Commercial Bank of Ceylon PLC
Annual Report 2024
(Integrated Report and Financial Statements)

IN CONTEXT

From turbulence towards tranquillity

2022

2023

2024

A trilogy of resilience: from turbulence to tranquillity

Over the past three years, our journey has unfolded as a trilogy – weathering storms, navigating uncertainty, and now charting a course towards stability. From adversity to resilience, and now renewal, 2024 marks our transition to calmer waters, driven by conviction, courage, and empathy. As we move forward, we remain steadfast in our commitment – building trust, embracing progress, and shaping a sustainable future for all.

Strongest Bank in Sri Lanka 2024
The Asian Banker Magazine

OUR VISION

To be the most technologically advanced, innovative and customer friendly financial services organisation in Sri Lanka, poised for further expansion in South Asia.

OUR MISSION

Providing reliable, innovative, customer friendly financial services, utilising cutting-edge technology and focusing continuously on productivity improvement whilst developing our staff and acquiring necessary expertise to expand locally and regionally.

OUR PURPOSE

To be a responsible financial services provider by enabling and empowering people, enterprises and communities towards environmentally-responsible, socially-inclusive and economically-enriching growth.

OUR VALUES

- **Honesty** – We strive to earn and retain the trust of our stakeholders through transparent actions that inspire them and align with their values.
- **Integrity** – Maintaining our integrity is of paramount importance to us in ensuring that our brand value keeps growing for all stakeholders.
- **Fairness** – We focus on doing the right thing by all our stakeholders so that their trust in us continues to deepen, enriching invaluable relationships.
- **Responsible citizenship** – Continuing our commitment to the community we focus on making lives better and being a force for good.
- **Accountability** – We live by our brand values, ready to take responsibility for our actions towards all stakeholders.

In Context

From turbulence towards tranquillity

After years of storms and challenges, 2024 was a relatively calm year with steady progress. Together with our stakeholders, we have braved the storms with courage, care, and resilience, staying true to our purpose. Guided by these values, we have weathered rough seas and navigated towards brighter shores. As the skies clear and the waters calm, we remain steadfast in our journey – standing strong for our customers and communities, building enduring trust, and creating a sustainable future filled with hope and opportunity for all.

Contents

S Muhseen
Chairman

Despite formidable challenges, Commercial Bank emerged stronger, leveraging its financial stewardship, operational resilience, and customer-centric approach to reinforce its leadership in the banking sector.

Page 32

S C U Manatunge
Managing Director/
Chief Executive Officer

Navigating economic volatility with resilience, we accelerated digital banking, empowered businesses, and advanced sustainable finance – shaping the future of banking with innovation, agility, and purpose.

Page 35

This Integrated Report and Financial Statements is published within three months of the date of the Statement of Financial Position. The comprehensive end to-end online HTML version and the interactive PDF version are also published online on the same date as the date of issue of this Integrated Report and Financial Statements at

https://combank2024.annualreports.lk/

Scan to view the comprehensive end-to-end online HTML version

Scan to view the interactive PDF version

All the industry related figures mentioned in this Annual Report have been extracted/computed/annualised based on the information published by the CBSL as at September 30, 2024.

Look out for these throughout the report:

- Reference to another page, table, figure or graph in the report
- Reference to further reading online

INTEGRATED REPORT

As permitted by the International <IR> Framework, this Annual Report features a dedicated Integrated Report section, followed by Financial Statements and Supplementary Information. Structured per the <IR> Framework's guiding principles and content elements, it provides a balanced view of our value creation process. As affirmed in the Annual Report of the Board of Directors on page 4, due diligence has been exercised to ensure its integrity, accuracy, and relevance to all stakeholders.

Introduction and overview
Annual Report of the Board of Directors

Preamble

The Board of Directors of Commercial Bank of Ceylon PLC (the Bank) is pleased to present the 56th Annual Report, which includes the Integrated Report, the Audited Financial Statements of the Group and the Bank for the financial year ended December 31, 2024 and the Independent Auditor's Report on the Financial Statements. This Report complies with all applicable statutory requirements. In addition to the printed version, this Report is also available in multiple digital formats, including an interactive HTML version supported by an AI-Powered Annual Report Assistant (Chatbot), an interactive PDF version and a mobile-friendly version accessible on the Bank's official website (www.combank.lk), to ensure greater accessibility and enhance stakeholder engagement.

Integrated reporting and strategic focus

The Bank has adopted an integrated approach to reporting, in line with the Guiding Principles and the Content Elements of the IFRS Foundation's International <IR> Framework. This Integrated Report articulates how the Bank creates sustainable value to all its stakeholders across multiple capitals over the short, medium and long term through its robust business model (refer pages 74 to 75). It also identifies key risks and opportunities arising from a dynamic operating environment and outlines strategic responses to them.

Through the annual strategic planning process, the Bank has developed a robust Sustainability Framework, identified strategic imperatives and executed appropriate strategies to manage risks and seize opportunities. For further details on the Bank's Sustainability Framework, strategic imperatives and strategies, refer to the Business Model for Sustainable Value Creation (pages 72 to 77) and Management Discussion and Analysis section (pages 83 to 151). Additional information on Governance Reports and Risk Governance and Management is available on pages 192 to 253 and 254 to 284.

Independent assurance on the Bank's Integrated Report, Sustainability Reporting and Financial Statements was provided by Messrs KPMG, in compliance with globally accepted standards. Assurance reports can be found on pages 512 to 515. Additional details on the Bank's sustainability strategy are available on pages 78 to 82.

Board's responsibility

The Board of Directors assumes responsibility for the preparation and presentation of the Financial Statements of the Group and the Bank in accordance with Sections 150, 151, 152 and 153 (1) and (2) of the Companies Act No. 07 of 2007 and amendments thereto, ensuring that they present a true and fair view of the financial position and performance of the Group and the Bank.

In this respect, the Board of Directors wishes to confirm that the Financial Statements – comprising the Income Statement, Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and accompanying Material Accounting Policies and Notes thereto – have been prepared and presented in compliance with the Sri Lanka Accounting Standards (SLFRS/LKAS) as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and amendments thereto and the Companies Act No. 07 of 2007 and amendments thereto. Detailed disclosures as required by these statutes are presented on pages 285 to 458 of this Report.

This Report also includes the required information and disclosures in compliance with the Companies Act No. 07 of 2007 and amendments thereto, the Banking Act No. 30 of 1988 and amendments thereto along with related Directions, including the Banking Act Directions No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka (which was revoked with effect from January 01, 2025), the Listing Rules of the Colombo Stock Exchange (CSE) with specific reference to Section 9.14.8 (4) on Related Party Transactions and the Code of Best Practice on Corporate Governance 2023 issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). We are also confident that the Bank will meet the requirements of the Banking Act Directions No. 05 of 2024 on Corporate Governance for Licensed Banks, which came into effect from January 01, 2025.

As confirmed by a resolution passed on February 28, 2025, the Financial Statements of the Group and the Bank for the year ended December 31, 2024, including comparative figures for 2023, were reviewed, approved and authorised for issuance by the Board of Directors. Copies of the Annual Report will be submitted to the CSE and the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB). Soft copies will also be made available on the Bank's official website.

The Independent Auditors, Messrs KPMG, who were appointed at the 55th Annual General Meeting held on March 28, 2024, have issued an unmodified audit opinion, which appears on pages 288 to 292. Disclosure of auditors' remuneration is made in Note 21 on page 342. The auditors have confirmed their independence and indicated that they have no direct or indirect interest in any contract with the Bank or its subsidiaries and the associate, other than as auditors.

The Board, to the best of its knowledge and belief, acknowledges that all statutory payments due to the government, regulatory institutions and employees have been made on time. Following a review of the business plans and financial position of the Bank, its subsidiaries and the associate, the Board is confident that the Group has adequate resources to continue operations in the foreseeable future. Accordingly, the Financial Statements of the Group and the Bank have been prepared on a going concern basis.

In line with evolving global reporting standards, a comprehensive gap analysis is being conducted to assess the applicability of the newly issued SLFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information and SLFRS S2 – Climate-related Disclosures. This proactive initiative will enable the Bank to implement appropriate disclosures in its reporting for the financial year ending December 31, 2025.

Compliance with statutory requirements and codes on governance

The Bank's compliance with Section 168 of the Companies Act No. 07 of 2007 and amendments thereto and other relevant statutes is outlined on pages 177 to 180. Additionally, the Bank provides a comprehensive disclosure of compliance with the following governance-related requirements in Annex 1 (pages 460 to 490):

- Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka, issued by the Central Bank of Sri Lanka (CBSL) (Annex 1.1 on pages 460 to 471).
- Code of Best Practice on Corporate Governance 2023 (Code), issued by CA Sri Lanka (Annex 1.2 on pages 472 to 476).
- Section 9 of the Listing Rules of the CSE (Annex 1.3 on pages 477 to 483).
- Disclosure requirements prescribed by the CBSL for the preparation, presentation and publication of annual audited financial statements (Annex 1.4 on pages 484 to 490).

External Assurances obtained

To ensure the integrity and credibility of the Bank's disclosures, independent assurance was obtained in the following areas:

Internal controls

Assurance on the Directors' Statement on Internal Control over financial reporting. Assured by Messrs KPMG in accordance with the Sri Lanka Standard on Assurance Engagements **(SLSAE) 3050** (Revised): Assurance Engagements on Directors' Statement – on Internal Control

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Financial statements

Assurance on the Audited Financial Statements. Assured by Messrs KPMG in accordance with Sri Lanka Auditing Standards.

Pages 288 to 292

Sustainability reporting

Assurance on the Bank's Sustainability Reporting criteria. Assured by Messrs KPMG in accordance with the Sri Lanka Standard on Assurance Engagements **(SLSAE) 3000:** Assurance Engagements other than Audits or Reviews of Historical Financial Information.

Pages 512 to 513

Integrated reporting

Assurance on the Integrated Annual Report. Assured by Messrs KPMG in accordance with the Sri Lanka Standard on Assurance Engagements **(SLSAE) 3000:** Assurance Engagements other than Audits or Reviews of Historical Financial Information.

Pages 514 to 515

Fifty-Sixth (56th) Annual General Meeting

The Bank's Fifty-Sixth Annual General Meeting (AGM) will be held on March 28, 2025, at 2:30 p.m. at the Galadari Hotel, Grand Ballroom, No. 64, Lotus Road, Colombo 01.

Shareholders are encouraged to attend the AGM and more details can be found in the Notice of Meeting on page 531, which is signed in accordance with a resolution adopted by the Directors.

Scan to create a calendar entry for the Annual General Meeting

Board's confirmation

After carefully evaluating the matters significant to the Bank and its stakeholders, the Board of Directors affirms that due diligence has been exercised in the preparation and presentation of this Integrated Report and Financial Statements, ensuring its accuracy and integrity. In compliance with Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledges the contents of this Annual Report.

Signed in accordance with a resolution of the Board of Directors.

S Muhseen
Chairman

R Senanayake
Deputy Chairman

S C U Manatunge
Managing Director/
Chief Executive Officer

L D Niyangoda
Director

Ms N T M S Cooray
Director

Ms J Lee
Director

Ms D L T S Wijewardena
Director

S Prabagar
Executive Director/
Chief Operating Officer

Dr S Selliah
Director

D N L Fernando
Director

P M Kumarasinghe
Director

P Y S Perera
Director

R A P Rajapaksha
Company Secretary

February 28, 2025

Introduction to our 56th Annual Report

The 56th Annual Report of Commercial Bank of Ceylon PLC reflects our enduring legacy of over a century, alongside our continuous evolution amidst an ever-changing financial landscape. Beyond capturing key financial and operational achievements, this year's Report emphasises our steadfast commitment to innovation, sustainability, and stakeholder-focused value creation. Transparency, accountability, governance, and sustainability remain the core pillars driving our long-term resilience and success.

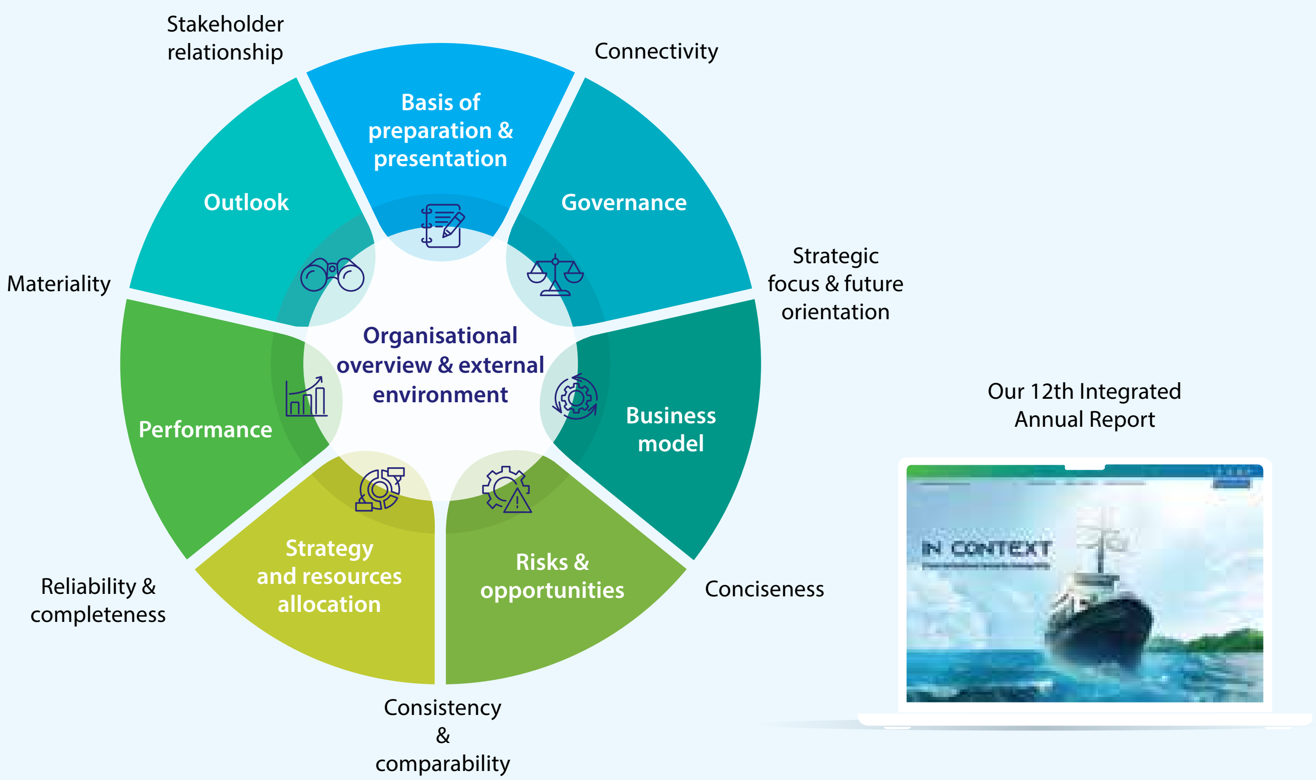
In line with global best practices, the Report integrates both financial and non-financial performance to illustrate how the Bank is fulfilling its purpose, driving strategic priorities, and assessing progress towards financial and non-financial objectives. It presents material information that enables providers of capital to evaluate the opportunities, risks, and relationships impacting the Bank's ability to create and preserve value. It also outlines the governance framework and the actions taken to safeguard against value erosion.

Demonstrating our role in fostering economic growth and social well-being, the Report showcases not only the accomplishments of 2024 but also our forward-looking strategies designed to navigate future challenges and capitalise on emerging opportunities. Targeted primarily at providers of financial capital, this Report is also intended to benefit a wider stakeholder audience by offering valuable insights into how the Bank generates and sustains value across the short, medium, and long term.

Our reporting journey

In this Report, we strive to present a holistic narrative of our journey throughout 2024, highlighting key milestones, challenges overcome, strategies adopted and trade-offs made to create, preserve and minimise erosion of value – collectively referred to as value creation – over the short, medium and long term.

Building blocks of our 12th Integrated Annual Report Figure – 01



Since 2013, the Bank has diligently adhered to the <IR> Framework in presenting its annual reports. Over the years, this framework has enabled the Bank to offer a comprehensive, transparent and forward-looking narrative of its financial and non-financial performance in accordance with the Guiding Principles and the Content Elements of the Framework. This 56th Annual Report, comprising the Integrated Report and the Financial Statements, covers the 12-month period from January 01 to December 31, 2024, and is consistent with the Bank's usual annual reporting cycle for financial and sustainability reporting. This follows our most recent Annual Report for the year ended December 31, 2023, for which comparative figures are given, where applicable. This Report reflects our steadfast commitment to value creation for all stakeholders, balancing economic, environmental and social priorities.

The Annual Report has been produced with a focus on *six key qualitative criteria* as given below to ensure a high standard of disclosure. It maintains completeness by covering both direct and indirect material impacts, including those influenced through stakeholder engagement and Corporate Social Responsibility (CSR) initiatives. Clarity is achieved by blending text with visual elements to enhance readability and comprehension. To provide a fair and unbiased account, the Report strives for balance in presenting material information. Ensuring credibility and reliability, the financial and sustainability data has been independently vetted by Messrs KPMG. Additionally, accuracy and consistency are upheld through robust internal controls that guarantee the traceability and verifiability of information. The Report also enhances comparability by including performance data for both the current and the previous periods, along with relevant industry benchmarks.

Criteria underlying the preparation of this Annual Report

- Strategic focus and future orientation
- Integrated thinking
- Non-financial information
- Guiding principles and frameworks
- Qualitative criteria
- Independent assurances

Materiality

The principle of materiality guides the content of this Integrated Report by identifying key issues, opportunities, and risks that materially affect our capitals and our ability to create, protect, and sustain value over the short, medium, and long term. The identification of *material matters* is based on input from business and service units as well as analysis of the external environment through a *double materiality lens* – assessing both the impact of our business on the economy, society, and environment, and vice versa – and also the insights gathered through our *stakeholder engagement* process. These material matters, detailed on pages 66 to 67, shape our strategy, refine the risk management framework, and drive the ongoing evolution of our business model, influencing short, medium, and long-term goals.

We prioritise matters with the greatest relevance to earnings sustainability and stakeholder value creation, ensuring they are reviewed and validated through our strategic planning process. This approach integrates *financial materiality* – how external factors influence the Bank – and *impact materiality* – how the Bank affects external factors – into our decision-making processes, fostering a resilient, future-ready and sustainable business model.

Stakeholder engagement

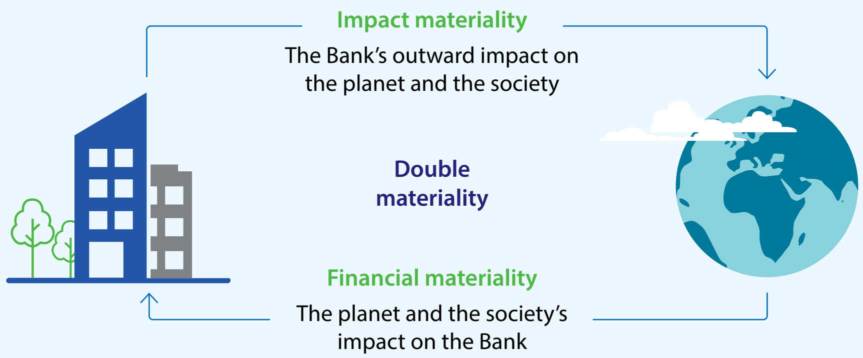
The Bank views its stakeholders as integral partners in its journey of value creation. Engaging with stakeholders through structured dialogue as detailed on pages 62 to 65 enables the Bank to gain critical insights into their expectations, concerns and emerging priorities. This ongoing engagement shapes not only the Bank's strategic direction but also its approach to transparent reporting, ensuring that the Bank remains responsive to the evolving needs of its *key stakeholders*, namely, customers, employees, investors, regulators and the broader community.

By fostering inclusivity and mutual trust, the Bank's stakeholder engagement framework allows it to address *material* issues proactively, strengthen long-term relationships and ensure that its actions deliver sustainable value across the six capitals (refer page 62).

A unified strategy for sustainable growth

The Bank's strategic direction is shaped by a balanced pursuit of financial excellence and responsible business practices, whereby financial goals are integrated with Environmental, Social and Governance (ESG)

Double materiality Figure – 02



imperatives. We recognise that long-term value creation is inherently linked to the well-being of the environment, the society and our stakeholders. By embedding ESG imperatives into our core strategy, we ensure that our growth ambitions are aligned with the United Nations' Sustainable Development Goals (SDGs). This unified approach not only strengthens our financial performance but also enhances our ability to effectively address emerging risks and seize opportunities in an evolving economic landscape.

This Report depicts how we deliver shared value to all stakeholders by prioritising responsible financing, inclusive banking, operational efficiency and ethical governance, guided by this holistic strategy while fostering economic, environmental and social resilience across our footprint.

Please refer page 72 for the Bank's *Sustainability Framework* to understand how it helps the Bank achieve its underlying Purpose.

These pillars, in turn, contribute to value creation across the six interconnected capitals.

We have aligned our sustainability journey with global standards, including the SDGs, contributing to eight key goals most relevant to our operations. This integrated approach enables us to balance our commercial objectives with a broader commitment to societal well-being and environmental stewardship, with a particular focus on quality education, clean energy, gender equality, and responsible consumption, and climate action.

Navigation Icons

Sustainability at the core of our strategy

As permitted by Sections 2.17 and 2.18 of the <IR> Framework, this Report is structured around the Bank's 3-Pillar Approach to Sustainability:

Sustainable banking
Driving responsible financing, financial inclusion and sustainable products and services.

Responsible organisation
Promoting green and safe workplace, workplace culture and sustainable supply chain.

Community engagement
Enabling environmental engagement, social engagement and social enterprise.

Six Capitals

Financial Capital | Manufactured Capital | Intellectual Capital | Human Capital | Social & Relationship Capital | Natural Capital

Key Stakeholders

Investors | Customers | Employees | Society and Environment | Business Partners | Government Institutions and Regulators

Balancing growth with sustainability

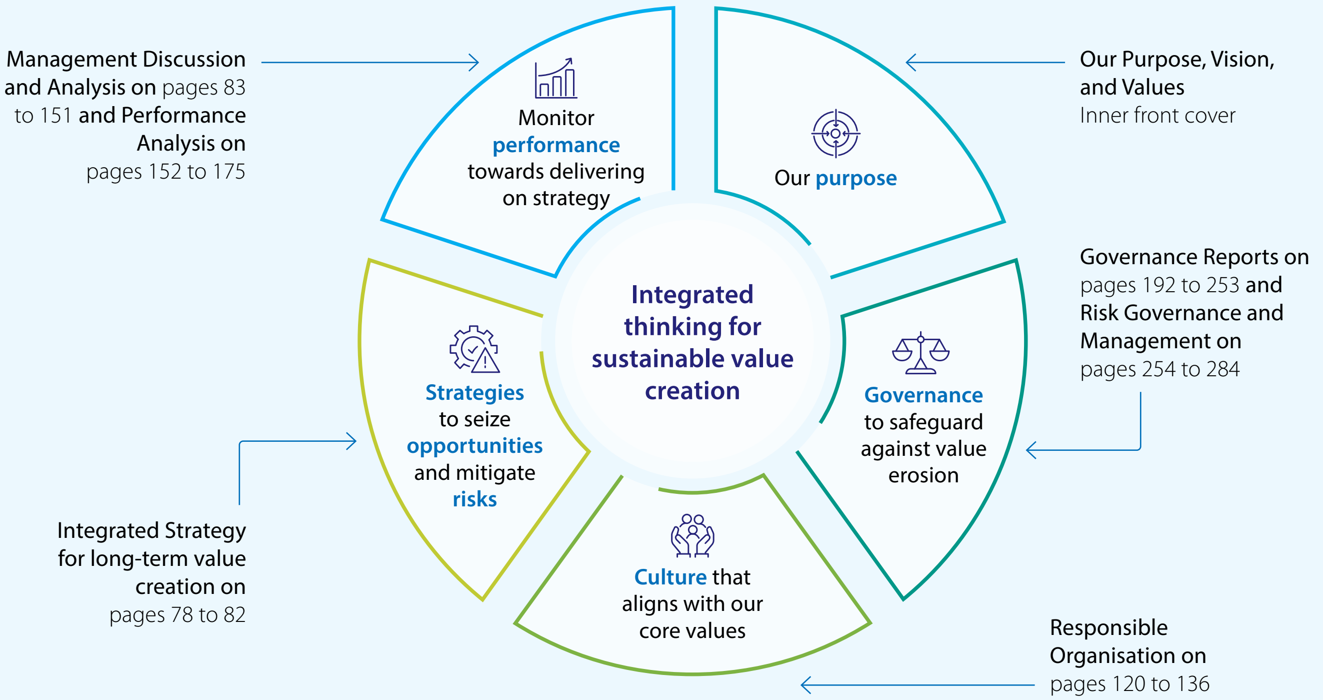
As a responsible financial institution, Commercial Bank of Ceylon PLC recognises the critical role it plays in fostering sustainable development while delivering long-term value to its stakeholders.
We understand that balancing economic growth with environmental stewardship and social responsibility is essential to ensure a sustainable future. Guided by a robust sustainability framework, we continue to take measures in order to mitigate the social, environmental and climate-related risks associated with our operations and lending activities, adhering to the precautionary principle to proactively identify and minimise potential adverse impacts.

Integrated thinking for sustainable value creation

Since adopting integrated reporting, we have continually evolved to embed integrated thinking across all facets of our operations. This year's Report continues to demonstrate how integrated thinking drives our ability to adapt, innovate and deliver sustained value across our stakeholder ecosystem.
This mindset has allowed us to:

- Embed ESG principles within our core operations;
- Harmonise diverse functions across the Bank to improve collaboration and streamline decision-making, while going beyond economic objectives to align with societal and environmental goals;
- Align our business model with emerging trends and disruptive forces, ensuring long-term relevance and resilience; and
- Enhance operational agility through the implementation of unified service standards and integrated digital platforms.

Integrated thinking for sustainable value creation Figure – 03



By fostering a culture of integrated thinking, we have been able to better anticipate risks, allocate resources more effectively and deliver superior value to all stakeholders.

Defining report boundary

The Financial Statements present the consolidated performance of the Group, encompassing the Bank and its six subsidiaries – Commercial Development Company PLC, CBC Tech Solutions Limited, CBC Finance Ltd., Commercial Insurance Brokers (Pvt) Ltd., Commercial Bank of Maldives Private Limited and CBC Myanmar Microfinance Company Limited -along with the associate company, Equity Investments Lanka Ltd. (Refer to the Consolidated Financial Statements on pages 285 to 458).

Unless otherwise indicated, the Bank's social and environmental impacts, detailed in the Management Discussion and Analysis on pages 83 to 151, pertain to its operations in Sri Lanka and Bangladesh. These two markets represent the core of Commercial Bank of Ceylon PLC, the parent entity, contributing over 97% of the Group's total revenue, loans and advances, deposits and assets.

During the reporting period, there were no significant changes in the Bank's ownership, structure, or reporting boundaries. Further, there were no changes in reporting or restatements to the previously reported financial, social or environmental information.

Crafted with clarity

This Report has been prepared by using concepts, principles and guidelines prescribed in:

INTEGRATED REPORTING <IR>

The International <IR> Framework

(https://www.ifrs.org)

IFRS Foundation

International Financial Reporting Standards (IFRS)

(https://www.ifrs.org)

GRI

Global Reporting Initiative (GRI) Standards

(www.globalreporting.org)

CA THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

A Preparer's Guide to Integrated Corporate Reporting published by CA Sri Lanka

Handbook on Integrated Corporate Reporting, published by CA Sri Lanka in collaboration with The Integrated Reporting Council of Sri Lanka

(www.casrilanka.com)

Sustainability Framework of the Bank (Page 72)

Accordingly, the report provides a balanced representation of the Bank's ability to create and sustain value over the short, medium and long term. It encompasses both historical performance and forward-looking insights to meet the expectations of financial capital providers and other key stakeholders.

Qualitative criteria used in the production of the Annual Report Figure – 04

Completeness
Encompasses material impacts, both within and under the direct control of the Bank as well as external impacts that are indirectly influenced through our engagement with stakeholders and broader sustainability initiatives undertaken through the Bank's own CSR Trust

Clarity
Incorporates both text and visual elements to enhance readability, facilitate understanding and maintain concision

Balance
Makes every possible effort to present a fair representation of relevant material information

Comparability
Includes the performance of current and previous reporting periods together with industry benchmarks, where relevant and available

Accuracy and consistency
Information is supported by inbuilt internal controls to facilitate traceability and verifiability of information

Credibility and reliability
Financial and sustainability information has been vetted by a reputed external assurance service provider

Non-financial performance

Recognising the shift in the role of banks beyond profitability to include broader environmental and social contributions, the Bank continues to prioritise non-financial performance by integrating ESG considerations into its core strategy.

The Bank's sustainability efforts are guided by globally recognised frameworks. These efforts encompass a wide range of initiatives aimed at reducing our environmental footprint, fostering financial inclusion, promoting employee well-being and contributing to community development.

During 2024, our focus on non-financial aspects resulted in:

Our non-financial disclosures not only reflect our commitment to creating long-term value but also serve as a foundation for responsible corporate behaviour. By providing both qualitative insights and quantitative metrics on our ESG performance, we aim to enhance stakeholder confidence and foster sustainable growth in the years to come.

Assuring integrity

Ensuring the accuracy, credibility and reliability of the information presented in this report is a top priority. To that end, we have:

- Engaged Messrs KPMG as independent assurance provider for both financial and sustainability information.
- Conducted rigorous internal reviews and verifications to maintain the integrity of our disclosures.

This Annual Report reflects the Bank's unwavering commitment to transparency, stakeholder engagement and responsible business practices.

Sustainable banking initiatives

Increased green financing and support for renewable energy projects.

Refer pages 84 to 119 for more details

Community engagement

Investments in education, healthcare and livelihood programs aimed at uplifting underserved communities.

Refer pages 137 to 151 for more details

Employee well-being

Continued emphasis on diversity, inclusion and professional development, ensuring a supportive workplace culture.

Refer pages 120 to 136 for more details

Environmental stewardship

Expansion of carbon-neutral initiatives, resource efficiency programs and paperless operations to reduce our ecological impact.

Refer pages 137 to 151 for more details

Guiding principles, regulations, codes and acts for financial and narrative reporting

Figure – 05

Financial reporting

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Sri Lanka Accounting Standards and amendments thereto and Auditing Standards Act No. 15 of 1995

Companies Act No. 07 of 2007 and amendments thereto (Companies Act)

Circular No. 2 of 2019 on the Preparation, Presentation and Publication of Annual Audited Financial Statements of Licensed Commercial Banks issued by the CBSL

Circular No. 5 of 2024 on Publication of Annual and Quarterly Financial Statements and other disclosures by Licensed Banks

Banking Act Direction No. 13 of 2021 on Classification, Recognition and Measurement of Credit Facilities in Licensed Banks

Banking Act Direction No. 14 of 2021 on Classification, Recognition and Measurement of Financial Assets other than Credit Facilities in Licensed Banks

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Guidelines issued by CA Sri Lanka in the form of Statements of Alternative Treatment (SoAT)

COLOMBO STOCK EXCHANGE

Listing Rules of CSE

Narrative reporting

INTEGRATED REPORTING <IR>

International <IR> Framework

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

- A Preparer's Guide to Integrated Reporting by CA Sri Lanka in collaboration with the Integrated Reporting Council of Sri Lanka
- Handbook on Integrated Corporate Reporting by CA Sri Lanka
- Non-Financial Reporting Guidelines

Sustainability reporting

GRI

GRI Standards – Revised 2021 issued by the Global Sustainability Standards Board (GSSB)

United Nations Global Compact

UNGC Principles and UN Sustainable Development Goals

SASB

Sustainability Accounting Standard for Commercial Banks of the Sustainability Accounting Standards Board (SASB) of the IFRS Foundation

Corporate governance

Banking Act Direction No. 11 of 2007

Banking Act Direction No. 05 of 2024

COLOMBO STOCK EXCHANGE

Listing Rules of CSE

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka

SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA

Securities and Exchange Commission of Sri Lanka – Act No. 36 of 1987 (as amended)

Assurance

Sri Lanka Auditing Standards

Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information

Sri Lanka Standard on Assurance Engagements SLSAE 3050 (revised): Assurance Engagements on Directors' Statement on Internal Control

Transcending mediums

In keeping with our commitment to a digital-first approach, this Annual Report is available in multiple formats to cater to the preferences of our diverse stakeholder base, following the Swiss Army Knife model:

- Comprehensive end-to-end online HTML version, supported with an AI-Powered Annual Report Assistant (Chatbot), accessible through both desktop and mobile devices.
- Downloadable PDF version hosted on the Colombo Stock Exchange (CSE) website.
- Downloadable interactive PDF version hosted on the Bank's website.

While we have printed a limited number of hard copies for select stakeholders, our primary focus is on digital accessibility to promote environmental sustainability. Readers can scan the QR codes provided in the Figure – 06 below of this report for quick access to the online versions. These efforts underscore our commitment to balancing conciseness, comprehensiveness, accessibility and environmental responsibility.

Your opinion matters

We invite our stakeholders to share their comments or queries on this Annual Report. Feedback can be directed to:

Chief Financial Officer
Commercial Bank of Ceylon PLC
"Commercial House"
No. 21, Sir Razik Fareed Mawatha,
Colombo 01,
Sri Lanka.

Transcending mediums Figure – 06

The comprehensive end-to-end online HTML version of this Integrated Report and Financial Statements offers user-friendly features designed to enhance navigation across key sections such as the Business Model, Statement of Capital Position, Duality of Value Creation, Animated Graphs and Notes to the Financial Statements displayed on mouse-over, along with hyperlinked cross-references.

In addition to the Chatbot, this HTML version includes the following distinctive features for an improved user experience.

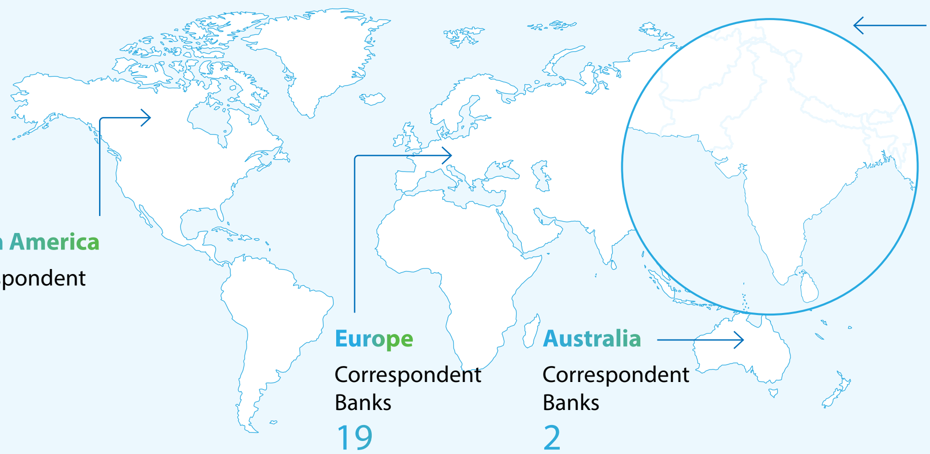
Chatbot | Chart generator | Download center | My Report | Key word search

Scan to view the comprehensive end-to-end online HTML version

Scan to view the interactive PDF version

About Commercial Bank of Ceylon PLC

Organisational overview Figure – 07



Organisational overview

Commercial Bank of Ceylon PLC operates as a robust and well-diversified financial institution, with a strong domestic franchise and a growing international footprint. Our expansive network includes 272 branches across Sri Lanka, supplemented by international operations in Bangladesh, the Maldives and Myanmar, establishing ourselves as a prominent regional player. Additionally, extensive correspondent banking relationships in North America, Europe and Australia, combined with 10 Business Promotion Officers, underscore our strategic efforts to facilitate seamless cross-border financial services and strengthen international partnerships.

Higher-tier domestic systemically important bank

Commercial Bank of Ceylon PLC is the only private sector bank in Sri Lanka designated by the CBSL as a Higher-Tier Domestic Systemically Important Bank (D-SIB). This recognition underscores our critical role in safeguarding the stability of Sri Lanka's financial system.

With total Group assets of Rs. 2.876 Tn. as at December 31, 2024, we remain the largest private sector bank and the third largest bank in Sri Lanka. Our presence spans across multiple geographies, with six subsidiaries, an associate and branch networks, offering a comprehensive range of financial services locally and internationally.

Business volumes and market share of the Bank are given below.

Business volumes and market share Table 01

Indicator	Currency	December 31, 2024	Market share (%)	December 31, 2023	Market share (%)
Gross Loans & advances	Rs. Bn.	**1,487**	**13.22**	1,266	11.49
	USD Mn.	**5,075**		3,903	
Deposits	Rs. Bn.	**2,237**	**12.90**	2,085	12.54
	USD Mn.	**7,633**		6,430	
Total assets	Rs. Bn.	**2,790**	**13.16**	2,580	12.65
	USD Mn.	**9,521**		7,958	
Import volumes	USD Mn.	**2,368**	**14.30**	1,475	11.40
Export volumes	USD Mn.	**2,709**	**21.20**	2,248	18.90
USD/LKR exchange rate	LKR	**293.00**		324.25	

What sets us apart

Our distinctive strengths lie in a unique blend of financial prowess, a century-old legacy, a growing international presence and our steadfast commitment to sustainability and innovation. Key elements that set us apart include:

Market leadership

- Largest private sector bank in Sri Lanka by assets, loans and deposits.
- First private sector bank to surpass Rs. 2 Tn. in assets & deposits and Rs. 1 Tn. in loans.
- Industry-leading CASA ratio, standing at 38.07% as at end 2024.
- Largest lender to the SME sector since 2020.
- Highest market capitalisation of Rs. 230.309 Bn. (USD 786.039 Mn.) among the financial institutions listed on the CSE.

Global reach

- International footprint with subsidiaries in the Maldives and Myanmar, along with a network of 20 branches/outlets in Bangladesh.
- Extensive correspondent banking relationships spanning the globe.

Technological innovation

- Pioneering digital banking solutions, offering advanced mobile banking, digital banking and AI-driven financial services.

Commitment to sustainability

- First fully carbon-neutral bank in Sri Lanka.
- Dedicated portfolio of green financing products and initiatives aimed at supporting renewable energy and environmentally-friendly projects.

Over a century of legacy

Tracing its roots back to 1920, the Bank has grown from a modest entity on Chatham Street, Colombo, into Sri Lanka's largest private sector bank. Marking over 50 years under its current name, our journey is defined by resilience, innovation and an unwavering focus on customer-centric banking.

Today, with over 5,000 employees and a customer base exceeding 4 million, the Bank serves both retail and corporate clients through a vast network of branches, subsidiaries and digital platforms.

Growing international footprint

Our strategic foray into international markets began with the acquisition of Crédit Agricole Indosuez's Bangladesh operations in 2003. Since then, we have steadily expanded our international presence, establishing subsidiaries in the Maldives and Myanmar, alongside 20 branches/outlets in Bangladesh.

Our international operations now account for 15.04% of the Group's consolidated assets and 22.21% of consolidated profit before taxes.

Risk profile

The Bank is known for its conservative risk profile, which is anchored in a robust risk management framework and prudent risk-taking practices. This cautious approach has enabled the Bank to remain resilient in challenging market conditions while safeguarding stakeholder interests and maintaining a healthy balance sheet. Through disciplined credit underwriting, proactive asset quality monitoring and prudent provisioning, the Bank effectively manages credit, market and operational risks with a long-term perspective.

In January 2025, following the upgrading of the sovereign rating, Fitch Ratings upgraded the Bank's National Long-Term Rating to AA-(lka), reflecting its robust financial fundamentals, strategic capital augmentation plans, strong domestic franchise, intrinsic credit strength and operational resilience amid a gradually improving economic environment. The affirmation acknowledged the Bank's capital strengthening efforts, liquidity management initiatives and recovery in profitability. Additionally, our Bangladesh operations continued to maintain the highest credit rating of AAA from Credit Rating Information Services Ltd. for the 14th consecutive year.

The Bank's risk governance framework, supported by regular stress testing and capital adequacy assessments, ensures resilience against macroeconomic volatility while a well-diversified portfolio mitigates concentration risks, safeguarding sustainable growth.

Diversified for resilience

Diversification is at the heart of our strategy, ensuring balanced growth across business segments and geographies and enabling resilience amidst economic volatility. Our diversified operations mitigates concentration risk and enhances financial stability.

The Bank's well-diversified portfolio encompasses various parameters, including:

- Business segments: Corporate Banking, Personal Banking, Treasury and International Operations.
- Customer segments: Corporate, SME, Micro, Agri and Retail.
- Geographical presence: Operations in Sri Lanka, Bangladesh, the Maldives and Myanmar.
- Currency mix: Operations across multiple currencies.
- Products and services portfolio: Comprehensive offerings ranging from savings and loans to trade finance and investment solutions.
- Funding profile: A balanced mix of retail deposits, corporate deposits and wholesale funding.
- Economic sectors: Exposure across a multitude of sectors.
- Revenue streams: A mix of interest income, fee-based income and investment income.

ComBank ranked Strongest Bank in Sri Lanka in TAB Global 1000 strength index 2024

The Bank once again assessed as the "Strongest Bank in Sri Lanka", taking its place in a prestigious global ranking published annually by TAB Insights, the global research and consulting subsidiary of TAB Global, the parent company of the Asian Banker magazine.

Vibrant financial intermediation

As a leading financial intermediary, we play a pivotal role in channeling funds to drive economic growth. With over 80% of total assets funded by customer deposits and a loans-to-deposits ratio of 66.48% as at December 31, 2024, we maintain a strong balance sheet.

Our industry-leading CASA ratio of 38.07% as at end-2024 further demonstrates our ability to attract low-cost deposits, providing a competitive edge in a challenging interest rate environment.

Capital position

In August 2024, the Bank raised Rs. 22.54 Bn. through an equity infusion aimed at strengthening its core capital and improving the Tier I capital ratio. This strategic move ensured continued compliance with regulatory capital requirements while providing a strong foundation to support future growth and absorb potential risks in an uncertain macroeconomic climate. A Rs. 20.00 Bn. Basel III-compliant subordinated debenture issue enhanced the Bank's Tier II capital in July 2024. The long-term debt issuance, with tenures of up to ten years, was geared towards funding growth opportunities, optimising the balance sheet and maintaining a healthy asset-liability profile.

The above initiatives coupled with the net impairment reversal of Rs. 46.39 Bn. to the net profit before taxes following the conclusion of restructuring of International Sovereign Bonds (ISBs) in December 2024, helped the Bank to strengthen the capital position in 2024, further reinforcing its financial stability and resilience in a challenging environment. As of December 31, 2024, the Bank's Tier I Capital Ratio at 14.227% and Total Capital Ratio at 18.142% remained comfortably above the regulatory minimum thresholds of 10.0% and 14.0% respectively, required for a higher-tier D-SIB.

Commitment to compliance

Commercial Bank places a strong emphasis on regulatory compliance, always adhering strictly to both local and international standards. Our comprehensive Compliance Policy outlines the processes for identifying, monitoring and managing compliance risks, supported by a dedicated compliance function reporting to the Board of Directors through the Board Integrated Risk Management Committee (BIRMC).

Efforts to strengthen our compliance framework include:

- Incorporating new regulatory developments into internal policies.
- Enhancing transaction monitoring systems.
- Regularly reviewing and updating the Bank's compliance program to meet evolving regulatory requirements.

Commitment to ESG and sustainability

We recognise the evolving expectations of our stakeholders regarding ESG factors and broader sustainability. Our sustainability journey is guided by a comprehensive framework, which balances financial growth with environmental stewardship, social responsibility and governance excellence. We continued to strengthen our internal policies and practices, ensuring alignment with global sustainability standards and frameworks. We aim to deepen our engagement with stakeholders, including customers, employees, regulators and the community, to promote shared responsibility in achieving sustainable development goals. Our Sustainability Framework (refer page 72), embodying our commitment to ESG spheres, is anchored on the three pillars of sustainable banking, responsible organisation and community engagement, balancing financial performance with positive societal and environmental outcomes.

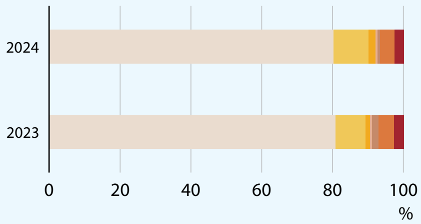
While the Bank's Business Model and operations do not inherently produce significant negative environmental impacts, we remain vigilant of our indirect environmental footprint, particularly through the business activities of our borrowers. This consciousness is reflected in the Bank's ongoing commitment to sustainability, which is integrated into our decision-making processes, product offerings and operational practices. Our efforts to balance growth with environmental sustainability are evident through such key initiatives as green financing, social & environmental screening of credit proposals, investments in energy-efficient technologies to enhance operational efficiency and progress towards achieving carbon neutrality independently.

ComBank ranked Most Respected Bank in Sri Lanka for 20th successive year

The Bank completed two decades as LMD's Most Respected Bank in Sri Lanka, with the announcement of the LMD magazine's "Most Respected Entities in Sri Lanka" rankings for 2024 and the third Most Respected corporate entity in the country overall in 2024.

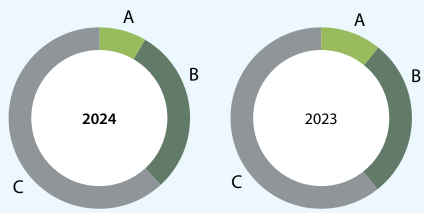
SOURCES OF FUNDS

Funding structure
Graph – 01



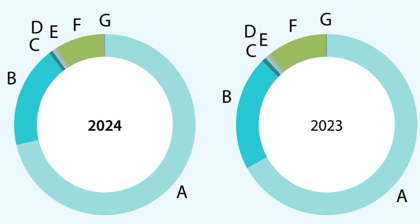
As at December 31,	2024 %	2023 %
Deposits to total assets	80.17	80.81
Capital to total assets	9.87	8.33
Subordinated Liabilities to total assets	2.07	1.41
Other Borrowings to total assets	0.51	0.49
Due to Banks to total assets	0.76	1.83
Securities sold under repurchase agreements to total assets	4.03	4.31
Other Liabilities to total assets	2.59	2.82

Deposit mix by product
Graph – 02



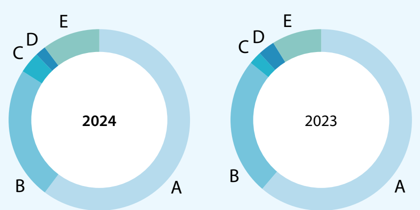
As at December 31,		2024 %	2023 %
A	Current account balances	8.52	10.96
B	Savings deposits	29.54	28.28
C	Time deposits	61.94	60.76
D	Other deposits	0.00	0.00

Deposits by type of Currency
Graph – 03



As at December 31,		2024 %	2023 %
A	Sri Lankan Rupee	71.42	67.12
B	United States Dollar	17.96	20.17
C	Great Britain Pound	0.70	0.81
D	Euro	0.61	0.67
E	Australian Dollar	0.37	0.46
F	Bangladesh Taka	8.81	10.62
G	Other Currencies	0.13	0.15

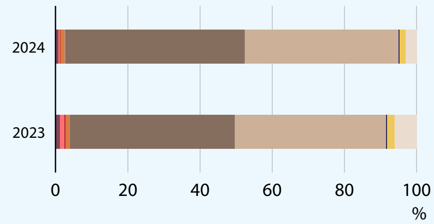
Maturity analysis – Liabilities & Equity
Graph – 04



As at December 31,		2024 %	2023 %
A	Up to 3 months	60.35	61.36
B	3 to 12 months	23.56	24.37
C	1 to 3 years	3.81	2.31
D	3 to 5 years	1.91	3.00
E	More than 5 years	10.37	8.96

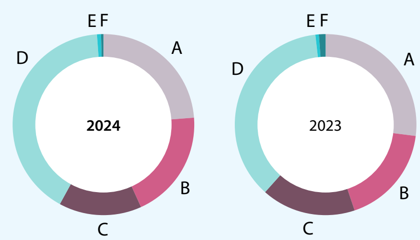
UTILISATION OF FUNDS

Utilisation of funds
Graph – 05



As at December 31,	2024 %	2023 %
Other assets	1.07	1.45
Deferred tax assets	0.43	1.32
Intangible assets	0.15	0.14
Property plant and equipment	0.99	1.02
Investments in subsidiaries and associate	0.21	0.23
Loans and advances	49.63	45.59
Investments	42.62	41.80
Derivative financial instruments	0.15	0.28
Balances with central banks	1.64	2.05
Cash and cash equivalents	3.11	6.12

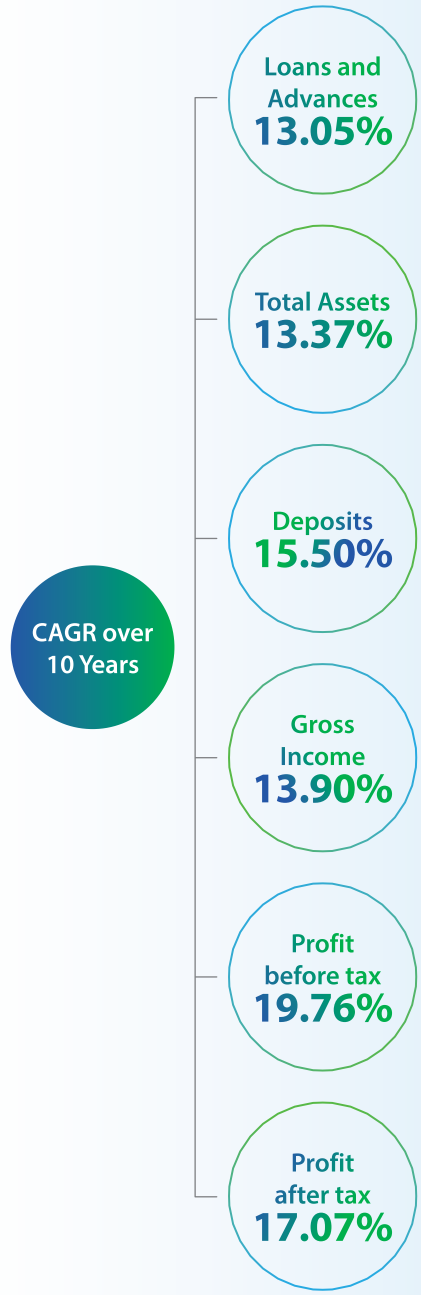
Assets by business segment
Graph – 06



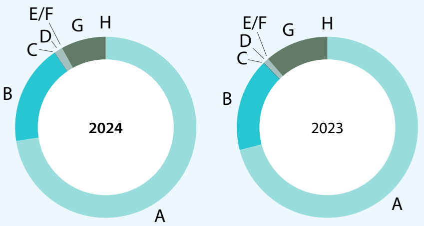
As at December 31,		2024 %	2023 %
A	Personal banking	23.99	26.98
B	Corporate banking	19.52	17.79
C	International operations	15.04	16.94
D	Dealing/treasury	41.15	36.47
E	NBFI, real estate and services	0.73	0.62
F	Unallocated/eliminations	-0.43	1.20

The Bank's multi-faceted diversification has yielded positive and meaningful results, serving as an effective risk management tool to mitigate concentration risks, enhance long-term stability, and reduce exposure to specific market fluctuations. This approach has strengthened the Bank's agility, enabling it to navigate volatile economic conditions while remaining resilient in an evolving financial landscape.

Compound Annual Growth Rate (CAGR)

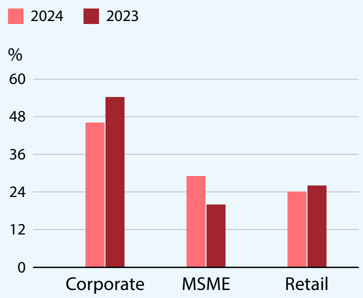


Loans and advances mix by currency
Graph – 07



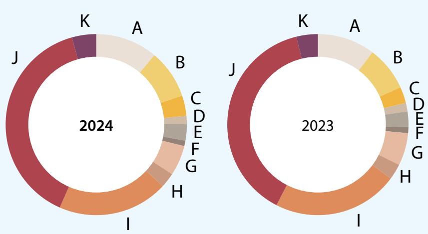
As at December 31,			2024 %	2023 %
	A	Sri Lankan Rupee	72.61	71.01
	B	United States Dollar	17.66	16.38
	C	Great Britain Pound	0.11	0.15
	D	Euro	1.45	0.95
	E	Australian Dollar	0.01	0.04
	F	Japanese Yen	0.05	0.01
	G	Bangladesh Taka	8.08	11.46
	H	Others	0.03	0.00

Loans and advances by customer type (Sri Lankan operations) as at December 31,
Graph – 08



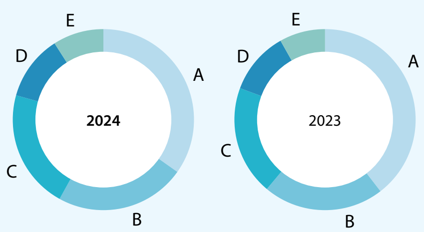
As at December 31,	2024 %	2023 %
Corporate	46.32	53.93
MSME	29.23	19.80
Retail	24.45	26.27

Loans and advances mix by product
Graph – 09



As at December 31,			2024 %	2023 %
	A	Overdrafts	11.19	10.37
	B	Trade finance	8.69	7.94
	C	Lease/hire purchase receivable	3.59	2.86
	D	Credit cards	1.43	1.51
	E	Pawning	2.91	2.76
	F	Staff loans	0.96	1.05
	G	Housing loans	5.36	5.75
	H	Personal loans	2.66	2.81
	I	Short term Loans	19.88	22.58
	J	Long term Loans	38.93	38.48
	K	Bills of exchange	4.40	3.89

Maturity analysis – Total assets
Graph – 10



As at December 31,			2024 %	2023 %
	A	Up to 3 months	34.71	39.43
	B	3 to 12 months	23.40	21.77
	C	1 to 3 years	21.17	19.38
	D	3 to 5 years	11.57	11.16
	E	More than 5 years	9.15	8.26

Awards and accolades

International Awards

Global Finance Magazine

World's Best Bank Awards 2024

- Best Bank in Sri Lanka 2024

Best SME Bank Awards 2024

- Best SME Bank in Sri Lanka 2024

World's Best Digital Banks 2024

- Best Online Product Offering – ComBank Digital

TAB Global Pte Ltd.

THE ASIAN BANKER
THE STRONGEST BANK IN SRI LANKA 2024
by balance sheet

Strongest Banks in the World 2024

- Strongest Bank in Sri Lanka 2024

The Asian Banker – Transaction Finance Awards 2024

- Best Productivity, Efficiency & Automation Initiative – Treasury FX Portal

FinanceAsia Magazine

FinanceAsia Awards 2024

- Best Bank in Sri Lanka 2024

Euromoney Magazine

Euromoney Awards for Excellence

- Best Bank for ESG in Sri Lanka

Asian Banking & Finance Magazine

ABF Corporate and Investment Banking Awards 2024

- Corporate Client Initiative of the Year – Treasury FX Portal
- Debt Deal of the Year – Debenture Issuance 2023

ABF Retail Banking Awards 2024

- Digital Consumer Banking Initiative – Sri Lanka
- SME Bank of the Year – Sri Lanka

ABF Fintech Awards 2024

- Ecosystem Collaboration Award – Sri Lanka
- The Payments Solution Award – Sri Lanka

Retail Banker International

Asia Trailblazer Awards 2024

- Best Retail Bank in Sri Lanka 2024

ACEF Asian Business Leaders Awards 2024

- Grand Prix Awards – Overall Excellence in Social Responsibility

MEED Media FZ LLC

Private Banker International Global Wealth Awards 2024

- Most Innovative AI Offering 2024 – AIPARA

Brands and Business Magazine

Brands and Business Magazine Awards 2024

- Best Digital Bank in Sri Lanka 2024
- Best SME Bank in Sri Lanka 2024
- Best Sustainable Bank in Sri Lanka 2024

Women's Tabloid

Women's Tabloid Awards 2024

- Best Bank for Women to Work – Sri Lanka 2024

Indian Chamber of Commerce

2nd ICC Emerging Asia Banking Conclave & Awards 2024

- The Best Bank – Runner Up
- The Best Performance on Growth – Runner Up

Brands Review Magazine

Brands Review Magazine 2024

- Best Sustainable Bank in Sri Lanka 2024
- Most Innovative Digital Bank in Sri Lanka 2024
- Best SME Bank in Sri Lanka 2024

Business Pinnacle Magazine

Business Pinnacle Magazine Awards 2024

- Best Banking Partner For Sustainable Energy Solutions in Sri Lanka 2024
- Best Collaboration for SME Development – Combank Leap GlobalLinker

Business Tabloid Magazine

Business Tabloid Awards 2024

- Best Digital Bank in Sri Lanka 2024
- Best SME Bank in Sri Lanka 2024

Cosmopolitan The Daily

Cosmopolitan The Daily Business Awards 2024

- Best Retail Bank in Sri Lanka 2024
- Best SME Bank in Sri Lanka 2024

ComBank crowned "Best Bank in Sri Lanka"

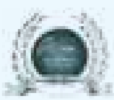
by Global Finance for the 22nd year

The Bank was named as the "Best Bank in Sri Lanka" for a remarkable 22nd year in the "World's Best Banks 2024" list released by the US-based Global Finance magazine.

