the opinion of the Bank's legal council, the litigations which are currently pending will not have a material impact on the reported financial results or future operations of the Bank.
- There are no material non-compliances
- All taxes, duties, levies and all statutory payments by the Bank and all contributions, levies and taxes paid on behalf of and in respect of the employees of the Bank as at the Statement of Financial Position date have been paid or where relevant provided for.

Naleen Edirisinghe
Director/Chief Executive Officer

Suranga Fernando
Chief Financial Officer

Colombo, Sri Lanka
14th February 2025

Bank's Compliance with Prudential Requirements

Pan Asia Bank conducts its business in accordance with the laws and regulations imposed by the regulatory authorities in line with the Bank's internal policies and codes of conduct. Compliance risk is the risk arising out of non-compliance with applicable laws, regulations, code of conduct and standard of best practice.

Compliance framework

The Bank's compliance policies and procedures are approved by the Board of Directors. The Compliance Policy communicates the Bank's compliance philosophy, the fundamental principles of the compliance function, and the general structure and processes by which relevant areas within the Bank address compliance risks in an appropriate and timely manner.

Compliance culture of the Bank drives through the Board of directors with the blessing of the Board integrated Risk management Committee.

The Compliance department plays a critical role in mitigating compliance risks arising from day-to-day operations. Bank's independent Compliance function ensures full compliance with all legislations applicable to licensed commercial banks in Sri Lanka and any other relevant regulations as well as industry best practices. Periodical reviews are conducted to ensure the Bank's operations are within the boundaries set by the Bank and its Regulators. The department is independently operated and reports directly to the Board Integrated Risk Management Committee (BIRMC).

Further, the compliance function strives to instill an organisation wide compliance culture emphasising standards of honesty and integrity. The department attempts to inculcate this via regular training programs carried out based on a periodic training need analysis to ensure that all employees are adequately aware of the regulatory compliance requirements, and procedures. Further, all newly recruited staff members are trained on the induction programme.

The Compliance Department prepares a detailed monthly report based on statutory and mandatory reporting requirements and obtains confirmation from all business units and branch heads that they adhere to all applicable laws and regulations. On a quarterly basis a comprehensive report is submitted to the Board Integrated Risk Management Committee (BIRMC).

Anti Money Laundering and Combating for Financing of Terrorism (AML/CFT) Compliance

The Bank has established a sound framework for AML/CFT compliance based on relevant laws enacted by the Government of Sri Lanka to combat money laundering/terrorist financing and in line with the Customer Due Diligence rules issued by the Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka.

A separate policy for AML /CFT has been approved by the Board of Directors and is reviewed periodically. The Bank's AML Policy applies to all branches/departments and ensures strict compliance with all existing laws and regulatory requirements.

The Bank takes all reasonable steps to verify the identity of the customers in accordance with the directions issued by the FIU. Systems are also in place to ensure that Know Your Customer (KYC) and Customer Due Diligence (CDD) information is collected and kept up-to-date and that identification details are updated when changes occur. Accordingly, accounts are categorised based on the risk level of the customer and customer due diligence and monitoring is carried out as per the risk-based approach. Compliance risk assessments were carried out to ensure that business units adhere to regulations, internal policies, and procedures.

All new products and procedures are carefully checked to ensure they comply with the regulatory requirements prior to approval and launch. The Bank ensures that operating instructions are reviewed and signed off by Compliance, Risk Management, Legal, Finance and the Internal Audit departments as required.

Further, the department carries out a risk assessment of different products offered by the Bank, to identify any regulatory risks associated with products and to initiate required preventive measures to minimise the possible risk to the Bank.

FINANCIAL AND INVESTOR INFORMATION

Financial Calendar ►

2024	
1st Quarter Unaudited Interim Results 2024	May 2024
2nd Quarter Unaudited Interim Results 2024	August 2024
3rd Quarter Unaudited Interim Results 2024	November 2024
4th Quarter Unaudited Interim Results 2024	February 2025
Annual Report for Year 2024	March 2025
29th Annual General Meeting	March 2025

2025	
1st Quarter Unaudited Interim Results 2025	May 2025
2nd Quarter Unaudited Interim Results 2025	August 2025
3rd Quarter Unaudited Interim Results 2025	November 2025
4th Quarter Unaudited Interim Results 2025	February 2025
Annual Report for Year 2025	March 2026
30th Annual General Meeting	March 2026

Independent Auditor's Report

EY
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TO THE SHAREHOLDERS OF PAN ASIA BANKING CORPORATION PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pan Asia Banking Corporation PLC ("the Bank"), which comprise the statement of financial position as at 31 December 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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Key Audit Matter	How our audit addressed the key audit matter

Expected Credit Losses of Loans and Advances measured at amortised cost
Expected credit losses of loans and advances measured at amortised cost as disclosed in Note 26 is determined by management based on the accounting policies described in Note 2.8.6 to the financial statements.
 	
This was a key audit matter due to
• the involvement of significant management judgements, assumptions and level of uncertainty associated with estimating future cash flows to recover such loans and advances; and
• the materiality of the reported amount of expected credit losses.
 	
Key areas of significant judgements, assumptions and estimates made by management in the assessment of expected credit losses for loans and advances include forward-looking macroeconomic scenarios, associated weightages and considerations that indicate significant increase in credit risk. These are subject to inherently heightened levels of estimation uncertainty.
 	
Information of such key estimates, assumptions and judgements are disclosed in Note 49.2.
	In addressing the adequacy of expected credit losses of loan and advances, our audit procedures included the following key procedures:
	• Assessed the Bank's expected credit loss computations with the underlying methodology including responses to economic conditions to its accounting policies, based on the best available information up to the date of our report.
	• Evaluated the design, implementation, and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review, and approval of expected credit losses, policies and procedures by the Board of Directors and management.
	• Tested the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by agreeing details to relevant source documents and accounting records of the Bank.
	• Evaluated the reasonableness of credit quality assessments and related stage classifications
	• The following procedures were also performed:
	  • For loans and advances assessed on an individual basis for impairment:
	    - Tested the arithmetical accuracy of the underlying individual impairment calculations.
	    - Evaluated the reasonableness of key inputs used in the expected credit losses made with economic conditions. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery action of the collaterals.
	  • For loans and advances assessed on a collective basis for impairment:
	    - Tested the key inputs and the calculations used in the allowances for expected credit losses.
	    - Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays. Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each scenario.
	• Assessed the adequacy of the related financial statement disclosures set out in Notes 26 and 49.2.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Accounting for the debt restructuring of Sri Lanka International Sovereign Bonds (SLISBs)

Following the Government of Sri Lanka's conclusion of the restructure of its International Sovereign Bonds (SLISBs), as disclosed in Note 13, the Bank derecognised its SLISBs and recognised new bonds received as part of the exchange in accordance with its accounting policy disclosed in Note 3 to the financial statements

This was a key audit matter due to

- materiality of reported amounts which resulted in a reversal of an impairment of Rs. 6.3 Bn and recognition of losses resulting from the measurement of the new bonds amounting to Rs. 3.7 Bn and
- the degree of management judgements, assumptions and estimation uncertainties associated with the fair value measurement, stage classification of the new bonds and related determination of its Expected Credit Loss.

Key areas of significant judgements, assumptions and estimates made by management include discount rates used in the fair value measurement of the new bonds and judgements applied in the stage classification of the new bonds, as more fully disclosed in Note 3 to the financial statements.

</td><td>

Our audit procedures included the following key procedures:

- Obtained an understanding of the Invitation memorandum issued by the Government of Sri Lanka, which details the options of the restructure.
- Assessed the reasonability of the accounting treatment used by the Bank in accounting for the restructure of SLISBs to the guidance issued by CA Sri Lanka which included the following:
    - Significant assumptions, judgements and estimates made by management in the fair value measurement of the new bonds including discount rates and judgements associated with the stage classification and the related assessment of Expected Credit Loss.
- Tested the mathematical accuracy of related calculations.

Assessed the adequacy of the related disclosures set out in Notes 3,13 and 27 to the financial statements.

</td></tr>
<tr><td>

Information Technology (IT) systems related internal controls over financial reporting

Bank's financial reporting process is significantly reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets.

Accordingly, IT systems related internal controls over financial reporting were considered a key audit matter.

</td><td>

Our audit procedures included the following key procedures:

- Obtained an understanding of the internal control environment of the processes and tested relevant key controls relating to financial reporting and related disclosures.
- Involved our internal specialised resources and;
    - Identified, evaluated, and tested the design and operating effectiveness of IT systems related internal controls, including those related to user access and change management, and
    - Obtained a high-level understanding of the cybersecurity risks affecting the bank and the actions taken to address these risks primarily through inquiry.
- Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.

</td></tr>
</table>

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Other information included in the 2024 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Legal and Other Regulatory Requirements

Requirements of section 163(2) of the Companies Act No. 07 of 2007 and section 39 of the Banking Act No 30 of 1988 (as amended by Banking Act No.24 of 2024)

We have obtained all the information and explanations that were required for the audit. As far as appears from our examination, in our opinion, proper accounting records have been kept by the Bank.

In our opinion the disclosures made in the accompanying financial statements are in accordance with the requirements of Circular No.05 of 2024 issued by Central Bank of Sri Lanka.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3755.

14 February 2025
Colombo

Statement of Comprehensive Income ▸

Year ended 31st December	Notes	2024 Rs 000	2023 Rs 000
Profit or Loss			
Gross Income	6	28,831,598	38,971,229
Interest Income		30,781,725	37,122,997
Interest Expense		(18,645,983)	(26,820,527)
Net Interest Income	7	12,135,742	10,302,470
Fee and Commission Income		1,906,725	1,539,359
Fee and Commission Expenses		(69,579)	(55,283)
Net Fee and Commission Income	8	1,837,146	1,484,076
Net Gains from Trading	9	753,368	910,210
Net Fair Value Gains/(Losses) from Financial Assets at Fair Value through Profit or Loss	10	(70,282)	116,693
Net Gains from Derecognition of Financial Assets at Fair Value through Other Comprehensive Income	11	23,609	-
Net Other Operating Losses	12	(863,181)	(718,030)
Total Operating Income		13,816,402	12,095,419
Net Losses on Derecognition of Sri Lanka International Sovereign Bonds	13	3,700,366	-
Impairment Charges/(Reversals)	14	(5,061,213)	2,714,669
Net Operating Income		15,177,249	9,380,750
Personnel Expenses	15	3,507,771	2,660,113
Depreciation and Amortisation Expenses	16	540,209	513,133
Other Operating Expenses	17	3,231,028	2,881,835
Total Operating Expenses		7,279,008	6,055,081
Operating Profit Before Taxes on Financial Services		7,898,241	3,325,669
Taxes and Levies on Financial Services	18	1,870,732	997,323
Profit Before Tax		6,027,509	2,328,346
Income Tax Expense	19	1,892,793	473,381
Profit for the Year		4,134,716	1,854,965
Other Comprehensive Income			
Other Comprehensive Income to be Reclassified to Profit or Loss			
Debt Instruments at Fair Value through Other Comprehensive Income			
Net Fair Value Gains arising on Remeasurement	45	259,508	-
Reclassification of Gains to Profit or Loss due to Derecognition	45	(23,609)	-
		235,899	-
Deferred Tax Effect on above	45 & 19.2	(70,770)	-
Total Other Comprehensive Income that will be Reclassified to Profit or Loss		165,129	-
Other Comprehensive Income Not to be Reclassified to Profit or Loss			
Revaluation Surplus on Freehold Land and Buildings	46	93,122	179,377
Deferred Tax Effect on above	46 & 19.2	(27,937)	(53,813)
		65,185	125,564
Actuarial Gains/(Losses) on Defined Benefit Plan	39.1	(106,088)	820
Deferred Tax Effect on above	19.2	31,826	(246)
		(74,262)	574
Total Other Comprehensive Income that will Not be Reclassified to Profit or Loss		(9,077)	126,138
Total Other Comprehensive Income for the Year, Net of Tax		156,052	126,138
Total Comprehensive Income for the Year		4,290,768	1,981,103
Earnings Per Share - Basic/Diluted (Rs.)	20.1	9.34	4.19
Dividend Per Share (Rs.)	20.2.2	1.00*	0.25

*First and final cash dividend declared, is to be approved by the shareholders at the Annual General Meeting to be held on 28th March 2025.

The Notes to the Financial Statements on pages 160 to 256 form an integral part of these Financial Statements.

Statement of Financial Position ▸

As at 31st December	Notes	2024 Rs 000	2023 Rs 000
Assets			
Cash and Cash Equivalents	21	3,413,701	6,238,153
Balances with Central Bank of Sri Lanka	22	5,499,181	2,909,271
Reverse Repurchase Agreements	23	1,001,140	-
Derivative Financial Instruments	24	79,869	26,238
Financial Assets at Fair Value through Profit or Loss	25	13,107,697	4,277,569
Financial Assets at Amortised Cost			
-Loans and Advances	26	151,069,047	131,296,112
-Debt and Other Instruments	27	63,348,832	80,216,838
Financial Assets at Fair Value through Other Comprehensive Income	28	19,347,634	3,752
Property, Plant and Equipment	29	2,926,217	2,806,066
Right-of-Use Assets	30	1,409,786	1,399,766
Intangible Assets	31	328,682	321,561
Deferred Tax Assets	19.2	27,357	2,128,428
Other Assets	32	1,303,869	1,832,569
Total Assets		262,863,012	233,456,323
Liabilities			
Due to Banks	33	8,893,612	1,547,695
Repurchase Agreements	23	25,345,992	11,611,454
Derivative Financial Instruments	24	58,248	142,069
Financial Liabilities at Amortised Cost			
-Due to Depositors	34	191,293,162	175,344,870
-Due to Debt Securities Holders	35	1,592,971	13,051,593
Subordinated Debentures	40	872,839	872,839
Retirement Benefit Obligations	39.2	682,806	505,946
Current Tax Liabilities	36	1,156,336	2,609,963
Other Provisions and Accruals	37	1,033,202	536,138
Other Liabilities	38	5,156,066	4,636,105
Total Liabilities		236,085,234	210,858,672
Equity			
Stated Capital	41	3,614,253	3,614,253
Statutory Reserve Fund	42	1,194,474	987,738
Special Reserve	43	595,771	-
Retained Earnings	44	19,954,770	16,794,390
Fair Value Through Other Comprehensive Income (FVOCI) Reserve	45	165,129	-
Revaluation Reserve	46	1,253,381	1,201,270
Total Equity		26,777,778	22,597,651
Total Equity and Liabilities		262,863,012	233,456,323
Commitments and Contingencies	53	57,054,510	49,081,753
Net Assets Value Per Ordinary Share	50	60.51	51.06

The Notes to the Financial Statements on pages160 to 256 form an integral part of these Financial Statements.

Certification

These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

Suranga Fernando
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Approved and signed for and on behalf of the Board by;

Aravinda Perera
Chairman

B. D. A. Perera
Deputy Chairman

Naleen Edirisinghe
Director/Chief Executive Officer

Nayantha Fernando
Company Secretary

14th February 2025
Colombo

Statement of Changes in Equity ▸

	Notes	Stated Capital	Reserves					Total
		Ordinary Voting Shares	Statutory Reserve Fund	Special Reserve	Retained Earnings	FVOCI Reserve	Revaluation Reserve	
		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 01st January 2023		3,614,253	894,990	-	15,018,525	-	1,088,780	20,616,548
Total Comprehensive Income for the Year								
Profit for the Year	44	-	-	-	1,854,965	-	-	1,854,965
Other Comprehensive Income for the Year	44 & 46	-	-		574	-	125,564	126,138
Total Comprehensive Income for the Year		-	-	-	1,855,539	-	125,564	1,981,103
Other Transactions								
Transfer to Statutory Reserve Fund	42	-	92,748	-	(92,748)	-	-	-
Realisation of Revaluation Reserve	46	-	-	-	13,074	-	(13,074)	-
Total Other Transactions		-	92,748	-	(79,674)	-	(13,074)	-
Balance as at 31st December 2023		3,614,253	987,738	-	16,794,390	-	1,201,270	22,597,651
Total Comprehensive Income for the Year								
Profit for the Year	44	-		-	4,134,716		-	4,134,716
Other Comprehensive Income for the Year	44, 45 & 46	-		-	(74,262)	165,129	65,185	156,052
Total Comprehensive Income for the Year		-	-	-	4,060,454	165,129	65,185	4,290,768
Transactions with Equity Holders, Recognised Directly in Equity, Contribution by and Distribution to Equity Holders								
Final Dividend for 2023 - Cash	44	-	-	-	(110,640)	-	-	(110,640)
Total Transactions with Equity Holders		-	-	-	(110,640)	-	-	(110,640)
Other Transactions								
Transfer to Statutory Reserve Fund	42	-	206,736	-	(206,736)	-	-	-
Realisation of Revaluation Reserve	46	-	-	-	13,074	-	(13,074)	-
Transfer to Special Reserve	43	-	-	595,771	(595,771)	-	-	-
Total Other Transactions		-	206,736	595,771	(789,433)	-	(13,074)	-
Balance as at 31st December 2024		3,614,253	1,194,474	595,771	19,954,770	165,129	1,253,381	26,777,778

The Notes to the Financial Statements on pages 160 to 256 form an integral part of these Financial Statements.

Statement of Cash Flows ▸

Year ended 31st December	Notes	2024 Rs 000	2023 Rs 000
Cash Flows from Operating Activities			
Profit Before Tax		6,027,509	2,328,346
Adjustments for:			
Non-Cash Items included in Profit Before Tax	51.4	(4,387,687)	3,359,835
Change in Operating Assets	51.2	(29,204,407)	(27,006,265)
Change in Operating Liabilities	51.3	38,057,763	24,279,405
Interest Expense on Subordinated Debentures	7	115,115	114,800
Interest Expense on Lease Liabilities	7	137,514	134,151
Interest Expense on Term Borrowings		724,388	1,219,489
Gratuity Paid	39.2	(61,238)	(94,349)
Income Tax Paid	36	(1,312,229)	(37,642)
Net Cash Flows Generated from Operating Activities		10,096,728	4,297,770
Cash Flows from Investing Activities			
Purchase of Property, Plant and Equipment	29.1	(196,418)	(197,019)
Proceeds from Sale of Property, Plant and Equipment		47	71
Purchase of Intangible Assets	31.1	(68,783)	(39,232)
Net Cash Flows Used in Investing Activities		(265,154)	(236,180)
Cash Flows from Financing Activities			
Repayment of Term Borrowings	51.6	(11,212,083)	(1,484,212)
Interest Paid on Subordinated Debentures	51.6	(115,115)	(114,800)
Interest Paid on Term Borrowings	51.6	(826,670)	(1,252,200)
Dividends Paid	20.2 & 44	(110,640)	-
Repayment of Principal Portion of Lease Liabilities	51.6	(255,738)	(229,955)
Interest Paid on Lease Liabilities	51.6	(137,514)	(134,152)
Net Cash Flows Used in Financing Activities		(12,657,760)	(3,215,319)
Net Increase/(Decrease) in Cash and Cash Equivalents		(2,826,186)	846,270
Cash and Cash Equivalents as at 01st January	51.1 & 21	6,240,388	5,394,118
Cash and Cash Equivalents as at 31st December	51.1 & 21	3,414,202	6,240,388

The Notes to the Financial Statements on pages 160 to 256 form an integral part of these Financial Statements.

Notes to the Financial Statements ▸

1. CORPORATE INFORMATION

1.1 Reporting Entity

Pan Asia Banking Corporation PLC (the Bank) is a public quoted company incorporated on 06th March 1995 with a limited liability and domiciled in Sri Lanka. It is a Licensed Commercial Bank registered under the Banking Act No. 30 of 1988 and amendments thereto. The registered office of the Bank is situated at No. 450, Galle Road, Colombo 03. The staff strength of the Bank as at 31st December 2024 is 1,567 (2023:1,469). The ordinary voting shares of the Bank have a primary listing on the Colombo Stock Exchange. The Bank does not have an identifiable parent of its own. Further, the Bank does not hold any investments in the form of subsidiary, joint venture or an associate.

1.2 Principal Activities and Nature of Operations

The Bank provides a comprehensive range of financial services encompassing accepting deposits, corporate and business banking, retail banking, project financing, trade financing and services, treasury and investment services, issuing of credit cards and debit cards, off-shore banking, resident and non-resident foreign currency operations, electronic banking services such as telephone banking, internet banking, mobile banking and money remittance facilities, pawning, leasing, travel related services and dealing in government securities etc.

There were no significant changes to the principal activities of the Bank during the year under review.

2. BASIS OF PREPARATION AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Statement of Compliance

The Financial Statements of the Bank, which comprise the Statement of Comprehensive Income (Profit or Loss and Other Comprehensive Income), Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007. The presentation of the Financial Statements is also in compliance with the requirements of the Banking Act No.30 of 1988 and amendments thereto and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

The formats used for preparation and presentation of these Financial Statements and the disclosures made therein also comply with the format specified by the Central Bank of Sri Lanka in Circular No. 05 of 2024 on Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks. The Bank also publishes annual and quarterly financial information and other disclosures in the Press and on the Website in compliance with the aforementioned Circular.

The Bank did not adopt any inappropriate accounting treatments, which are not in compliance with the requirement of the Sri Lanka Accounting Standards (SLFRSs/LKASs) and other regulations governing the preparation and presentation of financial statements.

2.2 Responsibility for Financial Statements

The Board of Directors is responsible for the Financial Statements of the Bank as per the Sri Lanka Accounting Standards and the provisions of the Companies Act No. 07 of 2007.

The Board of Directors acknowledges their responsibility for the Financial Statements as set out in the Annual Report of the Board of Directors' on the Affairs of the Bank (pages 135 to 144 of the Annual Report 2024), Statement of Directors Responsibility for Financial Reporting on page 146 of the Annual Report 2024) and the Certification on the Financial Statements on page 157.

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements for the year ended 31st December 2024 were authorised for issue by the Board of Directors on 14th February 2025.

2.4 Basis of Measurement

The Financial Statements have been prepared on a historical cost basis, except for defined benefit obligations actuarially valued at present value of the defined benefit obligation and the following material items which have been measured at fair value in the Statement of Financial Position:

- Financial assets at fair value through profit or loss (FVPL)
- Financial assets at fair value through Other Comprehensive Income (FVOCI)
- Derivative financial instruments at fair value
- Freehold land and buildings stated at revalued amounts which are the fair values at the date of revaluation as explained in Note 29 to the Financial Statements

2.4.1 Functional and Presentation Currency

The Financial Statements of the Bank are presented in Sri Lankan Rupees which is the currency of the primary economic environment in which the Bank operates (Bank's functional currency) unless indicated otherwise. There was no change in the Bank's presentation and functional currency during the year under review.

2.4.2 Rounding

Financial information in Sri Lankan Rupees has been rounded to the nearest thousand ('000) unless indicated otherwise as permitted by LKAS 1 – Presentation of Financial Statements.

2.5 Impact of Climate Risk

The Bank and its customers are exposed to physical risks from climate change and the impacts of climate related risks include long term changes in climatic conditions and extreme weather events. Even though the climate related risks might not currently have a significant impact in Sri Lankan context, the Bank is closely monitoring the relevant changes and developments.

The Bank has made various estimates where appropriate in these Financial Statements based on forecasts of climate related changes which reflect expectations and assumptions as at the year-end about future events that the Board of Directors believes are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates.

The underlying assumptions are also subject to uncertainties which are often outside the control of the Bank. Accordingly, actual climate related changes are likely to be different from those forecasts since anticipated events frequently do not occur as expected and the effect of those differences may significantly impact accounting estimates included in these Financial Statements. The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement and the assessment of the recoverable amount of non-financial assets.

2.5.1 On Expected Credit Losses (ECL)

In assessing the forecasted conditions, the Bank continues to incorporate the risks of climate related changes on a reasonable basis. The SLFRS 9 based impairment methodologies and the definition of 'Default' have remained consistent with prior years.

Customers and portfolios with exposure to climate risk heightened the Bank's credit risk as it negatively affects the borrowers' ability to repay the loans and result in a deterioration in the value of underlying collateral pledged. Further, the government or institutional policy changes related to climate risks result in consequential credit quality deterioration in industry segments/sectors.

The Bank examines climate related changes/risks of individually significant customers when evaluating Significant Increase in Credit Risk (SICR) and ensures adequate provisions for ECL are made in the Financial Statements as required. When assessing the ECL for individually significant customers, several prudent measures such as extending the recovery cash flows, discounting the property values to reflect a more reasonable estimate of the fair value were applied.

An analysis of exposures expected to be materially impacted by physical or transition risks associated with climate change, is performed by the Bank when collectively evaluating the customers for ECL and ensures adequate provisions for ECL are made in the Financial Statements as required. Most of the customers do not operate in high-risk sectors, nor located in high-risk geographical areas and underlying collaterals are not expected to be impacted by climate risk as the assets are not in high-risk geographical areas. As a result of the factors outlined above, it was assessed that the climate related risks might not currently have a material impact in the current reporting period.

2.5.2 On Fair Value Measurement

The Bank has considered the impact of climate related changes on fair value measurement assumptions and the appropriateness of the valuation inputs, in line with SLFRS 13 – Fair Value Measurement. The Bank has also considered the impact of climate related changes on the classification of exposures in the fair value hierarchy. There were no material transfers of financial instruments between levels within the fair value hierarchy because of climate related changes.

2.5.3 On Assessment of Recoverable Amounts of Non-Financial Assets

The Bank assesses property, plant and equipment, right-of-use assets, intangible assets and other assets for indicators of impairment. A special consideration was given to the impact of climate related changes on the assessment of recoverable amounts of non-financial assets. However, no impairment losses were recognised to Profit or Loss to this extent.

2.5.4 On Events after the Reporting Date

There remains significant uncertainty regarding how the impact of climate related changes will evolve both locally and globally in future. The Bank considered whether the events after the reporting date confirmed conditions existing before the reporting date, in accordance with LKAS 10 - Events after the Reporting Period. Consideration was given to the changes in climatic conditions and extreme weather events.

The Bank did not identify any subsequent events precipitated by the impact of climate related changes which require adjustments to or disclosures in the Financial Statements. Given the flowing nature of climate changes, the Bank will continue to closely monitor the relevant changes and developments.

2.6 Presentation of Financial Statements

The Bank presents its Statement of Financial Position broadly in order of liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 52. Financial assets and financial liabilities are off-set and the net amount is reported in the Statement of Financial Position only when there is a legally enforceable right to off-set the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not off-set in the Statement of Comprehensive Income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

2.7 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Financial Statements requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets, liabilities and the accompanying disclosures, as well as the disclosure of contingent liabilities.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets and liabilities affected in future periods. In the process of applying the Bank's accounting policies, the management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the Financial Statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

2.7.1 Going Concern

The management has assessed the Bank's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

The Board of Directors, after making necessary inquiries and reviews including reviews of the budget, capital expenditure requirements, cash flow forecasts, future prospects, risks and such other matters, is satisfied that the Bank has adequate resources to continue in operations for the foreseeable future. These budget and cash flow forecasts considered the implications of the Sri Lanka External Debt Exchange Program (SLEDEP) including projections of the impact on the Bank's capital, funding and liquidity requirements. Further in preparation of budgets and cash flow forecasts, the Bank factored the impact of the macro-economic conditions post SLEDEP. As part of this assessment, the Board of Directors has considered the sufficiency of the Bank's financial resources before and after the bond exchange. The Bank has conducted stress tests on its capital and liquidity after conclusion of the SLEDEP and the outcome is that the Bank's capital and liquidity ratios stand above the regulatory minimums. Accordingly, the management is satisfied itself that the going concern basis is appropriate.

The significant accounting judgements, estimates and assumptions made by the management with regards to the SLEDEP are disclosed in Note 3.

2.7.2 Classification of Financial Assets and Liabilities

The Bank's accounting policies provide the scope for assets and liabilities to be classified, at inception into different accounting categories. The classification of financial instruments is given in Note 47 - Analysis of Financial Assets and Liabilities by Measurement Basis.

2.7.3 Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include model inputs such as volatility for discount rates.

The details of discount rates used for the fair valuation of new bonds received as a result of the SLEDEP and a sensitivity analysis of it are disclosed in Note 3.2.3. The fair valuation of financial instruments is described in more detail in Note 48.

2.7.4 Impairment Losses on Financial Assets

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a Significant Increase in Credit Risk (SICR). These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- The Bank's Days-Past-Due (DPD) based model, which assigns Probabilities of Defaults (PDs) to the individual age bucket.
- The Bank's criteria for assessing if there has been a SICR and so allowances for financial assets should be measured on a Life-Time Expected Credit Losses (LTECL) basis and the qualitative assessment.
- The segmentation of financial assets when its ECL is assessed on a collective basis.
- Development of ECL models, including various formulas and choice of input.
- Determination of associations between macro-economic scenarios and economic inputs such as unemployment levels, collateral values and the effect on Probability of Defaults (PDs), Exposure at Defaults (EADs) and Loss Given Defaults (LGDs).
- Selection of forward-looking macro-economic scenarios and their probability weightings to derive the economic inputs into the ECL models.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

The impairment losses on financial assets as per SLFRS 9 are disclosed in more detail in Note 14, 21.1, 26.5, 26.6, 27.4 and 38.3.

2.7.5 Fair Value of Property, Plant and Equipment

The freehold land and buildings of the Bank are reflected at fair value. The management has determined that these constitute a class of assets under SLFRS 13, based on the nature, characteristics and risks of the property. The Bank engages independent professional valuers to determine fair value of land and buildings. When current market prices of similar assets are available, such evidence is considered in estimating fair value of these assets using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Assumptions used are disclosed in Note 29.5.

2.7.6 Useful Lives, Methods of Depreciation and Residual Values of the Property, Plant and Equipment

The Bank reviews the useful lives, methods of depreciation and residual values of significant property, plant and equipment at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

2.7.7 Defined Benefit Plan Obligation

The defined benefit plan obligation is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Assumptions used are reviewed at each reporting date and disclosed in Note 39.

2.7.8 Deferred Tax Assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against which such tax losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with the future tax planning strategies. Assumptions used are disclosed in Note 19.

2.7.9 Provisions, Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote.

2.8 Summary of Material Accounting Policies

The principal accounting policies adopted in preparation of these Financial Statements are set out below.

2.8.1 Foreign Currency Translation - Transactions and Balances

Transactions in foreign currencies are translated into the functional currency, which is Sri Lankan Rupees, using the spot rates of exchange prevailing at the dates on which the transactions were effected. Monetary assets and liabilities denominated in foreign currencies are re-translated to Sri Lankan Rupees using the spot rate of exchange prevailing at the reporting date. All differences arising on non-trading activities are taken to 'Net Other Operating Gains/(Losses)' in Profit or Loss.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the rate of exchange prevailing at the end of the reporting period. Foreign currency differences arising on retranslation are recognised in the Profit or Loss, except for differences arising on the retranslation of financial investments measured at FVOCI, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in Other Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to Sri Lankan Rupees using the spot exchange rates as at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Sri Lankan Rupees at the exchange rates on the date that the fair value was determined.

Foreign currency differences arising on translation are generally recognised in Profit or Loss. However, foreign currency differences arising from the translation of following items are recognised in Other Comprehensive Income (OCI):

- Equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI;
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- Qualifying cash flow hedges to the extent that the hedges are effective.

The financial statements of the foreign currency banking unit are translated into the Bank's presentation currency as explained above except the application of the closing exchange rate for translation of the Profit or Loss, and Other Comprehensive Income.

Forward foreign exchange contracts are valued at the forward market rate ruling on the reporting date. Resulting gains and losses are dealt under 'Net Gains/(Losses) from Trading' in Profit or Loss.

2.8.2 Financial Instruments - Initial Recognition

2.8.2.1 Date of Recognition

Financial assets and liabilities, except for loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e. the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

2.8.2.2 Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on its contractual terms and the business model for managing the instruments, as described in Notes 2.8.3.1.1 and 2.8.3.1.2. Financial instruments are initially measured at its fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for a 'Day 1 Profit or Loss', as described below.

2.8.2.3 'Day 1' Profit or Loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in Profit or Loss over the tenor of the financial instrument using the Effective Interest Rate (EIR) method. In cases where the fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in Profit or Loss when the inputs become observable, or when the instrument is derecognised.

2.8.2.4 Measurement Categories of Financial Assets and Liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms, measured at either:

- Amortised Cost, as explained in Note 2.8.3.1.
- Fair Value through Other Comprehensive Income (FVOCI), as explained in Notes 2.8.3.4 and 2.8.3.5.
- Fair Value through Profit or Loss (FVPL), as explained in Notes 2.8.3.3 and 2.8.3.7.

The Bank classifies and measures its derivative and trading portfolio at FVPL as explained in Notes 2.8.3.2 and 2.8.3.3. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in Note 2.8.3.7.

The details of measurement categories of the new bonds received as a result of the bond exchange are disclosed in Note 3.2.2.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied, as explained in Note 2.8.3.7.

2.8.3 Financial Assets and Liabilities

2.8.3.1 Due from Banks, Loans & Advances and Financial Investments at Amortised Cost

The Bank only measures balances with foreign banks, placements with banks, reverse repurchase agreements, loans and advances and other debt instruments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

2.8.3.1.1 Business Model Assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and in particular, the way those risks are managed.
- How managers of the business are compensated. (For example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2.8.3.1.2 The SPPI Test

As a second step of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

2.8.3.2 Derivatives Recorded at FVPL

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to a change in a specified interest rate, foreign exchange rate, financial instrument price, commodity price, index of prices or rates, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank enters into derivative transactions with various counterparties. These include cross currency swaps, forward foreign exchange contracts and interest rate swaps. Derivatives are recorded at fair value and carried as assets when its fair value is positive and as liabilities when its fair value is negative. Fully collateralised derivatives that are settled net in cash on a regular basis through clearing houses are only recognised to the extent of the overnight outstanding balance. The notional amount and fair value of such derivatives are disclosed separately in Note 24. Changes in the fair value of derivatives are included in 'Net Gains/(Losses) from Trading' in Profit or Loss.

2.8.3.3 Financial Assets and Financial Liabilities Held-for-Trading

The Bank classifies financial assets as held-for-trading when they have been purchased primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held -for-trading assets and liabilities are recorded and measured in the Statement of Financial Position at fair value. Changes in fair value and dividend income are recognised in Profit or Loss. Interest income on held-for-trading assets is recorded in 'Interest Income'.

Included in this classification are debt securities, units and equities that have been acquired principally for the purpose of selling or repurchasing in the near term.

2.8.3.4 Debt Instruments at FVOCI

The Bank classifies debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in Other Comprehensive Income (OCI). Interest income and foreign exchange gains/(losses) are recognised in Profit or Loss in the same manner as for financial assets measured at amortised cost. The ECL calculation for debt instruments at FVOCI is explained in Note 2.8.6.3. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to Profit or Loss.

2.8.3.5 Equity Instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of 'Equity' under LKAS 32 - 'Financial Instruments: Presentation' and are not held-for-trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to Profit or Loss. Dividends are recognised in 'Net Other Operating Gains/(Losses) in Profit or Loss when the right to receive the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

2.8.3.6 Debt Issued and Other Borrowed Funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue of funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

2.8.3.7 Financial Assets and Financial Liabilities Designated at FVPL

Financial assets and financial liabilities in this category are those that are not held-for-trading and have been either designated by the management upon initial recognition or are mandatorily required to be measured at fair value under SLFRS 9. The management only designates an instrument at FVPL upon initial recognition when one of the following criteria is met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis

  or

- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy

  or

- The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative is prohibited.

2.8.3.8 Financial Guarantees, Letters of Credit and Undrawn Loan Commitments

The Bank issues financial guarantees, letters of credit and loan commitments. Financial guarantees are initially recognised in the Financial Statements within 'Other Liabilities' at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Profit or Loss and under SLFRS 9, an ECL provision as set out in Note 38.3.

The premium received is recognised in the Statement of Comprehensive Income (Profit or Loss) in 'Fee and Commission Income' on a straight-line basis over the life of the guarantee.

Undrawn loan commitments, financial guarantees and letters of credit are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements. ECLs on undrawn credit commitments are added to the impairment allowances of the respective loan products and disclosed under Note 26.6.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments where the loan agreed to be provided is on market terms, are not recorded in the Statement of Financial Position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 53 and Note 38.3 respectively.

2.8.4 Reclassification of Financial Assets and Liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets or liabilities in 2024 and 2023.

2.8.5 Derecognition of Financial Assets and Liabilities

2.8.5.1 Derecognition Due to Substantial Modification of Terms and Conditions

The Bank derecognises a financial asset such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that substantially it becomes a new loan/financial asset with the difference recognised as a derecognition/modification gain/(loss) to the extent that an impairment loss has not already been recorded. The newly recognised loans/financial assets are classified as Stage 1 for ECL measurement purposes unless the new loan/financial asset is deemed to be a Purchased or Originated Credit Impaired (POCI) financial asset.

When assessing whether or not to derecognise a loan to a customer or any other financial asset, amongst others, the Bank considers the following factors:

- Change in currency of the loan/financial asset
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss to the extent that an impairment loss has not already been recorded.

The details of modification assessment of SLISBs on SLEDEP are disclosed in Note 3.1.

2.8.5.2 Derecognition Other Than for Substantial Modification

2.8.5.2.1 Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset

  or

- It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

  Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset') but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

  In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

  A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset

  or

- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.8.5.2.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in Profit or Loss.

2.8.6 Impairment of Financial Assets

2.8.6.1 Overview of Expected Credit Loss (ECL) Principles

The Bank records an allowance for ECL for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'Financial Instruments'. Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the life-time expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note 2.8.6.2. The Bank's policies for determining if there has been a Significant Increase in Credit Risk (SICR) are set out in Note 49.2.2.5.

The 12mECL is the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained in Note 49.2.2.7.

The Bank has established a policy to perform an assessment at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 49.2.2.5.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 or Stage 3.
- Stage 2: When a loan has shown a SICR since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3. Further, the Bank includes credit facilities restructured up to 2 times under Stage 2.
- Stage 3: Loans considered credit-impaired as outlined in Note 49.2.2.1. The Bank records an allowance for the LTECLs. Further, the Bank includes credit facilities restructured more than 2 times and rescheduled credit facilities under Stage 3.
- POCI: POCI assets are financial assets that are credit-impaired on initial recognition. They are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectation of recovering either the entire outstanding amount or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered as a derecognition or a partial derecognition of the financial asset.

The details of staging of the new bonds received as a result of the SLEDEP are disclosed in Note 3.2.4.

2.8.6.2 The Calculation of ECLs

The Bank calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- Probability of Default (PD): The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 49.2.2.2.
- Exposure at Default (EAD): The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities and accrued interest from missed payments. The EAD is further explained in Note 49.2.2.3.
- Loss Given Default (LGD): The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 49.2.2.4.

When estimating the ECLs, the Bank considers three scenarios (a base-case, an upside and a downside). Each of these is associated with different PDs, EADs and LGDs as set out in Note 49.2.2 and Note 49.2.3. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Except for credit cards and other revolving facilities for which the treatment is separately set out in Note 2.8.6.4, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Provisions for ECLs for undrawn loan commitments are assessed as set out in Note 2.8.3.8. The calculation of ECLs (including the ECLs related to the undrawn element) of revolving facilities such as credit cards is explained in Note 2.8.6.4.

The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-months default probabilities are applied to a forecasted EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios as explained above.

- Stage 2: When a loan has shown a SICR since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above including the use of multiple scenarios but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For loans considered credit-impaired as defined in Note 49.2.2.1, the Bank recognises the LTECLs for these loans. The method is similar to that for Stage 2 assets with the PD set at 100%.
- POCI: POCI assets are financial assets that are credit-impaired on initial recognition. The Bank only recognises the cumulative changes in LTECLs since initial recognition based on a probability weighting of the three scenarios discounted by the credit-adjusted EIR.
- Loan Commitments and Letters of Credit: When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down based on a probability weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

  For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For letters of credit, ECLs are recognised within 'Other Liabilities'.
- Financial Guarantee Contracts: The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Profit or Loss and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognised within 'Other Liabilities'.

The details of ECL considerations on the new bonds received as a result of the SLEDEP are disclosed in Note 3.2.5.

2.8.6.2.1 Adjustments to ECL Model

In assessing ECLs, the management recognised additional impairment provisions as management overlays and model adjustments by considering the product wise risk characteristics of the loan portfolio of the Bank, since the standard impairment model was not generating the expected outcome. The Bank continued to examine the individually significant customers and ensured adequate provisions were made in the Financial Statements as required. When assessing the impairment provisions for individually significant customers, several prudent measures such as extending the recovery cash flows, discounting the property values to reflect a more reasonable estimate of the fair value etc. were applied.

Further details are found in Note 49.2.7 - Management Overlays and Model Adjustments.

2.8.6.3 Debt Instruments Measured at FVOCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the Statement of Financial Position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount with a corresponding charge to Profit or Loss.

The accumulated loss recognised in OCI is recycled to the Profit or Loss upon derecognition of the assets.

2.8.6.4 Credit Cards and Other Revolving Facilities

The Bank's product offerings include a variety of corporate and retail overdrafts and credit card facilities on which the Bank has the right to cancel or reduce the facilities with very short notice. The Bank does not limit its exposure to credit losses to the contractual notice period but instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures which could include reducing or cancelling the facilities. Based on the past experience and the Bank's expectations, the period over which the Bank calculates ECLs for these products, is one year. For credit cards and revolving facilities that include both loan and undrawn commitment, ECLs are calculated and presented together with the loan.

The on-going assessment of whether a SICR has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's days-past-due and internal credit grade as explained in Note 49.2.2, but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECLs for credit cards is based on the average EIR that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently charged no interest.

The calculation of ECLs including the estimation of the expected period of exposure and discount rate is made as explained in Note 49.2.2, on an individual basis and on a collective basis. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

2.8.6.5 Forward Looking Information

The Bank incorporates forward looking information into both its assessments as to whether the credit risk of an instrument has been increased significantly since its initial recognition and its measurement of ECL. When estimating the ECLs, the Bank considers three economic scenarios namely base-case, best-case and worse-case.

Base Case (Most Likely) Scenario

The base case scenario is the Bank's view of the most likely future macro-economic conditions. It reflects the management's assumptions used for strategic planning and budgeting process.

Upside (Best Case) Scenario

The upside scenario is fixed by reference to average economic cycle conditions and is based on a combination of more optimistic economic events over long-term horizons

Downside (Worst Case) Scenario

The downside scenario is fixed by reference to average economic cycle conditions and is based on a combination of more pessimistic economic events and uncertainty over long term horizons.

Quantitative economic factors are based on economic data and forecasts published by the Central Bank of Sri Lanka and international organisations such as International Monetary Fund (IMF). In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs such as:

Quantitative Factors

- GDP Growth
- Unemployment Rates
- Exchange Rates
- Inflation Price Indices
- Interest Rates

Qualitative Factors

- Government Policies
- Status of Industry and Business
- Regulatory Impact

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the Financial Statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in Note 49.2.3.

2.8.6.6 Expert Credit Judgement

The management's expert credit judgement is used to determine the best estimate for the qualitative component contributing to ECLs, based on an assessment of business and economic conditions, historical loss experience, loan portfolio composition, and other relevant indicators and forward-looking information that are not fully incorporated into the model calculation.

There remains elevated uncertainties and management continues to exercise expert credit judgement in assessing if an exposure has experienced significant increase in credit risk since initial recognition and in determining the amount of ECLs at each reporting date. To the extent that certain effects are not fully incorporated into the model calculations, temporary quantitative and qualitative adjustments have been applied.

2.8.7 Collateral Valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, gold, securities, properties, letters of credit, guarantees, receivables, inventories and other movable and non-movable assets. The fair value of collateral is generally assessed, at a minimum, at inception and thereafter value changes are monitored in accordance with policies and procedures of the Bank. However, some collateral, for example, cash or securities relating to margin requirements are valued on daily basis. To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Non-financial collateral such as freehold property is valued based on valuation reports and other independent sources.