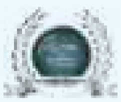
Best Bank Award recognises financial institutions that offer the broadest range of services, long-term reliability, and technological innovation.

Gazette International Magazine

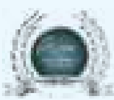
Gazette International Magazine Awards 2024



- Best Digital Bank in Sri Lanka 2024

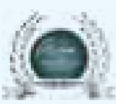


- Best SME Bank in Sri Lanka 2024



- Best Private Bank in Sri Lanka 2024

- Best Bank in CSR activities Sri Lanka 2024



- Largest Private Bank in Sri Lanka 2024

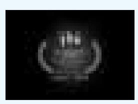
- Most Sustainable Private Bank – Sri Lanka 2024

Global Banking and Finance Review

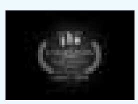
- Century of Excellence Banking Group Sri Lanka 2024
- Best Private Bank Sri Lanka 2024
- Best SME Bank Sri Lanka 2024

Global Brands Magazine

Global Brands Awards 2024



- Best Banking Brand in Sri Lanka 2024



- Best Sustainable Banking Brand 2024

Global Business and Finance Magazine

Global Business and Finance Magazine Awards 2024

- Best SME Bank in Sri Lanka 2024
- Best CSR Bank in Sri Lanka 2024

Finance Derivative Magazine

Finance Derivative Magazine Awards 2024

- Best Digital Bank Sri Lanka 2024
- Best SME Bank Sri Lanka 2024

Global Business Review Magazine

Global Business Review Magazine Awards 2024

- Best Retail Bank Sri Lanka 2024

- Best CSR Bank Sri Lanka 2024

- Best SME Bank Sri Lanka 2024

- Best Bank for Environmental, Social and Governance (ESG) Sri Lanka 2024

ComBank named best SME Bank in Sri Lanka at Global Finance Awards 2024 in UK

The Bank won the award for the "Best SME Bank" in Sri Lanka at the Global Finance Awards 2024. The Bank received the prestigious Global Finance Award in this sphere for the second consecutive year.

International Business Magazine

International Business Magazine Awards 2024

- Most Sustainable Domestic Bank Sri Lanka 2024
- Most Reliable Digital Banking Services Provider Sri Lanka 2024
- Best Retail Bank in Sri Lanka 2024
- Best SME Bank Sri Lanka 2024

The Global Economics Magazine

The Global Economics Awards 2024

- Best SME Bank in Sri Lanka 2024
- Best CSR Bank in Sri Lanka 2024

World Business Outlook Magazine

World Business Outlook Awards 2024

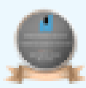
- Best Digital Bank in Sri Lanka 2024
- Largest Private Bank in Sri Lanka 2024
- Best SME Bank in Sri Lanka 2024

World Business Stars Magazine

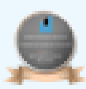
World Business Stars Magazine Awards 2024

- Best Digital Bank in Sri Lanka 2024

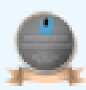
World Economic Magazine



- Best Retail Bank in Sri Lanka 2024



- Best Digital Bank in Sri Lanka 2024



- Best SME Bank in Sri Lanka 2024

World Finance Magazine

World Finance Banking Awards 2024

- Most Sustainable Bank in Sri Lanka 2024

Global Business Magazine

Global Business Magazine Awards 2024

- Best SME Bank in Sri Lanka 2024
- Best Digital Bank in Sri Lanka 2024
- Best Retail Bank in Sri Lanka 2024

Global Business Outlook Magazine

Global Business Outlook Awards 2024

- Best SME Bank in Sri Lanka 2024
- Most Innovative Digital Bank in Sri Lanka 2024

Local Awards

Industrial Development Board

Green Industry Awards 2024

- Gold Award – Low carbon and/or climate-resilient production
- Gold Award – Green Digital and Information Technologies
- Bronze Award – Inclusive Business Development

Lankaclear (Pvt) Ltd

LankaPay Technnovation Awards 2024

- Gold – Best LankaPay Card Implementor of the Year
- Gold – Best Mobile Application for Retail Payments via LankaQR
- Gold – Best Bank for Retail Payments
- Silver – Overall Award for Excellence in Digital Payments
- Silver – Most Innovative Bank of the Year

Media Services (Private) Limited

LMD – Most Respected Entities

- Banking Sector – 1st place
- Overall – 3rd Place

Media Services (Private) Limited

LMD – Most Loved Brand

- Banking Sector – 1st place
- Service Brand – 2nd Place
- Corporate Brands – 7th Place

Sri Lanka Institute of Marketing

SLIM KANTAR People's Awards

- People's Private Bank of the Year 2024

ComBank wins 4 including double Gold CA Sri Lanka TAGS Awards 2024

The Bank won two Golds, a Silver and a Bronze at CA Sri Lanka's "TAGS" Awards 2024, reaffirming the Bank's prowess in financial reporting through its Annual Report for 2023.

The Bank was presented the Gold for "Corporate Governance Disclosure" in the Financial Services sector and for the "Best Annual Report among the private sector banks". The Bank also won the Silver for "Digitally Transformative Reporting" across all sectors, as well as the overall Bronze award for Excellence in Corporate Reporting.

Green Building Council of Sri Lanka

Green Business Leadership Awards 2024

- Platinum Awards – Jaffna Branch

NBQSA ICT Awards 2024

Banking, Insurance and Finance in Consumer Category

- Gold Award – ComBank Digital
- Merit Award – Jimi-GPT

Sri Lanka Institute of Marketing

SLIM Brand Excellence 2024

- Gold Award – Green Brand of the year 2024

The Institute of Chartered Accountants of Sri Lanka

TAGS Awards 2024

- Gold – Corporate Governance Disclosure in Financial Sector
- Gold – Best Annual Report – Private Banking Sector
- Silver – Digitally Transformative Reporting
- Bronze – Overall Excellence in Corporate Reporting

Association of Chartered Certified Accountants

ACCA Sustainability Reporting Awards 2024

- Banking Category – Winner
- Overall – Runner Up

Our social initiatives are anchored in fostering financial inclusion, supporting small and medium enterprises (SMEs) and championing gender equality through targeted programs such as Women Banking. We are also deeply invested in community development, contributing to education, healthcare and sustainable livelihoods through our CSR initiatives.

Governance remains a cornerstone of our sustainability approach, ensuring that we operate with integrity, accountability and transparency. Guided by global best practices, regulatory frameworks and a robust risk management culture, our governance structures uphold ethical decision-making and long-term stakeholder value creation.

By balancing growth with sustainability, the Bank remains committed to delivering long-term economic value while contributing positively to the society and safeguarding the environment for future generations. Our proactive approach to sustainability underscores our role as a responsible financial partner, ensuring that our progress is both inclusive and environmentally conscious.

Tax Compliance

The Bank is committed to fulfilling its tax obligations in all jurisdictions where it operates, while ensuring that its products and services are not used for tax evasion. Details on taxes paid by the Bank on its profits, and the taxes collected and remitted by the Bank on behalf of its customers to the Governments are given below:

Direct taxes paid during 2024 by type of tax

Income tax
Rs. 19.558 Bn.

Taxes on financial services
Rs. 10.188 Bn.

Other taxes
Rs. 0.884 Bn.

Total
Rs. 30.630 Bn.

Taxes collected and remitted during 2024 by tax type (in Sri Lanka)

Advance Income Tax (AIT) on interest paid on deposits
Rs. 6.101 Bn.

PAYE tax on staff emoluments
Rs. 3.152 Bn.

Stamp duty
Rs. 0.671 Bn.

Value added tax
Rs. 0.426 Bn.

Other taxes
Rs. 0.191 Bn.

Total
Rs. 10.541 Bn.

Ownership of the Bank

As at December 31, 2024, the Bank had 16,966 ordinary voting shareholders. Major shareholders included Mr Y S H I Silva (9.87%), DFCC Bank PLC (9.72%), Mr D P Pieris (9.68%), entities related to the State (17.93%) and notable institutional investors such as the International Finance Corporation and related funds (14.41%). Twenty largest ordinary voting shareholders held 77.08% as at December 31, 2024 (77.09% as at December 31, 2023).

Notably, foreign shareholders held a 18.26% stake in the Bank as at December 31, 2024 (18.00% as at December, 2023) reflecting strong international investor confidence in our operations.

Our approach to value creation

At Commercial Bank, value creation is driven by our ability to blend financial performance with social responsibility with the best interest of all the stakeholders at heart across short, medium and long-term horizons. Our business model focuses on delivering sustainable returns to stakeholders while fostering economic growth, social well-being and environmental stewardship.

ComBank ranked "Most Loved" Bank
brand in Sri Lanka in 2024

The Bank was voted Sri Lanka's "Most Loved" Bank brand and the second 'Most Loved' brand in the country overall in the "Service" sector in 2024 by the leading business magazine LMD.

These titles were based on the findings of an online survey by LMD's research partner PepperCube Consultants.

Key elements of our value creation strategy include:

- Customer-centric solutions that drive engagement and loyalty.
- Technological innovation to enhance operational efficiency and service delivery.
- ESG and Sustainability initiatives that contribute to a better future for all stakeholders.

Snapshot of the Bank

Rs. 2.790 Tn.
(2023 – Rs. 2.580 Tn.)
Total assets

Rs. 2.237 Tn.
(2023 – Rs. 2.085 Tn.)
Customer deposits

Financial Intermediation ↕ **Maturity Transformation**

Rs. 1.487 Tn.
(2023 – Rs. 1.266 Tn.)
Gross loans and advances to other customers

Over 4 million
Customers

5,461
(2023 – 5,201)
Employees

AA-(lka)
Rating Outlook Stable
Fitch Ratings Lanka Ltd.

2023 – A(lka)
Rating Outlook Stable

1st in Market Capitalisation
Ranked 1st in the Bank sector on the CSE

Best Bank in Sri Lanka
For the 22nd time
Global Finance Magazine

Strongest Bank in Sri Lanka
TAB Global 1000 Strength Index 2024, Commercial Bank surpasses state banks and stands as the only private bank to make to the list

The Asian Banker magazine

Profitability

Profit after taxation — 164.3%
2024 – Rs. 54.074 Bn.
2023 – Rs. 20.461 Bn.

Earnings per share (Basic) — 153.5%
2024 – Rs. 37.74
2023 – Rs. 14.89

Return on assets (ROA) — 119 bps
2024 – 2.01%
2023 – 0.82%

Return on equity (ROE) — 1,228 bps
2024 – 22.06%
2023 – 9.78%

Interest margin — 95 bps
2024 – 4.27%
2023 – 3.32%

Asset Quality

Cost of credit risk on loans and advances — -108 bps
2024 – 1.53%
2023 – 0.45%

Impaired loans (Stage 3) ratio — 309 bps
2024 – 2.76%
2023 – 5.85%

Impairment (Stage 3) to Stage 3 loans ratio — 2,139 bps
2024 – 64.61%
2023 – 43.22%

Total Impairment coverage ratio — -16 bps
2024 – 6.89%
2023 – 7.05%

Open credit exposure — 2,363 bps
2024 – 15.06%
2023 – 38.69%

Bank's Market Share

Assets — 51 bps
2024 (*) – 13.16%
2023 – 12.65%

Advances — 173 bps
2024 (*) – 13.22%
2023 – 11.49%

Deposits — 36 bps
2024 (*) – 12.90%
2023 – 12.54%

Profit after tax — 1,186 bps
2024 (**) – 22.49%
2023 – 10.63%

** As at September 30, 2024 (Source: CBSL)*
*** Extrapolated based on 3rd quarter 2024 (Source: CBSL)*

Stability

Tier 1 ratio — 278 bps
(Minimum requirement – 10%)
2024 – 14.227%
2023 – 11.442%

Total capital ratio — 299 bps
(Minimum requirement – 14%)
2024 – 18.142%
2023 – 15.151%

Net stable funding ratio — -641 bps
(Minimum Requirement – 100%)
2024 – 187.29%
2023 – 193.70%

Leverage ratio — 169 bps
(Minimum requirement – 3%)
2024 – 6.79%
2023 – 5.10%

Liquidity

Liquidity coverage ratio (Rupee) — 3,759 bps
(Minimum requirement – 100%)
2024 – 529.20%
2023 – 491.61%

Liquidity coverage ratio (All currencies) — -6,191 bps
(Minimum requirement – 100%)
2024 – 454.36%
2023 – 516.27%

CASA ratio — -116 bps
2024 – 38.07%
2023 – 39.23%

Gross loans and advances to deposits ratio — -578 bps
(Minimum requirement – 100%)
2024 – 66.48%
2023 – 60.70%

Share Valuation

Net assets value per ordinary share (NAV) — 4.5%
2024 – Rs. 170.94
2023 – Rs. 163.55

Market capitalisation — 85.5%
2024 – Rs. 230 Bn.
2023 – Rs. 124 Bn.

Price-to-book value — 0.27 times
2024 – 0.85 times
2023 – 0.58 times

Dividend yield – Ordinary voting shares — -25 bps
2024 – 6.56%
2023 – 6.81%

Financial highlights

Table – 02

	GROUP			BANK		
	2024	2023	Change (%)	2024	2023	Change (%)
Results for the year (Rs. Bn.)						
Gross income	274.976	341.566	(19.50)	267.332	335.770	(20.38)
Operating profit before taxes on financial services	117.515	38.885	202.21	115.138	36.842	212.52
Taxes on financial services	19.707	4.961	297.20	19.604	4.961	295.13
Profit before taxation (PBT)	97.808	33.927	188.29	95.535	31.880	199.67
Income tax expense	42.122	12.027	250.22	41.461	11.419	263.08
Profit after tax (PAT)	55.686	21.900	154.28	54.074	20.461	164.28
Gross dividends	15.298	8.542	79.09	15.298	8.542	79.09
Position at the year end (Rs. Bn.)						
Shareholders' funds	281.129	220.471	27.51	275.262	214.931	28.07
Financial liabilities at amortised cost – due to depositors	2,306.079	2,147.907	7.36	2,236.567	2,085.046	7.27
Financial assets at amortised cost – loans and advances to other customers (Gross)	1,525.507	1,295.751	17.73	1,486.901	1,265.559	17.49
Total assets	2,875.993	2,655.612	8.30	2,789.780	2,580.328	8.12
Information per Ordinary Share (Rs.)						
Earnings (Basic)	38.44	15.37	150.10	37.74	14.89	153.46
Earnings (Diluted)	38.38	15.36	149.87	37.69	14.88	153.29
Dividends – Cash	–	–	–	7.50	4.50	66.67
Dividends – Shares	–	–	–	2.00	2.00	–
Net assets value	174.58	167.77	4.06	170.94	163.55	4.52
Market value at the year end – Voting	N/A	N/A	–	144.75	95.50	51.57
Market value at the year end – Non-voting	N/A	N/A	–	115.50	80.40	43.66
Key financial ratios						
Return on average assets (ROA) – After tax (%)	2.01	0.85	1.16	2.01	0.82	1.19
Return on average shareholders' funds (ROE) – After tax (%)	22.20	10.20	12.00	22.06	9.78	12.28
Financial intermediation margin (%)	N/A	N/A		9.96	13.41	(3.45)
Total impairment provision as a % of gross loans and advances (%)	6.85	7.01	(0.16)	6.89	7.05	(0.16)
Cost of credit risk on loans and advances (%)	1.52	0.48	1.04	1.53	0.45	1.08
Impaired loans (Stage 3) ratio (%)	–	–	–	2.76	5.85	(3.09)
Impairment (Stage 3) to stage 3 loans ratio (%)	–	–	–	64.61	43.22	21.39
Price earnings – ordinary voting shares – (times)	N/A	N/A	–	3.84	6.41	(2.58)
Dividend yield – ordinary voting shares (%)	N/A	N/A	–	6.56	6.81	(0.25)
Dividend cover on ordinary shares (times)	N/A	N/A	–	3.97	2.29	1.68
Statutory ratios						
Capital adequacy ratios (under Basel III) (%)						
Common equity tier I capital ratio (minimum requirement – 8.500%)	13.968	11.513	2.455	14.227	11.442	2.785
Tier I capital ratio (minimum requirement – 10.000%)	13.968	11.513	2.455	14.227	11.442	2.785
Total capital ratio (minimum requirement – 14.000%)	17.653	15.090	2.563	18.142	15.151	2.991
Liquidity coverage ratio (%)						
Rupee – (minimum requirement – 100%)	N/A	N/A	–	529.20	491.61	37.59
All currency – (minimum requirement – 100%)	N/A	N/A	–	454.36	516.27	(61.91)
Net stable funding ratio – (minimum requirement – 100%)	N/A	N/A	–	187.29	193.70	(6.41)
Gearing ratio (%)						
Leverage ratio (minimum requirement – 3%)	6.94	5.29	1.65	6.79	5.10	1.69

(*) Discontinued as per the Banking Act determination No. 01 of 2024 dated June 13, 2024

Financial goals and achievements – Bank

Financial Indicator	Goal	Achievement				
		2024	2023	2022	2021	2020
Return on average assets (ROA) – After Tax (%)	Over 2%	2.01	0.82	1.05	1.28	1.05
Return on average shareholders' funds (ROE) – After Tax (%)	Over 20%	22.06	9.78	12.46	14.66	11.28
Growth in gross income (%)	Over 20%	(20.38)	21.90	71.20	7.46	0.68
Growth in profit after tax for the year (%)	Over 20%	164.28	(10.92)	(2.70)	44.17	(3.83)
Growth in total assets (%)	Over 20%	8.12	6.37	24.45	12.27	25.15
Dividend per share (DPS) (Rs.)	Over Rs. 5.00	9.50	6.50	4.50	7.50	6.50
Capital adequacy ratios						
Common equity Tier I capital ratio (minimum requirement – 8.500%)	2% buffer over the regulatory minimum requirement	14.227	11.442	11.389	11.923	13.217
Tier I capital ratio (minimum requirement – 10.000%)		14.227	11.442	11.389	11.923	13.217
Total capital ratio (minimum requirement – 14.000%)		18.142	15.151	14.657	15.650	16.819

Non-financial highlights

Table – 03

Sustainability Pillar	Capital/Indicator	Unit of Measure	2024	2023	Relevant Strategic Imperative
Sustainable banking	**Intellectual capital**				
	Brand Equity (Brand Finance)	Rs. Bn.	43.600	43.600	Customer Experience and Data Analytics
	Brand ranking (Brand Finance)	Number	3	3	
	Compliance with industry standards- ISO 27001, PCI-DSS, Baseline Security Standards	Compliance	Yes	Yes	Digitisation and IT
	Key digital banking initiatives/products introduced during the year	New product/ feature	Digital Service Portal	Flash FAM	Customer Experience and Data Analytics
			Host to Host	Commercial Bank LEAP GlobalLinker	
			New card activation through ComBank Digital	eSavings and eMoney market accounts	
			Enabling trilingual to ComBank Digital	"SimplePay" to facilitate digital payments, particularly for SME merchants	
			Enabling reward point for digital usage (Max Loyalty) – Industry First	"Visa Direct" and "MasterCard Send" card-based fund transfer facilities	
			Enable "Prepaid Card Topup" facility through ComBank Digital	"Green home loan" and "Green building loan"	
	e-FDs opened during the year as a % of total FDs opened	%	62	50	
	YoY Growth in digital banking retail customer base	%	31	46	
	Number of existing customers migrated to ComBank Digital	Number	339,903	339,032	
	Total number of financial transactions initiated through digital channels during the year	Number (Mn.)	72.225	58.265	
	ComBank digital customer base as at the end of the year	Number	Over 1,500,000	Over 1,100,000	
	ComBank Digital penetration	%	47	36	
	Social and relationship capital				
	Facilities subjected to ESMS screening during the year	Number	10,727	11,925	Growth Sustainability Customer Experience and Data Analytics
	Green financing portfolio	Rs. Bn.	39	18	
	Green Financing Facilities disbursed during the year	Number	2,168	649	
	Contribution of Green finance portfolio for reduction of CO_2 emissions to the atmosphere	CO_2 Tonnes	292,331	233,918	
	Adoption of IFC Performance Standards	Complied with	Yes	Yes	
	Bank's position as a lender to the SMEs	Ministry of Finance Data	Largest SME lender in 2023	Largest SME lender in 2022	
	MSME participants in financial literacy programmes conducted by the Bank	Total Number (accumulated since 2011)	16,612	14,907	
	Members in ComBank BIZ Club	Total Number	6,273	5,678	
	Participants in Capacity-building programmes for women entrepreneurs	Total Number	715	567	

Sustainability Pillar	Capital/Indicator	Unit of Measure	2024	2023	Impacted Outcome
Responsible organisation	**Human Capital**				
	Employment opportunities created at the end of the year	Number	5,461	5,201	Talent
	New recruits during the year	Number	700	589	
	Investment in training and development during the year	Rs. Mn.	168.690	88.620	
	Total training hours during the year	Hours	193,276	180,313	
	Number of employees serving for >20 years	Number	1,056	1,041	
	Natural capital				
	Paper recycled	Kgs	150,110	286,240	Sustainability
	Branches connected with solar power generation	Number	89	82	
	Power generated through renewable sources	%	17.32	16.09	
	Total carbon footprint				
	Direct (Scope 1) GHG emissions	CO_2 Tonnes	Pending	868	
	Energy indirect (Scope 2) GHG emissions	CO_2 Tonnes	Pending	5,586	
Community engagement	**Natural capital**				
	Reforestation	Area	Planted 88,000 trees under the "100,000 Trees for Tomorrow" initiative	12,000 trees planted under the "100,000 Trees for Tomorrow" initiative	Sustainability
	Mangrove restoration		12,000 mangrove plants planted across 1.25 km in *Kathduwa* Island	Scientific research publication/maintenance and eco-tourism promotion	
	Sea turtles released to date	Number	Over 85,000	Over 72,000	
	Social and relationship capital				
	IT labs established in rural schools at the end of the year	Total Number	362	334	Sustainability
	Number of students benefitted from IT labs with the end of the year	Total Number	approximately 320,000	approximately 300,000	
	STEM classrooms in schools at the end of the year	Total Number	176	170	
	Students benefitted from STEM classrooms at the end of the year	Total Number	approximately 170,000	approximately 160,000	
	Math labs established in rural schools at the end of the year	Total Number	123	122	
	Supported the Vocational Training Authority to enroll students from Government schools and providing jobs at the end of the year	Number of jobs provided	Over 360	Over 340	
	Donation of critical medical equipment and infrastructure facilities to Government hospitals	Value and Number of hospitals	Rs. 1.7 Mn.	Rs. 16.0 Mn. and eight hospitals	
	Initiatives to support social enterprise	N/A	collaboration with "*Janarukula* Women Society" to support women-led cashew processing initiatives in rural Sri Lanka	Collaboration with IFC and Sarvodaya to support establishing a Childcare Centre in Batticaloa Collaboration with UNDP to donate a food dehydrating machine to Hettipola Village	

Commitment to Transparency, Accountability, Governance, and Sustainability

As part of our ongoing commitment to stakeholder trust and ethical governance, we have introduced various initiatives aimed at enhancing transparency, accountability, governance and sustainability. These efforts, which included enhanced disclosure practices, robust internal controls and proactive stakeholder engagements, are elaborated in this report.

Transparency

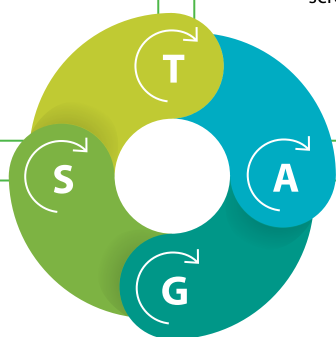
The Bank ensures full disclosure and openness in its financial reporting, operational policies, and stakeholder communication.

1. Integrated reporting approach: The Bank adopts the International <IR> Framework, ensuring clear, concise, and transparent disclosure of both financial and non-financial performance.
2. Comprehensive financial disclosures: Compliance with SLFRS/LKAS ensures accurate and fair financial reporting. Regular updates and disclosures enhance stakeholder trust.
3. Stakeholder communication and engagement: Regular publication of investor presentations, press releases, and reports ensures that shareholders, customers, and regulators remain informed.
4. Annual independent audits: The Bank undergoes independent audits by Messrs KPMG, ensuring transparent validation of financial and sustainability performance.
5. Proactive disclosure of ESG performance: The Bank voluntarily reports on environmental, social, and governance (ESG) performance, ensuring clear communication of its sustainability initiatives.
6. Access to digital reports: The Bank provides a comprehensive, AI-powered interactive online report, allowing stakeholders to navigate financial data and corporate performance transparently.

Accountability

The Bank upholds responsibility and ownership in decision-making and performance.

1. Board oversight and accountability: The Board of Directors is directly accountable for strategic decisions, ensuring compliance with regulatory requirements and corporate governance best practices.
2. Independent audit and risk committees: The Board Audit Committee and the Board Integrated Risk Management Committee provide independent oversight of financial reporting, risk management, and internal controls.
3. MD/CEO and Senior Management responsibility: The MD/CEO and Senior Leadership team are responsible for strategy execution and operational performance, ensuring measurable accountability.
4. Performance-based executive compensation: The Remuneration Committee ensures that executive compensation is linked to performance metrics, fostering accountability at all levels.
5. Transparent procurement and supplier evaluation: The Bank has fair and accountable procurement processes, including supplier screening based on ESG criteria.
6. Compliance with regulatory directives: The Bank aligns with CBSL, SEC, and CSE directives, ensuring that all financial and operational processes meet legal compliance and accountability standards.



Sustainability

The Bank is committed to long-term sustainability through environmental, social, and financial initiatives.

1. First carbon-neutral bank in Sri Lanka: The Bank remains the first fully carbon-neutral financial institution in Sri Lanka, reducing its environmental footprint through sustainable banking operations.
2. Integration of ESG principles into banking operations: Sustainability is embedded in the Bank's business model, ensuring responsible lending, social inclusion, and ethical investment practices.
3. Sustainable finance and green banking initiatives: The Bank has launched green lending products and renewable energy financing solutions to support sustainability-focused businesses.
4. Corporate Social Responsibility (CSR) Initiatives: The CSR Trust invests in education, healthcare, and community development, ensuring long-term social sustainability.
5. Climate risk assessment and carbon footprint monitoring: The Bank actively monitors its climate impact, aligning with the IFRS S2 Climate-Related Disclosures Framework.
6. Digital banking for a paperless future: Initiatives such as ComBank Digital, AI-powered chatbots, and mobile banking solutions contribute to reduced paper usage and a sustainable digital transformation.

Governance

The Bank maintains a strong governance structure ensuring compliance, ethics, and risk management.

1. Well-defined Board governance structure: The Bank's Board is structured to include independent non-executive directors who provide oversight and strategic direction.
2. Adoption of best practice on corporate governance: Compliance with the CBSL's Banking Act Directions, Code of Best Practices on Corporate Governance etc. ensures a robust governance framework.
3. Strong risk management and compliance framework: The Bank has a well-structured risk governance model, ensuring that all financial and operational risks are systematically identified, assessed, and mitigated.
4. Regular Board and Committee meetings: The Board holds regular meetings with dedicated committees on audit, risk management, compliance, remuneration, and sustainability.
5. Ethical governance and Corporate Social Responsibility (CSR) oversight: The Bank integrates CSR governance into its strategic decision-making to align with stakeholder expectations and ethical banking standards.
6. Independent external assurance on governance practices: Messrs KPMG provides independent assurance on corporate governance, ensuring that the Bank's governance structure meets international standards.

Our journey over 100 years

1920 – 1979

1920
- Eastern Bank Ltd. (EBL) opens a Branch in Chatham Street

1957
- EBL was acquired by Chartered Bank

1969
- Commercial Bank of Ceylon Ltd. (CBC), incorporated with EBL holding a 40% stake

1971
- Business of EBL was completely integrated with Chartered Bank

1972
- First two branches opened in Galewela and Matale

1973
- CBC acquired Galle, Jaffna and Kandy branches of Mercantile Bank Ltd.

1979
- Offshore Banking Centre formed

1980 – 1998

1980
- Commercial Development Company (CDC) formed to construct Head Office Building for CBC with 40% equity participation

1984
- Head Office moved to new premises at No. 21, Sir Razik Fareed Mawatha, (formerly Bristol Street), Colombo 01

1987
- EBL changed its name to Standard Chartered (UK) Holdings Ltd.

1990
- Introduced ATM facilities to customers

1993
- Introduced core banking software-International Comprehensive Banking System (ICBS)

1996
- Increased shareholding in CDC to 94.5% through a share swap

1997
- Standard Chartered Bank sold its 40% stake in the Bank

1998
- First 365 Day Branch opened in Colombo 07
- All branches linked to ICBS (except Jaffna)

2000 – 2012

2000
- Launched Internet Banking

2001
- Opened the 100th branch at Kaduruwela

2003
- Acquired operations of Crédit Agricole Indosuez in Bangladesh

2005
- Raised USD 65 Mn. syndicated loan, becoming the 1st non-sovereign corporate in Sri Lanka to source external funding

2006
- Issued USD 10 Mn. bond, becoming the first indigenous bank to do so

2008
- First Sri Lankan bank to be ranked among the Top 1,000 Banks in the World

2009
- First Sri Lankan Bank to be certified CMMi

2011
- Commenced "Sharia" compliant Islamic Banking
- Opened 200th branch in Kataragama
- Opened an exclusive "Elite" Branch at Colombo 07 for high net worth customers
- Reached milestone 500th ATM located at the Maradana railway station

2012
- Raised USD 65 Mn., from the International Finance Corporation (IFC)
- Launched an exclusive Savings Account for Women named "Anagi"

2013 – 2018

2013
- Opened "24-Hour Automated Banking Centre" at Ward Place
- Raised a 10-year subordinated debt of USD 75 Mn. from IFC

2014
- Bank acquired 100% stake of Indra Finance Ltd.
- Became the first Sri Lankan Bank to be granted a license by the Central Bank of Myanmar to operate a Representative Office

2015
- Indra Finance, a fully-owned subsidiary of CBC, renamed Serendib Finance Ltd.

2016
- Opened Commercial Bank of Maldives Private Limited, 2nd foreign subsidiary with a 55% stake
- The Bank became a Trillion Rupee Asset company

2017
- Commercial Bank of Maldives opened its second branch in Hulhumalé
- CBC Myanmar Microfinance Company Limited., was established as the second fully-owned subsidiary of CBC outside Sri Lanka in Nay Pyi Taw, Myanmar

2018
- Launched the country's first fully-automated cheque deposit machine at City Office Branch in York Street Colombo
- Launched UnionPay cards by a bank in Sri Lanka for the first time, making Sri Lanka the 51st country in the world to issue UnionPay cards
- Introduced Flash Digital Bank Account

2019 – 2024

2019

- One of the leading mobile payment solutions in China, "WeChat Pay" acceptance launched in Sri Lanka for the first time by CBC with a partnership between Tenpay Payment Technology Ltd.
- Became PCI-DSS (Payment Card Industry Data Security Standard) certified
- "Flash" becomes Sri Lanka's first multilingual Digital Banking App
- Launched ComBank Q+ Sri Lanka's first QR based payment app under LANKAQR
- Enabled Dynamic Currency Conversion at ATMs for foreign Visa Cards
- Serendib Finance Ltd., a fully-owned subsidiary of CBC, was renamed CBC Finance Ltd.
- Deposits surpassed Rs. 1 Tn. mark

2020

- Celebrated 100 years of banking in Sri Lanka with a series of events including a staff gathering of unprecedented scale
- Launched "ComBank Digital" powered by Fiserv, the US-based global provider of financial services technology
- Commenced a project to donate smart STEM classes to 100 schools to mark the Bank's centenary
- Became Sri Lanka's first carbon-neutral bank

2021

- UK's CDC Group commits USD 50 Mn. to bolster SME lending and climate projects
- First private sector bank to achieve the feat of Loan book surpassing Rs. 1 Tn., joining Assets and Deposits
- Named once again among global giants in banking, becoming the only Sri Lankan bank to be ranked in the "Top 1000 World Banks", for the 11th consecutive year

2022

- Introduced breakthrough "Tap to Phone" payments acceptance
- Under the latest environment-linked commitment, the Bank undertook to reforest a 100-hectare swath of degraded habitat belonging to the Kandegama forest in the Dimbulagala range of the Polonnaruwa District
- Became the only Bank in Sri Lanka to win National Quality Award from Sri Lanka Standards Institution (SLSI)
- Won 50 international awards including the Best Bank in Sri Lanka – Bank of the Year awards from the Banker – UK

2023

- The Bank enabled "Visa Direct" and "Mastercard Send", the card-based fund transfer facilities for the first time in Sri Lanka
- Launched a national credit and debit card with international acceptance in collaboration with LankaPay. This is the first launch of LankaPay Credit Cards in Sri Lanka and the first time five variants of LankaPay cards
- Bank launched two platforms to link local businesses to global markets, "Commercial Bank LEAP", in collaboration with the International Finance Corporation (IFC) and the other independently developed "Trade Club"
- The omni-channel digital banking platform "ComBank Digital" reached the milestone of one million registered users
- Embarked on an ambitious nationwide tree planting campaign titled "Trees for Tomorrow", to plant 100,000 trees across Sri Lanka in three years, to help achieve country's self-defined national climate pledges under the UN Paris Agreement
- The AP licence (Authorised Person License) was presented to the Bank by the Colombo Port City Economic Commission, paving the way for the Bank to operate within and from the precincts of the Colombo Port City, offering banking services to investors as well as customers

2024

- Unveiled evolved logo, symbolising commitment to sustainability encompassing diversity, inclusivity, good governance, transparency, social equity, accountability and eco-friendly banking solutions
- Opened the first "DigiZone" experience centre – a purpose-designed space for customers to be introduced to, and experience the convenience and functionality of the Bank's comprehensive digital banking offering at Wellawatte branch
- Bank's Debenture Issue, largest ever by a private sector bank oversubscribed on opening day, raising Rs. 20 Bn.
- Became the first Sri Lankan Bank to join PCAF – the global Partnership for Carbon Accounting Financials
- Completed the largest rights issue to date by a bank in Sri Lanka, raising Rs. 22.54 Bn. to increase the Tier I and total capital of the Bank
- Became the first bank in Sri Lanka to receive Corporate Finance Advisor licence from SEC
- Successfully marked the completion of 100,000 trees project with pledge to plant another 100,000

Group structure

	Local subsidiaries			
	Commercial Development Company PLC	CBC Tech Solutions Ltd.	CBC Finance Limited	Commercial Insurance Brokers (Pvt) Ltd.
Incorporated on	March 14, 1980 in Sri Lanka	February 17, 2003 in Sri Lanka	February 18, 1987 in Sri Lanka	August 17, 1987 in Sri Lanka
Bank's holding	90%	100%	100%	60%
Principal business activities	Property development and provision of other utility services	Providing Information & Communication Technology (ICT) related products, services and solutions to corporate sector	Granting of leasing & hire purchase facilities, mortgage loans and other loan facilities. Accepting public deposits	Insurance Brokering
Business address	4th Floor, No. 8-4/2, York Arcade Building, Leyden Bastian Road, Colombo 01.	"Commercial House", No. 21, Sir Razik Fareed Mawatha, Colombo 01.	No. 187, Katugastota Road, Kandy.	No. 347, Dr Colvin R De Silva Mawatha, Colombo 02.
Contact numbers	+94 11 244 7300	+94 11 257 4417	+94 81 220 0272 +94 81 221 3498	+94 11 760 0600
Board of Directors				
Chairman	A L Gooneratne	R Senanayake	S Muhseen	M P Jayawardena
Managing Director/ Chief Executive Officer		P K A S K Gunawardhana	G A J C S Fernando	P Dodangoda
Chief Executive Officer	K Basnayake *	N P Gunatunge *		M G N Dharmasiri *
Director	S C U Manatunge	K D N Buddhipala	S M S C Jayasuriya	D M D K Thilakaratne
Director	U I S Tillakawardana	K S A Gamage	D M D S S Bandara	U I S Tillakawardana
Director	Dr R A Attalage	N I Senaratna	L H Munasinghe	W M N S K Weerapana
Director	P L P Withana		M P Dharmasiri	D J D P Hettiarachchi
Director	N Abeysuriya		S C De S Wickremasekera	L W P Indrajith
Director				
Director				
Company Secretary	L W P Indrajith	M P Dharmasiri	Ms H D U O Gunasekara	Ms Y A Kularathna

(*) Not a Board Member

(**) Resigned w.e.f. December 31, 2024

Summary of financial information

	2024 Rs. Mn.	2023 Rs. Mn.	2024 Rs. Mn.	2023 Rs. Mn.	2024 Rs. Mn.	2023 Rs. Mn.	2024 Rs. Mn.	2023 Rs. Mn.
Total assets	4,909.396	4,326.289	930.297	882.140	16,860.915	12,457.318	834.133	815.258
Additions to property, plant and equipment	0.571	0.045	218.274	7.162	106.855	117.057	0.539	1.729
Total liabilities	786.381	704.817	459.044	470.910	13,801.332	9,481.425	202.454	198.906
Net assets	4,123.015	3,621.471	471.253	411.230	3,059.583	2,975.893	631.679	616.351
Total revenue	708.259	687.511	1,168.502	812.547	2,661.367	1,991.470	220.080	172.236
Profit/(loss) before tax	829.055	461.977	102.105	228.546	157.664	(320.605)	66.587	65.525
Profit/(loss) after tax	582.623	294.060	62.358	173.573	81.541	(225.178)	45.192	43.800
Dividend per share (Rs.)	7.00	7.00	–	600.00	–	–	50.00	25.00

Local associate	Foreign subsidiaries		
EQUILL Equity Investments Lanka Limited	**CBM** Commercial Bank of Maldives Private Limited	CBC Myanmar Microfinance Company Limited	
August 8, 1990 in Sri Lanka	March 24, 2015 in Maldives	April 4, 2017 in Myanmar	**Incorporated on**
22.92%	55%	100%	**Bank's holding**
Venture Capital Financing	Banking	Microfinancing	**Principal business activities**
No. 108 A, 2/1, Maya Avenue, Colombo 06.	H. Filigasdhoshuge, Ameer Ahmed Magu, K. Male 20066, Maldives.	No. 15, Office Street, Ward 4, Lewe Township, Nay Pyi Taw, Myanmar.	**Business address**
+94 11 250 7605 +94 11 250 7606	+96 0333 2668	+95 67 80 30566	**Contact numbers**
			Board of Directors
M J C Amarasuriya	Ahmed Nazeer	K G D D Dheerasinghe **	**Chairman**
	E B Sooriyaarachchi	W D A Rodrigo	**Managing Director/ Chief Executive Officer**
A H M Riyaz *			**Chief Executive Officer**
Deshamanya S E Captain	S C U Manatunge	S Prabagar **	**Director**
J D Peiris	S Prabagar	D J D P Hettiarachchi	**Director**
J B Abu Baker	U I S Tillakawardana	G Sivasubramaniam	**Director**
W I Arambage	Dr Ibrahim Vishan		**Director**
M H Wijewaradene	Ms Fareeha Shareef		**Director**
	Ms Aishath Zahira		**Director**
	J A D J C Nanayakkara		**Director**
Mrs R R Dunuwille	Ms Aminath Nashadil	W D A Rodrigo	**Company Secretary**

2024 Rs. Mn.	2023 Rs. Mn.	2024 Rs. Mn.	2023 Rs. Mn.	2024 Rs. Mn.	2023 Rs. Mn.	
226.766	228.063	74,531.037	68,306.425	591.917	717.423	Total assets
0.540	0.042	92.425	81.378	24.325	18.455	Additions to property, plant and equipment
6.902	8.558	65,120.648	59,267.392	406.323	370.828	Total liabilities
219.864	219.505	9,410.389	9,039.033	185.594	346.595	Net assets
28.416	49.952	4,598.108	4,057.234	117.902	156.575	Total revenue
(2.008)	15.248	1,703.207	2,170.599	(4.198)	(24.299)	Profit/(loss) before tax
(2.008)	15.248	1,275.633	1,658.421	2.308	(24.022)	Profit/(loss) after tax
–	–	–	–	–	–	Dividend per share (Rs.)

Leadership
Message from the Chairman

Despite formidable challenges, Commercial Bank emerged stronger, leveraging its financial stewardship, operational resilience, and customer-centric approach to reinforce its leadership in the banking sector.

Hear the Chairman's perspective

Navigating challenges with strength and vision

As we reflect on 2024, it is with immense pride that I acknowledge the journey we have undertaken – one marked by resilience, strategic foresight, and an unwavering commitment to our stakeholders. Building on the solid foundation we laid in 2023, Commercial Bank has not only reinforced its leadership position but has continued to drive sustainable growth, digital transformation, and financial stability amidst evolving challenges.

The year 2024 will be remembered as one of complex global economic dynamics and domestic recalibration. Globally, while early indications pointed to a gradual recovery, persistent geopolitical tensions, inflationary pressures, and financial market volatility created uncertainties for businesses and economies worldwide. The effects of these global forces cascaded into emerging markets, including Sri Lanka, Bangladesh, and the Maldives, the key operating markets of Commercial Bank.

At home, Sri Lanka continued on the path of stabilization under an IMF-advised macroeconomic framework. The country underwent a crucial debt restructuring process, which, while essential for long-term economic stability, imposed significant losses on financial institutions, including the banking sector. The macroeconomic challenges were further amplified by the impact of two major national elections, a volatile foreign exchange market, skilled labour migration, and a constrained credit environment. Meanwhile, in Bangladesh and the Maldives, transformative political changes and economic headwinds created a volatile operating environment, exacerbating financial instability, dampening credit demand, and elevating credit risk exposure.

Despite these formidable challenges, Commercial Bank emerged stronger, leveraging its financial stewardship , operational resilience, and customer-centric approach. Our ability to navigate a highly volatile landscape underscores the strength of our leadership, the agility of our business model, and our deep-rooted commitment to national and regional economic progress.

A year of strength and stability

The Bank's response to the challenges of 2024 was rooted in its legacy of financial discipline and forward-thinking strategy. While macroeconomic indicators showed signs of stability, the reality for financial institutions, including our Bank, was an exceptionally demanding operating environment. Yet, recognising that access to capital is a cornerstone of economic resilience, we prioritized initiatives to restore business confidence, stabilize key industries, and drive sustainable growth. Even amidst the complexities of sovereign debt restructuring, we remained steadfast in our commitment to empowering businesses and individuals, ensuring uninterrupted access to credit precisely when it was needed most. Our steadfast commitment to SMEs continued unabated, reinforcing our position as Sri Lanka's largest SME lender for the fourth consecutive year.

Throughout the year, we upheld our responsibility as Sri Lanka's only higher-tier private-sector Domestic Systemically Important Bank (D-SIB), by being a cornerstone in national economic recovery. Despite the challenges, we stood by our customers, fueling business revival and economic progress, just as we have done for decades. We strengthened our support structures for corporate and personal banking customers, providing liquidity, financing solutions, and restructuring assistance, where needed. Our support extended beyond lending, as we intensified our efforts to educate and empower entrepreneurs, strengthening their resilience through financial literacy programs and advisory support.

Our international operations, particularly in Bangladesh and the Maldives, played a crucial role in diversifying our earnings and balance sheet exposure. Despite political and economic uncertainties in these regions, our overseas operations contributed over 20% to the Group's pre-tax profits and accounted for over 15% of total assets, reinforcing our position as a leading regional banking force.

A record year of performance and progress

The power of our business model was reflected in our financial results, as we delivered the highest profits in the Bank's history. Our unwavering focus on efficiency, digital transformation, and customer-centric innovation allowed us to strengthen our market position and increase our market share. The Bank's total assets grew by 8.12% year-on-year, reaching Rs. 2.79 Tn., while our deposit base expanded by 7.27% to Rs. 2.24 Tn., underpinned by the industry-leading CASA ratio in the banking sector at 38.07%.

Our proactive risk management strategy led to a substantial improvement in asset quality, with Stage 3 impairment coverage rising to 64.61% from 43.22% in 2023 and the impaired loans (Stage 3) ratio improving to 2.76% by end-2024, marking a significant step in strengthening our risk resilience.

Sustaining our strategic momentum

As we move forward, we continue to build upon the strong foundations laid over the years, reinforcing key strategic priorities and principles that have consistently guided our progress. With renewed commitment, we will accelerate these efforts, consistently delivering sustainable growth, innovation, and value creation for all stakeholders.

Digital first: accelerating digital transformation

The financial services industry is undergoing a rapid digital transformation, and Commercial Bank is at the forefront of this revolution. Our "Digital First" strategy is driving innovation across all facets of banking, from customer experience to risk management and operational efficiency. As part of our efforts to encourage digital adoption, we became the first bank in Sri Lanka to introduce a loyalty program for digital transactions, rewarding customers for embracing the convenience of digital banking. Over the past year, we made significant strides in expanding our digital banking services, evidenced by a 31% year-on-year growth in digital customers and a sharp increase in transactions routed through our digital platforms.

We continue to make substantial investments in technology, particularly in artificial intelligence (AI), predictive analytics, and automation. AI-driven solutions are already enhancing our risk assessment capabilities, improving customer service through intelligent chatbots, and optimising credit decision-making processes. We will continue to deepen our digital capabilities, ensuring that our banking solutions remain seamless, secure, and accessible to all customer segments.

Sustainability: a core principle in value creation

Our commitment to sustainable finance and responsible banking remains stronger than ever. In 2024, we accelerated our green financing initiatives, recording an impressive 117% year-on-year growth in our green financing portfolio. Our focus remains on supporting businesses and individuals in transitioning towards renewable energy, sustainable agriculture, and carbon reduction. These initiatives are in line with industry best practices of the United Nations Principle for Responsible Banking and Sustainable Development Goals (SDGs).

Beyond financial services, we continue to make meaningful contributions to environmental conservation and community development. Our STEM education initiative has made a tangible impact, with 176 smart classrooms and 362 IT labs established across the country to date, equipping young minds with the skills needed for a digital future. Additionally, our financial inclusion efforts have brought banking services to underserved communities, ensuring that economic opportunities are accessible to all. As we move forward, sustainability will remain integral to our decision-making, ensuring that our growth is not just profitable, but also responsible and impactful.

Customer-centric banking

The success of Commercial Bank has always been rooted in our ability to place customers at the center of everything we do. In 2024, we reinforced our commitment to enhancing customer experience through data-driven personalization, seamless digital integrations, and real-time feedback mechanisms. The establishment of our Customer Experience Steering Committee has enabled us to take a structured approach to improving service quality across all touchpoints.

We have used data analytics and AI to enhance our understanding of customer journeys, allowing us to tailor products and services to meet and exceed customers' expectations. This is coupled with extensive staff training programs to deliver a customer centric mindset and higher service quality. We will continue to refine and enhance our customer experience strategy, ensuring that every interaction with Commercial Bank reflects our commitment to excellence and a rewarding experience.

Building a fortress balance sheet

The true resilience of a financial institution is tested in times of uncertainty, and our unwavering commitment to financial strength has positioned us as a pillar of stability in a volatile economic landscape. In 2024, we took decisive measures to fortify our balance sheet, raising Rs. 42.54 Bn. in fresh capital to reinforce both our Tier I and Tier II capital positions. These strategic capital enhancements not only strengthened our financial foundation but also provided the agility to navigate evolving risks and capitalise on emerging opportunities. Our approach remains focused on maintaining strong liquidity buffers, optimising risk-adjusted returns, and steadily enhancing our provision coverage to align with the highest industry standards – safeguarding the Bank's long-term sustainability while continuing to support our customers and stakeholders with confidence.

A dynamic leadership and an agile workforce

Behind every milestone we achieve is a team of dedicated professionals who drive our success. The Board has placed a constant emphasis on nurturing leadership excellence, encouraging innovation, and fostering a culture of integrity and professionalism. To equip our employees with future-ready skills, we invested heavily in training, talent development, and leadership succession planning. From AI and digital transformation training to leadership programs for high-potential employees, we are ensuring that our people are equipped to thrive in an evolving banking landscape.

As we continue to foster a culture of innovation, integrity, and excellence, we recognize that our greatest strength lies in the agility and adaptability of our team. In a rapidly evolving banking landscape, our commitment to nurturing talent remains unwavering. We firmly believe that the ability to learn, unlearn, and innovate is fundamental to sustaining our competitive edge and driving future success.

Creating value for stakeholders

As we move forward, we do so with purpose, confidence and an unrelenting commitment to excellence. We remain steadfast in our mission to empower progress, fuel economic resilience, and redefine the future of banking. Together, we will continue to rise, adapt, and lead - shaping a stronger, more sustainable future for Sri Lanka and beyond. The journey ahead is one of promise, and we invite all our stakeholders to walk this path with us as we build a legacy of strength, trust, and enduring success.

Acknowledgements

The strength of Commercial Bank lies in the unwavering support of all our stakeholders. I would like to extend my heartfelt gratitude to our Board of Directors for their strategic guidance and vision. I sincerely thank Prof A K W Jayawardane for his dedicated nine-year tenure on the Board, including his leadership as Chairman until April 21, 2024, guiding the Bank through challenging times. On behalf of the Board, I take this opportunity to warmly welcome Mr P Y S Perera, who joined the Board during the year. A distinguished Chartered Accountant, Mr Perera brings a wealth of expertise for driving financial excellence. A special appreciation goes to Mr Sanath Manatunge, Managing Director/Chief Executive Officer, for his exemplary leadership in steering the Bank through an intricate financial landscape.

We also acknowledge the invaluable support of the Governing Board and officials of the Central Bank of Sri Lanka, whose regulatory guidance has been instrumental in ensuring financial stability. To our investors, customers, and all other stakeholders, thank you for your trust and confidence in Commercial Bank. Above all, I extend my heartfelt appreciation to the dedicated employees of Commercial Bank. Your resilience, hard work, and passion are the driving force behind our achievements.

As we look ahead to 2025 and beyond, we remain steadfast in our mission to build Sri Lanka's premier banking franchise. With a compelling vision, innovative strategies, and a deep commitment to sustainability, we will continue to deliver increasing value to all those we serve. Together, let us build a future of enduring success, innovation, and growth.

Sharhan Muhseen
Chairman

February 28, 2025
Colombo

Managing Director/Chief Executive Officer's Review

A year of stability, resurgence, and transformation

As we reflect on the year 2024, it is evident that this has been a defining period for Commercial Bank of Ceylon PLC – a year of resilience, resurgence, and transformation that has positioned us for long-term sustainable growth. We successfully navigated an evolving financial landscape, balancing the challenges of a complex operating environment while reinforcing our position as Sri Lanka's most stable, strongest, and trusted financial institution.

For nearly 105 years, Commercial Bank has remained a steadfast pillar of strength, adapting to economic cycles, political shifts, and global disruptions with agility and foresight. The past few years have been among the most challenging in our history, with macroeconomic volatility, sovereign debt restructuring, and global uncertainties testing our resilience. Yet, through it all, we remained unwavering in our mission – placing the needs of our customers, shareholders, employees, and communities at the center of our strategy.

Our journey through 2024 has been aptly captured by the tagline of this report, "In Context – From Turbulence Towards Tranquillity." Having weathered multiple storms, we are now navigating a period of relative stability with renewed confidence, stronger fundamentals, and a clear vision for the future.

Economic environment: a foundation for growth

The global economy in 2024 was defined by the interplay of geopolitical tensions, monetary policy shifts, and persistent inflationary pressures. While major economies demonstrated resilience, tightening financial conditions and supply chain disruptions continued to shape global trade and investment flows. Emerging markets, including Sri Lanka, Bangladesh, and the Maldives, faced their own unique challenges, requiring us to remain adaptable, forward-thinking, and disciplined in risk management.

In Sri Lanka, the successful completion of sovereign debt restructuring provided much-needed clarity to financial markets, improving liquidity and restoring investor confidence. Inflation moderated, interest rates declined, and foreign exchange markets stabilized, creating a more conducive environment for businesses and financial institutions. However, the restructuring also resulted in financial losses for banks, reinforcing the need for strong capital buffers and prudent financial management.

Bangladesh, meanwhile, faced political and economic turbulence, with mass protests leading to the formation of a transitional government. Inflation surged into double digits, foreign exchange reserves were strained, and GDP growth slowed. Similarly, the Maldives grappled with fiscal imbalances, declining reserves, and a widening trade deficit, exacerbated by growing external debt concerns. Despite these macroeconomic challenges, the Bank remained unwavering in its commitment to supporting businesses and individuals across all our markets, ensuring continued credit availability, financial inclusion, and economic stability.

A record-breaking year of financial performance

Despite the volatile external environment, 2024 was a landmark year for Commercial Bank, delivering record-breaking financial results and further reinforcing our market leadership. A significant milestone was the successful equity capital infusion of Rs. 22.54 Bn., through a rights issue and the raising of Rs. 20 Bn., in Tier II capital via a debenture issue. These initiatives significantly enhanced our capital adequacy, strengthened our financial stability, and created room for future expansion.

The Bank effectively mitigated the impact of the Rs. 45.11 Bn., net loss resulting from the restructuring of Sri Lanka International Sovereign Bonds (SLISBs) through the net reversal of Rs. 63.22 Bn., in impairment provisions, demonstrating its resilience, strategic foresight, and prudent risk management. Lending reached record levels, with the loan book expanding by Rs. 221.34 Bn., reflecting the Bank's commitment to economic growth. Group Net interest income surged by 36.71% to Rs. 118.13 Bn., driven by effective balance sheet management and a strong CASA base. The total tax contribution tripled to Rs. 61.83 Bn., underscoring our commitment to national fiscal stability. Profit before taxes rose to Rs. 97.81 Bn., while profit after taxes reached Rs. 55.69 Bn., marking a year of remarkable financial strength and strategic growth. In terms of profitability, Return on Assets and Return on Equity significantly improved to 2.01% and 22.20% respectively for 2024 compared to 0.85% and 10.20% in 2023.

To provide a clearer perspective on the Bank's core financial performance, a detailed financial review based on a normalised income statement, which discounts the impact of the accounting treatment for SLISBs, is given in the Financial Review on page 152. This adjusted analysis offers stakeholders a comprehensive understanding of underlying business performance, enabling a more accurate evaluation of revenue generation, operational efficiencies, profitability, and long-term financial stability.

Strategic business expansion and market leadership

Throughout 2024, the Bank continued to reinforce its leadership across key business segments, making strategic moves that cemented its position as Sri Lanka's most resilient and customer-centric financial institution. Our focus remained on expanding operations, deepening customer engagement, and creating financial solutions that drive inclusive growth.

In the SME and MSME segments, the Bank expanded its Agriculture and Microfinance Units, increasing operations from 19 to 35 units, and aiming to further increase to 100 units in the future. This expansion enabled greater financial accessibility for rural businesses, empowering entrepreneurs with tailored solutions. Recognising the crucial role of SMEs in national economic development, the Bank introduced a comprehensive business ecosystem initiative, fostering better connectivity between SMEs, suppliers, and broader market linkages. The Bank's commitment to the SME sector was further demonstrated through its continued leadership as Sri Lanka's largest SME lender for the fourth consecutive year.

In addition to financing, the Bank created opportunities for SMEs to expand their businesses through platforms such as the SME Trade Fair 2024, which connected small businesses with key industry players and investors. The Bank also hosted Ran Kethe Wap Magula, a cultural initiative celebrating the agricultural roots of Sri Lanka, reinforcing our deep commitment to rural economic empowerment. Our outstanding contributions to SME finance were internationally recognised, as we received 18 prestigious global awards, further strengthening our position as a leader in financial inclusion.

Both Corporate and Personal Banking segments witnessed significant expansion as well. Our Project Finance Unit doubled its exposure, providing funding for critical infrastructure and renewable energy projects that will shape Sri Lanka's future. The Bank also introduced innovative solutions in supply chain financing and dealer financing, enabling businesses to streamline their cash flows efficiently. Moreover, the establishment of the Business Revival and Rehabilitation Unit underscored our proactive approach to supporting businesses undergoing financial distress, offering structured support for recovery in line with the Central Bank of Sri Lanka's directives.

Adopting the "Battle Card" concept for competitive excellence

The introduction of the Battle Card Concept revolutionised our competitive approach, embedding a data-driven, proactive sales culture across the Bank. By analysing competitor movements, customer expectations, and industry trends, we empowered our teams with accurate market intelligence, enabling them to deliver tailored financial solutions with precision. This shift from a traditional banking model to a strategic, sales-oriented framework enhanced our customer engagement, product offerings, and market positioning. The initiative played a pivotal role in expanding our wallet share in corporate banking, SME financing, and personal lending, while strategic automation and operational centralisation streamlined service delivery, making it more efficient and customer-centric.

Transforming customer experience

With an unrelenting commitment to service excellence, the Bank focused on enhancing customer journeys, streamlining digital interfaces, and embedding a customer-first culture across all touchpoints. The Customer Experience Steering Committee was established to oversee service enhancements, ensuring that the Bank consistently delivers an unparalleled banking experience.

We introduced customer journey mapping initiatives, refining service interactions at branches, digital channels, and customer contact points. These improvements facilitated faster service resolution, with AI-powered engagement tools helping to predict customer needs and offer personalised financial solutions. The internal campaign "Service Beyond 100%" reinforced our commitment to customer excellence, creating a culture that prioritises customer satisfaction above all else.

By harnessing data analytics and AI-driven insights, the Bank was able to increase first-time resolution rates at contact center, providing seamless and efficient responses to customer inquiries. These advancements played a key role in improving our Net Promoter Score (NPS), reaffirming our leadership in customer experience.

Pioneering the future of banking: digital transformation and AI

The Bank has been a trailblazer in digital innovation, continuously introducing cutting-edge solutions to redefine the banking landscape in Sri Lanka. Throughout 2024, we made remarkable progress in AI-powered banking, automation, and digital inclusivity.

Our ComBank Digital platform surpassed 1.5 million users, processing over Rs. 4 Tn., in transactions, reflecting the rapid adoption of digital banking. We expanded AI-powered underwriting capabilities, allowing automated loan approvals for home loans, personal loans, and SME credit facilities, significantly reducing turnaround times. Additionally, we enhanced Host-to-Host (H2H) integration, streamlining bulk transactions for corporate clients and improving overall treasury management.

Our digital-first approach was further strengthened with the launch of Sri Lanka's first trilingual digital banking service, making banking services more accessible to all segments of society. Cybersecurity remained a top priority, with continuous investments in fraud detection and risk mitigation technologies, ensuring a secure and seamless banking experience for customers.

Sustainability and ESG commitments

The Bank remained steadfast in its commitment to sustainability, financial inclusion, and responsible banking. Throughout 2024, we advanced our environmental, social, and governance (ESG) agenda by integrating sustainability into our core operations.

Our ongoing collaboration with the International Finance Corporation (IFC) is focused on developing a Climate Transition Plan, which will align the Bank with its Net Zero goals by 2050. This initiative remains a key priority as we continue to refine our sustainability strategy and integrate climate considerations into our core banking operations. Our 100,000 Tree Planting Initiative was completed, reinforcing our dedication to environmental conservation.

Financial literacy programs continued to be a priority of our social responsibility efforts, positively impacting over 16,000 entrepreneurs and farmers, equipping them with the knowledge and tools needed to manage their finances effectively. By embedding ESG principles into our business model, we continue to drive positive social and environmental impact while ensuring sustainable growth for all stakeholders.

Looking ahead: vision for 2025 and beyond

As we step into 2025 and beyond, our strategy remains anchored in regional expansion, digital banking leadership, and advancing sustainable finance. The Bank is actively exploring opportunities to expand its international presence, building on the success of our Bangladesh operations to enter new markets. Additionally, our focus on AI-powered financial solutions will continue to deepen as we enhance predictive analytics and introduce hyper-personalised banking services.

A key priority remains strengthening climate finance, with a strategic focus on green lending, renewable energy financing, and carbon-neutral banking solutions. In alignment with SLFRS S1 and S2, we are gearing ourselves to systematically identify, assess, manage and report climate-related risks and opportunities, ensuring that our sustainability initiatives are integrated into our financial decision-making processes. As we prepare to fully comply with global sustainability disclosure standards in 2025, we are enhancing our governance frameworks, data collection mechanisms, and risk assessment models to provide transparent, reliable, and decision-useful climate-related financial disclosures.

Acknowledgements

I extend my deepest appreciation to our loyal customers and shareholders, whose unwavering trust has been the foundation of our success. My heartfelt gratitude goes to our Corporate and Senior Management teams, and employees across Sri Lanka, Bangladesh, the Maldives, other overseas markets as well as our Sri Lankan subsidiaries. Your dedication and adaptability continue to inspire excellence.

To our Chairman and the other members of the Board of Directors, thank you for your strategic insight and unwavering support. I also wish to express my gratitude to the Governor, members of the Governing Board and the Monetary Policy Board, and officials of the Central Bank of Sri Lanka for their steadfast regulatory guidance, which has been instrumental in fostering financial stability. I express my gratitude to the external auditors, Messrs KPMG, for their professionalism and the timely execution of the audit.

As we embark on this new chapter, let us remain agile, innovative, and united in our vision. The road ahead holds immense promise, and together, we will shape the future of banking with resilience, innovation, and excellence.

Innovation and purpose define our journey. Together, we are building a future where banking empowers, enables, and inspires.

S C U Manatunge
Managing Director/Chief Executive Officer

February 28, 2025

Colombo

Board of Directors and profiles

Mr S Muhseen
Chairman

Appointed as the Chairman of the Board of Directors in April 2024.

Appointed as an Independent/ Non-Executive Director in February 2021 and served on the Board as Deputy Chairman since March 2022.

He was appointed as the Chairman of the Board Credit Committee and the Board Strategy Development Committee. He was also the Chairman of the Board Nominations and Governance Committee, Board Human Resource and Remuneration Committee, Board Investments Committee and the Board Technology Committee.

Skills and experience:

Mr Muhseen is a senior investment banker with extensive experience in mergers and acquisitions, corporate finance, and capital markets. He has held senior roles, collaborating with company boards and leadership teams of financial institutions across Asia to drive their strategic corporate agendas. He is credited with leading research reports on banking sector efficiency, currency depreciation, and budget deficits during his tenure as Head of Sri Lanka Banking Sector Research and Lead Economist at Jardine Flemming.

Mr Muhseen has also worked at Standard Chartered Bank in the Corporate Banking Division, where he started out as a Management Trainee and at Rodman and Renshaw stock and commodities broker based in Chicago. In his Investment Banking career spanning over 21 years, Mr Muhseen has completed landmark mergers and capital raising transactions in excess of USD 100 Bn.

Under his leadership, the Asia FIG sectors team at Merrill Lynch and Credit Suisse won the "FIG Asia House of the Year" awards from the Asset magazine for several years, and multiple transactions he led were awarded as best country deals and best financial sector capital-raising transactions. Mr Muhseen also has policy-level experience, having worked as a Team Leader at the National Council for Economic Development (NCED) under the Ministry of Finance, and as a Director at the Task Force to Rebuild the Nation (TAFREN), a Presidential Task Force for rebuilding the economy after the 2004 Tsunami.

He holds a Masters in Economics from the University of Colombo and a Bachelor of Business Administration (Hons) from Western Michigan University. He completed the Corporate Finance training program with JP Morgan in New York and holds an Executive Certificate in Directorship from the Singapore Management University.

Other current appointments:

Currently, Mr Muhseen is the Non-Independent/Non-Executive Chairman of CBC Finance Ltd., Chairman/Director of Platinum Advisors Pte Ltd., a Board Member of H2O One Pte Ltd., and an Independent/Non-Executive Director of David Pieris Holding (Pvt) Ltd., Director of Canary Wharf Holdings Pte Ltd. He is also the Independent/ Non-Executive Deputy Chairman of Amana Takaful Life PLC and an Independent/ Non-executive Director of PCCW Limited, Hong Kong. He is also a senior advisor to Great Eastern Holdings Ltd., Singapore.

Previous appointments:

Previously, he served as Chairman of Gestetner of Ceylon PLC and as a Director of Lankan Angel Network. His prior experience includes leading roles at global investment banks such as Credit Suisse, Bank of America Merrill Lynch and JPMorgan. His most recent role was Managing Director, Head of South East Asia Financial Institutions Group (FIG), and Head of Asia Insurance at Credit Suisse, based in Singapore. He was also a Director at Merrill Lynch and an Associate Director at Deloitte. He has worked as a senior advisor to TPG and BNP Paribas.

Shareholding of Bank:

Holds 3,361voting shares

Mr R Senanayake
Deputy Chairman

Appointed as an Independent/ Non-Executive Director in September 2020 and as the Deputy Chairman of the Bank in April 2024.

Appointed as Chairman of Board Integrated Risk Management Committee.

Mr Senanayake was the Chairman of the Board Audit Committee, Board Human Resources and Remuneration Committee and the Board Related Party Transactions Review Committee.

Skills and experience:

He is a Fellow Member of CA Sri Lanka with over 30 years of post-qualifying experience and holds a B.Com. (Special) degree from the University of Sri Jayewardenepura with a second class upper division pass and a Postgraduate Diploma in Business Management from the PIM of the University of Sri Jayewardenepura. He completed his articles at Ernst & Young to qualify as a Chartered Accountant.

Mr Senanayake is passionate about and possesses extensive domain knowledge in the financial services industry, particularly in financial management and corporate reporting, including aspects such as risk management, capital management, corporate governance, compliance, sustainability, and integrated reporting. Besides many other local and overseas training programs, he has undergone training in banking and finance with Euromoney and on general management with the National University of Singapore.

Other current appointments:

Mr Senanayake was appointed the Chairman of CBC Tech Solutions Limited in May 2024. Mr Senanayake assumed the role of Chairman at Senkadagala Finance PLC in August 2023. Prior to this position, he served as an Independent Non-Executive Director at the same organisation since April 2017. He also works at Smart Media – The Annual Report Company as a Consultant.

He is a Director of Virtual Capital Technologies (Pvt) Ltd., a software development company, since August 2017. Mr Senanayake serves as an Advisor to Unicorn Hatch Limited a Company Incorporated in New Zealand from March 2024. He has been appointed as a Member of the Corporate Governance Committee of CA Sri Lanka for the period from February 2024 to December 2025.

Previous appointments:

Mr Senanayake worked at Singer Industries (Ceylon) PLC from 1991 to 1994 as the Financial Accountant. From 1994 to 2007, he held several key positions, progressing from Senior Manager – Finance to Assistant General Manager (Finance & Planning) at Commercial Bank of Ceylon PLC. He served as the Chief Financial Officer of Nations Trust Bank PLC from 2007 to 2009. From 2009 to 2024, he worked as the Chief Officer – Process Development at Smart Media – The Annual Report Company. He also served as an Independent/Non-Executive Director of CBC Finance Ltd. from October 2014 to March 2021 and as a Non-Independent/Non-Executive Director from April 2021 to June 2022.

Shareholding of Bank:

Nil

Mr S C U Manatunge

Managing Director/Chief Executive Officer

Appointed as the Managing Director and Chief Executive Officer of the Bank in May 2022.

Appointed as a Non-Independent/Executive Director and Chief Operating Officer in July 2018.

Skills and experience:

Mr Manatunge joined the Commercial Bank of Ceylon PLC in 1989. He has held Corporate Management/Senior Management positions such as Deputy General Manager – Corporate Banking, Chief Risk Officer, Head of Credit Risk and Chief Manager – Corporate Banking. Under Mr Manatunge, the Corporate Banking Division of the Bank experienced rapid growth in the loan book and areas such as Trade Finance fee-based income while maintaining the quality of advances.

During his tenure as Chief Operating Officer, Mr Manatunge headed strategically important business units of the Bank such as Personal Banking, Corporate Banking, Information Technology, Cards, and Digital Banking guiding them to become industry leaders. He has also provided leadership and strategic inputs for transformational projects of the Bank such as "SME Transformation", establishing a long-term digital roadmap for the Bank, and many projects to improve operational excellence.

He is a Fellow of the Chartered Institute of Management Accountants – UK (FCMA) and has obtained a Master of Business Administration (MBA) Degree from the University of Sri Jayewardenepura with a Merit Pass. He has also earned a MSc in Sustainable Management from the University of Bedfordshire – UK. He is also a Fellow Member of the Institute of Bankers – Sri Lanka (FIB), a Fellow of the Institute of Certified Management Accountants of Sri Lanka (FCMA), a Fellow of the Chartered Management Institute – UK (FCMI) and a Member of Certified Practicing Accountants (CPA) – Australia. Mr Manatunge has also been a Member of the Sri Lanka Institute of Directors since August 2017.

He was adjudged the "Chief Information Security Officer of the Year" at the EC – Council Global CISO Forum held in Atlanta – USA in September 2013, in recognition of his outstanding contribution in strengthening and promoting information security practices and IT Risk Management. He was instrumental in forming the Association of Banking Sector Risk Professionals, Sri Lanka and was the President in 2014. He has also served as a Council Member of the Association of Professional Bankers (APB) and a member of the CIMA – "Thought Leadership Committee". Mr Manatunge was a visiting lecturer for the MBA Degree program at the University of Colombo and was a resource person at the Training Centre of Central Bank of Sri Lanka and the Institute of Bankers of Sri Lanka.

Other current appointments:

Director of Commercial Development Company PLC, Deputy Chairman of Commercial Bank of Maldives Private Limited, Vice Chairperson of Sri Lanka Banks Association (Guarantee) Ltd., and the Employer's Federation of Ceylon. He is an Executive Member of The Council for Business with Britain.

Previous appointments:

Managing Director of Commercial Development Company PLC, Director of CBC Tech Solutions Ltd., and Director of Lanka Financial Services Bureau Ltd. He also served as a Director of the Credit Information Bureau of Sri Lanka (CIBSL), a Director of LankaPay (Pvt) Ltd. and the Chairman of the Banking, Financial Services & Insurance Group of the Employers' Federation of Ceylon for year 2023/24.

Shareholding of Bank:

Holds 198,084 voting shares

Mr L D Niyangoda

Director

Appointed as an Independent/Non-Executive Director in August 2016.

Skills and experience:

He has a proven track record of over 41 years in the corporate environment and is qualified in various management fields both locally as well as internationally. He holds Consultant, Business, and Administration experience for a period of 35 years and was appointed as an Independent/Non-Executive Director to the Board of Commercial Bank in August 2016.

Mr Niyangoda holds a Bachelor's Degree in Agricultural Science from the University of Peradeniya. He was a Member of numerous professional bodies, including the Council for Agricultural Research Policy of Sri Lanka, the Standing Committee of Agriculture and Veterinary Studies, the University Grants Commission and the Board of Faculty of Agriculture, University of Peradeniya.

He has been a Member of the Sri Lanka Institute of Directors since March 2000.

Other current appointments:

Nil

Previous appointments:

He served as the Chairman of A Baur & Co. (Pvt) Ltd. and a Director of Alfred Baur Memorial (Guarantee) Limited. He served as the Managing Director/Chief Executive Officer of A Baur & Co. (Pvt) Ltd., Deputy Managing Director/Chief Operating Officer of A Baur & Co. (Pvt) Ltd., and a Director of Baur Asia (Pte) Ltd., Singapore.

Shareholding of Bank:

Nil

Ms N T M S Cooray

Director

Appointed as an Independent/Non-Executive Director in September 2016.

Skills and experience:

Ms Cooray is a senior finance professional with extensive experience in the private sector. She holds a Master of Business Administration from the University of Colombo and is a Fellow Member of the Chartered Institute of Management Accountants, UK (FCMA). She has been a Member of the Sri Lanka Institute of Directors since July 2006.

Other current appointments:

Currently, Ms Cooray serves a Non-Independent/Non-Executive Director of The Lighthouse Hotel PLC, Jetwing Symphony PLC and Ceylon Tea Brokers PLC. She is a Director of Negombo Hotels Ltd, Jetwing Hotels Ltd, Jetwing Travels (Pvt) Ltd, Jetwing Hotels Management Services (Pvt) Ltd, Jetwing Air (Pvt) Ltd, Yarl Hotels (Pvt) Ltd, Lanka Houseboat (Pvt) Ltd, Jet Enterprises (Pvt) Ltd, Go vacation Lanka Co. (Pvt) Ltd, Capital Alliance Holdings Ltd, Saman Villas Ltd and CAL Investments Ltd (Bangladesh). She is an Independent/Non-Executive Director of Allianz Insurance Lanka Ltd. and Allianz Life Insurance Lanka Ltd. In addition she is the Chairman/Managing Director of Jetwing Travels (Pvt) Ltd.

Previous appointments:

She served as the Chairperson of the Sri Lanka Institute of Directors and Jetwing Hotels Ltd., and was the Director – Finance and Administration on the Board of J Walter Thompson, and Trade Finance and Investments PLC. Additionally, she has held positions on the Boards of numerous private and public companies, been a Member, of the Advisory Council for Tourism, and served on the Board of Management of several other institutions.

Shareholding of Bank:

Holds 470,652 voting shares and 73,964 non-voting shares

Ms J Lee
Director

Appointed as an Independent/Non-Executive Director in August 2020.

Appointed as the Chairperson of the Board Nominations and Governance Committee. She was the Chairperson for the Board Integrated Risk Management Committee.

Skills and experience:

Ms Lee is a pioneer and leading expert in quantitative risk management and its applications to strategy. She has over 35 years of experience as a banker, capital markets expert, and partner in management consulting firms serving CEOs and Boards in the US and Asia.

She holds an MBA from the Wharton School and a BSc from NYU Stern School of Business. She also attended the Advanced Management Program and Women on Boards Program at Harvard Business School. She is co-author of the books "What Every CEO Must Know About Risk" and "RAROC and Risk Management". Since 2000, Ms Lee had been a Senior Fellow of the Wharton School, and an Adjunct Professor at Singapore Management University where she developed and taught Enterprise Risk Management for 10 years. She has also taught Risk Management at Columbia University, New York. Ms Lee has lived and worked in both New York and Asia.

Other current appointments:

Ms Lee is the Managing Director of Dragonfly LLC which she co-founded in 2000. The New York based consulting firm provides strategy, risk management, and investment advice to Boards, CEOs, CFOs, and Business heads in the US, Europe and Asia, covering all sectors, corporates, financial institutions and governments. She is also the CEO of Dragonfly Capital Ventures (DFC) which she founded in 2009. DFC develops and invests in renewable energy and infrastructure projects in South East Asia.

She currently serves on the Executive Board of NYU Stern School of Business, DBS Group Holdings Ltd., DBS Bank Ltd., DBS Foundation Ltd., SMRT Corporation Ltd., Mapletree Logistics Trust Management Limited and JTC Corporation. She is also the Non-Independent/Non-Executive Chairperson of Strides DST Pte Ltd. (a SMRT JV Company). In October 2024, she became designated as the Co-Chair of "Women Execs on Boards" – (a non-profit alumni network of Harvard Business School of Board Governance programs). She is also a Director of non-profit SG HER Empowerment Ltd.

Previous appointments:

Ms Lee ended her term as Independent Director at AITi Tiedemann Global and Temasek Life Sciences Accelerator Pte Ltd. She has served as a Board Director of Solar Frontier, a renewable energy subsidiary of Japan-listed Showa Shell Sekiyu. Prior to Dragonfly, Ms Lee was a key member of the pioneering team that developed quantitative risk methodology at Bankers Trust in the late 1980s. She ran the bank's daily global risk quantification and reporting. She also worked on derivatives and other capital market products and was the risk manager (CRO) reporting to the President of BT Securities.

Shareholding of Bank:

Nil

Ms D L T S Wijewardena
Director

Appointed as an Independent/Non-Executive Director in March 2021.

Appointed as the Chairman of Board Technology Committee.

Skills and experience:

Ms Wijewardena is a corporate executive with a proven track record in the IT industry, both locally and internationally. She has served in various senior positions in the industry for many years, gaining diverse experience in providing technology solutions from high-tech startups to large multinational businesses in the world.

She is a Graduate Member of British Computer Society. She received her board executive education at Harvard Business School and also earned Strategy Certification for Game Changing Organisations and Artificial Intelligence in Impact for Business Strategies from Massachusetts Institute of Technology, Sloan School of Management – WIM, together with IFC and the Government of Australia, awarded her as the best Woman Board Director 2021 (Sri Lanka/Maldives) at the WIM awards 2021 in Colombo.

Other current appointments:

Ms Wijewardena is the core-Founder/Chief Executive Officer of Aventude (Pvt) Ltd. ("Aventude"), which she co-founded in 2018. She is a Director/Shareholder of Aventude Pte Ltd., Singapore. Aventude is a technology strategic consultation & solutions company based in Colombo, Stockholm and Singapore, specialising in solving business problems using technology across an end-to-end spectrum. She also serve as a Director of Meta Dynamics, UAE, a company providing advanced technical services for custom software requirements of businesses.

Previous appointments:

Vice Chairperson of the Cabinet approved national initiative, "Women's Chamber for Digital Sri Lanka" (WCDSL), an initiative to uplift women's participation in the digital economy of Sri Lanka through ICT education, career empowerment and supportive policies.

Shareholding of Bank:

Nil

Dr S Selliah

Director

Appointed as an Independent/ Non-Executive Director in April 2022.

He is the Chairman of Board Human Resources & Remuneration Committee and the Board Investment Committee.

Skills and experience:

Dr Selliah holds a MBBS degree and Master's Degree (M.Phil). He has over two decades of diverse experience in varied fields including manufacturing, healthcare, insurance, logistics, packaging, renewable power, plantation, retail etc. He serves on the Boards of many public listed and private companies. He has extensive experience serving on Board sub committees including Audit, Human Resource and Remuneration, Investment, Strategic Planning, Related Party, Nomination, etc.

Other current appointments:

Dr. Selliah is the Independent/ Non-executive Chairman of JAT Holdings PLC. He is also the Chairman of Vydexa (Lanka) Power Corporation (Pvt) Ltd., Cleanco Lanka (Pvt) Ltd. and Andysel (Pvt) Ltd. He is the Deputy Chairman of ArunoAus Pte Ltd. He is also a Non-Independent/ Non-Executive Director of Lanka Tiles PLC, Lanka Walltiles PLC, ACL Cables PLC, and Swisstek (Ceylon) PLC. Dr Selliah is a Director of Arunodhaya (Pvt) Ltd., Arunodhaya Industries (Pvt) Ltd. and Arunodhaya Investments (Pvt) Ltd. Currently, he also serves on many Board sub-committees of the companies listed above as the Chairman or a Member.

Previous appointments:

Dr Selliah was the Deputy Chairman of Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Central Hospitals Ltd. He was a Director of Expo Lanka Holdings PLC, Horana Plantation PLC, Unidil Packaging (Pvt) Ltd. He also served as a Director of Lanka Ceramic PLC, Softlogic Holdings PLC, Odel PLC, Swisstek Aluminium (Pvt) Ltd, and HNB Assurance PLC. He has served as a Senior Lecturer in the Faculty of Medicine, University of Kelaniya for many years in the past and served on several committees. He has also been the Head of the Department of Physiology during his tenure at the Faculty. He has also served as a Council Member at the University of Colombo.

Shareholding of Bank:

Holds 38,408 voting shares

Mr S Prabagar

Chief Operating Officer/Executive Director

Appointed as the Chief Operating Officer and Executive Director in May 2022.

Skills and experience:

Mr Prabagar is a senior banker with over 29 years of diversified banking experience with the Bank. He has served as Branch Manager of mid-sized and larger branches in Colombo, performed as Chief Operating Officer and Country Manager of the Bank's Bangladesh Operations, provided leadership to the Internal Audit function of the Bank as the Head and Assistant General Manager, spearheaded the Bank operations as the Assistant General Manager in charge of Operations and lead Corporate Banking as the Deputy General Manager, which was the last position held by him before taking up this responsibility.

Having turned around the branches he managed to greater performance, he was instrumental in bringing up Bangladesh Operations from a two-branch, two-booth operation to a 19 branch operation. It became the 3rd highest profitable bank, next only to SCB and HSBC out of 10 foreign banks, and contributed to around 15% of the overall bottom line of Commercial Bank. Under his leadership, operations in Bangladesh earned an AAA credit rating from the leading credit rating agency CRISL.

He represented the Bank at National Payment Council meetings at Central Bank of Sri Lanka (CBSL). He also functioned as the Bank's Ombudsman in resolving customer complaints with the Financial Ombudsman of the country. He was the representative of the Bank to the BTAC (Bankers Technical Assistance Committee) appointed by the Bankers Association of Sri Lanka, to address operational issues faced by banks.

He served on the panel of lecturers for the Post Graduate Diploma in Bank Management offered by the Institute of Bankers (IBSL) and carried out lectures for over 4 years. He was the Secretary to the Bangladesh-Sri Lanka Chamber of Commerce and Industry, actively promoting trade and investment between the countries.

Mr Prabagar holds an MBA in Banking from the University of London, is an Associate of the Institute of Bankers (AIB – SL), and has a B.Com from the Bharathidasan University in India. He is fully qualified in CIMA (Chartered Institute of Management Accountants – UK), and CISA (Certified in System Audit – USA), also holding a Diploma in System Security and Control Audit (DISSCA – CASL).

Other current appointments:

He is a Non-Independent/ Non-Executive Director of the Board of Commercial Bank of Maldives (Pvt) Ltd., a Director of Lanka Financial Services Bureau (Pvt) Ltd.

Previous appointments:

He served as a Director on the Board of CBC Myanmar Microfinance Company Ltd. and as a Non-Executive Director on the Board of CBC Tech Solutions Limited. Additionally, he chaired the Roadmap Committee appointed by the CBSL for the implementation of Blockchain technology in Sri Lanka.

Shareholding of Bank:

Holds 309,955 voting shares and 42,215 non-voting shares

Mr D N L Fernando

Director

Appointed as an Independent/ Non-Executive Director in February 2023.

Appointed the Chairman of Board Capital Expenditure Review Committee.

Skills and experience:

Mr Fernando is a Professional Banker, who retired from active service in the banking sector in August 2020. With a career spanning over 34 years at the Bank of Ceylon (BoC), he played many prominent roles in the Recoveries Department and the Product Development Banking Unit where he had initiated a number of noteworthy, innovative liability and asset products.

He has vast experience in branch banking, customer service, and corporate/retail credit in rural and urban branches for over 14 years. He also has training/exposure in international and treasury operations, which he gained during his service at the BoC London Branch and as a member of expatriate staff at the BoC Karachi Branch (now closed) in Pakistan. He has also managed 70 BoC branches for 4 years as the Assistant General Manager in charge of the Western Province South (the largest administrative region of BoC at the time), before taking up the assignment at Bank of Ceylon (UK) Ltd. as the Chief Executive Officer/ Director in late 2012.

He holds a Bachelor of Science (Hon.) degree from the University of Colombo and served briefly on the academic staff of the (then) Batticaloa University College. He also worked under the Ministry of Education as an Education Officer in "Sri Lanka Education Service" before joining the BoC in 1986.

An Associate Member of the Institute of Bankers of Sri Lanka since 1998.

Other current appointments:

Independent Director of Ceybank Holiday Homes (Pvt) Ltd., a subsidiary of BoC Travels (Pvt) Ltd., Property Development and Management (Pvt) Ltd., which is a subsidiary of BoC, and the General Manager of Grand Oriental Hotel (GOH).

Previous appointments:

He served as the General Manager of Ceybank Holiday Homes (Pvt) Ltd., a Director of BOC Travels (Pvt) Ltd., Merchant Bank of Sri Lanka PLC, Property Development and Management (Pvt) Ltd. and the Director and Chairman of MBSL Insurance (Pvt) Ltd. Additionally, he was the Chief Risk Officer (Deputy General Manager) of BOC (which he held for more than four and a half years until his retirement in August 2020), and the Chief Executive Officer/Director of Bank of Ceylon (UK) Ltd.

Shareholding of Bank:

Nil

Mr P M Kumarasinghe

Director

Appointed as an Independent/ Non-Executive Director in April 2023.

Appointed as the Chairman of Board Related Party Transactions Review Committee.

Skills and experience:

Mr Palitha Kumarasinghe is a Senior President's Counsel specializing in Civil and Commercial matters with a lucrative practice. Mr Kumarasinghe was enrolled as an Attorney at Law of the Supreme Court of Sri Lanka in September 1982 and was appointed as a President's Counsel by His Excellency the President with effect from July 07, 2006.

Mr Kumarasinghe is actively practicing in the District Court of Colombo, Commercial High Court, Civil Appellate High Court of Colombo and the Superior Courts. He serves as Counsel for several State and Private Banks and Finance Houses. He has extensive experience in Debt Recovery matters and is a regular Speaker in Banking and Debt Recovery Law Sessions and many other Corporate Law matters in National Law Conferences, Junior National Law Conferences, and Continuing Legal Education Programmes conducted by the Bar Association of Sri Lanka, the Association of Corporate Lawyers, Sri Lanka and the Colombo Law Society.

He has been a Member of the Bar Council of Sri Lanka for the past 36 years.

Other current appointments:

Mr Kumarasinghe is a Member of the National Medicine Regulatory Authority.

Previous appointments:

Mr Kumarasinghe was a member of the Public Service Commission of Sri Lanka from April 2006 to April 2009 and from May 2011 to May 2014. He was a Member of the Incorporated Council of Legal Education, the Chairman of the Environmental Council established under the National Environment Act, a Member of the Advisory Commission on Intellectual Property established under the Code of Intellectual Property Act, and the Chairman of the Committee appointed by the Cabinet of Ministers and the Public Service Commission to study the existing Medical Service Minute and propose solutions to the problems existing in the Medical Administration Grade. Mr Kumarasinghe was a member of the University Grants Commission.

He has functioned as the Chairman of the Rent Law Reform Committee, the Chairman of the Banking and Finance Law Reform Committee, and the Co-Chair of the Apartment Ownership Law Reform Committee, Ministry of Justice, appointed by Hon. Minister of Justice. He also functioned as a member of the Expert Committee to draft the Higher Education Act and the Commission of Sri Lanka.

Mr Kumarasinghe has previously served as an Independent/ Non-Executive Director of Laugfs Gas PLC and Nawaloka Hospitals PLC.

Shareholding of Bank:

Nil

Mr P Y S Perera

Director

Appointed as an Independent/ Non-Executive Director in October 2024.

Appointed as the Chairman of the Board Audit Committee.

Skills and experience:

Mr Yohan Perera is a Chartered Accountant by profession and retired from the position of the Managing Partner of KPMG Sri Lanka and Maldives on March 31, 2023. He counts over 40 years of experience in audits of conglomerates and listed companies with diversified business interests.

Mr Perera was the President of the Institute of Chartered Accountants of Sri Lanka (2006 & 2007) and was the Chairman of the Sri Lanka Auditing Standards Committee (2009-2013). He also served on the Board of the Confederation of Asian and Pacific Accountants (CAPA), one of four Regional Organizations (ROs) recognized by the International Federation of Accountants (IFAC).

Mr Perera is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA) and of the Chartered Institute of Management Accountants (FCMA), UK.

Other current appointments:

Mr Perera currently serves as an Independent/Non-Executive Director on the Boards of Hayleys PLC, Haycarb PLC, Dipped Products PLC, E. B. Creasy & Co. PLC, Laxapana PLC, Muller & Phipps (Ceylon) PLC and Overseas Realty (Ceylon) PLC.

Previous appointments:

Mr Perera served as a Partner at KPMG Sri Lanka and Maldives for 33 years. During this period, he also served the Firm as the Head of HR, Risk Management Partner, and the Chief Operating Officer before becoming the Managing Partner. He served on the KPMG Middle East & South Asia Board during his tenure as the Managing Partner of the Firm.

Additionally, he has served as a member of the Securities & Exchange Commission of Sri Lanka, the Monetary Policy Consultative Committee of the Central Bank of Sri Lanka and the Governing Council of the Postgraduate Institute of Management of the University of Sri Jayewardenepura.

Shareholding of Bank:

Holds 2,400 voting shares

Mr R A P Rajapaksha

Company Secretary

Appointed as Company Secretary in April 2019.

Skills and experience:

An Associate of Chartered Governance Institute – UK & Ireland, formerly known as Institute of Chartered Secretaries and Administrators (ICSA – UK) and a Graduate of the Institute of Chartered Corporate Secretaries (ICCS) of Sri Lanka counting over 21 years of experience in the field of Company Secretarial Practice including 14 years of experience at the Bank. He is a member of Sri Lanka Institute of Directors since September 2017. He is also a member of the Institute of Directors (IOD) – UK.

Other current appointments:

Vice President of the Chartered Governance Institute – UK & Ireland, Sri Lanka & Asia Pacific Branch. Appointed as an All-Island Justice of the Peace in 2019.

Previous appointments:

Company Secretary of Bank's fully owned subsidiary – CBC Finance Ltd. from November 2014 to March 2019. Assistant Company Secretary of the Bank from February 2011 to March 2019.

Shareholding of Bank:

Nil

Corporate Management and profiles

1 Sanath Manatunge

Managing Director/Chief Executive Officer

FCMA (UK)/CGMA/FCMI (UK)/CPA (Aus)/FCMA (SL)/FIB (SL)/MBA Merit (University of Sri Jayewardenepura)/ MSc Sustainable Management – University of Bedfordshire – UK

35 years in Banking

2 S Prabagar

Chief Operating Officer

FCMA(UK)/CGMA/MBA (University of London)/AIB (SL)/B. Com (Bharathidasan University, India)/DISSCA– CA Sri Lanka/ CISA (USA)

29 years in Banking

3 Nandika Buddhipala

Chief Financial Officer

FCA/FCCA (UK)/FCMA/CMA (Aus)/MCISI (UK)/SA Fin (Aus)/IMA (USA)/BSc, BAd (Special) (University of Sri Jayewardenepura)/ PG Dip in Management (University of Sri Jayewardenepura)/MBA (University of Colombo)/MA in Financial Economics (University of Colombo)/MSc in Financial Mathematics (University of Colombo)

34 years post qualifying experience including 17 years in Banking

4 Isuru Tillakawardana

Deputy General Manager – Human Resource Management

LL.B (University of Colombo)/MBA (University of Sri Jayewardenepura)/ MA (University of Colombo)/Diploma in International Affairs (BCIS)/GSLID (SLID)/ Fellow of the Association of HR Professionals

34 years of experience including 15 years in Banking

5 Hasrath Munasinghe

Deputy General Manager – Corporate Banking

FIB (SL)/FCIM (UK)/FSLIM/FCMI (UK)/ACMA (UK) /CGMA /CMA (Aus) /GSLID (SLID)/MSc in IT (University of Moratuwa)/MBA (University of Southern Queensland, Aus)/CPM (Asia Pacific Marketing Federation, Sing)/ Post Graduate Diploma in Business and Finance Administration (CA Sri Lanka)/ Advanced Diploma in Credit Management (IBSL)/Diploma in Treasury & Risk Management (IBSL)

31 years of experience including 14 years in Banking

6 Asela Wijesiriwardane

Deputy General Manager – Treasury

BSc (University of Colombo)/MA-Econ (University of Colombo)/ACMA (UK)

28 years in Banking

7 Delakshan Hettiarachchi

Deputy General Manager – Personal

Banking CIM (UK)/MBA (Cardiff Metropolitan University, UK)/AIB (SL)/FCPM(SL)

41 years in Banking
(Retired from service on February 18, 2025)

8 Kapila Hettihamu

Chief Risk Officer

BSc (University of Colombo)/MBA (University of Colombo)/Member (Association Cambiste Internationale)

29 years in Banking

9 John Premanath

Deputy General Manager – Management Audit

FCCA (UK)/ACA (ICA England & Wales)/ACA (CA Sri Lanka)/CISA (USA)/CIA (USA)/BSc Applied Accounting (Oxford Brookes – UK)/ AIB (SL)/DISSCA/ISO 27001:2022 ISMS Lead Auditor/GSLID (SLID)

34 years in Banking

10 Ms Tamara Bernard

Deputy General Manager – International

AIB (SL)/Masters in Development Studies (University of Colombo)/MBA (University of Sri Jayewardenepura)

35 years in Banking

11 Sumudu Gunawardhana

Chief Information Officer

BSc (Eng.) in Computer Science and Engineering (University of Moratuwa)/ MBA (University of Colombo)/AIB (SL)/ CIMA passed finalist/PMP (USA)/EPGM-Sloan Business School (Massachusetts Institute of Technology USA)

27 years of experience in Information Technology including 4 years in Banking

12 Prasanna Indrajith

Deputy General Manager – Finance

FCA/FCCA (UK)/FCMA (SL)/AIB (SL)/BSc BAd (Special) (University of Sri Jayewardenepura)/ Postgraduate Diploma in Business and Financial Admin. (CA Sri Lanka)

30 years post qualifying experience in Finance related fields including 28 years in Banking

13 Kanishka Ranaweera

Deputy General Manager – Human Resource Management (Designate)

BBA Studies (University of Colombo), MBA (University of Colombo), Attorney- at-Law, ACIPM

19 years of experience including 2 years in Banking

14 Krishan Gamage

Assistant General Manager – Information Technology (Operations)

BSc (Eng.) in Electronic and Telecommunication (University of Moratuwa)

26 years of experience in Information Technology including 18 years in Banking

15 Chinthaka Dharmasena

Assistant General Manager – Services

BSc (Eng.) Hons in Mechanical Engineering (University of Moratuwa)/MBA (University of Sri Jayewardenepura)/ ISO Lead Auditor Certificate/visiting lecturer at University of Moratuwa

23 years of experience in Manufacturing and Supply Chain Management and 13 years in Banking

16 B A H S Preena

Assistant General Manager – Corporate Banking I

MBA (University of Colombo)/FIB (SL)

37 years in Banking

17 Mrs Mithila Shamini

Assistant General Manager – Personal Banking I

AIB (SL)/Dip. in Business Mgmt.(SLBDC)/ Postgraduate Diploma in Business and Financial Admin. (CA Sri Lanka)/MBA (Griffith University, Aus)

38 years in Banking

18 M P Dharmasiri

Assistant General Manager – Planning

FCA/FCMA (SL)/AIB (SL)/MSc Mgt (University of Sri Jayewardenepura)/MA Financial Economics (University of Colombo)/BSc BAd (Special) (University of Sri Jayewardenepura)

35 years in Banking

19 Thusitha Suraweera

Assistant General Manager – Transformation

Passed Finalist, CIMA (UK)

27 years in Banking

20 Nalin Samaranayake

Assistant General Manager – Credit Supervision and Recoveries

AIB (SL)/Postgraduate Executive Diploma in Bank Mgt./MBA- Cardiff Metropolitan, (UK)

37 years in Banking

21 Varuna Kolamunna

Assistant General Manager – Personal Banking II/Bancassurance

Intermediate Diploma in Banking & Finance (IBSL)/Masters of Business Administration (Open University of Malaysia)

34 years in Banking

22 S Ganeshan

Assistant General Manager – Personal Banking III/SME

Intermediate Diploma in Banking & Finance (IBSL)/Postgraduate Diploma in Business Administration, Staffordshire University, UK

36 years in Banking

(Appointed as the Deputy General Manager – Personal Banking w.e.f. February 19, 2025)

23 Sidath Pananwala

Assistant General Manager – Corporate Banking II

AIB (SL)/MBA (University of Sri Jayewardenepura)/CMA (Australia)

38 years in Banking

24 Dilan Rajapaksha

Assistant General Manager – Personal Banking IV

FIB (SL)/CGMA Adv Dip MA

35 years in Banking

25 Pradeep Banduwansa

Assistant General Manager – Digital Banking

Intermediate Diploma in Banking & Finance (IBSL)/AIB Final Stage 1/ Executive MSc in Strategic Management (Asia eUniversity Malaysia)

35 years in Banking

26 Najith Meewanage

Chief Executive Officer – Bangladesh Operations

AIB (SL)/Masters of Business Administration (University of Greenwich, London, UK)

32 years in Banking

27 Tivanka Damunupola

Assistant General Manager – Treasury

Intermediate Diploma in Banking & Finance (IBSL)/Association Cambiste Internationale – Financial Markets Association, Dealing Certification/MBA in Banking and Finance (Am.University of London)/Association Cambiste Internationale FX Global Code Certificate (ACI)

29 years in Banking

28 Mrs Chandani Siyambalagastenne

Assistant General Manager – Compliance/Compliance Officer

AIB (SL), MBA (University of SIKKIM Manipal), CMA (Australia), ICA (UK)

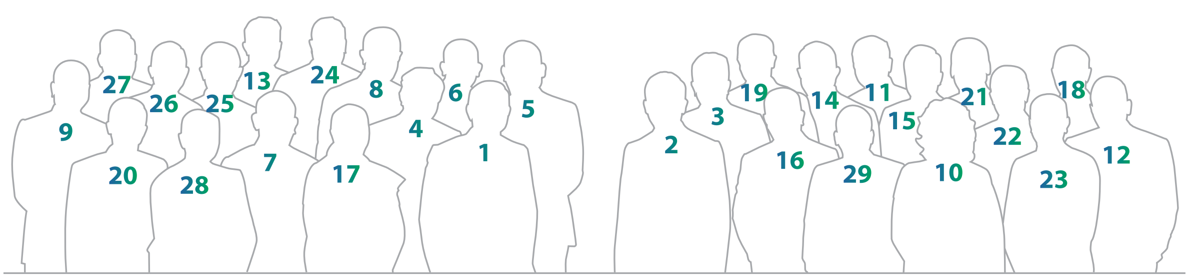
33 years in Banking

29 Ramachandren Sivagnanam

Assistant General Manager – Operations

AIB (SL)

34 years in Banking



Senior Management

Corporate Banking

Mrs Sushara Vidyasagara
Head of Corporate Banking

Geehan Jayawickrama
Chief Manager – Corporate Banking

Pubudu Perera
Chief Manager – Corporate Banking
(Deceased)

Prasad Fernando
Head of Imports

Mrs Ruvini Samarasinghe
Chief Manager – Foreign Operations

Himaru Kulawardene
Chief Manager – Corporate Banking

Lawrian Somanader
Head of Exports

Lakmal Subasinghe
Chief Manager – Corporate Banking

Mohan Liyanapatabendi
Chief Manager – Corporate Banking

Tharinda Jayawardana
Head of Investment Banking and Research

Personal Banking

Sanath Perera
Senior Regional Manager – Colombo Inner

Shanthapriya Withanage
Senior Regional Manager – Greater Colombo
(pre-maturely retired on February 07, 2025)

Mrs Nelum Wasala
Head of Centralised Credit Processing

Michael De Silva
Chief Manager – Centralised Credit Processing

Ms Dharshini Gunatilleke
Chief Manager – Centralised Credit Processing

Mrs Nimalka Wickremarachchi
Regional Manager – Colombo Outer

Chaminda Ganegoda
Regional Manager – Central

Treasury

Mrs Chandrima Leelaratne
Head of Treasury Processing

Chamenda Kalugamage
Regional Manager – Uva Sabaragamuwa

Aruna Tennakoon
Regional Manager – Colombo North

Roshan Fernando
Regional Manager – Wayamba

Hemal Jayasekara
Chief Dealer – ALM

Roshan Peiris
Regional Manager – Southern

Athula Palletenna
Regional Manager – South Western

R Kajaruban
Regional Manager – Eastern

Chirantha Caldera
Chief Dealer – Treasury Sales

Arulumpalam Jeyabalan
Regional Manager – Northern

Asela Leuwanduwa
Regional Manager – Colombo South

Support Services

Tilak Wakista
Head of Premises

Upul Perera
Head of Central Systems Support

Jagath Weerasinghe
Chief Manager – IT
(Resigned on January 31, 2025)

Mahela Perera
Chief Manager –
Credit Supervision and Recoveries

Mrs Pushpa Chandrasiri
Head of Human Resource Management

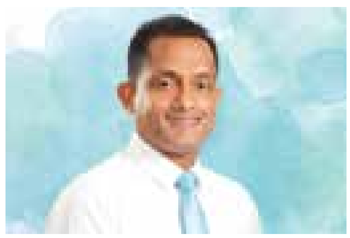
Ms Sunari Dandeniya
Chief Information Security Officer

Dushmantha Jayasuriya
Chief Manager – Retail Products

Asanka Wijayasinghe
Chief Manager –
Retail Credit Approval

Nishantha De Silva
Head of Card Centre

Dr Shanthikumar Fernando
Chief Manager –
Research and Development



Buddhika Gunawardana
Chief Manager –
Information Technology

Mrs Aparna Jagoda
Chief Manager – Marketing

Harendra Ranasinghe
Head of Security and Safety

Priyantha Perera
Chief Manager –
Super Market Banking

Pramith Rajapaksha
Company Secretary

Mrs Dilrukshi De Silva
Chief Manager – AML/Compliance

Mrs Varuni Egodage
Head of Legal

Mohan Fernando
Chief Manager – SME Banking

Rasika Perera
Chief Manager –
Staff Development Centre

Thushara Yatawara
Chief Manager – IS Audit

Ms Vathsala Wijekoon
Chief Manager – Planning

Rangika Rodrigo
Chief Manager – Procurement

Mrs Chandima Dangolle
Chief Manager – Finance

Mrs Apsara Wellappili
Senior Engineering Manager – IT R&D

Mrs Chathurani Rajamuni
Chief Manager – Inspection

Keerthi Mediwake
Chief Manager – Data Governance

Mrs Kamalini Ellawala
Chief Manager – Sustainability, Women Banking and CSR

Mrs Nadika Nagahawatte
Senior Engineering Manager – IT R&D

Ms Jalika Hewagama
Chief Manager – Customer Experience

Thushara Thomas
Chief Manager – Central Cash

Seevali Wickramasinghe
Chief Manager – Card Centre

Neelaka Aluthge
Senior Engineering Manager – IT R&D

Mrs Deepika Vidanagamage
Chief Manager – Operations

Shaliya Weeratunge
Chief Manager – Integrated Risk Management

Mrs Deepthi Denagama
Associate Principal Engineering Manager – IT R&D

Iranjith Bandara
Senior Engineering Manager – IT Operations

Mrs Pushpa Jayaweera
Chief Manager – Legal

Roy Adikaram
Chief Manager – Premises

Sampath Abeywickrema
Senior Engineering Manager – IT R&D

Mark De Zoysa
Senior Engineering Manager – IT Operations

Bangladesh Operations

Hasitha Nanayakkara
Senior Engineering Manager – IT Operations

Najith Meewanage
Chief Executive Officer

Binoy Gopal Roy
Chief Financial Officer

Ms Fatema Zohara
Assistant General Manager – Corporate Banking

Ms Menaka Rajapakse
Senior Business Transformation Lead – IT R&D

Kasun Herath
Deputy Chief Executive Officer and Chief Operating Officer

Haily Algewatte
Chief Risk and Investment Strategy Officer

Kazi Mashqur Ur Rahim
Assistant General Manager – Head of Corporate Sales

Bhagya Botejue
Head of Programme Management Office – IT R&D

Mahmud Hossain
Deputy Chief Executive Officer and Head of Corporate Banking

Shakir Kushru
Senior Assistant General Manager – Personal Banking

Asaduzzaman Asad
Assistant General Manager – Treasury (Asset Liability Management)

Damith Chanaka
Senior Engineering Manager – IT Support Services

Subsidiary Operations (Local)

Nalin Gunatunga
Chief Executive Officer – CBC Tech Solutions Limited

Subsidiary Operations (Foreign)

Elmo Sooriyaarachchi
Managing Director/Chief Executive Officer – Commercial Bank of Maldives Private Limited

Dilan Rodrigo
Managing Director/Country Head – CBC Myanmar Microfinance Company Limited

The context
Operating environment and outlook

Global economy

2024

The global economy is holding steady, although the degree of grip varies widely across countries.

China: Growth in China, at 4.6 % (2024-3Q) in year-over-year terms, was below expectations. Faster-than-expected net export growth only partly offset a faster-than-expected slowdown in consumption amid delayed stabilisation in the property market and persistently low consumer confidence.

India: Growth in India also slowed more than expected, led by a sharper-than-expected deceleration in industrial activity.

Growth continued to be subdued in the euro area (with Germany's performance lagging that of other euro area countries), largely reflecting continued weakness in manufacturing and goods exports even as consumption picked up in line with the recovery in real incomes.

In Japan, output contracted mildly owing to temporary supply disruptions. By contrast, momentum in the United States remained robust, with the economy expanding at a rate of 2.7% in year-over-year terms in 3Q-2024, powered by strong consumption.

2025

Global growth is expected to remain stable, albeit lackluster. At 3.3% in both 2025 and 2026, the forecasts for growth are below the historical (2000–19) average of 3.7%.

In the United States, underlying demand remains robust, reflecting strong wealth effects, a less restrictive monetary policy stance, and supportive financial conditions and growth is projected to be at 2.7% in 2025.

Euro area growth is expected to pick up but at a more gradual pace than anticipated in previous IMF forecasts (Oct' 2024), with geopolitical tensions continuing to weigh on sentiment. Growth for 2024 is projected at 1.0%.

In other advanced economies, two offsetting forces keep growth forecasts relatively stable.

- Recovering real incomes are expected to support the cyclical recovery in consumption.
- Trade headwinds—including the sharp uptick in trade policy uncertainty— are expected to keep investment subdued.

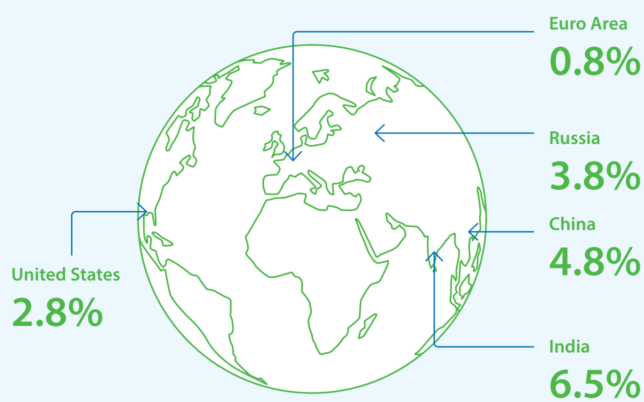
In emerging market and developing economies, growth performance in 2025 and 2026 is expected to broadly match that in 2024. Growth forecasted for 2025 is 4.2% while the forecast for 2026 is 4.3%. China and India are expected to grow by 4.6% and 6.5% in 2025. The fiscal stimulus package announced in November 2024 is expected to drive China's growth in 2025.

World Economic Outlook projections (% change) Table – 04

	2024	2025 (E)	2026 (P)
World output	3.2	3.3	3.3
Advanced economies	1.7	1.9	1.8
United States	2.8	2.7	2.1
Euro Area	0.8	1.0	1.4
Emerging and developing Asia	5.2	5.1	5.1
China	4.8	4.6	4.5
India	6.5	6.5	6.5
Russia	3.8	1.4	1.2

World Economic Outlook Projections (% change) – 2024 Figure – 08

World output
3.2%
Advanced economies
1.7%
Emerging and developing Asia
5.2%



Source: IMF – World Economic Outlook, January 2025

The Sri Lankan economy

Political transition: The Sri Lankan economy continued its recovery in 2024, following the economic crisis in 2022 which was the worst economic crisis experienced by the country post independence. The country was able to sustain the growth momentum despite a presidential and a parliamentary election. Elections also witnessed a major political shift, with a third party being elected outside the two main political parties, as the ruling party of the country.

Continuation of IMF – EFF: Authorities continued its strict adherence to the IMF program. The IMF Executive Board completed the Third Review under the Extended Fund Facility (EFF) with Sri Lanka in February 2025, providing the country with immediate access to SDR 254 Mn. (about USD 334 Mn.).

Finalisation of EDR: The country's major achievement in 2024 was the finalisation of the External Debt Restructuring process. This milestone was a significant turning point for the year and within the broader context of the IMF program, signaling progress towards restoring economic stability and regaining access to international capital markets.

Sri Lanka restructured external debt worth USD 17.5 Bn. Out of this, USD 12.55 Bn. (plus USD 1.6 Bn. past due interest) were Sovereign debt and bondholders representing 97.8% of the total SLISB value outstanding agreed to the exchange offer, which grants them new notes in various structures under global or local options. On December 20, 2024, the government announced the completion of the debt exchange regarding SLISBs marking the end of the prolonged EDR process which started in October 2023 (Ministry of Finance).

Following the bond exchange, Sri Lanka will achieve under the baseline scenario approximately USD 9.5 Bn. in debt service payment reduction over the four-year IMF program period, a 31% reduction in the coupon rate of its bonds, and an extension of the average maturity profile of more than five years, according to estimates from the Sri Lankan Treasury. (Ministry of Finance)

Credit rating upgrades: Accordingly, Fitch and Moody's upgraded Sri Lanka's sovereign ratings by several notches, marking the country's successful emergence from default status. Fitch ratings, on December 20, 2024 upgraded the country's sovereign rating from RD to CCC+ while Moody's upgraded its sovereign rating from Ca to Caa 1 (Outlook: Stable) on December 23, 2024.

Encouraging fiscal performance: On the fiscal front, tax reforms led to a growth in government revenue. According to provisional figures released in the Government Budget 2025, revenue is expected to grow by 32%. Meanwhile, government expenditure is expected to grow by 14% during the same period supported by curtailed government expenditure measures. Due to improved revenue collection and subdued government expenditure, Sri Lanka is estimated to have recorded a primary balance Rs. 650 Bn. in 2024 (provisional figures – Government Budget 2025). The year end target for primary balance outlined by the IMF was Rs. 300 Bn.

The government will need to further boost its revenue in 2025 with a view to meeting the 2.3% (as a percentage of GDP) primary balance target set by the IMF. According to the 2025 government budget, tax revenue is estimated to be increased by Rs. 885 Bn. year-on-year. This additional revenue is projected to come from VAT on goods and services imports (Rs. 192.5 Bn.), excise duty on vehicle imports (Rs. 171.4 Bn.), import duties (Rs. 128.9 Bn.), and corporate taxes (Rs. 103.7 Bn.). Even though the proposed Personal Income Tax revisions will impact revenue to decline by Rs. 41.6 Bn., the upward revision of WHT is expected to mitigate it (expected to gain Rs. 66.2 Bn.).

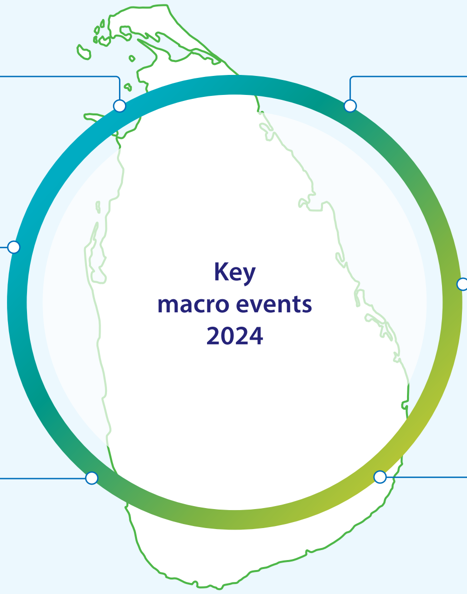
Overnight policy rate: A significant development in the monetary sector was the introduction of a single policy rate mechanism by the Central Bank of Sri Lanka (CBSL). In line with IMF recommendations, the single policy rate mechanism, known as the Overnight Policy Rate (OPR), replaced the previously operational policy rate corridor. However, the previous policy rates (standing rates): SDFR and SLFR will continue to be available to participatory institutions for overnight transactions with the Central Bank.

The interest rates applicable for these facilities, are linked to the OPR, with pre-determined margins (currently – 50 and +50bps) as decided by the Central Bank. Currently, these margins are symmetric around the OPR and are set by the Monetary Policy Board based on market conditions. In 2024, CBSL cut policy rates by 75bps (25bps in March and 50bps in November 2024).

Rupee appreciation: The Sri Lankan rupee appreciated by 10.7% against the US Dollar in 2024 amid favourable external performance.

Inflation: Backed by a strong rupee, decreased fuel/energy & food prices and improvements in supply side, Sri Lanka's inflation moved into negative territory in September 2024.

Key macro events 2024 Figure – 09



- Inflation moving into negative territory
- CBSL introducing a single policy rate (OPR)

- Recovery of credit to private sector

  Highest growth in absolute amount of credit to private sector after 2018

- Completion of EDR
- Government achieving IMF reserve target and primary balance target
  (9M primary balance 3.53% of GDP)

- GDP growth for 2024-Q3 recording the highest quarterly growth since 2021-Q2

- Robust growth in earnings from tourism and workers' remittances.
- Recovery of textile and garment exports

- Rupee appreciation
- Credit rating upgrades
- ASPI breaching the 15,000 mark for the first time in history

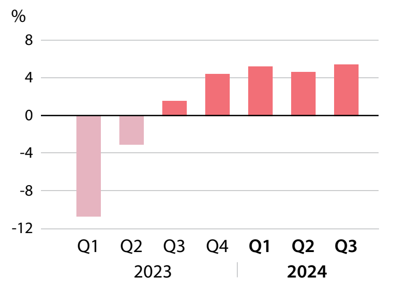
Key economic strategies of the Government Figure – 10

- Boosting revenue while prioritising measures that minimise the impact on low-income communities.
- Proper targeting of social welfare schemes.
- Prioritising FDIs
- Digital drive
- Promotion of exports
- Increase value generated from tourism
- Fostering innovation and entrepreneurship
- Energy transition and sustainability
- Investment climate improvement
- Agriculture modernisation
- Anti-corruption and governance reforms
- SMEs as the backbone of economic development
- Supporting women's economic participation

GDP

2024	2025
GDP continued its resurgence in 2024 recording strong growth for all three published quarters. For the first nine months, GDP grew by 5.2% compared to the corresponding period of last year. According to CBSL, GDP is projected to have grown by around 5.0% in 2024.	Sri Lanka's economy is expected to sustain its growth momentum in FY 2025, driven by robust macroeconomic fundamentals and enhanced fiscal stability. CBSL expects Sri Lanka economy to grow around 5% in 2025.