2.8.8 Collateral Repossessed

The Bank's policy is to sell the repossessed assets at the earliest possible opportunity. Such collaterals repossessed are held on a memorandum basis without derecognising the underlying receivable.

2.8.9 Write-offs

Financial assets are written-off either partially or in their entirety only when the Bank has stopped pursuing the recovery. The Bank takes reasonable steps in pursuing recovery of contractual amounts outstanding prior to writing them off from books. The amounts written-off during the year as disclosed in Note 26.6 are contractual amounts which the Bank has either become unsuccessful on the enforcement action or has concluded that the chances of recovering the same as remote. If the amount to be written-off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are shown under 'Impairment Charges' as a reversal.

2.8.10 Forborne and Modified Loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties or deterioration of credit quality, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan as forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants or significant concerns raised by the Risk Management Unit.

Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis.

When the loan has been renegotiated or modified but not derecognised, the Bank also reassesses whether there has been a SICR. Accordingly, all rescheduled loans are classified as Stage 3 unless upgraded due to satisfactory performing period as specified in the Direction No. 13 of 2021 on 'Classification, Recognition and Measurement of Credit Facilities in Licensed Banks' issued by the Central Bank of Sri Lanka. Further, loans which have been restructured are classified under Stage 2 or Stage 3 based on the number of times restructured unless upgraded due to satisfactory performing period as specified in the said guideline.

Details of restructured and rescheduled loans are disclosed in Note 49.2.6. If modifications are substantial, the loan is derecognised, as explained in Note 49.2.6.

2.8.11 Off-Setting Financial Instruments

Financial assets and financial liabilities are off-set and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to off-set the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.8.12 Recognition of Income and Expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The specific recognition criteria as explained in Notes 7, 8, 9,10,11,12 and 13, must also be met before revenue is recognised.

Expenses are recognised in Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to Profit or Loss. For the purpose of presentation of the Statement of Comprehensive Income, the 'Function of Expenses Method' has been adopted, on the basis that it presents fairly the elements of the Bank's performance.

2.8.12.1 The Effective Interest Rate (EIR) Method

Interest income is recorded using the EIR method for all financial instruments measured at amortised cost and financial instruments designated at FVPL. Interest income on interest bearing financial assets measured at FVOCI under SLFRS 9 is also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR.

The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the financial asset. Hence, it recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle.

If expectations regarding the cash flows on the financial asset are revised for reasons other than the change in the level of credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the Statement of Financial Position with an increase or reduction in Interest Income.

The adjustment is subsequently amortised through interest and similar income in the Statement of Comprehensive Income (Profit or Loss).

2.8.12.2 Short-Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided and are included under 'Personnel Expenses' in the Statement of Comprehensive Income (Profit or Loss). A liability is recognised for the amounts expected to be paid under short-term bonus, if the Bank has a present legal or constructive obligation to pay this amount as a result of past services rendered by the employees and the obligation can be measured reliably.

2.8.13 Impairment of Non- Financial Assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value-in-use. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, that asset is considered as impaired and is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices or other available fair value indicators.

An assessment is made for assets at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or cash generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in Profit or Loss in the Statement of Comprehensive Income.

2.8.14 Taxes

2.8.14.1 Current Tax and Deferred Tax

Accounting policies relating to current tax and deferred tax are disclosed under Note 19.

2.8.14.2 Value Added Taxes on Financial Services (VAT on FS)

The value added tax on financial services is calculated at 18% in accordance with the provisions of the Value Added Tax Act No. 14 of 2002 and amendments thereto.

2.8.14.3 Social Security Contribution Levy (SSCL)

The social security contribution levy is calculated at the rate of 2.5% in accordance with the provisions of the Social Security Contribution Levy Act No. 25 of 2022 and amendments thereto.

2.8.14.4 Crop Insurance Levy

The crop insurance levy is calculated at the rate of 1% of the Profit after Tax in accordance with the Finance Act No. 12 of 2013. Crop Insurance levy expense of the Bank is given in Note 17 to the Financial Statements

2.8.15 Statutory Reserve Fund

The statutory reserve fund represents the statutory requirement in terms of Section 20 (1) and (2) of the Banking Act No. 30 of 1988.

2.8.16 Dividends on Ordinary Shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank. Dividends for the year approved after the reporting date are disclosed as an event after the reporting date.

2.8.17 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by LKAS 1 – Presentation of Financial Statements. Financial assets and financial liabilities are off-set and the net amount is reported in the Statement of Financial Position only when there is a legally enforceable right to off-set the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not off-set in Profit or Loss unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

2.8.18 Related Party Transactions

Disclosures have been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/ decisions of the other, irrespective of whether a price is being charged. The related party transactions and balances are disclosed in Note 55.

2.8.19 Events After the Reporting Date

All the material events occurred after the end of the reporting period to the date the Financial Statements are authorised for issue, have been considered and appropriate adjustments/ disclosures have been made in the Financial Statements as described in Note 56 to the Financial Statements.

2.8.20 Comparative Information

The comparative information has been reclassified wherever necessary to conform with the current year's classification in order to provide a better presentation.

The details of reclassifications made during the year are given in Note 59 to the Financial Statements.

2.9 Regulatory Provisions

2.9.1 Deposits Insurance Scheme

In terms of the Banking (Special Provisions) Act No. 01 of 2023, all licensed commercial banks are required to insure their deposit liabilities in the Sri Lanka Deposit Insurance Scheme. The Bank is required to pay a premium of 0.10% per annum on eligible deposits during the year ended 31st December 2024 since the Bank's total capital ratio exceeded 14%. Deposit insurance premium expense of the Bank is given in Note 17 to the Financial Statements.

3. SRI LANKA EXTERNAL DEBT EXCHANGE PROGRAM (SLEDEP)

Sri Lankan economy experienced economic downturn in 2022 which led the country to seek support from the International Monetary Fund (IMF) to restore the country's macroeconomic stability. However, the execution of this support programme was contingent on the implementation of a comprehensive debt restructuring plan. The Government of Sri Lanka (GOSL) completed the restructuring of selected mandatory Domestic Debt Obligations during 2023.

On 25th November 2024, the GOSL announced the SLEDEP through which registered bondholders exchanged their eligible Sri Lanka International Sovereign Bonds (SLISBs) for new bonds with different principal amounts (plus applicable capitalised accrued and unpaid interest) on 20th December 2024 as per the exchange considerations published in the said Invitation Memorandum.

This note highlights the impact of the Bank's participation in the SLEDEP on the financial statements.

The Bank has successfully exchanged its entire holding of SLISBs having face values totalling to USD 34.8 Mn and maturities ranging from 2022-2029 under the 'Local Bonds Option' in the Invitation Memorandum for two series of new Euro Bonds consisting of USD Step-up Bonds and USD PDI Bonds whose maturities ranging from 2029-2038 and 2024-2028 respectively and a series of Local LKR Bonds whose maturities ranging from 2036-2043, through the SLEDEP on 20th December 2024.

Consequently, the Bank derecognised the SLISBs and recognised two series of new Euro Bonds consisting of USD Step-up Bonds and USD PDI Bonds and series of Local LKR Bonds on 20th December 2024. The characteristics of new bonds recognised are disclosed in Note 27.

The exchange of the Bank's holding in SLISBs resulted in a net derecognition loss of Rs.3,700,366 (000'). The derecognition loss is calculated as the difference between the carrying value of the old investments and the fair value of the new investments recognised at the present value of future cash flows discounted by using an appropriate discount rate and exchange fee received. The basis of modification assessment is disclosed in Note 3.1 and 13.

3.1 Modification Assessment of SLISBs

The Bank has used the principles of SLFRS 9 to assess for modification. Where the contractual terms of a debt instrument are modified, an assessment is performed to ascertain whether the new terms are 'substantially different' from the old terms i.e., whether the modification is significant or not.

SLFRS 9 states that in some circumstances the renegotiation or modification of the contractual cash flows of a financial asset can lead to its derecognition although there is no explicit guidance when a modification of a financial asset leads to derecognition. In assessing whether there is a substantial modification the Bank may, but is not required to, analogise to the guidance on the derecognition of financial liabilities. As per SLFRS 9, an exchange between an existing borrower and lender of a debt instrument with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Bank has assessed the financial assets and applied its analogy to assess the exchange of SLISBs for the new bonds acquired in accordance with the Local Bonds Option of the SLEDEP, which results in a substantial modification due to the following:

- All bondholders of SLISBs who opted for Local Bonds Option received two categories of foreign currency (USD) bonds namely, USD Step-up Bonds and USD PDI Bonds and bonds denominated in Sri Lankan Rupee called, 'Local LKR Bond' as per the Exchange Considerations stated in the Invitation Memorandum.
- All the bondholders who opted for the Local Bonds Option received the same restructuring/exchange deal regarding principal outstanding (face values) irrespective of the terms and conditions of their individual SLISB holdings. This indicates that the individual instrument's terms and conditions i.e date of maturities, coupon rates etc., was not taken into consideration in determining the exchange of principal outstanding. The different bonds (series) were not each modified in contemplation of their respective terms and conditions but were instead replaced by a new uniform debt structure. However, slight differences were noted in exchange considerations received in the form of USD PDI Bonds depending on the differences in the previous bond series; and
- The terms and conditions of the new bonds are substantially different from those of the old bonds. The changes include many different aspects, such as significant extension of the maturity dates, reduction of the coupon interest rates for USD bonds, step up coupon feature (for new USD Step-up Bond), change in denominated currency (portion of exchange consideration received in the form of Local LKR Bonds) and alternative currency (LKR) settlement feature embedded into USD Step-up Bonds.

When the modification of a financial asset results in a derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification is treated as the date of initial recognition of that new financial asset when applying the impairment requirements to the modified financial asset. This typically means measuring the loss allowance at an amount equal to 12 months' expected credit losses until there is a Significant Increase in Credit Risk (SICR) subsequently. However, in some unusual circumstances following a modification that results in derecognition of the original financial asset, there may be evidence that the modified financial asset is credit-impaired at initial recognition, and thus, the financial asset should be recognised as a Purchased or Originated Credit Impaired (POCI) financial asset.

3.2 Measurement of Eligible Bonds Held at Amortised Cost

3.2.1 Initial Recognition of New Bonds

The new bonds issued under the SLEDEP were recognised as new financial assets and initially measured at fair value. The fair values of the new bonds were estimated using discounted cash flow technique, applying rates from the yield curve that was constructed from market information. The data considered in the construction of the yield curve includes yield rates of risk-free securities and the historical risk premiums for similar securities.

The difference between the fair value of the new bonds and the carrying value of the old bonds as of 20th December 2024 was recorded as a derecognition loss in Profit or Loss on the date of initial recognition.

The following table shows the weighted-average yield-to-maturities applied in discounting the cashflows of the new bonds issued under the SLEDEP, the fair value of the new bonds at initial recognition, carrying value of old bonds at the date of exchange and the net derecognition loss.

Instrument	Discount Rate	Fair Value of New Bonds at Initial Recognition (Rs. '000)	Carrying Amount of Old SLISBs at the Date of Bond Exchange (Rs. '000)	Derecognition Loss (Rs. '000)
USD Step-up Bonds	8%	3,971,809		
USD PDI Bonds	10%	1,245,189	12,129,029	(3,881,199)
Local LKR Bonds	SLFR + 0.5%	3,030,832		
Total		**8,247,830**	**12,129,029**	**(3,881,199)**

The Bank has not recognised any fair value gain or loss on the Local LKR bonds received since it was concluded that there was no significant difference between the face value and the fair value.

3.2.2 Business Model Assessment

The Bank has assessed the contractual cashflow characteristics to identify whether they meet the Solely Payments of Principal and Interest Test (SPPI Test) and re-evaluated the business model on the date of initial recognition of new bonds and decided to classify both new Euro Bonds i.e. USD Step-up Bonds and USD PDI Bonds and Local LKR Bonds at Amortised Cost as per the results of the assessment.

3.2.3 Methodology of Determining Discount Rates

As the Local LKR Bond was issued at a coupon rate of SLFR + 0.5%, which was not significantly different at the time of the issue, from the short-term market return of a similar instrument with a term reflecting the repricing interval (i.e. 6 months T-Bill rate) as the reference rate is repriced every six months, it was concluded that there was no significant difference between the face value and the fair value of the Local LKR Bonds received.

The risk premium of a Euro Bond having a credit rating similar to the present credit rating of the GOSL (Fitch - CCC+) and subject to all risks i.e. credit risk premium, liquidity premium and other premiums is considered in the range of 5%-6%, so the premium for each risk component has been estimated to be in the range of 1.5%-2%.

As the holders of the USD Step-up Bonds could receive settlements in local currency in the event of a default since the Government of Sri Lanka (GOSL) could exercise an option to settle in LKR, the credit risk premium attached to the bond has been concluded as insignificant. Therefore, when determining the exit yield or YTM for USD Step-up Bonds, credit de-risk adjustment has been considered. However, for the USD PDI Bonds similar adjustment to eliminate the credit risk component has not been considered as there is no LKR settlement option attached to the instrument

Accordingly, the Bank used the discount rates of 8% and 10% to ascertain the fair values of USD Step-up Bonds and USD PDI Bonds respectively.

3.2.3.1 Sensitivity Analysis of USD Step-up Bonds and USD PDI Bonds

The sensitivity of the derecognition/modification loss to a 1% change in the discount rate is set out below:

Type of the Bond	Change in Discount Rate (+/-)	Impact on Pre-Tax Profitability (Rs. '000)
USD Step-up Bonds	1%	(302,928)
	(1%)	332,121
USD PDI Bonds	1%	(20,635)
	(1%)	21,171

3.2.4 Staging

Since the announcement of the GOSL Debt Restructuring Programme on 12th April 2022, the Bank has been staging the old bonds, i.e. SLISBs under 'Stage 2', the Bank has classified the new Euro Bonds (USD Step-up Bonds and USD PDI Bonds) received under the SLEDEP as Stage 2 financial assets without an upgrade, until such time the instruments become eligible for an upgrade in line with the requirements of SLFRS 9 and internal risk management policies of the Bank by adequately demonstrating that the conditions which lead to Stage 2 classification are no longer applicable/relevant.

However, the Bank has classified the new Local LKR Bonds received under the bond exchange under 'Stage 1; considering the risk characteristics of the instrument.

Also, the Bank continue to classify similar Local LKR bonds received in exchange of Sri Lanka Development Bonds under the Domestic Debt Optimisation (DDO) program in 2023 under 'Stage 1'considering the risk characteristics of the instruments.

All new bonds received in exchange of old SLISBs have been classified under Level 2 of the fair value hierarchy.

3.2.5 Expected Credit Loss (ECL) Considerations

Local LKR Bonds will continue to be excluded from ECL provisioning requirements as the instrument is not exposed to credit risk characteristics due to the denomination in local currency. Therefore, all Treasury Bills, Treasury Bonds and other securities of the GOSL denominated in LKR have been assumed to be carrying an insignificant LGD for the assessment of ECL as at the reporting date.

The USD Step-up Bonds are also excluded from ECL provisioning owing to the negligible credit risk due to its LKR settlement option (Alternative Currency Event) in the event of a default. This means if the GOSL determines that it is unable or impracticable to make any payment of interest or an amortisation amount in USD, the GOSL shall notify the holders of such determination not later than 15 calendar days thereafter and any such holder may request that;

(i) the Trustee exchange its interest in the USD Step-Up Bonds in the form of a Global Security for a Certificated Security and

(ii) the GOSL makes such payment in full on such Certificated Security on the due date in LKR at the LKR Equivalent of such Dollar-denominated amount.

However, the USD PDI Bonds carried an adjustment for ECL under Stage 2 since the respective bonds do not have LKR settlement option in the event of a default.

3.2.6 Impact on Cash Flows

Except for the exchange fee received, the debt exchange did not result in any transfer of cash to or from the GOSL, hence there is no impact on cash flows.

4. NEW ACCOUNTING STANDARDS/AMENDMENTS TO EXISTING ACCOUNTING STANDARDS THAT BECAME EFFECTIVE DURING THE YEAR

There were no new accounting standards/amendments to existing accounting standards that became effective during the year ended 31st December 2024 which had an impact on the Bank.

5. NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued up to the date of issuance of the Bank's Financial Statements but are not effective for the current annual reporting period, are disclosed below. The Bank has not early adopted any of the new or amended standards in the preparation of these financial statements. Hence, the Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- SLFRS 17 Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

The amendments are not expected to have a material impact on the Bank's financial statement.

• Lack of Exchangeability – Amendments to LKAS 21

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The Bank is currently assessing the impact, the amendments will have on current practice.

• SLFRS S1 and S2

The Institute of Charted Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become effective for the Bank for financial periods beginning on 01st January 2025.

SLFRS S1 – General Requirements for Disclosure of Sustainability Related Financial Information

SLFRS S2 – Climate Related Disclosure.

The Bank is currently assessing the impact of these standards will have on current practice.

Except for above there are no any new accounting standards and amendments/improvements to existing standards which have been issued by the Institute of Chartered Accountants of Sri Lanka but are not yet effective as at 31st December 2024.

6 GROSS INCOME

Accounting Policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Specific recognition criteria that must be met before recognising revenue is discussed under Note 7 - Net Interest Income, Note 8 - Net Fee and Commission Income, Note 9 - Net Gains/(Losses) from Trading, Note 10 - Net Fair Value Gains/(Losses) from Financial Assets at FVPL, Note 11 - Net Gains from Derecognition of Financial Assets at FVOCI, Note 12 - Net Other Operating Income/(Losses) and Note 13 - Net Losses on Derecognition of SLISBs.

		2024 Rs 000	2023 Rs 000
Interest Income	7	30,781,725	37,122,997
Fee and Commission Income	8	1,906,725	1,539,359
Net Gains/(Losses) from Trading	9	753,368	910,210
Net Fair Value Gains/(Losses) from Financial Assets at FVPL	10	(70,282)	116,693
Net Gains from Derecognition of Financial Assets at FVOCI	11	23,609	-
Net Other Operating Income/(Losses)	12	(863,181)	(718,030)
Gross Income before Net Losses from Derecognition of SLISBs		32,531,964	38,971,229
Net Losses on Derecognition of SLISBs	13	(3,700,366)	-
		28,831,598	38,971,229

7 NET INTEREST INCOME

Accounting Policy

Interest Income

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit impaired assets.

When a financial asset becomes credit impaired and is, therefore, regarded as 'Stage 3'asset, the Bank calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures (as outlined in Note 49.2.2.1) and is no longer credit impaired, the Bank reverts to calculating interest income on a gross basis.

The Bank ceases the recognition of interest income on assets when it is probable that the economic benefits associated will not continue to flow to the Bank.

For Purchased or Originated Credit Impaired (POCI) financial assets (as set out in Note 2.8.6.1), the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI asset.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in 'Interest Income'.

Interest Expense

The Bank calculates the interest expense by applying the EIR to the carrying amount of financial liabilities.

	2024 Rs 000	2023 Rs 000
Interest Income		
Cash and Cash Equivalents	51,691	52,770
Balances with Central Bank of Sri Lanka	4,120	3,198
Placements with Banks	808	12,344
Reverse Repurchase Agreements	67,416	40,106
Financial Assets at Amortised Cost		
-Loans and Advances	20,412,421	25,211,540
-Debt and Other Instruments	9,253,903	7,234,983
Financial Assets at Fair Value through Profit or Loss	585,763	4,568,056
Financial Assets measured at Fair Value through Other Comprehensive Income	405,603	-
	30,781,725	37,122,997
Interest Expense		
Due to Banks	318,071	218,768
Repurchase Agreements	1,242,231	721,385
Financial Liabilities at Amortised Cost		
-Due to Depositors	16,108,664	24,411,934
-Due to Debt Securities Holders	724,388	1,219,489
Lease Liabilities (Note 30.2)	137,514	134,151
Subordinated Debentures	115,115	114,800
	18,645,983	26,820,527
Net Interest Income	12,135,742	10,302,470

7.1 Net Interest Income from Sri Lanka Government Securities and Related Financial Instruments

	2024 Rs 000	2023 Rs 000
Interest Income	10,312,685	11,843,145
Interest Expense	(1,242,231)	(721,385)
Net Interest Income from Government Securities	9,070,454	11,121,760

Interest income from Sri Lanka government securities and related financial instruments includes interest income from LKR Treasury Bills, LKR Treasury Bonds, Local LKR Bonds, Sri Lanka International Sovereign Bonds, USD Step-up Bonds, USD PDI Bonds, Sri Lanka Development Bonds, Reverse Repurchase Agreements and other related debt instruments.

Interest expense from Sri Lanka government securities and related financial instruments includes interest expense for Repurchase Agreements and other related instruments.

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

7.2 Net Interest Income from Financial Instruments Not Measured at Fair Value through Profit or Loss

	2024 Rs 000	2023 Rs 000
Interest Income	30,195,962	32,554,941
Interest Expense	(18,645,983)	(26,820,527)
Net Interest Income	11,549,979	5,734,414

7.3 Interest Accrued on Impaired Loans and Advances carried at Amortised Cost

The Bank's interest income for the year 2024 includes interest accrued on impaired loans and advances carried at amortised cost of Rs. 74,294/- (000') (2023 - Rs. 153,298/- (000')).

8 NET FEE AND COMMISSION INCOME

Accounting Policy

Fee and Commission Income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee and commission income comprises mainly of fees received from customers for guarantees and other services provided by the Bank together with foreign and domestic tariffs. Such income is recognised as revenue as the services are provided. Fee income can be divided into the following two categories:

a) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on straight line basis.

b) Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Fee and Commission Expenses

Fee and commission expenses relate mainly to transactions and service fees which are expensed as the services are received. Fee and Commission Expenses have been recognised in the Financial Statements as they are incurred in the period to which they relate.

	2024 Rs 000	2023 Rs 000
Net Fee and Commission Income		
Fee and Commission Income	1,906,725	1,539,359
Fee and Commission Expenses	(69,579)	(55,283)
	1,837,146	1,484,076
Comprising		
Loans and Advances related Services	682,836	431,784
Cards related Services	377,992	333,668
Trade and Remittance related Services	379,283	361,369
Deposits related Services	264,827	244,302
Guarantee related Services	132,208	112,953
	1,837,146	1,484,076

9 NET GAINS FROM TRADING

Accounting Policy

All realised capital gains/(losses) from derecognition of financial assets at FVPL and foreign exchange differences arising from derivative contracts which are not designated as hedging instruments are given below.

	2024 Rs 000	2023 Rs 000
Realised Gains From;		
Sri Lanka Government Debt Securities - Treasury Bill & Bonds	143,917	1,293,205
Investment in Unit Trusts	472,000	-
Foreign Exchange - Net Forward Forex Gains/(Losses)	137,451	(382,995)
	753,368	910,210

9.1 The Bank has not entered into inter-bank foreign currency transactions of material nature for trading purposes in the normal course of business. Therefore, no material gains or losses generated from such transactions during the year. However, the Bank carries out forward transaction deals pertaining to customer requirements in the normal course of business.

The presentation and classification of previous year have been amended to be in line with the formats and definitions prescribed by the Central Bank of Sri Lanka as per the Circular No. 05 of 2024 on Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks. (Note 59)

10 NET FAIR VALUE GAINS/(LOSSES) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL)

Accounting Policy

Accounting policies relating to net fair value gains/(losses) from financial assets at FVPL are disclosed under Note 2.8.3.3. All unrealised fair value changes derived from the financial assets classified as FVPL are given below.

	2024 Rs 000	2023 Rs 000
Sri Lanka Government Debt Securities - Treasury Bills & Bonds		
Unrealised Gains	(70,282)	116,693
	(70,282)	116,693

The presentation and classification of previous year have been amended to be in line with the formats and definitions prescribed by the Central Bank of Sri Lanka as per the Circular No. 05 of 2024 on Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks. (Note 59)

11 NET GAINS FROM DERECOGNITION OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

Accounting Policy

Accounting policies relating to net gains from derecognition of financial assets at FVOCI are disclosed under Note 2.8.3.4. All realised capital gains from derecognition of financial assets classified as FVOCI are given below.

	2024 Rs 000	2023 Rs 000
Sri Lanka Government Debt Securities - Treasury Bills and Bonds		
Realised Gains	23,609	-
	23,609	-

12 NET OTHER OPERATING LOSSES

Accounting Policy

Net other operating gains/(losses) include foreign exchange gains/(losses), dividend income from equity securities designated through OCI, gains/(losses) from disposal of property, plant & equipment and other income. Dividend income is recognised when the Bank's right to receive the payment is established, which is generally when the shareholders approve the dividend. Other income is recognised on an accrual basis.

	2024 Rs 000	2023 Rs 000
Net Losses on Revaluation of Foreign Exchange	(875,186)	(735,032)
Dividend Income from Equity Instruments at FVOCI (Note 51.5)	2,386	1,499
Losses on Disposal of Property, Plant & Equipment (Note 51.4)	(1,306)	(1,297)
Other Income	10,925	16,800
	(863,181)	(718,030)

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year. (Note 59)

13 NET LOSSES ON DERECOGNITION OF SRI LANKA INTERNATIONAL SOVEREIGN BONDS (SLISBs)

Accounting Policy

On 25th November 2024, the Government of Sri Lanka (GOSL) announced Sri Lanka External Debt Exchange Program (SLEDEP) through which registered bondholders exchanged their eligible Sri Lanka International Sovereign Bonds (SLISBs) for new bonds with different principal amounts and applicable capitalised accrued and unpaid interest on 20th December 2024 as per the exchange considerations published in the said Invitation Memorandum. Consequently, the Bank derecognised the SLISBs and recognised two new series of Euro Bonds consisting of USD Step-up Bonds and USD PDI Bonds and series of Local LKR Bonds on 20th December 2024.

The net derecognition loss is calculated as the difference between the carrying value of the old investments and the fair value of the new investments recognised as the present value of future cash flows discounted by using an appropriate discount rate and exchange fee received. The impairment provisions held on old SLISBs investments was reversed at the time of derecognition and the impact of such reversal is disclosed under Note 14. A detailed description on the impact of the Bank's participation in SLEDEP is given in Note 3.

	2024 Rs 000	2023 Rs 000
Fair Value of New Bonds at Initial Recognition (Note 3.2.1)	8,247,831	-
Carrying Value of SLISBs at the Date of Bond Exchange (Note 3.2.1)	12,129,029	-
	3,881,198	-
Exchange Fee Received	180,832	-
	3,700,366	-

14 IMPAIRMENT CHARGES/(REVERSALS)

Accounting Policy

The Bank recognises impairment provisions for financial assets in accordance with Sri Lanka Accounting Standard SLFRS 9 - 'Financial Instruments'. The accounting policy and methodology adopted in determining the same is given in Note 2.8.6 to the Financial Statements. These financial assets include Cash and Cash Equivalents, Placements with Banks, Reverse Repurchase Agreements, Loans and Advances - at Amortised Cost, Debt and Other Instruments - at Amortised Cost, Debt Securities at FVOCI, Financial Guarantee Contracts and Documentary Credit. Further, the Bank recognises an impairment loss when the carrying amount of a non-financial asset exceeds the estimated recoverable amount from that asset. No impairment loss is recognised on Equity Investments.

	2024 Rs 000	2023 Rs 000
Cash and Cash Equivalents (Note 21.1)	(1,734)	(17,599)
Loans and Advances - at Amortised Cost (Note 26.6)	1,239,411	1,225,478
Debt and Other Instruments - at Amortised Cost (Note 27.4)	(6,314,561)	1,507,560
Financial Guarantees (Note 38.3)	1,529	(6,367)
Documentary Credit (Note 38.3)	14,142	5,597
	(5,061,213)	2,714,669

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year. (Note 59)

14.1 Impairment Charges - Stage-wise Analysis

	2024				2023			
	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000
Cash and Cash Equivalents	(1,734)	-	-	(1,734)	(17,599)	-	-	(17,599)
Loans and Advances - at Amortised Cost	162,839	(1,106,922)	2,183,494	1,239,411	(148,436)	(224,552)	1,598,466	1,225,478
Debt and Other Instruments - at Amortised Cost	-	(6,314,561)	-	(6,314,561)	-	1,507,560	-	1,507,560
Financial Guarantees	1,529	-	-	1,529	(6,367)	-	-	(6,367)
Documentary Credit	14,142	-	-	14,142	5,597	-	-	5,597
Total	176,776	(7,421,483)	2,183,494	(5,061,213)	(166,805)	1,283,008	1,598,466	2,714,669

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year. (Note 59)

15 PERSONNEL EXPENSES

Accounting Policy

Accounting policies relating to short-term employee benefits, defined contribution plan expenses and defined benefit plan expenses are disclosed under Note 2.8.12.2 and Note 39 respectively.

	2024 Rs 000	2023 Rs 000
Salaries, Bonuses and Other Related Expenses (Note 15.1)	3,032,209	2,261,486
Defined Contribution Plan Expenses - Employees' Provident Fund	221,892	178,414
- Employees' Trust Fund	53,133	42,542
Defined Benefit Plan Expenses (Note 39.1)	132,010	130,737
Amortisation of Pre-paid Staff Cost (Note 32.1)	36,237	31,176
Other Expenses	32,290	15,758
	3,507,771	2,660,113

15.1 There were no non-statutory special payments to Directors, CEO or Officers Performing Executive functions (as defined in Banking Act Determination No. 01 of 2019) at the termination of employment or at the time of retirement. (2023 - Nil)

16 DEPRECIATION AND AMORTISATION EXPENSES

Accounting Policy

Accounting policies relating to depreciation of property, plant and equipment, amortisation of right-of-use assets and amortisation of intangible assets are disclosed under Note 29, Note 30 and Note 31 respectively.

	2024 Rs 000	2023 Rs 000
Depreciation of Property, Plant and Equipment (Note 29.2)	168,035	155,111
Amortisation of Right-of-Use Assets (Note 30.1)	310,512	300,301
Amortisation of Intangible Assets (Note 31.2)	61,662	57,721
	540,209	513,133

The presentation and classification of previous year have been amended to be in line with the formats and definitions prescribed by the Central Bank of Sri Lanka as per the Circular No. 05 of 2024 on Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks. (Note 59).

17 OTHER OPERATING EXPENSES

Accounting Policy

Accounting policies relating to other operating expenses are disclosed under Note 2.8.12.

	2024 Rs 000	2023 Rs 000
Directors' Emoluments (Note 17.1 & 17.2)	106,260	71,439
Auditors' Remuneration (Note 17.1 & 17.3)	6,950	7,272
Professional and Legal Expenses	48,442	46,175
Administration and Establishment Expenses (Note 17.4)	1,288,172	1,224,718
Business Development Expenses	360,172	269,894
Deposit Insurance Expenses	185,151	167,120
Crop Insurance Levy	41,000	20,038
Card Related Expenses	290,368	314,787
Other Expenses (Note 17.5)	904,513	760,393
	3,231,028	2,881,835

The presentation and classification of previous year have been amended to be in line with the formats and definitions prescribed by the Central Bank of Sri Lanka as per the Circular No. 05 of 2024 on Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks. (Note 59)

17.1 Directors' emoluments include salaries, bonuses and other related expenses of the Director/Chief Executive Officer (CEO) and fees paid to Non-Executive Directors.

17.2 There were no non-statutory special payments to Directors/CEO at the termination of employment or at the retirement (2023 - Nil).

17.3 Auditors' Remuneration

	2024 Rs 000	2023 Rs 000
Audit Fees	6,315	5,705
Audit Related Fees	635	1,568
	6,950	7,272

No non-audit fees were paid to the External Auditors of the Bank, M/s Ernst & Young. (2023 - Nil)

17.4 Administration and establishment expenses include expenses incurred on maintenance of assets, electricity, janitorial, fuel etc.

17.5 Other overhead expenses include expenses incurred on insurance, printing & stationery, telephone & data communication, travelling & transport etc.

18 TAXES AND LEVIES ON FINANCIAL SERVICES

Accounting Policy

Taxes and levies on financial services include Value Added Tax on Financial Services (VAT on FS) and Social Security Contribution Levy on Financial Services (SSCL on FS). The VAT on FS is calculated in accordance with the provisions of the Value Added Tax Act No. 14 of 2002 and amendments thereto. The SSCL on FS is calculated in accordance with the provisions of the Social Security Contribution Levy Act No. 25 of 2022 and amendments thereto. (Note 2.8.14.2 and 2.8.14.3).

	2024 Rs 000	2023 Rs 000
Value Added Tax on Financial Services	1,642,594	875,698
Social Security Contribution Levy on Financial Services	228,138	121,625
	1,870,732	997,323

19 INCOME TAX EXPENSE

Accounting Policy

Current tax

The provision for income tax is based on the elements of the income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and amendments thereto.

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and for items recognised in Other Comprehensive Income (OCI) shall be recognised in OCI and not in Profit or Loss. The management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, unless it arises from the initial recognition of an asset or liability in a transaction that;

a) is not a business combination
b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); and
c) at the time of the transaction, does not give rise to equal taxable and deductible temporary differences

The Bank has computed deferred tax at the rates based on substantively enacted at the reporting date, which is the statutory rate specified in the Inland Revenue Act as of the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, carry forward of unused tax credits and unused tax losses can be utilised, unless it arises from the initial recognition of an asset or liability in a transaction that;

a) is not a business combination
b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); and
c) at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are off-set, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The Bank is subject to income tax and judgement is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exist with respect to interpretation of the applicability of tax laws, at the time of preparation of these financial statements.

Uncertainties also exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense amounts that were initially recorded and deferred tax amounts in the period in which the determination is made. The Bank has evaluated these uncertainties in terms of IFRIC 23 ‘Uncertainty Over Income Tax Treatment’.

The major components of income tax expense for the years ended 31st December 2024 and 31st December 2023 are:

	2024 Rs 000	2023 Rs 000
Current Tax Expense		
Current Tax Charge on Profit for the Year (Note 19.1)	372,127	1,421,068
Over Provisions in Respect of Previous Years (Note 19.1)	(513,524)	(524,644)
Total Current Tax Expense/(Reversal)	(141,398)	896,424
Deferred Tax Expense		
Relating to Origination and Reversal of Temporary Differences (Note 19.1)	2,034,191	(423,043)
Total Deferred Tax Expense/(Reversal) (Note 19.2)	2,034,191	(423,043)
Total Income Tax Expense (Profit or Loss) - (Note 19.1)	1,892,793	473,381

19.1 Reconciliation of the Total Tax Expense

A reconciliation between the tax expense and the accounting profit multiplied by the statutory income tax rate for the years ended 31st December 2024 and 31st December 2023 is as follows:

	2024 Rs 000	2023 Rs 000
Accounting Profit Before Tax	6,027,509	2,328,346
Statutory Income Tax Rate at 30%	1,808,253	698,503
Non-Deductible Expenses and Amounts	613,591	883,407
Deductible Expenses and Amounts	(2,004,431)	(82,619)
Income Not Subject to Tax	(45,285)	(78,223)
Current Tax on Profits at 30%	372,127	1,421,068
Over Provisions in Respect of Previous Years	(513,524)	(524,644)
Total Current Tax Expense	(141,398)	896,424
Recognition of Deferred Tax on Temporary Differences	2,034,191	(423,043)
Total Deferred Tax Expense/(Reversal) (Note 19.2)	2,034,191	(423,043)
Total Income Tax Expense	1,892,793	473,381
Effective Tax Rate	31.40%	20.33%
Effective Tax Rate (Excluding Deferred Tax)	-2.35%	38.50%

19.2 Deferred Tax

The following table shows deferred tax assets and liabilities recorded in the Statement of Financial Position and changes recorded in the Statement of Comprehensive Income (Profit or Loss and Other Comprehensive Income).

	2024			2023		
	Deferred Tax Liabilities/ (Assets) in Statement of Financial Position	Statement of Comprehensive Income		Deferred Tax Liabilities/ (Assets) in Statement of Financial Position	Statement of Comprehensive Income	
		Profit or Loss	Other Comprehensive Income		Profit or Loss	Other Comprehensive Income
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Lease Rentals Receivable	-	(111,284)	-	111,284	(67,102)	-
Property, Plant and Equipment	642,746	(2,328)	27,937	617,137	(4,373)	53,813
Intangible Assets	39,286	(4,378)	-	43,664	(5,776)	-
Defined Benefit Plan Obligation	(204,842)	(21,232)	(31,826)	(151,784)	(10,931)	246
Impairment on Financial Assets	(575,317)	2,173,412	-	(2,748,729)	(334,861)	-
Financial Assets at FVOCI	70,770	-	70,770	-	-	-
Total	(27,357)	2,034,191	66,880	(2,128,428)	(423,043)	54,059

20 EARNINGS PER SHARE AND DIVIDEND PER SHARE

20.1 Earnings Per Share

Accounting Policy

Basic Earnings Per Share is calculated by dividing the profit for the year attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

Diluted Earnings Per Share is calculated by dividing the profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As there were no potential ordinary shares outstanding at the year end, diluted earnings per share is equal to the basic earnings per share for the year.

The income and share data used in the basic/diluted earnings per share calculations are detailed below;

	2024 Rs 000	2023 Rs 000
Profit Attributable to Ordinary Shareholders (Rs 000)	4,134,716	1,854,965
Weighted Average Number of Ordinary Shares in Issue (Note 41)	442,561,629	442,561,629
Basic/Diluted Earnings Per Share (Rs.)	9.34	4.19

There were no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the these Financial Statements were authorised for issue, which would require the restatement of earnings per share.

20.2 Dividend Per Share

Accounting Policy

Provision for final dividend on ordinary shares is recognised at the time the dividend is recommended and declared by the Board of Directors and approved by the shareholders. Dividend for the year that are approved after the reporting date are disclosed as an event after the reporting date.

20.2.1 First and Final Cash Dividend Paid

	2024 Rs 000	2023 Rs 000
Dividend on Ordinary Voting Shares Paid for the Year 2023	110,640	-
Dividend per Ordinary Voting Share (Rs.)	0.25	-

20.2.2 First and Final Cash Dividend Declared

	2024 Rs 000	2023 Rs 000
Dividend on Ordinary Voting Shares Declared for the Years 2024 (Note 20.2.3) & 2023 Respectively	442,562	110,640
Dividend per Ordinary Voting Share (Rs.)	1.00	0.25

20.2.3 The Board of Directors has recommended and declared a first and final cash dividend of Rs.1/- per share for the financial year ended 31st December 2024 subject to the approval of the shareholders at the Annual General Meeting to be held on 28th March 2025.

20.2.4 In accordance with LKAS 10 - Events after the Reporting Period, above proposed first and final cash dividend has not been recognised as a liability as at 31st December 2024 and disclosed under Note 56 to the Financial Statements-'Events after the Reporting Date'.

20.2.5 As per the Inland Revenue Amendment Act No. 45 of 2022, the proposed first and final cash dividend for the year ended 31st December 2024 is subject to a Withholding Tax/Advance Income Tax of 15%. Accordingly, total withholding tax liability on dividends proposed for the year ended 31st December 2024 amounted to Rs. 66.38 Mn.

21 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents as referred to in the Statement of Cash Flows comprise of cash in hand, balances with foreign banks on demand or with an original maturity of three months or less and placements with banks with original maturities of three months or less from the date of placement with insignificant risk of changes in value.

	2024 Rs 000	2023 Rs 000
Cash in Hand (Note 51.1)	3,109,946	2,550,114
Balances with Local and Foreign Banks (Note 21.1)	304,256	3,690,274
	3,414,202	6,240,388
Less: Allowance for Expected Credit Losses (Note 21.1)	(501)	(2,235)
	3,413,701	6,238,153

21.1 Allowance for Expected Credit Losses

Balances with Local and Foreign Banks

The table below shows the credit quality and the maximum exposure to credit risk based on the year end stage classification. The amounts presented are gross of impairment allowances. Accounting policies on stage classification of balances with local and foreign banks and details of ECL calculation methodologies at each stage are set out in Note 2.8.6.

	2024 Rs 000	2023 Rs 000
Balances with Local and Foreign Banks	304,256	3,690,274
	304,256	3,690,274

All balances held with local and foreign banks at both the year ends are 'Stage 1' assets.

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to balances with local and foreign banks is as follows:

Gross Carrying Amount

	2024			2023		
	Balance as at 01/01/2024	Net Decrease During the Year	Balance as at 31/12/2024	Balance as at 01/01/2023	Net Increase During the Year	Balance as at 31/12/2023
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balances with Local and Foreign Banks	3,690,274	(3,386,018)	304,256	3,334,761	355,513	3,690,274
	3,690,274	(3,386,018)	304,256	3,334,761	355,513	3,690,274

ECL Allowances

	2024			2023		
	ECL Allowances as at 01/01/2024	Net Decrease During the Year	ECL Allowances as at 31/12/2024	ECL Allowances as at 01/01/2023	Net Decrease During the Year	ECL Allowances as at 31/12/2023
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balances with Local and Foreign Banks	2,235	(1,734)	501	19,834	(17,599)	2,235
	2,235	(1,734)	501	19,834	(17,599)	2,235

The decrease in ECL's of the portfolio was driven by decrease in the Gross size of the portfolios/exposures, changes in historical loss experience, changes in macro-economic conditions and exchange rate variances in foreign currency provisions.

The maturity analysis of cash and cash equivalents is given in Note 52.

22 BALANCES WITH CENTRAL BANK OF SRI LANKA

Balances with Central Bank of Sri Lanka comprise of both statutory deposit balance and standing deposit facilities. Statutory Deposit with Central Bank of Sri Lanka represents the cash balances that is required to be maintained as per the provisions of the Section 93 of the Monetary Law Act. The minimum cash reserve requirement of Rupee deposit liabilities of Domestic Banking Unit as at 31st December 2024 was 2% (2023 - 2%). The Statutory Deposit with CBSL is not available for use in Bank's day-to-day operations.

	2024	2023
	Rs 000	Rs 000
Statutory Deposit with Central Bank of Sri Lanka	998,254	2,909,271
Non-Statutory Balance with Central Bank of Sri Lanka (Standing Deposit Facilities)	4,500,927	-
	5,499,181	2,909,271

The maturity analysis of balances with Central Bank of Sri Lanka is given in Note 52.

23 REPURCHASE AND REVERSE REPURCHASE TRANSACTIONS IN SCRIPLESS TREASURY BONDS AND TREASURY BILLS

Accounting Policy

Securities purchased under agreement to resell at a specified future date are not recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, as an asset within 'Reverse Repurchase Agreements', reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale price is treated as interest income and is accrued over the life of the agreement using the EIR.

Conversely, securities sold under agreement to repurchase at a specified future date are not derecognised from the Statement of Financial Position as the Bank retains substantially all of the risks and rewards of ownership. The consideration received, including accrued interest, is recognised in the Statement of Financial Position as a liability within 'Repurchase Agreements', reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase price is treated as interest expense and is accrued over the life of the agreement using the EIR.

23.1 Reverse Repurchase Agreements

	2024 Rs 000	2023 Rs 000
Due from Other Financial Institutions	1,001,140	-
	1,001,140	-

The Bank holds collateral against reverse repurchase agreements and is permitted to sell or repledge the collateral in case of a default by the owner of the collateral. The fair value of collateral held under reverse repurchase agreements by the Bank as at 31st December 2024 is Rs. 1,124,335/- (000') (2023 - Nil).

23.2 Repurchase Agreements

	2024 Rs 000	2023 Rs 000
Due to;		
Banks	20,953,426	11,558,829
Other Financial Institutions	2,253,070	-
Other Counterparties	2,139,497	52,625
	25,345,992	11,611,454

The Bank pledges collateral against repurchase agreements and the respective counterparties are permitted to sell or re-pledge the collateral in case of a default by the Bank. The carrying value of collateral pledged under repurchase agreements by the Bank as at 31st December 2024 is Rs. 29,140,496/- (000') (2023 - Rs. 12,552,158/- (000')) and fair value of collaterals pledged as at 31st December 2024 is Rs. 28,142,504/- (000') (2023 - Rs. 12,219,921/- (000')).

23.3 The Bank's Policy on Haircuts for Repurchase and Reverse Repurchase Transactions

According to the Bank's internal policies, the minimum haircuts applicable for each maturity bucket as at 31st December 2024 are given below. The haircuts applied meet the minimum haircut requirements imposed by the CBSL Direction No. 01 of 2019.