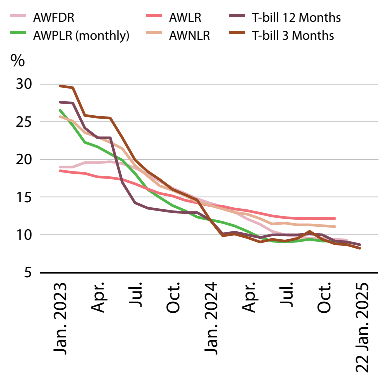
Quarterly GDP Growth Graph – 11



Interest Rates

2024	2025
Interest rates remained at low levels in 2024. However, a slight uptick in interest rates was recorded due to pre-election uncertainties. After the conclusion of elections, the interest rates moved down. CBSL made two policy rate cuts totaling 75 basis points in 2024. CBSL also introduced a single policy rate: Overnight Policy Rate (OPR) discontinuing the previous policy rate corridor mechanism. The new policy rate is expected to transmit the monetary policy decisions to the markets effectively and efficiently.	The current low-interest-rate environment is expected to persist throughout much of 2025, as authorities expect interest rates to play a crucial role in stimulating economic activity through robust lending. However, a slight uptick in interest rates is anticipated towards the end of 2025, driven by increased government borrowing.

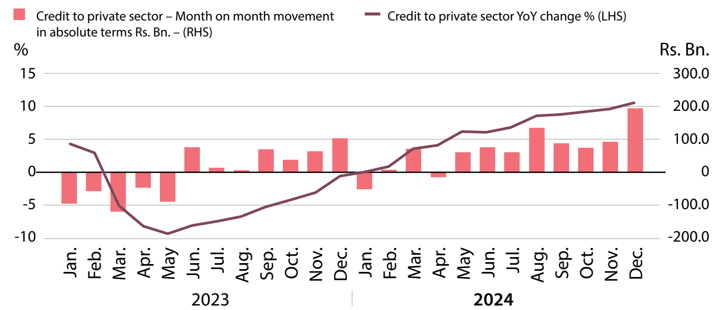
Interest Rates Graph – 12



Credit to Private Sector

2024	2025
Credit to private sector experienced a significant boost supported by the low interest rate environment. In the year 2024, banks had granted credit worth Rs. 789.6 Bn. to the private sector.	Low interest rate environment is expected to further boost credit to private sector in 2025.

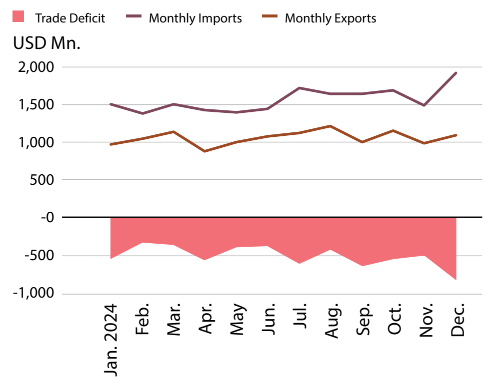
Credit to Private Sector Graph – 13



External Sector

2024	2025
In 2024 Sri Lanka's Import growth was around 12% (YoY) and exports grew by around 7% (YoY) during the same period. The most notable improvement was the recovery of textile and garment exports which recorded a negative growth (YoY) up to January – July but moved to positive growth (YoY) from August 2024. The growth (YoY) for 2024 was 3.7%. Tea, another major export commodity, too performed well despite many challenges faced by the industry. Robust tourism and workers' remittances performances ensured sound foreign inflows throughout the year. The CBSL's gross official reserves improved to USD 6.1 Bn. at end 2024, exceeding the year-end IMF target of USD 5.5 Bn.	Both imports and exports are expected to improve in 2025. Resumption of vehicle imports and improved consumer demand due to revisions on personal income tax will contribute to boost import expenditure. Geo political developments may also have an impact on exports and imports. Any shock in oil prices may increase the country's oil import bill. Further, anticipated protectionist trade policies of the new US regime and a struggling Europe may weigh on Sri Lanka's exports.

Trade Performance (monthly) Graph – 14



Exchange Rate

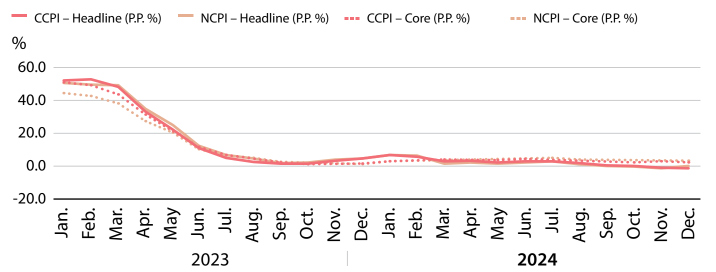
2024	2025
The rupee appreciated against the US dollar backed by foreign inflows from multilateral organisations, and improved earnings from tourism and workers' remittances. Further, foreign outflows were limited aided by suspension of debt repayments and vehicle imports.	Relaxation of vehicle imports, resumption of debt repayments and increased import demand due to robust economic performance are expected to apply pressure on the exchange rate in FY 2025. However, the magnitude of the depreciation will not be as severe as in 2022. Steady foreign inflows from a strong tourism sector, healthy remittance inflows and funding from multilateral organisations are expected to mitigate the downward pressure on the rupee. Further, the sovereign rating upgrades will boost investor sentiment.

USD/LKR Middle Rate Graph – 15

Inflation

2024	2025
Inflation remained within the targets set by the IMF program in the early months of 2024. However, from September 2024, Sri Lanka entered a phase of deflation mainly due to a drop in food and energy/utility prices.	Inflation is expected to remain in negative territory during the first half of 2025. However, it is anticipated to rise and align with the CBSL's target range by the end of 2025.

Inflation – CCPI & NCPI Graph – 16



The Sri Lankan Banking sector

Key highlights of the Sri Lankan Banking sector in 2024

- Gross loans and receivables (credit) of the banking sector continued to grow, while the default risk of the sector declined during the year as reflected by the reduction in the non-performing loan (NPL) ratio.
- During 2024, the Return on Equity (ROE) of the banking sector also improved considerably. The Capital Adequacy Ratio (CAR) of the banking sector improved during 2024 reflecting the higher growth recorded in regulatory capital than the Risk Weighted Assets.
- The legal and regulatory framework of Licensed Banks was strengthened through the Banking (Amendment) Act and the issuing of necessary Directions to licensed banks to facilitate the effective implementation of the amendments.
- Accordingly, Banking Act Directions on, inter alia, large exposure, corporate governance, liquidity ratios, related party transactions, and offshore banking business were issued to Licensed Banks.
- Further, the Central Bank developed the Bank Re-capitalisation Strategy in line with the roadmap for the restructuring and re-capitalisation of nine large domestic banks with a view to strengthening financial system stability through an adequately capitalised banking system.
- The Central Bank also strengthened the resolution framework under the Banking (Special Provisions) Act (BSPA) in 2024.

Key policies aimed at financial system stability in 2025 by the Central Bank

- Exercise regulatory oversight on bank re-capitalisation strategy
- A framework for market-driven consolidation of licensed banks
- Further strengthening the regulatory framework under the Banking (Amendment) Act
- Coordinate with Colombo Port City Economic Commission to facilitate the conduct of offshore banking business
- Implementing phase II of the Masterplan for the Consolidation of Finance Companies
- Introducing amendments to Finance Business Act and Finance Leasing Act
- Announcements of capital buffers of Domestic Systemically Important Banks and identifying Systemically Important Finance Companies
- Launching the Sustainable Finance Roadmap for Sri Lanka – Version 2.0
- Strengthen oversight of banking sector credit through the use of appropriate macroprudential tools
- Revision of the Payment and Settlement Systems Act along with several subsidiary legislations
- Operationalise the Government Digital Payment Platform (GDPP)
- Broadening the market conduct supervision in compliance with Financial Consumer Protection Regulations
- Display key financial information enabling consumers to make informed decisions

Source: CBSL's Policy Agenda for 2025 and Beyond

The Bank's performance compared to the Banking sector Table – 05

	Banking Sector (*) (End September 2024)	Commercial Bank (End December 2024)	Market Share % Commercial Bank (End September 2024)	Banking Sector (*) (End December2023)	Commercial Bank (End December2023)	Market Share % Commercial Bank
Assets and liabilities (Rs. Tn.)						
Gross loans and advances to other customers	11.252	1.487	13.22	11.021	1.266	11.49
Deposits	17.340	2.237	12.90	16.631	2.085	12.54
Total assets	21.201	2.790	13.16	20.394	2.580	12.65
Profitability (%)						
Return on Assets (ROA) – before tax	1.86	3.56		1.49	1.27	
Return on Equity (ROE)	12.46	22.06		11.50	9.78	
Net Interest Margin (NIM)	4.01	4.27		3.66	3.32	
Cost to income ratio (excluding taxes on financial services) (**)	42.30	33.85		40.50	36.11	
CASA ratio	32.02	38.07		32.32	39.23	
Asset quality (%)						
Stage 3 loans (a) to total loans and advances (b)	12.63	8.59		12.79	11.34	
Net Stage 3 loans (c) to total loans and advances (b)	12.74	2.76		12.78	5.85	
Stage 3 impairment coverage ratio (d)	52.31	64.61		48.98	43.22	
Total impairment coverage ratio (e)	8.67	6.89		8.64	7.05	
Capital adequacy (%)						
Core capital (Tier 1 capital) adequacy ratio	14.773	14.227		15.206	11.442	
Total capital adequacy ratio	18.459	18.142		18.392	15.151	
Liquidity (%)						
Liquidity Cover Ratio – all currencies	284.43	454.36		288.42	516.27	
Credit to total deposits	64.89	66.48		66.27	60.70	

(*) Banking Sector = Licensed Commercial Banks + Licensed Specialised Banks (Source: CBSL)

(**) The Bank's ratio has been computed after discounting the net derecognition loss on restructuring of SLISB's.

Notes:

(a) Excluding undrawn portion

(b) Total loans and advances including Stage 3 loans

(c) Net of Stage 3 impairment (including undrawn portion)

(d) The ratio of Stage 3 impairment to Stage 3 loans

(e) The ratio of total impairment to total loans and advances

Engaging with our stakeholders

The Bank recognises that meaningful engagement with stakeholders is critical to our long-term success. Our stakeholders are the individuals, groups and organisations as well as the society and the environment in general, that materially affect or are materially affected by our business activities, products, services and performance. They provide the resources and capital we need to achieve our strategic priorities, ultimately enabling us to fulfil our purpose of sustainable value creation while safeguarding our social license to operate.

By engaging with our stakeholders proactively and constructively, we gain valuable insights that help us to:

- Shape our strategy to improve our services and performance
- Identify material matters and key priorities
- Mitigate risks and seize opportunities
- Adapt to an ever-changing operating environment
- Deliver value and care to our stakeholders.

Through ongoing dialogue, we foster enduring and mutually beneficial relationships that drive shared value creation across the short, medium and long term.

Our stakeholder engagement principles

Our stakeholder engagement process is guided by a set of core principles that ensure consistency, transparency and accountability across all engagements:

Accessibility: Ensuring that stakeholders can readily engage with us through a range of platforms and mechanisms.

Constructive engagement: Proactively engaging with stakeholders, considering their concerns and suggestions with an open mind.

Transparency: Conducting open and honest communications in line with our Code of Ethics and Conduct and the Communication Policy.

Ethical governance: Upholding integrity and ethical conduct in all our interactions, fostering trust and confidence.

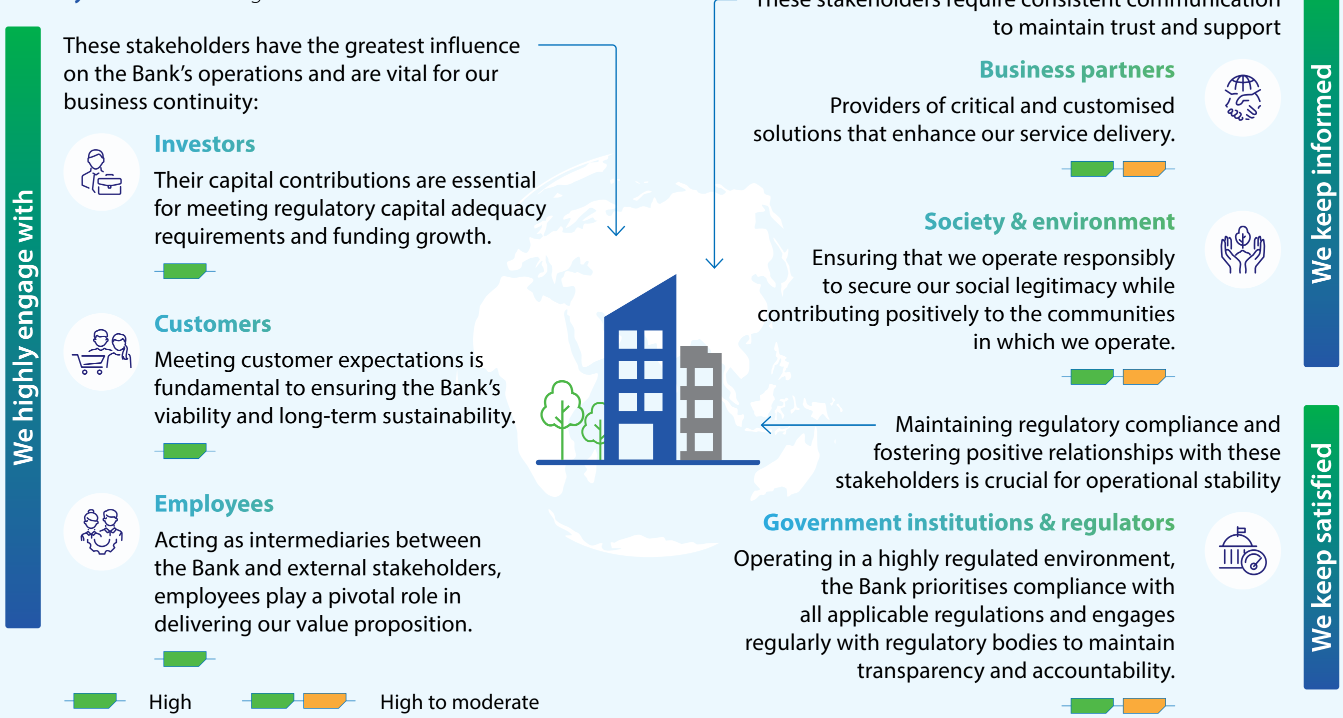
Responsiveness: Listening to legitimate concerns and responding appropriately and promptly.

The Figure 12 illustrates the stakeholder engagement process, reflecting our unwavering commitment to prioritising stakeholders' interests, as captured in the tagline, "Our interest is in you". This commitment underpins transparent and continuous engagement across various platforms, promoting strong collaboration. By incorporating their legitimate concerns and expectations into the strategy, we create value for stakeholders while fostering mutual benefits and driving sustainable value creation.

Identifying and prioritising our key stakeholders

Our stakeholder engagement approach involves identifying key stakeholders based on their level of interest in and influence over our business. The Bank has categorised its stakeholders into three groups, each with tailored engagement strategies:

Our key stakeholders Figure – 11

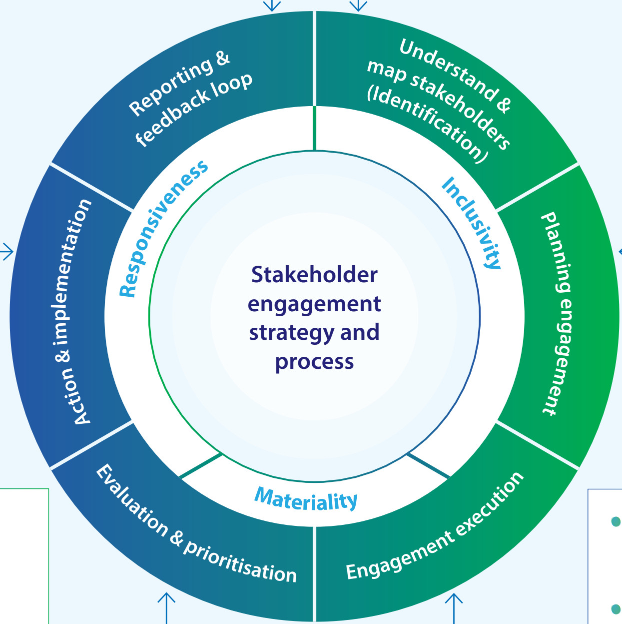


Our stakeholder engagement process Figure – 12

- **Objective:** Maintain transparency and close the loop by communicating outcomes to stakeholders.
- **Key activities:** Report initiatives, progress, and impacts; share feedback and performance outcomes; re-engage stakeholders if necessary.
- **Outcome:** Enhanced stakeholder trust, measured success, and insights for continuous improvement.

- **Objective:** Identify stakeholder groups and understand their interests, concerns, and influence.
- **Key activities:** Stakeholder mapping, defining inclusivity, identifying engagement opportunities and risks, and prioritising based on influence and interest.
- **Outcome:** A clear map of stakeholders and prioritised groups for engagement.

- **Objective:** Design and implement responsive actions based on stakeholder feedback.
- **Key activities:** Develop action plans, formulate policies and procedures, conduct pre-implementation testing, communicate timelines, and implement initiatives.
- **Outcome:** Stakeholder-driven actions embedded into business practices for improved outcomes.



- **Objective:** Establish the strategy for engagement.
- **Key activities:** Set objectives, scope, and timelines; prioritise stakeholders; determine engagement modes; allocate resources; align with strategic goals.
- **Outcome:** A comprehensive engagement plan tailored to stakeholder needs and aligned with the organisation's strategic priorities.

- **Objective:** Analyse feedback and assess the effectiveness of engagement efforts.
- **Key activities:** Evaluate results, determine alignment with materiality assessments, and prioritise issues for action based on impact and feasibility.
- **Outcome:** Prioritised list of stakeholder concerns and insights for further action or follow-up engagement.

- **Objective:** Conduct meaningful engagements with stakeholders to gather insights and feedback.
- **Key activities:** Engage purposefully using bespoke methods, collect feedback through surveys, interviews, meetings, and consultations.
- **Outcome:** Insights and feedback gathered for evaluation and prioritisation.

How we engage

Our stakeholder engagement process is dynamic, evolving to meet changing stakeholder expectations and external conditions. We engage through multiple channels, including formal meetings, industry forums, surveys, digital platforms, social media and feedback mechanisms. Engagement responsibilities are assigned to appropriate staff members who are responsible for reporting stakeholder concerns and priorities to the relevant Management and Board committees.

Informed by proactive engagement, we continuously adapt our business model, foster innovation and respond to stakeholder concerns to minimise reputational risks and enhance efficacy of strategic planning. Our engagement channels are two-way, enabling both proactive outreach and responsive dialogue. This ensures that stakeholders can initiate interactions while also allowing us to raise pertinent matters.

Engagement mechanisms and frequency

Recognising the evolving engagement landscape, particularly the shift towards digital platforms, we employ a mix of formal and informal mechanisms to ensure continuity, inclusivity, and responsiveness. Our engagement with each stakeholder group is focused on managing key value/risk drivers to ensure alignment with our strategic goals. The key engagement mechanisms, topics discussed, concerns raised, and the Bank's responses to stakeholders are detailed in Figure 13 on pages 64 and 65.

Leveraging stakeholder engagement for strategic advantage

Our stakeholder engagement process not only strengthens our relationships but also enhances our ability to anticipate and respond to emerging trends, risks and opportunities. By integrating stakeholder feedback into our strategy, we are able to drive innovation, improve service delivery and contribute meaningfully to economic and social development.

In 2024, our enhanced focus on stakeholder engagement was instrumental in refining our material matters, prioritising key initiatives and aligning our Sustainability Framework with stakeholder expectations. As we move forward, we remain committed to deepening our engagement efforts, ensuring that stakeholder interests continue to shape our value creation journey.

Mode and frequency of stakeholder engagement Figure – 13

Investors

Engagement mechanism and frequency

Engagement mechanism	Frequency
Annual Reports and AGMs	Annually
Extraordinary General Meetings	As required
Interim financial statements	Quarterly
Investor presentations	As required
Press conferences and releases	As required
Announcements to CSE	As required
One-to-one discussions	As required
Investors' section in the Corporate website	Continuous
Feedback surveys	As required

Key topics discussed and concerns raised

- Financial performance and dividend policy
- Digital Roadmap of the Bank
- The outlook of the interest rates and the exchange rates
- Business expansion plans and key strategies
- Risk management and governance framework in place
- Rising taxes in the financial industry
- Resilience to adverse economic conditions in the countries the Bank operates
- Non-Performing Credit Facilities (NPCF) and impairment charges
- An overview of the economy and the outlook of the Banking sector
- Economic slowdown due to lack of policy consistency
- Outcome of the debt restructuring programme and its impact to the Bank
- Sustainability and Climate related developments

Bank's response to stakeholders

- Robust Risk Management and Governance Framework
- Optimum level of liquidity and prudent capital management
- Digitalisation of customer journey
- Use of data analytics for decision making
- Cost optimisation strategies
- Prudent impairment provisioning
- Financial planning based on expert advice
- Board approved dividend policy

Customers

Engagement mechanism and frequency

Engagement mechanism	Frequency
Customer visits	As required
Complaints received	As required
Complaints resolution officer	As required
ComBank BIZ Club	Continuous
Branch network, call centre and digital channels	Continuous
Social media platforms	Continuous
Corporate website	Continuous
Customer workshops	As required
Relationship managers	Continuous

Key topics discussed and concerns raised

- Swift service
- Customer security and privacy
- Service quality
- Affordability of services and convenience
- Grievance handling mechanism
- Financial education and literacy
- Financial support for revival of business
- Access to financial services
- Enrolment to digital platforms
- Operationalising of CBSL directives
- Financial support for women entrepreneurs

Bank's response to stakeholders

- Improvements to service delivery channels to support customers
- Setting up Digital Experience Zones to help customers gradually migrate to digital channels
- Offering concessions to individuals and businesses by restructuring and rescheduling loan facilities to support during challenging times
- Non-financial support to SMEs and Micro Businesses
- Assisted SME customers with financial literacy programmes
- Offering a range of products and services to suit customer requirements
- Setting up of a Customer Experience Unit to further enhance the service quality
- Setting up of Business Revival and Rehabilitation unit
- Increasing the number of Agriculture & Microfinance Units

Message from the Chairman on pages 32 to 34, Managing Director/Chief Executive Officer's Review on pages 35 to 37, Management Discussion and Analysis on pages 83 to 151, Financial Statements from pages 285 to 458.

Employees

Engagement mechanism	Frequency
Managers' Conference	Annually
Town hall meetings	Annually
Regional review meetings	Quarterly
Regional Managers' meetings	Monthly
Branch marketing meetings	Monthly
Training programmes	As required
Intranet	Continuous
Special staff events	Annually
Trade union discussions	As required
Employee satisfaction survey	As required

- Performance evaluation and rewards
- Career advancement opportunities
- Training and development
- Work-life balance
- Retirement benefit plans
- Diversity and inclusion
- Workplace safety
- Stability of the Bank
- Staff benefits

- A group of identified potential branch Managers were enrolled to a Leadership Development Program conducted by the Postgraduate Institute of Management (PIM)
- Special Virtual training programs were conducted targeting Branch Managers, Assistant Branch Managers and Executive Officers covering technical and soft skills
- Migration of employee engagement and development programmes to digital platforms
- The Bank remains committed to the principles of equal opportunity irrespective of gender, age, race, disability or religion in all its HR management processes
- The Collective Agreement with the Bank's branch of the Ceylon Bank Employees' Union (CBEU) was renewed for a further 3-year period in 2023
- Launched a leadership programme for 21 female employees
- Introduced AI-driven learning management systems

Society and environment

Engagement mechanism	Frequency
Multiple delivery channels	Continuous
Press releases, conferences and media briefings	As required
Informal briefings and communications	As required
Public events	As required
Corporate website	Continuous

- Responsible financing
- Community engagement
- Financial inclusion
- Microfinance and SME
- Ethics and business conduct
- Environmental stewardship
- Employment opportunities

- Financial literacy programmes for prospective SMEs and Micros
- Donation of fully-equipped IT laboratories to schools and other institutions
- Donation of critical medical equipment to government hospitals
- Mangrove plants were planted to protect lagoons
- Setup of STEM classrooms and maths labs in rural schools
- Completion of plantation of 100,000 trees under "Trees for tomorrow" programme
- Collaboration with National Water Supply and Drainage Board to plant a further 100,000 trees
- Organised trade fairs and networking events to connect SMEs with larger markets, distributors, and buyers

Business partners

Engagement mechanism	Frequency
Supplier relationship management	As required
On-site visits and meetings	As required

- Contractual performance
- Continued business opportunities
- Maintaining healthy relationships
- Timely settlement of dues
- Collaboration for new technological advances in the financial sector

- Clear communication of Bank's policies and procedures
- Honouring payments in a timely manner upon delivery
- Continuous engagement
- Supplier education to improve their business processes
- Supplier workshops for over 50 participants
- The adoption of an e-procurement system

Government institutions and regulators

Engagement mechanism	Frequency
On site and off site examinations	As required
Directives and circulars	Continuous
Meetings and consultations	As required
Press releases	As required
Periodic returns	As specified
Submissions to policymakers	As required
Responses to consultation papers on Directions and other regulations	As specified
Attending training programs	As required

- Compliance with directives and codes
- Provision of financial support to mandatory industries
- Stability of the financial system
- Migration to cashless payment platforms
- Supporting economic recovery and growth

- Remaining compliant with regulatory requirements
- Timely submission of regulatory reports and returns
- Timely payment of tax payments and furnishing of tax returns. During the year, the Bank paid Rs. 30.6 Bn. as taxes on its profits to the government
- Aligning internal strategies to support growth and revival of the economy
- Having processes to collect and remit indirect taxes on behalf of the government. During the year, the Bank collected and remitted Rs. 10.5 Bn. as taxes to the government

The context

Material matters

Evolving landscape and strategic adaptation

In the post-COVID-19 era, the banking industry has experienced significant transformation, driven by the acceleration of digital adoption, evolving customer expectations and heightened sustainability considerations. The Bank has navigated these changes by proactively enhancing its digital services, fostering a customer-centric culture and embedding sustainability into its core strategy.

Our continued investment in digital innovation, coupled with a strong commitment to customer experience, has not only transformed our service delivery but also enabled us to support stakeholders in embracing digital platforms and environmentally-conscious practices. In tandem, we have remained vigilant of global and local economic trends, ensuring financial stability through robust liquidity and capital buffers, proactive risk management and sound governance practices.

Our approach to materiality

The principle of materiality forms the foundation of our Integrated Report, incorporating an analysis of the external environment through a double materiality perspective. This approach encompasses two dimensions: **Impact materiality**, which considers the outward effects of the Bank's operations on the society, the environment, and the economy, and **Financial materiality**, which examines the inward impacts of external environmental and social changes on the Bank's capacity to create, protect, and sustain value for stakeholders over the short, medium, and long term.

Identifying these material matters is a collaborative effort that involves inputs from various business/service units and active engagement with stakeholders, ensuring that the Bank remains aligned with the expectations of its key stakeholder groups. This assessment is not limited to Bank's own operations but includes upstream and downstream value chain. Once identified, these material matters (impacts, risks and opportunities) are prioritised based on their relevance and potential impact on earnings sustainability, strategic goals and long-term value creation. The identified material topics are reviewed and validated annually during the strategic planning process. By aligning these insights with our strategic planning, we ensure our approach remains robust, forward-looking and responsive to evolving stakeholder expectations.

Integrating material matters into strategy and governance

To ensure effective management of material matters, we integrate the material matters into our strategic planning and performance management processes. Accountability for managing material topics is assigned to the heads of relevant divisions, with resources allocated based on their significance in achieving the Bank's strategic objectives. These material topics are then embedded into the Key Performance Indicators (KPIs) of Key Management Personnel (KMP) to drive alignment with corporate goals.

The Bank has developed a comprehensive set of policies that promote ethical, transparent and sustainable business practices, ensuring that all staff members adhere to the highest standards of conduct. These policies are reviewed periodically by the Board of Directors to ensure they remain relevant and are monitored by the Integrated Risk Management Department (IRMD), which reports to the BIRMC.

In addition, the Bank has established grievance handling mechanisms, ensuring that stakeholder concerns are addressed promptly. Social and environmental screening is conducted for lending activities and business partnerships to ensure responsible engagement. Periodic internal and external audits further enhance the integrity of our approach by ensuring adherence to established policies and procedures. Findings from these audits are reported to the Board of Directors and relevant Management Committees for review and corrective action, if any.

This rigorous governance framework ensures that the Bank's material matters are effectively managed, contributing to its overall resilience and sustainability. Additionally, sustainability-related risks and opportunities, identified based on financial materiality as defined by SLFRS S1 and S2, are detailed on pages 276 to 278 of this Report.

Materiality determination process

Since conducting our initial materiality assessment, we have continuously refreshed our analysis each year, incorporating insights from annual strategic planning exercises, stakeholder feedback and globally recognised frameworks such as the GRI Standards and SLFRS S1 and S2. This year, we enhanced the clarity and structure of our material matters by grouping related issues into six broader Thematic Material Matters and 28 value/risk drivers under them.

Thematic material matters and value/risk drivers

Below is a structured presentation of the six Thematic Material Matters and their corresponding value/risk drivers:

01. Risk, compliance, and governance

Effective risk management, adherence to regulations and strong governance practices are critical for safeguarding stakeholder interests and maintaining operational integrity.

- 1.1 Credit risk and asset quality
- 1.2 Cybersecurity and data privacy
- 1.3 Regulatory compliance and ethical conduct
- 1.4 Risk management framework
- 1.5 Fraud prevention
- 1.6 Corporate governance
- 1.7 Reputation management

02. Financial performance and economic contribution

Ensuring sustained financial performance and contributing to economic growth are central to the Bank's long-term success.

- 2.1 Financial performance and capital adequacy
- 2.2 Asset and liability management
- 2.3 Economic impact and contribution
- 2.4 Strategic partnerships

03. Customer centricity and experience

Delivering exceptional customer experiences remains a key driver of our business success.

- 3.1 Customer satisfaction and service quality
- 3.2 Customer experience
- 3.3 Product diversification
- 3.4 Social media influence

04. Innovation and digital transformation

Innovation and digital transformation are integral to staying ahead in a rapidly evolving financial landscape.

- 4.1 Digital transformation
- 4.2 Technological infrastructure
- 4.3 Competitive advantage through technology
- 4.4 Sustainable finance products

05. ESG and sustainability

Our commitment to sustainability is reflected in our focus on environmental stewardship, social responsibility and governance excellence.

- 5.1 Climate change and environmental impact
- 5.2 Social responsibility and community engagement
- 5.3 Alignment with SDGs
- 5.4 Supply chain sustainability

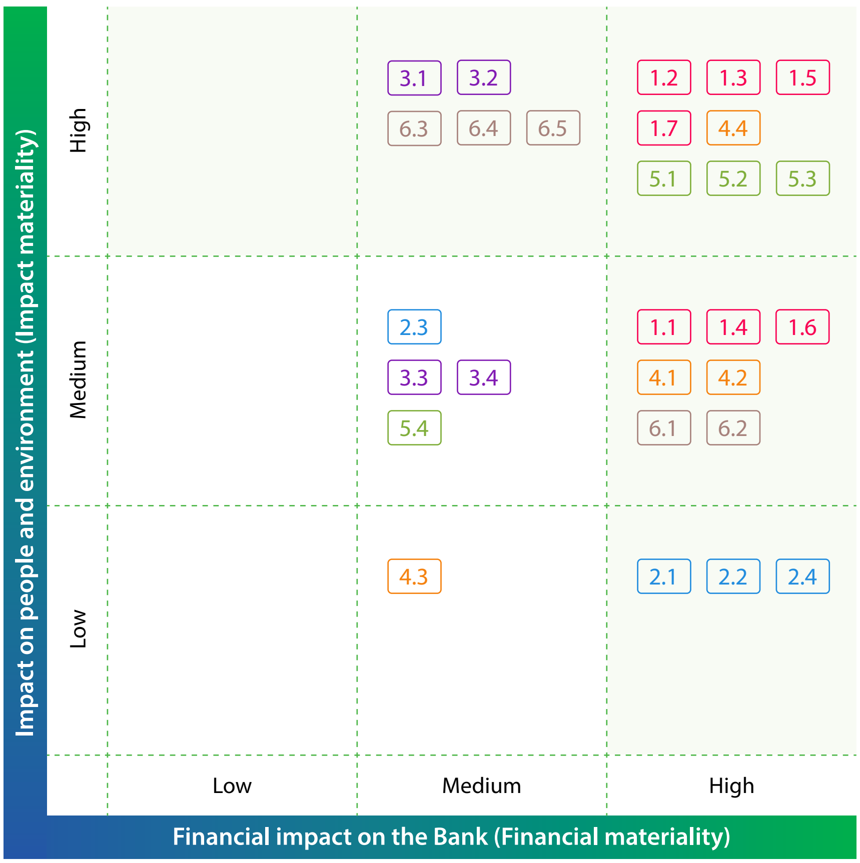
06. People and community

Our people are at the heart of our success and our community engagement drives inclusive growth.

- 6.1 Employee development and retention
- 6.2 Health and safety
- 6.3 Work-life balance
- 6.4 Financial inclusion
- 6.5 Community engagement

Double materiality matrix

Figure – 14



Scan to understand the rationale behind our materiality matrix

Transforming risks into opportunities

Each identified risk driver, when effectively managed, presents an opportunity of a value driver for the Bank to create, preserve or sustain value and in certain instances, to prevent value erosion. This approach reflects our strategic view that robust risk management is not merely about mitigating potential threats but about unlocking opportunities for innovation, operational efficiency and long-term value creation. By embedding a proactive risk management framework into our business model, we are able to anticipate potential disruptions, respond effectively and leverage emerging opportunities. For example, managing credit risk through stringent underwriting standards and predictive analytics not only protects profitability but also fosters customer confidence and trust. Similarly, addressing cybersecurity and data privacy through advanced technological measures and training enhances regulatory compliance and builds a competitive edge. Likewise, focusing on sustainability and ESG risks, such as climate change, opens avenues for green financing and reinforces our commitment to responsible banking. This integrated approach ensures that both risks and opportunities are woven into our strategy, enabling us to deliver sustained value to stakeholders across short, medium and long-term horizons.

Ongoing commitment

We remain committed to regularly reviewing and refining our material matters to ensure alignment with evolving stakeholder expectations and global best practices. Looking ahead, a formal materiality assessment and stakeholder analysis will be undertaken in 2025 as part of our preparation for adopting SLFRS S1 and S2, which would further enhance the depth and accuracy of our reporting.

Following our commitment to integrating risk management and value creation, the Table 06 on pages 68 to 71 presents a structured analysis of the Bank's 28 identified material matters. This tabulation serves as a comprehensive framework linking key risk and value drivers to strategic actions and broader sustainability goals. It highlights how each material matter influences the Bank's strategy, the capitals it impacts, and the corresponding sustainability pillars under our Sustainability Framework. It also outlines proactive management measures, opportunities for innovation, and alignment with the SDGs and the GRI indicators.

Material matters – Holistic view Table – 06

Value/Risk Driver	Risks	Opportunities	Impact on Strategy	Relevant Capital(s)
Thematic material matter 1: Risk, Compliance, and Governance				
1.1 Credit risk and asset quality	Deterioration in asset quality undermines profitability, stifles growth and erodes stakeholder confidence	Well-managed asset quality enhances profitability, enables growth and elevates stakeholder confidence	Allocation of resources for technological innovations (predictive analytics, use case development) and training & development.	
1.2 Cybersecurity and data privacy	Data breaches damage reputation and cause financial losses.	Strong cybersecurity boosts customer trust and regulatory compliance.	Investment in IT infrastructure and cybersecurity systems.	
1.3 Regulatory compliance and ethical conduct	Non-compliance results in regulatory penalties and reputational damage.	Compliance ensures operational stability and trust from stakeholders.	Strengthening internal controls and ethical practices.	
1.4 Risk management framework	Insufficient risk management increases vulnerability to market shocks.	Effective risk management enhances resilience and stakeholder confidence.	Integration of risk management into strategic planning.	
1.5 Fraud prevention	Fraud incidents lead to financial losses and regulatory scrutiny.	Proactive prevention protects assets and reputation.	Enhancing fraud detection mechanisms and response capabilities.	
1.6 Corporate governance	Weak governance erodes stakeholder confidence and attracts scrutiny.	Strong governance fosters long-term sustainability and investor trust.	Continuous improvement of governance practices.	
1.7 Reputation management	Negative perception affects brand value and customer loyalty.	Positive reputation strengthens competitive positioning.	Strategic communication and stakeholder engagement.	
Thematic material matter 2: Financial performance and economic contribution				
2.1 Financial performance and capital adequacy	Poor financial performance hampers growth and weakens stakeholder confidence.	Strong performance enhances investor trust and capital inflows, creating leeway for growth.	Focus on liquidity management, cost efficiency and capital optimisation.	
2.2 Asset and liability management	Asset-liability mismatches impact liquidity and profitability.	Effective management ensures financial stability and profitability.	Enhancing balance sheet structure and liquidity buffers	
2.3 Economic impact and contribution	Limited contribution may reduce stakeholder goodwill and partnerships.	Significant contribution enhances goodwill and partnerships.	Supporting local economic development initiatives.	
2.4 Strategic partnerships	Failure to leverage partnerships limits innovation and growth.	Successful partnerships improve customer value and operational efficiency.	Pursuing collaborative opportunities with fintechs and tech firms.	
Thematic material matter 3: Customer centricity and experience				
3.1 Customer satisfaction and service quality	Poor service quality leads to customer attrition and loss of revenue.	High satisfaction enhances loyalty and lifetime value of customers.	Continuous service improvement and customer feedback integration.	
3.2 Customer experience	Inconsistent experience reduces customer trust and engagement.	Seamless experience strengthens brand loyalty.	Enhancing omnichannel service delivery.	
3.3 Product diversification	Limited product offerings reduce market competitiveness.	Diverse offerings improve customer reach and market share.	Expanding product portfolio and cross-selling strategies.	
3.4 Social media influence	Negative social media exposure damages brand reputation.	Active presence enhances customer engagement and competitive advantage.	Leveraging social media for proactive engagement and insights.	

Bank's Sustainability Framework pillar	Management Measures	Relevant SDG(s)	GRI Disclosure
	Rigorous underwriting standards, predictive analytics, credit scoring models, early warning systems, post-disbursement monitoring.	8 DECENT WORK AND ECONOMIC GROWTH	GRI 201: Economic performance
	Robust cybersecurity policies, IT audits, penetration testing, real-time monitoring, cybersecurity awareness training.	8 DECENT WORK AND ECONOMIC GROWTH	GRI 418: Customer Privacy
	AML, KYC, and CDD compliance, regular compliance audits, policy updates, ethics training.	8 DECENT WORK AND ECONOMIC GROWTH	GRI 2-27: Compliance with laws and regulations
	Enterprise risk management, stress testing, dedicated risk committees, integration of risk appetite into decision-making.	8 DECENT WORK AND ECONOMIC GROWTH	GRI 201: Economic performance
	Advanced fraud detection systems, AI-based monitoring, collaboration with regulators, continuous improvement of controls.	8 DECENT WORK AND ECONOMIC GROWTH	GRI 205: Anti-corruption
	Board oversight, diversity, independence, regular Board evaluations, ESG-linked executive incentives.	8 DECENT WORK AND ECONOMIC GROWTH	GRI 2-9 Governance Structure and composition GRI 2-17 Collective knowledge of the highest governance body GRI 2-18 Evaluation of the performance of the highest governance body
	Crisis communication planning, media monitoring, thought leadership initiatives, stakeholder trust-building, ethical leadership.	8 DECENT WORK AND ECONOMIC GROWTH	GRI 2-23 Policy Commitments GRI 2-25 Processes to remediate negative impacts
	Liquidity management, profitability metrics, operational efficiency, cost-optimisation initiatives, capital planning through ICAAP.	8 DECENT WORK AND ECONOMIC GROWTH	GRI 201: Economic performance
	Dynamic balance sheet management, liquidity stress testing, diversified funding sources, contingency funding plans, active monitoring of mismatches.	8 DECENT WORK AND ECONOMIC GROWTH	GRI 201: Economic performance
	Support for SMEs and start-ups, public-private partnerships, regional economic development, job creation, responsible lending, fiscal responsibility.	8 DECENT WORK AND ECONOMIC GROWTH	GRI 201: Economic performance GRI 203: Indirect economic impacts
	Collaborations with fintechs, tech partnerships, regular partnership outcome evaluations, co-creation of products and services.	17 PARTNERSHIPS FOR THE GOALS	GRI 2-6: Activities, value chain and other business relationships
	SLA monitoring, NPS tracking, feedback mechanisms, dedicated CRM teams, AI-driven customer support, complaint resolution mechanisms.	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	GRI 2-29 Approach to stakeholder engagement
	Simplified processes, personalisation, omnichannel access, data-driven personalisation.	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	GRI 2-29 Approach to stakeholder engagement
	Expanding product portfolio, continuous market research, co-branded financial products, financial inclusion products, digital solutions.	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	GRI 2-29 Approach to stakeholder engagement
	Proactive issue resolution via social media, engaging content creation, targeted campaigns, social media as a service and engagement channel.	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	GRI 2-25 Processes to remediate negative impacts

Value/Risk Driver	Risks	Opportunities	Impact on Strategy	Relevant Capital(s)
Thematic material matter 4: Innovation and digital transformation				
4.1 Digital transformation	Slow digital adoption hampers competitiveness and growth.	Accelerated adoption drives innovation and customer satisfaction.	Implementing a forward-looking digital roadmap.	
4.2 Technological infrastructure	Outdated infrastructure limits scalability and operational efficiency.	Advanced infrastructure enhances agility and service delivery.	Investing in scalable and resilient IT systems.	
4.3 Competitive advantage through technology	Failure to innovate reduces market competitiveness.	Innovation strengthens market leadership and differentiation.	Continuous investment in emerging technologies.	
4.4 Sustainable finance products	Limited green financing reduces alignment with ESG goals.	Sustainable finance enhances market positioning and ESG credentials.	Expanding ESG-aligned product offerings.	
Thematic material matter 5: ESG and sustainability				
5.1 Climate change and environmental impact	Failure to address climate risks undermines stakeholder trust.	Proactive environmental action strengthens brand value.	Aligning operations with environmental goals.	
5.2 Social responsibility and community engagement	Weak social responsibility reduces stakeholder engagement	Strong engagement builds community goodwill.	Integrating community programs into business strategy.	
5.3 Alignment with SDGs	Misalignment with global goals impacts reputation and stakeholder trust.	Alignment enhances credibility and opens new partnership opportunities.	Embedding ESG criteria in operations and lending.	
5.4 Supply chain sustainability	Non-compliance by vendors can damage reputation and operations.	Sustainable procurement enhances trust and operational resilience.	Strengthening vendor risk management and procurement policies.	
Thematic material matter 6: People and community				
6.1 Employee development and retention	High attrition rates reduce productivity and increase costs.	Talent development enhances employee engagement and innovation.	Investing in training and career development programs.	
6.2 Health and safety	Poor health and safety standards reduce employee morale and performance.	Strong standards enhance employee well-being and productivity.	Promoting health and safety as a core value.	
6.3 Work-life balance	Poor work-life balance leads to burnout and reduced productivity.	Balanced work-life improves morale and retention.	Encouraging flexible work arrangements.	
6.4 Financial inclusion	Exclusion of underserved communities limits market potential.	Inclusion drives market expansion and social impact.	Expanding financial inclusion initiatives.	
6.5 Community engagement	Limited community involvement affects social license to operate.	Active engagement builds goodwill and strengthens relationships.	Strengthening CSR initiatives.	

Bank's Sustainability Framework pillar	Management Measures	Relevant SDG(s)	GRI Disclosure
	Digital roadmap, fintech adoption, change management, digital-first culture, mobile and online banking enhancements.	8 Decent work and economic growth; 9 Industry, innovation and infrastructure	GRI 2-6: Activities, value chain and other business relationships
	IT resilience, cloud computing, AI integration, blockchain, scalable infrastructure, disaster recovery.	8 Decent work and economic growth; 9 Industry, innovation and infrastructure	GRI 2-6: Activities, value chain and other business relationships
	R&D for financial technologies, predictive analytics, customer-centric innovation, leveraging digital tools, fostering a culture of innovation.	8 Decent work and economic growth; 9 Industry, innovation and infrastructure	GRI 2-6: Activities, value chain and other business relationships
	Green finance solutions, sustainability bonds, partnerships for green programs, ESG-aligned financial products.	8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 13 Climate action	GRI 2-6: Activities, value chain and other business relationships
	Green finance, carbon reduction targets, eco-friendly branches, paperless banking, renewable energy adoption.	7 Affordable and clean energy; 12 Responsible consumption and production; 13 Climate action	GRI 305: Emissions
	Responsible lending, community development partnerships, promoting financial literacy, charitable contributions.	4 Quality education; 8 Decent work and economic growth	GRI 203: Indirect economic impacts
	ESG integration in operations, SDG-linked targets, stakeholder engagement, impact measurement, periodic progress reporting.	17 Partnerships for the goals	GRI 203: Indirect economic impacts
	Responsible and sustainable procurement, vendor risk assessments, local sourcing initiatives.	12 Responsible consumption and production	GRI 2-6: Activities, value chain and other business relationships
	Talent management, leadership training, mentorship programs, competitive benefits, diversity and inclusion initiatives.	5 Gender equality; 8 Decent work and economic growth	GRI 404: Training and education GRI 405: Diversity and equal opportunity
	Workplace safety initiatives, mental health support, employee assistance programs, regular safety drills.	5 Gender equality; 8 Decent work and economic growth	GRI 403: Occupational health and safety
	Flexible work arrangements, remote work options, wellness programs, recreational facilities.	5 Gender equality; 8 Decent work and economic growth	GRI 403: Occupational health and safety
	Microfinance products, rural outreach programmes, services for underserved communities, financial literacy initiatives.	8 Decent work and economic growth	GRI 203: Indirect economic impacts
	CSR initiatives, volunteer programmes, investments in education, healthcare and livelihoods, periodic community impact assessments.	4 Quality education; 17 Partnerships for the goals	GRI 203: Indirect economic impacts

Business model for sustainable value creation

Bank's sustainability framework

Sustainability forms a core part of the Bank's strategy, with a commitment to driving long-term value creation through economic, social and environmental stewardship. Our Sustainability Framework, outlined in Figure 15, follows a holistic approach with three foundational pillars – Sustainable Banking, Responsible Organisation and Community Engagement – anchoring our efforts to deliver meaningful and measurable outcomes for all stakeholders.

Purpose-driven sustainability

Our sustainability efforts are driven by our clearly defined purpose through which we aim to create shared value while ensuring minimal adverse impact on the environment.

Bank's sustainability framework Figure – 15

Guiding principles and standards

- CBSL Roadmap for Sustainable Finance in Sri Lanka and CBSL Direction on Sustainable Finance Activities
- Sustainable Banking Principles of Sri Lanka Bank's Association
- United Nations Global Compact Principles
- UN Sustainable Development Goals (SDGs)
- GRI Standards – Issued by the Global Sustainability Standards Board (GSSB)
- Sustainability Accounting Standards for Commercial Banks – Sustainability Accounting Standards Board (SASB) of the IFRS Foundation
- Business Continuity Management
- International Standard – ISO 22301:2012
- IFC's 8 Performance Standards on Social and Environmental Sustainability
- ISO 14064-1-2018 Greenhouse gases
- IFC's Climate Assessment Tool for Financial Institutions
- UN-approved Environment Impact Index for financial transactions
- RoHS (Restriction of Hazardous Substances) Directive
- Energy Star™ Rating
- Payment Card Industry Data Security Standard (PCI-DSS) Certification

PURPOSE

To be a responsible financial services provider by enabling and empowering people, enterprises and communities towards environmentally-responsible, socially-inclusive and economically-enriching growth.

Memberships and affiliations

- Sri Lanka Banks' Association Sustainable Banking Initiative – Core Group Member
- UN Global Compact Sri Lanka – Steering Committee
- Biodiversity Sri Lanka
- United Nations Development Programme
- International Finance Corporation
- Green Building Council of Sri Lanka
- UNGC Climate Ambition Accelerator Initiative
- Herpetological Foundation of Sri Lanka
- Wild Life and Ocean Resource Conservation (WORC) organisation of Sri Lanka
- Ceylon Bank Employees' Union (CBEU)
- Association of Commercial Bank Executives (ACBE)

Commitment to United Nations Sustainable Development Goals (SDGs)

Guidelines and policies: ESMS Guidelines | Group Social and Environmental Policy | Green Financing Policy

Governing committees: Executive Sustainability Committee | Sustainability Working Committee (SWC)

The three pillars of our Sustainability Framework encompass the following key focus areas:

Sustainable banking
This pillar emphasises responsible financing, financial inclusion and the development of sustainable products and services that meet both current and emerging stakeholder needs.

Responsible organisation
As a responsible institution, we focus on creating a green and safe workplace, conducive workplace culture and promoting a sustainable supply chain.

Community engagement
We strengthen our social license to operate by actively engaging in environmental initiatives, supporting social enterprises and contributing to community development.

Our framework aligns with globally recognised sustainability standards, including the UN Sustainable Development Goals (SDGs), with a specific focus on eight SDGs most relevant to our business operations.

A pioneering identity in sustainability

On January 1, 2024, we launched our evolved logo, integrating a green element to symbolise our unwavering commitment to sustainability. As the first corporate in Sri Lanka to incorporate such an element into its corporate identity, we have strengthened our position as a leader in ESG initiatives.

This refreshed identity reflects our dedication to fostering diversity, inclusivity, good governance, transparency and eco-friendly financial solutions. Through this visual transformation, we have reinforced our long-standing commitment to sustainability, underscoring our efforts to integrate ESG principles into every facet of our operations.

ESG and organisational oversight

A robust governance structure underpins our sustainability initiatives, ensuring alignment with regulatory standards, stakeholder expectations and best practices. Our Executive Sustainability Committee, which convenes quarterly, oversees the Bank's sustainability strategy, monitors its implementation across the organisation, and reports to the BIRMC. This committee is supported by the Sustainability Working Committee (SWC), tasked with evaluating proposed sustainability initiatives, assessing their impact and ensuring alignment with the Bank's broader ESG goals.

In 2024, we further strengthened our sustainability related policy framework by introducing the Board-approved Diversity, Equity and Inclusion (DE&I) Policy and further enhanced our internal reporting processes to ensure transparent disclosure of our sustainability performance.

Through internal engagement platforms like intranet and ComPulse, we continue to educate our staff on sustainable practices, fostering a culture of environmental responsibility.

Connecting sustainability to our business model

Our Sustainability Framework is intricately linked with the Bank's Business Model, which revolves around financial intermediation and maturity transformation. As a financial intermediary, we play a crucial role in converting deposits into loans and investments, thereby driving economic growth. Our Statement of Capital Position (refer pages 76 and 77) highlights how we draw on six forms of capital – Financial, Manufactured, Intellectual, Human, Social & Relationship and Natural – to create sustainable value.

By integrating sustainability into our Business Model, we ensure:

- **Prudent financial intermediation:** Responsible allocation of financial resources that balances profitability with long-term societal impact.
- **Resilience through maturity transformation:** Conversion of short-term funds into long-term lending, underpinned by robust risk management practices.
- **Stakeholder-centric value creation:** A continuous process of leveraging inputs from various capitals to generate outputs and outcomes that benefit our stakeholders.

Statement of capital position and stakeholder returns

The Statement of Capital Position offers a snapshot of how we manage and transform our six capitals for value creation. In 2024, we recorded notable growth in both our deposit base and lending portfolio, demonstrating effective financial intermediation. Our ability to consistently generate net interest income and fee-based income underscores the strength of our business model.

As part of our commitment to stakeholder value creation, we seek to diversify our revenue streams through strategic partnerships and regional expansion. Notably, our partnership with IFC to build a supply chain financing strategy exemplifies our approach to leveraging strategic collaborations for mutual growth, while aligning with our sustainability principles.

Gearing and risk mitigation

Gearing is a key differentiator in our Business Model, enabling us to mobilise deposits and expand our loan book. However, given the inherent risks of high leverage, our risk management framework ensures that we maintain an optimal balance between growth and stability. By continuously monitoring our capital adequacy and risk-weighted assets, we safeguard the Bank's financial health and long-term viability.

The gearing strategy forms a critical component of our financial operations, allowing us to amplify our capacity for lending and investment. This strategy, while essential for scaling our business, is complemented by a comprehensive risk management framework to mitigate potential risks associated with high leverage.

Our integrated approach to sustainability and business strategy positions the Bank as a resilient and forward-thinking financial institution. By aligning our operations with global sustainability standards and embedding ESG principles into our core Business Model, we are well-equipped to create lasting value for all stakeholders.

Business model

Our Business Model and the Sustainability Framework are closely integrated, ensuring that our strategic imperatives, value generating activities and outcomes contribute to our overarching purpose and sustainability goals. This linkage allows us to balance economic performance with social and environmental stewardship, creating enduring value for all stakeholders.

INPUTS

Essential resources and capital elements that fuel value-generating activities, driving sustainable growth and long-term value creation. Please refer to page 76 of the Statement of Capital Position for the opening capital position as at 1 January 2024 representing the different capitals accumulated over the past 105 years.

Financial capital – supports funding and liquidity management
- Shareholders' funds
- Borrowings
- Customer deposits
- Lines of credit
- Investment portfolios
- Financial covenants

Manufactured capital - enables physical and digital accessibility for customers
- Corporate offices and data centres
- Automated Banking Centres
- POS terminals and payment gateways
- Cloud infrastructure and server networks
- Mobile banking applications
- Branch refurbishments and eco-friendly buildings
- Public goods

Intellectual capital - drives innovation, competitiveness and strategic differentiation
- Institutionalised knowledge
- Brand equity
- Proprietary processes
- Risk management models and frameworks
- Training modules
- Data analytics and Business Intelligence tools
- Customer insights and market intelligence

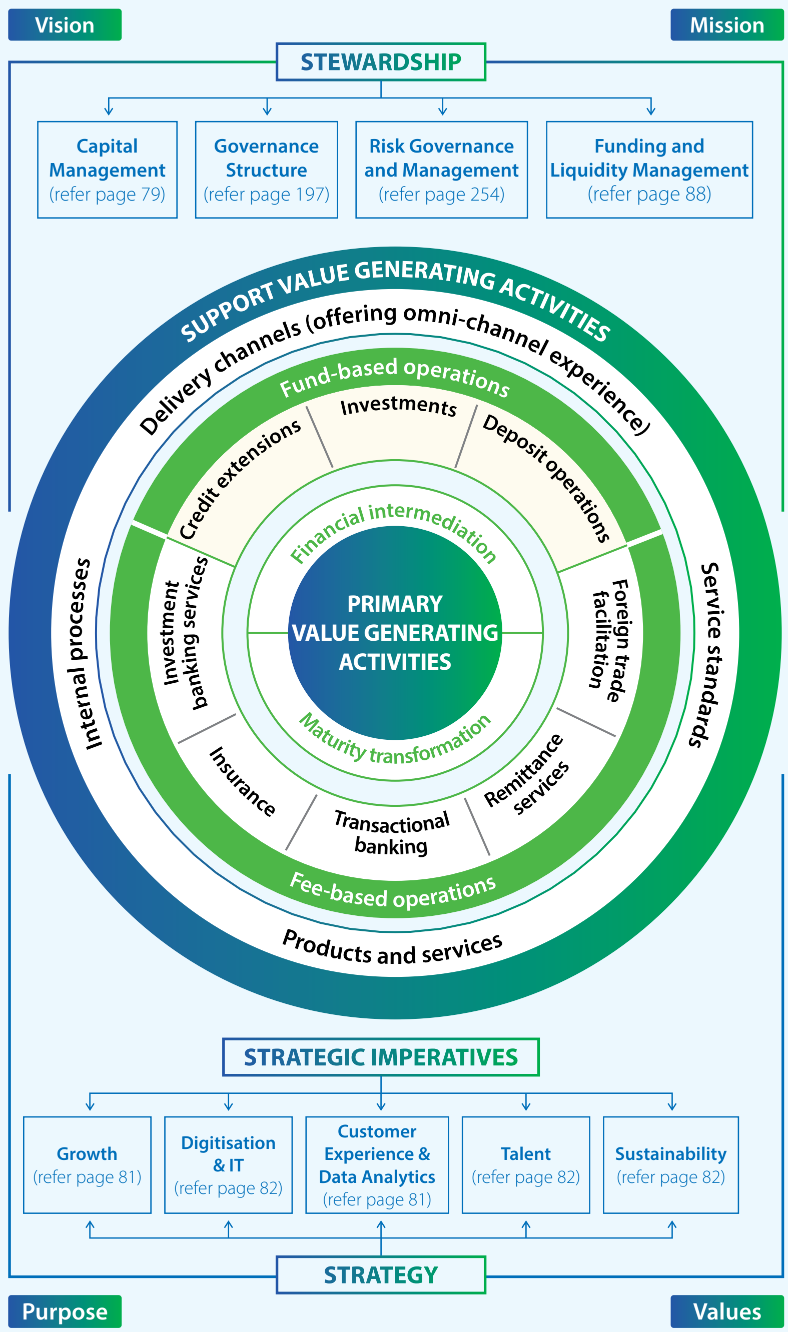
Human capital – essential for superior customer experience & operational excellence
- Talent pipeline and succession planning
- Employee engagement and satisfaction programs
- Diversity and inclusion initiatives
- Leadership & skills development programs
- Cultural alignment & value-driven behaviour
- Occupational health & safety protocols
- Equal opportunities

Social & relationship capital - strengthens social legitimacy and fosters long-term collaboration
- Customer trust and loyalty
- Supplier and vendor networks
- Industry partnerships and affiliations
- Advocacy and public policy engagement
- Contribution to the Bank's CSR Trust and its initiatives
- Brand reputation and loyalty programs

Natural capital - minimises environmental footprint through sustainable operations
- Renewable energy initiatives
- Waste management and recycling programs
- Green buildings and eco-friendly construction
- Sustainable procurement practices
- Biodiversity conservation efforts
- Climate transition plan
- Environmental & Social Management System (ESMS)

VALUE GENERATING ACTIVITIES

Core and support activities that drive growth, foster positive stakeholder engagement and manage risk, transforming inputs into outputs and outcomes that create sustainable value across all capitals.



(A comprehensive account of the key activities undertaken throughout the year to create and enhance stakeholder value, contributing to the growth of all capitals, can be found in the MD&A on pages 83 to 151.)

Feedback loop

Figure – 16

OUTPUTS

The products, services and other deliverables generated through the Bank's core activities, aimed at meeting stakeholder needs and fostering sustainable value creation.

- Loans & advances
- Investments
- Deposits
- Forex products
- Digital banking services
- Sustainable financing products
- Treasury & capital market solutions
- Card services
- Transactional banking services
- Remittance services
- Fee-based services
- Trade finance solutions
- Travel-related services
- Advisory services

OUTCOMES

The tangible and intangible value delivered to stakeholders through the Bank's activities, reflecting sustainable growth across financial, social and environmental dimensions. Please refer to page 76 of the Statement of Capital Position for the closing capital position as at 31 December, 2024, representing the accumulated capitals over the years.

IMPACTS

High-level, long-term results achieved through sustainable value creation, reflecting the Bank's positive influence on stakeholders, the financial sector, and the broader economy. Impacts validate the robustness and resilience of the Bank's business model.

Sustainable banking

Outcomes

- Green financing and sustainable products
- Digital financial inclusion
- SME and Women entrepreneur support
- ESG criteria integration
- Affordable and inclusive finance
- Financial literacy programmes
- Sustainable lending practices

Refer page 84

Impacts

- Highest market capitalisation among all FIs on the CSE
- Sustained profitability and shareholder returns
- Higher-tier D-SIB
- Leader in SME lending
- Highest CASA ratio among all commercial banks
- Growth in market share:

	Market Share	
Indicator	2024 (%)	2023 (%)
Deposits	12.90	12.54
Loans & advances	13.22	11.49
Total assets	13.16	12.65
Exports	21.20	18.90
Imports	14.30	11.40

- Leadership in several product categories
- Strong regional presence
- Proven resilience through economic cycles

Responsible organisation

Outcomes

- Employee wellbeing and development
- Diversity, equity and inclusion
- Innovation-driven culture
- Green and safe work place
- Ethical business practices
- Employee recognition programs

Refer page 120

Impacts

- Pioneer in carbon-neutral banking operations
- Employer of choice - Happiest Second Home ranking
- Partner of choice for strategic collaborations (AIA)
- Achieving high employee retention and engagement levels
- Green building certifications for branches
- Over 95 awards and accolades during the year

Community Engagement

Outcomes

- Education and STEM initiatives
- Healthcare support
- Environmental conservation projects
- Volunteerism and community upliftment
- Promoting social enterprises
- Climate resilience and disaster preparedness

Refer page 137

Impacts

- Targeted high impact CSR initiatives (Education)
- Empowerment of underserved communities
- Promoting financial inclusion through microfinance
- Active contribution to environmental restoration projects
- Strengthening partnerships with local communities
- Supporting national development initiatives

(KPIs depicting the value derived as outcomes are given in highlights on pages 76 and 77)

Business model for sustainable value creation

Statement of capital position

Financial capital

Indicator of value derived	Value derived as at January 01, 2024	Activities undertaken to create Financial Capital (*)	Value derived as at December 31, 2024	Growth in value created
Total equity (Rs. Bn.)	214.931	Grew the business volumes prudently through robust and efficient financial intermediation and maturity transformation, thereby strengthening the leadership position.	275.262	28.07%
Deposits from customers (Rs. Bn.)	2,085.046		2,236.567	7.27%
Borrowings (Rs. Bn.)	207.712		205.758	(0.94)%
CASA Base (Rs. Bn.)	818.008		851.356	4.08%
Market capitalisation (Rs. Bn.)	124.327		230.309	85.25%
Market share in total assets (%)	12.65		13.16	51 bps
Growth in total assets(%)	6.37		8.12	175 bps
Growth in gross income (%)	21.90		(6.95)**	(2,885) bps
Net interest margin (%)	3.32		4.27	95 bps
Return on assets (before tax) (%)	1.27		3.56	229 bps
Return on average shareholders' funds (%)	9.78		22.06	1,228 bps

Manufactured capital

Indicator of value derived	Value derived as at January 01, 2024	Activities undertaken to create Manufactured Capital (*)	Value derived as at December 31, 2024	Growth in value created
Number of branches	291	• Maintained profitable mix of owned and rented buildings • Multiple delivery channels • Conducted cost-efficient transport arrangements • Improved procurement services	292	1
Number of ATMs and CRMs	948		974	26
Freehold land and building (Rs. Mn.)	16,069.441		16,171.920	0.64%
Investment in capital expenditure (Rs. Mn.)	2,576.818		3,243.491	25.87%
Total operating Income per Branch (Rs. Mn.)	405.875		347.866	(14.29%)
Profit per branch (Rs. Mn.)	70.313		185.183	163.37%

Intellectual capital

Indicator of value derived	Value derived as at January 01, 2024	Activities undertaken to create Intellectual Capital (*)	Value derived as at December 31, 2024	Growth in value created
Brand equity (Rs. Bn.)	43.600	• Invested in centralisation • Improved processes and procedures • Developed new products and services • Expanded network, conducted research and development • Deepened technological expertise • Supported knowledge sharing initiatives	43.600	Based on Brand Finance Report – 2023. Report is available in below link; https://brandirectory com/reports/sri-lanka
Brand rating	AAA		AAA	
Top 10 Most Valuable Brands in Sri Lanka	Ranking 3		Ranking 3	
Value of intangible assets (Rs. Bn.)	3.737		4.221	12.97%
Compliance and Certifications of ISO 20000/PCI-DSS/ISO 27001	Complied		Complied	Complied
Number of Employees serving for > 20 years	1,041		1,056	15
ComBank Digital customer base	Over 1.1 Mn.		Over 1.5 Mn.	31.06%

(*) Please refer Management Discussion and Analysis for details of the activities undertaken.

(**) Please refer Table 23 in Financial review 2024.

Table – 07

Human capital

Indicator of value derived	Value derived as at January 01, 2024	Activities undertaken to create Human Capital (*)	Value derived as at December 31, 2024	Growth in value created
Number of employees	5,201	• Improved quality of new recruits • Conducted employee surveys • Invested in training and development • Enriched career development • Re-enforced performance management and appraisals	5,461	260
Number of new recruits	589		700	111
Retention ratio (%)	83.33		86.84	351 bps
Return to work from maternity (%)	97		100	300 bps
Profit per employee (Rs. Mn.)	3.934		9.902	151.69%
Total training hours	180,313		193,276	13,018
E-learning hours	4,546		8,371	3,825
Training cost per employee (Rs. '000)	17.039		30.890	81.29%
Staff welfare cost per employee (Rs. '000)	109.074		99.344	(8.92%)

Social and relationship capital

Indicator of value derived	Value derived as at January 01, 2024	Activities undertaken to create Social and Relationship Capital (*)	Value derived as at December 31, 2024	Growth in value created
Government taxes (Rs. Bn.)	16.575	• Promoted financial inclusion • Co-created products and services • Collaborated with business partners • Improved capacity of SMEs • Expanded Bank's footprint • Supported the community	61.464	270.82%
CSR Trust investment in society (Rs. Mn.)	1,083		1,180	8.96%
Number of IT Labs established in schools	334		362	28
Number of STEM Classrooms established in schools	170		176	6
Cumulative number of MSME participants in financial literacy programmes conducted by the Bank	14,907		16,612	1,705
Number of members in ComBank BIZ Club	5,678		6,273	595
Cumulative number of participants in capacity-building programmes for women entrepreneurs	567		715	148

Natural capital

Indicator of value derived	Value derived as at January 01, 2024	Activities undertaken to create Natural Capital (*)	Value derived as at December 31, 2024	Growth in value created
Utility power (CEB/LECO) consumption (GJ)	46,972	• Screened loans through ESMS • Promoted paper reduction and recycling • Increased usage of renewable energy • Switched to energy-efficient appliances • Adopted a Green Financing Policy • Partnered with IFC to develop a Climate Transition Plan	48,129	2.46%
Number of Solar panel installation locations	82		89	7
Solar power generated as a % of energy consumption	16.09%		17.32%	123 bps
Cumulative number of facilities subjected to ESMS screening	11,925		10,727	(1,198)
Green finance portfolio (Rs. Bn.)	17.760		38.503	116.80%
Contribution of Green Finance portfolio for reduction of CO_2 emissions to the atmosphere (CO_2 Tonnes)	233,918		292,331	24.97%
Paper usage cost in 2023 and 2024 (Rs. Mn.)	162.414		111.831	(31.14%)
Paper recycled (Kgs) in 2023 and 2024	286,240		150,110	–

Integrated strategy for long-term value creation

At Commercial Bank of Ceylon PLC, our strategy is not just a roadmap for growth; it is a dynamic framework that embodies our purpose, vision and values, driving long-term value creation for all stakeholders. The Bank's Strategic Framework integrates financial imperatives with ESG priorities to ensure sustainable progress across multiple dimensions. Our strategy is underpinned by a deep understanding of the evolving external environment, stakeholder needs and regulatory requirements. This enables us to strike a balance between growth, resilience and sustainability, ensuring that our business remains future-ready in a constantly changing world.

Our purpose, vision, mission and values (refer inner front cover) define who we are and what we aspire to achieve, serving as the foundation upon which our strategy is built.

Alignment with stakeholder expectations and long-term sustainability goals

Our strategy is intricately aligned with stakeholder expectations and long-term sustainability objectives. By integrating ESG factors into our Business Model, we ensure that our actions contribute meaningfully to the SDGs while delivering consistent value to shareholders, customers, employees and the wider community. By embedding ESG considerations into our strategic decision-making, we ensure alignment with global best practices, contributing to broader societal goals while securing long-term economic viability. This comprehensive approach allows us to remain a trusted financial partner, fostering innovation and driving positive societal change.

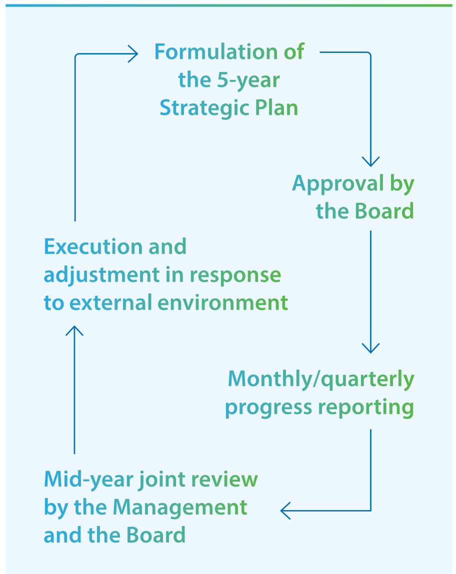
Strategic planning process

The Bank's strategic planning process is a cornerstone of its sustained success and industry leadership, ensuring that strategic priorities remain dynamic and responsive to evolving stakeholder expectations and market conditions. At any given time, the Bank operates under a 5-year Strategic Plan, which is prepared, reviewed and updated annually on a rolling basis by the Management, with guidance and oversight from the Board of Directors. This well-honed process, developed over several decades, has played a pivotal role in steering the Bank towards prudent growth, customer centricity, innovation and operational excellence, enabling it to achieve the leadership position it enjoys today. The current Strategic Plan 2025–2029, approved by the Board in December 2024, outlines ambitious yet measurable targets across all areas of strategic priority, ensuring sustained value creation and long-term sustainability. This process is further guided by a Board-approved Planning Policy, providing a structured framework for its effective development and implementation.

> The robustness of this process is clearly demonstrated by the Bank's achievement of its status as the largest and most trusted private sector bank in the country.

Sustainability is not a separate component of our strategy but is woven into the fabric of our strategic framework. Our strategic imperatives directly address pressing societal challenges such as financial inclusion, climate action and digital empowerment, ensuring that we contribute meaningfully to sustainable development. This holistic integration of sustainability into our strategy strengthens our ability to deliver long-term value while remaining aligned with global sustainability goals.

Efficient execution is as critical as strategic planning itself. To this end, the Bank has embedded a structured monitoring and reporting mechanism into its strategic planning framework. Progress is reported to the Management on a monthly basis and to the Board on a quarterly basis, with a joint mid-year review conducted by the Management and the Board. This disciplined approach enables the Bank to continuously track progress, respond proactively to emerging risks and opportunities and make timely adjustments to reflect changes in the external environment, thereby maintaining its competitive edge.



Purpose-led strategic imperatives

Our strategic priorities reflect our commitment to achieving sustainable growth, customer satisfaction, operational excellence and innovation. These priorities are categorised under five core imperatives, each designed not only to drive financial performance but also to deliver shared value to stakeholders in line with the Bank's purpose, across the short, medium and long term (please refer pages 81 and 82).

Resource allocation

The Bank has adopted a disciplined and strategic resource allocation approach to ensure that investments are directed towards initiatives that maximise stakeholder value, while remaining aligned with our core purpose and long-term strategic priorities. The Board provides oversight not only on resource allocation decisions but also on trade-offs involving the balancing of competing priorities, ensuring that the Bank remains agile and responsive to both risks and opportunities.

Resource allocation at the Bank is not just about financial investment; it reflects our strategic intent to deliver sustainable value. We carefully balance resource allocation across capitals - financial, manufactured, human, intellectual, social & relationship and natural - to drive growth and resilience. This approach ensures that every investment we make supports both immediate goals and long-term ambitions.

Our approach to resource allocation is guided by four key principles:

Strategic alignment
Every resource allocation decision is evaluated in the context of its alignment with the Bank's strategic priorities. Whether it is capital investment, technology deployment or talent acquisition, we ensure that resources are directed towards strategic priorities.

Efficiency and productivity
Given the capital-intensive nature of banking, optimising resource utilisation is crucial. By enhancing operational efficiencies, leveraging digital transformation and adopting process improvements, we maximise productivity while minimising wastage.

Risk-adjusted returns
The allocation of financial resources, capital in particular, is carefully balanced to achieve optimal risk-adjusted returns. We prioritise products, sectors, customer segments and markets that promise sustainable profitability while maintaining a robust risk management framework.

Sustainability integration
Our commitment to sustainability extends to resource allocation as well. We allocate resources to ESG-aligned initiatives, green financing and projects that promote long-term environmental and social well-being.

Key resource allocation areas

1. Regulatory capital allocation

As a bank operating in a highly regulated environment, the allocation of regulatory capital maintained to meet Basel III requirements is crucial for supporting asset growth while ensuring optimal returns. We strategically allocate this capital across various business lines and geographies, carefully balancing growth opportunities with risk-adjusted returns. Key focus areas include:

- Maximising risk-adjusted returns on capital (RAROC) allocated across various products.
- Optimising risk-weighted assets to minimise capital consumption while maintaining portfolio quality.
- Allocating capital across diverse sectors, geographies and products to reduce concentration risks and enhance stability.

2. Credit extension

Credit extension is a key driver of the Bank's role as a financial intermediary. We extend credit strategically to foster economic growth, support SME and retail clients, and promote financial inclusion. Key focus areas include:

- Ensuring a well-diversified credit portfolio across industries to mitigate concentration risks.
- Supporting national priorities such as agriculture, women entrepreneurship and green finance.
- Strengthening credit assessment and monitoring mechanisms to maintain asset quality.

3. Technological investments

Technology is a pivotal component of our strategy, enabling digital transformation and operational efficiency. Key focus areas include:

- Developing a unified digital banking platform that offers a seamless customer experience across channels.
- Strengthening cybersecurity and data privacy to safeguard customer information.
- Investing in AI-driven automation, process optimisation and advanced data analytics.

4. Human capital development

Our people are central to delivering superior customer experiences and driving innovation. Key focus areas include:

- Talent development through continuous learning and upskilling programs.
- Promoting employee well-being with wellness programs and flexible work options.
- Fostering diversity, equity and inclusion across all levels of the organisation.

5. Sustainability and CSR investments

Sustainability is integral to our business, and resources are allocated to initiatives that foster social equity, enhance community well-being and promote environmental stewardship. Key focus areas include:

- Expanding green financing and renewable energy product portfolios.
- Investing in operational sustainability, such as paperless banking and renewable energy solutions.
- Supporting CSR programs in education, healthcare, culture and environmental preservation through the Bank's CSR Trust aimed at fostering social equity, enhancing community well-being and promoting environmental stewardship.

6. Stakeholder engagement

Strengthening engagement with key stakeholders ensures transparency, trust and long-term partnerships. Key focus areas include:

- Enhancing communication channels and feedback mechanisms
- Maintaining customer relationship management systems
- Strengthening regulatory compliance and reporting mechanisms
- Maintaining investor relations

7. Risk management and compliance

Effective risk management safeguards the Bank's stability and reputation. Key focus areas include:

- Deploying robust enterprise risk management systems
- Conducting stress testing and scenario analysis
- Investing in AML, fraud detection systems and regulatory compliance training.

8. Marketing and branding

Strengthening our market presence and building brand equity is vital for long-term growth. Key focus areas include:

- Digital marketing and social media campaigns
- Customer outreach and loyalty programs
- Public relations, sponsorships and partnerships to enhance brand recognition

9. Product development and diversification

Continuous innovation ensures that we remain competitive and responsive to evolving customer needs. Key focus areas include:

- Expanding into niche markets and developing ESG-linked financial products
- Enhancing existing products based on customer feedback
- Diversifying revenue streams across business segments and geographies

10. Infrastructure development

Resources are invested in both physical and digital infrastructure to ensure scalability and accessibility. Key focus areas include:

- Expanding and optimising the branch network
- Upgrading office facilities and enabling remote collaboration
- Embracing digital infrastructure to support future growth

11. Strategic partnerships and alliances

Strategic partnerships and alliances drive innovation and market expansion. Key focus areas include:

- Collaborating with fintechs and technology providers
- Establishing bancassurance partnerships
- Partnerships with international financial institutions

Strategic trade-offs

In a highly dynamic and competitive environment, making strategic trade-offs is essential to achieving balanced outcomes. These trade-offs reflect the Bank's commitment to integrated thinking, balancing competing priorities such as short-term profitability with long-term sustainability, innovation with risk management and regional expansion with a strong local focus. By carefully navigating these choices, the Bank ensures that it remains resilient, agile and forward-looking in a constantly evolving landscape. The following examples highlight how the Bank manages these strategic choices to ensure sustainable value creation:

1. Short-term profitability vs. long-term sustainability

Investments in sustainable practices, such as green financing and carbon-neutral operations, may not yield immediate financial returns; however, they are indispensable for ensuring long-term resilience, adherence to global sustainability standards and safeguarding the Bank's social license to operate. Consequently, the Bank strategically channels resources towards ESG initiatives as part of its journey towards Net Zero, even if it impacts short-term profitability, to ensure enduring value and align with international environmental commitments. A notable example is the Bank's decision to launch green financing products, a move that entailed balancing specific risks inherent to such products over and above the conventional risks associated with other forms of lending, against their long-term environmental benefits and the overall enhancement of stakeholder trust and value creation.

2. Innovation vs. risk management

Pursuing innovative financial products and digital solutions introduces new operational and market risks. Hence, the Bank balances the drive for innovation with robust risk management frameworks to mitigate potential risks associated with new product offerings and technological advancements. A relevant example is the adoption of AI/ML technologies, where Risk Management plays an active role by developing new policies and practices to govern and manage their use, ensuring the Bank capitalises on their benefits while mitigating potential risks. Similarly, advancements such as Cloud technology, Identity Access Management, and Data Analytics in credit underwriting require robust governance frameworks to address associated risks effectively. These examples highlight the Bank's commitment to fostering innovation while maintaining a steadfast focus on prudent risk management.

3. Global expansion vs. local market focus

Expanding into international markets offers growth opportunities but may divert attention and resources from strengthening domestic market positions. Yet, the Bank strategically allocates resources for regional expansion while ensuring that the domestic franchise remains robust and competitive.

4. Standardisation vs. customisation

Standardising services and processes enhances efficiency but may not meet the unique needs of diverse customer segments. The Bank strikes a balance between

ComBank partners with IFC to develop Supply Chain Financing strategy

The Bank collaborated with the International Finance Corporation (IFC) to build a Supply Chain Financing (SCF) strategy that will enable the Bank to lend more to SMEs.

IFC has identified the Bank as a strategic banking institution in Sri Lanka to take the position as a leading SCF bank, given its prominent presence in corporate and business banking and its strategically diversified branch network.

standardising operations for efficiency and customising services to cater to specific customer requirements, thereby enhancing customer satisfaction.

5. Employee specialisation vs. multiskilling:

Specialised roles can lead to high expertise in specific areas, while multiskilled employees offer flexibility and adaptability. The Bank invests in employee development programs that balance specialisation with multiskilling to create a versatile and competent workforce capable of adapting to changing business needs.

6. Centralisation vs. decentralisation:

Centralised decision-making can lead to uniformity and control, whereas decentralisation empowers local branches and can enhance responsiveness to local market conditions. The Bank has implemented a governance structure that balances central oversight with decentralised autonomy to ensure both consistency and local adaptability.

These strategic trade-offs are integral to the Bank's integrated thinking approach, ensuring that decisions are made with a holistic view of value creation across multiple capitals. By carefully evaluating and managing these trade-offs, the Bank aims to achieve a harmonious balance between growth, innovation, risk management and sustainability, thereby ensuring long-term value for all stakeholders.

Our strategic framework positions the Bank to thrive amidst challenges and opportunities in the financial services sector. By aligning our core purpose, strategic priorities and resource allocation with stakeholder expectations, we continue to create meaningful value. As we execute our 2025–2029 Strategic Plan, we remain committed to evolving responsibly, fostering innovation and contributing to a more sustainable future. With a disciplined approach to strategic execution, proactive risk management and a steadfast commitment to sustainability, the Bank is well-prepared to navigate a rapidly changing financial landscape while maintaining its leadership position.

As we look to the future, we will continue to adapt, innovate and grow responsibly, ensuring that we remain a trusted financial partner for generations to come.

Strategic imperatives and highlights

Growth

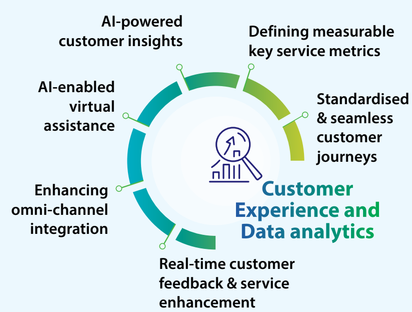
Expanding horizons with resilience

- **Sustained financial growth:** Group assets grew 8.30% YoY to Rs. 2.876 Tn., while the deposit base rose 7.36% YoY to Rs. 2.306 Tn. with a sector-leading CASA ratio of 38.07%.
- **Capital reinforcement and stability:** Successfully raised Rs. 22.5 Bn. through a rights issue and Rs. 20 Bn. via a debenture issue to strengthen capital adequacy.
- **Diversification and global expansion:** Overseas operations contributed 22.21% to pre-tax profits and accounted for 15.04% of the total assets.
- **Enhanced credit risk management:** Improved Stage 3 impairment coverage to 64.61% from 43.22%, ensuring financial stability.
- **SME and rural business leadership:** Maintained position as the largest SME lender for four consecutive years and extended tailored financing to rural businesses.
- **Sustainability in lending**: Green financing portfolio surged 117.20% YoY to Rs. 38.5 Bn., reinforcing the Bank's commitment to sustainable finance.
- **Expanding global footprint:** Plans to establish a presence in the Colombo Port City and a liaison office in DIFC to deepen global banking influence.

Customer experience and data analytics

Enhancing service through insights

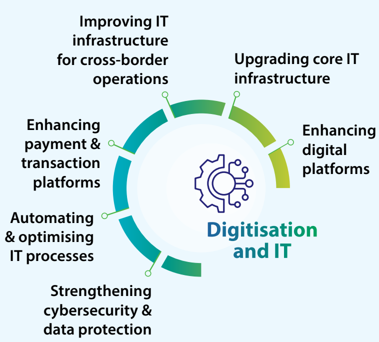
- **Driving customer excellence:** Established the Customer Experience Steering Committee to drive service excellence.
- **Empowering SMEs with market access:** Organised trade fairs and networking events to connect SMEs with larger markets, distributors, and buyers.
- **Inclusive financial solutions for women:** Introduced dedicated financial products and microfinance solutions, empowering 15,000+ women entrepreneurs in 2024.
- **Supporting rural economic development:** Expanded rural business financing solutions, enabling local enterprises to upgrade infrastructure, expand operations, and create employment opportunities.
- **Fostering future entrepreneurs:** The *Diribala* Next Gen and Export Grooming Programs empowered youth and SMEs, enhancing business acumen and export capabilities.
- **Promoting financial literacy:** Conducted 200+ capacity-building programs since 2010, benefiting 16,000+ farmers and entrepreneurs through expert-led workshops.
- **Leveraging digital transformation:** Introduced AI-enabled chatbots and real-time customer feedback systems to enhance service efficiency and engagement.



Digitisation and IT

Powering the future with technology

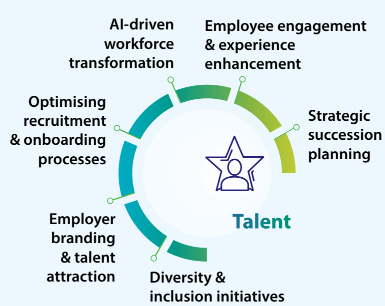
- **Strengthening IT infrastructure:** Invested Rs. 3.7 Bn. to enhance digital capabilities, ensuring a robust and future-ready banking ecosystem.
- **ComBank Digital milestone:** Surpassed 1.5 Mn. users in 2024, processing over 4 Tn. transactions, solidifying leadership in digital banking.
- **Expanding digital adoption:** Achieved 31% YoY growth in digital banking customers, reflecting increased trust in online and mobile banking solutions.
- **Promoting inclusive banking:** Launched ComBank Digital in trilingual, ensuring accessibility and ease of use for a diverse customer base.
- **eFD transformation:** In 2024 over 60% of fixed deposits were opened in 2024 digitally, showcasing shift towards convenient, paperless banking.
- **Host-to-Host (H2H) services:** Launched H2H payment services under ComBank Digital Enterprise Solutions, boosting corporate efficiency.
- **Data-driven banking:** Implemented Tableau dashboards and predictive analytics, improving risk assessment, decision-making, and operational efficiencies.
- **Driving procurement efficiency:** Adopted an e-tendering system to streamline procurement, enhance transparency, and improve operational effectiveness.



Talent

Empowering people and building future

- **Commitment to ethics and compliance:** Over 95% of employees completed ethical behaviour and compliance training.
- **Strengthening integrity:** Conducted 19 sessions on anti-bribery and anti-corruption for 75% of employees.
- **Advancing compliance culture:** More than 75% of employees earned AML e-learning certification, enhancing compliance capabilities across the Bank.
- **Ethics in action:** Conducted 87 workshops and 2 e-learning sessions on ethical decision making, conflict resolution and compliance.
- **Fostering an inclusive culture:** Implemented a Board-approved Diversity, Equity and Inclusion (DE&I) policy, ensuring a workplace that values equality and belonging.
- **Developing women leaders:** Launched an exclusive leadership program for 21 female employees, nurturing future leaders and promoting gender diversity.
- **Enhancing digital readiness:** Employees received training in AI, blockchain, and cybersecurity, strengthening digital capabilities for a future-ready workforce.
- **Encouraging collaboration and innovation:** Hosted brainstorming sessions and hackathons, fostering cross-functional teamwork and innovative problem-solving.



Sustainability

Driving impact beyond banking

- **Enhancing financial inclusion:** Empowered 16,500+ Sri Lankans, bridging gaps in underserved communities and strengthening economic resilience.
- **Championing clean energy:** Expanded renewable energy financing to support solar, wind, and hydro projects to reduce carbon emissions and enhance energy efficiency.
- **Sustainable agriculture financing:** Funded eco-friendly farming, helping farmers adopt organic practices and water-saving techniques.
- **Investing in solar energy:** Expanded the Bank's solar-powered branches to 89, driving energy efficiency and reducing reliance on fossil fuels.
- **Reviving marine ecosystems:** Partnered with Biodiversity Sri Lanka to launch the "Life to Our Coral Reefs" initiative, to restore coral reefs at Kayankerni Marine Sanctuary.
- **Strengthening education with technology:** Established 28 new IT labs, bringing the total to 362, empowering students with digital literacy and future-ready skills.
- **Community-driven reforestation:** Planted 100,000 trees through the "Trees for Tomorrow" campaign, contributing to climate action and ecological balance.
- **Advancing STEM education:** Increased STEM classrooms to 176 and set up 123 math labs, enriching education in rural schools.

Management discussion and analysis
An integrated view of performance and sustainability

The year 2024 marked a defining chapter in the Bank's journey as it seamlessly merged performance excellence with sustainability commitments to create value for its diverse stakeholders. Guided by our three-pillar Sustainability Framework (Refer page 72) – Sustainable Banking (Pillar 1), Responsible Organisation (Pillar 2), and Community Engagement (Pillar 3) – this year's achievements underscore our determination to empower communities, drive innovation, and preserve the environment while sustaining robust financial performance.

This chapter offers a comprehensive analysis of how our strategies, anchored in global best practices and aligned with the SDGs, delivered transformative outcomes in a challenging yet opportunistic economic environment. It reflects an integrated approach to management that considers economic, social, and environmental dimensions, reinforcing our leadership in sustainable banking.

Vision for sustainable value creation

At Commercial Bank, we envision a future where economic progress and sustainability intersect to deliver inclusive growth. Our approach to sustainability reflects a deep commitment to stakeholder-centric strategies. It combines innovation, operational resilience, and environmental stewardship to position the Bank as a driver of change in the financial sector.

This vision is operationalised through:

Inclusive finance

- Empower under-represented groups
- Promote access to financial services

Climate action

- Deliver financial products for climate action
- Support resource efficiency

Purpose-driven organisation

- Lead with purpose and ethical integrity
- Respect environmental and societal well-being.

Integrated approach to performance and sustainability

The Bank's success in 2024 can be attributed to an integrated management approach that blends traditional banking excellence with forward-looking sustainability principles. This chapter delves into how the Bank:

- Achieved measurable financial milestones while enhancing its impact across economic, environmental, and social spheres.
- Fostered resilience through data-driven insights and adaptive strategies in response to an evolving economic landscape.
- Strengthened governance frameworks to ensure robust oversight of sustainability initiatives, aligning with global best practices, including the <IR> Framework, GRI Standards, and SLFRS S1 and S2.

The way forward

The foundation laid over the years positions us to drive sustainable growth and resilience in an increasingly volatile global landscape. As we move forward, our focus remains on:

- Expanding our sustainability footprint by scaling initiatives across all three pillars of our Sustainability Framework.
- Leveraging technology to enhance customer convenience, operational efficiency, and resource conservation.
- Deepening engagement with communities, creating long-term social value, and ensuring financial inclusion for all.

This chapter not only celebrates the Bank's accomplishments but also articulates its roadmap for the future – a journey defined by innovation, sustainability, and a steadfast commitment to excellence. Together, these elements underline our unique position as a financial institution that leads responsibly, grows inclusively and creates enduring value for all its stakeholders.

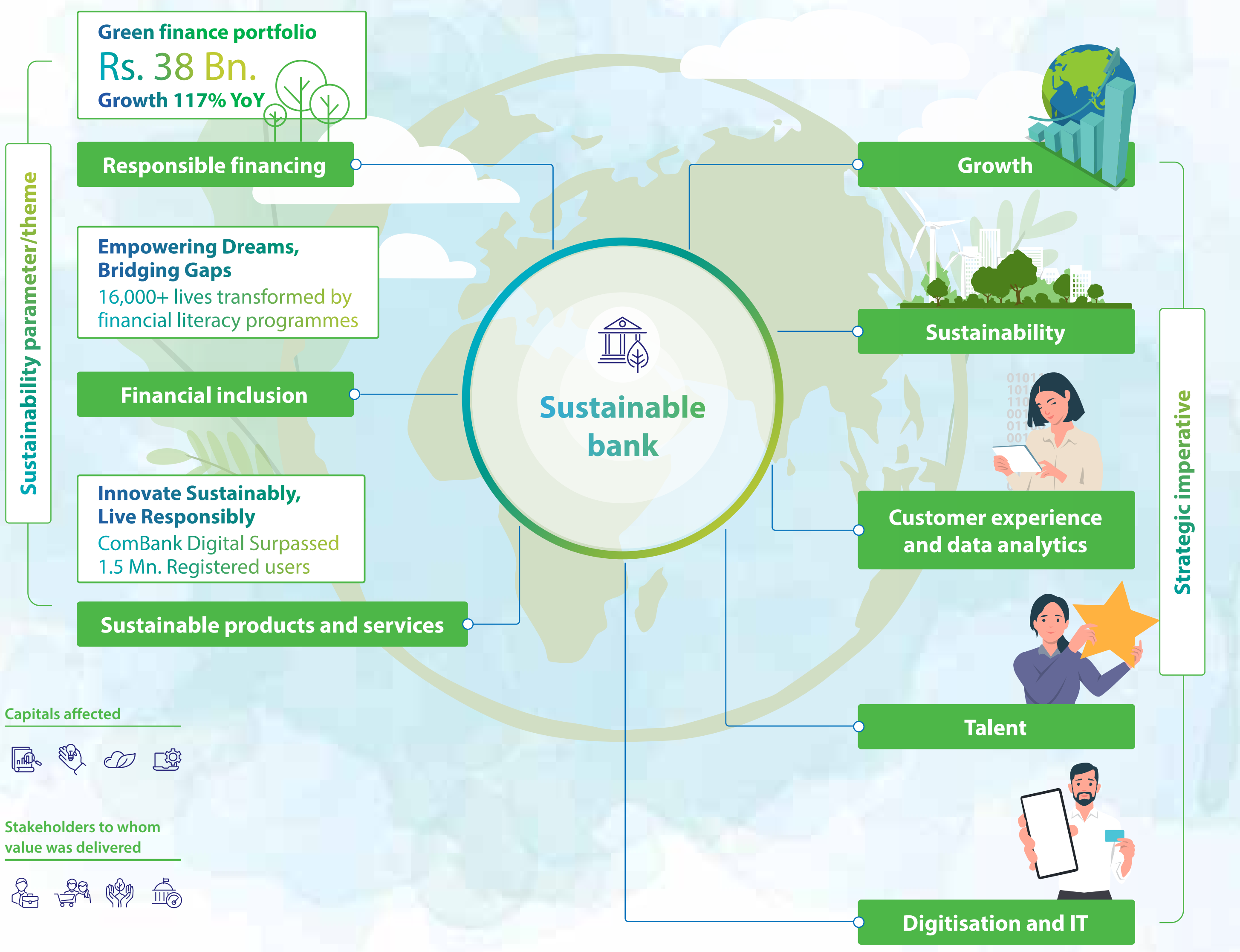
Key highlights of 2024

- **Innovative sustainability-linked products:** From financing renewable energy projects to promoting green leasing and sustainability-linked credit lines, we introduced cutting-edge solutions to meet the needs of a rapidly changing world.
- **Community empowerment:** Through financial literacy initiatives, vocational training, and impactful CSR projects, the Bank contributed meaningfully to community upliftment and inclusion.
- **Employee-centric growth:** With policies promoting diversity, equity, and inclusion, as well as training programs for leadership development, the Bank cultivated a resilient, future-ready workforce.
- **Climate leadership:** Leveraging partnerships with international organisations, we advanced our Climate Transition Plan and reaffirmed our commitment to achieving Net Zero emissions by 2050.

Sustainable banking

Creating enduring value for all stakeholders

Figure – 17



Embracing sustainable banking

At Commercial Bank of Ceylon PLC, Sustainable Banking is more than just a strategy – it is a core philosophy that defines our approach to creating value for stakeholders while addressing pressing global and local challenges. As a leading financial institution in Sri Lanka, we recognise our unique responsibility to balance profitability with environmental, social, and economic sustainability. Guided by the principles of long-term value creation, our commitment to sustainable banking reflects our role as a catalyst for progress, a steward of the environment, and a partner in inclusive growth.

Leadership in sustainability and ESG integration

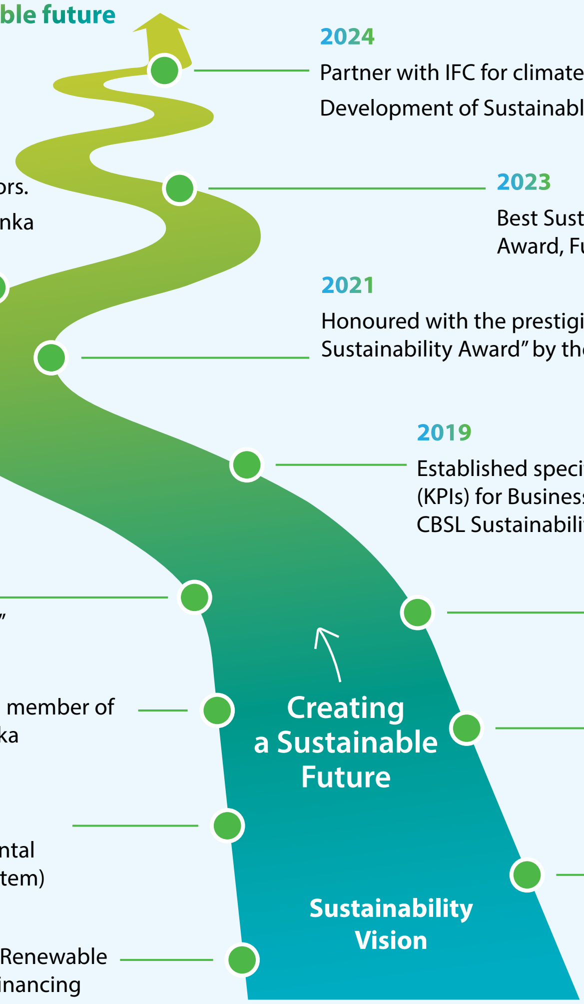
The banking sector plays a pivotal role in shaping the future by influencing financial markets and enabling broader societal goals. With the global shift towards integrating ESG and broader sustainability principles, the Bank has consistently demonstrated leadership in this transformative journey. We are proud to be the first Sri Lankan financial institution to achieve carbon-neutral status, a testament to our dedication to reducing our environmental footprint and embedding sustainability into our core operations. This landmark achievement is rooted in years of deliberate action, including robust greenhouse gas assessments, investments in renewable energy, operational efficiencies, and carbon offset programs such as reforestation initiatives.

As the 1st Bank to introduce Environmental and Social Management System (ESMS) in 2010 and the 1st to venture into Green Financing, we're leading the charge towards sustainable growth and innovation.

Commercial Bank's sustainability journey Figure – 18

Embarking on a steadfast journey, the Bank has established a long-standing legacy of sustainable initiatives as illustrated bellow:

Creating a sustainable future



2024
Partner with IFC for climate transition plan
Development of Sustainable Bond Framework

2023
Best Sustainable Branch and Department Award, Future Force Group

2022
Formed the Executive Sustainability Committee to oversee sustainability matters and report to the Board of Directors.
Alignment of Green Taxonomy with Sri Lanka Green finance taxonomy issued by CBSL

2021
Honoured with the prestigious "Best Corporate Citizen Sustainability Award" by the Ceylon Chamber of Commerce.

2020
Issued its "Climate Position Statement"
Achieved the significant milestone of becoming the first bank to attain Carbon Neutral status in Sri Lanka.

2019
Established specific Key Performance Indicators (KPIs) for Business units to align with the goals of CBSL Sustainability Finance Roadmap and SDGs

2018
Introduced the "Green Financing Taxonomy"

2017
Implemented its Green Financing Strategy

2012
Became a founding member of Biodiversity Sri Lanka

2011
Started fostering an energy efficient culture to work towards achieving carbon neutrality

2010
Became the first Bank to Introduce ESMS (Environmental and Social Management System)

2004
Established CSR Trust to achieve its corporate social responsibility goals

2000
Initiated Renewable Energy Financing

Supporting global and national sustainability goals

In 2024, we expanded our focus on sustainability, leveraging our leadership position to further align with global frameworks such as SDGs. At the national level, we supported Sri Lanka's Nationally Determined Contributions (NDCs) by promoting green financing and sustainable investments in renewable energy, climate-resilient agriculture, and low-carbon infrastructure. Through our alignment with the Sustainable Finance Roadmap of the CBSL, we have also championed industry-wide best practices, setting new benchmarks for ESG-driven solutions.

Integrating green banking with digital transformation

A cornerstone of our approach to sustainable banking is the seamless integration of digital transformation with green banking practices. By promoting paperless banking, energy-efficient facilities, and tech-driven financial inclusion, we have successfully reduced our operational environmental impact while enhancing customer convenience. Initiatives such as e-statements, digital payment platforms, and mobile banking channels have streamlined access to financial services for underserved communities, reinforcing our belief that digital innovation can drive both sustainability and inclusivity.

Elements of sustainable banking

At the heart of our sustainable banking framework are three interconnected elements:

- Responsible financing: Integrating ESG considerations into lending decisions to ensure investments contribute positively to the society and the environment.
- Financial inclusion: Extending banking services to rural and marginalised communities, empowering them to thrive.
- Sustainable products & services: Offering innovative solutions that align with stakeholder needs while fostering economic growth without compromising resources.

These elements guide our efforts to create a balanced approach that supports environmentally and socially responsible projects, broadens financial inclusion, and innovates for a sustainable future.

Elements of Sustainable Banking Figure – 19

Sustainable Banking *Responsible Financing*

Stakeholders engaged	Investors	Customers	Society and Environment
Capitals addressed	Financial capital	Intellectual capital	Natural capital

Sustainable Banking *Financial inclusion*

Stakeholders engaged	Investors	Government institutions and regulators	Customers
Capitals addressed	Financial capital		Manufactured capital

Sustainable Banking *Sustainable products and services*

Stakeholders engaged	Investors	Customers	
Capitals addressed	Financial capital	Manufactured capital	Intellectual capital

Building a resilient and inclusive future

As we move forward, the Bank remains steadfast in its commitment to lead the Sri Lankan banking sector towards a more sustainable and inclusive future. By embedding sustainability into every facet of our operations and fostering partnerships that drive collective progress, we create long-term value for all stakeholders. Our commitment to resilience, innovation, and shared prosperity underscores our aspiration of a banking sector that champions sustainability at its core.

Responsible financing

Balancing growth with integrity and sustainability

At Commercial Bank, responsible financing lies at the core of our sustainability agenda and strategic focus. We recognise that every lending and investment decision we make has significant implications for the society and the environment. Guided by a firm commitment to ethical principles, we ensure that our financial activities not only drive economic growth but also promote positive socio-economic outcomes while minimising environmental impacts.

In 2024, the Bank's responsible financing efforts were deeply aligned with global and local sustainability frameworks, including the SDGs, the Sustainable Finance Roadmap of the CBSL, and the Sustainable Banking Principles of the Sri Lanka Banks' Association (SLBA). Beyond regulatory adherence, responsible financing at the Bank represents a deliberate approach to aligning financial growth with the broader goals of sustainable development. Our initiatives throughout the year were built on robust risk management practices, rigorous regulatory compliance, and a steadfast dedication to creating long-term value for all stakeholders.

Strategic capital management and resilience

A foundation for sustainable growth

As a cornerstone of its commitment to responsible financing, the Bank continued to place strategic capital management at the forefront of its sustainability agenda in 2024. With the objective of ensuring resilience, supporting business expansion, and safeguarding stakeholder interests, the Bank undertook robust initiatives to strengthen its financial foundation. These efforts were underpinned by proactive governance frameworks and advanced capital monitoring systems.

Staying well-capitalised

The Bank demonstrated unwavering dedication to maintaining strong capital buffers to support its strategic growth objectives and ensure compliance with regulatory requirements. By adhering to the Capital Augmentation Plan submitted to the CBSL in 2023, the Bank successfully executed two transformative capital-raising initiatives in 2024:

- Basel III compliant debenture issue

  The Bank raised Rs. 20 Bn. through the issuance of Basel III-compliant Tier II capital debentures. This initiative showcased the strong investor confidence in the Bank and boosted its Tier II capital, enhancing long-term financial stability.

- Rights issue to bolster equity capital

  A rights issue raised an impressive Rs. 22.5 Bn., significantly enhancing the Bank's Tier I capital. This achievement marked the largest equity capital raising initiative by any private-sector bank in Sri Lanka, positioning the Bank as an industry leader in financial resilience.

Together, these initiatives elevated both Tier I and Tier II capital levels well above statutory minimum requirements, creating a solid platform for future growth. Combined with enhanced profitability in 2024 and forward projections, these measures provide significant leeway for the Bank to accommodate its planned expansion for the years ahead.

Regulatory capital ratios Table – 08

As at December 31,	2024	2023
Tier 1 (Minimum Requirement 10.000%)*	14.227	11.442
Total (Minimum Requirement 14.000%)*	18.142	15.151

For more details, please refer Annex 2 on page 491.

Building a capital-efficient balance sheet for the future

Strengthening the balance sheet for efficient capital utilisation remains a cornerstone of the Bank's strategic agenda, reflecting its commitment to fostering growth, resilience, and profitability. While the infusion of debt and equity capital has bolstered the Bank's financial foundation, enabling it to mitigate risks and sustain operations in volatile market conditions, the Bank continued its efforts to optimise its capital structure. By striking a careful balance between operational stability and stakeholder confidence, these efforts are firmly aligned with global best practices.

As part of its continuous efforts to rebalance the balance sheet towards a more capital-friendly structure, the Bank has prioritised initiatives that align capital allocation with long-term strategic objectives. Rigorous monitoring systems have been implemented to track divisional capital consumption and evaluate the capital requirements of business segments, ensuring the prioritisation of high-impact projects. To further enhance efficiency and ensure that returns are commensurate with risks, the Bank introduced the RAROC (Risk-Adjusted Return on Capital) framework, enabling the monitoring of risk-based returns across various portfolios. This approach ensures that capital is deployed effectively, focusing on both profitability and sustainability.

In tandem with fostering a culture of capital-based decision-making, the Bank has aligned systems and processes to elevate governance standards and deliver cost-effective growth on a priority basis. These strategic actions bolster operational efficiency and reinforce the Bank's competitive edge in an evolving financial landscape, ensuring value creation for stakeholders and long-term financial stability.

Proactive management of stress on capital

The Bank's governance framework for capital management was instrumental in identifying and mitigating potential capital stress. By conducting periodic stress tests and scenario analyses, the Bank ensured preparedness for adverse market conditions and external shocks. Recognising the extremely volatile conditions faced by the industry in preceding years, the Bank further widened its stress scenarios and heightened the levels of stress for testing. These refined practices reflect the Bank's proactive approach to maintaining resilience and adaptability in a rapidly evolving financial landscape.

Resilience as a strategic asset

As the Bank continues to navigate dynamic market conditions, its focus on strategic capital management remains unwavering. By leveraging its enhanced capital position, the Bank is well-poised to drive innovation, expand its lending portfolio, and support underserved sectors of the economy. Furthermore, the Bank's commitment to responsible financing underscores its role as a catalyst for sustainable development, ensuring that its growth trajectory benefits all stakeholders while aligning with global regulatory frameworks and sustainability goals.

The above achievements reflect the Bank's financial acumen and also demonstrate its resilience and adaptability –

qualities that will continue to define its success and sustainability in the years to come.

Optimising financial resources

Strategic management of financial resources

In 2024, the Bank continued to demonstrate financial prudence by optimising its asset and liability management strategies to ensure financial resilience and operational sustainability. The Bank adopted a forward-looking approach to funding and liquidity management, aligning its operations with evolving market conditions and global regulatory standards.

The Bank employs a comprehensive Asset and Liability Management (ALM) framework to optimise the utilisation of financial resources. By maintaining a balanced portfolio of assets and liabilities, the Bank ensures the alignment of maturity profiles, reduces mismatches, and minimises risks associated with interest rate volatility and currency fluctuations. To strengthen this approach, the Bank adopted proactive measures such as the following to enhance financial stability and resilience.

- **Dynamic portfolio adjustments:** The Bank closely monitored market conditions to rebalance its asset portfolio, diversifying the loan book and the investments portfolio to mitigate risks and maximise returns.
- **Profitability and risk alignment:** Lending strategies were carefully aligned with risk tolerance thresholds, ensuring a balance between growth objectives and sustainable profitability.

Strengthening funding and liquidity management with ALCO oversight

The Asset and Liability Committee (ALCO) played a pivotal role in driving the Bank's funding and liquidity management strategies, ensuring resilience amid market volatility. Acting as the central decision-making body for balance sheet optimisation, ALCO guided the Bank's approach to maintaining optimal liquidity levels, safeguarding financial stability, and mitigating risks associated with market fluctuations.

ALCO's continuous monitoring of market liquidity allowed the Bank to anticipate funding needs effectively, ensuring that adequate cash reserves were maintained at all times to meet both short-term and long-term obligations without operational disruptions. Additionally, the Committee implemented robust forecasting models to navigate evolving market dynamics, enhancing the Bank's ability to adapt to external shocks and seize emerging opportunities.

A key priority for ALCO was to maintain a well-diversified funding portfolio, ensuring stability and resilience across various dimensions, including tenor, currency, geography, and ticket size. While the Bank did not require funding from foreign sources in 2024 due to its strong liquidity position, its access to global funding markets remains a significant strategic advantage. This diversification, combined with the ability to tap into international funding avenues when required, enhances the Bank's financial flexibility, mitigates concentration risks, and positions it to respond effectively to potential future funding needs. These measures collectively reinforce the Bank's ability to support sustainable growth while maintaining a robust financial structure.

Moreover, ALCO introduced advanced analytics and scenario-based assessments to refine decision-making processes, enabling the Bank to align liquidity management strategies with regulatory requirements and industry best practices. These efforts underscore the Bank's commitment to proactive financial stewardship, fostering confidence among stakeholders and positioning the institution for sustained success in a dynamic economic landscape.

Managing liquidity risks amidst evolving market conditions

As markets continued to navigate uncertainties, the Bank prioritised robust liquidity risk management practices to safeguard its financial health. These measures included stress testing, scenario analysis, and liquidity buffer maintenance, all of which ensured resilience in challenging conditions. To further strengthen its liquidity management framework, the Bank implemented proactive strategies such as the following:

- Stress testing for contingency planning: The Bank conducted regular stress tests to evaluate its liquidity position under adverse scenarios, ensuring preparedness for potential disruptions.
- Near real-time monitoring: Implementation of the new Treasury System with advanced tools and methodologies facilitated near real-time monitoring of liquidity positions, enabling swift decision-making to address emerging challenges.

Alignment with Basel III norms

The Bank's liquidity and funding management practices were fully aligned with Basel III norms given below, reflecting its commitment to global best practices in financial risk management.

- **Liquidity Coverage Ratio (LCR):** By maintaining a high-quality liquidity buffer, the Bank consistently achieved LCR compliance, demonstrating its ability to withstand short-term liquidity shocks. LCR for all currencies and Rupee as at December 31, 2024 were 454.36% and 529.20% (516.27% and 491.61% respectively, as at December 31, 2023) compared to the minimum requirement of 100%.
- **Net Stable Funding Ratio (NSFR):** The Bank focused on securing stable funding sources to support its medium- to long-term asset base, ensuring compliance with NSFR requirements. NSFR as at December 31, 2024 was 187.29% (193.70% as at December 31, 2023) compared to the minimum requirement of 100%.

For more details, please refer Annex 2 on page 491.

Forward momentum in resource optimisation

As the Bank continues to strengthen its financial foundation, optimising financial resources remains a key strategic priority. Central to this effort is the Bank's robust ALM framework, which is overseen by the ALCO and aligned with international best practices. This framework is further reinforced by the Treasury Middle Office, which continuously monitors market risks, ensuring that the Bank remains agile in responding to dynamic financial conditions.

By maintaining a careful balance between risk, liquidity, and profitability, the Bank's ALM approach allows it to adapt to evolving market environments while safeguarding its financial stability. This proactive management ensures that the Bank not only meets its immediate financial obligations but also remains well-positioned to capitalise on emerging opportunities. Through effective resource allocation and disciplined oversight, the Bank is able to drive sustainable growth, meet regulatory requirements, and align its operations with long-term strategic objectives, reinforcing its resilience and stakeholder confidence in an increasingly volatile global economy.

To further enhance decision-making and automation within ALM and liquidity management, the Bank has procured several software modules focused on Asset and Liability Management and Liquidity Computation. These tools will empower ALCO to optimise the Balance Sheet more effectively, facilitating automation in liquidity-related computations, increasing computation frequencies, and enhancing near real-time monitoring capabilities. The implementation of these software solutions is currently underway, with live deployment scheduled in the near future.

Enhancing portfolio quality and risk management

Strengthening asset quality for sustainable growth

In 2024, the Bank achieved significant strides in enhancing the quality of its credit portfolio, driven by strategic initiatives and improved macroeconomic conditions. By leveraging advanced risk management tools, conducting rigorous evaluations, and ensuring prudent provisioning, the Bank demonstrated its commitment to sustainable financial performance and stability.

Improving credit portfolio quality through targeted strategies

The Bank has consistently focused on improving the quality of its credit portfolio by employing targeted strategies that address both pre- and post-sanction evaluations, ensuring a proactive approach to risk mitigation and enhanced asset quality, through measures such as;

- **Comprehensive credit risk assessments:** Rigorous credit appraisals serve as the cornerstone of the Bank's lending decisions. These assessments delve deeply into borrower profiles, market conditions, feasibility of the proposals, and sector-specific risks, ensuring a robust framework for prudent credit allocation.
- **Sectoral diversification:** To minimise concentration risks and enhance resilience against economic uncertainties, the Bank has strategically diversified its lending portfolio across industries, sectors and geographies, demonstrating strong fundamentals and growth potential.
- **Active portfolio monitoring:** Regular reviews and monitoring of the credit portfolio have enabled the Bank to detect emerging risks early. Leveraging predictive capabilities of the Early Warning Signals (EWS) system, the Bank identifies potential vulnerabilities within the portfolio, enabling timely corrective actions. This predictive approach enhances the Bank's ability to safeguard asset quality in a dynamic market environment.
- **Independent credit risk reviews:** The Bank's IRMD conducts independent Credit Risk Reviews, providing an additional layer of oversight. These reviews assess the effectiveness of credit decisions, compliance with risk policies, and adherence to regulatory guidelines, ensuring a comprehensive evaluation of the credit landscape.

By integrating these strategies with advanced risk monitoring tools and independent reviews, the Bank has fortified its credit management processes. This proactive approach has enabled the Bank to preserve its asset quality and position the Bank to achieve sustainable growth in an increasingly complex financial landscape, as evidenced by the fact that the gross loans and advances portfolio recorded a 17.49% growth in 2024, compared to the industry average growth of 2.10%.