Remaining Term to Maturity of the Eligible Security	Minimum Haircut (%)	
	Repurchase Transactions	Reverse Repurchase Transactions
Up to 2 years	10	10
Over 2 to 5 years	10	12
Over 5 to 10 years	12	15
Over 10 years	12	20

23.4 Penalties Imposed on the Bank for Non-Compliance

No penalties have been imposed on the Bank for non-compliance with the CBSL Direction No. 01 of 2019, during the years 2024 and 2023.

24 DERIVATIVE FINANCIAL INSTRUMENTS

Accounting Policy

The accounting policy pertaining to derivative financial instruments is given in Note 2.8.3.2.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

	2024			2023		
	Assets	Liabilities	Notional Amount	Assets	Liabilities	Notional Amount
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Foreign Currency Derivatives						
Currency Swaps (Note 53.1)	76,070	57,209	34,454,665	25,110	142,038	26,877,216
Forward Foreign Exchange Contracts (Note 53.1)	3,788	1,039	1,756,249	912	-	128,143
Spot Contracts (Note 53.1)	11	-	51,931	216	31	1,479,493
	79,869	58,248	36,262,845	26,238	142,069	28,484,852

At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the Profit or Loss of the Bank. The Bank's exposure under derivative contracts are closely monitored as part of the overall management of the Bank's market risk.

Forward Foreign Exchange Contracts

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in over the counter market and are subject to credit risk and liquidity risk and result in market exposure. The Bank has credit exposure to the counterparties of forward contracts which are settled on gross basis. Therefore, considered to bear a higher liquidity risk than the futures contracts that are settled on a net basis.

Currency Swaps

Currency Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying foreign currency rate. In a Currency Swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency Swaps are mostly gross-settled.

The presentation and classification of previous year have been amended to be in line with the formats and definitions prescribed by the Central Bank of Sri Lanka as per the Circular No. 05 of 2024 on Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks.

Disclosures concerning the fair value of derivatives are provided in Note 48.

The maturity analysis of derivative financial assets and liabilities is given in Note 52.

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL)

Accounting Policy

The accounting policies pertaining to financial assets at FVPL are given in Notes 2.8.2, 2.8.3.3 and 2.8.3.7.

	2024	2023
	Rs 000	Rs 000
Measured at Fair Value		
Sri Lanka Government Rupee Securities		
Treasury Bills	12,983,098	3,439,904
Treasury Bonds	124,599	837,665
	13,107,697	4,277,569

There were no financial assets designated at FVPL as at the date of the Statement of Financial Position. (2023 - Nil)

All Financial Assets at FVPL are Unencumbered.

The maturity analysis of Financial Assets at FVPL is given in Note 52.

26 FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES

Accounting Policy

The accounting policies pertaining to financial assets measured at amortised cost - loans and advances are given in Notes 2.8.2, 2.8.3.1, 2.8.4 and 2.8.5. The accounting policy pertaining to impairment provisions for financial assets measured at amortised cost - loans and advances is given in Note 2.8.6.

	2024 Rs 000	2023 Rs 000
Gross Loans and Advances		
Stage 1 (Note 26.6)	133,420,270	109,159,873
Stage 2 (Note 26.6)	13,976,522	18,132,050
Stage 3 (Note 26.6)	13,488,910	12,593,833
	160,885,702	139,885,756
Allowance for Expected Credit Losses		
Stage 1 (Note 26.6)	(1,144,168)	(981,329)
Stage 2 (Note 26.6)	(565,976)	(1,672,898)
Stage 3 (Note 26.6)	(8,106,511)	(5,935,417)
	(9,816,655)	(8,589,644)
Net Loans and Advances	151,069,047	131,296,112

26.1 Product-wise Analysis

	2024 Rs 000	2023 Rs 000
Term Loans	110,867,968	95,475,926
Overdrafts	15,666,386	12,654,674
Trade Finance	1,851,014	2,094,709
Lease Rentals Receivable (Note 54.1)	11,386,967	9,140,396
Pawning and Gold Loans	14,739,176	14,339,051
Credit Cards	4,774,041	4,781,098
Others	1,600,150	1,399,902
	160,885,702	139,885,756

26.2 Currency-wise Analysis

	2024 Rs 000	2023 Rs 000
Sri Lankan Rupee	152,576,986	135,545,641
United States Dollar	8,083,866	3,921,919
Japanese Yen	224,038	387,367
Euro	-	29,504
Others	812	1,325
	160,885,702	139,885,756

26.3 Industry-wise Analysis

Industry-wise analysis of loans and advances are found in Note 49.2.9.2 (Concentration by Industry Sector).

26.4 Collateralisation-wise Analysis

	2024 Rs 000	2023 Rs 000
Pledged as Collateral	-	505,440
Unencumbered	160,885,702	139,380,316
	160,885,702	139,885,756

26.5 Individually Impaired Loans and Advances

	2024 Rs 000	2023 Rs 000
Gross amount of Loans and Advances, individually determined to be impaired, before deducting Impairment Losses	6,840,148	5,618,879
Less: Individual Impairment Losses	(4,281,056)	(3,076,805)
Net Exposure	2,559,092	2,542,074
Individually Impaired Loan Provision Cover (Individual Impairment Losses to Gross Individually Impaired Loans and Advances)	62.59%	54.76%
Individually Impaired Loans and Advances Ratio (Individually Impaired Loans and Advances to Gross Loans and Advances)	4.25%	4.02%

26.6 Stage Classification of Gross Loans and Advances and ECL Allowances

The tables below show the year end stage classification of gross loans and advances and ECL allowances. The amounts presented are gross of impairment allowances. Accounting policies on stage classification of gross loans and advances and details of ECL calculation methodologies at each stage are set out in Note 2.8.6.

	2024				2023			
	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000	Stage 1 Rs 000	Stage 2 Rs 000	Stage 3 Rs 000	Total Rs 000
Term Loans	92,008,346	8,699,020	10,160,602	110,867,968	75,227,012	11,324,490	8,924,424	95,475,926
Overdrafts	12,033,017	2,518,542	1,114,827	15,666,386	8,985,050	2,351,008	1,318,616	12,654,674
Trade Finance	1,115,302	84,674	651,038	1,851,014	1,257,339	132,854	704,516	2,094,709
Lease Rentals Receivable	8,940,134	2,006,329	440,504	11,386,967	6,078,110	2,441,810	620,476	9,140,396
Pawning and Gold Loans	14,222,777	481,760	34,639	14,739,176	12,795,568	1,509,219	34,264	14,339,051
Credit Cards	3,513,123	186,198	1,074,720	4,774,041	3,417,048	372,513	991,537	4,781,098
Others	1,587,571	-	12,579	1,600,150	1,399,746	156	-	1,399,902
	133,420,270	13,976,522	13,488,910	160,885,702	109,159,873	18,132,050	12,593,833	139,885,756

There were no Purchased or Originated Credit Impaired (POCI) assets within loans and advances as at 31st December 2024. (2023 - Nil).

An analysis of changes in the gross carrying amounts and the corresponding ECL allowances in relation to loans and advances is as follows:

Gross Carrying Amounts

	Stage	2024						
		Balance as at 01/01/2024	Net Increase /(Decrease) During the Year*	Transfers to/(from)			Net Write-Off	Balance as at 31/12/2024
				Stage 1	Stage 2	Stage 3		
		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Term Loans	Stage 1	75,227,012	17,638,796	1,199,251	(1,704,832)	(351,882)	-	92,008,346
	Stage 2	11,324,490	(2,450,198)	(1,024,120)	1,804,010	(955,162)	-	8,699,020
	Stage 3	8,924,424	278,334	(175,131)	(99,178)	1,307,044	(74,890)	10,160,602
Overdrafts	Stage 1	8,985,050	2,921,032	698,254	(548,179)	(23,141)	-	12,033,017
	Stage 2	2,351,008	621,435	(677,404)	565,450	(341,947)	-	2,518,542
	Stage 3	1,318,616	(443,662)	(20,850)	(17,271)	365,088	(87,094)	1,114,827
Trade Finance	Stage 1	1,257,339	(160,728)	18,691	-	-	-	1,115,302
	Stage 2	132,854	(29,489)	(18,691)	-	-	-	84,674
	Stage 3	704,516	(53,478)	-	-	-	-	651,038
Lease Rentals Receivable	Stage 1	6,078,110	3,132,252	418,101	(640,479)	(47,850)	-	8,940,134
	Stage 2	2,441,810	(598,788)	(399,067)	685,035	(122,661)	-	2,006,329
	Stage 3	620,476	(286,805)	(19,034)	(44,556)	170,511	(88)	440,504
Pawning and Gold Loans	Stage 1	12,795,568	1,469,130	-	(38,710)	(3,211)	-	14,222,777
	Stage 2	1,509,219	(1,062,840)	-	38,710	(3,329)	-	481,760
	Stage 3	34,264	(6,165)	-	-	6,540	-	34,639
Credit Cards	Stage 1	3,417,048	51,898	304,952	(132,034)	(128,741)	-	3,513,123
	Stage 2	372,513	(26,791)	(193,607)	145,878	(111,795)	-	186,198
	Stage 3	991,537	(26,997)	(111,345)	(13,844)	240,536	(5,167)	1,074,720
Others	Stage 1	1,399,746	201,070	156	(1,605)	(11,796)	-	1,587,571
	Stage 2	156	(1,605)	(156)	1,605	-	-	-
	Stage 3	-	1,157	-	-	11,796	(374)	12,579
		139,885,756	21,167,559	-	-	-	(167,613)	160,885,702

*This includes the effect of new disbursements, utilisations, repayments, settlements and the effect of movements in foreign exchange rates.

ECL Allowances

The below table shows stage-wise movements in ECL allowances during the year.

	2024			
	Balance as at 01/01/2024	Charge/ (Reversal) During the Year	Net Write-Off	Balance as at 31/12/2024
	Rs 000	Rs 000		Rs 000
Stage 1	981,329	162,839	-	1,144,168
Stage 2	1,672,898	(1,106,922)	-	565,976
Stage 3	5,935,417	2,183,494	(12,400)	8,106,511
	8,589,644	1,239,411	(12,400)	9,816,655

The below table shows stage-wise movements in ECL allowances during the year in each product category.

	Stage	2024			
		Balance as at 01/01/2024 Rs 000	Charge/ (Reversal) During the Year Rs 000	Net (Write-Off) /Recoveries Rs 000	Balance as at 31/12/2024 Rs 000
Term Loans	Stage 1	295,797	144,951	-	440,748
	Stage 2	1,250,047	(877,408)	-	372,639
	Stage 3	3,987,759	2,034,442	(73,910)	5,948,291
Overdrafts	Stage 1	285,991	9,540	-	295,531
	Stage 2	282,755	(161,050)	-	121,705
	Stage 3	665,811	(66,506)	44,730	644,035
Trade Finance	Stage 1	7,251	587	-	7,838
	Stage 2	5,038	(2,636)	-	2,402
	Stage 3	438,290	(20,556)	-	417,734
Lease Rentals Receivable	Stage 1	28,022	8,795	-	36,817
	Stage 2	25,681	(6,618)	-	19,063
	Stage 3	112,075	(26,344)	(88)	85,643
Pawning and Gold Loans	Stage 1	128,061	14,174	-	142,235
	Stage 2	15,141	(10,322)	-	4,819
	Stage 3	387	(38)	-	349
Credit Cards	Stage 1	235,922	(14,923)	-	220,999
	Stage 2	94,236	(48,887)	-	45,349
	Stage 3	731,095	262,122	17,242	1,010,459
Others	Stage 1	285	(285)	-	-
	Stage 2	-	-	-	-
	Stage 3	-	374	(374)	-
		8,589,644	1,239,411	(12,400)	9,816,655

The charge/(reversal) in ECLs of the portfolios were driven by an increase/(decrease) in the gross size of the portfolios/exposures, movements between stages as a result of a change in credit risk, changes in probability of defaults, loss given defaults, credit conversion factors, changes in macro-economic conditions and exchange rate variances in foreign currency provisions.

	Stage	2023						
		Balance as at 01/01/2023	Net Increase /(Decrease) During the Year*	Transfers to/(from)			Net Write-Off	Balance as at 31/12/2023
				Stage 1	Stage 2	Stage 3		
		Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Term Loans	Stage 1	77,229,006	1,561,261	1,089,567	(4,096,965)	(555,856)	-	75,227,012
	Stage 2	11,879,041	(1,394,684)	(905,931)	4,231,817	(2,485,753)	-	11,324,490
	Stage 3	8,737,816	(987,375)	(183,636)	(134,852)	3,041,609	(1,549,139)	8,924,424
Overdrafts	Stage 1	10,660,769	(494,165)	299,122	(1,225,996)	(254,680)	-	8,985,050
	Stage 2	1,672,120	51,254	(278,170)	1,228,677	(322,873)	-	2,351,008
	Stage 3	2,013,737	(633,629)	(20,952)	(2,681)	577,553	(615,412)	1,318,616
Trade Finance	Stage 1	2,043,812	(671,411)	44,185	(48,048)	(111,199)	-	1,257,339
	Stage 2	208,710	(74,378)	(44,185)	48,048	(5,342)	-	132,854
	Stage 3	455,019	132,956	-	-	116,541	-	704,516
Lease Rentals Receivable	Stage 1	5,719,855	1,068,521	356,953	(994,782)	(72,437)	-	6,078,110
	Stage 2	2,673,795	(685,868)	(337,169)	1,040,317	(249,265)	-	2,441,810
	Stage 3	560,974	(196,727)	(19,784)	(45,535)	321,702	(154)	620,476
Pawning and Gold Loans	Stage 1	21,472,551	(8,518,540)	-	(153,322)	(5,121)	-	12,795,568
	Stage 2	2,327,055	(965,738)	-	153,322	(5,420)	-	1,509,219
	Stage 3	17,649	6,073	-	-	10,542	-	34,264
Credit Cards	Stage 1	3,785,659	98,531	106,668	(303,742)	(270,067)	-	3,417,048
	Stage 2	105,147	(958)	(32,986)	317,326	(16,016)	-	372,513
	Stage 3	779,580	17,434	(73,682)	(13,584)	286,083	(4,294)	991,537
Others	Stage 1	1,302,686	105,082	-	(6,711)	(1,311)	-	1,399,746
	Stage 2	-	(6,556)	-	6,712	-	-	156
	Stage 3	434,328	(2,470)	-	-	1,310	(433,168)	-
		154,079,309	(11,591,387)	-	-	-	(2,602,167)	139,885,756

*This includes the effect of new disbursements, utilisations, repayments, settlements and movements in foreign exchange rates.

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

ECL Allowances

The below table shows stage-wise movements in ECL allowances during the year.

	2023			
	Balance as at 01/01/2023	Charge/ (Reversal) During the Year	Net Write-Off	Balance as at 31/12/2023
	Rs 000	Rs 000		Rs 000
Stage 1	1,129,765	(148,436)	-	981,329
Stage 2	1,897,450	(224,551)	-	1,672,898
Stage 3	6,903,984	1,598,466	(2,567,033)	5,935,417
	9,931,199	1,225,478	(2,567,033)	8,589,644

The below table shows stage-wise movements in ECL allowances during the year in each product category.

	Stage	2023 Balance as at 01/01/2023 Rs 000	Charge/ (Reversal) During the Year Rs 000	Net (Write-Off) /Recoveries Rs 000	Balance as at 31/12/2023 Rs 000
Term Loans	Stage 1	358,005	(62,208)	-	295,797
	Stage 2	1,685,053	(435,006)	-	1,250,047
	Stage 3	4,179,299	1,357,599	(1,549,139)	3,987,759
Overdrafts	Stage 1	389,126	(103,135)	-	285,991
	Stage 2	128,864	153,891	-	282,755
	Stage 3	1,378,509	(110,733)	(601,965)	665,811
Trade Finance	Stage 1	15,196	(7,945)	-	7,251
	Stage 2	12,310	(7,272)	-	5,038
	Stage 3	266,815	171,475	-	438,290
Lease Rentals Receivable	Stage 1	34,853	(6,831)	-	28,022
	Stage 2	30,603	(4,922)	-	25,681
	Stage 3	97,655	11,574	2,846	112,075
Pawning and Gold Loans	Stage 1	-	128,061	-	128,061
	Stage 2	-	15,141	-	15,141
	Stage 3	-	387	-	387
Credit Cards	Stage 1	331,283	(95,361)	-	235,922
	Stage 2	40,620	53,616	-	94,236
	Stage 3	547,379	169,323	14,393	731,095
Others	Stage 1	1,302	(1,017)	-	285
	Stage 2	-	-	-	-
	Stage 3	434,327	(1,159)	(433,168)	-
		9,931,199	1,225,478	(2,567,033)	8,589,644

The charge/(reversal) in ECLs of the portfolios were driven by an increase/(decrease) in the gross size of the portfolios/exposures, movements between stages as a result of a change in credit risk, changes in probability of defaults, loss given defaults, credit conversion factors, changes in macro-economic conditions, and exchange rate variances in foreign currency provisions.

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

There were no financial instruments that considered to have low credit risk, in accordance with SLFRS 9 - Financial Instruments under loans and advances as at the reporting date. (2023 - Nil)

The maturity analysis of loans and advances at amortised cost is given in Note 52.

27 FINANCIAL ASSETS AT AMORTISED COST - DEBT AND OTHER INSTRUMENTS

Accounting Policy

The accounting policies pertaining to financial assets measured at amortised cost - debt and other instruments are given in Notes 2.8.2, 2.8.3.1, 2.8.4 and 2.8.5.The accounting policy pertaining to impairment provisions for financial assets measured at amortised cost - debt and other instruments is given in Note 2.8.6.

	2024 Rs 000	2023 Rs 000
Sri Lanka Government Rupee Securities - Treasury Bills and Bonds (Note 27.4)	58,309,874	73,820,210
Sri Lanka Government Foreign Currency Securities (Note 27.4)	5,121,025	12,793,257
	63,430,899	86,613,467
Less: Allowance for Expected Credit Losses (Note 27.4)	(82,067)	(6,396,629)
	63,348,832	80,216,838

The Bank has successfully exchanged its entire holding of Sri Lanka International Sovereign Bonds (SLISBs) having face value of USD 34.8 Mn and maturities ranging from 2022-2029 under the 'Local Bonds Option' in the Invitation Memorandum for two series of new Euro Bonds consisting of USD Step-up Bonds and USD PDI Bonds whose maturities ranging from 2029-2038 and 2024-2028 respectively and series of Local LKR Bonds whose maturities ranging from 2036-2043, through the Sri Lanka External Debt Exchange Programme (SLEDEP) on 20th December 2024. Fair value measurement at initial recognition and classification of these new bonds and derecognition loss on the bond exchange are explained in detail in Notes 3 and 13.

The characteristics of the new bonds recognised are as follows.

Bond Category	Maturity Terms		Coupon Rate	Coupon Payable Frequency	Special Features
	Date	%			
USD Step-up Bonds	15th June 2029	8	1% - 3.5% per annum	Semi-Annually	Alternative Currency Event - LKR settlement option in the event of a default. (Note 3.2.5)
	15th June 2030	8			
	15th June 2031	8			
	15th June 2032	8			
	15th June 2033	12			
	15th June 2034	12			
	15th June 2035	12			
	15th June 2036	12			
	15th June 2037	12			
	15th June 2038	8			
USD PDI Bonds	15th October 2024	7	4% per annum	Semi-Annually	-
	15th April 2025	20			
	15th April 2026	20			
	15th April 2027	20			
	15th April 2028	33			
Local LKR Bonds	15th March 2036	12.5	Standing Lending Facility Rate (SLFR) + 0.5% per annum	Semi-Annually	SLFR means, the 6-month historical average of the SLFR as published by the CBSL, as calculated on the date which is 30 days before the relevant interest payment date.
	15th September 2037	12.5			
	15th September 2038	12.5			
	15th September 2039	12.5			
	15th September 2040	12.5			
	15th September 2041	12.5			
	15th September 2042	12.5			
	15th September 2043	12.5			

27.1 Currency-wise Analysis

	2024 Rs 000	2023 Rs 000
Sri Lankan Rupee	58,309,874	73,820,210
United States Dollar	5,121,025	12,793,257
	63,430,899	86,613,467

27.2 Collateralisation-wise Analysis

	2024 Rs 000	2023 Rs 000
Pledged as Collateral	23,038,996	12,552,158
Unencumbered	40,391,903	74,061,309
	63,430,899	86,613,467

27.3 Maturity Analysis of Debt and Other Instruments

	2024			2023		
	Amount Due Within 12 Months Rs 000	Amount Due After 12 Months Rs 000	Total Rs 000	Amount Due Within 12 Months Rs 000	Amount Due After 12 Months Rs 000	Total Rs 000
Sri Lanka Government Rupee Securities						
Treasury Bills	29,566,030	-	29,566,030	55,048,981	-	55,048,981
Treasury Bonds	4,959,800	23,784,044	28,743,844	4,512,342	14,258,887	18,771,229
Sri Lanka Government Foreign Currency Securities						
Sri Lanka International Sovereign Bonds (SLISBs)	-	-	-	5,319,430	7,473,827	12,793,257
USD PDI Bonds	247,143	902,073	1,149,216	-	-	-
USD Step-Up Bonds	-	3,971,809	3,971,809	-	-	-
	34,772,973	28,657,926	63,430,899	64,880,753	21,732,714	86,613,467

27.4 Stage Classification of Gross Debt and Other Instruments and ECL Allowances

The tables below show the year end stage classification of gross debt and other instruments and ECL allowances. The amounts presented are gross of impairment allowances. Accounting policies on stage classification of gross debt and other instruments and details of ECL calculation methodologies at each stage are set out in Note 2.8.6.

	2024			2023		
	Stage 1 Rs 000	Stage 2 Rs 000	Total Rs 000	Stage 1 Rs 000	Stage 2 Rs 000	Total Rs 000
Sri Lanka Government Rupee Securities *						
Treasury Bills	29,566,030	-	29,566,030	55,048,981	-	55,048,981
Treasury Bonds	28,743,844	-	28,743,844	18,771,229	-	18,771,229
Sri Lanka Government Foreign Currency Securities**						
Sri Lanka International Sovereign Bonds (SLISBs)	-	-	-	-	12,793,257	12,793,257
USD PDI Bonds	-	1,149,216	1,149,216	-	-	-
USD Step-Up Bonds	-	3,971,809	3,971,809	-	-	-
	58,309,874	5,121,025	63,430,899	73,820,210	12,793,257	86,613,467

*Rupee denominated Treasury Bills and Bonds issued by the Government of Sri Lanka are classified under Stage 1, in line with the Banking Act Direction No. 14 of 2021, on Classification, Recognition and Measurement of Financial Assets Other than Credit Facilities in Licensed Banks.

**USD Step-up Bonds and USD PDI Bonds issued by the GOSL are classified under Stage 2, in line with the Banking Act Direction No. 14 of 2021 on Classification, Recognition and Measurement of Financial Assets Other Than Credit Facilities in Licensed Banks. Further details are given in Note 3.2.4.

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to debt and other instruments at amortised cost is, as follows:

Gross Carrying Amounts

	Stage	2024 Balance as at 01/01/2024 Rs 000	2024 Net Increase /(Decrease) During the Year* Rs 000	2024 Balance as at 31/12/2024 Rs 000	2023 Balance as at 01/01/2023 Rs 000	2023 Net Increase /(Decrease) During the Year* Rs 000	2023 Balance as at 31/12/2023 Rs 000
Sri Lanka Government Rupee Securities							
Treasury Bills	Stage 1	55,048,981	(25,482,951)	29,566,030	12,503,689	42,545,292	55,048,981
Treasury Bonds	Stage 1	18,771,229	9,972,615	28,743,844	13,431,475	5,339,754	18,771,229
Sri Lanka Government Foreign Currency Securities							
Sri Lanka Development Bonds (SLDBs)	Stage 2	-	-	-	5,601,537	(5,601,537)	-
Sri Lanka International Sovereign Bonds (SLISBs)	Stage 2	12,793,257	(12,793,257)	-	13,547,416	(754,159)	12,793,257
USD PDI Bonds	Stage 2	-	1,149,216	1,149,216	-	-	-
USD Step-Up Bonds	Stage 2	-	3,971,809	3,971,809	-	-	-
		86,613,467	(23,182,568)	63,430,899	45,084,117	41,529,350	86,613,467

*This includes the effect of new investments recoveries and movements in foreign exchange rates.

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

ECL Allowances

	2024 Balance as at 01/01/2024 Rs 000	2024 Charge/ (Reversals) During the Year Rs 000	2024 Balance as at 31/12/2024 Rs 000	2023 Balance as at 01/01/2023 Rs 000	2023 Charge/ (Reversals) During the Year Rs 000	2023 Balance as at 31/12/2023 Rs 000
Stage 2	6,396,629	(6,314,562)	82,067	4,889,069	1,507,560	6,396,629
	6,396,629	(6,314,562)	82,067	4,889,069	1,507,560	6,396,629

	Stage	2024 Balance as at 01/01/2024 Rs 000	2024 Charge/ (Reversals) During the Year Rs 000	2024 Balance as at 31/12/2024 Rs 000	2023 Balance as at 01/01/2023 Rs 000	2023 Charge/ (Reversals) During the Year Rs 000	2023 Balance as at 31/12/2023 Rs 000
Sri Lanka Government Foreign Currency Securities							
Sri Lanka Development Bonds (SLDBs)	Stage 2	-	-	-	147,475	(147,475)	-
Sri Lanka International Sovereign Bonds (SLISBs)	Stage 2	6,396,629	(6,396,629)	-	4,741,594	1,655,035	6,396,629
USD PDI Bonds *	Stage 2	-	82,067	82,067	-	-	-
		6,396,629	(6,314,562)	82,067	4,889,069	1,507,560	6,396,629

* Detailed explanations on ECL considerations for new bonds allocated as a result of the bond exchange are given in Note 3.2.5.

The changes in ECLs are driven by increase/(decrease) in the gross size of the portfolios, changes in historical loss experience, changes in macro-economic conditions and exchange rate variances in foreign currency provisions.

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

There were no financial intruments that considered to have low credit risk, in accordance with SLFRS 9 - 'Financial Instruments' under debt and other instruments as at the reporting date. (2023-Nil).

28 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

Accounting Policy

The accounting policies pertaining to financial assets at FVOCI are given in Notes 2.8.2, 2.8.3.4, 2.8.3.5, 2.8.4 and 2.8.5. All unquoted FVOCI equity instruments are recorded at cost since its fair value cannot be reliably estimated. There is no market for these instruments and the Bank intends to hold these for long-term.

	2024 Rs 000	2023 Rs 000
Sri Lanka Government Rupee Securities		
Treasury Bills	8,524,494	-
Treasury Bonds	10,819,388	-
Equities - Unquoted (Note 28.1)	3,752	3,752
	19,347,634	3,752

28.1 Equities - Unquoted

	2024		2023	
	No. of Shares	Amount Rs 000	No. of Shares	Amount Rs 000
Credit Information Bureau of Sri Lanka (CRIB)	300	30	300	30
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	3	1,722	3	1,722
Lanka Clear (Private) Limited	100,000	1,000	100,000	1,000
Lanka Financial Services Bureau Limited (LFSB)	100,000	1,000	100,000	1,000
		3,752		3,752

28.2 Currency-wise Analysis

	2024 Rs 000	2023 Rs 000
Sri Lankan Rupee	19,347,634	3,752
	19,347,634	3,752

28.3 Collateralisation-wise Analysis

	2024 Rs 000	2023 Rs 000
Pledged as collateral	6,101,500	-
Unencumbered	13,246,134	3,752
	19,347,634	3,752

The maturity analysis of financial assets at FVOCI is given in Note 52.

29 PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one year.

Basis of Recognition

Property, plant and equipment are recognised, if it is probable that future economic benefits associated with the assets will flow to the Bank and cost of the assets can be reliably measured.

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. The cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding cost of day-to-day servicing). The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of 'Computer Hardware'. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Cost Model

The Bank applies cost model to property, plant and equipment except for freehold land and buildings and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Revaluation Model

The Bank applies the revaluation model to the entire class of freehold land and buildings. Such properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and buildings of the Bank are revalued every three years on a roll over basis or more frequently if the fair values are substantially different from the carrying amounts to ensure that the carrying amounts do not differ materially from the fair values at the reporting date.

When asset's carrying value is increased as a result of a revaluation, the increase shall be recognised in 'Other Comprehensive Income' (OCI) and accumulated in equity under the heading of 'Revaluation Reserve'. However, the increase shall be recognised in Profit or Loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in Profit or Loss. If an asset's carrying value is decreased as a result of a revaluation, the decrease shall be recognised in Profit or Loss. However, the decrease shall be recognised in "Other Comprehensive Income' (OCI) to the extent of any credit balance existing in the 'Revaluation Reserve' in respect of that asset. The decrease recognised in 'Other Comprehensive Income' (OCI) reduces the amount accumulated in equity under the heading of 'Revaluation Reserve'.

A transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation reserve relating to the particular asset being sold/disposed off is transferred to retained earnings upon derecognition.

Subsequent Costs

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied within that part will flow to the Bank and its cost can be reliably measured. The costs of day-to-day servicing of property, plant and equipment are charged to Profit or Loss as incurred. Costs incurred in using or redeploying an item are not included under the carrying values of that item.

Derecognition

The carrying values of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment which is calculated as the difference between the carrying values and the net disposal proceeds is included in Profit or Loss when the item is derecognised.

When replacement costs are recognised in the carrying values of an item of property, plant and equipment, the remaining carrying values of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying values of the previous cost of inspections is derecognised.

Depreciation

The Bank provides depreciation from the date the assets are available for use up to the date of disposal at the following rates on a straight line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Bank of the different types of assets, except for which are disclosed separately. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held-for-sale or the date that the asset is derecognised. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

Depreciation is calculated using the straight line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. Freehold land is not depreciated. The estimated useful lives are as follows:

Buildings	40 Years
Office Equipment	6 Years
Computer Hardware and Equipment	6-10 Years
Furniture & Fittings	5-10 Years
Motor Vehicles	5 Years

The depreciation methods, useful lives and residual values of assets are reviewed at each financial reporting date. If there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method shall be changed to reflect the changed pattern.

29.1 Cost/Fair Value

	Freehold Land Rs 000	Freehold Buildings Rs 000	Office Equipment Rs 000	Computer Hardware & Equipment Rs 000	Furniture & Fittings Rs 000	Motor Vehicles Rs 000	Total Rs 000
As at 01st January 2024	1,616,000	655,000	460,193	811,369	846,877	20,507	4,409,946
Additions	-	-	13,363	139,655	43,400	-	196,418
Revaluation Adjustment	49,000	9,000	-	-	-	-	58,000
Disposals	-	-	(6,689)	(363)	(7,178)	-	(14,230)
As at 31st December 2024	1,665,000	664,000	466,867	950,661	883,099	20,507	4,650,134

29.2 Depreciation and Impairment

	Freehold Land Rs 000	Freehold Buildings Rs 000	Office Equipment Rs 000	Computer Hardware & Equipment Rs 000	Furniture & Fittings Rs 000	Motor Vehicles Rs 000	Total Rs 000
As at 01st January 2024	-	7,024	409,455	546,476	620,557	20,368	1,603,880
Depreciation Charge for the Year (Note 16)	-	28,098	19,959	64,384	55,534	60	168,035
Revaluation Adjustment	-	(35,122)	-	-	-	-	(35,122)
Disposals	-	-	(6,647)	(363)	(5,866)	-	(12,876)
As at 31st December 2024	-	-	422,767	610,497	670,225	20,428	1,723,917

There were no impairment losses recognised on Property, Plant and Equipment as at 31st December 2024 as per the assessment of the Board of Directors (2023 - Nil).

29.3 Net Book Value:

	Freehold Land	Freehold Buildings	Office Equipment	Computer Hardware & Equipment	Furniture & Fittings	Motor Vehicles	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
As at 31st December 2023	1,616,000	647,976	50,738	264,893	226,320	139	2,806,066
As at 31st December 2024	1,665,000	664,000	44,100	340,164	212,874	79	2,926,217

29.4 There were no capital work-in-progress outstanding as at the Statement of Financial Position Date. (2023 - Nil).

29.5 Freehold Land and Building

29.5.1 Addresses, Locations and Extents

Address	Extent		31st December 2024 Revalued Amount		31st December 2023 Revalued Amount	
	Land (Perches)	Building (Square Feet)	Land Rs 000	Building Rs 000	Land Rs 000	Building Rs 000
No: 450, Galle Road, Colombo 03	23.66	41,420	662,500	642,500	650,000	635,000
No: 08, Sea Avenue, Colombo 03	18.55	-	394,000	-	380,000	-
No: 10, Sea Avenue, Colombo 03	19.80	-	411,000	-	396,000	-
No: 12 & 12 1/1, Sea Avenue, Colombo 03	9.75	3,900	197,500	21,500	190,000	20,000
Total (Note 48.2)			1,665,000	664,000	1,616,000	655,000

29.5.2 The details of the land and buildings stated at revalued amounts as at 31st December 2024 are given below;

Location/ Address	Valuer Name	Date of Valuation	Method of Valuation	Land		Building	
				Cost Rs 000	Revalued Amount Rs 000	Cost Rs 000	Revalued Amount Rs 000
No 450: Galle Road, Colombo 03	J.M.S.Bandara	31st December 2024	Market Comparable Method (Land)/ Investment Method (Building)	183,970	662,500	212,333	642,500
No: 08, Sea Avenue, Colombo 03	J.M.S.Bandara	31st December 2024	Market Comparable Method (Land)/ Investment Method (Building)	106,167	394,000	-	-
No: 10, Sea Avenue, Colombo 03				82,437	411,000	-	-
No: 12 & 12 1/1, Sea Avenue, Colombo 03				41,079	197,500	10,920	21,500
				413,653	1,665,000	223,253	664,000

All freehold land and buildings owned by the Bank have been revalued by Mr. J.M.S. Bandara, an Independent Chartered Valuation Surveyor having recent experience of the location and the category of the assets valued. The details of revalued properties are disclosed in Note 29.5.2 Revaluation surplus arising out of the revaluation has been transferred to Revaluation Reserve.

Significant Unobservable Valuation Input

Land: Price per perch Rs. 20,250,000/- Rs. 28,000,000/-
Building: Monthly rent per square feet - Rs. 235/-

Given below is a description of valuation techniques used in measuring freehold land and buildings.

Valuation Technique	Inter-relationship between significant unobservable inputs and fair value measurement
Market Comparable Method	Market comparable method considers the selling price of similar property within the reasonable period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making approriate adjustments for differences in size, nature, location and condition of the specific property. Significant increase/(decrease) in estimated price per perch would results in a significant higher/(lower) fair value.
Investment Method	This method involves the capitalisation of the expected rental income at an appropriate rate of years purchased currently characterised by the real estate market. Significant increase/(decrease) in monthly rent per square feet, outgoing expenses and number of years since purchase would result in a significant higher/(lower) fair value.

Other fair value related disclosures on revalued land and buildings are provided in Note 48.2.

29.5.3 The carrying value of revalued land and buildings, if they were carried at cost less depreciation, would be as follows;

	2024			2023		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Freehold Land	413,653	-	413,653	413,653	-	413,653
Freehold Buildings	223,253	97,178	126,075	223,253	91,597	131,656
Total	636,906	97,178	539,728	636,906	91,597	545,309

29.6 A class-wise analysis of the cost/fair value of fully depreciated property, plant and equipment of the Bank which are still in use at the date of the Statement of Financial Position are as follows;

	2024	2023
	Rs 000	Rs 000
Office Equipment	357,557	333,631
Computer Hardware and Equipment	402,179	384,622
Furniture & Fittings	491,721	454,661
Motor Vehicles	20,209	20,209
	1,271,666	1,193,123

29.7 There were no property, plant and equipment identified as temporarily idle as at the date of the Statement of Financial Position (2023-Nil).

29.8 The following property, plant and equipment were retired from active use as at the date of the Statement of Financial Position.

	2024	2023
	Rs 000	Rs 000
Computer Hardware and Equipment	70,433	67,130

29.9 There were no restrictions on the title of property, plant and equipment as at the date of the Statement of Financial Position (2023 - Nil).

29.10 There were no items of property, plant and equipment pledged as securities against liabilities as at the date of the Statement of Financial Position (2023 - Nil).

29.11 There were no capitalised borrowing costs relating to acquisition of property, plant and equipment during the year (2023 - Nil).

29.12 The significant Capital Commitments to acquire property, plant and equipment at the date of the Statement of Financial Position are disclosed in the Note 53.1.1

30 RIGHT-OF-USE (ROU) ASSETS

Accounting Policy

The Bank assesses at contract inception whether the contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration as per SLFRS 16 and recognise Right-of-Use (ROU) assets and lease liabilities.

Bank as a Lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Bank recognises lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

The Bank recognises ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight line basis over the lease term and are subject to impairment in line with the Bank's policy for impairment of non-financial assets.

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Determination of the Lease Term for Lease Contracts with Renewal and Termination Options (Bank as a Lessee)

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

Estimating the Incremental Borrowing Rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its Incremental Borrowing Rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR, therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments.

Bank as a Lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight line basis over the lease terms and is included in 'Revenue' in the Statement of Comprehensive Income (Profit or Loss) due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

30.1 Assets hold under lease have been recognised as ROU assets under SLFRS 16.

	2024 Rs 000	2023 Rs 000
As at 01st January	1,399,766	1,593,986
Additions	365,382	277,220
Leases Derecognised before Expiry	(44,850)	(171,139)
Amortisation Charge (Note 16)	(310,512)	(300,301)
As at 31st December	1,409,786	1,399,766

30.2 Corresponding lease liabilities for the ROU assets have been recognised under 'Other Liabilities'.

	2024 Rs 000	2023 Rs 000
As at 01st January	1,512,130	1,620,706
Additions	346,214	272,420
Accretion of Interest (Note 7)	137,514	134,151
Leases Derecognised before Expiry	(44,262)	(151,041)
Rentals Paid	(393,252)	(364,106)
As at 31st December (Note 38)	1,558,344	1,512,130

30.3 Maturity Analysis of Lease Liabilities

	2024			
	Amount Repayable Within 1 Year	Amount Repayable After 1 Year But Less Than 5 Years	Amount Repayable After 5 Years	Total
	Rs 000	Rs 000	Rs 000	Rs 000
Gross Lease	372,920	1,161,451	540,440	2,074,811
Finance Charges Allocated to Future Periods	(92,828)	(289,111)	(134,528)	(516,467)
Net Lease Liabilities	280,092	872,340	405,912	1,558,344

	2023			
	Amount Repayable Within 1 Year	Amount Repayable After 1 Year But Less Than 5 Years	Amount Repayable After 5 Years	Total
	Rs 000	Rs 000	Rs 000	Rs 000
Gross Lease	430,752	1,419,861	343,519	2,194,132
Finance Charges Allocated to Future Periods	(133,891)	(441,335)	(106,776)	(682,002)
Net Lease Liabilities	296,861	978,526	236,743	1,512,130

30.4 Sensitivity on Assumptions in ROU Assets

The following table demonstrates the sensitivity to possible changes in key assumptions employed with all other variables held constant in the ROU assets and lease liabilities as at 31st December 2024. The sensitivity of the Statement of Financial Position and Statement of Comprehensive Income is the effect of the assumed changes in the incremental borrowing rate on the Profit or Loss and ROU assets/lease liabilities for the year.

	2024			
	Sensitivity Effect on Statement of Financial Position		Sensitivity Effect on Statement of Comprehensive Income (Profit or Loss)	
	ROU Assets	Lease Liabilities	Depreciation	Interest Expense
	Rs 000	Rs 000	Rs 000	Rs 000
Increase/(Decrease) in Incremental Borrowing Rate				
1%	(80,855)	(80,855)	(9,211)	15,839
(1%)	85,780	85,780	9,716	(15,795)

	2023			
	Sensitivity Effect on Statement of Financial Position		Sensitivity Effect on Statement of Comprehensive Income (Profit or Loss)	
	ROU Assets	Lease Liabilities	Depreciation	Interest Expense
	Rs 000	Rs 000	Rs 000	Rs 000
Increase/(Decrease) in Incremental Borrowing Rate				
1%	(70,985)	(70,985)	(8,826)	16,137
(1%)	75,227	75,227	9,313	(16,093)

31 INTANGIBLE ASSETS

Accounting Policy

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes. The Bank's intangible assets include cost of core banking software licenses and other computer software.

Basis of Recognition

An intangible asset is recognised only when it is probable that the expected future economic benefits that are attributable to it will flow to the Bank and its cost can be measured reliably.

Measurement

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in these assets. All other expenditure is expensed as incurred.

Subsequent Expenditure

Expenditure incurred on software is capitalised only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

Amortisation

Intangible assets are amortised on straight line basis to Profit or Loss from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the Bank. The estimated useful lives are as follows:

Core Banking Software License	15 Years
Other Software	8 Years

The above rates are also comparable with the rates applied in the previous year. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Expenditure on an intangible item that was initially recognised as an expense by the Bank in previous financial years is not recognised as part of the cost of that intangible asset at a later date.

Retirement and Disposal

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying value of the asset and are recognised in Profit or Loss.

Computer Software

31.1 Cost

	Total Rs 000
As at 01st January 2024	818,461
Additions	68,783
Disposals	-
As at 31st December 2024	887,244

31.2 Amortisation

	Total Rs 000
As at 01st January 2024	496,900
Amortisation Charge for the Year (Note 16)	61,662
Disposals	-
As at 31st December 2024	558,562

31.3 Net Book Value

	Total Rs 000
As at 31st December 2023	321,561
As at 31st December 2024	328,682

31.4 There were no intangible asset items pledged as a security against liabilities as at the date of the Statement of Financial Position (2023 - Nil).

31.5 There were no capitalised borrowing costs related to intangible assets acquired during the year (2023 - Nil).

31.6 There were no impairment losses recognised to Profit or Loss during the year with regard to intangible assets (2023 - Nil).

31.7 The following Software were retired from active use as at the date of the Statement of Financial Position.

	2024 Rs 000	2023 Rs 000
Computer Software	126,892	126,892

31.8 The significant Capital Commitments to acquire intangible assets at the date of the Statement of Financial Position are disclosed in the Note 53.1.1

32 OTHER ASSETS

Accounting Policy

Other assets are stated at cost less accumulated impairment losses.

	2024 Rs 000	2023 Rs 000
Deposits and Prepayments	525,461	584,760
Pre-paid Staff Cost (Note 32.1)	391,515	288,176
Items in Transit	204,913	556,027
Other Receivables (Note 32.2)	181,980	403,606
	1,303,869	1,832,569

32.1 The movement in Pre-paid Staff Cost during the year is as follows;

	2024 Rs 000	2023 Rs 000
As at 01st January	288,176	330,345
Additions during the year	172,409	52,281
Reversals due to Settlements	(32,833)	(63,274)
Amortisation Charge for the Year (Note 16)	(36,237)	(31,176)
As at 31st December	391,515	288,176

32.2 Other receivables include other statutory receivables and other balances due in the ordinary course of business.

33 DUE TO BANKS

Accounting Policy

The accounting policies pertaining to due to bank are given in Notes 2.8.2, 2.8.3.6, 2.8.4 and 2.8.5. Due to banks represents call money borrowings, refinance borrowings and balances with foreign banks.

	2024 Rs 000	2023 Rs 000
Call Money Borrowings	7,067,333	852,129
Refinance Borrowings	1,815,561	695,566
Balances with Foreign Banks	10,718	-
	8,893,612	1,547,695

The Bank has not had any defaults of capital, interest or other breaches with regard to any liability during the year (2023 - Nil).

The maturity analysis of due to banks is given in Note 52.

34 FINANCIAL LIABILITIES AT AMORTISED COST - DUE TO DEPOSITORS

Accounting Policy

The accounting policies pertaining to financial liabilities at amortised cost - due to depositors are given in Notes 2.8.2, 2.8.3.6, 2.8.4 and 2.8.5. Due to depositors include demand deposits, savings deposits, time deposits, deposits payables at call, certificate of deposits and margin deposits.

34.1 Product-wise Analysis

	2024 Rs 000	2023 Rs 000
Demand Deposits	8,502,083	6,506,142
Savings Deposits	32,349,241	25,089,797
Time Deposits	149,459,014	142,211,552
Certificate of Deposits	699,043	1,206,540
Margin Deposits	283,781	330,839
	191,293,162	175,344,870

34.2 Currency-wise Analysis

	2024 Rs 000	2023 Rs 000
Sri Lankan Rupee	170,416,138	158,096,107
United States Dollar	18,626,140	14,796,574
Great Britain Pound	971,224	1,047,967
Australian Dollar	800,698	851,237
Euro	342,839	460,827
Others	136,123	92,158
	191,293,162	175,344,870

The maturity analysis of financial liabilities at amortised cost - due to depositors is given in Note 52.

35 FINANCIAL LIABILITIES AT AMORTISED COST - DUE TO DEBT SECURITIES HOLDERS

Accounting Policy

The accounting policies pertaining to financial liabilities at amortised cost - due to debt securities holders are given in Notes 2.8.2, 2.8.3.6, 2.8.4 and 2.8.5.

	2024 Rs 000	2023 Rs 000
Unsecured Term Facility Borrowings (Note 51.6)	1,592,971	13,051,593
	1,592,971	13,051,593

The Bank has not had any defaults of capital, interest or other breaches with regard to any liability during the year (2023 - Nil).

The maturity analysis of financial liabilities at amortised cost - due to debt securities holders is given in Note 52.

35.1 Unsecured Term Facility Borrowings - Capital

	Senior		Total
	Fixed Rs 000	Floating Rs 000	Rs 000
As at 01st January 2024	4,833,706	8,119,886	12,953,592
Repayments During the Year (Note 51.6)	(4,833,706)	(6,378,377)	(11,212,083)
Effect of Movements in Foreign Exchange Rate (Note 51.6)	-	(164,864)	(164,864)
As at 31st December 2024	-	1,576,645	1,576,645

36 CURRENT TAX LIABILITIES

The policy adopted in accounting for current tax liabilities is given in Note 19 to the Financial Statements.

	2024 Rs 000	2023 Rs 000
As at 01st January	2,609,962	1,751,180
Current Tax Charge on Profit for the Year (Note 19)	372,127	1,421,068
Over Provisions in Respect of Previous Years (Note 19)	(513,524)	(524,644)
Income Tax Paid and Other Tax Credits	(1,312,229)	(37,642)
As at 31st December	1,156,336	2,609,962

37 OTHER PROVISIONS AND ACCRUALS

Accounting Policy

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in Profit or Loss in the Statement of Comprehensive Income net of any reimbursement.

Provisions for operational risk events are recognised for losses incurred by the Bank which do not relate directly to amounts of principal outstanding for loans and advances. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision.

	2024 Rs 000	2023 Rs 000
Utility Payables	148,233	96,239
Other Accruals	884,969	439,899
	1,033,202	536,138

38 OTHER LIABILITIES

Accounting Policy

Other liabilities are recorded at the cash value to be paid when settled. Accounting policies related to allowance for ECL on financial guarantees and documentary credit and lease liabilities are disclosed in Note 2.8.6.2 and Note 30 respectively.

	2024 Rs 000	2023 Rs 000
Cheques Pending Realisation	739	6,120
Claims Payable	294,886	197,856
Allowance for ECL on Financial Guarantees and Documentary Credit (Note 38.3)	125,010	109,339
Lease Liabilities (Note 30.2)	1,558,344	1,512,130
Taxes and Other Statutory Payables (Note 38.1)	1,851,161	1,223,619
Items in Transit	61,989	315,518
Other Creditors (Note 38.2)	1,263,938	1,271,524
	5,156,066	4,636,105

38.1 Taxes and other statutory payables include VAT payable on financial services, normal VAT payable, SSCL payable etc.

38.2 Other creditors include miscellaneous payables in the ordinary course of business.

38.3 Allowance for ECL on Financial Guarantees and Documentary Credit

	ECL Allowances as at 01/01/2024 Rs 000	Charge/ (Reversal) for the Year Rs 000	ECL Allowances as at 31/12/2024 Rs 000	ECL Allowances as at 01/01/2023 Rs 000	Charge/ (Reversal) for the Year Rs 000	ECL Allowances as at 31/12/2023 Rs 000
Financial Guarantees (Note 14)	79,623	1,529	81,152	85,990	(6,367)	79,623
Documentary Credit (Note 14)	29,716	14,142	43,858	24,119	5,597	29,716
	109,339	15,671	125,010	110,109	(770)	109,339

The nominal values of financial guarantees and documentary credit are disclosed in Note 53.

All financial guarantees and documentary credit outstanding as at the year-end are Stage 1 exposures (2023-Stage 1).

The changes in ECLs of the financial guarantees and documentary credit were driven by the changes in gross size of the portfolios, changes in historical loss experience and changes in macro-economic conditions.

39 RETIREMENT BENEFIT OBLIGATIONS

Accounting Policy

Defined Contribution Plans Costs – Employees' Provident Fund and Employees' Trust Fund

Defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to a defined contribution plan are recognised under the 'Personnel Expenses' in the Profit or Loss in the periods during which services are rendered by employees. Employees are eligible for Employees' Provident Fund and Employees' Trust Fund contributions in line with the respective statutes and regulations. Accordingly, the Bank contributes 12% - 15% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively and is recognised as an expense under 'Personnel Expenses'.

Defined Benefit Plan - Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Statement of Financial Position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated using the 'Projected Unit Credit Method as recommended by LKAS 19 - Employee Benefits and resulting actuarial gains/(losses) are recognised in full in the Other Comprehensive Income (OCI). The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates that are denominated in the currency in which the benefits will be paid and that have terms of maturity approximating to the terms of the liability. Provision has been made in the Financial Statements for retiring gratuities from the first year of service for all employees, in conformity with LKAS 19 - Employee Benefits. However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued service.

The amounts recognised in the Statement of Comprehensive Income in respect of defined benefit plan costs are as follows;

39.1 Defined Benefit Plan Expenses

	2024 Rs 000	2023 Rs 000
Current Service Cost (Note 39.2)	61,178	46,069
Interest Cost (Note 39.2)	70,832	84,668
Components Recognised in Profit or Loss (Note 15)	132,010	130,737
Remeasurement of Net Defined Benefit Obligations		
Actuarial (Gains)/Losses (Note 39.2)	106,088	(820)
Components Recognised in Other Comprehensive Income	106,088	(820)

39.2 Movement in the Defined Benefit Plan - Retiring Gratuity Obligation

The movements in the present value of the defined benefit plan obligation are as follows:

	2024 Rs 000	2023 Rs 000
As at 01st January	505,946	470,378
Current Service Cost	61,178	46,069
Interest Cost	70,832	84,668
Actuarial (Gains)/Losses Due to Changes in Assumptions	106,088	(820)
Benefits Paid During the Year	(61,238)	(94,349)
As at 31st December	682,806	505,946

Actuarial valuation of retiring gratuity obligation as at 31st December 2024 was carried out by Mr. Pushpakumara Gunasekera, Associate of the Institute of Actuaries of Australia on behalf of Messrs. Smiles Global (Pvt) Limited, a firm of professional actuaries using 'Projected Unit Credit Method' as recommended by LKAS 19 - 'Employee Benefits'.

The principal assumptions used in determining the retiring benefit obligation are given below;

	2024	2023
Discount Rate (Note 39.3)	11% p.a.	14% p.a.
Future Salary Increment Rate	11% p.a.	12% p.a.
Normal Retirement Age	57-60 Years	57-60 Years
Staff Turnover Rate	21% p.a.	18% p.a.
Mortality	1967-70 Mortality Table issued by the Institute of Actuaries, London	1967-70 Mortality Table issued by the Institute of Actuaries, London

Defined benefit plan obligation is not externally funded. Hence, no contributions are expected for the year 2025.

39.3 Discount Rate

The Bank uses market yields at the end of the reporting date on Treasury Bonds issued by the Government of Sri Lanka for the remaining maturity corresponds with the remaining average working life of the employees of the Bank to determine the discount rate.

39.4 Sensitivity of Assumptions in Actuarial Valuation of Retiring Gratuity Obligation

The following table demonstrates the sensitivity to a possible change in key assumptions employed with all other variables held constant in the retiring gratuity obligation measurement as at the reporting date. The sensitivity of the Statement of Financial Position and Statement of Comprehensive Income is the effect of the assumed changes in the discount rate and the salary increment rate on the Profit or Loss and retiring gratuity obligation for the year.

		2024		2023	
Increase/(Decrease) in Discount Rate	Increase/ (Decrease) in Salary Increment Rate	Sensitivity Effect on Statement of Other Comprehensive Income (OCI) Rs 000	Sensitivity Effect on Defined Benefit Obligation Rs 000	Sensitivity Effect on Statement of Other Comprehensive Income (OCI) Rs 000	Sensitivity Effect on Defined Benefit Obligation Rs 000
1%	-	25,209	(25,209)	19,084	(19,084)
(1%)	-	(27,305)	27,305	(20,716)	20,716
-	1%	(30,166)	30,166	(23,200)	23,200
-	(1%)	28,330	(28,330)	21,708	(21,708)

39.5 Maturity Profile of Defined Benefit Obligation Plan

The maturity profile of the defined benefit obligation plan as at the date of the Statement of Financial Position is given below;

	2024	2023
Weighted Average Duration of Defined Benefit Obligation (Years)	5.72	5.84
Average Time to Benefit Payout (Years)	4.59	5.32

39.6 Distribution of Defined Benefit Obligation Over Future Lifetime

The following table demonstrates the distribution of the future working lifetime of the defined benefit obligation as at the date of the Statement of Financial Position

	2024 Rs 000	2023 Rs 000
Less than 1 Year	13,481	16,576
Between 1 - 2 Years	3,812	7,281
Between 2 - 5 Years	665,513	183,326
Over 5 Years	-	298,763
	682,806	505,946

40 SUBORDINATED DEBENTURES

Accounting Policy

Subordinated debentures represent funds borrowed for long term funding purposes of the Bank which are subordinated to the other claims. The accounting policies pertaining to subordinated debentures are given in Notes 2.8.2, 2.8.3.6, 2.8.4 and 2.8.5.

	2024 Rs 000	2023 Rs 000
Unlisted, Unsecured, Subordinated, Redeemable Debentures	872,839	872,839
	872,839	872,839

All the above debentures are denominated in Sri Lankan Rupees.

40.1 Unlisted, Unsecured, Subordinated, Redeemable Debentures

2020/25 Issue

Debentures outstanding as at 31st December 2024, includes of 8,200,000 unlisted, unsecured, subordinated, redeemable debentures of Rs. 100/- each issued by the Bank in 2020, details of which are given below:

Debenture Category	Interest Rate	Interest Payable Frequency	Issued Date	Maturity Date	Face Value Rs 000
2020/25 - Fixed Rate	14% p.a.	Semi-Annually	17.07.2020	16.07.2025	820,000

The Bank has not had any defaults of capital, interest or other breaches with regard to any liability during the year 2024 (2023-Nil).

The maturity analysis of these debentures is given in Note 52.

41 STATED CAPITAL

Ordinary Voting Shares

Ordinary Voting Shares in the Bank are recognised at the amount paid per ordinary share net of directly attributable issue costs. The shares of the Bank are quoted in the Colombo Stock Exchange. The holders of the ordinary voting shares are entitled to receive dividends declared from time to time and are entitled to one vote per share at General Meetings of the Bank.

Ordinary Non-Voting Shares

There were no Ordinary non-voting shares as at 31st December 2024. (2023 - Nil)

	2024		2023	
	No. of Shares	Amount Rs 000	No. of Shares	Amount Rs 000
Ordinary Voting Shares	442,561,629	3,614,253	442,561,629	3,614,253
As at 31st December	442,561,629	3,614,253	442,561,629	3,614,253

There were no changes to the number of ordinary shares and the stated capital of the Bank during the year (2023 - Nil).

42 STATUTORY RESERVE FUND

The statutory reserve fund is maintained as required by Section 20 (1) and (2) of the Banking Act No. 30 of 1988. A sum equivalent to 5% of the Profit After Tax (Profit for the Year) should be transferred to the statutory reserve fund until the reserve is equal to 50% of the stated capital of the Bank and thereafter a sum equivalent to 2% of such profits until the amount of reserve is equal to the stated capital of the Bank. This statutory reserve fund will be used only for the purposes specified in Section 20 (2) of the Banking Act No. 30 of 1988.

	2024 Rs 000	2023 Rs 000
As at 01st January	987,738	894,990
Transferred from Retained Earnings (Note 44)	206,736	92,748
As at 31st December	1,194,474	987,738

43 SPECIAL RESERVE

As per the Central Bank of Sri Lanka letter dated 13th February 2025, the Bank has created a 'Special Reserve' by transferring an amount equivalent to 15% of the fair value of USD Step-up Bonds which carry an LKR settlement option, from the Retained Earnings, by considering the settlement risk associated with the USD bonds received to replace the restructured Sri Lanka International Sovereign Bonds, as a temporary measure for a period of 6 months commencing from 31st December 2024. This reserve is excluded from regulatory capital requirements.

	2024 Rs 000	2023 Rs 000
As at 01st January	-	-
Transferred from Retained Earnings (Note 44)	595,771	-
As at 31st December	595,771	-

44 RETAINED EARNINGS

	2024 Rs 000	2023 Rs 000
As at 01st January	16,794,390	15,018,525
Profit for the Year	4,134,716	1,854,965
Other Comprehensive Income for the Year	(74,262)	574
Transferred to Statutory Reserve Fund (Note 42)	(206,736)	(92,748)
Realisation of Revaluation Reserve (Note 46)	13,074	13,074
Final Dividend for 2023: Cash	(110,640)	-
Transferred to Special Reserve (Note 43)	(595,771)	-
As at 31st December	19,954,770	16,794,390

45 FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI) RESERVE

The FVOCI reserve comprises the cumulative net change in the fair value of financial assets measured at FVOCI until such investments are derecognised or impaired.

	2024 Rs 000	2023 Rs 000
As at 01st January	-	-
Net Fair Value Gains arising on Remeasurement of Debt Instruments at FVOCI	259,508	-
Reclassification to Gains to Profit or Loss due to Derecognition of Debt Instruments at FVOCI	(23,609)	-
	235,899	-
Deferred Tax Effect	(70,770)	-
As at 31st December	165,129	-

46 REVALUATION RESERVE

	2024 Rs 000	2023 Rs 000
As at 01st January	1,201,270	1,088,780
Revaluation Surplus on of Freehold Land and Buildings	93,122	179,377
Deferred Tax Effect	(27,937)	(53,813)
	65,186	125,564
Realisation to Retained Earnings	(13,074)	(13,074)
As at 31st December	1,253,381	1,201,270

47 ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY MEASUREMENT BASIS

Financial assets and financial liabilities are measured on an on-going basis at either fair value or amortised cost. The summary of material accounting policy information in Note 2 describes how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category as defined in SLFRS 9 - Financial Instruments and by Statement of Financial Position headings;

As at 31 December 2024	Financial Assets at FVPL Rs 000	Financial Assets at FVOCI Rs 000	Financial Assets and Liabilities at Amortised Cost Rs 000	Derivative Financial Instruments at Fair Value Rs 000	Total Rs 000
Financial Assets					
Cash and Cash Equivalents	-	-	3,413,701	-	3,413,701
Balances with Central Bank of Sri Lanka	-	-	5,499,181	-	5,499,181
Reverse Repurchase Agreements	-	-	1,001,140	-	1,001,140
Derivative Financial Instruments	-	-	-	79,869	79,869
Financial Assets at FVPL	13,107,697	-	-	-	13,107,697
Financial Assets at Amortised Cost - Loans and Advances	-	-	151,069,047	-	151,069,047
Financial Assets at Amortised Cost - Debt and Other Instruments	-	-	63,348,832	-	63,348,832
Financial Assets at FVOCI	-	19,347,634	-	-	19,347,634
	13,107,697	19,347,634	224,331,901	79,869	256,867,101
Financial Liabilities					
Due to Banks	-	-	8,893,612	-	8,893,612
Repurchase Agreements	-	-	25,345,992	-	25,345,992
Derivative Financial Instruments	-	-	-	58,248	58,248
Financial Liabilities at Amortised Cost - Due to Depositors	-	-	191,293,162	-	191,293,162
Financial Liabilities at Amortised Cost -Due to Debt Securities Holders	-	-	1,592,971	-	1,592,971
Subordinated Debentures	-	-	872,839	-	872,839
Other Liabilities	-	-	1,719,278	-	1,719,278
	-	-	229,717,854	58,248	229,776,102

As at 31 December 2023	Financial Assets at FVPL	Financial Assets at FVOCI	Financial Assets and Liabilities at Amortised Cost	Derivative Financial Instruments at Fair Value	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial Assets					
Cash and Cash Equivalents	-	-	6,238,153	-	6,238,153
Balances with Central Bank of Sri Lanka	-	-	2,909,271	-	2,909,271
Derivative Financial Instruments	-	-	-	26,238	26,238
Financial Assets at FVPL	4,277,569	-	-	-	4,277,569
Financial Assets at Amortised Cost - Loans and Advances	-	-	131,296,112	-	131,296,112
Financial Assets at Amortised Cost - Debt and Other Instruments	-	-	80,216,838	-	80,216,838
Financial Assets at FVOCI	-	3,752	-	-	3,752
	4,277,569	3,752	220,660,374	26,238	224,967,933
Financial Liabilities					
Due to Banks	-	-	1,547,695	-	1,547,695
Repurchase Agreements	-	-	11,611,454	-	11,611,454
Derivative Financial Instruments	-	-	-	142,069	142,069
Financial Liabilities at Amortised Cost - Due to Depositors	-	-	175,344,870	-	175,344,870
Financial Liabilities at Amortised Cost -Due to Debt Securities Holders	-	-	13,051,593	-	13,051,593
Subordinated Debentures	-	-	872,839	-	872,839
Other Liabilities	-	-	1,653,382	-	1,653,382
	-	-	204,081,833	142,069	204,223,902

48 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Bank measures financial instruments such as financial assets at FVPL, financial assets at FVOCI, financial derivatives and non-financial assets such as certain classes of property, plant and equipment at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

• In the principal market for the asset or liability

or

• In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account of a market participants' ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

48.1 Financial Instruments and Non-Financial Assets Recorded at Fair Value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

(a) Derivatives

Derivative products valued with market-observable inputs are mainly currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward exchange spot and forward premiums/discounts.

(b) Financial Assets at FVOCI

Financial assets at FVOCI primarily consist of unquoted equity securities and Sri Lanka government Rupee securities. Sri Lanka Government Rupee securities are valued using the published Yield Curves by the Central Bank of Sri Lanka while quoted equity securities are valued using quoted market prices in the active markets as at the reporting date.

(c) Financial Assets at FVPL

Financial assets at FVPL include Sri Lanka Government Rupee Securities and unit trust securities. Sri Lanka Government Rupee Securities are valued using yield curves published by the Central Bank of Sri Lanka. The Bank uses net asset value of units as at the reporting date as the market value of the units.

(d) Property, Plant & Equipment

Freehold land and buildings are carried at revalued amount, being their fair value at the revaluation date less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Further details of fair value measurements of lands and buildings are disclosed in Note 29.5

48.2 Determination of Fair Value and Fair Value Hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments and non-financial assets by valuation technique.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the fair value hierarchy by reassessing categorisation at the end of each reporting date.

External valuers are involved for valuation of significant assets such as properties and significant liabilities such as defined benefit obligations. The selection criteria includes market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date the management analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Bank's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The management in conjunction with the Bank's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. This includes a discussion of the major assumptions used in the valuations.

Also, the Bank has not changed the valuation models and assumptions used to measure the fair values of Level 3 financial instruments/assets during the year 2024. Further, there are no material changes in the fair value of financial assets categorised under Level 3, compared to the values reported as at 31st December 2023.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

a) The following table shows an analysis of financial instruments and non-financial assets and liabilities recorded at fair value by level of fair value hierarchy.

As at 31 December 2024	Level 1 Rs 000	Level 2 Rs 000	Level 3 Rs 000	Total Rs 000
Financial Assets				
Derivative Financial Instruments (Note 24)	-	79,869	-	79,869
Financial Assets at FVPL				
- Sri Lanka Government Rupee Securities - Treasury Bills and Bonds (Note 25)	13,107,697	-	-	13,107,697
Financial Assets at FVOCI				
- Sri Lanka Government Rupee Securities - Treasury Bills and Bonds (Note 28)	19,343,882	-	-	19,343,882
- Equities - Unquoted (Note 28)	-	3,752	-	3,752
	32,451,579	83,621	-	32,535,200
Non-Financial Assets				
Land - Revalued (Note 29.5)	-	-	1,665,000	1,665,000
Buildings - Revalued (Note 29.5)	-	-	664,000	664,000
	-	-	2,329,000	2,329,000
Financial Liabilities				
Derivative Financial Instruments (Note 24)	-	58,248	-	58,248
	-	58,248	-	58,248

As at 31 December 2023	Level 1 Rs 000	Level 2 Rs 000	Level 3 Rs 000	Total Rs 000
Financial Assets				
Derivative Financial Instruments (Note 24)	-	26,238	-	26,238
Financial Assets at FVPL				
- Sri Lanka Government Rupee Securities - Treasury Bills and Bonds (Note 25)	4,277,569	-	-	4,277,569
Financial Assets at FVOCI				
- Equities - Unquoted (Note 28)	-	3,752	-	3,752
	4,277,569	29,990	-	4,307,559
Non-Financial Assets				
Land - Revalued (Note 29.5)	-	-	1,616,000	1,616,000
Buildings - Revalued (Note 29.5)	-	-	647,976	647,976
	-	-	2,263,976	2,263,976
Financial Liabilities				
Derivative Financial Instruments (Note 24)	-	142,069	-	142,069
	-	142,069	-	142,069

b) The following table shows the fair value gains/(losses) recognised in Profit or Loss for the year relating to financial assets and liabilities at FVPL held at the year end.

	2024 Rs 000	2023 Rs 000
Financial Assets/Liabilities		
Derivative Financial Instruments	137,451	(59,733)
Financial Assets at FVPL		
- Sri Lanka Government Rupee Securities - Treasury Bills and Bonds (Note 10)	(70,282)	116,693
	67,169	56,960

48.3 Fair Value of Financial Assets and Liabilities Not Carried at Fair Value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the Financial Statements.

Assets for which Fair Value Approximates Carrying Value

For financial assets and liabilities that have a short term maturity, it is assumed that the carrying value approximates their fair value. This assumption is applied for Cash and Cash Equivalents, Balances with Central Bank of Sri Lanka and Reverse Repurchase Agreements. This assumption is also applied to Call Money Borrowings, Balances with Foreign Banks, Repurchase Agreements, Demand Deposits, Margin Deposits, Savings Accounts without a specific maturity, floating rate instruments and fixed rate instruments having maturities within 12 months.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities (other than assets and liabilities with maturities within 12 months) carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.

Variable Rate Financial Instruments

Variable rate is a fair measure which reflects market movements. Hence, the carrying value represents the fair value of the variable rate instruments.

Set out below is a comparison, by class, of the carrying value and the fair value of the Bank's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair value of non-financial assets and non-financial liabilities.

As at 31st December	2024					2023				
	Carrying Value	Fair Value				Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial Assets										
Cash and Cash Equivalents	3,413,701	-	3,413,701	-	3,413,701	6,238,153	-	6,238,153	-	6,238,153
Balances with Central Bank of Sri Lanka	5,499,181	-	5,499,181	-	5,499,181	2,909,271	-	2,909,271	-	2,909,271
Reverse Repurchase Agreements	1,001,140		1,001,140	-	1,001,140	-	-	-	-	-
Loans and Advances -at Amortised Cost	151,069,047	-	151,313,288	-	151,313,288	131,296,112	-	131,173,599	-	131,173,599
Debt and Other Instruments - at Amortised Cost	63,348,832	55,473,667	8,993,370	-	64,467,037	80,216,838	72,784,286	7,635,945	-	80,420,231
	224,331,901	55,473,667	170,220,680	-	225,694,347	220,660,374	72,784,286	147,956,968	-	220,741,254
Financial Liabilities										
Due to Banks	8,893,612	-	8,893,612	-	8,893,612	1,547,695	-	1,547,695	-	1,547,695
Repurchase Agreements	25,345,992	-	25,345,992	-	25,345,992	11,611,454	-	11,611,454	-	11,611,454
Due to Depositors - at Amortised Cost	191,293,162	-	195,009,495	-	195,009,495	175,344,870	-	176,920,669	-	176,920,669
Due to Debt Securities Holders - at Amortised Cost	1,592,971	-	1,592,971	-	1,592,971	13,051,593	-	13,051,593	-	13,051,593
Subordinated Debentures	872,839	-	872,839	-	872,839	872,839	-	861,420	-	861,420
Other Liabilities	1,719,278	-	1,738,523	-	1,738,523	1,653,382	-	1,494,026	-	1,494,026
	229,717,854	-	233,453,432	-	233,453,432	204,081,833	-	205,486,857	-	205,486,857

49 RISK MANAGEMENT

49.1 Introduction

Risk is inherent in Bank's activities, but is managed through a process of on-going identification, measurement and monitoring, subject to risk limits and other controls as per the risk appetite of the Bank. The process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his/her responsibilities. The Bank's exposure to risk could be broadly categorised into credit risk, market risk, liquidity risk and operational risk. In addition, the impact of other risks such as strategic risk, reputational risk, compliance risk and legal risk are also monitored to avoid any additional impact on the Bank. The impact on risk could be segregated as external or internal according to the nature of the business. External risks may be due to changes in political, regulatory and other changes in the industry could impact the strategic processes of the Bank.

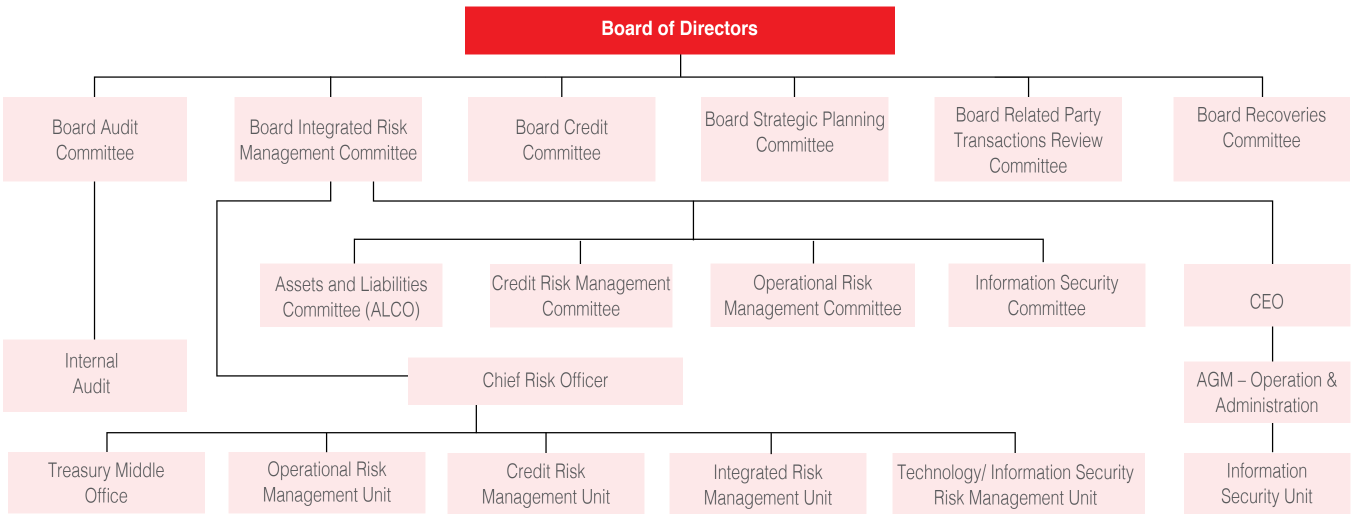
Risk Management Objectives, Policies and Processes

The foremost objective of the risk management is to assess the uncertainty of the future in order to make the best possible decision at present ensuring a return with the minimum impact on the financial position and profitability. The Bank's all risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Further, all risk management policies are updated regularly to reflect changes in market conditions, products and services offered by the Bank and requirements of the regulators.

Measurement of financial instruments is done with proper assessment of expectation in future cash flows. The most imperative methods of ascertaining the risk of such instruments is done by way of assessing the future settlement plan. Early identification of any issues had been the key factor to arrest and addresses the challenges of the environment and the expectation of the Bank. Having identified the categories of the measurements, the mitigating controls were introduced for better portfolio management. Separate management methods were introduced as per collateral, risk rating, and cash flow attached to each instruments. Stringent measures were introduced for items which needed close monitoring.

Risk Governance and Risk Management Strategies and Systems

The Bank's overall responsibility for risk management falls on the Board of Directors. Accordingly, the Bank has established a robust and pervasive risk culture and clear policies that defines the responsibilities of corporate and senior management subject to the oversight of the Board. There are committees at both at the Board and the Management levels to ensure that all risks are appropriately managed and risk limits are established based on the appetite of the Bank.



Board Audit Committee

The Board Audit Committee assists the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls and risk management systems, internal audit process, and the Bank's process for monitoring compliance with legal and regulatory requirements, appointment of external auditors, determination of their fees, ensuring their objectivity and independence and maintaining high standards of good Corporate Governance practices to conform to highest ethical standards. The Board Audit Committee is assisted in these functions by Internal Audit Department. Internal Audit Department undertakes both adhoc and regular reviews of risk management controls and procedures in accordance with the Audit Plan, the results of which are reported to the Board Audit Committee.

Board Credit Committee

The Board of Directors has delegated the responsibility for the oversight of credit management functions of the Bank to the Board Credit Committee. The Board Credit Committee discharges its main responsibilities to operate a sound credit granting process, maintain an appropriate credit administration, maintain adequate controls over credit risk, identification and administration of problem advances, proper evaluation of new business opportunities, cyclical aspects of internal and external economy and review of facilities sanctioned by the Committee and issue of further instructions, if necessary.

Board Integrated Risk Management Committee

The Board Integrated Risk Management Committee mainly looks into the overall risk management aspects of the Bank. The Committee adopts risk strategies, frameworks, and policies and is also responsible for implementation of these strategies and plans. The Committee meets on quarterly basis and discusses the predetermined risk goals implemented as per the Bank wide risk management policy adopted by the Board and review the performances of the management committees. Risk dashboard, risk aggregation reports along with stress testing methodology are used to access the overall risk level of the Bank.

Board Related Party Transaction Review Committee

The Bank constituted Board Related Party Transaction Review Committee in order to assist the Board to review all related party transactions performed by the Bank. The committee monitors Bank's compliance with the Colombo Stock Exchange listing rules which ensure interest of the shareholders when entering into the related party transactions. The Committee independently reviews all related party transactions and provides observations to the Board of Directors if deem necessary.

Board Strategic Planning Committee

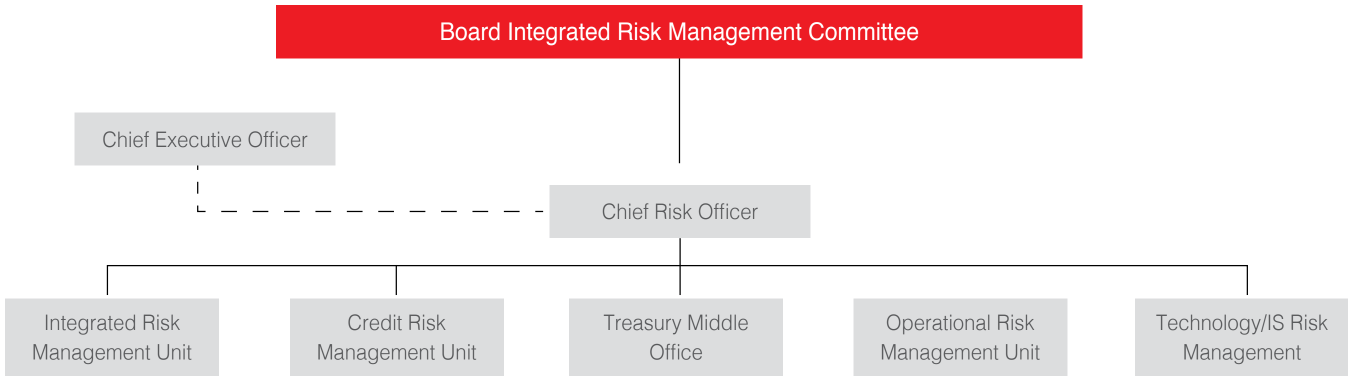
The Board Strategic Planning Committee is formed to ensure that sufficient attention is devoted to the strategic planning process at the Board level. The Committee discharges it's main responsibilities by approving the periodic strategic plan and significant amendments to the existing strategic plan and recommending to the Board, ensuring that the annual budget is prepared to accomplish the goals and objectives of the strategic plan and recommending the same to the Board, reviewing the actual performance against the strategic plan as well as the annual budget, reviewing the appropriateness of current vision, mission and strategic positioning of the Bank, approving all strategic investment decisions such as mergers and acquisitions and recommending the same to the Board, reviewing the adequacy and composition of the Bank's capital structure in the context of the growth targets.

Board Recoveries Committee

The Board Recoveries Committee is formed to inculcate top to bottom approach in minimising Non-Performing Advances (NPAs) and maximising the profitability of the Bank since recoveries indicate a paramount important for the overall performance of the bank. The Committee was formed for the purpose of ensuring sound recovery function while minimising potential non-performing advances to achieve sustainable growth and stability over the period of time. The main duties of the committee include establishing appropriate recovery strategies for NPAs and delinquent credit of the Bank, review performances against recovery targets that are agreed with respective Area Mangers and department/product heads of the Bank and take necessary actions to upgrade the recovery process of the Bank.

Risk Management Function

Risk Management function which is independent of the business units, performs the role of implementing risk management policies and procedures. Risk Management Department headed by the Chief Risk Officer who is responsible and accountable for controlling of risks, compliance of risk policies and procedures of the Bank. The structure of the risk management unit is as follows;



Each unit monitors the impact on separate risks as specified. These units function independent of business units and submits its observations to the Chief Risk Officer. Reports are generated daily, weekly, monthly and quarterly basis as per the requirements and breaches, if any, are notified for relevant action. Exceptions are also reported to the Board Integrated Risk Management Committee with relevant actions to be taken to address them.

Risk Measurement and Reporting Systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

The Compliance function is also an independent function which performs the role of safeguarding the Bank against regulatory and reputational risks. It does this through appropriate polices and procedures for compliance with all applicable laws and regulations and embedding them into the internal control system. The policies set out the procedures for safeguarding the Bank from being sanctioned or fined for regulatory non-compliances. The Bank's Compliance Department also conducts training to familiarise staff with their compliance obligations.

The Bank's risks are recorded according to the breaches that have taken place, expected/predicted losses and unexpected cases which may arise in future. The estimated figures of cases are appropriately monitored for prevention and mitigations. These events are mainly taken into account according to the internal risk management process established by the Bank. Monitoring of risks is done on predetermined limits as per policies. Management Information System reports are generated to the Corporate and Senior Management based on these risks indicators. Certain industries are specially highlighted for close monitoring. The overall aggregate impact is then computed to oversee the full impact on the Bank's financial position.

These indicators are aggregated and recorded as per reporting criteria of the Risk Committees. The reports are submitted based on their daily, weekly and monthly monitoring to the Board/Management committees to measure the risk exposure across all types of risks and activities. This contains the distribution and the vulnerable areas of risks to be vigilant about and which also need extra attention. These reports will indicate aggregate credit exposure, credit metric forecasts, hold limit exceptions, as well as liquidity ratios. Further elaborations will be done on industry, concentration, customer and geographic risk etc. Early warnings will be indicated to the business units for precautionary action and same is monitored closely for adherence. Delegated Authority limits have been assigned to suitable officers in the credit chain to control exposure to risks. Those outwit such limits are monitored and appropriate disciplinary actions are taken against them if deemed necessary.

Responding to Challenging Macro-Economic Outlook

The external and internal operating environments continue to influence the Bank's material risk types. While the Sri Lankan economy has demonstrated further signs of stability and gradual recovery, underpinned by improved macroeconomic indicators, vulnerabilities persist, warranting a cautious approach to risk management.

Key developments in 2024 include the restructuring of International Sovereign Bonds (ISBs), which has eased external debt pressures, and the continuation of the IMF-backed economic reform program. Furthermore, national elections during the year added an element of uncertainty to the policy environment, requiring close monitoring of potential fiscal and regulatory shifts. Despite these improvements, macroeconomic risks such as exchange rate fluctuations and meeting IMF conditions including fiscal consolidation remain significant concerns.

In response to these challenges, the Bank has adopted the following risk mitigation strategies:

- Prudent Asset Growth: Focusing on asset-backed lending, including Pawning, secured SME financing, and high-end Corporate facilities, to ensure sustainable portfolio expansion.
- Deposit Mobilization: Enhancing deposit growth to strengthen liquidity buffers and support lending activities.
- Stringent Credit Risk Management: Enforcing robust credit guidelines and reinforcing collection and recovery mechanisms to mitigate potential credit risks.
- Optimised Interest Margin Management: Ensuring timely repricing of assets and liabilities to maintain a stable net interest margin while managing the financial cost of funds efficiently.
- Cost Efficiency Measures: Implementing rigorous cost-containment strategies to foster a cost-effective operational environment within the Bank.

The management remains committed to closely monitoring macroeconomic developments and their impact on the Bank's operations. Proactive strategies and risk management measures will be continuously refined to navigate uncertainties, ensuring business continuity and long-term resilience.

49.2 Credit Risk

Credit risk refers to the risk that the Bank may incur a loss if its customers or counterparties fail to fulfill their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, as well as for geographical and industry concentrations, and by monitoring exposures in relation to these limits.

Credit risk is monitored by the Credit Risk Department, which functions as one of the Bank's independent risk control units. The department is responsible for reviewing and managing credit risk, including environmental and social risks, for all types of counterparties.

The Bank has established a credit quality review process to enable early identification of potential changes in the creditworthiness of counterparties. This process includes regular collateral reviews, with counterparty limits set following a detailed assessment. Risk ratings are also subject to regular revisions. The credit quality review process is designed to help the Bank assess potential losses arising from credit risks and take corrective actions as needed.

Management of Credit Risk

The primary objective of credit risk management is to enable the Bank to achieve an appropriate risk-versus-reward performance while maintaining credit risk exposure within approved risk limits. The Bank has a well-defined credit policy, approved by the Board of Directors, that outlines the credit culture of the Bank, specifying target markets for lending and areas to avoid. The policy is implemented through the credit process, which is guided by clear guidelines and procedures.

The Bank's credit risk management process broadly encompasses the following:

a) Loan origination and risk appraisal
This stage involves initial screening and credit appraisal, focusing on borrowers' ability to meet their commitments in a timely manner. The internal risk rating is a critical part of the customer risk assessment and is incorporated into the credit decision process. This alphabetical rating reflects borrowers' repayment ability, financial condition, industry/business outlook, and management quality. Additionally, a numerical rating is assigned to customers as a security indicator based on the Bank's approved policy on security. The Bank minimises risk by granting credit facilities to high-rated customers.

b) Loan approval and sanction of credit facilities
Clear guidelines and policies are in place for loan approvals and renewals, which are subject to delegated credit approval authorities.

c) Credit administration and disbursement
The Credit Administration Unit, an independent unit, handles credit administration and disbursement to ensure a clear segregation of duties from business units. This unit ensures that credit origination and disbursement occur only after stipulated conditions have been met and all relevant security documents are obtained.

d) Post-disbursement credit monitoring

e) Credit measurement and monitoring
The Credit Risk Management Unit tracks early warning signals indicating the deterioration of borrowers' financial health. Customers requiring special attention are identified, and their financial behavior is reviewed at the Credit Risk Management Committee and Board Credit Committee levels.

f) Non-performing (stage 3) advances
The Recoveries Department manages non-performing advances. This department is responsible for all aspects of non-performing credit, including credit restructuring, monitoring collateral value and liquidation, scrutinising legal documents, and liaising with customers until all legal recovery matters are finalised. It works in close coordination with the Credit Risk and Credit Administration Units for follow-up actions.

The Bank's credit risk management process is outlined in credit policies approved by the Board of Directors. These policies establish the conditions and guidelines for the granting, maintenance, monitoring, and management of credit at both individual transaction and portfolio levels. The policies are documented, well-defined, consistent with prudent practices and regulatory requirements, and appropriate for the nature and complexity of the Bank's activities. Limits are prescribed for the Bank's exposure to any single borrower, group of specific borrowers, or specific industries/sectors to avoid concentration of credit risk.

A well-structured loan review mechanism is in place, and a comprehensive review is conducted at least annually. For individually significant loans, customers requiring special attention are identified, and more frequent updates are carried out for "Watch List" exposures.

The Bank uses collateral as a means of mitigating credit risk. The requirements for collateral are set forth in the Bank's credit policies and procedures. Collateral is independently evaluated by professional valuers approved by the Head Office Credit Committee and the Board Credit Committee.

49.2.1 Credit Related Commitments Risks

The Bank provides its customers with guarantees that may require it to make payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and financial guarantees commit the Bank to make payments on behalf of customers in the event of a specified act, typically related to the import or export of goods. These commitments expose the Bank to risks similar to those associated with loans and are mitigated through the same control processes and policies.

49.2.2 Impairment Assessment

For accounting purposes, the Bank uses an Expected Credit Loss (ECL) model to recognise impairment losses on financial assets. At the end of each reporting period, the Bank assesses whether the credit risk of financial instruments has increased significantly since their initial recognition by evaluating the change in the risk of default occurring over the remaining life of the financial instruments.

The references below show where the Bank's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the summary of material accounting policy information.

- The Bank's definition and assessment of 'Default' and 'Cure' (Note 49.2.2.1).
- An explanation of the Bank's Probability of Default estimating process (Note 49.2.2.2).
- How the Bank defines, calculates and monitors the Probability of Default, Exposure at Default and Loss Given Default (Notes 49.2.2.2, 49.2.2.3 and 49.2.2.4 respectively).
- When the Bank considers there has been a significant increase in credit risk of an exposure (Note 49.2.2.5).
- The Bank's policy of segmenting financial assets where ECL is assessed on a collective basis (Note: 49.2.2.7).
- The details of the ECL calculations for Stage 1, Stage 2 and Stage 3 assets (Note: 2.8.6.2).

49.2.2.1 Definition of 'Default' and 'Cure'

The Bank considers a financial instrument as 'Defaulted' and therefore classified as Stage 3 (credit-impaired) for ECL calculations in all cases where the borrower becomes 90 days-past-due on its contractual payments, in accordance with SLFRS 9 and relevant regulatory guidelines and directions. In addition to above, the Bank considers all 'Non-Performing Credit Facilities' and 'Rescheduled Credit Facilities' as defined in the Banking Act Direction No. 13 of 2021 on Classification, Recognition, and Measurement of Credit Facilities in Licensed Banks, as Stage 3 credit facilities. The Bank considers interbank balances as 'Defaulted' and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

The Bank also considers interbank balances to be in default and takes immediate action when the required intraday payments are not settled by the close of business, as outlined in the respective agreements.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate an unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and, therefore, assessed as Stage 3 for ECL calculations, or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower indicating default or near-default.
- The borrower requesting emergency funding from the Bank.
- The borrower having past due liabilities to public creditors or employees.
- The borrower is deceased.
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral.
- A material decrease in the borrower's turnover or the loss of a major customer.
- A covenant breach not waived by the Bank.
- The debtor filing for bankruptcy application/protection.
- Debtor's listed debt or equity suspended/delisted at the primary stock exchange, etc.

It is the Bank's policy to consider a financial instrument as 'Cured' and therefore reclassified out of Stage 3 when none of the default criteria have been present as at the reporting date. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade at the time of cure and whether this indicates there has been a significant increase in credit risk compared to initial recognition. The Bank's criteria for cure for ECL purposes is less stringent than requirement for forbearance, which is explained in Note 2.8.10.