Prudent impairment provisioning to safeguard asset quality

As part of its prudent risk management strategy, the Bank took proactive measures to enhance impairment provisioning levels, ensuring financial stability and resilience. While asset quality improved notably in 2024, driven by a recovery in economic conditions and a positive shift in the Economic Factor Adjustment, the Bank revised its impairment policy to introduce more stringent measures.

One such revision involved making a 100% provision for facilities in the Non-Performing category for over three years, irrespective of collateral, reflecting the Bank's commitment to maintaining a sound financial position. These measures resulted in a substantial increase in the Stage 3 provision coverage, which rose to 64.61% from 43.22% in the previous year, while the open credit exposure reduced to 15.06% from 38.69%.

This proactive approach underscores the Bank's dedication to strengthening its resilience and ensuring that asset quality remains robust amidst evolving market dynamics.

Leveraging predictive analytics for smarter risk assessment

The Bank utilised predictive analytics and advanced data modeling techniques to strengthen its risk assessment and decision-making processes. By leveraging these innovative approaches, the Bank was able to proactively manage credit risk and enhance portfolio quality through the following key measures:

- **Early warning systems:** Predictive tools enabled the Bank to identify potential non-performing assets (NPAs) at an early stage, facilitating timely interventions and recovery measures.
- **Data-driven insights:** Advanced analytics provided deeper insights into borrower and repayment trends, enhancing the accuracy of risk evaluation.
- **Customer risk scoring models:** Tailored models were developed to align risk assessments with the Bank's strategic priorities and regulatory requirements.

Conducting stress tests and scenario analyses to ensure financial stability

As part of its comprehensive risk management framework, the Bank conducted regular stress tests and scenario analyses to evaluate the resilience of its portfolio under adverse economic conditions. These measures played a crucial role in identifying vulnerabilities and enhancing the Bank's preparedness for potential financial shocks through the following key approaches:

- **Macro-stress testing:** Simulations based on varying macroeconomic scenarios allowed the Bank to assess the potential impact of external shocks on its financial position.
- **Capital adequacy under stress:** Stress testing results validated the Bank's ability to maintain adequate capital buffers, ensuring compliance with regulatory standards and instilling stakeholder confidence.
- **Scenario planning for risk mitigation:** Scenario analyses informed the Bank's contingency planning, enabling it to prepare for and respond effectively to evolving risks.

Outlook for portfolio quality and risk management

The Bank's strategic focus on enhancing portfolio quality and risk management underpins its vision for sustainable growth. By integrating advanced technologies, adopting rigorous evaluations, and aligning with global best practices, it is well-positioned to navigate the challenges of a dynamic economic environment. These efforts not only reinforce the Bank's financial stability but also enhance its ability to deliver value to all stakeholders.

Diversification of lending portfolio

Expanding credit horizons for inclusive and sustainable growth

The Bank's lending portfolio diversification in 2024 reflected its commitment to inclusive and sustainable development. By prioritising key growth sectors, expanding green financing, and leveraging regional opportunities, the Bank ensured that its credit portfolio aligned with national and global priorities while mitigating risk through diversification strategies.

Lending to priority sectors

The Bank remained unwavering in its commitment to supporting socio-economic upliftment by channeling credit towards underserved and high-potential sectors, reinforcing its role as a key enabler of inclusive economic growth.

ComBank biggest lender to Sri Lanka's SMEs for 4th consecutive year

The Bank became the biggest lender to Sri Lanka's SME sector for the 4th consecutive year accounting for nearly a one third of the value of the loans disbursed by a total of 17 state and private sector lending institutions.

In 2023, the Bank lent Rs. 231.655 Bn. out of the total loans of Rs. 704.142 Bn. to SMEs, accounting for 33% of the total in value terms according to the Ministry of Finance Annual Report 2023.

Driving socio-economic upliftment through strategic credit allocation

Figure – 20

Empowering SMEs

Largest SME lender for four years, providing tailored financial solutions for working capital, infrastructure expansion, and capacity-building initiatives.

Contribution to SDGs:

Promoting women entrepreneurs

Tailored financing solutions to empower women-led businesses, providing accessible credit and technical support.

Contribution to SDGs:

Supporting microfinance initiatives

Extended financial services to underserved rural populations, fostering self-reliance and community development.

Contribution to SDGs:

A core focus of this effort has been empowering SMEs, recognising their vital contribution to job creation, innovation, and national economic resilience. For the past four years, the Bank has maintained its position as Sri Lanka's largest lender to SMEs, underscoring its sustained dedication to this crucial segment. Through tailored financial solutions, the Bank has enabled SMEs to access working capital, expand infrastructure, and undertake capacity-building initiatives across diverse industries. By prioritising SMEs, the Bank has nurtured entrepreneurship, stimulated innovation, and strengthened economic sustainability.

In addition, the Bank has taken significant steps to promote women entrepreneurs, introducing specialised financing solutions that provide accessible credit and technical support. These initiatives have encouraged female-led businesses, enhanced economic inclusion, and empowered women to contribute meaningfully to the nation's growth.

Beyond SMEs and women-led businesses, the Bank has extended its outreach through microfinance initiatives, ensuring financial services reach underserved rural communities. By facilitating access to credit and fostering self-reliance, these programs have supported grassroots entrepreneurship, strengthened community development, and uplifted livelihoods in marginalised regions.

Expanding green financing

Aligned with its sustainability agenda, the Bank significantly expanded its green financing efforts to address environmental challenges and promote climate-resilient economic practices. By integrating sustainability into its lending strategy, the Bank facilitated projects that contribute to a low-carbon economy and long-term environmental stewardship.

A key focus of this initiative was financing renewable energy projects, supporting the transition towards clean energy solutions. The Bank provided funding for solar, wind, and hydroelectric projects, empowering businesses and communities to reduce carbon emissions and enhance energy efficiency.

Additionally, the Bank extended credit to sustainable agriculture, enabling farmers and agribusinesses to adopt eco-friendly farming techniques such as organic cultivation and water-efficient practices. By encouraging responsible agricultural methods, the Bank played a role in enhancing food security while minimising environmental impact.

Beyond energy and agriculture, the Bank also supported funding initiatives such as green buildings, and eco-tourism developments. These investments underscored the Bank's commitment to sustainability across multiple sectors, ensuring economic growth aligns with environmental conservation and climate adaptation.

Driving sustainability through green financing

Figure – 21

Renewable energy projects

Financed solar, wind, and hydroelectric projects, supporting clients' transition to clean energy while reducing carbon emissions and promoting sustainability.

Contribution to SDGs: 7 Affordable and clean energy

Sustainable agriculture

Provided credit to farmers and agribusinesses for eco-friendly practices, supporting organic cultivation, water efficiency, and sustainable agricultural growth.

Contribution to SDGs: 9 Industry, innovation and infrastructure; 13 Climate action

Climate-resilient infrastructure

Supported climate-resilient infrastructure through green buildings, and eco-tourism projects.

Contribution to SDGs: 9 Industry, innovation and infrastructure; 13 Climate action

Strategic diversification for risk mitigation and growth

Figure – 22

Sectoral focus

Diversified into emerging sectors including technology, healthcare, and export-oriented industries.

Contribution to SDGs: 8 Decent work and economic growth; 9 Industry, innovation and infrastructure

Regional outreach

Expanded presence in urban and rural markets, ensuring equitable credit access, bridging financial inclusion gaps, and fostering regional economic development.

8 Decent work and economic growth; 9 Industry, innovation and infrastructure

Sectoral and geographic diversification of credit exposures

To mitigate risks and optimise growth, the Bank pursued a strategic diversification approach across sectors and geographies, ensuring a well-balanced and resilient portfolio.

A key component of this strategy was a sectoral focus, where the Bank diversified into emerging industries such as technology, healthcare, and export-oriented businesses. This expansion enabled the Bank to tap into new growth opportunities while effectively spreading risk across multiple high-potential sectors.

Additionally, the Bank strengthened its regional outreach, expanding its footprint in both urban and rural markets. By doing so, it ensured equitable access to credit, bridged gaps in financial inclusion, and fostered regional economic development.

Cross-border lending and regional expansion

Leveraging its expertise in cross-border financing, the Bank strategically expanded its international footprint, capturing new opportunities and strengthening its regional presence. This initiative enabled the Bank to support businesses and economies beyond national borders while reinforcing its role as a key financial facilitator in the region.

A major focus of this expansion was the Bank's operations in Bangladesh, the Maldives, and Myanmar, where it provided tailored credit solutions, including trade financing and project loans. These financial solutions played a pivotal role in driving economic development in neighbouring countries, fostering growth across multiple industries.

Additionally, the Bank strengthened cross-border trade support, facilitating seamless trade financing solutions for businesses operating across international markets. By streamlining transactions and offering structured financial assistance, the Bank enhanced client satisfaction while deepening regional economic ties.

Expanding regional presence through cross-border financing

Figure – 23

Bangladesh, the Maldives, and Myanmar

Provided tailored credit solutions, including trade financing and project loans, fostering economic development.

Contribution to SDGs:

8 DECENT WORK AND ECONOMIC GROWTH · 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE · 17 PARTNERSHIPS FOR THE GOALS

Cross-border trade support

Facilitated seamless trade financing for cross-border businesses, enhancing client satisfaction and strengthening regional economic ties through efficient financial solutions.

Contribution to SDGs:

8 DECENT WORK AND ECONOMIC GROWTH · 17 PARTNERSHIPS FOR THE GOALS

Outlook for portfolio diversification

As part of its responsible financing strategy, the Bank's portfolio diversification initiatives are designed to balance growth with sustainability. By supporting priority sectors, expanding green financing, and pursuing regional opportunities, the Bank ensures long-term value creation for stakeholders while addressing pressing economic and environmental challenges. Reflecting its ambition to diversify further, the Bank established an International Banking Division effective January 01, 2025.
This strategic initiative aims to expand the Bank's footprint from subcontinental to cross-border operations, positioning it as the Sri Lankan bank with the highest international presence. This division will enhance focus and drive business growth in areas such as the Colombo Port City, Dubai International Financial Centre, and cross-border lending opportunities in new territories. Looking ahead, the Bank remains committed to refining its credit strategies to align with evolving market needs and global sustainability goals.

Customer centricity

The Bank places customer centricity at the heart of its Responsible Financing agenda, creating experiences defined by simplicity, transparency, and convenience. The Bank's commitment is evident in its unwavering focus on understanding and addressing diverse customer needs while fostering meaningful relationships. By maintaining open, transparent communication, the Bank ensures customers are informed about its products, services, and policies, building trust and enabling proactive management of expectations. This transparency is coupled with tailored solutions, including restructuring and rescheduling of loan facilities, specialised account offerings, and segmented services, empowering customers to achieve their financial aspirations.

Customer segmentation: personalised solutions for every need

Customer segmentation remains a cornerstone of the Bank's strategy, enabling the design of tailored products and services for distinct customer groups. This approach ensures not only the alignment of financial solutions with customer goals but also exceeds expectations. The strategy has necessitated internal enhancements, such as agile processes, to adapt to the evolving needs of its clientele. By leveraging segmentation, the Bank fosters loyalty and engagement while reinforcing the strength of its brand.

Customer segmentation Table – 09

Criteria	High net-worth	Corporate	SME (Small and Medium Enterprises)	Micro customers	Mass market
Income/Size of relationship/ Business turnover/Exposure	Individuals with banking relationships above set thresholds	Exposure> Rs. 250 Mn.	Exposure< Rs. 250 Mn. and annual turnover <Rs. 1 Bn.	Exposure< Rs. 1 Mn.	Individuals not falling into other categories
Price sensitivity	High	High	Moderate	Low	Low
Products of interest	Investment	Transactional, trade finance, and project loans	Development lending, Leasing and project financing, Transactional	Transactional	Transactional
Number of transactions	Low	High	High/Moderate	Low	Low
Level of engagement	High	High	High	Low	Low
Objective	Wealth maximisation	Funding and growth	Funding, growth and advice	Funding and advice	Personal financial needs
Background	Elite business community/ professionals	Rated, large to medium corporates/MNCs	Medium business	Self-employed	Salaried employees
Number of banking relationships	Many	Many	A few	A few	A few
Level of competition from banks	High	High	Moderate	Low	Moderate

Channel mix and target market on perceived customer preference Table – 10

Customer segment	Branches	Internet & Mobile Banking	ATMs/CDMs CRMs	Call centre	Relationship managers	Business promotion officers	Premier banking units
High net-worth	✓	✓	✓	✓	✓	✓	✓
Corporates	✓	✓	✓	✓	✓	✗	✗
SMEs	✓	✓	✓	✓	✓	✓	✗
Micro	✓	✓	✓	✓	✗	✓	✗
Millennials	✗	✓	✓	✓	✗	✗	✗
Mass market	✓	✓	✓	✓	✗	✗	✗

Crafting a customer-centric future

Guided by its vision, mission, and 12 Service Commandments, the Bank introduced a comprehensive Customer Experience (CX) Vision and Service Oath to align employee behaviour with its commitment to delivering exceptional service. Recognising the evolving expectations of customers, the Bank took a transformative step in late 2023 by establishing the Customer Experience Unit, reinforcing its dedication to engagement, seamless service delivery, and customer satisfaction.

Spearheaded by the Chief Manager - Customer Experience, this specialised unit serves as the driving force behind the Bank's commitment to embedding customer-centricity across all touchpoints. Through structured initiatives and continuous innovation, the Bank is actively reshaping its service culture to enhance customer interactions, optimise service standards, and elevate overall satisfaction levels.

In pursuit of these objectives, the Bank has implemented a series of targeted actions to enrich the customer experience, strengthen relationships, and position itself as a leader in service excellence.

ComBank voted "People's Private Bank of the Year" for second successive year

The Bank has been voted the "People's Private Bank of the Year" at the SLIM Kantar People's Awards 2024 for the second consecutive year.

Key actions in 2024

Strengthening governance:

- Established a Customer Experience Steering Committee, that conducts quarterly meetings to oversee strategies, address challenges, and drive customer-focused initiatives Bank-wide.
- Introduced Leaders' Guidance to Serving, featuring insights from Corporate Management to align leadership with service excellence.

Inspiring Staff:

- Launched an internal campaign under the inspiring theme "Service Beyond 100%" to reinforce a culture of service excellence.
- Developed Dos and Don't service videos to guide service behaviours and standardise best practices.

Innovative Tools:

- Introduced Service Quality Dashboards across various units, providing visibility, accountability, and actionable insights.
- Streamlined customer journeys at service touchpoints to enhance efficiency and consistency.

Feedback mechanisms:

- Launched customer surveys and implemented action points based on feedback to foster a customer-centric approach.
- Strengthened First-Time Resolution (FTR) focus at the Contact Centre, driving efficiency and boosting customer satisfaction

Service huddles:

- Introduced weekly Service Huddles with a structured framework to encourage team reflection, collaboration, and continuous improvement.

Measuring success: Customer satisfaction metrics

The Bank's unwavering commitment to excellence in customer service is validated by outstanding customer satisfaction metrics. In 2022, a comprehensive study conducted by Kantar Research showcased the Bank's remarkable satisfaction scores. The findings showed the Bank's superior customer satisfaction scores in all three key customer segments, Retail, Corporate and SME. These metrics highlight the Bank's customer-centric philosophy, solidifying its position as an industry leader in delivering exceptional banking experiences tailored to diverse customer needs.

Through its strategic focus on passionate service, actionable insights, and the integration of cutting-edge technology, the Bank continues to raise the bar for customer satisfaction. By striving to achieve best-in-class Net Promoter Scores (NPS), it reaffirms its ambition to set new benchmarks in customer experience and establish itself as a service leader in the banking sector.

Combank opens first Digizone experience

Opening the first "DigiZone", located at the Bank's Wellawatte branch, enabling visitors to experience any of the digital services offered.

Customer Experience Performance Statistics Table – 11

	Key Performance Indicators	2024	2023
Contact Centre	**Inbound operation voice calls**		
	• Service Level 80% within 20 sec	66%	77%
	• Abandoned Rate Less than 5%	7%	6%
	First Call Resolution Rate (FCR)	74%	N/A
Customer experience	**Total Net Promoter Score (NPS)**		
	• Maintain above 35	30	N/A

Driving digital transformation for customer experience

The Bank integrates technology to streamline processes, enhance efficiency, and simplify the customer journey. The upcoming Corporate Banking App exemplifies this effort, offering comprehensive capabilities across lending, deposits, trade, and treasury services. The App aims to address talent shortages through automation, improve operational efficiency, and deliver an intuitive, integrated digital experience for corporate clients. Additionally, the Bank's broader technology-driven CX initiatives include customer journey automation, QR payment innovations, biometric authentication, and AI-driven chatbots to create seamless, contactless banking experiences.

Continuous innovation in customer experience

Customer experience is at the forefront of the Bank's operations, focusing on creating seamless and standardised journeys, offering one-stop solutions, and enhancing processes to reduce turnaround times. Regular customer feedback, CRM-driven insights, and personalised promotions help refine services to align with evolving customer preferences. The Bank also prioritises training employees to enhance customer interactions and leverage technology to maintain a customer-first ethos.

By embedding customer centricity into its operations and leveraging cutting-edge digital solutions, the Bank reaffirms its commitment to delivering personalised, transparent, and future-ready financial services. This approach strengthens customer relationships and ensures that the Bank remains a trusted partner in achieving their financial goals in a fast-evolving digital era. Through a blend of technology, customer focus, and innovation, the Bank continues to redefine excellence in customer experience.

Adoption of the Battlecard concept: Strengthening competitive strategy in 2024

Since the beginning of 2024, the Bank adopted the innovative "Battlecard" concept to strategically position the Bank in an increasingly competitive market landscape. Designed to identify market dynamics, competitor offerings, and growth opportunities, the Battlecard acts as a blueprint to enhance the Bank's market share in deposits and advances.

The Battlecard focused on addressing customer pain points highlighting gaps between competitors and the Bank. Key differentiation areas identified included transitioning to a sales-oriented mindset through centralised operations, automation, and enhanced process-driven approaches.

The competitive analysis mapped key players in the industry - each with unique strengths and weaknesses, which helped the Bank generate invaluable insights that suggested opportunities for differentiation. Leveraging these insights, the Bank has devised strategies to establish itself as the preferred choice for customers.

To drive market differentiation, the Bank introduced three strategic initiatives:

- **Wallet share increase:** Aiming to grow deposits and advances through SME and corporate client-focused funnel management.
- **Centralised operations for back-office work:** Enhancing operational efficiency while fostering a proactive sales culture.
- **Customer-centric approach:** Introducing expedited credit approvals through automation and pre-approved limits for top-tier customers.

With meticulously outlined action plans and clear timelines for seamless execution in 2024, the Bank's adoption of the Battlecard concept exemplifies its unwavering commitment to growth, operational excellence, and unparalleled customer satisfaction. By focusing on maintaining portfolio quality and bridging market gaps through innovative strategies, the Bank is strategically positioned to drive sustainable growth and adapt to the evolving dynamics of the banking industry. This forward-thinking approach reinforces the Bank's ability to deliver value while navigating competitive challenges, ensuring resilience and success in an increasingly dynamic financial landscape.

Governance and compliance excellence

Embedding governance for responsible and ethical banking

The Bank maintained its leadership in governance and compliance by implementing robust frameworks designed to uphold ethical banking, ensure regulatory compliance, and foster a culture of accountability. The Bank's approach to governance excellence reinforced its commitment to transparency, integrity, and the highest ethical standards in all its operations.

Strengthening ESG governance frameworks

To align with its Sustainability Framework, the Bank further enhanced its governance mechanisms to integrate ESG principles into its core business processes. These efforts ensure that sustainability remains a fundamental part of decision-making, risk management, and stakeholder engagement through the following key initiatives:

- **ESG integration in decision-making:** All financing decisions are rigorously evaluated against ESG criteria, ensuring alignment with sustainable and responsible business practices.
- **Board-level oversight:** The Bank's Board of Directors actively oversees ESG-related initiatives, embedding sustainability considerations into strategic planning and risk management.
- **Stakeholder accountability:** Regular engagement with stakeholders ensures that the Bank's ESG commitments reflect their expectations while driving sustainable value creation.

Anti-money laundering (AML), Combating financing of terrorism (CFT) and anti-bribery and anti-corruption measures

The Bank remained steadfast in its commitment to preventing financial crimes by continually enhancing its AML and anti-bribery frameworks. Leveraging advanced monitoring technologies, the Bank strengthened its capacity for real-time detection and prevention of suspicious activities, aligning its operations with global AML standards. These robust systems not only enhanced compliance but also fortified stakeholder trust in the Bank's ethical practices.

A zero-tolerance approach to bribery was at the forefront of the Bank's strategy. Strict anti-bribery policies were rigorously enforced across all operations, complemented by comprehensive training programs. These programs empowered employees and third-party partners with the knowledge and tools to uphold the highest standards of integrity, ensuring ethical conduct at every level of the organisation.

Number of permanent employees who completed on-line AML e-learning course and obtained the certification – 3,909 (78% of the total permanent employees in Sri Lanka)

Additionally, the Bank maintained a meticulous approach to regulatory reporting. Comprehensive systems and procedures were in place to ensure compliance as well as timely and accurate submission of reports on suspicious transactions to relevant regulatory authorities. The Bank is cognisant of its role and requirements to be prepared, from the perspective of the National Risk Assessment (NRA) that is going to be conducted towards the latter part of 2026. This proactive stance underscored the Bank's unwavering dedication to compliance, transparency, and the safeguarding of the financial ecosystem from illicit activities. Through these measures, the Bank mitigated risks while reinforcing its reputation as a responsible and vigilant financial institution.

Ethical banking practices and conduct risk management

Ethical banking remains a cornerstone of the Bank's operational philosophy, supported by comprehensive frameworks to mitigate conduct risk. This commitment ensures that every action taken by the Bank aligns with its core values, fostering trust among stakeholders and reinforcing the Bank's position as a responsible financial institution.

A robust Code of Ethics serves as the foundation for employee behaviour, ensuring that all decisions and actions are guided by the principles of transparency, responsibility, and ethical behaviour. This framework is further strengthened through regular training and awareness programs, which focus on ethical banking, customer fairness, and conflict of interest prevention. These initiatives empower employees to uphold the highest standards of professional conduct while fostering a culture of accountability and ethical behaviour.

The Conduct Risk Management Policy plays a pivotal role in maintaining an effective risk culture. This Group-wide policy ensures that the Bank engages in fair and ethical practices with customers, employees, and other stakeholders while establishing clear accountability for all actions. By adopting a preventive approach, this Policy enables the Bank to proactively address risks, ensuring that its operations remain ethically sound and aligned with stakeholder expectations.

The IRMD actively oversees and addresses risks that could impact operational integrity, ethical behaviour, or stakeholder trust. Leveraging the principles of the Conduct Risk Management Policy, this team ensures that ethical considerations are deeply integrated into the Bank's risk management strategy. These efforts collectively reinforce the Bank's unwavering commitment to ethical behaviour, responsible banking, and robust corporate governance.

Ensuring compliance with regulatory and ESG standards

The Bank consistently meets and exceeds local and international regulatory requirements, reinforcing its position as a model of compliance excellence. Through a structured approach to governance, financial transparency, and sustainability, the Bank ensures adherence to global best practices in the following key areas:

- **Basel III and SLFRS compliance:** The Bank adhered to Basel III capital adequacy standards and Sri Lanka Financial Reporting Standards (SLFRS) ensuring robust financial health and transparency.
- **Alignment with ESG standards:** By aligning its practices with global frameworks such as the SDGs, the Bank demonstrated its commitment to addressing global challenges.
- **Periodic audits and assessments:** Independent audits and compliance assessments ensured adherence to regulatory and ESG standards, reinforcing accountability and operational excellence.

Outlook for governance and compliance

As financial ecosystems become increasingly complex, the Bank remains committed to strengthening its governance frameworks and compliance mechanisms. By embedding ESG principles, mitigating financial crime risks, and fostering ethical banking practices, the Bank continues to uphold its reputation as a trusted and responsible financial institution. Looking ahead, the Bank aims to leverage technological advancements and global best practices to further enhance governance excellence and support sustainable growth.

Climate risk management

Proactively addressing climate-related risks

In recognition of the growing impact of climate change on financial systems, the Bank has prioritised climate risk management as a critical aspect of its governance and operational strategy. By leveraging advanced tools, conducting rigorous stress testing, and addressing the challenges of green financing, the Bank continues to ensure resilience against climate-related uncertainties while supporting sustainable economic growth.

Identifying climate-related risks and opportunities

In line with SLFRS S2: Climate-Related Disclosures and global best practices, the Bank recognises the need to systematically identify and assess the financial implications of Climate-Related Risks and Opportunities (CRROs). Understanding these factors is critical for ensuring the Bank's long-term resilience and enabling strategic decision-making in a rapidly evolving economic and regulatory landscape.

The Bank has conducted an analysis of both *physical risks* (e.g., risks arising from extreme weather events and changing climate patterns) and *transition risks* (e.g., risks associated with the shift to a low-carbon economy). Simultaneously, the Bank has identified climate-related opportunities that align with its strategy to support sustainable economic growth and promote a greener financial ecosystem.

This proactive approach enables the Bank to embed climate considerations into its risk management frameworks, lending practices, and investment strategies. It also provides the foundation for climate stress

ComBank first Lankan Bank to join PCAF – the global Partnership for Carbon Accounting Financials

The Bank became the first Sri Lankan bank to be a signatory to the Partnership for Carbon Accounting Financials (PCAF), a global initiative that enables signatories to measure and disclose the greenhouse gas (GHG) emissions associated with their financial activity.

The Bank's ground-breaking engagement with PCAF is supported by the International Finance Corporation (IFC) and is a pivotal element of the Bank's Climate Transition Plan.

testing and scenario analysis, ensuring that the Bank remains well-prepared to navigate future climate-related uncertainties while capitalising on sustainable opportunities.

CRROs identified in relation to the Bank are given in Risk Governance and Management section on pages 254 to 284.

Mitigating green financing risks

While the Bank continues to expand its green financing portfolio, it acknowledges the inherent risks associated with this segment, including regulatory inconsistencies and market challenges. To address these risks and ensure the sustainability and viability of its green financing initiatives, the Bank has implemented the following strategic measures:

- **Addressing regulatory gaps:** The Bank actively engages with regulators and policymakers to align its green financing practices with national and international sustainability guidelines, ensuring clarity and consistency.
- **Due diligence in green projects:** Comprehensive due diligence processes assess the technical, environmental, and financial viability of green projects, reducing the risk of under performance or non-compliance.
- **Diversifying green financing portfolio:** The Bank's green financing initiatives span multiple sectors, including renewable energy, energy efficiency, and climate-resilient agriculture, minimising concentration risk.

Way forward for climate risk management

As the global climate risk landscape continues to evolve, the Bank is resolute in its commitment to enhancing risk management capabilities and integrating climate considerations into all aspects of its operations. Recognising the critical need for proactive measures, the Bank has outlined a strategic pathway for addressing CRROs.

Key focus areas for the future include:

- **Expanding predictive analytics:** Leveraging advanced predictive analytics tools to identify emerging climate risks and assess their potential impact on operations, portfolios, and stakeholder interests.
- **Enhancing stakeholder engagement:** Strengthening collaboration with regulators, industry peers, and other stakeholders to address gaps in climate-related regulations and frameworks, ensuring alignment with international best practices and local requirements.
- **Investing in innovative tools and technologies:** Continuing investments in advanced tools and technologies that enhance the Bank's ability to monitor, assess, and mitigate climate risks effectively.
- **Advancing financed emissions calculations:** The Bank signed a Memorandum of Understanding (MOU) with Partnership for Carbon Accounting Financials (PCAF) to become an official signatory, demonstrating its commitment to robust carbon accounting practices.

By embedding climate risk management into its governance frameworks and decision-making processes, the Bank reaffirms its position as a sustainable financial institution. The Bank's forward-thinking approach prioritises resilience, accountability, and long-term value creation, ensuring its ability to navigate the complexities of a changing climate while fostering sustainable growth. In 2025, the Bank will actively work on formulating detailed scorecards to assess climate-related risks within the ICAAP framework, specifically focusing on its lending portfolio, and developing processes to extract and interpret climate risk data for financial disclosures in alignment with SLFRS S1 and S2. These targeted initiatives further reinforce the Bank's commitment to integrating climate considerations into its operations, enabling informed decision-making and transparent reporting to stakeholders.

The Group Environmental and Social Risk Management Policy

The Bank has implemented a Group Environmental and Social Risk Management Policy that provides a comprehensive framework for managing environmental and social (E&S) risks across its operations. This policy covers E&S risk management within the Bank's internal operations, ensuring responsible corporate practices, as well as E&S risk management in lending, integrating sustainability considerations into the Bank's credit decision-making process. By aligning with international best practices, the policy reinforces our commitment to responsible banking and sustainable finance.

The full policy is available on the Bank's website and can be accessed at https://www.combank.lk/info/file/272/group-environmental-and-social-risk-management-policy

Environmental and social management System

Integrating sustainability into lending practices

The Bank has established a comprehensive Environmental and Social Management System (ESMS) to ensure that all lending practices align with its commitment to sustainability.
By embedding ESMS into its operations, the Bank safeguards social and environmental outcomes while promoting responsible business practices.

The ESMS has been developed based on the IFC Performance Standards, a globally recognised framework for managing E&S risks in private sector projects. These standards guide businesses and financial institutions in identifying, assessing, and mitigating E&S risks, fostering responsible and sustainable financing. The framework comprises eight key standards, addressing areas such as risk management, labour rights, resource efficiency, community health, safety, and security, land acquisition, biodiversity conservation, indigenous peoples' rights, and cultural heritage. Widely adopted by banks, investors, and development institutions, these standards ensure alignment with international sustainability frameworks, including the Equator Principles and the SDGs.

Embedding ESMS in lending practices

The Bank has embedded ESMS as a fundamental component of its risk evaluation and lending processes, ensuring that all financed projects adhere to stringent sustainability criteria. By integrating ESMS into its decision-making framework, the Bank enhances responsible lending while aligning with global sustainability goals through the following key measures:

ComBank wins double at ACCA Sustainability Reporting Awards

The 2023 Annual Report of the Bank was adjudged the overall runner-up and winner in the Banking category at the Sustainability Reporting Awards presented by the ACCA.

Embedding ESMS in lending practices Figure – 24

Sector-specific guidelines

Tailored ESMS guidelines address the unique social and environmental risks associated with various industries, including agriculture, energy, and infrastructure.

Stakeholder engagement

The Bank works collaboratively with project stakeholders to identify potential risks and implement mitigation measures, ensuring long-term project sustainability.

Pre-lending screening

Projects above a defined threshold undergo detailed social and environmental assessments, ensuring compliance with national and international standards, including the SDGs.

Compliance with frameworks

Alignment with global best practices, such as the International Finance Corporation (IFC) Performance Standards, ensures responsible lending and minimises the negative impact of financed activities.

Monitoring and reporting social and environmental outcomes

The Bank's ESMS framework prioritises continuous monitoring and transparent reporting to ensure accountability and measurable impact. Through a structured approach to data collection and stakeholder engagement, the Bank enhances its ability to assess and communicate the effectiveness of its sustainability initiatives through the following key measures:

- **Outcome monitoring:** Regular audits and evaluations are conducted to track the social and environmental performance of funded projects, ensuring adherence to agreed-upon sustainability goals.
- **Impact metrics:** The Bank employs key metrics, such as carbon emissions reduction, reduction in landfill, job creation, and community development, to measure the positive outcomes of its ESMS-aligned projects.
- **Transparent reporting:** Comprehensive reporting on ESMS performance is shared with stakeholders, reinforcing the Bank's accountability and commitment to transparency.

Enhancing ESMS capabilities

The Bank is committed to continually refining its ESMS framework to address emerging sustainability challenges and opportunities, through many activities, inter alia the following:

- **Capacity building:** Regular training programs equip employees with the skills to evaluate and monitor social and environmental risks effectively.
- **Technology integration:** Advanced digital tools, such as environmental risk assessment software and predictive analytics, are incorporated into ESMS processes for enhanced accuracy and efficiency.
- **Partnerships for sustainability:** Collaborations with international organisations and local regulators strengthen the Bank's ESMS framework and expand its sustainability expertise.

Medium to long-term vision for ESMS

The Bank has seamlessly embedded ESMS into its lending practices to ensure its financial activities contribute to sustainable development while mitigating adverse social and environmental impacts. The Bank is committed to scaling the impact of ESMS by broadening its application across all lending portfolios, prioritising high-sustainability projects such as renewable energy and social infrastructure development.

The Group has implemented a robust strategy to avoid financing activities that pose E&S risks, ensuring responsible banking practices and compliance with regulatory frameworks. As part of this approach, the Group strictly adheres to a pre-identified list of banned or illegal practices, outlined in Annex I: "Banned/Illegal List" in the Group E&S Risk Management Policy, which prevents engagement in activities that could be harmful or non-compliant with regulations. Additionally, while certain project types or activities listed in the E&S Negative List (Annex I) may be legally permissible, they carry the potential for significant environmental degradation or social conflict. Given the Group's low risk appetite for such activities, lending to these projects is restricted whenever possible. Furthermore, the Bank's operations in Bangladesh adhere to additional sectoral exclusions, as stipulated in the "Exclusion List" of the "Guidelines on Environmental and Social Risk Management (ESRM) for Banks and Financial Institutions in Bangladesh (June 2022)", reinforcing the Group's commitment to sustainable and responsible financing.

By fostering a culture of sustainability among its clients, ESMS actively encourages the adoption of environmentally and socially responsible business models, reinforcing shared accountability. Moreover, the Bank aligns ESMS objectives with global frameworks, including the SDGs, as part of its medium to long-term strategy. Through this integration, the Bank demonstrates its leadership in sustainable banking, proving that financial growth and sustainability are mutually reinforcing goals. These efforts underscore the Bank's commitment to a resilient, inclusive, and environmentally conscious future for all stakeholders.

Support for struggling businesses

The Bank recognises the critical role struggling businesses, particularly SMEs, play in the economy and has implemented a dedicated approach to support their revival and long-term sustainability. In 2024, the Bank focused on assisting businesses facing financial challenges through specialised interventions and responsive strategies.

Business Revival and Rehabilitation Unit

The Business Revival and Rehabilitation Unit (BRRU) exemplifies the Bank's proactive approach to supporting distressed businesses in overcoming financial challenges and regaining stability. Formally established in July 2024, the BRRU has been instrumental in working closely with SMEs, identifying their unique pain points, and developing customised solutions to effectively alleviate financial distress.

Dedicated teams of financial advisors played a critical role, offering guidance on operational restructuring, cash flow optimisation, and market repositioning, ensuring businesses could achieve sustainable recovery. Recognising the need for additional financial support, the Bank also provided supplementary funding on a need basis, helping businesses navigate challenging circumstances more effectively.

Additionally, the BRRU focused on preventive measures, leveraging early warning systems to detect signs of financial strain and implementing timely interventions to safeguard businesses from potential insolvency. By the end of 2024, the unit had extended support to 65 borrowers, reinforcing the Bank's commitment to being a trusted partner for businesses.

Restructuring and rescheduling loan facilities

The Bank acknowledged the pressing liquidity challenges faced by businesses and extended flexible loan restructuring and rescheduling options to support them in overcoming financial difficulties. Borrowers were given the opportunity to restructure their existing loans, allowing adjustments such as extended repayment periods and revised interest rates. These interventions effectively alleviated immediate financial pressures, giving businesses the breathing space needed for recovery.

To further support enterprises experiencing temporary cash flow constraints, the Bank rescheduled payment plans, enabling businesses to meet financial obligations without compromising operational continuity. Additionally, the Bank provided concessional terms to struggling SMEs, including reduced interest rates and tailored repayment structures, ensuring that they could focus on rebuilding and strengthening their businesses.

Despite the CBSL requiring the banks to classify such restructured facilities under Stage 2 or 3, which necessitates higher impairment provisions, the Bank strategically accommodated these businesses as a trade-off, prioritising long-term economic stability and business continuity over immediate financial impact.

Future outlook

Looking to the future, the Bank is poised to expand the scope of its BRRU by incorporating additional advisory resources and deploying advanced digital tools to enhance the efficiency and effectiveness of business recovery plans. The Bank also plans to deepen its collaboration with government agencies, industry associations, and NGOs to deliver a more holistic support ecosystem tailored to the unique challenges of struggling businesses. Additionally, efforts will focus on developing a comprehensive impact assessment framework to monitor recovery outcomes, measure the success of interventions, and refine strategies for maximum impact.

Cost optimisation and efficiency

Driving operational excellence through strategic cost management

The Bank continues to uphold its commitment to enhancing operational efficiency and cost-effectiveness. The establishment of robust frameworks and targeted initiatives such as business process re-engineering ensures that resources are optimised, and cost savings are reinvested into strategic growth and sustainability programs.

Cost Optimisation Committee: Enhancing decision-making and accountability

To streamline costs while maintaining high service quality, the Bank has empowered a dedicated Cost Optimisation Committee to oversee cost management and operational efficiency strategies. This Committee, comprising corporate and senior management representatives, evaluates expense patterns and identifies opportunities for cost savings across all divisions, ensuring focused governance and accountability. Through strategic measures, the Committee has implemented recommendations that have led to significant reductions in non-essential expenditures without compromising service delivery standards. Importantly, the cost savings achieved are systematically reinvested into innovation and sustainability projects, reinforcing the Bank's commitment to long-term value creation for its stakeholders.

The efforts of the Committee led to significant cost savings during the year, primarily on account of energy, utility services, security, stationery, software licensing etc.

Improving operational efficiency in financing processes

The Bank has adopted modern tools and innovative approaches to improve the efficiency of its financing processes, ensuring greater speed and cost-effectiveness. These strategic enhancements streamline operations, reduce turnaround times (TAT), and optimise resource utilisation through the following key initiatives:

- **Automation and digitisation:** Automation of workflows, including credit approvals, document management, and loan processing, has significantly reduced TAT and operational costs.
- **Streamlined decision-making:** By leveraging advanced data analytics and predictive modeling, the Bank ensures quick and accurate credit risk assessments, minimising redundant steps and inefficiencies.
- **Lean banking practices:** Initiatives such as paperless transactions and centralised operational hubs have contributed to a leaner and more agile banking model, reducing waste and redundancies.

Continuous monitoring and optimisation

Cost efficiency at the Bank is viewed as an ongoing journey, underpinned by regular reviews to ensure alignment with organisational objectives. Performance metrics related to cost efficiency are seamlessly integrated into key performance indicators (KPIs) for all departments, fostering a culture of accountability and continuous improvement. Employee engagement plays a pivotal role, with staff encouraged to contribute ideas for enhancing efficiency through reward-based programs, thereby driving participation and innovation. Additionally, the Bank employs benchmarking practices to compare its operational performance with industry standards, ensuring its efficiency measures align with global best practices and remain relevant in a dynamic financial environment.

Way forward for cost optimisation

To sustain its leadership in operational efficiency, the Bank aims to expand its cost optimisation initiatives, focusing on:

- **AI-driven efficiency solutions:** Implementing AI and machine learning tools to predict cost-saving opportunities and continuing to further automate routine tasks.
- **Green banking initiatives:** Investing in energy-efficient technologies and reducing waste to align cost-saving efforts with environmental sustainability.
- **Customer-centric processes:** Enhancing customer experience through more streamlined and cost-effective banking operations, ensuring both quality and affordability.

By maintaining a balance between cost efficiency and quality enhancement, the Bank ensures its financial sustainability and strengthens its capacity to invest in growth opportunities and community-focused initiatives.

ComBank adjudged Best Bank in Sri Lanka for 13th year by FinanceAsia

The Bank was adjudged as the Best Bank among Sri Lanka's domestic banks for the 13th year by FinanceAsia, considered the world's foremost information source on the Asian financial markets.

Financial inclusion

Bridging gaps and driving inclusive growth

At the Bank, financial inclusion stands as a cornerstone of our sustainable banking strategy, reflecting our unwavering commitment to making financial services accessible, affordable, and equitable for all. Recognising that access to financial services is a key enabler of socio-economic development, we place special emphasis on underserved communities, including women entrepreneurs, rural populations, and SMEs. By focusing on these segments, we strive to bridge the financial gap and foster inclusive economic growth across Sri Lanka and beyond.

In 2024, the Bank advanced its financial inclusion agenda through a series of targeted initiatives designed to empower marginalised groups and drive financial literacy. Our approach involved offering tailored financial products, enhancing service accessibility through digital and branch networks, and promoting financial education to enable better financial decision-making. These efforts were aligned with national priorities and global standards, underscoring our commitment to equitable and sustainable growth.

The Bank's ongoing focus on financial inclusion not only supports national development objectives but also strengthens our role as a trusted financial partner in communities that have historically been excluded from mainstream financial systems. Through collaborative partnerships and innovative solutions, we continue to deliver meaningful impact, ensuring that no one is left behind on the path to economic progress.

Expanding access to banking

The Bank's commitment to financial inclusion underscores its role in bridging the socio-economic divide and fostering equitable growth. In 2024, the Bank intensified its efforts to expand access to banking for underserved and rural communities through strategic initiatives, innovative technologies, and inclusive practices.

Our network of delivery points

Figures 25 and 26 given on pages 102 and 103 illustrate the Bank's branch network, showcasing its reach across Sri Lanka and Bangladesh as a testament to its commitment to driving customer engagement and delivering value to stakeholders. In Sri Lanka, this expansive network provides unmatched accessibility, ensuring that customers from urban centers to remote regions can benefit from the Bank's comprehensive suite of products and services. While the expansion of physical branches has slowed in recent years due to the increasing adoption of digital banking channels, the Bank strategically opened only one branch in 2024 in Puthukkudiyiruppu to enhance its presence while five branches were relocated for greater customer convenience. The wide branch presence complemented by an extensive map of ATMs and digital channels, facilitates financial inclusion, offering convenience to underserved communities and supporting local economies.

By leveraging this robust network, the Bank also enhances its ability to provide personalised customer service, strengthen relationships, and deliver tailored financial solutions. At a time when financial service channels are increasingly shifting to digital platforms, the branch network provides an essential balance by offering a personal touch that fosters trust, understanding, and human connection. This extensive reach positions the Bank as a key enabler of financial empowerment and growth for its customers across both countries.

Looking ahead to 2025, the Bank plans to introduce an innovative business model designed to address geographical disparities in banking access. This model will enable real-time banking services for residents in isolated regions, further reinforcing the Bank's commitment to financial inclusion and accessibility.

ComBank takes world-class banking to Puthukkudiyiruppu

Puthukkudiyiruppu in Sri Lanka's Mullaitivu District became the latest town to receive World-class banking services from the Bank.

The Bank opened its latest branch in this fast-developing town sustained by the fisheries industry.

Expanding mobile and digital banking solutions

Leveraging technology to overcome barriers to traditional banking, the Bank continued to innovate its digital solutions to enhance financial accessibility and inclusion, particularly for underserved communities. By introducing user-friendly mobile platforms and expanding digital banking services, the Bank significantly improved outreach and convenience through the following key initiatives:

- **Mobile banking for rural communities:** The Bank's mobile banking platform, equipped with simplified interfaces and multilingual capabilities, has revolutionised financial accessibility for rural populations.
- **Digital account opening:** Introducing digital account opening processes allowed rural customers to establish bank accounts seamlessly without traveling to urban branches. This initiative greatly increased financial inclusion for unbanked individuals.
- **Integration of payment systems:** QR-based payment systems, and contactless transactions were promoted to rural SMEs and entrepreneurs, enabling smoother financial operations for small businesses.
- **Expanded Payment Accessibility on Q+ Payment App:** In 2024, the Q+ Payment App enabled Non-ComBank accounts as a payment option, expanding access beyond ComBank-issued cards, allowing all Sri Lankans with a bank account to use the app for payments.

Ensuring inclusivity through trilingual communication

To ensure a more inclusive and accessible banking experience, the Bank placed significant emphasis on linguistic and cultural inclusivity. Recognising Sri Lanka's diverse communities, customer service centers and contact platforms were equipped to provide seamless support in Sinhala, Tamil, and English, fostering effective communication for all customers. The Bank further enhanced its online and mobile banking platforms (ComBank Digital, Flash, Q+, ePassBook, WhatsApp Banking and Viber Banking) with user-friendly trilingual interfaces, ensuring that navigation was intuitive and accessible to individuals across different demographic groups. Complementing these efforts, the Bank conducted educational campaigns in all three languages to raise awareness about the benefits and usage of digital banking tools. These campaigns aimed to improve financial literacy, build trust in digital banking, and empower communities to embrace modern banking technologies. This approach underscores the Bank's commitment to inclusivity and accessibility in its services.

Network of delivery points in Sri Lanka and Bangladesh

Network of delivery points in Sri Lanka Figure – 25

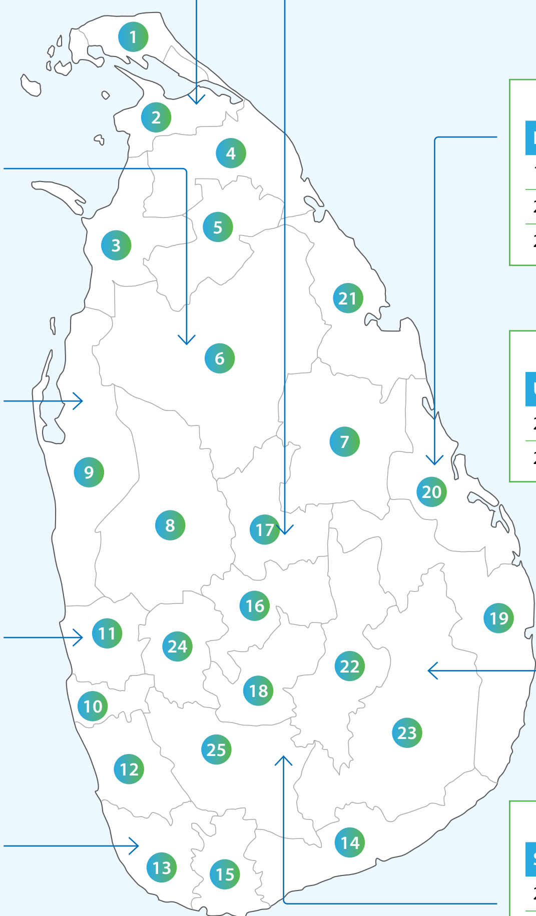
	Branches	ATMs	CRMs
Northern Province	18	24	35
1. Jaffna District	12	14	23
2. Kilinochchi District	2	3	3
3. Mannar District	1	1	2
4. Mullaitivu District	1	2	2
5. Vavuniya District	2	4	5

	Branches	ATMs	CRMs
North-Central Province	8	12	13
6. Anuradhapura District	6	7	10
7. Polonnaruwa District	2	5	3

	Branches	ATMs	CRMs
North-Western Province	24	51	40
8. Kurunegala District	14	39	24
9. Puttalam District	10	12	16

	Branches	ATMs	CRMs
Western Province	133	282	221
10. Colombo District	77	149	139
11. Gampaha District	43	110	63
12. Kalutara District	13	23	19

	Branches	ATMs	CRMs
Southern Province	29	45	44
13. Galle District	13	25	23
14. Hambantota District	6	7	9
15. Matara District	10	13	12



	Branches	ATMs	CRMs
Central Province	22	37	36
16. Kandy District	15	24	23
17. Matale District	3	8	7
18. Nuwara Eliya District	4	5	6

	Branches	ATMs	CRMs
Eastern Province	13	16	22
19. Ampara District	4	5	7
20. Batticaloa District	6	8	11
21. Trincomalee District	3	3	4

	Branches	ATMs	CRMs
Uva Province	9	10	17
22. Badulla District	6	7	11
23. Monaragala District	3	3	6

	Branches	ATMs	CRMs
Sabaragamuwa Province	16	19	26
24. Kegalle District	6	8	8
25. Ratnapura District	10	11	18

Branches
Number of Branches
272

ATMs
Automated Teller Machines (Off-site* = 198)
496

CRMs
Cash Recycler Machines (Off-site* = 28)
454

CDMs
Cash Deposit Machines
23

ACDMs
Automated Cheque Deposit Machines
20

** Included in the above total*

Network of delivery points in Bangladesh Figure – 26

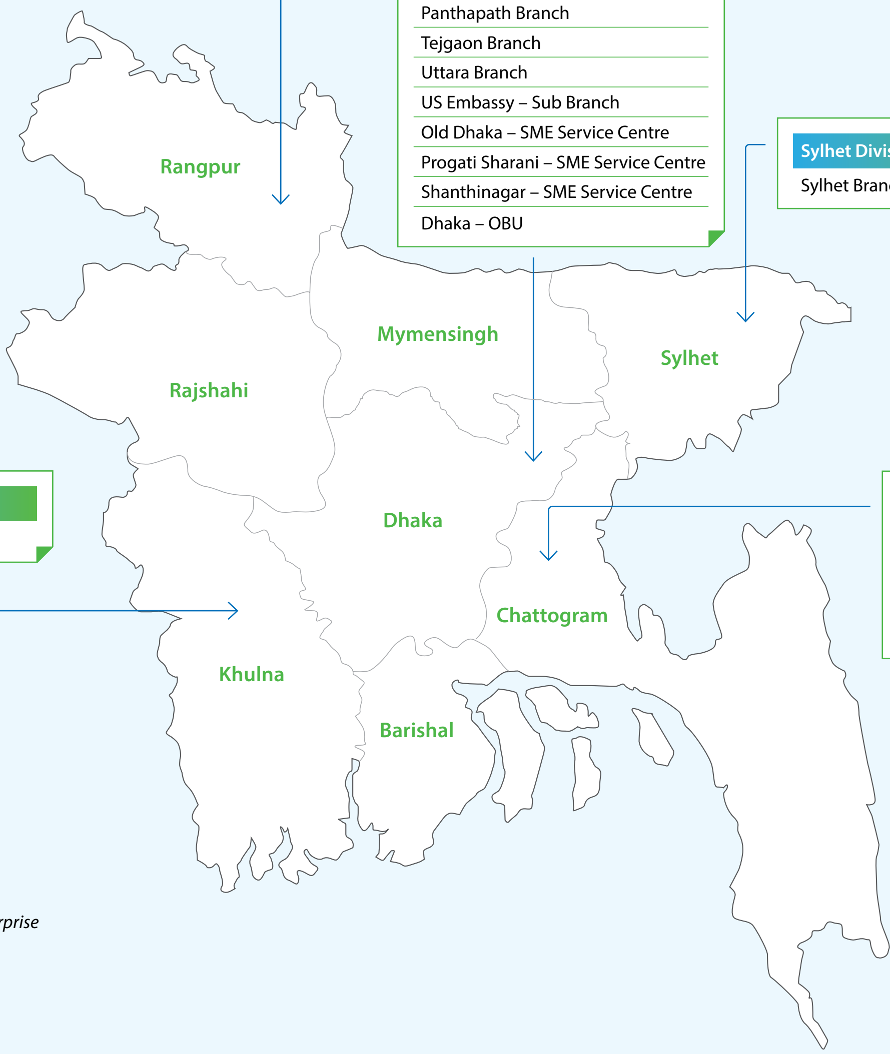
Rangpur Division
- Narayanganj Branch

Dhaka Division
- Corporate Branch
- Dhanmondi Branch
- Gulshan Branch
- Mirpur Branch
- Motijheel Branch
- Panthapath Branch
- Tejgaon Branch
- Uttara Branch
- US Embassy – Sub Branch
- Old Dhaka – SME Service Centre
- Progati Sharani – SME Service Centre
- Shanthinagar – SME Service Centre
- Dhaka – OBU

Sylhet Division
- Sylhet Branch

Khulna Division
- Tongi SME Service Centre

Chattogram Division
- Agrabad Branch
- Chattagnam – OBU
- CDA Avenue – SME Service Centre
- Jubilee Road – SME Service Centre



SME: Small and Medium Enterprise
OBU: Off-Shore Banking Unit

Branches	ATMs	CDM	EDM	KIOSK
Number of Branches/Sub Branches/SMEs/OBUs	Automated Teller Machines (Off-site = 7)	Cash Deposit Machines	Envelop Deposit Machines (for cheques)	KIOSK
20	**24**	**1**	**1**	**1**

Driving long-term financial inclusion

The Bank's efforts to expand access to banking services are complemented by a strong focus on fostering sustainable development across diverse communities. During the year, the Bank conducted a number of awareness sessions among the farmer communities in this regard. These programs empowered individuals to make informed financial decisions, promoting a culture of financial independence and security.

Recognising the transformative role of women in economic growth, the Bank also implemented targeted programs to promote women's access to banking. These initiatives introduced dedicated loan products and tailored savings schemes to address the unique financial needs of women, enabling them to participate actively in the formal financial system and build resilience.

To support entrepreneurial growth, the Bank focused on integrating micro and SME-specific products with digital accessibility. By doing so, the Bank provided small-scale entrepreneurs with seamless access to broader financial ecosystems, helping them secure capital, scale their operations, and connect with new markets. These initiatives reflect the Bank's commitment to building inclusive financial solutions that not only broaden access but also drive economic empowerment and long-term community development.

Way forward

In 2024, the Bank's initiatives to expand access to banking positively impacted many individuals, many of whom accessed formal financial systems for the first time. Looking ahead, the Bank remains steadfast in its mission to close the financial accessibility gap, prioritising underserved and marginalised communities in its strategic plans.

The Bank is developing an inclusive strategy specifically designed to support differently-abled and marginalised communities, ensuring that no segment of society is left behind in its financial inclusion agenda. Additionally, the planned expansion of Agricultural and Micro Financing Units, coupled with the increased deployment of the "Bank on Wheels" program, will further extend the Bank's reach to underserved areas, enabling individuals in remote and rural areas to access essential financial services conveniently.

By combining branch expansions, innovative digital solutions, targeted outreach, and inclusive practices, the Bank continues to drive financial inclusion agenda, ensuring that economic empowerment becomes a reality for all citizens. These forward-looking initiatives reinforce the Bank's position as a leader in fostering inclusive growth and creating a more equitable financial ecosystem.

Empowering SMEs and entrepreneurs

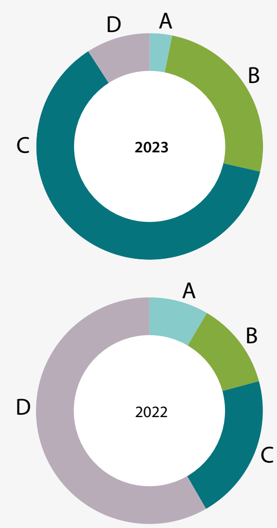
Recognising the vital role SMEs play in fostering economic growth and job creation, the Bank has made empowering SMEs and entrepreneurs a cornerstone of its financial inclusion strategy. In 2024, the Bank enhanced its focus on providing financial and non-financial support, ensuring SMEs and entrepreneurs thrive in an evolving economic landscape.

Tailored SME financing and faster loan approval processes

The Bank introduced several innovative financial solutions and streamlined processes to meet the unique needs of SMEs, which include the following:

- **Customised financial products:** Tailored loan products designed for SMEs across various sectors were launched, offering flexible repayment terms and attractive interest rates. Special emphasis was placed on financing women entrepreneurs and businesses in underserved areas.
- **Fast-track loan approvals:** The Bank improved its loan approval mechanisms, leveraging digital tools and simplified documentation requirements to ensure quicker credit disbursement.
- **Sector-specific financing:** Recognising sector-specific challenges, the Bank extended targeted financing for agriculture, manufacturing, and service-oriented businesses, enabling them to modernise operations and improve competitiveness.
- **Support during challenges:** SME clients affected by external economic shocks were provided with loan restructuring, moratorium options and revival & rehabilitation support (please refer section on *"Support for Struggling Businesses"* on page 99), helping them regain stability and sustain operations.

Composition of loans granted by Commercial Bank to the SME sector
Graph – 17



		2023 %	2022 %
A	Agriculture	**3**	9
B	Services	**26**	12
C	Industries	**62**	21
D	Others	**9**	58

Year/Sector	Number of loans 2023	Number of loans 2022	Loan value (Rs. Mn.) 2023	Loan value (Rs. Mn.) 2022
Agriculture	2,628	3,470	7,400	19,890
Services	7,560	4,254	58,809	29,040
Industries	42,003	7,531	144,322	49,068
Other	3,378	41,060	21,123	137,101
Total	55,569	56,315	231,655	235,099

Source: *Annual Report 2023 – Ministry of Finance Sri Lanka*

Capacity-building programs

To complement financial assistance, the Bank conducted extensive capacity-building programs aimed at improving the business acumen and operational capabilities of SMEs, inter alia the following:

- **Workshops on business management and financial literacy:** In collaboration with industry experts, the Bank hosted workshops focusing on cash flow management, marketing strategies, digital tools, and export-readiness. Over 150 entrepreneurs benefited from these sessions in 2024.
- **Training on sustainability practices:** SMEs were introduced to sustainable business practices, including energy efficiency and waste reduction strategies, enabling them to align with global ESG standards.
- **Advisory services:** The Bank offered one-on-one mentorship for entrepreneurs, providing guidance on scaling operations, leveraging digital tools, and expanding market reach. These advisory sessions empowered businesses to navigate challenges and seize opportunities effectively.