49.2.2.2 Probability of Default (PD)

The Bank estimates the Probability of Defaults (PDs) based on the basis of historical information. The Bank's PDs are calculated on the basis of Days-Past-Due (DPD) using 'Risk Migration Matrix Method'.

Details of the Bank's PDs are given below;

As at 31st December 2024	Stage 1 %	Stage 2 %	Stage 3 %
Loans and Advances			
Term Loans	0.35 - 20.75	12.98 - 69.73	100.00
Overdrafts	2.27 - 7.34	14.52 - 22.37	100.00
Trade Finance	0.49 - 2.72	3.83 - 8.59	100.00
Lease Rentals Receivable	2.41 - 2.70	4.71 - 9.35	100.00
Pawning and Gold Loans	0.16 - 6.73	0.65 - 8.33	100.00
Credit Cards	2.33 - 26.50	16.37 - 39.58	100.00
Others	1.14	3.70	100.00

As at 31st December 2023	Stage 1 %	Stage 2 %	Stage 3 %
Loans and Advances			
Term Loans	0.35 - 19.76	12.77 - 77.83	100.00
Overdrafts	2.65 - 7.69	15.51 - 23.36	100.00
Trade Finance	0.47 - 2.73	5.37 - 8.60	100.00
Lease Rentals Receivable	2.62 - 2.71	4.67 - 9.12	100.00
Pawning and Gold Loans	0.11 - 7.36	0.67 - 8.33	100.00
Credit Cards	2.56 - 26.19	14.76 - 35.27	100.00
Others	1.28 - 1.46	4.17	100.00

49.2.2.3 Exposure at Default (EAD)

The EAD represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential for early repayments too. EAD for credit cards and other revolving facilities is set out in Note 2.8.6.4.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within next 12 months from the reporting date for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default within next 12 months from the reporting date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the EAD is considered for events over the lifetime of the instruments.

The Bank determine EADs by modelling the range of possible exposure outcomes at various points in time, corresponding to multiple scenarios.

49.2.2.4 Loss Given Default (LGD)

The LGD is an estimate of the loss arising in the case where default occurs at a given time. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held. The Bank computes LGDs for loans and advances for each credit portfolio having homogeneous risk characteristics.

The Bank segments its lending portfolio into smaller homogeneous portfolios based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transactions as well as borrower characteristics.

49.2.2.5 Significant Increase in Credit Risk (SICR)

The Bank continuously monitors all financial assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since its initial recognition. The Bank considers an exposure to have significantly increased in credit risk in accordance with the qualitative criteria assessment on SICR for an asset. In certain cases, the Bank may also consider the events mentioned below as a SICR as opposed to default. Regardless of changes in credit grades, if contractual payments are more than 30 days-past-due, the credit risk is deemed to have increased significantly since initial recognition.

Qualitative criteria used for SICR assessment are given below;

- Contractual payments of a borrower are more than 30 days-past-due. (Subject to the rebuttable presumption under SLFRS 9)
- Credit rating of a borrower has been subsequently downgraded to B+ below under the Sri Lankan National Rating Scale by an External Credit Assessment Institution (ECAI).
- A two-notch downgrade of a borrower under the Bank's internal credit rating scale.
- Reasonable and supportable forecasts of future economic conditions show a direct negative impact on the performance of a borrower/group.
- A significant change in the geographical location or natural catastrophe that directly impacts the performance of a borrower/group.
- The value of collateral is significantly reduced and/or realisability of collateral is doubtful.
- The borrower is subject to litigation that significantly affects the performance of the credit facility.

- Frequent changes in the Board of Directors or Senior Management of an institutional customer.
- Delay in commencement of business operations/projects for more than two years from the originally agreed date.
- The borrower is deceased or insolvent.
- The Bank is unable to find or contact the borrower.
- A fall of 50% or more in the turnover and/or profit before tax compared to the previous year for two consecutive years and/or erosion of net-worth of the borrower by more than 25% (Other than due to changes in equity structure and dividend policy) compared to the previous financial year.
- Restructure or Reschedulement of credit facilities (Modification of terms and conditions as a result of a significant deterioration of credit quality or following a default).
- Availability of any other factor that suggest the borrower will not be able to service the loan as agreed or credit risk of the borrower has been increased significantly.

When estimating ECLs on a collective basis for a group of similar assets (as set out in Note 49.2.2.7), the Bank applies the same principles for assessing whether there has been a SICR since initial recognition.

49.2.2.6 Movements between Stages

Financial assets (other than POCI) are transferred between different categories depending on the degree of change in credit risk since initial recognition. Financial instruments are transferred out of Stage 2 if their credit risk is no longer considered to have 'significantly increased' since initial recognition, based on the assessment described above. Financial instruments are transferred out of Stage 3 when they no longer exhibit any evidence of credit impairment, as described above.

Further, facilities restructured (up to two times) are considered as cured upon a satisfactory performing period of 90 days subsequent to the first capital and/or interest installment of the post-restructure is in place after an independent review by the Credit Risk Management Unit. Credit facilities restructured for more than two times and rescheduled credit facilities are considered as cured upon satisfactory performing period of a minimum 180 days subsequent to the first capital and/or interest installment of the post-restructure/post-reschedulement after an independent review by the Credit Risk Management Unit.

49.2.2.7 Grouping of Financial Assets Measured on a Collective Basis

As explained in Note 2.8.6.1, the Bank calculates ECL's either on a collective or an individual basis.

Allowances are assessed collectively for losses on loans and advances that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired. The Bank generally bases its analyses on historical experience. However, when there are significant market developments, the Bank would include macro-economic factors into its assessments. These factors include GDP growth rate, unemployment rate, inflation rate, interest rates, exchange rates, changes in laws and regulations and other relevant data. The Bank may use aforementioned factors, as appropriate, to adjust the impairment allowances. Allowances are evaluated separately at each reporting date for each portfolio.

The Bank groups exposures into smaller homogeneous portfolios based on the internal and external characteristics of the loans and advances as described below;

- Product Type
- Business Segment Type
- Industry Type
- Collateral Type
- Exposure Value Type

49.2.3 Analysis of ECL Model under Multiple Economic Scenarios

Probability Weightings

Probability weighting of each scenario is determined by the management considering the risks and uncertainties surrounding the base-case economic scenario. A key consideration for the probability weightings in the current year is the positive signs of gradual economic recovery and a measure of stability in macro-economic factors compared to the previous year.

The Bank has reduced the weightage assigned for the worst-case (downside) scenario and increased the weightages assigned for the base-case (most likely) scenario and for the best-case (upside) scenario in multiple economic scenario adjustment to reflect the measure of stability in macro-economic factors and gradual economic recovery observed during the year 2024.

The table below indicates the weightings applied by the Bank.

	2024	2023
Base Case	25%	15%
Upside	10%	5%
Downside	65%	80%

Sensitivity Analysis

The following table outlines the impact of multiple economic scenarios on the ECL allowance of financial assets;

As at 31st December 2024	ECL Allowance for Loans & Advances Rs 000
Scenario A - Actual	
Base case - 25%, Upside - 10%, Downside - 65%	5,534,857
Scenario B	
Base case - 20%, Upside - 5%, Downside - 75%	5,547,103
Change in Impairment Allowance - Increase/(Decrease) - (B - A)	12,246
Scenario A - Actual	
Base case - 25%, Upside - 10%, Downside - 65%	5,534,857
Scenario C	
Base case - 30%, Upside - 15%, Downside - 55%	5,522,590
Change in Impairment Allowance - Increase/(Decrease) - (C - A)	(12,267)

As at 31st December 2023	ECL Allowance for Loans & Advances Rs 000
Scenario A - Actual	
Base Case - 15%, Upside - 5%, Downside - 80%	5,441,152
Scenario B	
Base Case - 10%, Upside - 0%, Downside - 90%	5,468,426
Change in Impairment Allowance - Increase/(Decrease) - (B - A)	27,274
Scenario A - Actual	
Base Case - 15%, Upside - 5%, Downside - 80%	5,441,152
Scenario C	
Base Case - 20%, Upside - 10%, Downside - 70%	5,413,852
Change in Impairment Allowance - Increase/(Decrease) - (C - A)	(27,300)

The application of multiple economic scenarios does not have any material impact on ECL allowances on other classes of financial assets, financial guarantees or documentary credit.

49.2.4 Analysis of Maximum Exposure to Credit Risk, Collateral and Other Credit Enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The Bank obtains cash, gold, securities, properties, guarantees, other movable and immovable properties as collateral against lending. An approved list of acceptable securities and the applicable percentage of cash securities are defined in the Credit Policy of the Bank. These Collaterals are evaluated independently by professional valuers. The management monitors the market value of collaterals and will request additional collaterals in accordance with the underlying agreement.

It is the Bank's policy to dispose off repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use. There are no significant changes in the quality of the collaterals or credit enhancements as a result of deterioration or changes in the collateral policies of the Bank or climate related changes during the year 2024. (2023 - Nil).

49.2.5 Maximum Exposure to Credit risk

31st December 2024	Maximum Exposure to Credit Risk	Government Securities	Cash Deposits	Immovable Property	Movable Property	Government Pension and Salary Assignments	Gold	Other	Exposure Covered by Collaterals	Net Exposure
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial Assets										
Cash and Cash Equivalents (Note 51.1)	3,414,202	-	-	-	-	-	-	-	-	3,414,202
Balances with Central Bank of Sri Lanka	5,499,181	-	-	-	-	-	-	-	-	5,499,181
Derivative Financial Instruments	79,869	-	-	-	-	-	-	-	-	79,869
Reverse Repurchase Agreements	1,001,140	1,001,140	-	-	-	-	-	-	1,001,140	-
Financial Assets at FVPL	13,107,697	-	-	-	-	-	-	-	-	13,107,697
Loans and Advances - at Amortised Cost (Note 26)	160,885,702	-	13,095,675	18,759,491	11,763,582	50,783,339	14,739,176	30,700,295	139,841,558	21,044,144
Debt and Other Instruments - at Amortised Cost (Note 27)	63,430,899	-	-	-	-	-	-	-	-	63,430,899
Financial Assets - at FVOCI	19,347,634	-	-	-	-	-	-	-	-	19,347,634
	266,766,324	1,001,140	13,095,675	18,759,491	11,763,582	50,783,339	14,739,176	30,700,295	140,842,698	125,923,626
Other Credit Exposures										
Financial Guarantees (Note 53.1)	5,140,218	-	589,591	-	-	-	-	-	589,591	4,550,627
Documentary Credit (Note 53.1)	2,459,343	-	-	-	-	-	-	-	-	2,459,343
Undrawn Credit Commitments* (Note 53.1)	13,192,104	-	-	-	-	-	-	-	-	13,192,104
	20,791,665	-	589,591	-	-	-	-	-	589,591	20,202,074
	287,557,989	1,001,140	13,685,266	18,759,491	11,763,582	50,783,339	14,739,176	30,700,295	141,432,289	146,125,700

31st December 2023	Maximum Exposure to Credit Risk	Government Securities	Cash Deposits	Immovable Property	Movable Property	Government Pension and Salary Assignments	Gold	Other	Exposure Covered by Collaterals	Net Exposure
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Financial Assets										
Cash and Cash Equivalents (Note 51.1)	6,240,388	-	-	-	-	-	-	-	-	6,240,388
Balances with Central Bank of Sri Lanka	2,909,271	-	-	-	-	-	-	-	-	2,909,271
Derivative Financial Instruments	26,238	-	-	-	-	-	-	-	-	26,238
Financial Assets at FVPL	4,277,569	-	-	-	-	-	-	-	-	4,277,569
Loans and Advances - at Amortised Cost (Note 26)	139,885,756	-	12,145,469	15,838,955	9,476,512	49,738,181	14,339,050	20,118,363	121,656,529	18,229,227
Debt and Other Instruments - at Amortised Cost (Note 27)	86,613,467	-	-	-	-	-	-	-	-	86,613,467
Financial Assets - at FVOCI	3,752	-	-	-	-	-	-	-	-	3,752
	239,956,441	-	12,145,469	15,838,955	9,476,512	49,738,181	14,339,050	20,118,363	121,656,529	118,299,912
Other Credit Exposures										
Financial Guarantees (Note 53.1)	4,866,549	-	406,703	-	-	-	-	-	406,703	4,459,846
Documentary Credit (Note 53.1)	1,664,424	-	-	-	-	-	-	-	-	1,664,424
Undrawn Credit Commitments* (Note 53.1)	14,065,927	-	-	-	-	-	-	-	-	14,065,927
	20,596,900	-	406,703	-	-	-	-	-	406,703	20,190,197
	260,553,341	-	12,552,173	15,838,955	9,476,512	49,738,181	14,339,050	20,118,363	122,063,232	138,490,109

*Credit risk mitigants relating to undrawn credit commitments are netted-off against utilised portion of respective credit facilities.

The Bank has not recognised an ECL allowance for the following financial assets because of the collateral.

	2024 Rs 000	2023 Rs 000
Reverse Repurchase Agreements	1,001,140	-
Fully Cash Backed Loans & Advances	13,095,675	12,145,469
	14,096,815	12,145,469

49.2.5.1 Maximum Exposure to Credit-Impaired (Stage 3) Loans and Advances

31st December 2024	Maximum Exposure to Credit Risk	Cash and Deposits	Immovable Property	Movable Property	Government Pension and Salary Assignments	Gold	Other	Exposure Covered by Collaterals	Net Exposure
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Credit-Impaired (Stage 3) Loans and Advances (Note 26)	13,488,910	-	2,002,721	444,557	703,449	34,639	7,393,986	10,579,352	2,909,558
	13,488,910	-	2,002,721	444,557	703,449	34,639	7,393,986	10,579,352	2,909,558

31st December 2023	Maximum Exposure to Credit Risk	Cash and Deposits	Immovable Property	Movable Property	Government Pension and Salary Assignments	Gold	Other	Exposure Covered by Collaterals	Net Exposure
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Credit-Impaired (Stage 3) Loans and Advances (Note 26)	12,593,833	40,410	2,099,722	622,621	572,792	34,264	5,839,742	9,209,551	3,384,282
	12,593,833	40,410	2,099,722	622,621	572,792	34,264	5,839,742	9,209,551	3,384,282

49.2.6 Modified Financial Assets and Forborne Loans

Accounting policies related to modified and forborne loans and derecognition of financial assets due to modifications are disclosed in Notes 2.8.10 and 2.8.5 respectively.

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one for either credit or commercial reasons, an assessment is made to determine whether the changes to the terms of the existing financial asset are considered substantial.

This assessment considers both the changes to cash flows arising from the modified terms and the changes in risk profile of the overall instrument. Where a modification is considered non-substantial, the existing financial asset is not derecognised and its date of origination continues to be used to determine any significant increase in credit risk. Where a modification is considered substantial, the existing financial asset is derecognised and a new financial asset is recognised at its fair value on the modification date, which also becomes the date of origination used to determine any significant increase in credit risk for the new asset.

Forborne Loans

From a risk management point of view, once an asset is forborne, the Bank's Recoveries Department and Credit Risk Management Unit continue to monitor the exposure until it is completely derecognised.

The table below shows the details of the forborne loans with the related modification losses suffered by the Bank during the years 2024 and 2023.

	2024 Rs 000	2023 Rs 000
Amortised Cost of Forborne Loans and Advances (Modified During the Year)	1,921,186	2,044,983
Net Modification Loss	27,464	8,790

49.2.7 Management Overlays and Post Model Adjustments

Management overlays reflect the additional impairment provisions recognised by considering the product wise risk characteristics of the loan portfolio, since the standard impairment model was not generating the expected outcome. Considerations included the potential severity and the heightened credit risk of specific loan products.

The Bank continued to examine the individually significant customers and ensured adequate provisions were made in the Financial Statements as required. When assessing the impairment provisions for individually significant customers, several prudent measures such as extending the recovery cash flows, discounting the property values to reflect a more reasonable estimate of the fair value etc. were applied.

The management overlays and model adjustments are approximately 7% of the total ECL provision as at 31st December 2024. (2023 - 10%)

Additional information and sensitivity analysis in respect of the inputs to the ECL model under probability weightages and multiple economic scenarios are provided in Note 49.2.3.

49.2.8 Credit Quality by Class of Financial Assets

The Bank manages the credit quality of financial assets by using Days-Past-Due (DPD) and results of the internal risk assessments.

49.2.8.1 Credit Risk Exposure to Each Internal Borrower Risk Rating (IBRR)

The Bank has developed Borrower Risk Rating Models internally for borrowers in the Corporate and SME segments and also part of the Retail segment. Retail borrowers who enjoy schematised retail facilities are not rated using this model. These rating models were introduced in January 2019 and existing borrowers with revolving facilities in the stated segments also been rated using this model at the time of carrying out annual reviews. The borrowers who enjoy facilities against cash deposits are tagged as 'Fully Cash Backed (FCB).' When a facility of a customer classified as Stage 3, the borrower will be considered under the 'Default' category, irrespective of the existing Borrower Risk Rating (BRR) scale for the customer.

The capital outstanding of clients who have been rated using the Bank's IBRR models are as follows.

Internal Borrower Risk Rating Scale	Risk Profile	2024 Rs 000	2023 Rs 000
AAA	Minimum Risk	3,322,900	664,870
AA	Marginal Risk	6,655,140	5,380,740
A	Modest Risk	19,875,180	13,808,310
BBB	Average Risk	19,661,840	14,088,680
BB	Marginally Acceptable Risk	5,509,950	3,474,100
B	High Risk	1,024,190	1,276,970
C	Caution	489,520	498,130
D	Default	99,510	1,793,700
FCB	Fully Cash Backed	10,944,920	12,699,460
		67,583,150	53,684,960

49.2.9 Analysis of Risk Concentration

49.2.9.1 Concentration by Client/Counterparty

The Bank's concentrations of risk are managed by client/counterparty, by industry sector and by geographical region. The maximum credit exposure to any customer or a group counterparty as of 31st December 2024 was Rs. 4,759,354 (000') (2023 : Rs. 4,490,982 (000') before taking account of collateral.

49.2.9.2 Concentration by Industry Sector

As at 31st December 2024	Government	Agriculture, Forestry and Fishing	Manufacturing	Tourism	Transportation and Storage	Construction and Housing	Wholesale and Retail Sale
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cash and Cash Equivalents	3,109,946	-	-	-	-	-	-
Balances with Central Bank of Sri Lanka	5,499,181	-	-	-	-	-	-
Reverse Repurchase Agreements	-	-	-	-	-	-	-
Derivative Financial Instruments	-	-	-	-	-	-	-
Financial Assets at FVPL	13,107,697	-	-	-	-	-	-
Loans and Advances - at Amortised Cost	-	23,240,125	19,393,150	4,921,937	1,173,735	43,177,929	17,304,431
Debt and Other Instruments - at Amortised Cost	63,430,899	-	-	-	-	-	-
Financial Assets at FVOCI	19,343,882	-	-	-	-	-	-
	104,491,605	23,240,125	19,393,150	4,921,937	1,173,735	43,177,929	17,304,431

As at 31st December 2023	Government	Agriculture, Forestry and Fishing	Manufacturing	Tourism	Transportation and Storage	Construction & Housing	Wholesale and Retail Sale
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cash and Cash Equivalents	2,550,114	-	-	-	-	-	-
Balances with Central Bank of Sri Lanka	2,909,271	-	-	-	-	-	-
Derivative Financial Instruments	-	-	-	-	-	-	-
Financial Assets at FVPL	4,277,569	-	-	-	-	-	-
Loans and Advances - at Amortised Cost	-	21,156,776	14,819,056	2,829,903	670,302	34,300,691	14,670,189
Debt and Other Instruments - at Amortised Cost	86,613,467	-	-	-	-	-	-
Financial Assets at FVOCI	-	-	-	-	-	-	-
	96,350,419	21,156,776	14,819,056	2,829,903	670,302	34,300,691	14,670,189

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

49.2.9.3 Concentration by Geography

49.2.9.3.1 The Geographical concentration for loans and advances within Sri Lanka is given below.

Province	2024 Rs 000	2023 Rs 000
Central	17,551,054	15,993,256
Eastern	4,697,285	4,333,897
North Central	5,234,835	4,689,902
North Western	9,076,405	8,573,824
Northern	4,983,931	4,521,137
Sabaragamuwa	6,808,954	6,140,632
Southern	10,676,279	9,907,200
Uva	3,708,592	3,426,749
Western	94,486,562	81,911,792
Total (Note 49.6)	157,223,897	139,498,389

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

Information Technology and Communication Services	Financial Services	Infrastructure Development	Professional, Scientific and Technical Activities	Arts, Entertainment and Recreation	Education	Health Care, Social Services and Support Services	Consumption	Lending To Overseas Entities	Total
Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
-	304,256	-	-	-	-	-	-		3,414,202
-	-	-	-	-	-	-	-		5,499,181
-	1,001,140	-	-	-	-	-	-		1,001,140
-	79,869	-	-	-	-	-	-		79,869
-	-	-	-	-	-	-	-		13,107,697
485,538	7,913,775	3,321,696	1,924,305	195,173	299,291	1,016,566	32,856,248	3,661,805	160,885,702
-	-	-	-	-	-	-	-		63,430,899
-	3,752	-	-	-	-	-	-		19,347,634
485,538	9,302,792	3,321,696	1,924,305	195,173	299,291	1,016,566	32,856,248	3,661,805	266,766,324

Information Technology and Communication Services	Financial Services	Infrastructure Development	Professional, Scientific and Technical Activities	Arts, Entertainment and Recreation	Education	Health Care, Social Services and Support Services	Consumption	Lending To Overseas Entities	Total
Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
-	3,690,274	-	-	-	-	-	-	-	6,240,388
-	-	-	-	-	-	-	-	-	2,909,271
-	26,238	-	-	-	-	-	-	-	26,238
-	-	-	-	-	-	-	-	-	4,277,569
2,016,044	5,619,535	172,111	2,382,181	1,349,051	525,306	455,412	38,531,831	387,367	139,885,756
-	-	-	-	-	-	-	-	-	86,613,467
-	3,752	-	-	-	-	-	-	-	3,752
2,016,044	9,339,799	172,111	2,382,181	1,349,051	525,306	455,412	38,531,831	387,367	239,956,441

49.2.9.3.2 Significant Foreign Lending Exposures

Gross and net carrying values of significant foreign lending exposures are given below. All these loans have been considered as significant loans and analysed individually. When the Bank has identified any significant increase in credit risk since initial recognition, future cash flows have been estimated giving due consideration for specific industry, country risk factors etc. and availability of collateral.

	Africa		Asia		America	
	2024 Rs 000	2023 Rs 000	2024 Rs 000	2023 Rs 000	2024 Rs 000	2023 Rs 000
Gross Carrying Value (Note 49.6)	1,766,153	-	1,751,174	210,588	144,478	176,780
Allowances for ECL	45,600	-	435	11	-	-
Net Carrying Value	1,720,553	-	1,750,739	210,577	144,478	176,780

49.3 Liquidity Risk

Liquidity Risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Hence, the Bank may be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of continuously managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis.

49.3.1 Management of Liquidity Risk

The Bank manages liquidity risk in accordance with regulatory guidelines and accepted best practices. The objective of the Bank's liquidity and funding framework is to ensure that funding commitments and deposit withdrawals can be met when due and that market access remains cost effective. The Bank's liquidity risk management framework is designed to identify, measure and manage the liquidity position in a timely manner. The Assets and Liabilities Committee (ALCO) is responsible for managing this risk through continuous monitoring of the set benchmarks and controlling risks by adopting appropriate strategies through advances, deposits and investment products. Contractual maturities of assets and liabilities, sensitivity of assets and liabilities, key liquidity ratios and monthly liquidity gaps are reviewed at ALCO meetings as measures to liquidity .The Bank maintains a portfolio of highly marketable and diverse assets assumed to be easily liquidated in the event of an unforeseen interruption of expected cash flows.

The Bank's Liquidity Contingency Plan is a detailed action plan document approved by the Board of Directors of the Bank indicating possible warning indicators, monitoring mechanism and the process for escalation. The plan details the specific action steps and identifies key individuals responsible for the specific action tasks. To limit liquidity risk, the Bank has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. Intraday liquidity management is about managing the daily payments and cash flows. The Bank has policies to ensure that sufficient cash is maintained during the day to make payments through local payment systems.

The contractual maturities of assets and liabilities of the Bank as at the reporting date are detailed in Note 52.

The policy of the Bank is to maintain adequate liquidity at all times, at all locations and for all currencies and hence to be in a position in the normal course of business, to meet obligations, repay depositors and fulfill commitments. As a part of liquidity management, the Bank maintains borrowing relationships to ensure the continued access to diverse market of funding sources. The Bank's sound credit rating together with excellent market reputation has enabled the Bank to secure ample call lines with local and foreign Banks.

In addition, the Bank maintains a Statutory Deposit with the Central Bank of Sri Lanka equal to 2% of Rupee deposit liabilities.
In accordance with the Bank's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. The Bank closely monitors Liquidity Coverage Ratio and Net Stable Funding Ratio for liquidity management purposes. The liquidity ratios during the year were as follows:

Advances to Deposit Ratio (ADR)

	2024	2023
Average	82.78%	86.92%
Year-End	86.19%	81.92%

The Bank stresses the importance of maintaining an adequate deposit base as the key source of financing loans to customers. This is monitored using the Advances to Deposit Ratio (ADR), which compares Loans and Advances (capital) as a percentage of customers deposits (capital). Cheques and drafts purchased which are deemed to be liquid, are excluded from the advances to deposit ratio.

49.3.2 Liquidity Coverage Ratio (LCR)

The Bank ensures compliance with LCR requirement in accordance with Banking Act No 01 of 2024 on 'Statutory Liquidity Ratios of Licensed Banks'.

The Bank maintained sufficient High Quality Liquid Assets to meet minimum statutory requirement in both Sri Lankan Rupees and in all currencies throughout the years 2024 and 2023.

High Quality Liquidity Assets are categorised into two categories.

(a) Level 1 Assets: Include cash in hand, qualifying reserves with Central Bank of Sri Lanka and qualifying marketable securities that attract 0% risk weight under Basel III Capital Adequacy Framework.

(b) Level 2 Assets: Include Level 2A assets and Level 2B assets.

Level 2A Assets: Include qualifying marketable securities and qualifying non-financial corporate debt securities that attract a 20% risk weight under Basel III Capital Adequacy Framework and qualifying investments in gilt units trusts, subject to a 15% haircut.

Level 2B Assets: Include qualifying non-financial corporate debt securities with an external Credit Rating between A+ to BBB- and non-financial common equity shares, subject to a 50% haircut.

	2024	2023
Average		
- Rupee LCR	342.98%	435.73%
- All Currency LCR	353.89%	390.35%
Year-End (Minimum Requirement - 100%)		
- Rupee LCR	264.10%	520.84%
- All Currency LCR	344.37%	458.18%

Further details on the Bank's compliance with regulatory liquidity ratio requirements are given in Note 60.

49.3.3 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities as at the end of the reporting year. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

As at 31st December 2024	Up to 3 Months Rs 000	3 to 12 Months Rs 000	1 to 5 Years Rs 000	More than 5 Years Rs 000	Total Rs 000
Financial Assets					
Cash and Cash Equivalents	3,413,701	-	-	-	3,413,701
Balances with Central Bank of Sri Lanka	5,500,108	-	-	-	5,500,108
Reverse Repurchase Agreements	1,001,822	-	-	-	1,001,822
Derivative Financial Instruments	79,869	-	-	-	79,869
Financial Assets at FVPL	13,107,697	-	-	-	13,107,697
Loans and Advances - at Amortised Cost	51,343,435	32,183,423	74,973,369	44,155,357	202,655,584
Debt and Other Instruments - at Amortised Cost	11,485,436	34,838,039	44,988,150	11,316,501	102,628,126
Financial Assets at FVOCI	592,975	8,228,051	10,522,856	3,752	19,347,634
Total Undiscounted Financial Assets	86,525,043	75,249,513	130,484,375	55,475,610	347,734,541
Financial Liabilities					
Due to Banks	2,658,602	4,652,452	237,869	1,766,297	9,315,220
Repurchase Agreements	25,349,363	104,828	-	-	25,454,191
Derivative Financial Instruments	58,248	-	-	-	58,248
Due to Depositors - at Amortised Cost	86,086,319	62,112,219	47,820,416	2,165,472	198,184,426
Due to Debt Securities Holders - At Amortised Cost	1,614,284	-	-	-	1,614,284
Subordinated Debentures	57,872	876,928	-	-	934,800
Other Liabilities	140,284	273,615	797,238	442,244	1,653,381
Total Undiscounted Financial Liabilities	115,964,972	68,020,042	48,855,523	4,374,013	237,214,550
Net Undiscounted Financial Assets/(Liabilities)	(29,439,929)	7,229,471	81,628,852	51,101,597	110,519,991

As at 31st December 2023	Up to 3 Months Rs 000	3 to 12 Months Rs 000	1 to 5 Years Rs 000	More than 5 Years Rs 000	Total Rs 000
Financial Assets					
Cash and Cash Equivalents	6,238,153	-	-	-	6,238,153
Balances with Central Bank of Sri Lanka	2,909,271	-	-	-	2,909,271
Derivative Financial Instruments	26,238	-	-	-	26,238
Financial Assets at FVPL	4,277,569	-	-	-	4,277,569
Loans and Advances - at Amortised Cost	35,485,547	27,108,402	71,330,075	48,344,689	182,268,713
Debt and Other Instruments - at Amortised Cost	43,666,347	22,919,384	19,577,590	4,136,988	90,300,308
Financial Assets at FVOCI	-	-	-	3,752	3,752
Total Undiscounted Financial Assets	92,603,125	50,027,786	90,907,665	52,485,429	286,024,004
Financial Liabilities					
Due to Banks	859,872	117,157	207,750	628,964	1,813,743
Repurchase Agreements	11,639,744	6,933	-	-	11,646,677
Derivative Financial Instruments	142,069	-	-	-	142,069
Due to Depositors - at Amortised Cost	100,754,636	63,700,707	25,068,422	132,586	189,656,351
Due to Debt Securities Holders - At Amortised Cost	69,039	11,241,329	2,741,492	-	14,051,860
Subordinated Debentures	57,872	57,243	934,800	-	1,049,915
Other Liabilities	140,284	273,615	797,238	442,245	1,653,382
Total Undiscounted Financial Liabilities	113,663,516	75,396,984	29,749,702	1,203,795	220,013,997
Net Undiscounted Financial Assets/(Liabilities)	(21,060,391)	(25,369,198)	61,157,963	51,281,634	66,010,007

49.3.4 Contractual Maturities of Commitments and Contingencies

The table below shows the remaining contractual maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

As at 31st December 2024	Less than 3 Months Rs 000	3 to 12 Months Rs 000	1 to 5 Years Rs 000	Over 5 Years Rs 000	Total Rs 000
Commitments and Contingencies					
Financial Guarantees	1,349,884	2,903,988	886,215	131	5,140,218
Documentary Credit	1,378,619	1,066,058	14,666	-	2,459,343
Currency Swaps	34,454,665	-	-	-	34,454,665
Forward Foreign Exchange Contracts	1,756,249	-	-	-	1,756,249
Spot Contracts	51,931	-	-	-	51,931
Undrawn Credit Commitments	13,192,104	-	-	-	13,192,104
Total (Note 53.1)	52,183,452	3,970,046	900,881	131	57,054,510

As at 31st December 2023	Less than 3 Months Rs 000	3 to 12 Months Rs 000	1 to 5 Years Rs 000	Over 5 Years Rs 000	Total Rs 000
Commitments and Contingencies					
Financial Guarantees	1,819,552	2,355,024	637,155	54,818	4,866,549
Documentary Credit	1,568,374	96,051	-	-	1,664,424
Currency Swaps	26,877,216	-	-	-	26,877,216
Forward Foreign Exchange Contracts	128,143	-	-	-	128,143
Spot Contracts	1,479,493	-	-	-	1,479,493
Undrawn Credit Commitments	14,065,927	-	-	-	14,065,927
Total (Note 53.1)	45,938,705	2,451,075	637,155	54,818	49,081,753

49.4 Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Bank's income or the value of its holdings of financial instruments. The Bank has placed a special emphasis on the effect of market risk on fixed income securities, investments and forex positions.

Management of Market Risk

The primary objective of market risk management is to ensure that the Bank optimises that the risk reward relationship and does not expose to unacceptable losses outside its risk appetite.

The Board Integrated Risk Management Committee reviews the risk goals set for market risk management on a quarterly basis and provides valuable input and direction. These goals are compared with results achieved and are subject to a comprehensive discussion for decision making for way forward. In particular, the limits imposed by the regulator and control measures adopted for compliance are carefully monitored.

The Assets and Liabilities Committee (ALCO), in keeping with its Terms of Reference (TOR) approved by the Board, decides on short term and long term strategies of the Bank for the overall management of Assets and Liabilities based on specific needs and prevailing market situation. ALCO reviews interest rate risk, liquidity risk, Bank interest rates with competitor rates etc.

The Board approved comprehensive policy documents on Market and Liquidity Risk management, Investments, and Stress Testing in place at Bank to mitigate the market risks. In addition, a policy document defining the responsibilities of each treasury units i.e. front, back and middle office is in place. The Strategies and policies are being continuously updated according to the evolving business requirements of the Bank as well as regulatory requirements. Treasury Middle Office functions as an independent unit reporting to Chief Risk Officer.

Treasury Middle Office of the Bank monitors the comprehensive framework of Treasury operating limits approved by the Board, including open position limits, dealer limits, counter party limits, gap limits, Foreign Currency Banking Unit and Domestic operation limits on a daily basis and takes prompt action when necessary. Separate risk goals are set for market risk management and on a quarterly basis and Board Integrated Risk Management Committee reviews these risk goals and provides valuable input and direction.

49.4.1 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Interest rate risk results from the differences in the way interest rate changes affect the values of assets, liabilities, and off-balance sheet instruments.

Interest Rate Benchmark Reform

Interest rate benchmarks such as Inter-Bank offered Rates (IBORs) play an important role in global as well as local financial markets. A fundamental reform of major interest rate benchmarks was undertaken globally, replacing certain IBORs with alternative nearly risk-free rates. (Referred to as 'IBOR Reforms'). For several decades, London Inter-Bank Offered Rates (LIBOR) was the widely used benchmark for global interest rates, underpinning derivates, loans, bonds and other financial products. However, LIBOR had notable deficiencies as a benchmark and markets demanded transition to more robust and reliable market determined interest rate benchmarks.

The Bank has exposures to certain IBORs on its financial instruments that were reformed as part of these market-wide initiatives globally. The main risks to which the Bank has been exposed as a result of IBOR reform are operational. For example, the renegotiation of loan agreements through bilateral negotiation with customers, updating of contractual terms, updates of systems that use LIBOR curves and revision of operational controls related to the reforms and regulatory risks. Financial risk is predominantly limited to interest rate risk.

The Bank through ALCO, managed its transition to the alternative rate of 'Secured Overnight Financing Rate' (SOFR) from the use of LIBOR. The contracts which have fallen due since end 2021 are repriced at these alternative rates.

Interest Rate Sensitivity

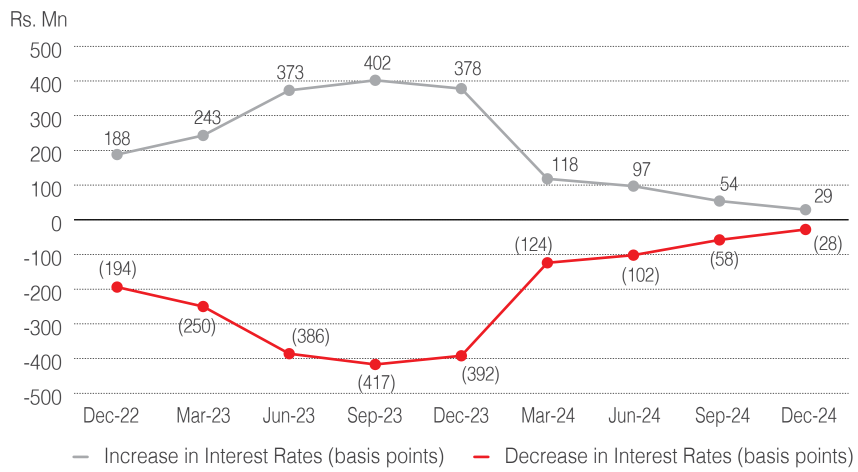
The interest rate sensitivity of Banks portfolio depends on the characteristics of the financial instruments that make up the portfolio. The interest rate sensitivity of a financial instrument depends on maturity and repricing characteristics of the financial instruments.

The Bank presently prepares the sensitivity of assets and liabilities according to CBSL guideline for interest rate sensitive assets and liabilities in prescribed time bands which is presented to Bank's ALCO on a monthly basis. Gaps are identified between assets and liabilities and the same is used to prepare the Interest Rate Risk Report. The below computation is based on the rate sensitive assets and liabilities which are to be matured or re-priced within one year.

	2024	2023
Increase in Interest Rates (Basis Points)	200 bps	200 bps
Effect on Profit or Loss and Equity (Rs 000)	29,226	377,702
Decrease in Interest Rates (Basis Points)	(200 bps)	(200 bps)
Effect on Profit or Loss and Equity (Rs 000)	(28,481)	(391,530)

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

Impact on Statement of Profit or Loss due to Interest Rate Shocks



Interest Rate Sensitivity Analysis

The table below analyses the Bank's interest rate risk exposure on financial assets and liabilities. The Bank's financial assets and liabilities are included at carrying amount and categorised by earlier of contractual re-pricing or maturity dates.

As at 31st December 2024	Interest Bearing					
	Less than 3 Months Rs 000	3 to 12 Months Rs 000	1 to 5 Years Rs 000	Over 5 Years Rs 000	Non Interest Bearing Rs 000	Total Rs 000
Financial Assets						
Cash and Cash Equivalents	-	-	-	-	3,413,701	3,413,701
Balances with Central Bank of Sri Lanka	4,500,927	-	-	-	998,254	5,499,181
Derivative Financial Instruments	-	-	-	-	79,869	79,869
Reverse Repurchase Agreements	1,001,140	-	-	-	-	1,001,140
Financial Assets at FVPL	13,107,697	-	-	-	-	13,107,697
Loans and Advances - at Amortised Cost	111,455,799	19,262,142	14,598,300	1,916,387	3,836,419	151,069,047
Debt and Other Instruments - at Amortised Cost	7,634,963	30,273,623	24,539,569	-	900,677	63,348,832
Financial Assets at FVOCI	444,709	8,079,785	10,522,856	-	300,284	19,347,634
Total Financial Assets	138,145,235	57,615,550	49,660,725	1,916,387	9,529,204	256,867,101
Financial Liabilities						
Due to Banks	2,640,589	4,451,562	1,747,267	-	54,194	8,893,612
Repurchase Agreements	25,181,175	96,057	-	-	68,760	25,345,992
Derivative Financial Instruments	-	-	-	-	58,248	58,248
Due to Depositors - at Amortised Cost	79,105,812	60,577,785	36,655,988	131	14,953,446	191,293,162
Due to Debt Securities Holders - At Amortised Cost	1,592,971	-	-	-	-	1,592,971
Subordinated Debentures	-	820,000	-	-	52,839	872,839
Other Liabilities	-	-	-	-	1,719,277	1,719,277
Total Financial Liabilities	108,520,547	65,945,404	38,403,255	131	16,906,764	229,776,101
Total Interest Rate Sensitivity Gap	29,624,688	(8,329,854)	11,257,470	1,916,256	(7,377,560)	27,091,000

As at 31st December 2023	Interest Bearing Less than 3 Months Rs 000	3 to 12 Months Rs 000	1 to 5 Years Rs 000	Over 5 Years Rs 000	Non Interest Bearing Rs 000	Total Rs 000
Financial Assets						
Cash and Cash Equivalents	-	-	-	-	6,238,153	6,238,153
Balances with Central Bank of Sri Lanka	-	-	-	-	2,909,271	2,909,271
Derivative Financial Instruments	-	-	-	-	26,238	26,238
Financial Assets at FVPL	4,277,569	-	-	-	-	4,277,569
Loans and Advances - at Amortised Cost	94,105,469	20,848,061	10,347,789	1,203,828	4,790,965	131,296,112
Debt and Other Instruments - at Amortised Cost	40,908,354	19,792,430	13,893,440	3,652,211	1,970,403	80,216,838
Financial Assets at FVOCI	-	-	-	-	3,752	3,752
Total Financial Assets	139,291,392	40,640,491	24,241,229	4,856,039	15,938,782	224,967,933
Financial Liabilities						
Due to Banks	852,781	81,684	607,890	-	5,340	1,547,695
Repurchase Agreements	11,546,009	6,000	-	-	59,445	11,611,454
Derivative Financial Instruments	-	-	-	-	142,069	142,069
Due to Depositors - at Amortised Cost	89,946,878	57,178,472	13,588,469	118,820	14,512,231	175,344,870
Due to Debt Securities Holders - At Amortised Cost	-	10,341,459	2,612,133	-	98,001	13,051,593
Subordinated Debentures	52,839	-	820,000	-	-	872,839
Other Liabilities	-	-	-	-	1,653,382	1,653,382
Total Financial Liabilities	102,398,507	67,607,615	17,628,492	118,820	16,470,468	204,223,902
Total Interest Rate Sensitivity Gap	36,892,885	(26,967,124)	6,612,737	4,737,219	(531,686)	20,744,031

49.4.2 Equity Price Risk

Equity price risk arises from the possibility that equity prices will fluctuate affecting the value of quoted equities.

Management of Equity Price Risk

The Bank does not hold any investment for strategic purposes other than the insignificant unquoted investments which are held for regulatory purposes.

All unquoted FVOCI equity instruments are recorded at cost since its fair value cannot be reliably estimated. There is no market for these instruments and the Bank intends to hold these for long-term.

49.4.3 Foreign Currency Risk

Foreign exchange rate risk arises from the movement of the rate of exchange of one currency against another, leading to an adverse impact on the Bank's earnings or equity. The Bank is exposed to foreign exchange rate risk that the value of a financial instrument or the investment in its foreign assets, may fluctuate due to changes in foreign exchange rates.

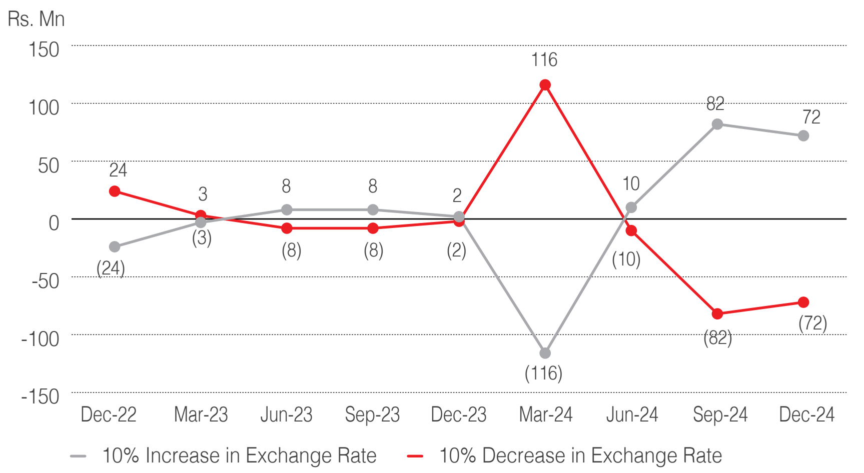
Given below are the foreign currency exposures and their Rupee equivalents in the major currencies, in which the Bank trades in:

	In Original Foreign Currency		Functional Currency of the Bank	
	2024 000	2023 000	2024 Rs 000	2023 Rs 000
Net Foreign Currency Exposure				
Great Britain Pound	(1)	(9)	(233)	(3,703)
United States Dollar	2,346	2	688,104	697
Euro	9	(2)	2,702	(538)
Japanese Yen	216	1,553	412	3,547

An impact analysis of the foreign currency Net Open Position (NOP) was carried out applying shock levels of 5%, 10% and 15% for depreciation of the current exchange rate and the impact on the overall foreign currency NOP (in USD) and the impact on the Profit or Loss is shown in the table below:

	NOP as at 31.12.2024		NOP as at 31.12.2023	
	USD 000	Rs 000	USD 000	Rs 000
NOP	2,440	715,610	77	24,867
At Shock levels of %	Revised Rupee Position	Effect on Profit or Loss	Revised Rupee Position	Effect on Profit or Loss
	Rs.	Rs.	Rs.	Rs.
5	679,829	35,780	23,624	1,243
10	644,049	71,561	22,381	2,487
15	608,268	107,341	21,137	3,730

Impact on Statement of Profit or Loss due to increase/decrease in Exchange Rate by 10%



49.4.4 Volatilities in Market Interest Rates and Exchange Rates.

Volatilities in market interest rates, equity prices and exchange rates are inherent due to macro-economic factors available from time to time. The Bank is exposed to minimal degree of interest rate risk due to existence of a significant financial instrument book of floating and short-term nature. The Bank manages interest rate risk on net basis rather than on gross basis. Due to existence of insignificant net open position, the Bank is not exposed to greater degree of currency risk.

49.5 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. The Bank recognises the significance of operational risk, which is inherent in all areas of business. This includes legal risk but excludes strategic and reputation risk. Operational risks inherent in the Bank's activities are managed within acceptable levels through an appropriate level of management focus on resources.

Management of Operational Risk

The Bank has an Operational Risk Management Policy approved by the Board of Directors which clearly demonstrates the objectives and procedures in managing operational risks. This policy manual outlines the internal operating policies of the Bank's operational risk management framework. The Board Integrated Risk Management Committee oversees the implementation of the operational risk management framework.

49.6 Country Risk

Country risk is the risk that an occurrence within a country could have an adverse effect on the Bank, directly by impairing the value of the Bank or indirectly through an obligor's ability to meet its obligations to the Bank. Generally, these occurrences relate, but are not limited to sovereign events such as defaults or restructuring, political events such as contested elections, restrictions on currency movements, regional conflicts, economic contagion from other events such as sovereign default issues or regional turmoil, currency crisis and natural disasters.

In reality, the country risk is used to denote risks that are associated with investing in a foreign country instead of investing in the domestic market. As such the Bank's risk management framework incorporates a number of measures and tools to monitor this risk on exposures held outside Sri Lanka although such balances are insignificant.

The following table provides a summary of exposures by country of risk:

As at 31st December 2024	Sri Lanka	Asia	America	Africa	Europe	Oceania	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balances with Banks (Note 21)	8,683	99,868	90,647	-	75,975	29,084	304,256
Loans and Advances (Note 26)	157,223,897	1,751,174	144,478	1,766,153	-	-	160,885,702

As at 31st December 2023	Sri Lanka	Asia	America	Africa	Europe	Oceania	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balances with Banks (Note 21)	11,414	109,711	3,285,168	-	245,080	38,901	3,690,274
Loans and Advances (Note 26)	139,498,389	210,588	176,780	-	-	-	139,885,756

Rest of the financial asset categories do not include exposures outside the territorial boundaries of Sri Lanka, as such are not presented separately.

50 NET ASSET VALUE PER ORDINARY SHARE

	2024	2023
Total Equity Holders Funds (Rs 000)	26,777,778	22,597,651
Number of Ordinary Shares in Issue (Note 41)	442,561,629	442,561,629
Net Assets Value Per Share (Rs.)	60.51	51.06

51 ADDITIONAL CASH FLOW INFORMATION

51.1 Cash and Cash Equivalents for Cash Flow Purpose

	2024	2023
	Rs 000	Rs 000
Cash in Hand (Note 21)	3,109,946	2,550,114
Balances with Local and Foreign Banks (Note 21)	304,256	3,690,274
	3,414,202	6,240,388

The statutory deposit with Central Bank of Sri Lanka is not available to finance the Bank's day-to-day operations and therefore, is not considered as a part of cash and cash equivalents.

51.2 Change in Operating Assets

	2024 Rs 000	2023 Rs 000
Balances with Central Bank of Sri Lanka	(2,589,910)	2,399,533
Reverse Repurchase Agreements	(1,001,140)	2,003,276
Derivative Financial Instruments	(53,631)	(26,238)
Financial Assets at Fair Value through Profit or Loss	(8,830,128)	(2,037,811)
Loans and Advances - at Amortised Cost	(21,012,345)	11,918,601
Debt and Other Instruments - at Amortised Cost	23,182,565	(41,821,430)
Financial Assets at Fair Value through Other Comprehensive Income	(19,107,984)	-
Other Assets	208,167	557,804
	(29,204,407)	(27,006,265)

51.3 Change in Operating Liabilities

	2024 Rs 000	2023 Rs 000
Due to Banks	7,345,917	479,570
Repurchase Agreements	13,734,538	11,570,928
Derivative Financial Instruments	(83,819)	85,972
Due to Depositors - at Amortised Cost	15,948,292	12,811,411
Due to Debt Securities Holders - at Amortised Cost	(144,257)	(1,307,948)
Other Provisions and Accruals	557,646	361,562
Other Liabilities	699,446	277,910
	38,057,763	24,279,405

51.4 Other Non-Cash Items Included in Profit Before Tax

	2024 Rs 000	2023 Rs 000
Depreciation of Property, Plant and Equipment (Note 16)	168,035	155,111
Amortisation of Right-of-Use Assets (Note 16)	310,512	300,301
Amortisation of Intangible Assets (Note 16)	61,662	57,720
Loss on Disposal of Property, Plant and Equipment	1,307	1,297
Impairment Charges/(Reversals) (Note 14)	(5,061,213)	2,714,669
Defined Benefit Plan Expenses (Note 15)	132,010	130,737
	(4,387,687)	3,359,835

51.5 Operational Cash Flows from Interest and Dividends

	2024 Rs 000	2023 Rs 000
Interest Paid	19,787,185	25,375,545
Interest Received	30,281,930	37,208,220
Dividends Received	2,386	1,499

51.6 Changes in Liabilities Arising from Financing Activities

	Stated Capital Rs 000	Unsecured Term Borrowings Rs 000	Subordinated Debentures Rs 000	Lease Liabilities Rs 000	Total Liabilities from Financing Activities Rs 000
As at 01st January 2024	3,614,253	13,051,593	872,839	1,512,130	19,050,814
Cash Flows from Financing Activities					
- Repayments	-	(11,212,083)	-	(255,738)	(11,467,821)
- Interest Payments	-	(826,670)	(115,115)	(137,514)	(1,079,299)
Effect of Movements in Foreign Exchange Rate	-	(164,864)	-	-	(164,864)
Others*	-	744,994	115,115	439,466	1,299,575
As at 31st December 2024	3,614,253	1,592,970	872,839	1,558,344	7,638,405

	Stated Capital Rs 000	Unsecured Term Borrowings Rs 000	Subordinated Debentures Rs 000	Lease Liabilities Rs 000	Total Liabilities from Financing Activities Rs 000
As at 01st January 2023	3,614,253	15,876,464	872,839	1,620,706	21,984,262
Cash Flows from Financing Activities					
- Repayments	-	(1,484,212)	-	(229,955)	(1,714,167)
- Interest Payments	-	(1,252,200)	(114,800)	(134,152)	(1,501,152)
Effect of Movements in Foreign Exchange Rate	-	(1,336,591)	-	-	(1,336,591)
Others *	-	1,248,132	114,800	255,530	1,618,462
As at 31st December 2023	3,614,253	13,051,593	872,839	1,512,130	19,050,814

*'Others' include the effect of accrued but not yet paid interest on unsecured term borrowings, subordinated debentures, lease liabilities and change in transaction costs.

52 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities presented according to when they are expected to be recovered or settled contractually. Financial assets at FVPL including derivatives have been classified to be repaid within 12 months, regardless of its actual contractual maturities.

As at 31st December 2024	Within 12 Months Rs 000	After 12 Months Rs 000	Total Rs 000
Assets			
Cash and Cash Equivalents	3,413,701	-	3,413,701
Balances with Central Bank of Sri Lanka	5,499,181	-	5,499,181
Reverse Repurchase Agreements	1,001,140	-	1,001,140
Derivative Financial Instruments	79,869	-	79,869
Financial Assets at FVPL	13,107,697	-	13,107,697
Loans and Advances -at Amortised Cost	70,753,117	80,315,930	151,069,047
Debt and Other Instrument - at Amortised Cost	34,755,331	28,593,501	63,348,832
Financial Assets at FVOCI	8,821,026	10,526,608	19,347,634
Property, Plant and Equipment	-	2,926,217	2,926,217
Right-of-Use Assets	-	1,409,786	1,409,786
Intangible Assets	-	328,682	328,682
Deferred Tax Assets	-	27,357	27,357
Other Assets	705,372	598,497	1,303,869
Total Assets	138,136,434	124,726,578	262,863,012
Liabilities			
Due to Banks	7,146,345	1,747,267	8,893,612
Repurchase Agreements	25,345,992	-	25,345,992
Derivative Financial Instruments	58,248	-	58,248
Due to Depositors - at Amortised Cost	147,045,131	44,248,031	191,293,162
Due to Debt Securities Holders - at Amortised Cost	1,592,971	-	1,592,971
Subordinated Debentures	872,839	-	872,839
Retirement Benefit Obligations	13,481	669,325	682,806
Current Tax Liabilities	1,156,336	-	1,156,336
Other Provisions and Accruals	1,033,202	-	1,033,202
Other Liabilities	3,930,362	1,225,704	5,156,066
Total Liabilities	188,194,907	47,890,327	236,085,234
			-
Net	(50,058,473)	76,836,251	26,777,778

As at 31st December 2023	Within 12 Months Rs 000	After 12 Months Rs 000	Total Rs 000
Assets			
Cash and Cash Equivalents	6,238,153	-	6,238,153
Balances with Central Bank of Sri Lanka	2,909,271	-	2,909,271
Derivative Financial Instruments	26,238	-	26,238
Financial Assets at FVPL	4,277,569	-	4,277,569
Loans and Advances -at Amortised Cost	60,768,268	70,527,844	131,296,112
Debt and Other Instrument - at Amortised Cost	62,671,187	17,545,651	80,216,838
Financial Assets at FVOCI	-	3,752	3,752
Property, Plant and Equipment	-	2,806,066	2,806,066
Right-of-Use Assets	-	1,399,766	1,399,766
Intangible Assets	-	321,561	321,561
Deferred Tax Assets	-	2,128,428	2,128,428
Other Assets	1,301,783	530,786	1,832,569
Total Assets	138,192,469	95,263,854	233,456,323
Liabilities			
Due to Banks	939,805	607,890	1,547,695
Repurchase Agreements	11,611,454	-	11,611,454
Derivative Financial Instruments	142,069	-	142,069
Due to Depositors - at Amortised Cost	156,775,657	18,569,213	175,344,870
Due to Debt Securities Holders - at Amortised Cost	10,439,938	2,611,655	13,051,593
Subordinated Debentures	52,839	820,000	872,839
Retirement Benefit Obligations	16,576	489,370	505,946
Current Tax Liabilities	2,609,963	-	2,609,963
Other Provisions and Accruals	536,138	-	536,138
Other Liabilities	3,440,215	1,195,890	4,636,105
Total Liabilities	186,564,654	24,294,018	210,858,672
Net	(48,372,185)	70,969,836	22,597,651

53 COMMITMENTS AND CONTINGENCIES

Accounting Policy

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits are not probable or cannot be reliably measured.

The Bank enters into various irrevocable commitments and contingent liabilities to meet the financial needs of customers. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. The letters of credit and guarantees commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. The guarantees and standby letters of credit carry a similar credit risk to loans. Operating lease commitments of the Bank and pending legal claims against the Bank too form a part of commitments of the Bank. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote. However, these contingent liabilities do contain credit risk and are therefore form a part of the overall risk of the Bank.

Financial Guarantees

In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the Financial Statements within ‘Other Liabilities’ at fair value, being the premium received. Subsequent to initial recognition, the Bank’s liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Profit or Loss and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in Profit or Loss under 'Impairment Charges'. The premium received is recognised in Profit or Loss under 'Fee and Commission Income' on a straight line basis over the life of the guarantee. The accounting policy pertaining to impairment provisions for commitments and contingencies is given in Note 2.8.6.

Details of commitments and contingencies are given below;

53.1 Commitments and Contingencies

As at 31 st December	2024 Rs 000	2023 Rs 000
Financial Guarantees	5,140,218	4,866,549
Documentary Credit	2,459,343	1,664,424
Currency Swaps (Note 24)	34,454,665	26,877,216
Forward Foreign Exchange Contracts (Note 24)	1,756,249	128,143
Spot Contracts (Note 24)	51,931	1,479,493
Undrawn Credit Commitments	13,192,104	14,065,927
Total (Note 49.3.4)	57,054,510	49,081,753

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

Impairment allowances on undrawn credit commitments are included under impairment allowances for respective loan products in Note 26.6, whereas impairment allowances on financial guarantees and documentary credit are given under Note 38 - Other Liabilities.

53.1.1 Capital Commitments

The commitments for acquisition of property, plant & equipment and intangible assets incidental to the ordinary course of business as at 31st December 2024 are as follows.

	2024 Rs 000
For Property, Plant & Equipment	172,635
Approved and Contracted for	56,658
Approved But Not Contracted for	229,293
For Intangible Assets	70,266
Approved and Contracted for	-
Approved But Not Contracted for	70,266

There were no significant capital commitments as at 31st December 2023.

53.2 Material Litigation Against the Bank

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.

Pending legal claims where the Bank had already made provisions for possible losses in its Financial Statements or has a reasonable security to cover the damages are not considered here as the Bank does not expect cash outflows from such claims. However, further adjustments are made to the Financial Statements if necessary on the adverse effects of legal claims based on the professional advice obtained on the probability of the outcome and also based on a reasonable estimation. The Bank's legal counsel is of the opinion that the litigations which are currently pending will not have a material impact on the reported financial results or future operations of the Bank.

54 LEASE ARRANGEMENTS

54.1 Finance Lease Receivables

The Bank leases a variety of assets such as motor vehicles, machinery and equipment to third parties under finance leases. At the end of the lease terms assets may be sold to third parties or leases for further terms. The lease terms are fixed. Rentals are calculated to recover the cost of the assets less their residual values and earn finance income.

As at 31st December 2024	Total Future Minimum Lease Payments Rs 000	Unearned Finance Income Rs 000	Present Value of Future Minimum Lease Payments Rs 000
Lease Rentals Receivable			
- Within One Year	6,001,665	1,340,391	4,661,274
- After One Year But Not More Than Five Years	8,233,962	1,508,269	6,725,693
Total (Note 26.1)	14,235,627	2,848,660	11,386,967

As at 31st December 2023	Total Future Minimum Lease Payments Rs 000	Unearned Finance Income Rs 000	Present Value of Future Minimum Lease Payments Rs 000
Lease Rentals Receivable			
- Within One Year	5,048,274	1,167,168	3,881,106
- After One Year But Not More Than Five Years	6,535,865	1,281,243	5,254,622
- More Than Five Years	5,073	405	4,668
Total (Note 26.1)	11,589,212	2,448,816	9,140,396

ECL allowance for uncollectible minimum lease payments are disclosed in Note 26.6.

55 RELATED PARTY DISCLOSURE

The Bank has carried out transactions in the ordinary course of business with parties who are defined as “Related Parties” as defined in LKAS 24 - ‘Related Party Disclosures’. The terms and conditions of such transactions are disclosed under Note 55.4 and Note 55.5.

55.1 Parent and Ultimate Controlling Party

The Bank does not have an identifiable parent of its own.

55.2 Transactions with Key Management Personnel of the Bank

The Bank has identified and disclosed personnel those having authority and responsibility for planning, directing and controlling the activities of the Bank as the ‘Key Management Personnel’ in accordance with LKAS 24 : ‘Related Party Disclosures’. Accordingly, the Chief Executive Officer and the Board of Directors have been identified as ‘Key Management Personnel’ (KMP) for Accounting and Financial Reporting purposes.

55.3 Compensation of Key Management Personnel of the Bank

The following represents the compensation paid to Key Management Personnel of the Bank.

	2024 Rs 000	2023 Rs 000
Short-term Benefits	101,157	68,119
Retirement Benefits	5,103	10,517
	106,260	78,635

Short-term benefits represent salaries, bonuses and other related expenses of Chief Executive Officer and fees paid to Non Executive Directors including the Chairman. Retirement Benefits includes the Bank's contribution for Employees' Provident Fund and Employees' Trust Fund with regard to KMP's.

55.4 Transactions with Key Management Personnel of the Bank

The Bank enters into transactions, arrangements and agreements with the Key Management Personnel and the Close family members of Key Management Personnel in the ordinary course of business. The transactions below were made in the ordinary course of business and on substantially the same terms, including interest/commission rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features. The Bank has not made any provision for individual impairment losses on amounts due from the Key Management Personnel and their Close Family Members.

As at 31st December	2024			2023		
	Limit	Closing Balance	Average Balance	Limit	Closing Balance	Average Balance
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Loans and Advances	5,068	4,053	4,275	6,721	5,227	2,702
Liabilities						
Deposits and Borrowings	-	74,380	74,649	-	70,045	95,493
Subordinated Debentures	-	-	-	-	-	25,000

For the year ended 31st December	2024	2023
	Rs 000	Rs 000
Income and Expenses		
Interest Income	767	743
Interest Expense	9,966	17,974
Fee and Commission Income	3	24

55.5 Transactions with Other Related Parties of the Bank

In addition to transactions with the Key Management Personnel and their Close Family Members, the Bank enters into transactions, arrangements and agreements with entities that are controlled or joint controlled by the Key Management Personnel and their Close Family Members in the ordinary course of business. There were no transactions with other related parties during the year. (2023-Nil)

56 EVENTS AFTER THE REPORTING DATE

No events after the reporting date that require adjustments to or disclosures in the Financial Statements except for the following:

Dividends Declared (Note 20.2)

The Board of Directors has recommended and declared a first and final cash dividend of Rs. 1/- per share for the financial year ended 31st December 2024 (2023 - Rs. 0.25 per share) subject to the approval of the shareholders at the Annual General Meeting to be held on 28th March 2025, and accordingly it has not been recognised as a liability in these Financial Statements for the year ended 31st December 2024.

57 CAPITAL

The Bank maintains an actively managed capital base to cover risks inherent in the business and meet the capital requirements of the local prudential regulator, Central Bank of Sri Lanka. The adequacy of the Bank's Capital is monitored using among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BCBS) and adopted by the Central Bank of Sri Lanka.

Capital Management

The main objectives of the Bank's capital management policy are to ensure the Bank maintains sufficient capital to meet regulatory capital requirements, hold sufficient capital to support the Bank's risk appetite, provide additional capital to business segments to achieve strategic objectives, to provide a buffer in absorbing potential losses arising from various risks and safeguarding of depositor funds and ensuring that the Bank maintaining required capital levels in order to achieve credit rating objectives.

The Bank manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payments to the shareholders or issue capital securities, all of which are under the constant review by the Board of Directors and the relevant Board Committees.

The Capital Adequacy Ratio (CAR) is a measure used to determine whether the Bank has sufficient capital to withstand unexpected losses arising from various risks during the course of the business, such as Credit Risk, Market Risk and Operational Risk. At present, Capital Adequacy Ratios of the licensed banks in Sri Lanka are computed based on the Banking Act Direction No. 1 of 2016 and subsequent amendments thereto issued by the Central Bank of Sri Lanka (CBSL).

The 'Total Capital' under BASEL III consists Common Equity Tier 1 Capital which comprises Stated Capital, Statutory Reserve Fund, Published Retained Earnings and Other General Reserves less Cost of Intangible Assets and Differed Tax Assets. The other component of Tier 1 Capital is Additional Tier 1 Capital.

Tier 2 Capital is the other component of the Total Capital includes approved Revaluation Surpluses, Subordinated Term Debt, 100% of impairment for Stage 1 Assets and 50% of impairment for Stage 2 assets subject to maximum limit of 1.25% Risk Weighted Amount for Credit Risk.

The details of the Bank's Compliance with regulatory capital ratio requirements are disclosed in Note 60.

The Bank sustained the envisaged capital goals operating in a highly regulated, volatile environment. The optimise risk weighted assets, efficient capital allocation, cost efficiency and profitability and stress testing and best risk management practices are some key strategies adopted aiming to strengthen the capital ratios during the year 2024. The Bank maintained capital ratios well above the minimum regulatory standards throughout the year 2024. However continuous focus will be on building strong capital buffers to support the expected business growth coupled with to maintain resilience capital in the Bank.

Internal Capital Adequacy Assessment Process (ICAAP)

The Supervisory Review Process (SRP) Pillar II of Basel III Accord, main purpose of which is to identify additional risks which are material to a bank and establishing requirements to strengthen capital adequacy by estimating economic capital to account for unexpected losses. ICAAP encourages the development and use of efficient and effective techniques of risk management to monitor and manage risks within the Bank.

58 SEGMENT REPORTING

Accounting Policy

'The Bank's segmental reporting is based on the following operating segments namely: Retail & SME Banking, Corporate Banking, and Treasury.

'Retail and SME Banking segment includes loans, overdrafts, credit card facilities, deposits, current accounts and other services offered to Retail & SME customers.

'Corporate Banking segment includes loans, overdrafts, other credit facilities, deposits, current accounts and other services offered to Corporate customers.

Treasury function includes trading function, financing and other central functions, use of derivatives for risk management purpose, investment products and services to institutional investors and intermediaries. The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the Financial Statements.

Income taxes and common overhead expenses are managed on an entity basis and are not allocated to operating segments. Interest income is reported on net basis as the management primarily relies on net interest income as a performance measure, not the gross income and expenses. Transfer pricing between operating segments are on an arm's length basis in a manner similar to transactions with third parties. Revenue from transactions with no single external customer or counterparty amounted to 10% or more of the Bank's total revenue during the years 2024 and 2023.

For the Year ended 31st December	2024			
	Retail & SME Banking Rs 000	Corporate Banking Rs 000	Treasury Rs 000	Total Rs 000
Gross Income				
Third Party	19,993,661	2,229,868	6,608,069	28,831,598
Inter-Segment	6,711,606	(758,053)	(5,953,553)	-
Total Income	26,705,267	1,471,815	654,516	28,831,598
Extract of Results				
Interest Income	18,220,877	2,191,544	10,369,304	30,781,725
Interest Expense	(15,433,804)	(979,381)	(2,232,798)	(18,645,983)
Inter - Segment	6,711,606	(758,053)	(5,953,553)	-
Net Interest Income	9,498,679	454,110	2,182,953	12,135,742
Fee and Commission Income	1,801,525	105,200	-	1,906,725
Fee and Commission Expense	(24,292)	(32)	(45,255)	(69,579)
Net Fee and Commission Income	1,777,233	105,168	(45,255)	1,837,146
Net Gains from Trading	-	-	753,368	753,368
Net Fair Value Losses from Financial Assets at FVPL	-	-	(70,282)	(70,282)
Net Gains from Derecognition of Financial Assets at FVOCI	-	-	23,609	23,609
Net Other Operating Losses	(28,740)	(66,876)	(767,565)	(863,181)
Total Operating Income	11,247,172	492,402	2,076,828	13,816,402
Net Losses on Derecognition of SLISBs	-	-	3,700,366	3,700,366
Impairment Charges/(Reversals)	660,619	594,464	(6,316,296)	(5,061,213)
Net Operating Income	10,586,553	(102,062)	4,692,760	15,177,249
Depreciation and Amortisation Expenses	535,909	201	4,099	540,209
Total Operating Expenses	4,202,994	98,954	143,348	4,445,296
Segment Result	5,847,649	(201,217)	4,545,312	10,191,744
Un-allocated Expenses	-	-	-	2,293,503
Operating Profit Before Taxes on Financial Services	-	-	-	7,898,241
Taxes and Levies on Financial Services	-	-	-	1,870,732
Profit Before Tax	-	-	-	6,027,509
Income Tax Expense	-	-	-	1,892,793
Profit for the Year	-	-	-	4,134,716
Other Comprehensive Income for the Year	-	-	-	156,052
Total Comprehensive Income for the Year	-	-	-	4,290,768
Cash Flows Generated from/(Used in) Operating Activities	10,931,349	(6,760,444)	5,925,823	10,096,728
Cash Flows Generated from/(Used in) Investing Activities				
Capital Expenditure				
On Property, Plant & Equipment	(196,405)	(13)	-	(196,418)
On Intangible Assets	(68,783)	-	-	(68,783)
Proceeds from Sale of Property, Plant & Equipment	47	-	-	47
	(265,141)	(13)	-	(265,154)
Cash Flows Used in Financing Activities	(12,609,372)	-	(48,388)	(12,657,760)
As at 31st December				
Segment Assets	130,736,419	24,950,026	97,232,462	252,918,907
Unallocated Assets	-	-	-	9,944,105
Total Assets	130,736,419	24,950,026	97,232,462	262,863,012
Segment Liabilities	165,886,705	28,094,857	34,075,262	228,056,824
Unallocated Liabilities and Equity	-	-	-	34,806,188
Total Liabilities and Equity	165,886,705	28,094,857	34,075,262	262,863,012

For the Year ended 31st December	2023			
	Retail & SME Banking Rs 000	Corporate Banking Rs 000	Treasury Rs 000	Total Rs 000
Gross Income				
Third Party	23,761,331	2,917,313	12,292,585	38,971,229
Inter-Segment	9,460,217	(1,062,361)	(8,397,856)	-
Total Income	33,221,549	1,854,951	3,894,729	38,971,229
Extract of Results				
Interest Income	22,304,893	2,855,945	11,962,159	37,122,997
Interest Expense	(24,401,862)	(1,509,095)	(909,570)	(26,820,527)
Inter - Segment	9,460,217	(1,062,361)	(8,397,856)	-
Net Interest Income	7,363,248	284,489	2,654,733	10,302,470
Fee and Commission Income	1,449,971	89,388	-	1,539,359
Fee and Commission Expense	(17,349)	-	(37,934)	(55,283)
Net Fee and Commission Income	1,432,622	89,388	(37,934)	1,484,076
Net Gains from Trading	-	-	910,210	910,210
Net Fair Value Gains/(Losses) from Financial Assets at FVPL	-	-	116,693	116,693
Net Other Operating Gains/(Losses)	6,468	(28,020)	(696,477)	(718,030)
Total Operating Income	8,802,339	345,857	2,947,225	12,095,419
Impairment Charges/(Reversals)	891,782	332,927	1,489,962	2,714,669
Net Operating Income	7,910,557	12,929	1,457,264	9,380,750
Depreciation and Amortisation Expenses	507,175	133	5,824	513,133
Total Operating Expenses	3,191,318	78,284	99,988	3,369,589
Segment Result	4,212,065	(65,488)	1,351,452	5,498,029
Un-allocated Expenses	-	-	-	2,172,360
Operating Profit Before Taxes on Financial Services	-	-	-	3,325,669
Taxes and Levies on Financial Services	-	-	-	997,323
Profit Before Tax	-	-	-	2,328,346
Income Tax Expense	-	-	-	473,381
Profit for the Year	-	-	-	1,854,965
Other Comprehensive Income for the Year	-	-	-	126,138
Total Comprehensive Income for the Year	-	-	-	1,981,103
Cash Flows Generated from/(Used in) Operating Activities	28,544,185	632,045	(24,878,460)	4,297,770
Cash Flows Generated from/(Used in) Investing Activities				
Capital Expenditure				
On Property, Plant & Equipment	(197,019)	-	-	(197,019)
On Intangible Assets	(39,232)	-	-	(39,232)
Proceeds from Sale of Property, Plant & Equipment	71	-	-	71
	(236,180)	-	-	(236,180)
Cash Flows Used in Financing Activities	(3,215,319)	-	-	(3,215,319)
As at 31st December				
Segment Assets	119,333,524	16,438,648	84,574,000	220,346,172
Unallocated Assets	-	-	-	13,110,151
Total Assets	119,333,524	16,438,648	84,574,000	233,456,323
Segment Liabilities	165,281,462	11,631,814	25,657,244	202,570,520
Unallocated Liabilities and Equity	-	-	-	30,885,803
Total Liabilities and Equity	165,281,462	11,631,814	25,657,244	233,456,323

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

59 RECLASSIFICATIONS AND RESTATEMENTS TO COMPARATIVE FIGURES

59.1 Reclassifications

The Bank rearranged the presentation of the Financial Statements in conformity with the new formats prescribed by the Central Bank of Sri Lanka in Circular No. 05 of 2024 on Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks. Accordingly, the following line items in the Statement of Comprehensive Income (Profit or Loss) for the year ended 31st December 2023, were reclassified to conform to the current year's presentation.

Statement of Comprehensive Income (Profit or Loss)

	Note	Reclassified Rs 000	As Reported in 2023 Rs 000
Net Gains from Trading			
Net Fair Value Gains/(Losses) from Financial Assets at FVPL	9	-	116,693
Net Fair Value Gains/(Losses) from Financial Assets at FVPL	10	116,693	-
Net Other Operating Losses			
Net Losses on Revaluation of Foreign Exchange	12	(405,299)	-
Recovery of Loans Written-off	12	-	35,134
Losses on Sale of Property, Plant & Equipment	12	(1,297)	-
Impairment Charges/(Reversals)			
Net Losses on Revaluation of Foreign Exchange	14	-	(405,299)
Recovery of Loans Written-off	14	35,134	-
Depreciation and Amortisation Expenses	16	(513,133)	-
Other Operating Expenses			
Losses on Sale of Property, Plant & Equipment	17	-	(1,297)
Depreciation and Amortization Expenses	17	-	(513,133)

The reclassifications does not have a material impact on Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows presented in 2023.

59.2 Restatements

There were no restatements to the comparative figures of 2023.

60 SELECTED PERFORMANCE INDICATORS

	Bank	
	Current Year As at 31/12/2024	Previous Year As at 31/12/2023
Regulatory Capital Adequacy (Rs. 000)		
Common Equity Tier I (CET I) Capital before Adjustments	24,435,528	21,235,203
Common Equity Tier I (CET I) Capital after Adjustments	24,079,489	18,785,214
Total Tier 1 Capital	24,079,489	18,785,214
Total Capital	26,348,045	21,155,676
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement : 7%)	19.17	16.45
Tier 1 Capital Ratio (Minimum Requirement : 8.5%)	19.17	16.45
Total Capital Ratio (Minimum Requirement : 12.5%)	20.98	18.52
Basel III Leverage Ratio % (Minimum Requirement : 3%)	8.18	7.60
Regulatory Liquidity Requirement		
Liquidity Coverage Ratio (%) (Minimum Requirement : 100%)		
- Rupee	264.10	520.84
- All Currency	344.37	458.18
Net Stable Funding Ratio (%) (Minimum Requirement : 100%)	153.44	152.97
Assets Quality (%)		
Impaired Loans (Stage 3) to Total Loans Ratio *	3.10	4.36
Impairment (Stage 3) to Stage 3 Loans Ratio	60.10	47.13
Income and Profitability (%)		
Net Interest Margin	4.93	4.67
Return on Assets (Before Tax)	2.45	1.06
Return on Equity	17.30	8.62
Cost-to-Income Ratio	52.68	50.06
Memorandum Information		
Credit Rating** (Fitch Ratings)	'BBB-(lka)' Stable Outlook	'BBB-(lka)' Stable Outlook
Number of Employees	1,567	1,469
Number of Branches	85	85

* Impaired loans (Stage 3) and total loans shall include total outstanding amount of on-balance sheet credit facilities and their respective undrawn amounts.

** Fitch Ratings has upgraded the National Long Term Rating of Pan Asia Banking Corporation PLC to BBB(lka) from BBB-(lka) on 21st January 2025.

Certification

We, the undersigned, being the Chief Executive Officer and the Chief Financial Officer of the Pan Asia Banking Corporation PLC jointly certify that the above Financial Statements have been prepared in compliance with the formats and definitions prescribed by the Central Bank of Sri Lanka.

Suranga Fernando
Chief Financial Officer

Naleen Edirisinghe
Director/Chief Executive Officer

14th February 2025
Colombo

Compliance with Disclosure Requirements Specified by the Central Bank of Sri Lanka

The following explains the Other Disclosure Requirements under the prescribed format issued by the Central Bank of Sri Lanka for the Preparation of Annual Financial Statements of Licensed Commercial Banks.

1	**Information about the Significance of Financial Instruments for Financial Position and Performance**		
1.1	**Statement of Financial Position**		
1.1.1	Disclosures on categories of financial assets and financial liabilities.		Note 47 to the Financial Statements - Analysis of Financial Assets and Liabilities by Measurement basis
1.1.2	Other Disclosures		
	(i)	Special disclosures about financial assets and financial liabilities designated to be measured at Fair Value through Profit or Loss, including disclosures about credit risk and market risk, changes in fair values attributable to these risks and the methods of measurement.	Not Applicable
	(ii)	Reclassifications of financial instruments from one category to another.	Not Applicable
	(iii)	Information about financial assets pledged as collateral and about financial or non-financial assets held as collateral.	Note 26.4 and 27.2 to the Financial Statements
	(iv)	Reconciliation of the allowance account for credit losses by class of financial assets.	Note 21.1, 26.6, 27.4 and 38.3 to the Financial Statements
	(v)	Information about compound financial instruments with multiple embedded derivatives.	Not Applicable
	(vi)	Significant Breaches of terms of loan agreements.	There are no significant breaches of the terms of loan agreements
1.2	**Statement of Comprehensive Income**		
1.2.1	Disclosures on items of income, expense, gains and losses.		Note 7-19 to the Financial Statements
1.2.2	Other Disclosures		
	(i)	Total interest income and total interest expense for those financial instruments that are not measured at Fair Value through Profit or Loss.	Note 7.2 to the Financial Statements - Net Interest Income from Financial Instruments not measured at Fair Value through Profit or Loss
	(ii)	Fee income and expense.	Note 8 to the Financial Statements - Net Fee and Commission Income
	(iii)	Amount of impairment losses by class of financial assets.	Note 14 to the Financial Statements-Impairment charges
	(iv)	Interest income on impaired financial assets.	Note 7.3 to the Financial Statements
	(v)	Profit generated through all interbank foreign exchange transactions including end user transactions where one leg is in the interbank market.	Note 9.1 to the Financial Statements

1.3	**Other Disclosures**		
1.3.1	Accounting policies for financial instruments.		Note 2.8 to the Financial Statements - Summary of Material Accounting Policies
1.3.2	Financial liabilities designated as at FVPL		
	(i)	If a bank is presenting the effects of changes in that financial liability's credit risk in other comprehensive income (OCI): - any transfers of the cumulative gain/loss within equity during the period, including the reasons for the transfers; - if the liability is derecognised during the period, then the amount (if any) presented in OCI that was realised at derecognition; - detailed description of the methodologies used to determine whether presenting the effects of changes in a liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss; and	Not Applicable
	(ii)	Detailed description, if the effects of changes in a liability's credit risk are presented in profit or loss.	Not Applicable
1.3.3	Investments in equity instruments designated as at FVOCI		
	(i)	Details of equity instruments that have been designated as at FVOCI and the reasons for the designation;	Not Applicable
	(ii)	Fair value of each investment at the reporting date;	Not Applicable
	(iii)	Dividends recognised during the period, separately for investments derecognised during the reporting period and those held at the reporting date;	Not Applicable
	(iv)	Any transfers of the cumulative gain or loss within equity during the period and the reasons for those transfers;	Not Applicable
	(v)	If investments in equity instruments measured at FVOCI are derecognised during the reporting period, - reasons for disposing of the investments; - fair value of the investments at the date of derecognition; and - the cumulative gain or loss on disposal	Not Applicable

1.3.4	Reclassifications of financial assets		
	(i)	For all reclassifications of financial assets in the current or previous reporting period: - date of reclassifications; - detailed explanation of the change in the business model and a qualitative description of its effect on the financial statements; and - the amount reclassified into and out of each category.	Not Applicable
	(ii)	For reclassifications from FVPL to amortised cost or FVOCI: - the effective interest rate (EIR) determined on the date of reclassification; and - the interest revenue recognised.	Not Applicable
	(iii)	For reclassifications from FVOCI to amortised cost, or from FVPL to amortised cost or FVOCI: - the fair value of the financial assets at the reporting date; and - the fair value gain or loss that would have been recognised in profit or loss or OCI during the reporting period if the financial assets had not been reclassified.	Not Applicable
1.3.5	Information on hedge accounting		Not Applicable
1.3.6	Information about the fair values of each class of financial asset and financial liability, along with:		
	(i)	Comparable Carrying Amounts.	Note 48 to the Financial Statements - Fair Value of Financial Instruments
	(ii)	Description of how fair value was determined.	
	(iii)	The level of inputs used in determining fair value.	
	(iv)	(a) Reconciliations of movements between levels of fair value measurement hierarchy.	Not Applicable
		(b) Additional disclosures for financial instruments that fair value is determined using level 3 inputs.	Not Applicable
	(v)	Information if fair value cannot be reliably measured.	Note 28 to the Financial Statements - Financial Assets at FVOCI

2	**Information about the Nature and Extent of Risks Arising from Financial Instruments**	
2.1	**Qualitative Disclosures**	
2.1.1	Risk exposures for each type of financial instrument.	Note 49 to the Financial Statements - Risk Management
2.1.2	Management's objectives, policies, and processes for managing those risks	Note 49 to the Financial Statements - Risk Management
2.1.3	Changes from the prior period.	Not Applicable
2.2	**Quantitative Disclosures**	
2.2.1	Summary of quantitative data about exposure to each risk at the reporting date.	Note 49 to the Financial Statements - Risk Management
2.2.2	Disclosures about credit risk, liquidity risk, market risk, operational risk, interest rate risk and how these risks are managed.	Note 49 to the Financial Statements - Risk Management
	(i) Credit Risk	
	- Maximum amount of exposure (before deducting the value of collateral), description of collateral, information about credit quality of financial assets that are neither past due nor impaired and information about credit quality of financial assets. - For financial assets that are past due or impaired, disclosures on age, factors considered in determining as impaired and the description of collateral on each class of financial asset. - Information about collateral or other credit enhancements obtained or called. - Process and the methodology for valuing trading positions by type of instrument.	Note 49.2 to the Financial Statements - Risk Management Report on pages 224 to 236
	- The risk governance structure, scope and main features of risk measurement systems, Qualitative information on stress testing, Strategies and processes to manage, hedge and mitigate risks that arise from the bank's business model.	Note 49 to the Financial Statements - Risk Management
	- Other disclosures refer Basel III Minimum Disclosure Requirement under Pillar III as per the Banking Act Direction No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks.	Basel III Pillar 3 Disclosures on Pages 270 to 271
	(ii) Liquidity Risk	
	- A maturity analysis of financial liabilities.	Note 49.3 to the Financial Statements - Risk Management Report on pages 236 to 239
	- Description of approach to risk management. - Trend in key liquidity ratios.	Note 49.3 to the Financial Statements – Risk Management
	- Other disclosures refer Basel III Minimum Disclosure Requirement under Pillar III as per the Banking Act Direction No. 01 of 2016 on Capital Requirements Under Basel III for Licensed Banks.	Basel III Pillar 3 Disclosures on Pages 272 to 273

	(iii)	Market Risk - A sensitivity analysis of each type of market risk to which the entity is exposed. - Additional information, if the sensitivity analysis is not representative of the entity's risk exposure.	Note 49.4 to the Financial Statements - Risk Management Report on pages 239 to 243
		- Systems and controls to ensure that the valuation estimates are prudent and reliable. - Description of the process and the methodology for valuing trading positions by type of instrument.	Note 48 to the Financial Statements – Risk Management
		- Other disclosures, refer Basel III Minimum Disclosure Requirement under Pillar III as per the Banking Act Direction No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks.	Basel III Pillar 3 Disclosures on Page 271
	(iv)	Operational Risk - Activities that have been outsourced together with parties and basis for payment. - Due diligence tests of third-party service providers.	Page 64 of the Annual Report 2024 - Risk Management
		- Refer Basel III Minimum Disclosure Requirement under Pillar III as per the Banking Act Direction No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks.	Basel III Pillar 3 Disclosures on Page 273
	(v)	Equity risk in the Banking Book - Qualitative disclosures Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons. Discussion of important policies covering the valuation and accounting of equity holdings in the banking book.	Note 49.4 to the Financial Statements - Risk Management Report on pages 239 to 243
		- Quantitative disclosures Value disclosed in the statement of financial position of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value, the types and the nature of investments and the cumulative realised gains/(losses) arising from sales and liquidations in the reporting period.	Not Applicable
	(vi)	Interest rate risk in the Banking Book - Qualitative disclosures Nature of interest rate risk in the banking book (IRRBB) and key assumptions. - Quantitative disclosures The increase/(decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant).	Note 49.4.1 to the Financial Statements - Risk Management Report on pages 240 to 242
2.2.3	Information on concentration of risk		Note 49.2.9 to the Financial Statements - Risk Management Report on pages 233 to 236

3	**Other Disclosures**	
3.1	**Capital**	
3.1.1	Capital structure	
	Qualitative disclosures - Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of innovative, complex or hybrid capital instruments. - Quantitative disclosures. (a) The amount of Tier 1 capital, with separate disclosure of: - Paid-up share capital/common stock - Reserves - Non-controlling interests in the equity of subsidiaries - Innovative instruments - Other capital instruments - Deductions from Tier 1 capital (b) The total amount of Tier 2 capital (c) Other deductions from capital (d) Total eligible capital	Basel III Pillar 3 Disclosures on Pages 264 to 269
3.1.2	Capital Adequacy	
	Qualitative disclosures - A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities. - Quantitative disclosures (a) Capital requirements for credit risk, market risk and operational risk (b) Total and Tier 1 capital ratio	Basel III Pillar 3 Disclosures on Pages 263 to 274

Basel III Pillar 3 Disclosures ▸

INTRODUCTION

The Bank recognises, best corporate governance practices jointly with effective risk management techniques which directs the Bank towards the sustainable achievement in business goals while staying above the minimum regulatory requirements. The Bank usually operates in a vulnerable environment and are highly exposed to risk. Therefore, the Bank places a higher emphasis on a continuous basis on improving risk management processes and operating with sufficient level of capital to support its risk absorption capacity and business expansions. The Bank's risk management team has to play a vital role in maintaining prudential risk management practices across the Bank which enables early detection of down side risks in all its businesses and other operations.

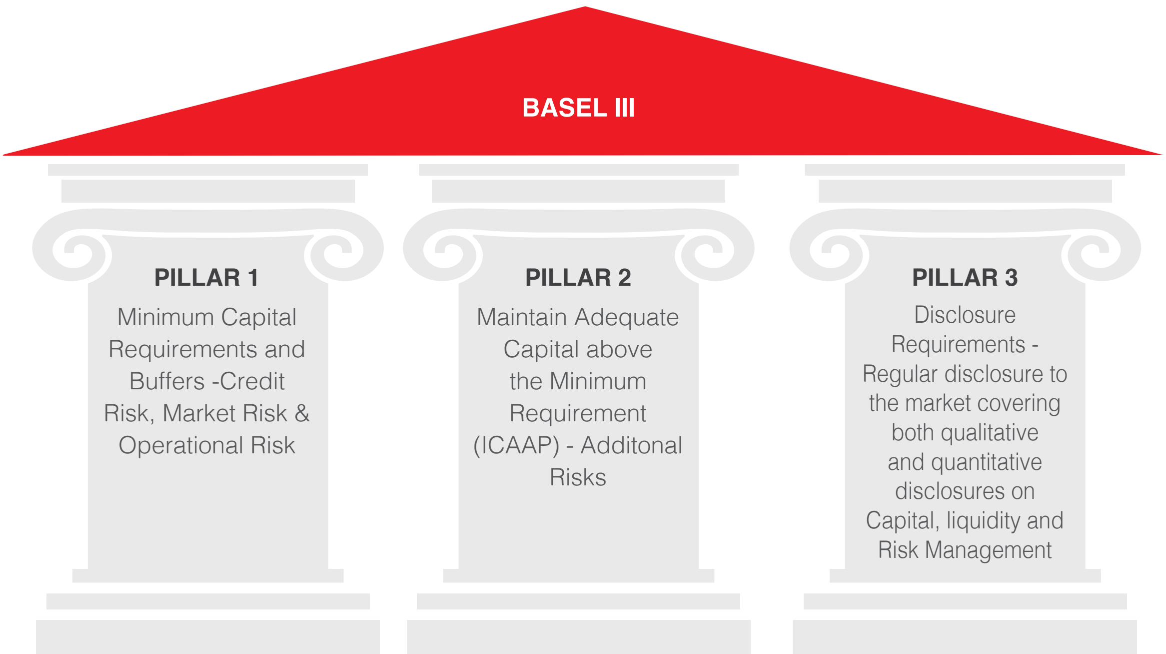
Based on empirical data and close analysis of market behavior, the Bank is of the belief that effective investment in robust risk management practices would facilitate in mitigating the credit, market, operational and the other risk factors facing the Bank.