Facilitating networking through ComBank *BIZ Club* and *ComLEAP*

Recognising the crucial role of collaboration and knowledge-sharing in entrepreneurial success, the Bank established dedicated platforms to empower and connect entrepreneurs through meaningful networking opportunities and educational resources. Among these initiatives, the ComBank *BIZ Club* emerged as a flagship platform designed to bring together SMEs, industry leaders, and financial experts. This collaborative forum facilitated the exchange of insights, the exploration of partnerships, and access to new market opportunities. In 2024, the *BIZ Club* hosted 06 impactful events that addressed key business topics, including e-commerce, digital marketing strategies, and navigating the complexities of international trade. These events not only equipped entrepreneurs with actionable knowledge but also created avenues for building strategic alliances.

Complementing its in-person initiatives, the Bank introduced *ComLEAP* – an innovative online business ecosystem developed in partnership with GlobalLinker. In a landmark move for Sri Lanka's banking sector, the Bank launched the "Commercial Bank LEAP GlobalLinker" in 2023, offering a suite of services completely free of charge. This cutting-edge digital platform is designed to amplify the global presence of Micro and Small & Medium Enterprises (MSMEs) by connecting them to markets in over 150 countries. This platform focuses on fostering cross-border collaborations and unlocking new opportunities. By end of 2024, it had onboarded more than 13,000 users, including prominent manufacturers, exporters, and women-led enterprises across the nation, solidifying its role in democratising global market access for MSMEs while fostering sustainable economic growth.

The platform has further strengthened its role in the business community by enabling over 90 entities to share their business tips, business articles, and success stories, creating a ripple effect of inspiration and collaboration. To maximise the platform's outreach, the Bank's dedicated SME teams have engaged in extensive customer acquisition activities, organising events in partnership with government institutions, chambers of commerce, and other organisations to showcase the platform's unique value proposition.

What sets the Com LEAP apart is its advanced suite of features, including e-stores, digital catalogues, and enhanced online presence capabilities. These tools create a dynamic environment for businesses to thrive in an interconnected global market. As the platform continues to evolve, plans are underway to onboard more partners and enhance its features to meet the changing needs of businesses.

The IFC has been instrumental in providing advisory support for the successful implementation of this transformative initiative, which represents a major milestone in Sri Lanka's digital banking landscape. The Bank has also hosted webinars and structured entrepreneurial skill development programs in collaboration with the IFC, further emphasising its commitment to advancing digital solutions and promoting economic empowerment.

Additionally, the Bank amplified market access for SMEs by organising trade fairs and networking events, which provided entrepreneurs with direct introductions to larger markets, distributors, and buyers. These events significantly enhanced the visibility of small businesses, helping them to expand their customer base and increase sales opportunities. By integrating education, networking, and market linkage opportunities, these initiatives underscore the Bank's commitment to fostering a vibrant and sustainable entrepreneurial ecosystem.

Driving long-term growth and resilience

The Bank's initiatives for SMEs and entrepreneurs are strategically tailored to nurture long-term resilience and sustainable growth in the business ecosystem. Recognising the critical role of women entrepreneurs, the Bank implemented dedicated programs in 2024 that combined financial support with expert mentoring, empowering women-led businesses and advancing gender equality in the entrepreneurial landscape. To enhance operational efficiency and market reach, SMEs were encouraged to adopt cutting-edge technology, including digital payment solutions and e-commerce platforms, enabling them to streamline operations and access wider customer bases. Furthermore, the Bank introduced green financing options, designed to promote eco-friendly practices among SMEs. This initiative supported businesses in becoming more climate-resilient and highlighted the profitability of sustainable practices, aligning business success with environmental responsibility. Through these multifaceted approaches, the Bank continues to champion innovation and inclusivity, fostering a robust and equitable business environment.

Impact and vision for SMEs

In 2024, the Bank's SME-focused initiatives positively impacted over 8,700 businesses, driving job creation, community development, and economic inclusion. As the Bank charts its course for the future, it remains deeply committed to empowering SMEs to energise economic growth. Plans are underway to adopt a data-driven approach to strategically onboard SMEs and enhance wallet share, leveraging analytics to identify opportunities and tailor solutions. Expanding outreach through supply chain and dealer financing will play a pivotal role in capturing untapped markets and fostering stronger partnerships.

To align with national development priorities, the Bank will prioritise lending to agricultural and manufacturing sectors, recognising their potential to stimulate economic transformation. Additionally, new product offerings and capacity-building tools are being developed to address the evolving needs of SMEs, ensuring access to financial and technical resources that empower entrepreneurs to thrive.

Through these initiatives, the Bank reinforces its vision of fostering a resilient SME ecosystem that contributes to sustainable development. By embracing innovation, expanding reach, and focusing on impactful sectors, the Bank aims to create lasting value, supporting entrepreneurs to drive progress and build a more inclusive and robust economy.

Supporting microfinance and marginalised communities

The Bank's unwavering commitment to financial inclusion extends to microfinance and underserved segments of the society, aiming to bridge socio-economic disparities and empower vulnerable communities. In 2024, the Bank deepened its focus on providing tailored financial solutions and collaborating with trusted partners to drive inclusive growth.

Providing microfinance for small-scale farmers and rural businesses

Recognising the indispensable contributions of small-scale farmers and rural enterprises to economic progress, the Bank has developed tailored microfinance programs aimed at empowering these critical sectors. By introducing low-interest microfinance loans, the Bank provided affordable credit facilities specifically designed to meet the needs of farmers, artisans, and rural entrepreneurs. These have facilitated investments in modern farming equipment, seeds, fertilisers, and other essential resources, driving significant improvements in productivity and output. Additionally, the Bank extended financing solutions to rural businesses, enabling them to expand their operations, upgrade infrastructure, and generate local employment opportunities, thereby fostering economic vitality in underserved regions. To further ensure inclusivity, the Bank simplified loan application processes and reduced documentation requirements, breaking down barriers to credit access for marginalised groups. Through these initiatives, the Bank underscores its commitment to promoting rural economic development and empowering communities for sustainable growth.

Agri Modernisation Village: Advancing technology in agriculture

The Bank launched the Agri Modernisation Village initiative to introduce technology-driven solutions to Sri Lanka's agriculture sector. This programme aims to empower farmers, improve yields, and promote sustainability by equipping rural communities with modern farming techniques.

The pilot project was implemented in Mahilankadu, Kilinochchi, in collaboration with the University of Jaffna and the Department of Agriculture. Farmers were introduced to mechanised transplanting of paddy seedlings, demonstrating the potential of technology-driven farming. The event saw participation from farmers, local organisations, and agricultural experts, reinforcing community engagement in modern agriculture.

The initiative focuses on:

- Advanced techniques
- Skills development
- Financial inclusion
- Market access
- Sustainability
- Community support

Targeted financial inclusion initiatives for women, youth, and low-income households

The Bank remains resolute in addressing the distinct needs of marginalised groups, including women entrepreneurs, young professionals, and low-income households, through a range of targeted initiatives. Recognising the pivotal role of women in economic development, the Bank offered microfinance loans to support women-led businesses in areas such as cottage industries, retail, and agriculture. In 2024, these efforts empowered over 15,000 women entrepreneurs, equipping them with financial assistance and capacity-building programs to ensure sustained growth and success.

In its drive to inspire the next generation of innovators, the Bank launched youth empowerment programs featuring specialised loans and mentorship opportunities. These initiatives enabled young professionals to establish startups and venture into cutting-edge industries, fostering entrepreneurial spirit and economic diversification.

Further advancing its commitment to inclusivity, the Bank introduced financial solutions tailored to low-income households. Flexible repayment terms and micro-savings accounts were designed to provide these families with financial stability and long-term inclusion, cultivating a culture of saving and investment across underserved regions. Through these comprehensive efforts, the Bank continues to champion empowerment and equity, building stronger, more inclusive communities.

Collaborating for holistic microfinance solutions

Strategic partnerships have played a crucial role in amplifying the impact of the Bank's microfinance initiatives, enabling comprehensive and sustainable community development. A notable collaboration with Sarvodaya has facilitated the implementation of holistic microfinance programs that seamlessly combine financial assistance with social and community support. This partnership has driven impactful projects, such as the development of childcare centers and the organisation of training programs, ensuring the upliftment of communities through both economic and social interventions.

To further empower borrowers, partner organisations have conducted capacity-building workshops aimed at enhancing financial literacy, teaching effective fund utilisation, and promoting sustainable farming practices. These sessions equip participants with the necessary skills and knowledge to maximise the benefits of microfinance opportunities, ensuring long-term self-reliance and growth.

Additionally, the Bank's collaborations with grassroots organisations have enabled community-led initiatives that address region-specific challenges. By leveraging local expertise and knowledge, the Bank has ensured that its microfinance solutions are tailored to the unique needs of different communities, creating meaningful and impactful outcomes that contribute to regional and national development. Through these strategic alliances, the Bank continues to solidify its commitment to fostering resilience and prosperity among underserved populations.

Impact and vision for microfinance and agriculture

In 2024, the Bank's microfinance initiatives empowered over 2,700 farmers and small-scale entrepreneurs, transforming livelihoods and reducing financial vulnerability in underserved communities. Building on this impact, the Bank envisions scaling its efforts to achieve even greater outreach and inclusivity. Plans include expanding the penetration of microfinance solutions into remote and underserved regions to ensure broader access. The Bank also aims to innovate its product offerings by introducing microinsurance and savings-linked loan products, which will provide borrowers with added layers of financial security. Furthermore, the Bank intends to strengthen collaborations with NGOs, government bodies, and development organisations, fostering partnerships that deliver integrated financial and social solutions.

This initiative is backed by Agriculture & Micro Finance Units (AMFUs) nationwide. During the year under review, the Bank expanded the number of AMF Units from 19 to 35, with a strategic plan to further increase this to 100 Units. This expansion aims to strengthen financial and advisory support for farmers and small businesses, ensuring broader access to essential resources and guidance.

By championing microfinance and addressing the unique needs of marginalised groups, the Bank remains committed to creating pathways for socio-economic empowerment and sustainable growth, reinforcing its position as a transformative force for positive change.

Women's empowerment

The Bank remains steadfast in its commitment to empowering women as critical drivers of economic and social development. Through specialised financial products, skill enhancement programs, and networking opportunities, the Bank has enabled countless women entrepreneurs to achieve economic independence and contribute meaningfully to their communities.

Specialised loans for women-led businesses with concessional rates

To address the unique financial challenges faced by women entrepreneurs, the Bank offers tailored loan products designed to foster business growth and financial stability. These include:

- **Concessional interest rates:** Women-led businesses are eligible for loans at preferential rates, reducing the financial burden and enabling easier access to capital for business expansion and operational needs.
- **Flexible repayment terms:** Recognising the diverse financial circumstances of women entrepreneurs, the Bank has introduced flexible repayment structures, ensuring affordability and long-term sustainability.
- **Dedicated support services:** Through its customer support teams, the Bank provides advisory services to help women navigate financial decisions and utilise funds effectively.

Skill development programs

Recognising that financial support alone cannot ensure long-term success, the Bank actively invests in the holistic development of women entrepreneurs by enhancing their skills and knowledge. Tailored workshops are designed to improve business and financial literacy, focusing on essential areas such as bookkeeping, cash flow management, marketing, and strategic planning. Additionally, the Bank organises sector-specific skill enhancement programs that equip women with the technical expertise needed to thrive in industries such as agriculture, retail, and handicrafts, enabling them to build competitive and resilient businesses. Through capacity-building initiatives, the Bank partners with NGOs and industry experts to deliver comprehensive mentorship programs, fostering leadership skills and business acumen. These efforts empower women entrepreneurs to navigate challenges effectively and contribute meaningfully to their communities and the economy.

Organising trade fairs and networking opportunities

To enhance market access and visibility for women-led businesses, the Bank actively facilitated their participation in trade fairs and networking events. These initiatives provide women entrepreneurs with platforms to showcase their products and services at local and regional exhibitions, enabling them to connect with broader markets and expand their customer bases. By organising dedicated forums and seminars, the Bank fosters an environment of collaboration and knowledge-sharing, bringing together women entrepreneurs, industry leaders, and investors to discuss opportunities and challenges. Additionally, the Bank collaborated with government agencies, industry associations, and NGOs to co-host events that promote women's economic participation. These partnerships aim to bridge gender gaps in entrepreneurship and create a more inclusive business landscape, empowering women to achieve sustainable growth and long-term success.

Impact and strategic outlook

In 2024, the Bank's Women Banking initiatives empowered over 2,900 women entrepreneurs, fostering financial independence and driving transformative change within their communities. These targeted efforts not only supported individual success but also contributed to broader economic and social upliftment by enhancing gender equity and promoting inclusive development.

To strengthen its impact, the Bank conducted five comprehensive training programs at the Postgraduate Institute of Management (PIM), reaching over 125 women entrepreneurs from across the country. These sessions focused on building entrepreneurial skills, financial literacy, and leadership capabilities, equipping the participants to scale their businesses and navigate market challenges effectively. The Bank also prioritised internal capacity-building by training over 900 staff members on women banking through 18 specialised programs. This initiative aimed to enhance the Bank's ability to deliver tailored financial solutions and provide a more supportive banking experience for women-led enterprises.

To celebrate International Women's Day, the Bank organised a series of events across its branch network, engaging over 2,000 women entrepreneurs. These gatherings served as platforms for networking, inspiration, and recognising their achievements, further amplifying the Bank's role in empowering women and promoting economic inclusivity.

Through these multi-faceted efforts, the Bank reinforced its commitment to fostering a thriving ecosystem for women entrepreneurs, ensuring that they have the resources, training, and support needed to contribute meaningfully to national development.

Looking ahead, the Bank is committed to further advancing its women's empowerment programs by introducing an expanded range of concessional loan offerings and an insurance scheme tailored to meet the unique needs of women-led businesses, particularly in emerging sectors such as technology and sustainability. Moreover, the Bank plans to scale up its skill development initiatives, equipping women entrepreneurs with advanced digital tools, e-commerce capabilities, and strategies to access global markets. By collaborating with a wider network of stakeholders, the Bank also aims to broaden its networking platforms, hosting international trade fairs and facilitating cross-border market opportunities. By addressing both financial and non-financial barriers, the Bank continues to champion gender inclusivity and empower women to unlock their full potential as leaders, innovators, and vital contributors to economic progress.

Financial literacy and capacity building

The Bank places significant emphasis on building financial and digital literacy as a foundation for sustainable economic empowerment. By extending targeted programs to rural communities, youth, and entrepreneurs, the Bank has strengthened financial inclusion and enabled individuals and businesses to thrive in a dynamic economy.

Conducting outreach programs in rural communities

To bridge the gap in financial awareness in underserved regions, the Bank launched a series of comprehensive outreach programs aimed at rural communities. These initiatives included village-based financial literacy workshops making farmers aware of the importance topics such as saving, responsible borrowing, and the benefits of using formal financial services. Recognising the pivotal role of local leadership, the Bank collaborated with community leaders and grassroots organisations to enhance participation and ensure the programs resonated with the unique needs of rural populations. The sessions were conducted in trilingual formats, integrating relatable, practical examples to foster inclusivity and ensure a deeper understanding among diverse audiences. Through these efforts, the Bank not only educated individuals but also empowered them to make informed financial decisions, laying the foundation for long-term financial well-being and community upliftment.

Youth empowerment initiatives promoting entrepreneurship

The Diribala Next Gen School Entrepreneurship Grooming Programme, which held its inaugural session during the year, is a pioneering initiative by the Bank aimed at empowering young entrepreneurs and fostering a transformative mindset among school entrepreneurship circles. The programme provides students with a platform to showcase their products at Bank-organized events, enhancing their practical business experience. It also focuses on improving financial literacy, offering technical support, and equipping students with industry-specific skills and knowledge through collaborations with government and private sector institutions. Additionally, the initiative includes business mentoring, ensuring that young entrepreneurs receive guidance, support, and exposure to develop their ventures successfully.

Digital literacy campaigns to enhance adoption of digital tools

As the global economy increasingly embraces digital platforms, the Bank has taken significant strides to champion digital literacy, ensuring that all segments of society can participate in and benefit from technological advancements. The Bank conducted workshops focused on digital banking platforms, introducing communities to tools such as mobile banking and online account management. These initiatives aimed to make digital banking accessible and encourage its seamless adoption. Recognising the unique challenges faced by small business owners, the Bank tailored programs specifically for entrepreneurs, helping them harness e-commerce platforms, digital marketing strategies, and supply chain management tools to optimise their operations. Furthermore, acknowledging the tech-savvy nature of the younger generation, the Bank organised youth-centric digital initiatives, including hackathons and coding events, to enhance their technological capabilities and foster innovation. Through these efforts, the Bank bridges the technological divide, empowering individuals and businesses alike to thrive in the digital age. As the economy shifts towards digital platforms, the Bank has proactively championed the cause of digital literacy to bridge the technological divide.

Impact and future direction

Since 2010, the Bank has conducted about 200 awareness programmes on financial literacy, and capacity-building, benefiting over 16,000 farmers and entrepreneurs. In 2024 alone, the Bank's financial and digital literacy initiatives reached over 1,700 individuals, transforming their ability to make informed financial decisions and adopt sustainable practices. This achievement reflects the Bank's commitment to equipping communities with the tools needed for financial independence and technological adaptability.

Looking ahead, the Bank plans to broaden the scope of its rural financial literacy programs by collaborating with more NGOs and local governments, ensuring even greater penetration into remote and underserved areas. The Bank also intends to offer training and resources to educate customers on using digital banking platforms, with a particular focus on individuals less familiar with technology. Additionally, the Bank plans to develop engaging and interactive digital learning modules that can provide financial and digital education to a wider audience, leveraging technology to amplify its impact. Recognising the unique challenges faced by women, differently-abled individuals, and other marginalised groups, the Bank is committed to creating tailored training programs that address their specific needs. Through these forward-thinking initiatives, the Bank reaffirms its dedication to empowering communities, driving inclusive growth, and bolstering the nation's economic resilience for years to come.

Financial Inclusion and Skill Development Programmes during 2024 Figure – 27

		Programmes	Participants
MSME	*Diribala* Sustainable Entrepreneurship Development Programme (In Collaboration with IFC) – Business Recovery & Planning (In person – 06) – Digital Transformation & Marketing (Online – 06) – Digital Brand Management (Online – 06) – Women Empowerment (Online – 01)	06	150
Export	Exporter Grooming Program- Market Opportunity Session	1	30
Micro	Finance Literacy and Farmer Awareness Programmes	31	1,555

Total Programmes 38

Total Participants 1,735

Impact measurement and reporting

Recognising the importance of accountability and transparency in its financial inclusion initiatives, the Bank has implemented a robust framework for tracking, evaluating, and reporting the impact of its efforts. The Bank's commitment to aligning with ESG principles underpins this approach, ensuring that its programs deliver measurable outcomes and meaningful change.

Tracking metrics to evaluate financial inclusion outcomes

The Bank employs a range of metrics to monitor and evaluate the effectiveness of its financial inclusion initiatives such as:

- **Increased access to banking services:** Metrics include the number of new branches, service points, and digital banking solutions introduced in underserved regions, as well as the number of customers onboarded through these channels.
- **Microfinance and SME outreach:** The Bank tracks the number of microfinance loans disbursed, the percentage of women entrepreneurs supported, and the growth of SMEs benefiting from its financial products and services.
- **Capacity-building impact:** Key performance indicators include the number of financial literacy workshops conducted, No. of participants, participant engagement levels, and improvements in financial awareness as measured through surveys and feedback mechanisms.
- **Social and economic upliftment:** The Bank evaluates its impact on marginalised communities by measuring improvements in household incomes, business resilience, and access to basic services like healthcare and education facilitated through financial inclusion programs.

ESG-aligned reporting of financial inclusion efforts

As a socially responsible financial institution, the Bank is committed to aligning its impact reporting with globally recognised ESG frameworks and sustainability standards. By integrating detailed disclosures on its financial inclusion initiatives into this Annual Report, the Bank ensures that stakeholders gain clear insights into the scale, reach, and outcomes of its programs. The Report not only highlights the societal and environmental impacts of the Bank's efforts but also reinforce transparency and accountability.

To ensure that its initiatives contribute to broader global objectives, the Bank's reporting is guided by established frameworks such as the SDGs and the GRI. These alignments underscore the Bank's commitment to embedding sustainability into its core strategies and operations. Furthermore, the credibility of the Bank's ESG disclosures is enhanced through third-party validation, with independent auditors verifying impact assessments and sustainability reporting to instill stakeholder confidence.

In keeping with its emphasis on innovation and efficiency, the Bank has adopted digital dashboards to monitor financial inclusion metrics. These dashboards provide management with actionable insights, enabling the identification of emerging trends, addressing of potential gaps, and refinement of strategies for maximum effectiveness. Through its diligent impact reporting practices, the Bank continues to demonstrate leadership in sustainability and reinforces its role in advancing financial inclusion and ESG-driven growth.

Impact and strategic outlook

The Bank's financial inclusion programs have positively transformed the lives of over 16,000 Sri Lankans, successfully bridging the gap between underserved communities and formal financial services. This marked not only a direct impact on financial accessibility but also demonstrated the Bank's enhanced alignment with its ESG targets for financial inclusion, reinforcing its reputation as a leader in sustainable banking practices.

As the Bank looks to the future, it envisions significant advancements in its financial inclusion agenda. Plans include the introduction of technology-powered tools to enhance impact tracking mechanisms, enabling a more granular analysis of program outcomes and their long-term societal benefits. These tools will allow for deeper insights into the Bank's efforts, ensuring strategies remain focused and adaptive to evolving community needs. Furthermore, the Bank intends to expand its ESG reporting capabilities, incorporating rich narratives such as case studies, beneficiary testimonials, and detailed metrics on key areas like gender equality and poverty alleviation. These additions will provide a holistic view of the Bank's initiatives and their alignment with global sustainability goals.

To ensure the continued success of its financial inclusion initiatives, the Bank is committed to fostering robust stakeholder engagement. By collaborating with communities, regulators, and investors, and integrating their feedback, the Bank will refine its programs and embrace emerging best practices. Through its dedication to rigorous impact measurement and transparent reporting, the Bank reaffirms its unwavering commitment to financial inclusion as a cornerstone of its sustainability agenda. By holding itself accountable and sharing its journey with stakeholders, the Bank not only drives meaningful change but also sets a benchmark for responsible and impactful banking practices in the region.

Sustainable products and services

Driving positive impact through innovation

Sustainable products and services represent a vital dimension of the Bank's commitment to creating long-term value while addressing critical environmental and social challenges. We believe that banks play a pivotal role in promoting sustainable development by offering financial solutions that encourage responsible behaviour across all segments of society. Our focus is not only on financial returns but also on generating a positive, measurable impact on the environment and the communities we serve.

In 2024, we accelerated the development and deployment of sustainable financial products designed to empower individuals, SMEs, as well as corporate clients in their sustainability journeys. Our portfolio of sustainable offerings includes;

- Green finance – Financing for eco-friendly projects
- Renewable energy financing – Supporting clean energy adoption
- Resource efficiency solutions – Promoting eco-friendly practices and reducing environmental footprint.

Advancing Green Finance for a Sustainable Future

In 2024, the Bank reaffirmed its commitment to green financing, making significant strides in sustainable investments and reinforcing its leadership in environmentally responsible banking. The Bank's Green Financing Portfolio experienced a substantial growth. The Bank's Green Financing Policy provided a structured approach to integrating sustainability considerations into lending and investment decisions.

Recognising the importance of awareness and capacity building, the Bank undertook multiple initiatives to educate both its staff and customers on green financing solutions. Through 17 capacity-building programs, the Bank empowered over 1,000 employees, equipping them with the knowledge to support clients in transitioning their businesses into sustainable investment opportunities. In parallel, a digital marketing campaign was launched across all online platforms, emphasising the financial and environmental benefits of green financing products, ensuring greater outreach and engagement.

The Climate Assessment for Financial Institutions (CAFI) Tool, developed by the IFC, enables the Bank to quantify, categorize, and track climate-related investments, as well as estimate the greenhouse gas (GHG) reduction impact of funded projects. By leveraging the CAFI Tool, the Bank is able to assess climate risks, align with global sustainability frameworks such as the Paris Agreement and IFC Performance Standards, and make data-driven decisions to enhance its climate-related financial performance.

During the year 2024, the Bank disbursed a total of Rs. 33.72 Bn. in green finance loans, funding high-impact projects across multiple sectors. These projects played a crucial role in reducing greenhouse gas emissions, expanding the adoption of renewable energy, and promoting resource efficiency. Borrowers reported significant progress towards achieving their ESG goals, ensuring measurable environmental and social benefits aligned with global sustainability standards.

Composition of the green finance portfolio as at December 31, 2024 Figure – 28

Total Rs. 38,503 Mn.

Renewable energy projects (solar, hydro, wind, biomass)
Rs. 21,774 Mn. – **57%**

Environmentally friendly transportation and related services
Rs. 1,557 Mn. – **4%**

Climate smart agriculture
Rs. 9,063 Mn. – **24%**

Green building development, construction, operations and maintenance projects
Rs. 1,305 Mn. – **3%**

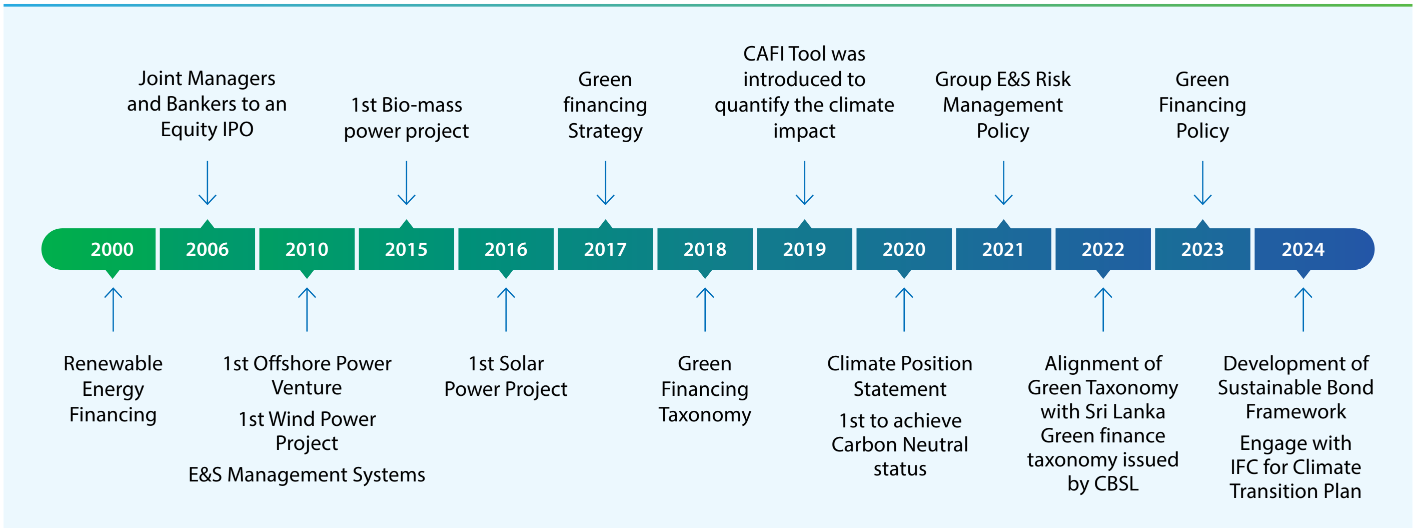
Water saving consultancy and related service providers
Rs. 557 Mn. – **1%**

Other green advances
Rs. 4,247 Mn. – **11%**

Innovation continues to serve as a key enabler of our sustainability strategy. By integrating ESG considerations into our product development process, we ensure that our offerings remain relevant and aligned with emerging sustainability standards. Furthermore, we work closely with stakeholders such as regulators, industry associations, and technology partners, to co-create solutions that drive sustainable transformation across diverse sectors.

Through a robust portfolio of sustainable products and services, we remain committed to building a greener, more inclusive future. By empowering customers with financial tools tailored to promote sustainability, we contribute meaningfully to the global agenda on climate action and responsible growth.

Commercial Bank's green financing journey Figure – 29



Future direction

Looking ahead, the Bank is poised for further expansion in green financing, with plans to introduce new sustainable financial products, including Green Bonds, Sustainable and Gender Bonds, and Impact Investing Funds. These initiatives will scale up investments in renewable energy, sustainable agriculture, and low-carbon technologies, enabling businesses to transition towards greener, more responsible operations. Additionally, the Bank will continue to enhance its customer education and advisory services, ensuring that both businesses and individuals are well-equipped to leverage green financing solutions for sustainable growth.

Strategically, the Bank is set to target new customer segments, particularly SMEs, startups, and individuals engaged in sustainability-focused industries, such as renewable energy, green construction, and circular economy ventures. By aligning with the SDGs, particularly SDG 13 (Climate Action), SDG 7 (Affordable and Clean Energy), and SDG 12 (Responsible Consumption and Production), the Bank is ensuring that every investment contributes meaningfully to the global sustainability agenda.

Renewable energy financing

The Bank has long recognised the transformative potential of renewable energy in driving economic growth while mitigating climate change. In 2024, the Bank further strengthened its commitment to clean energy transitions by offering a suite of financial solutions designed to support the adoption of renewable energy technologies and energy-efficient systems.

Financing for renewable energy projects

The Bank played a pivotal role in advancing Sri Lanka's renewable energy agenda by providing targeted financing to businesses and developers pursuing renewable energy projects such as the following:

Clean energy infrastructure development

The Bank financed five large-scale solar projects and one wind farm, collectively contributing to the generation of over 66 MW of renewable energy in 2024. These projects directly supported the country's national energy targets and reduced reliance on fossil fuels.

Public-private partnerships

The Bank collaborated with government bodies, private investors, and international organisations to support renewable energy initiatives, ensuring the projects' financial viability and long-term sustainability.

Customised loan products

To make financing accessible, the Bank introduced specialised loan schemes tailored to the unique requirements of renewable energy developers. These included concessional rates, flexible repayment structures, and extended loan tenors to accommodate project timelines.

Scaling up renewable energy
in Sri Lanka

Strengthen energy security

Improve energy affordability

Enhance long-term economic growth

Clean energy infrastructure development

Financed 05 large-scale solar projects, 01 wind farm contributing to the generation of over 66 MW of renewable energy in 2024

Customised loan products

Specialised loan schemes for renewable energy developers. These included concessional rates, flexible repayment structures, and extended loan tenors

Public-private partnerships

Collaborated with government bodies, private investors, and international organisations to support renewable energy initiatives

Energy-efficient equipment loans

Recognising the critical need for energy-efficient solutions across industries and households, the Bank has significantly expanded its financial offerings to promote sustainability and operational efficiency. Businesses seeking to modernise their infrastructure were provided with specialised loans for energy-efficient machinery, lighting, and cooling systems. These energy efficiency loans for businesses were not only designed to reduce operational costs but also to help companies achieve a reduced carbon footprint, thereby supporting their sustainability goals.

On the residential front, the Bank extended its support to individuals transitioning to greener lifestyles. Dedicated financing programs were introduced for the adoption of solar rooftop systems, energy-efficient appliances, and electric vehicles (EVs). These solutions enabled homeowners to achieve substantial savings on utility expenses while contributing to the broader environmental agenda.

The Bank also prioritised the needs of SMEs, recognising their pivotal role in driving economic growth and innovation. Tailored financing options, coupled with advisory services, encouraged SMEs to integrate energy efficiency into their operations. This support ensured cost savings and enhanced their competitiveness in an increasingly eco-conscious market. Through these initiatives, the Bank continues to empower its stakeholders to adopt sustainable practices, fostering a collective movement toward environmental stewardship and energy conservation.

Contribution of Green Financing portfolio for reduction of CO_2 emissions as at December 31

2024 – 292,331tCO_2e

2023 – 233,918tCO_2e

Number of Green Financing Facilities disbursed during the year

2024 – 2,168

2023 – 649

Strategic direction

Looking to the future, the Bank is determined to deepen its commitment to renewable energy financing and advance its contributions to a sustainable, low-carbon economy. The Bank plans to significantly expand its renewable energy financing portfolio by supporting emerging technologies, which hold the potential to revolutionise energy systems and further enhance the viability of clean energy sources.

In addition to funding provided, the Bank will actively collaborate with policymakers, industry leaders, and other stakeholders to overcome regulatory challenges that may hinder the growth of the renewable energy sector. By fostering a conducive policy environment and addressing systemic barriers, the Bank seeks to unlock new opportunities for innovation and investment in clean energy markets.

To drive greater adoption of renewable energy across all economic sectors, the Bank will focus on introducing tailored financial solutions that incentivise sustainable practices among businesses and individuals. By pioneering financial products that align with the evolving needs of the clean energy market, the Bank positions itself as a trusted partner for clients committed to sustainable growth.

Promoting sustainable agriculture

The Bank recognises the critical importance of sustainable agriculture in ensuring food security, preserving ecosystems, and fostering rural development. In 2024, the Bank reinforced its commitment to supporting farmers and agribusinesses in their transition to environmentally friendly and economically viable agricultural practices through a range of innovative financing solutions.

Promoting sustainable and smart agriculture

The Bank has been a frontrunner in driving sustainable agriculture by introducing green financial products and supporting smart agricultural practices. These initiatives aim to align farming with global ESG standards while modernising the sector for improved productivity and sustainability.

To support sustainable farming, the Bank launched tailored loans for organic farming, precision agriculture, and agroforestry. Farmers transitioning to organic cultivation benefited from financial assistance to reduce reliance on synthetic inputs, improving soil health and unlocking export opportunities for organic produce. Precision agriculture financing enabled the adoption of advanced technologies like GPS mapping, soil sensors, and data analytics, helping farmers optimise water and nutrient use while minimising waste and environmental impacts. Additionally, agroforestry loans encouraged the integration of tree cultivation with farming, contributing to biodiversity, combating deforestation, and generating diverse income streams from timber and forest products.

The Bank also facilitated the adoption of smart agriculture technologies that enhance efficiency and sustainability. Greenhouse financing supported controlled-environment agriculture, ensuring year-round cultivation with higher yields and resource efficiency. Drip irrigation systems were funded to help farmers conserve water and improve crop productivity through precision watering. To further enhance sustainability, the Bank financed renewable energy solutions such as solar-powered irrigation pumps, cold storage facilities, and processing units, reducing energy costs and carbon emissions.

Capacity-building and technical assistance

Beyond financing, the Bank collaborated with agricultural research institutions, development agencies, and government bodies to provide capacity-building programs for farmers, including:

- **Workshops and training:** Farmers were trained in climate-resilient farming techniques, sustainable soil management, and pest control methods to increase productivity and adaptability.
- **Access to market information:** The Bank facilitated access to market intelligence and pricing trends, empowering farmers to make informed decisions about crop selection and marketing strategies.
- **Advisory services:** Dedicated agricultural officers were appointed to guide farmers in preparing project proposals and accessing government subsidies linked to sustainable agriculture practices.

Impact and strategic direction

Through its sustainable agriculture initiatives, the Bank has played a pivotal role in driving transformative change in Sri Lanka's agricultural sector. Over the years, the Bank has empowered countless farmers and agribusinesses, providing them with both financial and technical resources to adopt sustainable farming practices. These efforts have enhanced agricultural resilience against the challenges posed by climate variability, with innovative farming techniques and renewable energy solutions forming the cornerstone of this progress. Furthermore, the Bank's support for organic farming and agroforestry has contributed significantly to environmental preservation, reducing carbon emissions and promoting biodiversity.

Looking to the future, the Bank intends to scale its green agricultural loan portfolio, targeting cutting-edge advancements such as artificial intelligence (AI) for farm management and carbon farming solutions. To expand the reach and impact of its initiatives, the Bank plans to collaborate with international development agencies, unlocking funding for large-scale sustainable agriculture projects. Additionally, the Bank is committed to aligning its agricultural financing with global sustainability frameworks, including the SDGs, ensuring its efforts contribute to broader environmental and social objectives.

Sustainable Building and infrastructure

The Bank has prioritised sustainable building and infrastructure financing as a key component of its sustainability agenda. By focusing on green building solutions, energy-efficient renovations, and circular economy initiatives, the Bank is creating pathways for environmentally responsible growth while supporting communities in transitioning to sustainable lifestyles.

Green home loans and financing for energy-efficient renovations

One of the most enduring relationships in banking is the bond between home builders and the financial institutions that support their aspirations. At Commercial Bank, home financing is not just about providing capital—it is about empowering individuals and families to build sustainable, energy-efficient homes that contribute to a greener future. Despite economic challenges, the Bank has remained steadfast in expanding its home loans portfolio, ensuring that customers have access to financing solutions that align with modern housing needs and sustainability goals.

The Bank's Home Loan portfolio is designed to meet diverse housing requirements, and are available in General Home Loans, Foreign Currency Home Loans, and specialized financing for first-time homebuyers and builders. Among these, the Green Home Loan stands out as a pioneering initiative, reinforcing the Bank's commitment to sustainable living and responsible financing.

The Green Home Loan, another first-of-its-kind offering, has been developed to support environmentally friendly housing solutions. This innovative product provides financing for homes that have been certified by the Green Building Council of Sri Lanka (GBCSL), ensuring that customers can invest in sustainable, energy-efficient living spaces. The Bank offers Green Home Loans of up to Rs. 50 Mn. for the purchase or construction of homes with Green Building Council of Sri Lanka (GBCSL) Certification, making it easier for customers to integrate sustainable design and eco-friendly materials into their residences.

In addition to financing green-certified homes, the Bank also extends Green Home Loans of up to Rs. 5 Mn. for solar power systems, solar net metering installations, and other green initiatives, including waste and rainwater management or composting solutions. These loans empower homeowners to adopt renewable energy and sustainable practices, ultimately reducing their carbon footprint and long-term utility costs.

Circular economy financing for waste recycling and resource recovery

As part of its commitment to sustainable infrastructure, the Bank has introduced financing solutions that support the principles of the circular economy, as listed below:

- **Waste recycling projects:** The Bank provides funding to enterprises specialising in waste recycling, promoting the recovery and reuse of materials to minimise landfill contributions. Financing is extended for initiatives such as plastic recycling plants, e-waste management facilities, and compost production units.
- **Resource recovery financing:** Dedicated credit lines are available for projects

focusing on resource recovery, including technologies for converting waste to energy, extracting valuable materials from industrial byproducts, and implementing closed-loop manufacturing systems.

- **Public-Private Partnerships:** The Bank actively collaborates with municipal councils and environmental organisations to develop scalable waste management infrastructure. These partnerships create economic opportunities while addressing critical environmental challenges.

Green Bonds: Strengthening Leadership in Sustainable Finance

A landmark achievement in 2024 that reinforced Commercial Bank's leadership in sustainable finance was the development of its Sustainable Bond Framework. This framework received a Second Party Opinion from Sustainable Fitch and underwent independent third-party verification by Messrs EY, ensuring alignment with global sustainability standards. With this solid foundation in place and the necessary regulatory approvals secured, the Bank is now well-positioned to issue Green Bonds in the future. These bonds will be instrumental in mobilizing funds exclusively for renewable energy projects, energy-efficient infrastructure, and waste management solutions, further advancing the Bank's commitment to environmental sustainability. The proceeds from these bonds will be transparently managed in accordance with the International Capital Market Association's (ICMA) Green Bond Principles, reinforcing responsible investment and sustainable impact.

Impact and future outlook

In 2024, the Bank's sustainable building and infrastructure financing initiatives delivered tangible results, reinforcing its commitment to environmental sustainability and economic resilience. The Bank also played a crucial role in advancing circular economy adoption, financing waste recycling and resource recovery projects, which reduced landfill waste and mitigated environmental degradation.

Looking ahead, the Bank is focused on expanding its green finance portfolio to further drive sustainable impact. Plans include broadening its range of green financing products, particularly by introducing affordable housing options to make sustainability accessible to a wider segment of society. The Bank also aims to collaborate with international organisations to introduce innovative technologies and funding solutions that will support large-scale circular economy projects. Furthermore, efforts will be made to enhance customer awareness through campaigns and workshops, ensuring that individuals and businesses fully understand the benefits of sustainable housing and infrastructure.

Digital transformation with sustainability goals

The Bank integrates its sustainability agenda into its digital transformation initiatives, leveraging technology to reduce environmental impact while enhancing customer convenience and operational efficiency.

Promoting digital innovations

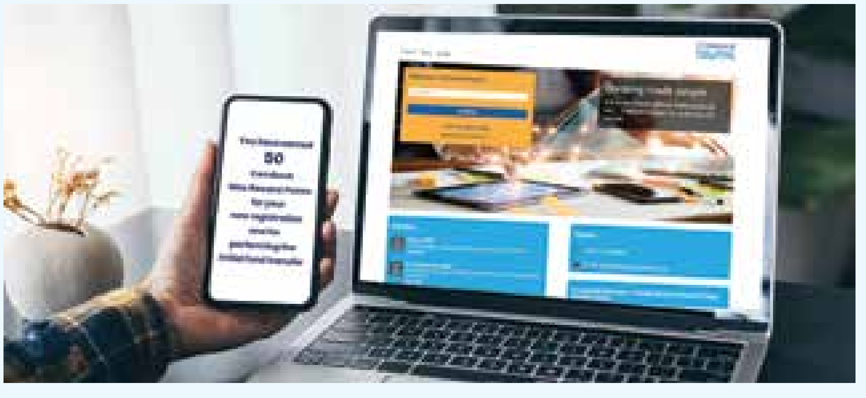
Over the years, the Bank has transitioned from a traditional banking model to embrace a forward-thinking, digital-first strategy, laying a strong foundation to lead the digital payment landscape. Its consistent delivery of innovative solutions has enhanced the banking experience for retail and corporate customers alike. Building on this foundation, the Bank integrates sustainability into its digital transformation by expanding mobile banking services, embedding personalised features for better engagement, and promoting paperless banking through awareness campaigns. Investments in energy-efficient IT infrastructure further align with the Bank's climate goals, reinforcing its commitment to innovation, environmental responsibility, and a greener future for the communities it serves.

Digital roadmap 2023–2025

The Digital Roadmap 2023–2025 aligns with the Bank's overarching vision of fostering a digital economy that caters to the diverse technological needs of its customers. Focused on enhancing the digital experience for retail clients, the roadmap outlines a comprehensive strategy for digital transformation over the next two years. It is guided by four key objectives, namely:

- Service transformation to achieve excellence in customer service
- Operational transformation to enhance efficiency and effectiveness
- Digital transformation to solidify digital leadership
- Talent transformation to boost workforce performance

First in Sri Lanka to offer loyalty points for digital banking transactions



The Bank introduced reward points for transactions on ComBank Digital. The Bank announced that even a simple utility bill payment via "ComBank Digital" can earn rewards points from the Bank's "Max -Rewards" scheme..

ComBank Digital: Transforming the Banking Experience

- ComBank Digital is Sri Lanka's first Omni-channel online banking solution, revolutionising the banking industry.
- By the end of 2024, it achieved remarkable milestones:

1.5 million
registered users

Processed 50 million transactions valued at
over Rs. 4 Tn.

Ranked as the top financial app in Sri Lanka on the App Store, solidifying its reputation as a transformative banking platform

As part of this strategy, the Bank is committed to transforming traditional banking processes into digital workflows, ensuring seamless integration with external ecosystems while enhancing internal systems to stay adaptable amidst evolving regulatory and risk management landscapes. Further emphasis will be placed on re-skilling staff and acquiring talent in specialised domains to support this transformation. By building strategic partnerships and strengthening its data capabilities, the Bank reaffirms its commitment to remaining at the forefront of digital innovation, ensuring long-term value for its customers and other stakeholders.

Designed for seamless access, *"ComBank Digital"* is available via a responsive web app and three native mobile apps, ensuring compatibility across PCs, laptops, tablets, and smartphones. Security is a priority, with internationally recognised standards ensuring a safe and reliable banking experience. The platform offers account inquiries, bill payments, fund transfers (domestic and international), loan applications, savings goal setting, fixed deposit investments, and instant government payments.

Continuing its innovation-first approach, the platform introduces unique features such as savings objectives, eFD redemptions, and secondary accounts like eSavings and eMoney market accounts. Businesses benefit from a dedicated mobile banking app with features like RTGS high-value transfers, multi-currency transactions, and bulk payments.

Self-assisted functionalities enhance user convenience, including password recovery, customisable alerts, transaction limit adjustments, and advanced tools for managing cheque images, account statements, and exchange rate monitoring. Users can also manage credit and debit cards, including blocking, activation, and replacements, and securely communicate with the Bank.

Since its launch in 2020, *"ComBank Digital"* has expanded to serve business clients, integrating solutions tailored to their financial needs. Digital Assistants at branches and targeted promotional campaigns have further boosted adoption, reinforcing the Bank's commitment to digital transformation.

The Bank continues to enhance and refine *"ComBank Digital"* to meet the evolving needs of its customers, solidifying its leadership in Sri Lanka's digital banking landscape.

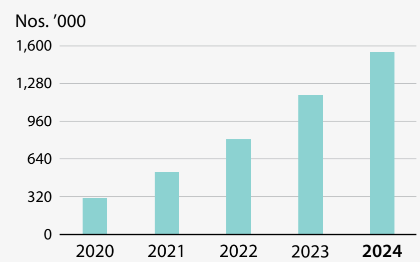
Host-to-host connectivity

The Bank introduced Host-to-Host (H2H) payment services as part of its *ComBank Digital* Enterprise Solutions, offering seamless integration with corporate ERP systems. This innovative solution automates bulk transactions, reconciliations, and real-time payment processing, significantly enhancing efficiency, security, and transparency for corporate clients. Supporting leading ERP platforms, H2H reduces manual intervention and underscores the Bank's dedication to driving digital transformation for businesses.

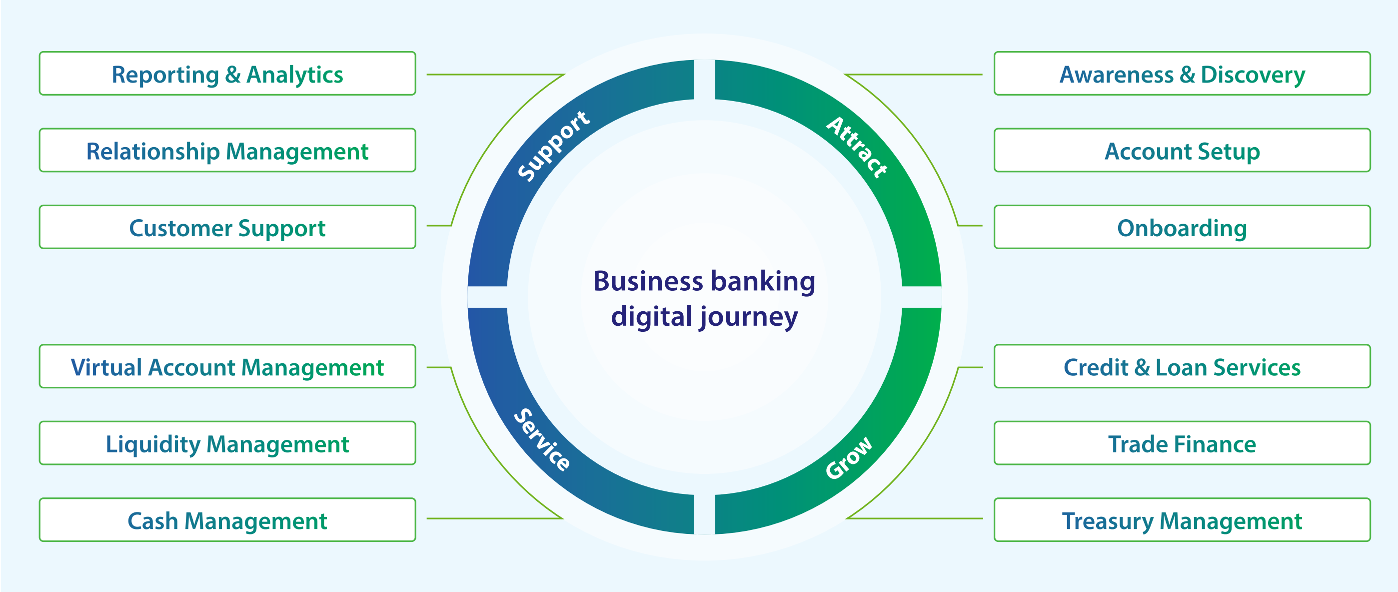
ComBank Digital Penetration Table – 12

Year	2024 %	2023 %
ComBank Digital Penetration	47	36

ComBank Digital customer base Graph – 18



Digitising the Business Banking experience Figure – 30



Investments in IT Infrastructure Table – 13

During the year ended December 31,	2024 (Rs. Mn)	2023 (Rs. Mn)	2022 (Rs. Mn)	2021 (Rs. Mn)	2020 (Rs. Mn)
Investments in Hardware (Computer Equipment)	2,122	1,450	2,441	434	506
Investments in Software (Licenses etc.)	1,626	1,116	2,218	768	409
Total	**3,748**	**2,566**	**4,659**	**1,202**	**915**

Migration to Digital Channels Table – 14

During the year ended December 31,	2024	2023	2022	2021	2020
Number of customers migrated to ComBank Digital	339,903	339,032	254,262	206,776	106,968
New customer acquisition through digital channels	6,022	8,504	9,539	12,491	16,327

Flash Digital Bank Account: Revolutionising Digital Banking for the New Generation

Flash, designed for the tech-savvy generation, offers a 100% digital onboarding experience, enabling customers to open accounts effortlessly through self-registration. This seamless process, combined with advanced wealth management tools, positions Flash as a leader in digital banking.

The application achieved significant milestones, including the launch of the Flash Teen Digital Bank Account ("Flash Fam") to empower teens, the introduction of Non-Face-to-Face Onboarding via Digital KYC for enhanced convenience, and the release of Flash 4.6 with improved functionalities. It was also recognised with the Insurance Consumer Category at the 2023 NBQSA ICT Awards and expanded its reach by enabling Sri Lankans working abroad to open accounts, fostering global financial inclusion.

Flash offers tri-lingual accessibility, a unique hospitalisation support insurance plan, and seamless peer-to-peer transfers. Users can set savings goals, create in-app groups for fund management, and make QR/NFC payments at LANKAQR and ComBank Q+ merchants. The Just Pay Facility allows instant top-ups and bill payments, while advanced BI tools categorise transactions and provide spending insights. The "Save the Environment" feature estimates CO_2 emissions per transaction, promoting eco-conscious banking. Flash also provides an Instant Visa Debit Card, 100% digital credit card applications, and robust 128-bit encryption for secure transactions.

e-Passbook

The Bank has revolutionised account access and management with the introduction of its *e-Passbook* facility, an advanced mobile application designed for both Android and Apple smartphones. This innovative solution offers users the ability to view account transaction details seamlessly, whether online or offline. Emulating the traditional format of a savings passbook or current account statement, the e-Passbook provides a detailed account history, enabling customers to access their financial information in real-time with unparalleled convenience.

The application is easily accessible to eligible account holders who can self-register by downloading the "ComBank *e-Passbook*" App from the Google Play Store or App Store. Users have the flexibility to set app access preferences, including options for no authentication, local PIN, or biometric authentication. With features such as real-time balance checks, transaction search capabilities, account nicknaming for easy reference, and tools to locate ATMs and branches, the e-Passbook offers a comprehensive suite of functionalities. Users can also monitor exchange and interest rates, self-enroll or remove accounts from the display, and enjoy all these benefits free of charge.

The *e-Passbook* has achieved remarkable success, with over one million users logging in monthly and attracting over 15,000 new users each month. Notably, the application is offered to an average of 18% of the Bank's new customer base, highlighting its growing popularity and the Bank's commitment to enhancing customer experience through digital innovation.

"ComBank Digital" wins Gold at national ICT Awards 2024

The Bank won the coveted Gold in the highly competitive "Banking, Insurance & Finance Consumer" category for "ComBank Digital" at the 2024 National Best Quality Software Awards (NBQSA), the National ICT awards.

The Bank also received a Merit award in the same category for "Jimi GPT" – the generative AI-powered Knowledge Assistant that assists staff to instantly access the information they need from the Bank's Intranet to serve customers.

WhatsApp banking

The Bank set a new benchmark in the banking sector by becoming the first Sri Lankan bank to launch *WhatsApp Banking*, further solidifying its reputation as a leader in innovative financial solutions. This state-of-the-art platform enables customers to access account balances, transaction history, and cheque book requests effortlessly through WhatsApp. In addition, both customers and non-customers can inquire about fixed deposit rates and foreign exchange rates, making banking more accessible and user-friendly. The platform also supports self-registration with the *ComBank Digital app* and facilitates new account openings through the Flash Digital Bank Account, ensuring a seamless and secure banking experience. With end-to-end encryption, 24/7 availability, and the ability to generate loan leads successfully converted by the Retail Products Department, *WhatsApp Banking* underscores Commercial Bank's commitment to enhancing customer engagement and delivering cutting-edge services.

Viber banking

"Bank with ComBank on Viber" extends seamless banking services to the Bank's customers with registered mobile numbers, while also welcoming non-customers interested in opening an account. With real-time customer service powered by an AI Chatbot, users enjoy 24/7 access to essential banking services in three languages, enhancing convenience and inclusivity. Key features include checking account balances, viewing recent transactions, placing cheque book requests, and inquiring about fixed deposit and exchange rates. This innovative platform reflects the Bank's commitment to leveraging digital solutions for a superior customer experience.

Meeting the increasing demand for digital banking services

The Bank is proactively addressing the growing demand for digital banking services through a comprehensive strategy anchored in technological advancements, robust security, exceptional customer support, and innovative solutions. Central to this effort is the Digital Banking Division, which ensures that the Bank continues to meet the evolving expectations of digitally-savvy customers while maintaining a strong focus on innovation, scalability, and sustainability.

Virtual interactive e-statement service

As part of its commitment to enhancing customer convenience, the Bank plans to introduce a Virtual Interactive E-Statement Service. This platform will provide customers with centralised, 24/7 access to essential documents such as Withholding Tax (WHT) certificates, account statements, and credit card statements. Designed to simplify document management, this user-friendly and secure digital solution reduces reliance on physical statements, aligning with the Bank's sustainability goals and commitment to delivering seamless digital banking experiences.

Agenda for 2025 and beyond

The Bank's forward-looking agenda encompasses several strategic initiatives aimed at enhancing digital capabilities and customer experiences. Plans are underway to introduce an Enhanced Cash Management Solution tailored for Business Banking customers, addressing their complex financial management needs. Efforts to strengthen fraud monitoring will be supported by a dedicated fraud management solution, ensuring robust protection against financial crimes. Additionally, the Bank aims to digitalise the Pawning Top-up, Renewal, and Settlement processes via *ComBank Digital*, offering customers greater convenience and efficiency.

Leveraging the power of data analytics, the Bank plans to recommend pre-approved loans for retail customers, delivering personalised financial solutions. Enhancements to the application processes for loans, leasing, and credit cards are also on the agenda, making these services more accessible and user-friendly. Transforming *"ComBank Digital"* into a comprehensive payment channel and e-commerce platform, including the integration of *"ComLEAP"*, is another key milestone aimed at broadening the platform's capabilities.

To further enhance customer experiences, the Bank intends to introduce a VKYC (Video Know Your Customer) solution, simplifying the process of updating sensitive customer data in the core banking system. Collaborations with billers will streamline the bill payment journey through bill presentment, reducing complexity for customers. The Bank is also set to improve onboarding channels for new customers by integrating *ComBank Digital* with the proposed VKYC solution, ensuring a seamless and efficient onboarding experience. These future plans underscore the Bank's commitment to innovation, security, and customer-centricity.

The Bank is planning a comprehensive consolidation of its digital applications into a unified platform, enabling a Single Sign-On (SSO) feature. This initiative aims to significantly enhance the user experience by ensuring high security and optimal convenience for conducting digital banking transactions. The implementation of this consolidated platform will provide seamless access to a range of features, including a corporate online portal and account services, a payment module, virtual account management, liquidity management, and cash management functionalities. Additionally, the integration of the platform with other ecosystems through SSO, such as Trade, Treasury, and Supply Chain Finance, will further enhance operational efficiency and connectivity, reinforcing the Bank's commitment to digital transformation and customer-centric innovation.

Planned digital banking solution

To streamline and simplify the digital banking experience, the Bank is developing a single, comprehensive platform that integrates the features of its existing digital applications. This ambitious project aims to consolidate multiple apps into a unified ecosystem, enhancing customer convenience while supporting the Bank's geographical and service expansion objectives.

The integrated platform will offer a wide range of services, including balance inquiries, fund transfers, real-time payments, card management, loan applications, and personalised budgeting tools. Enhanced user experience features include a unified dashboard, multilingual support, and AI-driven financial recommendations for personalised journeys. Robust security measures, such as biometric authentication and advanced encryption, will ensure secure and seamless access, while offline functionalities like e-Passbook and eSlips will provide added convenience.