Further use of market discipline is deemed to be an important driver in the enhancement of the risk management system from the Bank as well as the stakeholders' perspective. Therefore, the Bank believes comprehensive disclosure of capital level in relation to the credit risk, market risk and operational risk levels would fulfill the expectations of the regulators as well as other stakeholders at large.

SCOPE OF BASEL III FRAMEWORK

The Basel Committee on Bank Supervision (BCBS) has implemented a set of capital, liquidity and funding reforms known as "Basel III". The objectives of reforms are to increase the quality, consistency and transparency of capital to enhance the risk management framework of Licensed Banks.

Accordingly, the Central Bank of Sri Lanka has issued Direction No. 01 of 2016 on Capital Requirement under Basel III for Licensed Commercial Banks (LCB's) and Licensed Specialised Banks (LSB's) on 29th December 2016. As per the direction, Capital Requirements applicable for a Licensed Commercial Bank from 1st July 2017 onwards consist of three pillars.



PILLAR 1 - MINIMUM CAPITAL REQUIREMENTS AND BUFFERS

Commencing from 1st July 2017, every LCB and LSB need to comply with minimum capital ratios and the buffers as prescribed in the direction. According to the latest regulatory requirements enforced by CBSL, the Bank is required to maintain the capital in 3 tiers as mentioned below.

Minimum Capital Ratio Requirement

Components of Capital	Minimum Requirement
Common Equity Tier 1 Capital Ratio Including Capital Conservation Buffer	7.00%
Total Tier 1 Capital Ratio Including Capital Conservation Buffer	8.50%
Total Capital Ratio Including Capital Conservation Buffer	12.50%

CAPITAL BUFFERS

All banks are required to hold additional capital buffers over and above the minimum CET I, Total Tier I and Total Capital Adequacy levels.

- Capital Conservation Buffer (CCB)
- High Loss Absorbency (HLA) requirement for Domestic Systemically Important Banks (D-SIBs)
- Counter-cyclical Buffer

Higher Loss Absorbency (HLA) Requirements for Domestic Systemically Important Banks (D-SIBs)

Monetary Board of Central Bank has issued Banking Act Direction No 10 of 2019 'Framework for Dealing with Domestic Systemically Important Banks' on 20th December 2019.

This framework attempts to identify the banks whose failure has a larger impact on the financial system due to size, interconnectedness, lack of substitutability and complexity and require maintaining higher loss absorbency (HLA) by such banks.

Primary objective of the implementation of the D-SIBs framework is D-SIBs to hold higher capital buffers and to provide incentives to reduce their systemic importance on the domestic economy.

The minimum capital surcharge on D-SIBs is as follows:

Bucket	HLA Requirement (CET 1 as a % of Risk-Weighted Assets)
3	2.0
2	1.5
1	1.0

Licensed banks which are determined as Domestic Systemically Important Banks (D-SIBs), from time to time have to maintain additional Higher Loss Absorbency (HLA) requirements as specified by the Monetary Board in the form of Common Equity Tier 1 Capital.

However as per eligible criteria defined in the direction to be categorised as D-SIB, it is likely that additional HLA capital requirements will not be applicable for our Bank given the total exposure measure coming under Leverage Ratio is account for below the minimum exposure value of Rs.400 billion specified by the regulator under disclosure requirements in the directions.

The Bank's Total exposures coming under Basel III leverage ratio was Rs. 294.37 Bn as at 31st December 2024.

PILLAR 2 - MAINTAIN ADEQUATE CAPITAL ABOVE THE MINIMUM REQUIREMENT (ICAAP)

The Bank needs to maintain adequate capital buffers to safeguard itself from the exposure to risk as specified in the direction. Under Pillar 2, a Board approved ICAAP document needs to be submitted to the Central Bank of Sri Lanka for supervisory review process. ICAAP lets banks to identify, analyse and quantify its risk exposures using different methodologies, techniques and to quantify required level of capital to absorb the risks.

Further under pillar 2, banks are instructed to scrutinise different types of risks which are not covered/fully captured under Pillar 1. Accordingly, following risk categories also need to be quantified and allocation of capital needs to be done in computing the Pillar 2 Capital Ratios.

- Risks not fully captured under Pillar 1 - Concentration risk (credit risk), interest rate/rate of return risk in the Banking book (market risk) etc.
- Risk types not covered under Pillar 1 - Liquidity risk, concentration risk, reputational risk, compliance risk, strategic and business risk, residual risk. etc. (risks which are not specifically addressed under Pillar 1)

The Bank has already developed an ICAAP policy and framework which closely indicate the risk and capital assessment processes which ensures that adequate level of capital is maintained to support the Bank's current and projected demand for capital under expected and stressed conditions.

PILLAR 3 - DISCLOSURE REQUIREMENTS

Commencing from 1st July 2017, the Bank needs to disclose the regulator prescribed key information in relation to regulatory capital, liquidity and risk management with the published financial statements, in the annual report and in the web site.

Pillar 3 aims to provide consistent and comprehensive disclosure framework that enhances comparability between banks and further promotes improvements in risk practices.

The Bank has implemented a Pillar 3 policy and procedure framework to address the requirements laid down for pillar 3 disclosures.

The complete disclosure report of information regarding capital management in accordance with Basel III- Pillar 3 is provided of which quantitative information regarding capital structure, capital adequacy and monitoring of liquidity standards is disclosed on a quarterly basis. The disclosures on the Bank's risk management approach and risk management related to key risk exposures are disclosed on an annual basis.

Key Regulatory Ratios - Capital and Liquidity

As at	31.12.2024	31.12.2023
Regulatory Capital (Rs 000)		
Total Common Equity Tier 1 Capital	24,435,528	21,285,740
Common Equity Tier 1 Capital	24,079,489	18,785,214
Tier 1 Capital	24,079,489	18,785,214
Total Capital	26,348,045	21,155,676
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement -7.00%)	19.17%	16.45%
Tier 1 Capital Ratio (Minimum Requirement -8.50%)	19.17%	16.45%
Total Capital Ratio (Minimum Requirement -12.50%)	20.98%	18.52%
Leverage Ratio (Minimum Requirement -3%)	8.18%	7.60%
Regulatory Liquidity		
Statutory Liquid Assets (Rs'000)	N/A	76,120,892
Statutory Liquid Assets Ratio (Minimum Requirement - 20%)	N/A	38.55%
Liquidity Coverage Ratio (%)		
Rupee (Minimum Requirement -100%)	264.10%	520.84%
All Currency (Minimum Requirement -100%)	344.37%	458.18%
Net Stable Funding Ratio (%) (Minimum Requirement -100%)	153.44%	152.97%

Overview of Capital Planning

The senior management of the Bank is responsible for the management of the capital & liquidity and establishment of compliance with internal policies as well as regulatory standards relating to capital & liquidity management.

The Bank's capital position is monitored on a continuous basis and reported to the Board Strategic Planning Committee and the Board meetings. The Bank sets the tolerance levels for capital adequacy ratios in the ICAAP mechanism and if any breach or non-compliance to be foreseen, decisions are taken to enhance capital position or restructure business lines to fill the gap.

Further capital forecasts are performed in line with detailed strategic plan of the Bank which is updated on an annual basis. The Bank regularly monitors the actual position against the strategic measures and if any deviation to be captured, relevant business heads are informed of corrective actions.

In addition, significant emphasis is given to scrutinise the behaviour of the material risk exposures. If any adverse movement is monitored in recovery patterns of the credit exposures on a regular basis. The Credit Monitoring Unit of the Bank stays on alert for early detection and recovery process before moving to Stage 3 category.

PROJECTED CAPITAL INITIATIVES/ CAPITAL SOURCES

An assessment of the future capital requirement of the Bank is carried out by taking in to account several factors which include but not limited to the future strategy, growth projection and regulatory requirement. The adequacy of current and future capital is continuously monitored quite closely in line with the Bank's short, medium and long-term goals stated in the strategic plan and considering any emerging market opportunities. The proper mapping of credit, market and operational risk to this projected business growth enables assignment of capital that not only adequately covers minimum regulatory capital requirement but also provide headroom for growth.

The Bank complied with minimum regulatory capital and liquidity standards set for year 2024 with the contribution of internal capital generation over the period.

Basel III Computation of Capital Ratios

As at	31.12.2024 Rs'000	31.12.2023 Rs'000
Common Equity Tier 1 (CET1) Capital after Adjustments	24,079,489	18,785,214
Common Equity Tier 1 (CET1) Capital	24,435,528	21,235,203
Stated Capital	3,614,253	3,614,253
Reserve Fund	1,194,474	987,738
Published Retained Earnings	19,512,208	16,683,749
Published Accumulated Other Comprehensive Income (OCI)	114,593	(50,537)
General and other Disclosed Reserves	-	-
Unpublished Current Year's Profit/Losses and Gains reflected in OCI	-	-
Ordinary Shares issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to CET1 Capital	356,039	2,449,989
Goodwill (net)	-	-
Intangible Assets (net)	328,682	321,561
Others - Differed Tax Asset	27,357	2,128,428
Additional Tier 1 (AT1) Capital after Adjustments	-	-
Additional Tier 1 (ATI) Capital	-	-
Qualifying Additional Tier 1 Capital Instruments	-	-
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to AT1 Capital	-	-
Investment in Own Shares	-	-
Others	-	-
Tier 2 Capital after Adjustments	2,268,556	2,370,463
Tier 2 Capital	2,268,556	2,370,463
Qualifying Tier 2 Capital Instruments	82,000	246,000
Revaluation Gains	818,481	869,159
Stage 1 & 50% of stage 2 impairment provision	1,368,075	1,255,304
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to Tier 2 Capital	-	-
Investment in Own Shares	-	-
Others	-	-
CET1 Capital	24,079,489	18,785,214
Total Tier 1 Capital	24,079,489	18,785,214
Total Capital	26,348,045	21,155,676
Total Risk Weighted Assets (RWA)	125,604,699	114,226,419
RWAs for Credit Risk	109,445,989	100,424,313
RWAs for Market Risk	2,119,813	544,688
RWAs for Operational Risk	14,038,897	13,257,418
CET1 Capital Adequacy Ratio (including Capital Conservation Buffer) (%)	19.17	16.45
of which: Capital Conservation Buffer (%)	2.50	2.50
Total Tier 1 Capital Adequacy Ratio (%)	19.17	16.45
Total Capital Adequacy Ratio (including Capital Conservation Buffer) (%)	20.98	18.52
of which: Capital Conservation Buffer (%)	2.50	2.50

Regulatory Changes/ Capital Initiatives over the Period

- Tier 1 Capital has changed during the year under review due to capitalisation of internal capital generation for 2024.
- Tier 2 Capital has changed due to movements in impairment provisions for stage 1 and stage 2 assets and discounting of subordinated debenture value over the remaining maturity period.

LEVERAGE RATIO

The Leverage Ratio to act as a credible supplementary measure to the risk based capital requirement in order to restrict the build-up of leverage in the banking sector, helping to avoid any destabilising deleveraging processes which can damage the broader financial system and the economy, and reinforce the risk-based requirements with a simple, non-risk based 'backstop' measure.

The Central Bank of Sri Lanka has issued Direction No. 12 of 2018 on 'Leverage Ratio under Basel III for Licensed Commercial Banks and Licensed Specialised Banks' on 28th December 2018. The minimum Leverage Ratio requirement for licensed banks is 3%.

As at	31.12.2024 Rs 000	31.12.2023 Rs 000
Tier 1 Capital	24,079,489	18,785,214
Total Exposures	294,371,861	247,200,135
On-Balance Sheet Items (excluding Derivatives and Securities Financing Transactions, but including Collateral)	259,821,264	228,073,239
Derivative Exposures	337,405	225,575
Securities Financing Transaction Exposures	29,624,009	15,153,017
Other Off-Balance Sheet Exposures	4,589,183	3,748,305
Basel III Leverage Ratio (%) (Tier 1/Total Exposure)	8.18	7.60

MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

	Ordinary Shares	Subordinated Debt
Issuer	Pan Asia Banking Corporation PLC	Pan Asia Banking Corporation PLC
CSE Security Code	PABC N0000	N/A (Unlisted)
Governing Law(s) of the Instrument	Companies Act No.7 of 2007	Companies Act No.7 of 2007 Monetary Law Act No. 58 of 1949
Original Date of Issuance	Multiple	17.07.2020
Par Value of Instrument (Rs.)	N/A	100
Perpetual or Dated	Perpetual	Dated
Original Maturity Date	N/A	16.07.2025
Regulatory Treatment		
Instrument Type	Common Equity Tier 1	Tier 2 Capital
Amount recognised in Regulatory Capital (in Rs. Mn as at 31st December 2024)	3,614	82
Accounting Classification (Equity/Liability)	Shareholders' Equity	Liability (Debenture Issued)
Issuer Call subject to Prior Supervisory Approval	No	Yes
Optional Call Date, Contingent Call Dates and Redemption Amount	N/A	Early repayment or redemption shall not be made without the prior consent from CBSL. The redemption amount of the debentures equal to total outstanding principal (Rs.820 Mn) plus accrued interest thereon
Coupons/Dividends		
Fixed or Floating Dividend/Coupon	Discretionary dividend amount	Fixed Rate
Coupon Rate and any Related Index	Distributable profit that has been declared as dividend	14% (Semi Annual Interest Payment)
Non-Cumulative or Cumulative	Non Cumulative	Non Cumulative
Convertible or Non-Convertible	Non-Convertible	Convertible
If Convertible, Conversion Trigger (s)	N/A	Determined by and at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka, and is defined in the Banking Act Direction No. 1 of 2016
If Convertible, Fully or Partially	N/A	Fully
If Convertible, Mandatory or Optional	N/A	Mandatory
If Convertible, Conversion Rate	N/A	Based on the simple average of the daily Volume Weighted Average Price (VWAP) of an Ordinary Voting Share during the three months (03) period, immediately preceding the date of the Trigger Event.

RISK WEIGHTED ASSETS

CREDIT RISK

The Bank computes risk weighted assets on credit exposures using the Standardised Approach Method. In assigning risk weights for calculation of risk weighted assets using the standardised approach under Basel III, the Bank uses credit ratings from External Credit Assessment Institutions (ECAIs) who meet the qualifications specified by the CBSL. The credit ratings from External Credit Assessment Institutions are applied to risk weight the claims on Banks, financial institutions and corporate customers. Claims on Retail and SME customers are risk weighted based on the criteria specified in the directions.

Credit Risk under Standardised Approach: Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects

As at 31st December 2024	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures Post CCF and CRM		RWA and RWA Density	
Asset Class	On-Balance Sheet Amount Rs 000	Off-Balance Sheet Amount Rs 000	On-Balance Sheet Amount Rs 000	Off-Balance Sheet Amount Rs 000	RWA Rs 000	RWA Density (%) (ii)
Claims on Central Government and Central Bank of Sri Lanka	89,193,036	-	88,191,895	-	1,007,791	1%
Claims on Bank's Exposures	2,069,909	36,210,914	2,069,909	724,218	2,551,123	91%
Claims on Financial Institutions	6,610,335	201,225	6,610,335	4,911	3,725,310	56%
Claims on Corporates	23,492,035	4,309,121	21,854,032	1,039,848	20,657,704	90%
Retail Claims	97,366,107	15,224,848	84,106,476	2,934,755	67,457,588	78%
Claims Secured by Gold	14,704,538	-	14,704,538	-	848	0%
Claims Secured by Residential Property	3,465,561	-	3,465,561	-	2,053,833	59%
Net Stage 3 Loans (i)	5,886,965	-	5,886,965	-	6,266,423	106%
Higher-risk Categories	3,752	-	3,752	-	5,628	150%
Cash Items and Other Assets	8,829,684	-	8,829,684	-	5,719,739	65%
Total Assets	251,621,922	55,946,108	235,723,147	4,703,732	109,445,987	46%

Note:

(i) Stage 3 Loans- As per Banking Act Direction No. 13 and 14 of 2021 (as amended subsequently) on Classification, Recognition and Measurement of Credit Facilities and Classification, Recognition and Measurement of Financial Assets other than credit facilities in LCBs

(ii) RWA Density – Total RWA/Exposures post CCF and CRM.

The resume in customer lending growth has resulted in increase in risk weighted assets during year 2024.

Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights (Post CCF & CRM)

As at 31st December 2024 Asset Class	Risk Weight									Total Credit Exposures
	0%	2.0%	20%	35%	50%	60%	75%	100%	150%	
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Claims on Central Government and Central Bank of Sri Lanka	83,152,938	-	5,038,957	-	-	-	-	-	-	88,191,895
Claims on Banks Exposures	-	724,218	303,756	-	-	-	-	1,766,153	-	2,794,127
Claims on Financial Institutions	-	-	-	-	5,779,870	-	-	835,376	-	6,615,246
Claims on Corporates	-	-	2,625,826	-	843,546	-	-	19,424,508	-	22,893,880
Retail Claims	-	-	346,382	-	1,258,985	4,043,032	69,861,663	11,531,169	-	87,041,231
Claims Secured by Gold	14,700,297	-	4,241	-	-	-	-	-	-	14,704,538
Claims Secured by Residential Property	-	-	-	2,171,889	-	-	-	1,293,672	-	3,465,561
Stage 3 Loans	-	-	-	-	286,823	-	-	4,554,405	1,045,737	5,886,965
Higher-risk Categories	-	-	-	-	-	-		-	3,752	3,752
Cash Items and Other Assets	3,109,945	-	-	-	-	-	-	5,719,739	-	8,829,684
Total	100,963,180	724,218	8,319,162	2,171,889	8,169,224	4,043,032	69,861,663	45,125,022	1,049,489	240,426,879

Further Explanation on the Bank approach to manage credit risk can be found in:

- Graphical presentation of exposures subject to credit risk by major types, geographical areas, sectors and risk rating wise - pages 66 to 67 of Bank's Annual Report 2024 (Risk Management).
- Maximum Exposures to Credit Risk by asset class - pages 230 to 231 of the Bank's Annual Report 2024.
- Industry Analysis of Financial Assets - pages 234 to 235 of the Bank's Annual Report 2024.
- Break down of credit exposures classified by residual maturity - pages 247 to 248 of the Bank's Annual Report 2024.
- Breakdown of exposures subject to credit risk with details on impairment allowances and write offs. pages 192 to 196 of the Bank's Annual Report 2024

MARKET RISK

The Bank follows the 'Standardised Measurement Method' for computing the capital charge for exposures capture under market risk.

Market Risk under Standardised Measurement Method

As at 31st December 2024	RWA Amount Rs 000
(a) RWA for Interest Rate Risk	175,635
General Interest Rate Risk	175,635
(i) Net Long or Short Position	175,635
(ii) Horizontal Disallowance	-
(iii) Vertical Disallowance	-
(iv) Options	-
Specific Interest Rate Risk	-
(b) RWA for Equity	-
(i) General Equity Risk	-
(ii) Specific Equity Risk	-
(c) RWA for Foreign Exchange & Gold	89,341
Risk Weighted Amount for Market Risk ((a+b+c) * Reciprocal of Total Capital Ratio)	2,119,813

LIQUIDITY COVERAGE RATIO

The Liquidity Coverage Ratio (LCR) ensures Banks maintaining sufficient unencumbered High-Quality Liquid Assets (HQLA) to survive a significant liquidity stress scenario over 30 days horizon. The Central Bank of Sri Lanka issued Banking Act Direction No. 01 of 2024 on "Liquidity Coverage Ratio under Basel III Liquidity Standards for Licensed Commercial Banks" on 13th June 2024. The Bank monitors its LCR position on a daily basis, ensuring a sufficient buffer is maintained over the minimum regulatory requirement and the Bank's risk appetite. The Bank holds a diverse mix of High-Quality Liquid Assets (HQLA), consisting primarily of cash, excess balances held with Central Bank above Statutory Reserve, Government of Sri Lanka securities (Level 1 Liquid Assets).

Basel III Computation of Liquidity Coverage Ratio - All Currency

As at	31.12.2024		31.12.2023	
	Total Un-weighted Value Rs 000	Total Weighted Value Rs 000	Total Un-weighted Value Rs 000	Total Weighted Value Rs 000
Total Stock of High-Quality Liquid Assets (HQLA)	76,445,518	75,637,388	73,646,714	72,903,051
Total Adjusted Level 1 Assets	71,109,362	71,109,362	68,694,040	68,694,040
Level 1 Assets	71,057,988	71,057,988	68,688,961	68,688,961
Total Adjusted Level 2A Assets	5,387,530	4,579,401	4,957,753	4,214,090
Level 2A Assets	5,387,530	4,579,401	4,957,753	4,214,090
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	225,700,127	41,494,293	197,086,886	25,191,111
Deposits	162,190,465	14,970,547	157,029,364	14,635,338
Unsecured Wholesale Funding	32,712,492	16,987,322	19,269,566	10,288,459
Secured Funding Transactions	607,232	-	52,009	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	20,791,664	138,150	20,596,901	128,267
Additional Requirements	9,398,274	9,398,274	139,047	139,047
Total Cash Inflows	28,296,451	19,530,200	21,518,547	9,279,549
Maturing Secured Lending Transactions Backed by Collateral	1,000,000	-	-	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	17,593,920	10,131,926	17,828,273	9,279,549
Operational Deposits	304,257	-	3,690,274	-
Other Cash Inflows	9,398,274	9,398,274	-	-
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total net Cash Outflows over the Next 30 Calendar Days) *100		344.37%		458.18%

NET STABLE FUNDING RATIO

The Net Stable Funding Ratio (NSFR) is defined as the amount of available stable funding relative to the amount of required stable funding. "Available stable funding" is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the Net Stable Funding Ratio, which extends to one year.

The Central Bank of Sri Lanka has issued Direction No. 01 of 2024 on 'Net Stable Funding Ratio under Basel III liquidity Standards for Licensed Commercial Banks and Licensed Specialised Banks' on 13th June 2024. The minimum ratio requirement is 100%.

Computation of Net Stable Funding Ratio

As at	31.12.2024 Rs 000	31.12.2023 Rs 000
Total Available Stable Funding	186,630,688	179,703,329
Required Stable Funding – On Balance Sheet Assets	121,507,454	117,356,347
Required Stable Funding – Off Balance Sheet Items	126,092	121,621
Total Required Stable Funding	121,633,547	117,477,967
NSFR	153.44%	152.97%

OPERATIONAL RISK

The Bank computes capital charges for operational risk based on the Basic Indicator Approach (BIA).

Operational Risk under Basic Indicator Approach

As at 31st December 2024 Business Lines	Capital Charge Factor	Fixed Factor	Gross Income		
			1st Year Rs 000	2nd Year Rs 000	3rd Year Rs 000
The Basic Indicator Approach	15%	-	13,862,372	12,592,431	8,642,440
The Standardised Approach					
Corporate Finance	18%	-	-	-	-
Trading and Sales	18%	-	-	-	-
Payment and Settlement	18%	-	-	-	-
Agency Services	15%	-	-	-	-
Asset Management	12%	-	-	-	-
Retail Brokerage	12%	-	-	-	-
Retail Banking	12%	-	-	-	-
Commercial Banking	15%	-	-	-	-
The Alternative Standardised Approach					
Corporate Finance	18%	-	-	-	-
Trading and Sales	18%	-	-	-	-
Payment and Settlement	18%	-	-	-	-
Agency Services	15%	-	-	-	-
Asset Management	12%	-	-	-	-
Retail Brokerage	12%	-	-	-	-
Retail Banking	12%	0.035	-	-	-
Commercial Banking	15%	0.035	-	-	-
Capital Charges for Operational Risk (LKR'000)					
The Basic Indicator Approach					1,754,862
Risk Weighted Amount for Operational Risk (LKR'000)					
The Basic Indicator Approach					14,038,897

Differences between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories As at 31st December 2024

As at 31st December 2024	a Carrying Values as Reported in Published Financial Statements Rs 000	b Carrying Values under Scope of Regulatory Reporting Rs 000	c Subject to Credit Risk Framework Rs 000	d Subject to Market Risk Framework Rs 000	e Not subject to Capital Requirements or Subject to Deduction from Capital Rs 000
Assets					
Cash and Cash Equivalents	3,413,701	3,413,701	3,413,701	-	-
Balances with Central Bank of Sri Lanka	5,499,181	5,499,181	5,499,181	-	-
Placements with Banks	-	-	-	-	-
Reverse Repurchase Agreements	1,001,140	1,001,140	1,001,140	-	-
Derivative Financial Instruments	79,869	79,869	79,869	-	-
Financial Assets at FVPL	13,107,697	13,107,697	-	13,107,697	
Financial Assets at Amortised Cost					
-Loans and Advances	151,069,047	151,069,047	151,069,047	-	-
-Debt and Other Instruments	63,348,832	63,348,832	63,348,832	-	-
Financial Assets at FVOCI	19,347,634	19,347,634	19,347,634	-	-
Property, Plant and Equipment	2,926,217	2,926,217	2,926,217	-	-
Right-of-Use Assets	1,409,785	1,409,785	1,409,785	-	-
Intangible Assets	328,682	328,682	-	-	328,682
Deferred Tax Assets	27,357	27,357	-	-	27,357
Other Assets	1,303,869	1,303,869	1,303,869	-	-
Total Assets	262,863,012	262,863,012	248,398,136	13,107,697	1,357,179
Liabilities					
Due to Banks	8,893,612	8,893,612	-	-	-
Repurchase Agreements	25,345,992	25,345,992	-	-	-
Derivative Financial Instruments	58,248	58,248	-	-	-
Financial Liabilities at Amortised Cost					
-Due to Depositors	191,293,162	191,293,162	-	-	-
-Due to Debt Securities Holders	1,592,971	1,592,971	-	-	-
Subordinated Debentures	872,839	872,839	-	-	-
Retirement Benefit Obligations	682,806	682,806	-	-	-
Current Tax Liabilities	1,156,336	1,156,336	-	-	-
Other Provisions and Accruals	1,093,784	1,093,784	-	-	-
Other Liabilities	5,095,484	5,095,484	-	-	-
Total Liabilities	236,085,234	236,085,234	-	-	-
Gross Off-Balance Sheet Liabilities					
Guarantees	5,140,219	5,140,219	5,140,219	-	-
Documentary Credit	2,459,342	2,459,342	2,459,342	-	-
Currency Swaps	36,262,845	36,262,845	36,262,845	-	-
Commitments for Unutilised Facilities	13,192,104	13,192,104	13,192,104	-	-
Total Gross Off-Balance Sheet Liabilities	57,054,510	57,054,510	57,054,510	-	-
Shareholders' Equity					
Stated Capital	3,614,253	3,614,253	-	-	-
of Which Amount Eligible for CET I	3,614,253	3,614,253	-	-	-
of Which Amount Eligible for AT I	-	-	-	-	-
Retained Earnings	19,954,770	19,954,770	-	-	-
Accumulated Other Comprehensive Income	165,129	165,129	-	-	-
Other Reserves (Note 1)	3,043,626	2,447,855	-	-	-
Total Shareholders' Equity	26,777,778	26,182,007	-	-	-

Note 01- As per the letter of the CBSL dated 13th February 2025, the Bank has transferred Rs. 595.77 million from Retained Earnings to a Special Reserve, which is disregarded for any regulatory capital computations.

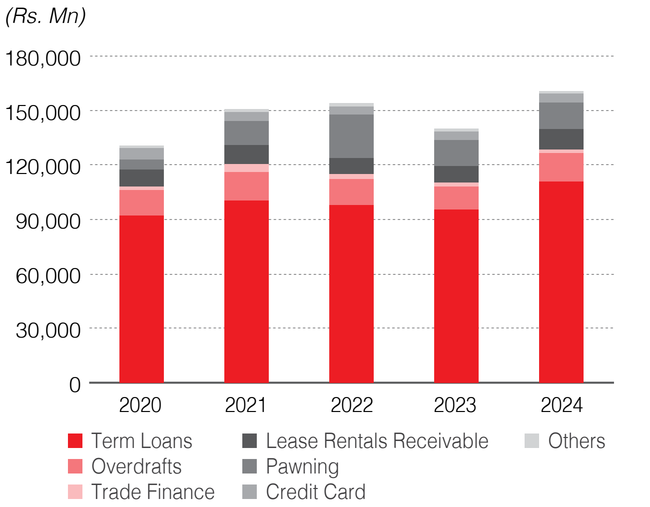
Quarterly Statistics ▸

	2024				2023			
	31st December Rs 000	30th September Rs 000	30th June Rs 000	31st March Rs 000	31st December Rs 000	30th September Rs 000	30th June Rs 000	31st March Rs 000
Extract of Statement of Financial Position								
Total Assets	262,863,012	251,061,102	247,508,390	237,015,441	233,456,323	223,533,723	226,307,560	215,505,621
Loans and Advances	151,069,047	147,239,969	139,502,438	137,274,284	131,296,112	132,138,010	133,926,069	141,725,850
Due to Depositors	191,293,162	190,157,624	192,596,722	179,785,013	175,344,870	170,666,450	170,753,495	166,644,914
Debentures	872,839	843,904	872,210	843,589	872,839	843,904	871,896	843,275
Shareholders' Funds	26,777,778	24,701,244	23,511,884	22,849,806	22,597,651	21,858,981	21,542,294	20,940,065
Extract of Statement of Comprehensive Income								
Net Interest Income	3,340,854	2,942,086	2,968,973	2,883,829	2,838,782	2,911,990	2,517,636	2,034,062
Other Income/(Losses)	477,803	185,699	1,042,120	(24,961)	135,653	572,054	703,940	381,300
Total Operating Income	3,818,657	3,127,785	4,011,093	2,858,868	2,974,434	3,484,044	3,221,576	2,415,362
Net Losses on Derecognition of International Sovereign Bonds	(3,700,366)	-	-	-	-	-	-	-
Impairment Losses	5,440,761	355,207	(597,462)	(137,293)	(887,512)	(1,119,033)	(453,647)	(254,480)
Non-Interest Expenses	(2,754,897)	(2,255,942)	(2,212,996)	(1,925,906)	(1,875,557)	(1,763,902)	(1,792,185)	(1,620,753)
Income Tax Reversal/(Expense)	(886,074)	(35,289)	(538,557)	(432,873)	401,167	(284,422)	(373,514)	(216,612)
Profit for the Quarter	1,918,081	1,191,761	662,078	362,796	612,532	316,687	602,231	323,517
Profitability (YTD) Ratios								
Net Interest Margin (%)	4.93	4.84	4.91	4.91	4.67	4.58	4.24	3.87
Earnings Per Share (Rs.)	9.34	5.01	2.32	0.82	4.19	2.81	2.09	0.73
Return on Equity (%)	17.30	12.67	8.97	6.42	8.62	7.82	8.90	6.33
Return on Assets (%)	1.68	1.22	0.86	0.62	0.84	0.76	0.86	0.61
Capital Adequacy Ratios								
Common Equity Tier I Capital Ratio (%)	19.17	15.20	16.09	15.11	16.45	15.81	15.73	14.45
Total Tier I Capital Ratio (%)	19.17	15.20	16.09	15.11	16.45	15.81	15.73	14.45
Total Capital Ratio (%)	20.98	17.08	18.04	17.09	18.52	17.73	17.65	16.38
Asset Quality Ratios								
Stage 3 Loans (Net of Stage 3 Impairment) to Total Loans (%)	3.10	3.80	4.14	4.10	4.36	4.26	4.15	4.00
Stage 3 Loan Impairment to Stage 3 Loans (Stage 3 Provision Cover)-(%)	60.10	52.65	52.09	46.74	47.13	47.93	45.59	51.22
Liquidity Ratios								
Liquidity Coverage Ratio (LCR)								
Rupee (%)	264.10	221.71	262.02	445.37	520.84	498.84	408.82	326.63
All Currency (%)	344.37	312.89	316.22	354.62	458.18	442.74	358.96	314.62

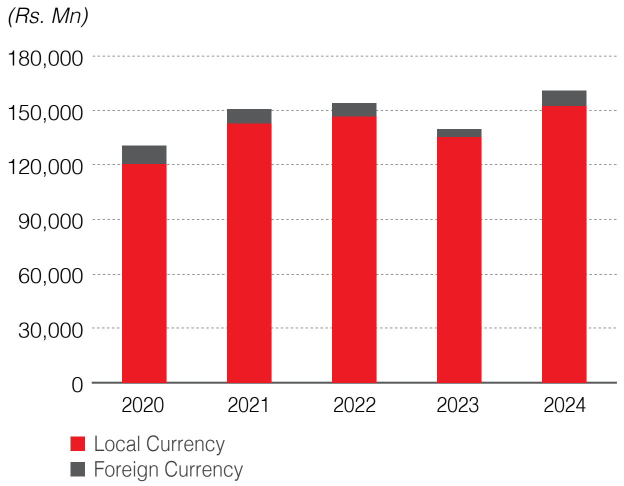
Analysis of Loans and Advances ▸

	2024 Rs 000	2023 Rs 000	2022 Rs 000	2021 Rs 000	2020 Rs 000
By Product					
Term Loans	110,867,968	95,475,922	97,845,863	100,358,520	92,181,667
Overdrafts	15,666,386	12,654,674	14,346,626	15,611,229	13,866,114
Trade Finance	1,851,014	2,094,709	2,707,541	4,570,341	2,007,923
Lease Rentals Receivable	11,386,967	9,140,396	8,954,624	10,475,359	9,496,585
Pawning	14,739,176	14,339,054	23,817,255	13,163,530	5,392,247
Credit Card	4,774,041	4,781,099	4,670,387	4,997,569	6,386,210
Others	1,600,150	1,399,902	1,737,014	1,507,476	1,421,032
Total	160,885,702	139,885,756	154,079,309	150,684,024	130,751,778
By Currency					
Sri Lankan Rupee	152,576,986	135,545,641	146,728,447	142,806,129	120,579,129
United States Dollar	8,083,866	3,921,919	5,268,600	4,912,500	3,789,295
Others	224,850	418,196	2,082,262	2,965,395	6,383,354
Total	160,885,702	139,885,756	154,079,309	150,684,024	130,751,778

By Product



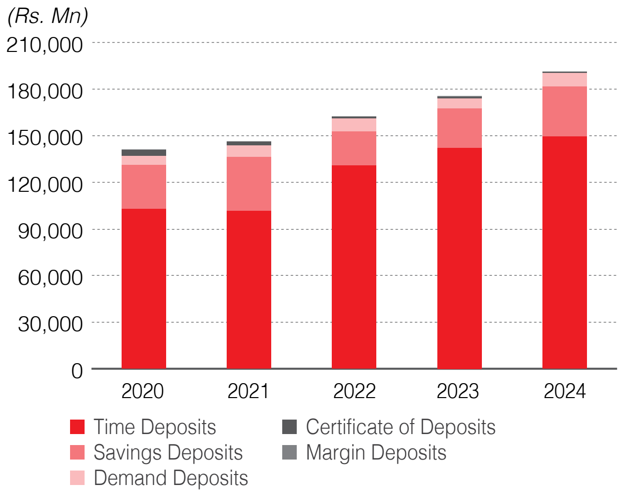
By Currency



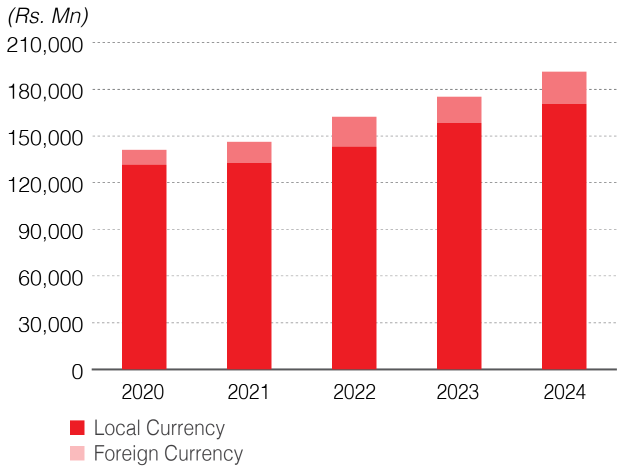
Analysis of Due to Depositors

	2024 Rs 000	2023 Rs 000	2022 Rs 000	2021 Rs 000	2020 Rs 000
By Product					
Demand Deposits	8,502,083	6,506,142	8,190,612	7,354,603	5,847,739
Savings Deposits	32,349,241	25,089,797	22,127,403	34,905,340	28,339,136
Time Deposits	149,459,014	142,211,552	130,769,723	101,519,268	102,766,776
Certificate of Deposits	699,043	1,206,540	1,135,753	2,408,089	3,825,672
Margin Deposits	283,781	330,839	309,968	246,516	300,384
Total	191,293,162	175,344,870	162,533,459	146,433,816	141,079,707
By Currency					
Sri Lankan Rupee	170,416,138	158,096,107	142,984,716	132,441,635	131,388,842
United States Dollar	18,626,140	14,796,574	16,045,760	10,636,528	7,789,043
Others	2,250,884	2,452,189	3,502,983	3,355,653	1,901,822
Total	191,293,162	175,344,870	162,533,459	146,433,816	141,079,707

By Product



By Currency

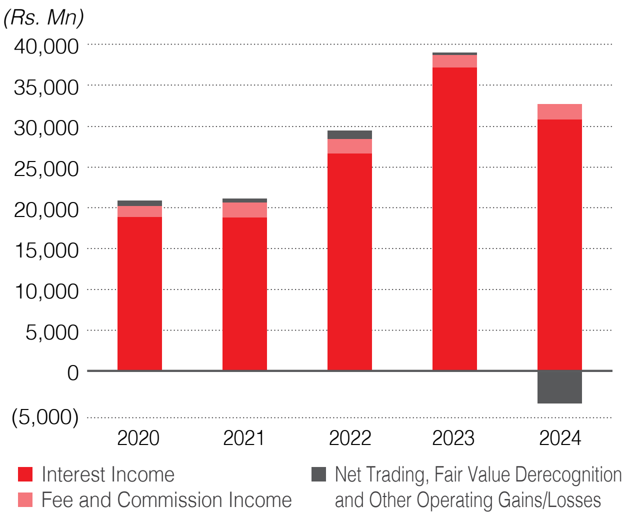


Sources and Distribution of Income ▸

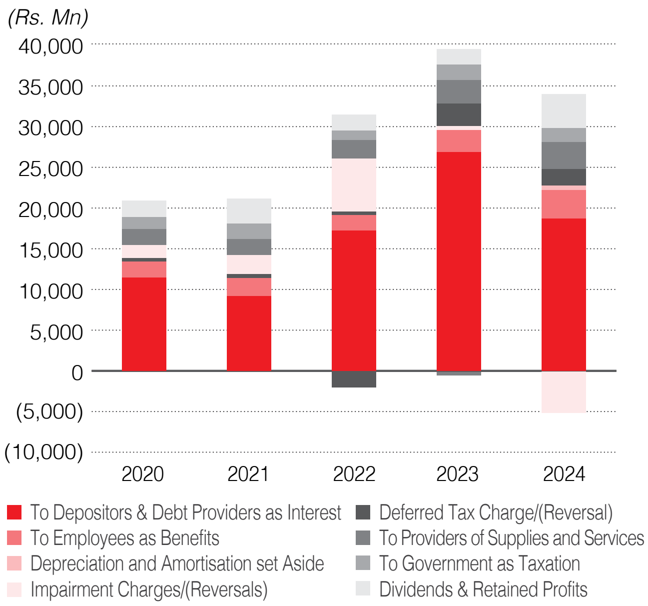
	2024 Rs 000	2023 Rs 000	2022 Rs 000	2021 Rs 000	2020 Rs 000
Sources of Income					
Interest Income	30,781,725	37,122,997	26,626,159	18,798,301	18,821,013
Fee and Commission Income	1,906,725	1,539,359	1,754,921	1,821,228	1,346,033
Net Trading, Fair Value Derecognition and Other Operating Gains/Losses	(3,856,852)	308,873	1,020,649	484,005	714,379
Total	28,831,598	38,971,229	29,401,729	21,103,534	20,881,425
Distribution of Income					
To Depositors and Debt Providers as Interest	18,645,983	26,820,527	17,170,702	9,156,565	11,451,264
To Employees as Benefits	3,507,771	2,660,113	1,893,676	2,227,359	1,942,765
Depreciation and Amortisation Set Aside	540,209	513,133	481,488	459,840	416,618
Impairment Charges/(Reversals)	(5,061,213)	2,714,669	6,449,139	2,370,452	1,596,041
Deferred Tax Charge/(Reversal)	2,034,191	(423,043)	(2,016,452)	3,138	19,194
To Providers of Supplies and Services	3,259,607	2,917,080	2,284,747	1,947,024	1,925,847
To Government as Taxation	1,770,334	1,913,785	1,136,489	1,863,798	1,481,528
Current Income Tax Charge/(Reversal)	(141,398)	896,424	664,365	955,157	770,804
Taxes and Levies on Financial Services	1,870,732	997,323	451,902	877,577	690,035
Crop Insurance Levy	41,000	20,038	20,222	31,064	20,689
To Shareholders as Dividends & Retained Profits	4,134,716	1,854,965	2,001,940	3,075,358	2,048,168
Total	28,831,598	38,971,229	29,401,729	21,103,534	20,881,425

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

Source of Income



Distribution of Income

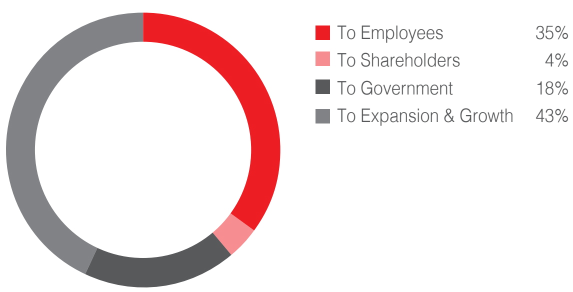


Value Added Statement ▸

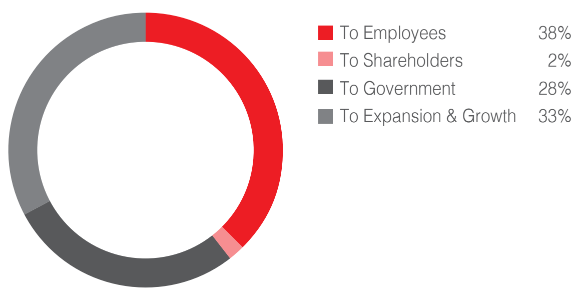
	2024 Rs 000	%	2023 Rs 000	%
Value Added				
Income from Banking Services	28,831,598		38,971,229	
Cost of Funds and Services	(21,905,590)		(29,737,607)	
Value Added by Banking Services	6,926,008		9,233,622	
Impairment (Charges)/Reversal	5,061,213		(2,714,669)	
Deferred Tax (Charge)/Reversal	(2,034,191)		423,043	
Total	9,953,030		6,941,995	
Distribution of Value Added				
To Employees				
Salaries and Other Benefits	3,507,771	35%	2,660,113	38%
To Shareholders				
Dividend Declared	442,562	4%	110,640	2%
To Government				
Current Income Tax Charge (Reversal)	(141,398)		896,424	
Taxes and Levies on Financial Services	1,870,732		997,323	
Crop Insurance levy	41,000		20,038	
	1,770,334	18%	1,913,785	28%
To Expansion and Growth				
Retained Profits	3,692,156		1,744,324	
Depreciation and Amortisation	540,209		513,133	
	4,232,365	43%	2,257,457	33%
Total	9,953,030	100%	6,941,995	100%

The presentation and classification of previous year have been amended for better presentation and to be comparable of those with the current year.

Distribution of Value Added - 2024



Distribution of Value Added - 2023



Decade at a Glance ▸

Rs. Mn

For the Year ended 31st December	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Operating Results										
Gross Income	10,759.14	15,144.75	17,684.67	21,672.19	21,907.66	20,881.42	21,103.53	29,401.73	38,971.23	28,831.60
Interest Income	9,038.97	13,366.55	15,616.01	19,157.13	19,416.61	18,821.01	18,798.30	26,626.16	37,123.00	30,781.72
Interest Expense	5,076.38	8,733.16	10,909.74	12,638.84	12,782.02	11,451.26	9,156.56	(17,170.70)	(26,820.53)	(18,645.98)
Net Interest Income	3,962.59	4,633.39	4,706.27	6,518.29	6,634.59	7,369.75	9,641.74	9,455.46	10,302.47	12,135.74
Other Income/(Losses)	1,720.17	1,778.20	2,068.66	2,515.06	2,491.06	2,060.41	2,305.23	2,775.57	1,848.23	1,750.25
Operating Expenses	3,038.74	3,605.27	3,828.61	4,415.55	4,586.12	4,305.92	4,665.29	4,680.15	6,110.36	7,348.59
Net Losses on Derecognition of SLISBS	-	-	-	-	-	-	-	-	-	3,700.37
Impairment Charges/(Reversal)	750.53	528.11	494.39	2,017.15	1,136.84	1,596.04	2,370.45	6,449.14	2,714.67	(5,061.21)
Taxes and Levies on Financial Services	361.87	483.27	576.48	691.00	1,088.54	690.03	877.58	451.90	997.32	1,870.73
Profit Before Income Tax	1,531.62	1,794.94	1,875.45	1,909.65	2,314.14	2,838.17	4,033.65	649.85	2,328.35	6,027.51
Income Tax Expense/(Reversal)	491.10	543.23	484.95	368.01	563.57	790.00	958.29	(1,352.09)	473.38	1,892.79
Profit for the Year	1,040.52	1,251.71	1,390.50	1,541.64	1,750.57	2,048.17	3,075.36	2,001.95	1,854.96	4,134.72
As at 31st December										
Assets										
Cash and Cash Equivalents	1,393.27	1,703.45	1,665.04	2,214.11	1,708.27	2,914.16	2,218.09	5,374.28	6,238.15	3,413.70
Balances with Central Bank of Sri Lanka	4,166.74	6,218.56	6,884.02	6,481.99	5,333.20	10,304.35	5,038.35	5,308.80	2,909.27	5,499.18
Derivative Financial Instruments	1.54	26.28	16.09	0.21	0.44	93.01	4.59	-	26.24	79.87
Financial Assets - FVPL	14.71	629.74	4,549.19	11.63	168.18	-	-	2,239.76	4,277.57	13,107.70
Loans and Advances	75,143.20	86,498.15	98,743.82	108,168.86	111,187.86	123,157.19	142,369.15	144,148.11	131,296.11	151,069.05
Other Financial Assets	24,654.44	31,918.27	23,573.77	34,074.56	30,080.09	35,798.94	34,110.58	42,198.32	80,216.84	64,349.97
Financial Assets - FVOCI	6.16	6.16	6.16	6.16	6.16	6.16	3.75	3.75	3.75	19,347.63
Property, Plant and Equipment	1,470.35	1,489.39	1,989.97	1,934.57	2,333.96	2,307.88	2,335.83	2,586.15	2,806.07	2,926.21
Right-of-Use Assets	-	-	-	-	911.84	983.37	1,377.41	1,593.99	1,399.77	1,409.79
Intangible Assets	329.13	315.70	284.39	305.08	280.85	346.70	320.86	340.05	321.56	328.68
Deferred Tax Assets	-	-	-	4.93	-	-	-	1,759.44	2,128.43	27.36
Other Assets	603.43	645.38	789.24	824.18	968.86	1,028.66	1,733.06	2,496.45	1,832.57	1,303.87
Total Assets	107,782.97	129,451.08	138,501.69	154,026.28	152,979.70	176,940.41	189,511.67	208,049.10	233,456.33	262,863.01
Liabilities										
Non-Deposit Financial Liabilities	14,612.56	21,001.34	10,963.69	15,039.81	12,466.68	14,399.17	17,147.04	16,985.12	26,210.74	35,832.57
Derivative Financial Instruments	2.14	-	7.37	0.11	0.11	79.01	0.03	56.10	142.07	58.25
Due to Depositors	77,697.05	91,456.41	107,193.03	118,627.35	122,544.02	141,079.71	146,433.82	162,533.46	175,344.87	191,293.16
Current Tax Liabilities	114.94	411.03	550.34	785.74	752.29	825.10	1,252.82	1,751.18	2,609.96	1,156.34
Deferred Tax Liabilities	391.74	445.77	630.73	-	132.78	159.83	118.40	-	-	-
Other Liabilities and Provisions	1,276.69	1,314.21	1,339.59	2,517.44	3,755.03	4,127.58	5,133.22	5,233.88	5,678.19	6,872.07
Debentures	7,914.58	7,950.17	7,147.05	5,809.19	-	872.84	872.84	872.84	872.84	872.84
Total Liabilities	102,009.70	122,578.93	127,831.80	142,779.64	139,650.91	161,543.24	170,958.16	187,432.57	210,858.67	236,085.23
Shareholders' Funds										
Stated Capital	1,548.97	1,548.97	3,614.25	3,614.25	3,614.25	3,614.25	3,614.25	3,614.25	3,614.25	3,614.25
Reserves	4,224.30	5,323.18	7,055.64	7,632.39	9,714.54	11,782.92	14,939.26	17,002.29	18,983.40	23,163.53
Total Shareholders' Funds	5,773.27	6,872.15	10,669.89	11,246.64	13,328.79	15,397.17	18,553.51	20,616.55	22,597.65	26,777.78
Total Liabilities and Shareholders' Funds	107,782.97	129,451.08	138,501.69	154,026.28	152,979.70	176,940.41	189,511.67	208,049.11	233,456.32	262,863.01
Commitments and Contingencies	26,223.21	25,458.17	32,426.39	44,169.94	46,999.03	67,728.48	37,779.89	37,495.33	49,081.75	57,054.51
Share Information										
Earnings per Share (Rs.)	3.53	4.01	3.31	3.48	3.96	4.63	6.95	4.52	4.19	9.34
Net Assets Value per Share (Rs.)	13.05	15.53	24.11	25.41	30.12	34.79	41.92	46.58	51.06	60.51
Other Information										
No. of Employees	1420	1458	1472	1,497	1629	1483	1396	1403	1469	1,567
No. of Branches	79	82	85	85	85	85	85	85	85	85
No. of ATMs	78	81	86	86	86	86	86	85	85	85
No. of CDMs and CRMs	-	-	-	1	2	3	3	6	6	28

Notes

*Financial data of previous years have been re-classified / re-stated to confirm with SLFRS 9 requirements.

Compliance Report on the Contents of Annual Report in terms of the Listing Rules of the Colombo Stock Exchange

The table below summarises the Bank's degree of compliance with the Listing Rules issued by Colombo Stock Exchange;

Rule No.	Disclosure Requirements	Section Reference	Page/s
7.6 (i)	Board of Directors during the Financial Year with profiles	Annual Report of the Board of Directors' on the Affairs of the Bank Profiles of the Board of Directors	135-144 77-83
7.6 (ii)	Principal activities of the entity during the year and any changes therein.	Notes to the Financial Statements (Note 1 - Corporate Information)	160
7.6 (iii)	Top 20 shareholders – number of shares and percentage of Voting and non-voting shares	Item 02 of the Investor Relations	282-283
7.6 (iv)	Public Holding Information * Float adjusted market capitalisation * Public holding percentage (%) * Number of public Shareholders * Option	 Item 02 of the Investor Relations Item 02 of the Investor Relations Item 02 of the Investor Relations Item 02 of the Investor Relations	 283 283 283 283
7.6 (v)	Each Director's and Chief Executive Officer's shareholding in each class of shares.	Annual Report of Board of Directors on the Affairs of the Bank	135
7.6 (vi)	Material foreseeable risk factors of the Entity	Item 05 of the Investor Relations	285
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity.	Item 06 of the Investor Relations	285
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties.	Notes to the Financial Statements (Note 29.5) Item 11 of the Investor Relations	203 285
7.6 (ix)	Number of shares representing the Entity's Stated Capital.	Notes to the Financial Statements (Note 41)	214
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings.	Item 03 of the Investor Relations	284
7.6 (xi)	Ratios and Market Price information; • Equity Ratios • Market Price • Debenture Information • Credit Rating	 Item 04 of the Investor Relations Item 04 of the Investor Relations Not Applicable Corporate Information Item 12 of the Investor Relations	 285 285 - IBC 285
7.6 (xii)	Significant changes in the Entity's Property, Plant and Equipment and the market value of land, if the value differs substantially from the book value.	Notes to the Financial Statements (Note 29)	201
7.6 (xiii)	Details of funds raised through public issues, Right Issues, and Private Placements during the year.	Not Applicable	-
7.6 (xiv)	Information in respect of Employee Share Option Scheme.	Not Applicable	-
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Rules.	Corporate Governance Disclosure on Compliance with Section 9 of Colombo Stock Exchange	107-114

1. Stock Exchange Listing

The issued ordinary voting shares of Pan Asia Banking Corporation PLC are listed in the Colombo Stock Exchange.

Instrument	Type	Security Code
Voting Shares	Ordinary	PABC N0000

The Audited Statement of Financial Position as at 31st December 2024 and Audited statement of compensative income for the year ended 31st December 2024 of the Bank will be submitted to the Colombo Stock Exchange within 3 months from the Statement of Financial Position date.

2 Names, Number and Percentage of Shares held by Twenty Largest Shareholders

As at 31st December 2024

No	Name of Shareholder	No. of Shares	%
1	Mr. K. D. D. Perera	132,724,230	29.99
2	Bansei Securities Co., Ltd.	66,384,246	15.00
3	Mr. K D H Perera	23,305,998	5.27
3	Mr. P. J. Tay	21,917,994	4.95
4	Mr. K. D. A. Perera	19,200,000	4.34
6	Department of Samurdhi Development	11,114,376	2.51
7	Sri Lanka Savings Bank Limited	10,298,499	2.33
8	Imminent Technologies (Pvt) Ltd	6,637,697	1.49
9	Acuity Partners (Pvt) Ltd/Mr. E Thavagnanasooriyam / Mr. E A Thavagnanasundaram	5,000,000	1.13
10	Sampath Bank PLC / J N Lanka Holdings Company (Pvt) Ltd	4,026,347	0.91
11	Sampath Bank PLC/Andaradeniya Estate (Pvt) Ltd	4,001,095	0.90
12	Hatton National Bank PLC/JN Lanka Holdings Company (Pvt) Ltd	3,805,803	0.86
13	JN Lanka Holdings Company (Pvt) Ltd	3,005,479	0.68
14	Hatton National Bank PLC/ E Thavagnanasundaram	2,377,818	0.54
15	Mr. A M Iddamalgoda	2,048,499	0.46
16	Seylan Bank PLC/JN Lanka Holdings Company (Pvt) Ltd	2,000,000	0.45
17	Mr. A N P Abhayagunawardhana	1,800,000	0.41
18	Mr. H Beruwalage	1,603,648	0.36
19	Merchant Bank of Sri Lanka & Finance PLC/R A Niranjana	1,546,040	0.35
20	Seylan Bank PLC/Gladstone capital (Pvt) Ltd	1,440,000	0.33
	Sub Total	324,237,769	73.26
	Balance held by 7,186 Shareholders	118,323,860	26.74
	Total	442,561,629	100.00

As at 31st December 2023

No	Name of Shareholder	No. of Shares	%
1	K. D. D. Perera	132,724,230	29.99
2	Bansei Securities Co., Ltd.	66,384,246	15.00
3	K. D. H. Perera	23,305,998	5.27
3	P. J. Tay	21,917,994	4.95
4	K. D. A. Perera	19,200,000	4.34
6	Sri Lanka Samurdhi Authority	11,114,376	2.51
7	Imminent Technologies (Pvt) Ltd	10,637,697	2.40
8	EMFI Capital Limited	10,398,814	2.35
9	Sri Lanka Savings Bank Limited	10,298,499	2.33
10	Seylan Bank PLC/Ambeon Holdings PLC(Collateral)	9,749,616	2.20
11	Commercial Bank of Ceylon PLC/Andaradeniya Estate (Pvt) Ltd	4,001,095	0.90
12	Commercial Bank of Ceylon PLC/G. S. N. Peiris	2,999,482	0.68
13	Seylan Bank PLC/K. S. Balasuriya	2,000,000	0.45
14	H. Beruwalage	1,903,648	0.43
15	Deutsche Bank AG Trustee to Lynear Wealth Dynamic Opportunities Fund	1,767,502	0.40
16	DFCC Bank PLC/N. G. N. Maduranga	1,702,572	0.39
17	A. U. De Silva	1,680,000	0.38
18	Merchant Bank of Sri Lanka & Finance PLC/R. A. Niranjana	1,551,834	0.35
19	S. A. Cooray	1,500,000	0.34
20	Peoples Leasing and Finance PLC/L. R. De Silva	1,311,961	0.30
	Sub Total	336,149,564	75.96
	Balance held by 6,838 Shareholders	106,412,065	24.04
	Total	442,561,629	100.00

As per the Rules No.7.6 (iv) of the Listing Rules of the CSE, the Percentage of Public Holding as at 31st December 2024 was 55.01% in the hands of 7,202 public shareholders. (31st December 2023 - 55.01% in the hands of 6,854 shareholders).

The Bank's Float Adjusted Market Capitalisation as at 31st December 2024 was Rs.8,520,860,323/- (31st December 2023 - Rs.4,649,955,205/-) and Bank complies with option No 02.

3. Distribution Schedule of the Number of Shareholders and Percentage of Shareholding

The total number of shareholders as at 31st December 2024 were 7,206 (31st December 2023 - 6,858).

Analysis 1

Range of Shareholding	Resident			Non- Resident			Total		
	No. of Share holders	No. of Shares	% of Share holding	No. of Share holders	No. of Shares	% of Share holding	No. of Share holders	No. of Shares	% of Share holding
1 - 100	1,647	57,457	0.01%	3	72	0.00%	1650	57,529	0.01%
101 - 1,000	2,270	1,174,132	0.27%	7	3,402	0.00%	2277	1,177,534	0.27%
1,001 - 5,000	1,562	4,231,258	0.96%	7	19,000	0.00%	1569	4,250,258	0.96%
5,001 - 10,000	513	4,045,585	0.91%	6	54,332	0.01%	519	4,099,917	0.92%
10,001 - 50,000	771	19,339,127	4.37%	11	214,300	0.05%	782	19,553,427	4.42%
50,001 - 100,000	164	12,706,907	2.87%	3	187,650	0.04%	167	12,894,557	2.91%
100,001 - 500,000	173	41,138,029	9.30%	4	820,000	0.19%	177	41,958,029	9.49%
500,001 - 1,000,000	39	28,093,224	6.35%	1	960,000	0.21%	40	29,053,224	6.56%
1,000,001 and above	22	240,212,014	54.28%	3	89,305,140	20.18%	25	329,517,154	74.46%
Total	7,161	350,997,733	79.32%	45	91,563,896	20.68%	7,206	442,561,629	100.00%

Analysis 1.1

Range of Shareholding	2024			2023		
	No. of Share holders	No. of Shares	% of Share holding	No. of Share holders	No. of Shares	% of Share holding
Resident Shareholders	7,161	350,997,733	79.32%	6,813	341,595,240	77.19%
Non-Resident Shareholders	45	91,563,896	20.68%	45	100,966,389	22.81%
Total	7,206	442,561,629	100.00%	6,858	442,561,629	100.00%

Analysis 2

Range of Shareholding	Individual			Institutional			Total		
	No. of Share holders	No. of Shares	% of Share holding	No. of Share holders	No. of Shares	% of Share holding	No. of Share holders	No. of Shares	% of Share holding
1 - 100	1,622	56,688	0.01%	28	841	0.00%	1,650	57,529	0.01%
101 - 1,000	2,238	1,155,532	0.26%	39	22,002	0.00%	2,277	1,177,534	0.26%
1,001 - 5,000	1,520	4,097,329	0.93%	49	152,929	0.03%	1,569	4,250,258	0.96%
5,001 - 10,000	496	3,907,835	0.88%	23	192,082	0.04%	519	4,099,917	0.92%
10,001 - 50,000	678	16,587,524	3.75%	104	2,965,903	0.67%	782	19,553,427	4.42%
50,001 - 100,000	129	9,783,406	2.21%	38	3,111,151	0.70%	167	12,894,557	2.91%
100,001 - 500,000	120	26,126,180	5.90%	57	15,831,849	3.58%	177	41,958,029	9.48%
500,001 - 1,000,000	17	12,241,569	2.81%	23	16,631,655	3.76%	40	28,873,224	6.57%
1,000,001 and above	10	205,781,918	46.50%	15	123,735,236	27.97%	25	329,517,154	74.47%
Total	6,830	279,737,981	63.25%	376	162,643,648	36.75%	7,206	442,381,629	100.00%

Analysis 2.1

Range of Shareholding	2024			2023		
	No. of Share holders	No. of Shares	% of Share holding	No. of Share holders	No. of Shares	% of Share holding
Individual Shareholders	6,830	279,737,981	63.25%	6,479	275,732,895	62.31%
Institutional Shareholders	376	162,643,648	36.75%	379	166,828,734	37.69%
Total	7,206	442,381,629	100.00%	6,858	442,561,629	100.00%

4. Information on Ratios and Market Prices

i) Ratios

Year	2024	2023
Dividend Per Share (Rs.)	1.00	0.25
Dividend Payout (%)	10.71	5.96
Net Asset Value per Share (Rs.)	60.51	51.06
Debt to Equity (Times)	0.09	0.62
Interest Cover (Times)	8.18	2.75
Liquidity Coverage Ratio (%)		
- Rupee	264.10	520.84
- All Currency	344.37	458.18

ii) Market Price - Ordinary Shares

Year	2024 Rs.	2023 Rs.
Highest	35.40	23.50
Lowest	17.60	8.90
Year-End	35.00	19.10

5. Material Foreseeable Risk Factors

Information pertaining to the material foreseeable risk factors that require disclosures as per the Rule 7.6(vi) of the Listing Rules of the Colombo Stock Exchange (CSE) are discussed in the Note 49 to the Financial Statements, Future Outlook in pages 30 to 31 and Risk Management Report on pages 64 to 74.

6. Material Issues Pertaining to Employees and Industrial Relations

There were no material issues pertaining to employees and industrial relations pertaining to the Bank that occurred during the year under review which need to be discussed as per the Rule No. 7.6 (vii) of the Listing Rules of the CSE.

7. Non Recurrent Related Party Transactions

The aggregate value of total non recurrent Related Party Transactions entered into by the Bank during the year 2024 has not exceeded 10% of Equity or 5% of Total Assets of the Bank.

8. Recurrent Related Party Transactions

All Related Party Transactions entered by the Bank during the year 2024 have been reviewed by the Board Related Party Transaction Review Committee. Such transactions were in usual commercial terms and in ordinary course of the business without favourable treatment to the Related Parties. Further those transactions were of trading nature or necessary for the day to day operation of the Bank.

The aggregate value of recurrent Related Party Transactions (other than the exempted transactions) entered into by the Bank during the year 2024 has not exceeded 10% of the Gross Income of the Bank.

9. New Issues and Utilisation of Funds Raised via Share Issues in prior years

The Bank has not raised funds through public issues, rights issues and private placements during the year (2023-Nil).

10. Market Capitalisation

Market Capitalisation as at 31st December 2024 - Rs. 15,489,657,015/- (31st December 2023 - Rs. 8,452,927,114/-)

11. Number of buildings owned by the Bank

The Bank owns two buildings as at 31st December 2024 the details of which are disclosed in Note 29.5 to the Financial Statements.

12. Credit Rating (Fitch Rating)

The Bank's Credit Rating remained at "BBB-(lka) Stable Outlook" throughout the year 2024. The Credit Rating Agency has upgraded the Bank's credit rating to 'BBB(lka)' from 'BBB-(lka)' in January 2025 while affirming the Credit Rating Outlook at 'Stable' (Fitch Rating).

Glossary of Financial & Banking Terms ▸

A

Acceptance
Promise to pay created when the drawee of a time draft stamps or writes the words 'accepted' above his signature and a designated payment date.

Accounting Policies
The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis
Recognising the effects of transactions and other events as and when they occur without waiting for receipt or payment of cash or cash equivalents.

Actuarial Gain or Loss
Gain or loss arising from difference in estimates and actual loss experience in a defined benefit obligation.

Additional Tier 1 Capital (AT1)
Additional Tier 1 is a component of Tier 1 capital that comprises of securities that are subordinated to most subordinated debt, which have no maturity and their dividends can be cancelled at any time.

Advances to Deposit Ratio (ADR)
Total Loans and Advances expressed as a percentage of total deposit portfolio of the Bank.

Amortisation
The systematic allocation of the depreciable amount of an intangible asset over its useful life time.

Amortised Cost
Amount at which the Financial Asset or Financial Liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or uncollectability.

Assets and Liabilities Committee (ALCO)
A risk management committee in a Bank that generally comprises the senior management levels of the Bank. The ALCO's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the funding structure. Among the factors considered are liquidity risk, interest rate risk, and external events that may affect the Bank's forecast and strategic balance sheet allocations.

B

BASEL III
The strengthened global regulatory framework on capital and liquidity issued by Basel committee on Bank Supervision.

Bills for Collection
A bill of exchange drawn by an exporter usually at a term, on an importer overseas and brought by the exporter to his bank with a request to collect the proceeds.

Bill of Exchange
A signed, written, unconditional order one person (the drawer) directing another person (the drawee) to pay a specified sum of money to the order of the third person (the Payee). The terms bills of exchange and drafts are often used inter-exchangebly.

Bond Exchange
A bond exchange is the process of exchanging one series of bonds for another. It can also refer to the conversion of Bonds into cash, equity, or other debt.

C

Call Deposits or Call Money
Deposits or funds lent out which are repayable on demand.

Capital Reserve
Reserves identified for specific purposes and considered not available for distribution.

Cash Equivalents
Short Term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Debt Restructuring
Debt restructuring is the process of renegotiating the terms of a debt to make it easier to pay back. It can be done by individuals, businesses, or countries.

Collective Impairment Provisions
Impairment is measured on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses that has been incurred but has not yet been identified at the reporting date.

Commercial Paper
An unsecured, short-term debt instrument issued by a company, typically for the financing of accounts receivable, inventories and meeting short-term liabilities. The debt is usually issued at a discount, reflecting prevailing market interest rates.

Commitments
Credit Facilities approved but not yet utilised by the clients at the end of the Reporting Period.

Common Equity Tier 1 Capital
Common Equity Tier 1 Capital representing permanent shareholder's equity and reserves created or increased by appropriation of retained earnings or other surpluses.

Contingencies
A condition or situation existing at the end of the Reporting Period where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

Contractual Maturity
Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest due to be paid.

Corporate Governance
The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

Correspondent Bank
A Bank in a foreign country that offers banking facilities to the customers of a Bank in another country.

Cost-to-Income Ratio
A ratio expressing Bank's cost effectiveness which sets overhead expenses in relation to total operating income.

Credit Ratings
An evaluation of a corporate's ability to repay its obligations or likelihood of not defaulting carried out by an independent rating agency.

Credit Risk
Credit risk or default risk is most simply defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions.

Currency Swaps
The simultaneous purchase of an amount of a currency for spot settlement and the sale of the same amount of the same currency for forward settlement.

Country Risk
The credit risk associated with lending to borrowers within a particular country, sometimes taken to include sovereign risk.

D

Deferred Tax
Sum set aside in the Financial Statements for taxation that may become payable in a financial year other than the current Financial Year.

Depreciation
The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition
Removal of a previously recognised financial assets or financial liability from an entity's Statement of Financial Position.

Derivatives
Financial contracts whose values are derived from the values of underline assets.

Documentary Credit (L/Cs)
Written undertakings by a Bank on behalf of its customers (typically an importer), favouring a third party (e.g. an exporter) where the third party could get paid up to a stipulated amount by fulfilling specific terms and conditions. Such undertakings are established for the purpose of facilitating trade.

E

Earnings per Share
Profit attributable to ordinary shareholders' divided by number of shares in issue during that period.

Effective Interest Rate
Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

Effective Tax Rate
Provision for taxation divided by the profit before taxation.

Equity Instruments
Any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Events after the Reporting Period
Events after the Reporting Period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue.

Exposure
A claim, contingent claim or position which carries a risk of financial loss.

Exposure at Default (EAD)
The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

Earnings Yield
Shows how much an investor earned compared to market price.

Expected Credit Loss (ECL)
Expected Credit Loss (ECL) is the probability weighted estimate of credit losses over the expected life of a Financial Instrument.

Eurobond
A Eurobond is a debt instrument that's denominated in a currency other than the home currency of the country or market in which it is issued.

Exchange Fee
An exchange fee is a charge for exchanging one thing for another, such as securities, currencies, or goods.

F

Fair Value
Fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Lease
Lease that transfers substantially all the risks and rewards incidental to ownership of an asset.

Financial Asset
Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial Asset or Financial Liability at Fair Value through Profit or Loss
Financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as at fair value through profit or loss.

Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)
Financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial Guarantee Contract
A Financial Guarantee Contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial Instruments
Any contract that gives rise to a financial assets of one entity and financial liability or equity instrument of another entity.

Financial Liability
A contractual obligation to deliver cash or another financial asset to another entity.

Float Adjusted Market Capitalisation
Float adjusted market capitalisation is the market value of public shareholding of the listed entity.

Forborne Loans
The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy.

Forward Exchange Contract
Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

Forward Looking Information
Incorporation of macroeconomic scenarios into the impairment calculations.

G

General Provisions
General Provisions are established for all Loans and Advances for anticipated losses on aggregate exposures where credit losses cannot yet be determined on an individual facility basis in accordance with the Regulatory directives.

Guarantees
Primarily represent irrevocable assurances that a Bank will make payments in the event that its customer cannot meet its financial obligations to third parties. Certain other guarantees represent non-financial undertakings such as bid and performance bonds.

H

Hedging
A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements.

Historical Cost Convention
Recording transactions at the actual value received or paid.

I

Incremental Borrowing Rate
The rate Bank uses to discount the future lease liabilities in recognition of Lease rentals and Right-of-Use assets.

Individually Significant Loans and Advances
Loans and Advances those are individually significant to the Bank and Impairment of which are measured individual/ specific basis.

Impairment
This occurs when recoverable amount of an asset is less than its carrying amount.

Individual Impairment Provisions
Individual impairment provisions are provisions held in account of individually significant Loans and Advances.

Individually Impaired Asset Cover
Impaired Assets Cover is the ratio of Individual impairment provision to total individually impaired assets.

Intangible Asset
An identifiable non-monetary asset without physical substance held for use in the production/supply of goods/services or for rental to others or for administrative purposes.

Interest Margin
Net interest income as a percentage of average total assets.

Interest Rate Risk
The risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates.

Interest Spread
Represents the difference between the average interest rate earned on interest earning assets and the average interest rate incurred on interest bearing liabilities.

Interest Earning Assets
Assets on which the Bank earns interest are considered as interest earning assets. These includes Loans and Advances, placements with banks, other interest bearing trading and non trading investments.

Investment Properties
Investment property is property held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both, rather than for use or sale.

K

Key Management Personnel
Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

L

Leverage Ratio
The leverage ratio measures how leveraged a bank capital is in relation to its consolidated assets, derivatives exposures and off-balance sheet items. The leverage ratio constrains the degree to which the bank can leverage its capital and improve the extent to which it can sustain negative shocks to its balance sheet.

Lifetime Expected Credit Losses
Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

Liquid Assets
Assets that are held in cash or in a form that can be converted to cash readily.

Liquidity Risk
The risk that an entity will encounter difficulty in meeting obligations associated with Financial Liabilities.

Loans and Receivables
Non derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intends to sell immediately or in the near term and designated as fair value through profit or loss or available for sale on initial recognition.

Loss Given Default (LGD)
LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the Exposure at Default.

M

Market Capitalisation
Number of ordinary shares in issue multiplied by the market value of each share at the year end.

Market Risk
This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Materiality
The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

Moratorium Period
A moratorium period is a period during a loan term when the borrower is not obligated to make a payment. It is a waiting period before the borrower starts making fixed monthly payments.

N

Net Accommodation
Total net accommodation computed by deducting from the total accommodation, the cash collateral and investments made by such related parties in the Bank's share capital and debt instruments with a maturity of five years or more.

Net Assets Value per Share
Total shareholders' funds divided by the number of ordinary shares in issue.

Net Interest Income
The difference between what a Bank earns on assets such as loans and securities and what it pays on liabilities such as deposits, refinance funds, subordinated term borrowings and inter-bank borrowings etc.

Net Open Position
Net Open Position or "NOP" means the net sum of all foreign currency assets and liabilities of a financial institution, inclusive of all of its spot and forward transactions and off balance sheet items in that foreign currency.

Net Stable Funding Ratio (NSFR)
NSFR measures the amount of longer-term, stable sources of funding employed by a bank relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations.

Nostro Account
A foreign currency current account maintained with another Bank, usually but not necessarily a foreign correspondent Bank.

O

Off-Balance Sheet Transactions
Transactions not recognised as assets or liabilities in the Balance Sheet but which give rise to contingencies and commitments.

Operational Risk
This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Open Credit Exposure Ratio
Total net non-performing Loans (Stage 3) and Advances expressed as a percentage of regulatory capital base.

P

Price to Book Value
Shows a comparison of Bank's market price to Net Assets value per ordinary share.

Past Due
A financial asset is past due when a counterparty has failed to make a payment when contractually due.

PDI bonds
PDI Bond means any past due interest bond issued by the Borrower under the financing plan.

Price Earnings Ratio
The current market price of a share divided by the earnings per share.

Principal Haircut
A principal haircut is a reduction in the amount of money owed on a loan or debt.

Projected Unit Credit Method
An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Probability of Default (PD)
PD is an estimate of the likelihood of default over a given time horizon.

Prudence
Inclusion of a degree of caution in the exercise of judgement needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

Purchased on Credit Impaired Financial Assets (POCI)
POCI assets are financial assets that are credit impaired on the initial recognition.

R

Ratio of Impaired Loans and Advances
Ratio for Impaired Loans and Advances is the ratio of gross impaired Loans and Advances portfolio as a percentage of gross Loans and Advances.

Related Parties
Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Repurchase Agreement
Contract to sell and subsequently repurchase securities at a specific date and price.

Re-scheduled Credit Facilities
Re-scheduled credit facilities are facilities which the original repayment terms have been amended due to deterioration in credit quality, while the respective facility is in the 'Non Performing' status as defined in the relevant regulatory directions.

Re-structured Credit Facilities
Re-structured credit facilities are credit facilities which the original repayment terms have been amended due to deterioration in credit quality while the respective facility is in the 'Performing' status as defined in the relevant regulatory directions.

Return on Assets (**ROA**)
Profit after tax divided by the average assets.

Return on Equity (**ROE**)
Profit after tax expressed as a percentage of average ordinary shareholders' equity.

Revenue Reserve
Reserves set aside for future distribution and investment.

Reverse Repurchase Agreement
Transaction involving the purchase of the securities by a bank or dealer and resale back to the seller at a future date and specified price.

Risk Weighted Assets
On-Balance Sheet assets and the credit equivalent of Off- Balance Sheet facilities multiplied by the relevant risk weighting factors.

Right-of-Use Assets
Right-of-Use Assets include assets recognised at the present value of future lease rentals less any amortisation and impairment accumulated at the date of reporting.

S

Segment Reporting
Segment reporting indicates the contribution to the revenue derived from business segments such as retail banking, corporate banking and treasury.

Shareholders' Funds
Total of stated capital, revenue reserves and capital reserves.

Stage 1 Financial Assets
When financial assets are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 also includes facilities where the credit risk has improved and the loan has been reclassified from Stage 2. This includes financial assets the credit risk of which have not been significantly increased since the origination.

Stage 2 Financial Assets
Financial assets that have shown a significant increase in credit risk since origination are considered as a stage 2 financial asset. The Bank records an allowance for the LTECLs on stage 2 assets. These include financial assets where the credit risk has improved and the assets that have been reclassified from Stage 3.

Stage 3 Financial Assets
Credit impaired financial assets are considered as stage 3 assets. The Bank records an allowance for the LTECLs for Stage 3 assets.

Stage 3 Loans (Impaired Loans) to Total Loans Ratio
This ratio shows impaired Loan & Advances (Stage 3), net of Stage 3 impairment provisions, as a percentage of total on balance sheet credit facilities and their respective undrawn amounts.

Stage 3 Provision Cover
Stage 3 provision cover is calculated by dividing Loans & Advances impairment (Stage 3) by stage 3 Loans & Advances.

Standing Deposit Facility
Standing Deposit Facility allows the Central Bank of Sri Lanka to absorb liquidity from commercial banks without giving government securities in return to the banks. In this sense, the Standing Deposit Facility (SDF) is a collateral free arrangement that CBSL need not give collateral for liquidity absorption.

Statutory Reserve Fund
A reserve created as per the provisions of the Banking Act No. 30 of 1988.

Sovereign Debt Restructuring
A sovereign debt restructuring means when a country, considered as a 'sovereign', negotiates with its creditors to change the terms of its outstanding debt, usually by extending repayment periods, reducing interest rates, or lowering the total amount owed, to make it more manageable when facing financial difficulties and unable to service its full debt obligations; essentially, it's a process of renegotiating the terms of a nation's debt to avoid defaulting on payments.

Step-Up Bonds
A step-up bond is a bond that pays a lower initial interest rate but includes a feature that allows for rate increases at periodic intervals. The number and extent of the rate increase, as well as the timing, depends on the terms of the bond.

T

Total Tier 1 Capital
Total Tier 1 Capital comprise of Common Equity Tier 1 Capital and Additional Tier 1 Capital.

Tier 2 Capital
The Tier 2 Capital comprise of Eligible Subordinated Debt, 100% of impairment for assets in stage 1 and 50% of impairment for assets in assets in stage 2, subject to a maximum of 1.25% of Risk Weighted Assets for Credit Risk and approved Revaluation Surpluses on Freehold Land and Building.

Total Capital
Total Capital representing the sum of Total Tier 1 Capital and Tier 2 Capital.

Transaction Costs
Incremental costs that is directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Total Impairment Provision Cover Ratio
Total Impairment Cover depicts total impairment provision of Loans and Advances as a percentage of Total Gross Loans and Advances.

Twelve Month Expected Credit Losses (12mECL)
12mECLs are expected credit losses that result from all possible default events over a 12 month period. Stage 1 assets are subject to 12mECLs.

U

Undrawn Credit Lines
Credit facilities approved but not yet utilised by the clients as at the end of the reporting period.

Unit Trust
An undertaking formed to invest in securities under the terms of a trust deed.

Unsecured
Repayment of the principal and interest not being secured by any specific asset.

V

Value Added
Value added is the wealth created by providing banking services less the cost of providing such services. The value added is allocated among the employees, the providers of capital, to government by way of taxes and retained for expansion and growth.

Y

Yield to Maturity
Discount rate at which the present value of future payments would equal the security's current price.

Notice of Meeting ▸

NOTICE IS HEREBY GIVEN THAT THE THIRTIETH ANNUAL GENERAL MEETING of PAN ASIA BANKING CORPORATION PLC will be held as a virtual meeting emanating from the Board Room of Pan Asia Banking Corporation PLC, No.450, Galle Road, Colombo 03 on 28th March 2025 at 9.30 a.m. for the following purposes;

1. To receive and consider the Report of the Board of Directors on the Affairs of the Bank and the Audited Financial Statements for the year ended 31st December 2024 with the Report of the Auditors thereon.

2. To declare a first & final Dividend of Rupees One (Rs.1/-) per Ordinary Share, as recommended by the Board of Directors.

3. To re-elect, Kawshi Amarasinghe, who retires by rotation at the Annual General Meeting in terms of Articles 82 & 83 of the Articles of Association as a Director.

4. To re-elect, Malik Ranasinghe, who retires by rotation at the Annual General Meeting in terms of Articles 82 & 83 of the Articles of Association as a Director.

5. To re-elect, Dharshanie Perera, in terms of Article 89 of the Articles of Association as a Director.

6. To re-elect, Ashoka Goonesekere, in terms of Article 89 of the Articles of Association as a Director.

7. To authorise the Directors to determine donations for the year 2025.

8. To re-appoint the Auditors of the Bank, M/s Ernst & Young and to authorise the Directors to determine their remuneration.

Notes :

1. A member entitled to participate and vote at the virtual meeting is entitled to appoint a proxy to participate and vote in his/her stead.

2. A proxy need not be a member of the Company. The form of proxy is enclosed herewith.

By Order of the Board

N Fernando

Nayantha Fernando
Company Secretary

14th February 2025

Notes ▸

Notes ▶

Form of Proxy ▸

I/We ....

(NIC No/s..) of...

.... being
a shareholder/being shareholders of Pan Asia Banking Corporation PLC, hereby appoint

1. Aravinda Perera	of Colombo or failing him
B D A Perera	of Colombo or failing him
Sandra Walgama	of Colombo or failing her
Kawshi Amarasinghe	of Colombo or failing her
Malik Ranasinghe	of Colombo or failing him
Dharshanie Perera	of Colombo or failing her
Ashoka Goonesekere	of Colombo or failing him
Naleen Edirisinghe	of Colombo

2. ....

(NIC No...) of ....

....

as my/our* proxy to vote on my/our* behalf at the Thirtieth Annual General Meeting of Pan Asia Banking Corporation PLC, to be held on 28th March 2025 at 9.30 a.m. and at any adjournment thereof.

I/We, the undersigned, hereby authorise my/our* proxy to vote for me/us* and on my/our* behalf in accordance with the preference as indicated below.

	For	Against
1. Resolution No. 1 To receive and consider the Annual Report of the Board of Directors on the Affairs of the Bank and the Audited Financial Statements for the year ended 31st December 2024 with the Report of the Auditors thereon.		
2. Resolution No. 2 To declare a first & final Dividend of Rupees One (Rs.1/-) per Ordinary Share, as recommended by the Board of Directors.		
3. Resolution No. 3 To re-elect Kawshi Amarasinghe, who retires by rotation at the Annual General Meeting in terms of Articles 82 & 83 of the Articles of Association as a Director.		
4. Resolution No. 4 To re-elect Malik Ranasinghe, who retires by rotation at the Annual General Meeting in terms of Articles 82 & 83 of the Articles of Association as a Director.		
5. Resolution No. 5 To re-elect, Dharshanie Perera, in terms of Article 89 of the Articles of Association as a Director.		
6. Resolution No. 6 To re-elect, Ashoka Goonesekere, in terms of Article 89 of the Articles of Association as a Director.		
7. Resolution No. 7 To authorise the Directors to determine the donations for the year 2025.		
8. Resolution No. 8 To re-appoint the Auditors of the Bank, M/s Ernst &Young and to authorise the Directors to determine their remuneration.		

As witness I/we* have set my/our* hand/s* hereunto this ....day of ....Two Thousand and Twenty Five.

....

Signature of Shareholder.

Form of Proxy ▶

Note : Instructions as to completion of the Form of Proxy.

1. To be valid, this form of proxy must be deposited with the Company Secretary at the Registered Office situated at No.450, Galle Road, Colombo 3, or email to csy@pabcbank.com or fax to +94112301844 on or before 9.30 a.m. on the 26th of March, 2025 being at least 48 hours before the time appointed for holding the meeting.
2. In perfecting the form of proxy please ensure that all details are legible and the proxy appointed need not be a shareholder of Pan Asia Banking Corporation PLC.
3. If the shareholder is a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
4. A shareholder appointing a proxy (other than a Director of the Bank) to participate at the meeting should indicate the proxy holder's National Identity Card (NIC) number on the Form of Proxy.
5. Please indicate with 'x' in the space provided how your proxy is to vote on each resolution.
6. Shareholders who are unable to participate through the online meeting are encouraged to duly complete the form of proxy clearly setting out their preference of vote under each matter set out in the Form of Proxy and to appoint one of the Directors of the Bank or any other person to act on their behalf in order that each shareholder's vote may be identified and recorded as if such shareholder were present.

* Delete whichever is inapplicable.

Corporate Information ▸

Registered Name of the Company
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. A Licensed Commercial Bank under the Banking Act No. 30 of 1988 and listed on the Colombo Stock Exchange.

Company Registration Number
PQ 48

Registered Office/Head Office
No. 450, Galle Road,
Colombo 03.
Sri Lanka.
Telephone : +94112565565
+94114667777
+94115167777
Fax : +94112565558

Call Center (24/7 Customer Service Hotline)
Telephone : +94114667222
Fax : +94112575023
SWIFT Code : PABSLKLX
E-mail : customerservice@pabcbank.com
Web Site : www.pabcbank.com

Tax Payer Identification Number (TIN)
134005700

Accounting Year End
31st December

Stock Exchange Listing
442,561,629 Ordinary Voting Shares

Board of Directors
Aravinda Perera - Chairman
B D A Perera - Deputy Chairman/ Senior Independent Director
Sandra Walgama - Director
Kawshi Amarasinghe - Director
Malik Ranasinghe - Director
Dharshanie Perera - Director
Ashoka Goonesekere - Director
Naleen Edirisinghe - Director/CEO

Company Secretary
Nayantha Fernando

Mandatory Board Committees

Board Audit Committee
Ashoka Goonesekere - Chairman
Kawshi Amarasinghe - Director
Dharshanie Perera - Director
Naleen Edirisinghe - Director/CEO (By invitation)

Board Integrated Risk Management Committee
Dharshanie Perera - Chairperson
Kawshi Amarasinghe - Director
Ashoka Goonesekere - Director
Naleen Edirisinghe - Director/CEO (By invitation)

Board Human Resources and Remuneration Committee
Sandra Walgama - Chairperson
Aravinda Perera - Director
B D A Perera - Director
Naleen Edirisinghe - Director/CEO (By Invitation)

Board Nominations and Governance Committee
B D A Perera - Chairman
Aravinda Perera - Director
Sandra Walgama - Director
Naleen Edirisinghe - Director/CEO(By invitation)

Board Related Party Transactions Review Committee
Sandra Walgama - Chairperson
Dharshanie Perera - Director
Ashoka Goonesekere - Director
Naleen Edirisinghe - Director/CEO (By invitation)

Board Expenditure Rationalisation Committee
Sandra Walgama - Chairperson
B D A Perera - Director
Naleen Edirisinghe - Director/CEO

Voluntary Board Committees

Board Credit Committee
Sandra Walgama - Chairperson
Aravinda Perera - Director
B D A Perera - Director
Malik Ranasinghe - Director
Naleen Edirisinghe - Director/CEO

Board Strategic Planning Committee
Aravinda Perera - Chairman
Kawshi Amarasinghe - Director
Malik Ranasinghe - Director
Naleen Edirisinghe - Director/CEO (By invitation)

Board Recoveries Committee
B D A Perera - Chairman
Sandra Walgama - Director
Malik Ranasinghe - Director
Naleen Edirisinghe - Director/CEO

Board IT Steering Committee
Malik Ranasinghe - Chairman
Aravinda Perera - Director
B D A Perera - Director
Kawshi Amarasinghe - Director
Naleen Edirisinghe - Director/CEO

Auditors
Ernst & Young
Chartered Accountants
Rotunda Towers,
No. 109, Galle Road,
P.P.BOX 101,
Colombo 03,
Sri Lanka.

Credit Rating
National Long-Term Rating
Fitch Rating BBB-(lka)' Stable Outlook

* The above information is given based on the position as at 31st December, 2024

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PAN ASIA BANK
The Truly Sri Lankan Bank