To encourage broader adoption, the platform will include a wallet facility for non-Commercial Bank users, QR payments, peer-to-peer (P2P) transfers, and lifestyle features that create a holistic digital ecosystem. Integration with external financial platforms will further expand functionality, offering customers an enriched banking experience tailored to their diverse needs.

This consolidated platform represents a cornerstone of the Bank's digital transformation strategy, reflecting its leadership in the digital banking space. By integrating the best features of its existing applications, the Bank is poised to deliver an intuitive, efficient, and inclusive digital experience that anticipates and exceeds customer expectations. The rollout will initially target existing *Flash* customers, with plans to extend the solution to other markets and migrate users of other apps to the new platform.

By investing in these initiatives, the Bank underscores its dedication to innovation, sustainability, and customer-centricity, solidifying its position as a trailblaser in the digital banking landscape.

Optimising costs through digital transformation

The Bank has leveraged its digital transformation journey to achieve significant cost savings by replacing traditional manual operations with streamlined digital processes across its network. By adopting innovative digital solutions, the Bank has enhanced operational efficiency and minimised resource consumption, particularly in areas such as paper usage. Key initiatives contributing to these cost efficiencies include digital onboarding for investment products, automated activation of standing orders, digital loans against fixed deposits, online account openings for both primary and secondary accounts, and digital transmission of cheque book requests. These efforts underscore the Bank's commitment to sustainability and reflect its strategic focus on creating long-term value through operational excellence.

Challenges in digitalising banking services

As the Bank continues to accelerate its digital-first strategy, it faces a multifaceted array of challenges that require focused strategies and proactive measures over the next three years. The growing adoption of digital channels has amplified the risk of cyber threats, including scams, data breaches, and cyber-attacks. To mitigate these risks, the Bank must strengthen its cybersecurity frameworks, integrate advanced threat detection systems, and foster a culture of heightened security awareness among both staff and customers.

Anticipated changes in regulatory compliance regarding digital transactions, customer data handling, and financial reporting further underscore the need for agility in aligning operational practices while maintaining efficiency. Effective collaboration with regulatory bodies will play a crucial role in ensuring seamless implementation of compliance measures.

With rising customer expectations for seamless, intuitive, and secure digital platforms, the Bank faces the challenge of balancing continuous innovation with reliability. Meeting these expectations will require sustained investments in user interface design, feature enhancements, and personalised service offerings. Simultaneously, the Bank must navigate an intensely competitive digital banking landscape dominated by fintech startups and other financial institutions. Differentiating its offerings through unique products, superior customer service, and strategic partnerships will be key to maintaining a competitive edge.

The rapid pace of technological advancements - ranging from blockchain and AI to biometrics and quantum computing - further highlights the importance of staying ahead through strategic investments in research and development. Enhancing customer onboarding and verification processes while adhering to stringent KYC and AML requirements is another pressing challenge. The integration of AI-powered tools and digitised workflows will help achieve compliance without compromising the user experience.

As the volume of data collection continues to grow, addressing ethical concerns and ensuring transparency in data usage becomes increasingly vital. Establishing clear policies on data privacy, informed consent, and ethical AI practices is essential to building trust among customers and stakeholders. The Bank must also prioritise the expansion of digital banking services to underserved and rural populations, aligning with its broader sustainability goals. Tailored outreach programs and customised product offerings will help bridge the financial accessibility gap.

Equally critical is the building of digital literacy among customers and staff to ensure effective utilisation of the Bank's services. Comprehensive training programs, interactive tutorials, and targeted campaigns will be integral components of the Bank's ongoing digital transformation journey. By addressing these challenges head-on, the Bank can continue to lead the way in creating a future-ready, inclusive, and secure digital banking ecosystem.

Transforming Digital Payments

In 2024, the Bank's Card Centre solidified its leadership in digital payments, driving financial inclusion and customer-centric innovation. The Q+ Payment App, Sri Lanka's premier digital wallet, continued its success, winning the "Best Mobile App for Retail Payments under LankaQR" award for the second consecutive year. A landmark achievement was the launch of Sri Lanka's first AliPay QR integration, catering to a rapidly expanding digital-first customer base.

The Bank introduced industry-first solutions, including a cashless, card-enabled vending machine, promoting contactless payments. New product launches, such as the Visa Signature Debit Card and Visa Corporate Credit Card, offered exclusive benefits to premium and corporate segments. Strategic collaborations, notably with AIA Insurance, reinforced the Bank's standing in financial services.

Digital transformation remained central to growth in Q+ Payment App with trilingual capabilities enhancing accessibility. Sustainability efforts advanced with over 50% of customer statements digitised, reducing paper waste and encouraging eco-friendly banking.

Innovation extended beyond payments, as automation and AI-driven solutions optimized operations, personalised offers, and strengthened security. Plans are underway to evolve the Q+ Payment App into a comprehensive lifestyle platform, integrating self-service options and AI-powered recommendations.

The Bank's digital growth was underscored by impressive performance metrics: debit card usage rose by 27%, POS acquiring volume increased by 36%, IPG acquiring volume surged by 60%, and Q+ Payment App transactions expanded by 64%. These achievements affirm the Bank's pivotal role in shaping Sri Lanka's digital payment ecosystem, reinforcing its vision of a seamless, technology-driven financial future.

Monitoring and reporting impact

The Bank recognises the importance of measuring and transparently communicating the environmental and social impacts of its sustainable financing initiatives. By implementing advanced monitoring systems and adhering to global standards, the Bank ensures that the projects contribute to meaningful, measurable, and accountable sustainability outcomes.

ComBank shines at LankaPayTechnnovation Awards 2024

The Bank was presented the Silver in the "Overall Award for Excellence in Digital Payments" and "Best LankaPay Card Implementor of the Year". Received Gold awards for "Most innovative Bank of the Year", "Best Bank for Retail Payments" and for "Best Mobile Application for Retail Payments via LankaQR" for ComBank Q+.

Measuring environmental and social impact

The Bank has integrated sophisticated systems such as the following to track and evaluate the environmental and the social impact of its funded projects, ensuring alignment with its sustainability goals:

- **Impact assessment tools:** Utilising tools such as the Climate Assessment for Financial Institutions (CAFI) to quantify the environmental benefits of green financing projects, including reductions in greenhouse gas emissions and improvements in energy efficiency.
- **Social impact metrics:** Establishing specific indicators to measure the social outcomes of projects, such as job creation, gender inclusivity, and community development.
- **Baseline and progress tracking:** Collecting baseline data for funded projects and monitoring progress over time to ensure that anticipated impacts are achieved.

Enhancing transparency through reporting

The Bank remains steadfast in its commitment to enhancing transparency and accountability through detailed reporting on its sustainability initiatives. By aligning impact metrics with globally recognised frameworks such as the GRI, the SASB, and the SDGs, the Bank ensures its disclosures meet the highest international standards.

This Report has detailed disclosures of the Bank's sustainability initiatives, key achievements, lessons learned, and the cumulative impact of its projects, providing stakeholders with a clear understanding of the Bank's contributions to sustainable development. Furthermore, the Bank actively engages with stakeholders, including investors, regulators, and communities, sharing insights into the outcomes of its initiatives to foster trust and demonstrate the tangible value of sustainable finance. Through these efforts, the Bank reinforces its role as a transparent and responsible financial institution committed to driving positive change.

Advancing impact reporting for sustainability excellence

In 2024, the Bank's efforts in monitoring and reporting sustainability outcomes yielded significant achievements as detailed above, highlighting its commitment to transparency and accountability.

To further strengthen its reporting capabilities, the Bank continues to invest in advanced frameworks that enhance accuracy, relevance, and stakeholder alignment. This includes the expansion of integrated digital platforms to streamline data collection and analysis across all funded projects. Additionally, the Bank prioritises capacity building, offering training programs for employees and project partners on robust impact measurement methodologies and reporting standards. These initiatives underline the Bank's dedication to rigorous monitoring and transparent communication of its sustainability achievements.

Vision for the future

The Bank aspires to become a trailblaser in sustainability impact monitoring and reporting by embracing innovative methodologies and aligning more closely with global standards. By integrating big data, machine learning, and predictive analytics, the Bank seeks to deepen insights into the impact of its projects and pinpoint areas for continuous improvement. Its commitment to global benchmarking ensures that reporting practices are informed by international best practices, maintaining competitive excellence. Furthermore, fostering collaboration with industry bodies, regulators, and clients enables the co-creation of robust frameworks that elevate impact reporting standards across the sector. Through these concerted efforts, the Bank underscores its dedication to generating measurable value, building stakeholder trust, and driving meaningful progress towards global sustainability goals.

Responsible organisation

Fostering ethical governance and sustainable practices

Figure – 31

Responsibility as a core principle

At Commercial Bank, responsibility transcends regulatory compliance; it is embedded in our corporate DNA, guiding our operations, governance, and interactions with all stakeholders. As a responsible organisation, we are committed to ethical conduct, robust governance frameworks, and sustainable practices that create long-term value for both the society and the environment.

Upholding ethical governance

We view good corporate governance as a collective responsibility, one that underpins financial integrity, stakeholder trust, and sustainable growth. By adhering to the highest ethical standards, including a stringent Code of Ethics and the Group Conduct Risk Management Policy Framework, we ensure transparency, accountability, and fairness in all our dealings. Our governance practices encompass key elements such as anti-bribery and anti-corruption measures, conflict-of-interest management, and insider dealing prevention, all of which reflect our steadfast dedication to ethical banking.

Leading environmental responsibility

As part of our sustainability journey, we place a strong emphasis on environmental responsibility. Having achieved the distinction of becoming Sri Lanka's first carbon-neutral bank in 2020, we remain steadfast in our goal to achieve self-sustained carbon neutrality by 2030. This commitment is manifested in our proactive environmental initiatives aimed at reducing our carbon footprint and promoting cleaner, greener operations across all touchpoints.

Green and safe workplace

Beyond environmental stewardship, our focus on a Green & Safe Workplace demonstrates our dedication to fostering a supportive and secure work environment. We promote employee well-being through health and safety programs, continuous learning, and skill development, ensuring that our workforce is equipped to thrive in a dynamic, evolving banking landscape. Furthermore, we actively champion diversity, equity, and inclusion, recognising that a varied workforce enhances creativity, innovation, and decision-making.

Driving sustainability across the value chain

In line with our commitment to sustainability across the value chain, we have integrated sustainable procurement practices into our operations, promoting ethical sourcing and encouraging our suppliers to adopt sustainable business models. By embedding sustainability throughout our supply chain, we aim to create a ripple effect, extending our positive impact beyond the boundaries of our organisation.

Proactive risk management

Risk management remains a pivotal component of our responsible organisational ethos. Through rigorous risk assessment frameworks and a culture of continuous oversight, we proactively manage financial and operational risks, ensuring that our growth trajectory remains sustainable and resilient. Our well-established governance mechanisms, including multiple Management and Board-level committees, enable us to identify, assess, and mitigate risks in a timely and effective manner.

Collaborative stakeholder engagement

The Bank's commitment to being a responsible organisation is further reflected in our proactive engagement with external stakeholders. Whether through collaborative partnerships, industry forums, or sustainability initiatives, we actively contribute to shaping a more responsible and inclusive financial ecosystem.

Elements of Responsible Organisation Figure – 32

Responsible organisation *Green and safe workplace*

Stakeholders engaged	Employees	Government institutions and regulators
Capitals addressed	Human capital	Manufactured capital

Responsible organisation *Workplace culture*

Stakeholders engaged	Employees	
Capitals addressed	Human capital	Intellectual capital

Responsible organisation *Sustainable supply chain*

Stakeholders engaged	Business Partners	
Capitals addressed	Social and relationship capital	Manufactured capital

Moving forward

As we move forward, our unwavering dedication to being a responsible organisation will continue to guide our strategies, operations, and engagements. By upholding the highest standards of governance, ethical conduct, and sustainability, we remain well-positioned to navigate emerging challenges and seize opportunities, delivering sustainable value to all our stakeholders.

Green and safe workplace

Nurturing a sustainable and secure environment for growth and innovation

At Commercial Bank, our commitment to being a responsible organisation is deeply embedded in our operational philosophy. As part of this commitment, we aim to create a Green and Safe Workplace that not only promotes environmental sustainability but also prioritises the well-being of employees, customers, and other stakeholders. This section outlines our key initiatives in environmental stewardship, carbon neutrality, renewable energy adoption, and energy efficiency.

Environmental stewardship & carbon neutrality

Our journey towards environmental sustainability is driven by a strong commitment to environmental stewardship and achieving carbon neutrality. Through innovative strategies, renewable energy adoption, and green infrastructure initiatives, we continue to make significant strides in minimising our environmental footprint.

As Sri Lanka's first carbon-neutral bank since 2020, we have remained at the forefront of sustainable banking, continuously enhancing our efforts to reduce greenhouse gas (GHG) emissions. In 2024, the Bank achieved a 8,337 GJ savings in Grid Power Energy consumption due to integration of renewable energy solutions.

To address emissions that cannot be directly eliminated, we have invested in high-quality, certified carbon credits, supporting global and local environmental projects such as renewable energy development and mangrove restoration, which serve as natural carbon sinks.

Looking ahead, the Bank remains dedicated to achieve self sustained carbon neutrality by 2030 aligning with the Paris agreement. In 2024, the Bank partnered with the PCAF to assess the financed emissions of its lending portfolio, a critical step in facilitating the adoption of SLFRS S1 and SLFRS S2. This collaboration enabled the Bank to measure and report greenhouse gas emissions associated with its financial activities. The initiative was integral to the Bank's ongoing Climate Transition Plan, which aims to reduce its carbon footprint, support clients in transitioning to low-carbon models, and contribute to global climate goals. By continuously refining our sustainability initiatives, we reaffirm our role as a leader in environmental stewardship, ensuring a greener and more resilient future for all.

Climate Transition Plan and Carbon Neutrality

In alignment with its commitment to environmental stewardship and global climate goals, the Bank has made significant advancements in its Climate Transition Plan and journey towards carbon neutrality.

These initiatives form a critical component of the Bank's broader sustainability strategy, reflecting its dedication to reducing its environmental footprint while enabling a sustainable future for stakeholders

Partnership with IFC: A climate transition roadmap

In 2024 the Bank collaborated with the IFC to develop a comprehensive Climate Transition Plan. This plan will be a structured roadmap designed to achieve Net Zero emissions by 2050 and align with the Paris Agreement and global best practices.

Long-term vision and global alignment

The Bank's Climate Transition Plan and carbon neutrality efforts demonstrate its proactive approach to addressing climate risks and contributing to global climate goals. By embedding sustainability into its operations, financing, and stakeholder engagements, the Bank is not only mitigating its environmental impact but also positioning itself as a leader in Sri Lanka's transition to a low-carbon economy.

Through its partnership with the IFC and unwavering commitment to innovation and accountability, the Bank is laying a strong foundation for sustainable growth, ensuring that its journey toward Net Zero emissions benefits the environment, economy, and society at large.

Climate position statement

The Bank's Climate Position Statement reaffirms its leadership and unwavering commitment to addressing climate challenges. By pledging to integrate climate considerations into operations, financing decisions, and community initiatives, the Bank aims to embed sustainability into every facet of its business. Collaboration with regulators, businesses, and communities remains a cornerstone of this strategy, promoting sustainable practices through green industry financing and renewable energy projects. Furthermore, the Bank aligns its climate strategy with global frameworks, including the SDGs and the Climate Transition Plan under development with the IFC, ensuring its efforts contribute meaningfully to global climate action.

Euromoney declares ComBank "Sri Lanka's Best Bank for ESG"

The Bank was proclaimed 'Sri Lanka's Best Bank for ESG' at the 2024 edition of the Euromoney Awards for Excellence, generating international recognition for the Bank's commitment to Environmental, Social and Governance (ESG) frameworks.

The Euromoney Awards for Excellence are highly respected in the global banking industry, and represent the pinnacle of achievement for banks and bankers that set the standards in the Banking field around the world.

Climate position statement of Commercial Bank of Ceylon PLC Figure – 33

Commercial Bank of Ceylon PLC is the leading private bank in Sri Lanka. It also provides Banking and Financial Services to South Asian Countries. The Bank firmly believes that;

Natural resources are finite and need to be used sustainably

The transition to a low-carbon economy is essential and systematic transition does not only bring substantial benefits to the planet earth but lead to business and economic growth opportunities

It is imperative that global warming is limited to well below 2 Degrees Celsius and pursue efforts to limit to 1.5 Degrees Celsius compared to pre-industrial level, as committed to the Paris Pledge for Action

The main geographic locations that the Bank operates; Sri Lanka, Bangladesh, Maldives and Myanmar are nations with ambitious National Determined Contributions to limit the Greenhouse Gas (GHG) Emission for climate change mitigation. The Bank has duly identified its role in providing financial support to its customers in mitigating climate change effects through Climate Financing.

Even with the current levels of GHG Emission in the atmosphere, changes in the climate are likely and will impose serious consequences to many sectors in the economies. Adaptive actions are therefore necessary in addition to the efforts made to mitigate climate change. Further, Asia is regularly identified as one of the regions hardest hit by climate change. Hence, adaptation to effects of climate change through support to climate resilient agriculture, water resources management and disaster risk management, etc. are priorities. Accordingly, the Bank assesses climate risks and opportunities associated with banking activities and integrate

climate adaptation considerations to the Banking Operations, as well as to its product and service offerings. Climate Financing is a subset of the Bank's broader Green Financing commitment to positively contribute towards safeguarding the environment. Our Green Financing Strategy, reinforces the commitment to integrate climate change mitigation and adaptation actions and environment safeguard factors into its business strategies, risk management and governance.

Our desire is to align our operations towards **NetZero by 2050,** supported by a climate transition plan.

Core focus areas of the climate transition plan Figure – 34

Setting up the foundations for transition plan development

- Establish baseline for Financed Emissions (Scope 3)
- Analyze the Bank's portfolio to identify high carbon-emitting sectors.
- Assess portfolio alignment with national climate goals
- Develop high-level transition plan for net zero objectives

Accelerating green finance and expansion to blue finance

- Baseline for green finance and target setting
- Development of new Green Finance Products
- Identification of credit exposure to carbon intensive assets

Capacity Building for climate risk management

- Provide guidance in integration of climate risks in overall risk governance and management strategy and relevant procedures
- Identify significant credit exposure to carbon intensive assets/ climate transition risk and/or physical risks
- Assess impact of climate risks on the Bank
- Build internal capacity to manage climate risk

Renewable energy adoption

As part of its commitment to sustainable energy solutions, the Bank has continued to expand its renewable energy footprint, integrating solar power into its operations. In 2024, the Bank installed solar photovoltaic (PV) systems at seven additional branch locations, bringing the total number of solar-powered branches to 89. This initiative now generates approximately 3,465 MWh of clean energy annually, reducing reliance on conventional energy sources and minimising the Bank's carbon footprint. By integrating clean energy solutions, the Bank reinforces its dedication to environmental responsibility, aligning with global efforts to promote renewable energy adoption and carbon footprint reduction.

To further enhance energy efficiency, the Bank conducted comprehensive energy audits across all its branches, identifying new opportunities for solar energy expansion. These audits serve as a strategic tool to guide future renewable energy transitions, ensuring that more facilities adopt sustainable power sources in the coming years.

Solar power generation by the Bank

Total solar generation capacity

2,406 kw

Total generation per day (estimated)

9,625 kwh

Total solar generation per month (estimated)

288,739 kwh

Total savings per month

Rs. 11 Mn.

Energy efficiency and carbon footprint reduction

The Bank has implemented a series of operational optimisations to enhance its environmental efficiency and reduce its carbon footprint. Energy-efficient lighting systems, including the retrofitting of LED solutions across all of branches, significantly reduced electricity consumption. Similarly, upgrading HVAC systems to inverter-based models not only improved energy efficiency but also maintained optimal comfort for employees and customers.

The Bank also prioritised the greening of its data centers by adopting virtualisation technology and energy-efficient servers, achieving a reduction in energy intensity. Complementing these efforts, paperless operations gained momentum with increased adoption of digital transactions, e-statements, and online banking services. These initiatives collectively reduced paper usage by 11% in 2024, underscoring the Bank's commitment to resource conservation and sustainable practices.

Power generated through renewable sources Table – 15

As at December 31,	2024	2023	2022	2021	2020
Total number of branches connected with on-grid solar power generation	89	82	71	66	60

Utility power consumption and GHG emissions Table – 16

For the year ended December 31,	2024	2023	2022	2021	2020
Total utility power (CEB/LECO) consumption (Gigajoules)	48,129	46,971	38,416	42,906	45,045
Increase/(decrease) in utility power consumption (Gigajoules)	1,158	8,555	(4,490)	(2,139)	(5,251)
Direct (Scope 1) GHG emissions (CO_2 Tonnes)	Pending	868	1,880	1,203	1,079
Energy indirect (Scope 2) GHG emissions (CO_2 Tonnes)	Pending	5,586	6,496	7,144	8,413
Solar power generated (Gigajoules)	8,337	7,556	5,796	1,008	72
Solar power generated as a % of utility power consumption	17.32	16.09	15.09	2.35	0.16

Green infrastructure

The Bank has embraced green building standards to reinforce its commitment to environmental sustainability. All newly constructed branches follow the guidelines issued by the Green Building Council of Sri Lanka, emphasising energy and water efficiency, natural ventilation, and the use of sustainable materials. Additionally, older branches were retrofitted to meet modern sustainability standards, incorporating measures such as improved insulation and energy-saving devices to enhance resource efficiency.

Through these initiatives, the Bank underscores its leadership in sustainability within the financial sector. By prioritising carbon neutrality, renewable energy adoption, and resource-efficient operations, the Bank reduced its environmental footprint and set a benchmark for other institutions. Its steadfast mission remains focused on creating a greener, safer, and more resilient workplace for all stakeholders.

Resource efficiency & responsible consumption

The Bank prioritises resource efficiency and responsible consumption as part of its commitment to sustainability and operational excellence. By embedding environmentally-conscious practices into its daily operations, the Bank ensures the efficient use of resources such as water, paper, and energy while minimising waste. These efforts align with our broader sustainability goals, contributing to a greener, more resilient future for both the Bank and its stakeholders.

Sustainable resource management

The Bank adopts a comprehensive approach to resource management, prioritising conscious use and efficiency across its operations. Robust measures are in place to minimise reliance on finite resources like water and energy, supported by innovative technologies that optimise consumption patterns. This approach extends across operational processes, integrating energy audits at branches and fostering eco-conscious behaviours among employees and customers alike.

Advanced resource tracking systems allow the Bank to monitor consumption, identify inefficiencies, and implement improvements. By embedding resource management into its core practices, the Bank ensures long-term sustainability, reinforcing its commitment to environmental responsibility.

Digital transformation for sustainability

In its commitment to sustainability and operational efficiency, the Bank has embraced a paperless approach as a cornerstone of its digital transformation journey. By leveraging advanced technologies and promoting digital adoption among customers, employees, business partners, and investors, the Bank has successfully minimised its reliance on paper-based processes. These initiatives have contributed to environmental conservation and enhanced convenience, streamline workflows, and reduce administrative costs, setting a benchmark for eco-friendly banking practices.

- ***Paperless operations*** – The Bank's digital transformation initiatives have significantly reduced paper consumption, with expanded services such as:
  - **Enhanced Digital Banking Services:** The introduction of advanced digital banking solutions has significantly reduced the need for paper-intensive branch visits. In 2024, over 90% of transactions were conducted digitally, reflecting the growing adoption of online banking. Customers can now open and redeem fixed deposits, apply for loan facilities against fixed deposits, and manage their finances seamlessly through digital platforms, enhancing convenience and efficiency.
  - **E-statements:** The Bank encourages customers to opt for electronic statements.
- ***Employee participation*** – Internally, the Bank promotes digital workflows and document management systems, eliminating physical file storage and encouraging the use of shared digital platforms.
- ***Business partners*** – The Bank launched a digital platform for e-tendering for its procurements in 2024 and more than 60% of the newly on-boarded business partners got registered on the platform by end 2024. The Bank targets to onboard all the business partners on to this platform by end 2025. In addition, a significant portion of supplier payments are now processed online. Plans are underway to make all supplier payments online in the coming years.
- ***Investors*** – With the transcending of medium of investor communication, vast majority of the shareholders now receive financial communications through digital channels.
- ***Impact metrics*** – The adoption of digital processes resulted in a reduction in administrative paper consumption, contributing to both environmental and operational benefits.

Water management

The Bank has launched targeted programs to reduce water usage across its branches, promoting sustainable operations. Notably, in-line water supply systems were installed in a few selected locations in the Bank as a pilot project to provide drinking water. This initiative eliminates the operational challenges associated with bottled water while ensuring water quality, which was validated by a third-party assessment. The system has been highly successful, delivering both operational efficiency and environmental benefits, and will be rolled out across the Bank in a phased approach in 2025. Future plans include expanding water recycling initiatives to further enhance resource sustainability. Additionally, the Bank supports water conservation projects such as rainwater harvesting, in underserved communities, contributing to national water sustainability goals.

Waste reduction programs

The Bank's unwavering commitment to sustainability is exemplified by its innovative waste management programs, which aim to minimise environmental impact and foster a culture of responsibility among employees and stakeholders. Through initiatives like the "Zero Trash" program and composting efforts, the Bank has established a holistic approach to waste reduction, promoting recycling, eliminating single-use plastics, and responsibly managing electronic waste. These measures contribute to a cleaner environment and reflect the Bank's leadership in driving sustainable practices within the financial sector.

- ***"Zero Trash" Initiative*** – As part of its efforts to eliminate waste, the Bank continued the Zero Trash Initiative in 2024, which encourages waste segregation and recycling across branches.
  - **Branch-level recycling hubs:** Recycling facilities were established in branches, enabling employees and customers to dispose of waste responsibly.
  - **Plastic-free policy:** The Bank phased out single-use plastics in cafeterias and workspaces, replacing them with sustainable alternatives.

- **E-waste management:** Discarded electronic equipment, such as computers and servers, is responsibly recycled through certified e-waste recyclers.

Sustainability training

To cultivate a culture of sustainability, the Bank places significant emphasis on empowering its employees as drivers of change. Regular training programs educate staff on energy-saving practices, waste reduction, and the adoption of digital solutions for eco-friendly operations. Employees are further encouraged to become Green Ambassadors, championing initiatives such as tree planting, recycling drives, and resource conservation within their branches and communities. Through knowledge-sharing platforms, workshops, and internal campaigns, the Bank equips its workforce with the tools to implement sustainable practices, fostering environmental responsibility both at work and beyond.

Plans for years ahead

As the Bank looks ahead, it remains committed to scaling these initiatives and introducing innovative solutions that further minimise its environmental footprint. By integrating sustainability into every aspect of its operations, the Bank sets a precedent for responsible resource use, ensuring long-term value for its stakeholders and the planet.

Creating a safe & engaged workplace

Fostering a safe and engaged workplace is central to the Bank's commitment to employee well-being and productivity. The Bank prioritises a healthy, secure, and inclusive environment that supports physical, mental, and emotional wellness, while encouraging a sense of belonging and active participation among its employees. Through comprehensive policies, programs, and strategic measures, we aim to ensure that our workforce is empowered, motivated, and protected.

Employee health and safety

The Bank prioritises workplace safety through robust policies, regular audits, and proactive protective measures, ensuring a secure and healthy environment for all employees. This commitment is reflected in the following key initiatives;

- ***Comprehensive policies*** – The Bank maintains robust occupational health and safety policies that adhere to local and international standards, ensuring compliance across all branches and facilities. These policies are regularly reviewed and updated to address emerging risks and incorporate best practices.
- ***Monitoring and reporting*** – Occupational health and safety audits are conducted annually to identify and mitigate workplace hazards. Detailed reporting mechanisms enable the Bank to track and address incidents promptly.
- ***Protective measures*** – Safety equipment and measures, including ergonomic furniture and protective gear, are provided to employees as part of creating a safe work environment.

Work-life balance

The Bank fosters employee well-being through wellness programs, flexible work arrangements, and comprehensive mental health support, promoting a balanced and healthy work environment, as detailed below:

- ***Wellness programs*** – Recognising the importance of holistic employee wellness, the Bank conducts regular health and fitness programs, including yoga sessions, stress management workshops, and nutrition counseling. These initiatives foster a culture of health-consciousness and self-care.
- ***Flexible work arrangements*** – Employees are supported with hybrid work models, flexible working hours, and leave policies that allow them to balance personal and professional responsibilities effectively.
- ***Mental health support*** – Dedicated mental health resources, including counseling services and stress management programs, ensure that employees have access to the support they need to maintain emotional well-being.

Safety preparedness

Ensuring a safe and secure workplace is a top priority for the Bank, with the following proactive measures in place to foster a culture of vigilance, preparedness, and accountability and prepare employees for potential emergencies.

- ***Safety drills*** – Regular fire drills, evacuation exercises, and emergency response simulations are conducted across branches to prepare employees for unforeseen events. These drills enhance employee awareness and readiness in crisis situations.
- ***Emergency response training*** – Specialised training sessions equip employees with the skills needed to handle medical emergencies, natural disasters, and workplace incidents effectively. Topics include first aid, fire safety, and crisis management.
- ***Safety awareness campaigns*** – Interactive workshops and campaigns educate employees about workplace safety practices, fostering a culture of vigilance and accountability.

Impact and future direction

In 2024, the Bank's initiatives to create a safe and engaged workplace led to significant outcomes, including absence of any workplace incidents, increased employee participation in wellness programs with over 18% of staff actively involved, and improved crisis readiness, as demonstrated by positive feedback from safety drills and emergency simulations.

Looking ahead, the Bank remains committed to advancing workplace safety and engagement by leveraging cutting-edge technologies, fostering innovation, and prioritising employee well-being. These efforts solidify the Bank's position as a trusted and preferred employer, delivering enduring value to employees, customers, and other stakeholders.

Fostering a green culture

At the Bank, fostering a green culture is integral to our commitment to environmental sustainability and organisational resilience. By embedding sustainability into our workplace ethos, we empower employees to be active contributors to our green agenda. Through targeted initiatives, rewards, and a sustainability-driven approach to human resource practices, the Bank ensures that employees are both inspired and equipped to champion environmental stewardship.

Recognising sustainability achievements

The Bank is committed to fostering a culture of sustainability by recognising and rewarding employee-driven environmental initiatives. Through structured incentives, employee-led projects, and celebratory events, the Bank encourages innovation and collective action towards achieving its sustainability goals. The initiatives given below not only motivate teams to adopt greener practices but also provide a platform to showcase their contributions, reinforcing a shared commitment to environmental stewardship.

- ***Incentives for sustainable contributions*** – The Bank actively recognises employees who make exceptional contributions to sustainability. Through awards such as the Best Sustainable Branch and Department Awards, branches are motivated to implement and innovate green initiatives that align with the Bank's sustainability goals.
- ***Employee-led projects*** – Employees are encouraged to propose and lead sustainability-focused projects, with outstanding initiatives highlighted in internal and external communications to showcase their impact.
- ***Celebratory recognition events*** – Sustainability achievements are celebrated during key events such as the annual awards ceremony and Earth Day celebrations, further fostering a sense of accomplishment and community around environmental goals

Best Sustainability Department/Branch Award

Stand out and be recognised as a leader in Sustainability within the Bank.

"Best Sustainable Branch and Department of the year" Award Figure – 35

Objectives & goals

- Recognise and commend the outstanding efforts of the Bank's branches and departments
- Promoting sustainability within the organisation and reducing our environmental impact
- Inspire and motivate those within the organisation to become more sustainable

Award categories

BRANCHES | DEPARTMENTS

Evaluation criteria

Sustainable performance:
This criterion assesses the overall performance of the branch or department in incorporating sustainable practices into its day-to-day operations. This includes factors such as energy efficiency, waste reduction and adherence to sustainability guidelines.

Sustainable innovations:
Recognising the importance of innovation in sustainability, this criterion evaluates the implementation of creative and novel solutions that contribute to environmental conservation and sustainable development.

Sustainable behaviour:
Acknowledging that sustainable practices require a cultural shift, this criterion focuses on the behavioural aspects of teams. It assesses how well the team has embraced and integrated sustainable behaviours into their work ethics.

Sustainable projects:
This criterion highlights the initiation and execution of sustainable projects by the branch or department. Projects that demonstrate a positive impact on the environment, community, or internal processes are particularly valued.

Innovation encouragement

The Bank fosters a culture of innovation by encouraging employees to contribute creative solutions towards sustainability. Through structured challenges, incubation programs, and collaborative platforms, employees are empowered to develop and implement impactful green initiatives. By providing mentorship, resources, and opportunities for cross-departmental teamwork as detailed below, the Bank ensures that sustainability-driven innovation remains an integral part of its strategic agenda.

- ***Green innovation challenges*** – To inspire creative solutions to environmental challenges, the Bank organises innovation competitions where employees can present ideas for reducing resource consumption, enhancing energy efficiency, or promoting sustainable banking practices.
- ***Idea incubation programs*** – Promising innovations from employees are supported through mentorship, resources, and funding to bring their ideas to fruition. Successful projects are integrated into the Bank's sustainability framework.
- ***Cross-departmental collaboration*** – Initiatives such as brainstorming sessions and sustainability hackathons encourage employees from diverse departments to collaborate and share knowledge, driving innovative solutions for green practices.

Sustainability in HR practices

The Bank has embedded sustainability into its human resource practices to cultivate a workforce that actively contributes to environmental goals, as elaborated below. By integrating sustainability into performance evaluations, goal-setting, and onboarding programs, employees are encouraged to adopt eco-conscious behaviours from the outset. Additionally, the "Future Force", the Sustainability Group of the Bank detailed on page 133, empowers employees to lead by example, driving sustainable practices across teams and reinforcing a culture of environmental responsibility.

- ***Incorporating sustainability into performance reviews*** – Employees' contributions to the Bank's sustainability objectives are integrated into their annual performance evaluations. This reinforces the importance of sustainability as a core organisational value and encourages consistent action toward environmental goals.
- ***Goal-setting with sustainability metrics*** – Key sustainability targets, such as reducing energy usage, promoting recycling, or leading community engagement projects, are included in individual and departmental goal-setting exercises.
- ***Green employee onboarding*** – New employees are introduced to the Bank's sustainability initiatives as part of their induction program. Training sessions emphasise the importance of environmental stewardship and outline how employees can contribute to these efforts.

Collective efforts to protect and preserve the nature

Proud moment as our staff members plant trees and contribute to Environmental Sustainability.

Impact and strategic vision

The Bank's commitment to fostering a green culture has led to significant achievements in sustainability. In 2024, staff members actively participated in green initiatives, demonstrating a strong engagement in environmental efforts. Employee-led sustainability projects have also made a tangible impact, with 277 initiatives successfully implemented, resulting in measurable reductions in energy consumption and waste. Furthermore, sustainability goals have been increasingly integrated into both individual and departmental objectives, reinforcing the Bank's dedication to environmental responsibility across all levels of the organisation.

Looking forward, the Bank aims to deepen the integration of sustainability into its corporate culture by leveraging technology, expanding green training programs, and scaling employee engagement initiatives. This approach underscores the Bank's belief that a committed, empowered workforce is critical to achieving its long-term sustainability goals and building a greener future for all.

Workplace culture

Fostering integrity, inclusivity, and empowerment to shape the future

The Bank takes immense pride in fostering a workplace culture grounded in integrity, accountability, and inclusivity. Through robust governance, a commitment to ethical conduct, and forward-thinking initiatives, the Bank creates an environment where transparency and empowerment drive collective success. Its comprehensive Code of Ethics and Conduct Risk Management frameworks ensure adherence to the highest standards of professional behaviour, promoting trust and accountability across all levels of the organisation. With zero-tolerance policies for bribery and corruption, reinforced by advanced monitoring systems and employee awareness programs, the Bank remains steadfast in its dedication to responsible practices. Furthermore, its proactive approach to diversity, equity, and inclusion promotes an equitable and innovative workforce. By investing in human capital and maintaining a culture of integrity, the Bank strengthens its leadership in responsible financial practices.

Governance framework for ethical conduct

The governance framework at the Bank provides a robust foundation for fostering ethical behaviour and mitigating conduct risks. It is designed to ensure compliance with regulatory requirements, promote accountability, and build a culture of trust among employees, customers, and stakeholders.

Code of ethics

The Bank's Code of Ethics serves as a foundational framework for fostering a culture of honesty, integrity, and fairness across all operations. It establishes clear expectations for ethical conduct, guiding employees in customer-centric decision-making, respectful workplace interactions, and strict adherence to legal and regulatory standards. To ensure effective implementation, the Code is seamlessly integrated into organisational policies, providing structured guidelines for addressing ethical dilemmas, whistleblowing, and conflict resolution. Regular updates keep it aligned with evolving ethical challenges and regulatory requirements. Additionally, the Bank prioritises employee awareness through comprehensive training programs, with over 96% of employees completing ethical behaviour and compliance training in 2024, reinforcing the Bank's unwavering commitment to ethical excellence and a zero-tolerance approach to misconduct.

Conduct risk management

The Bank has established a Conduct Risk Management Framework to proactively mitigate risks associated with unethical practices, reinforcing its commitment to integrity and responsible banking. This framework includes robust policies on conflict of interest management, ensuring transparency and preventing personal interests from interfering with professional responsibilities. Insider trading prevention measures are strictly enforced through monitoring systems to safeguard confidential information. Additionally, employees are equipped with ethical decision-making tools, providing guidance and support to navigate complex ethical dilemmas in alignment with the Bank's core values. To strengthen accountability, the Bank employs automated monitoring systems and conducts periodic audits, ensuring real-time compliance and fostering a culture of ethical responsibility.

Anti-bribery and anti-corruption

The Bank's Anti-Bribery and Anti-Corruption Policy, which is aligned with the 10th principle of the UNGC, is employed to eradicate criminal activities and uphold ethical standards. The Bank is unwavering in its commitment to maintaining the highest standards of integrity and ethical conduct, particularly in combating bribery and corruption. Through a strict zero-tolerance policy, proactive monitoring and enforcement, and robust whistleblower protections, described below, the Bank ensures that all operations remain transparent and free from unethical influence. Employees and stakeholders are continuously educated on these principles through awareness campaigns, reinforcing a culture of compliance and accountability across the organisation.

- **Zero-tolerance policy** – The Bank enforces a strict zero-tolerance policy for bribery and corruption. This policy applies to employees, third-party vendors, and partners, ensuring that all interactions remain transparent and free from unethical practices.
- **Active monitoring and enforcement** – A compliance team monitors adherence to anti-bribery and corruption policies through regular audits, risk assessments, and investigations. Instances of non-compliance are dealt with swiftly and in accordance with the Bank's disciplinary protocols.
- **Whistleblower protections** – To encourage reporting of unethical practices, the Bank has implemented a whistleblower policy that guarantees anonymity and protection against retaliation for employees who raise concerns.
- **Awareness campaigns** – Ongoing awareness programs educate employees about the consequences of bribery and corruption. In 2024, the Bank organised 19 sessions on anti-bribery and anti-corruption measures, with participation of over 75% of the employees across the Bank.

The Board-approved Anti-Bribery and Anti-Corruption Policy can be accessed on the Bank's website via the following QR code.

Impact and strategic focus

By integrating ethical conduct into its governance framework, the Bank has fostered transparency and trust across its operations, strengthened compliance with local and international regulations, and cultivated a culture where ethical behaviour is both expected and celebrated. Moving forward, the Bank plans to refine its governance policies further, leveraging advanced technologies to improve monitoring systems and expanding training programs to address emerging risks.

Fostering a culture of integrity

The Bank places a strong emphasis on fostering a culture of integrity across all levels of the organisation. By embedding ethical practices into daily operations, the Bank creates an environment where transparency, accountability, and trust thrive. Through targeted initiatives, the Bank reinforces its commitment to ensuring that integrity is an intrinsic part of its corporate identity.

Strengthening ethical conduct

The Bank places a strong emphasis on ethical awareness, ensuring that integrity remains a fundamental pillar of its corporate culture. In 2024, it conducted 87 workshops and 02 e-learning sessions to equip employees with the knowledge and skills needed to navigate ethical dilemmas, resolve conflicts, and adhere to compliance standards. To reinforce these principles, the Bank implements ongoing communication campaigns through newsletters, email updates, town hall meetings, and visual reminders such as posters and digital displays in office spaces. Additionally, new employees undergo mandatory ethics training as part of their onboarding process, ensuring that a commitment to ethical conduct is instilled from day one. These initiatives collectively foster a work environment where integrity, transparency, and accountability thrive.

Whistleblower Charter

The Bank upholds a culture of transparency and accountability through its Whistleblower Charter, ensuring that employees have a safe, confidential, and anonymous platform to report ethical violations and concerns. To facilitate seamless reporting, the Bank offers multiple channels, including hotlines and direct access to the Compliance Officer, while employees have the option to escalate issues even up to the highest levels of governance.

A key component of the Charter is its strong protection against retaliation, guaranteeing that individuals who raise concerns are safeguarded from discrimination or adverse consequences. This assurance fosters confidence in reporting mechanisms, encouraging employees to proactively contribute to an ethical work environment.

To further enhance accessibility and understanding, the Bank conducts regular awareness programs, ensuring that employees remain well-informed about reporting procedures and their rights under the Charter.

Transparency and communication

The Bank actively promotes a culture of transparency and ethical conduct through well-structured communication efforts. Internally, open channels such as leadership updates, newsletters, and forums ensure employees are consistently informed, encouraged to voice concerns, and empowered to seek clarifications. Externally, the Bank demonstrates its commitment to ethical practices through its Annual Report, which highlights its ESG and broader sustainability-related disclosures. These public reports align with global standards, providing stakeholders with accurate, timely, and comprehensive insights into the Bank's operations and impact.

Impact and strategic vision

By fostering a culture of integrity, the Bank not only upholds the highest ethical standards but also strengthens trust among employees, customers, and stakeholders. Key outcomes include:

- **Enhanced organisational reputation** – The Bank's unwavering commitment to ethics enhances its reputation as a responsible corporate citizen.
- **Proactive ethical practices** – Employees are empowered to act ethically, ensuring that the Bank's operations remain compliant and aligned with its values.
- **Increased employee engagement** – A transparent and integrity-focused workplace fosters loyalty, motivation, and alignment with corporate objectives.

As the Bank looks ahead, it plans to further enhance ethical awareness and strengthen its whistleblowing mechanisms through advanced technology, ensuring that its culture of integrity remains robust and adaptive to evolving challenges.

Human capital strategy & inclusion

At Commercial Bank, our Human Capital Strategy reflects a forward-looking approach to developing and nurturing a workforce that is diverse, inclusive, and equipped for the future. By fostering a culture that values diversity, promoting innovative recruitment practices, and offering accelerated career growth opportunities, we ensure that our employees remain at the heart of our success.

Diversity, equity, and inclusion

The Bank celebrates the vibrant diversity of its workforce, which reflects the cultural, ethnic, and gender mosaic of the communities it serves while actively fostering inclusivity through initiatives that resonate with its multicultural identity. Events like "Pahan Gee", Christmas Carols and similar cultural activities promote a sense of belonging and unity, bridging diverse backgrounds under one organisational umbrella. The Bank remains committed to gender equity, as demonstrated by the promotion of 14 female employees to Senior Management roles, and upholding merit-based promotion and recruitment policies that ensure fairness and eliminate bias. By embracing the unique perspectives of its workforce, the Bank enriches its operations and reinforces the strength of its community-driven ethos. Recognising that fostering Diversity, Equity, and Inclusion (DEI) is integral to creating a progressive and innovative workplace, the Bank expanded its DEI efforts significantly in 2024, implementing new policies and programs to drive gender equality, cultural diversity, and equal opportunities for all.

ComBank MD/CEO Sanath Manatunge honoured as **"Diversity Champion"**

Managing Director/CEO of the Bank Mr Sanath Manatunge was recognised as one of the "Top 10 Diversity Champions" in Sri Lanka in 2024 for his leadership in fostering diversity, equity, and inclusion within Sri Lanka's banking sector.

This prestigious recognition is part of the Top 10 Diversity Champion Awards Programme organised by Women in Management (WIM) in partnership with the International Finance Corporation (IFC), a member of the World Bank Group, under the "Respectful Workplaces" initiative.

Promoting gender equality

The Bank implemented a series of targeted initiatives aimed at achieving gender balance across all organisational levels. The adoption of a comprehensive DEI Policy marked a significant milestone, providing a structured approach to address disparities and ensure inclusivity. Leadership mentoring programs for women were rolled out to prepare and empower future female leaders, complemented by workshops on unconscious bias to foster a more inclusive organisational culture. To support work-life balance, particularly for mothers, the Bank introduced forward-thinking policies, including allowances for mothers with children below one year, special leave of up to one year after childbirth, and leave provisions for females adopting children. Women now account for 30.28% of the workforce, with continued efforts to close gender gaps in senior leadership positions. An exclusive leadership development program conducted for 21 female staff members further underscored the Bank's commitment to advancing women in leadership.

Fostering cultural diversity

Cultural diversity remains a cornerstone of the Bank's strategy to promote innovation and inclusivity. By actively recruiting talent from diverse geographic and ethnic backgrounds, the Bank has ensured that its workforce mirrors the rich diversity of Sri Lanka. Special recruitment campaigns in underserved regions boosted rural representation by creating opportunities for talent that might otherwise remain untapped. This approach not only enriched the workplace but also aligned with the Bank's broader goal of fostering socio-economic inclusivity.

Equal opportunities for all

The Bank is committed to supporting differently-abled individuals and other underrepresented groups, ensuring that every employee has the tools and opportunities needed to succeed. Additionally, workplace accommodations have been provided to create an accessible and supportive environment for such employees, reinforcing the Bank's commitment to inclusivity and equity.

Through these efforts, the Bank continues to build a culture of belonging where diversity is celebrated, equity is prioritised, and inclusion is ingrained in its operations. By empowering all employees, irrespective of gender, ethnicity, or ability, the Bank strengthens its capacity to drive innovation and contribute meaningfully to a sustainable and inclusive future.

Employees by type and gender Table – 17

As at December 31, 2024	Sri Lanka	%	Bangladesh	%	Total	%
Permanent and contract employees						
Female	1,542	30.28	111	30.08	1,653	30.27
Permanent	1,488	29.22	90	24.39	1,578	28.90
Contract	54	1.06	21	5.69	75	1.37
Male	3,550	69.72	258	69.92	3,808	69.73
Permanent	3,500	68.74	220	59.62	3,720	68.12
Contract	50	0.98	38	10.30	88	1.61
Employees – Bank	5,092	100.00	369	100.00	5,461	100.00
Outsourced employees						
Female	537	51.14	1	0.99	538	46.74
Male	513	48.86	100	99.01	613	53.26
Employees-outsourced	1,050	100.00	101	100.00	1,151	100.00

All employees are full time employees

Training statistics Table – 18

For the year ended December 31,	2024	2023	2022	2021	2020
Total training cost (Rs. Mn.)	168.690	88.620	65.375	22.955	15.183
Total training hours	193,276	180,313	151,448	79,928	43,961
Total e-learning hours	8,371	4,546	1,319	7,756	7,161
Percentage of training through e-learning (%)	4.33	2.520	0.87	9.70	14.01
Total investment on virtual training (Rs. Mn.)	3.300	9.100	14.435	16.958	3.455

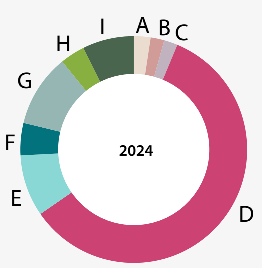
Female workforce Table – 19

As at December 31	2024	2023	2022	2021	2020
Number of female employees	1,653	1,410	1,217	1,201	1,185
Female employees in Senior Management positions as a percentage of total employment	0.88	0.58	0.98	0.92	0.92
Percentage of female employees promoted	19.91	20.84	19.13	16.80	21.80
Percentage of females recruited	54.14	53.31	29.00	35.50	27.21
Percentage of females in key geographical locations (of all female employees in the Bank)					
Sri Lanka					
Western Province (%)	75.23	78.92	75.62	75.34	81.01
Outstation (%)	24.77	21.08	24.38	24.66	18.99
Bangladesh					
Dhaka (%)	86.49	83.33	76.54	81.40	75.86
Other locations (%)	13.51	16.67	23.46	18.60	24.14
Percentage of female exits (includes retirees)	30.91	23.30	31.31	31.00	32.87

Retention rate (after Maternity leave) Table – 20

Year	2024	2023	2022	2021	2020
Availed leave during the year	28	36	49	50	69
Due to return during this year	32	39	54	59	73
Returned during the year	32	38	54	59	73
Returned during prior year	38	54	59	73	64
Still employed after 12 months	33	45	56	70	61
Return ratio (%)	100.00	97.00	100.00	100.00	100.00
Retained ratio (%)	86.84	83.33	94.92	95.89	95.31

Province-wise breakdown of employees (Sri Lanka) Graph – 19



		%	Number of staff
A	Eastern	2	122
B	North Central	2	99
C	Uva	2	99
D	Western	59	3,009
E	Southern	9	448
F	Northern	5	234
G	Central	10	528
H	Sabaragamuwa	4	180
I	North Western	7	373

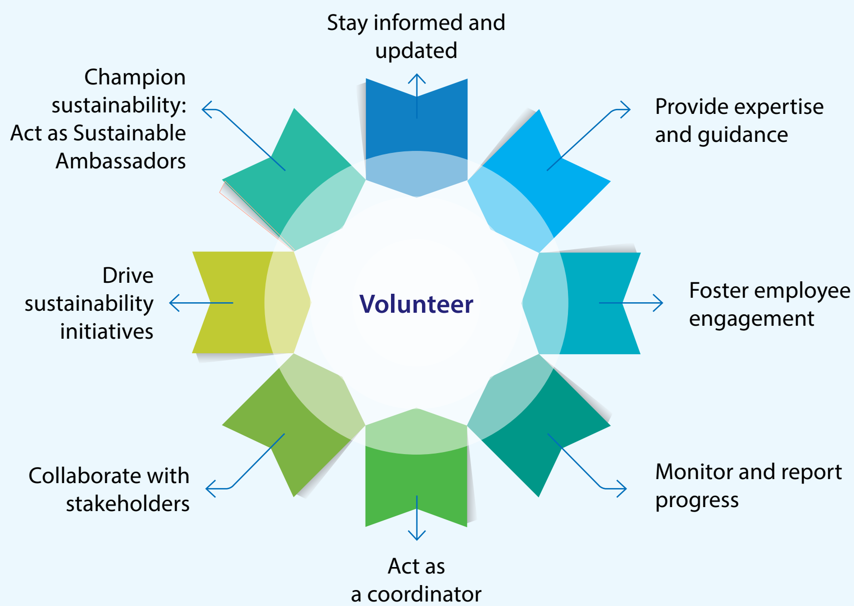
"Future Force" sustainability group

The Future Force Sustainability Group is a dynamic initiative by the Bank, designed to empower employees and foster a culture of collaboration, innovation, and sustainability. Acting as a dedicated platform for knowledge-sharing, the group brings together employees across branches and departments, encouraging them to align their efforts with the Bank's broader sustainability strategy.

By creating a network of sustainability ambassadors, Future Force nurtures a spirit of collective action, leveraging diverse perspectives to address environmental and social challenges. Employees within the group play a proactive role in driving innovation, conceptualising and implementing sustainability-focused projects. These range from waste management initiatives to energy-efficient solutions, with successful projects being scaled across the organisation to maximise impact.

Future Force members also serve as coordinators, advocates, and facilitators, engaging with stakeholders, championing sustainability, and ensuring progress is monitored and reported effectively. Through continuous education, collaboration, and action, the Future Force Sustainability Group reinforces the Bank's commitment to a greener and more responsible future.

The role of the "Future Force" members Figure – 36



Future Force – The Sustainability Group of ComBank

Future Force

To create a platform for collaboration, innovation and knowledge-sharing among our staff members, customers and other stakeholders in the Sustainability sphere

Fast-tracking promotions

The Bank is committed to recognising and rewarding excellence through its Fast-Track Promotions program, which accelerates career progression for high-performing employees. This initiative provides performance-based opportunities, integrating transparent metrics and leadership potential assessments to ensure a meritocratic approach to promotions.

With personalised development plans, participants receive mentorship from senior leaders, targeted training modules, and cross-functional assignments that equip them with the necessary skills to take on greater responsibilities. In 2024, 262 employees advanced into senior roles through this program, demonstrating the Bank's commitment to fostering talent and enabling professional growth. By providing a structured pathway for career advancement, the Bank continues to empower its employees and build a strong leadership pipeline.

Impact and future direction

The Bank's human capital strategies in 2024 have created a workplace that is inclusive, dynamic, and future-ready. Highlights include:

- **Increased workforce diversity** – Representation of women and rural talent has reached record levels, fostering a more inclusive organisational culture.
- **Tech-savvy workforce** – The Future Force Group has positioned the Bank as a leader in integrating digital expertise into traditional banking functions.
- **Enhanced employee satisfaction** – The Fast-Track Promotions program and equal opportunity initiatives have contributed to higher employee engagement scores.

Employee engagement & development

At Commercial Bank, our people are our greatest asset. Recognising the importance of a motivated and skilled workforce, we prioritise employee engagement and development through tailored training programs, leadership development initiatives, and robust recognition systems. These efforts aim to empower employees at all levels, ensuring they are well-equipped to thrive in a dynamic business landscape while fostering a culture of excellence and inclusivity.

Training and development

The Bank remains committed to talent development through targeted training initiatives, delivering over 5,000 hours of learning programs in 2024. Apart from the numerous training programs conducted on general banking operations, these programs focused on financial technologies, risk management, and sustainability practices, ensuring employees remain competitive in an evolving industry.

To prepare for digital transformation, employees underwent training in AI applications, blockchain technology, and cybersecurity, equipping them with the expertise required to navigate the digital banking landscape. Leadership workshops emphasised sustainable decision-making, ESG integration, and stakeholder management, reinforcing the Bank's commitment to responsible business practices.

A personalised approach to learning was implemented through AI-driven learning management systems, tailoring training paths to employees' roles, career aspirations, and skill gaps. By aligning training initiatives with both individual and organisational goals, the Bank continues to empower its workforce, fostering a culture of continuous learning and innovation.

Middle management development

The Bank remains dedicated to nurturing the next generation of leaders, equipping middle management with the skills and experiences necessary to step into advanced leadership roles. Through targeted development programs, case-based learning, and mentorship initiatives, high-potential managers are being prepared to tackle real-world challenges and contribute to the Bank's sustained success.

As part of its high-potential development program, selected managers are enrolled in an intensive leadership track, benefiting from mentorship by senior executives, overseas training, cross-functional projects, and strategic decision-making simulations. This initiative enhances their ability to lead with confidence and adaptability.

To further strengthen leadership capabilities, managers participate in case study-based learning sessions, allowing them to engage with real-world banking challenges and refine their problem-solving and analytical skills. Additionally, a structured succession planning framework has been established, ensuring a seamless leadership pipeline that reduces skill gaps and prepares successors for critical roles within the organisation.

By investing in its future leaders, the Bank fosters continuity, resilience, and a strong leadership culture, positioning itself for sustained growth and excellence in the evolving financial landscape.

Staff recognition

The Bank fosters a culture of appreciation and motivation through a comprehensive staff recognition program, ensuring that employees feel valued for their contributions. By integrating formal awards, incentive initiatives, and instant acknowledgments, the Bank continuously encourages excellence and innovation across its workforce.

Employee recognition is formalised through award programs, including the Employee of the Year Award, Service Excellence Awards, and Best Innovator Award, celebrating individual and team achievements. In addition, monetary and non-monetary incentives, such as bonuses, additional leave days, and public recognition during quarterly town hall meetings, are designed to motivate high performance.

To ensure timely appreciation, the Bank introduced the "Spotlight Program", which provides instant recognition for employees who deliver exceptional contributions or innovative solutions. The recognition framework is continuously refined based on employee feedback, with regular surveys and feedback sessions conducted to enhance its relevance and impact.

By prioritising recognition and encouragement, the Bank reinforces a workplace culture that values dedication, inspires innovation, and empowers employees to achieve their full potential.

Looking ahead

The Bank remains committed to empowering its workforce through innovative learning and development initiatives that drive professional growth and excellence. As part of its forward-looking strategy, the Bank plans to expand partnerships with global training institutions, enabling employees to obtain internationally recognised certifications that enhance their expertise and career prospects.

To make learning more interactive and engaging, the Bank is set to introduce gamified training platforms, fostering a dynamic and immersive educational experience that enhances knowledge retention and skill development. Additionally, efforts to enhance middle management programs will include immersive leadership development tools and global exposure opportunities, ensuring that future leaders are well-equipped to navigate an evolving financial landscape.

Through these initiatives, the Bank continues to cultivate a thriving workplace culture that promotes growth, collaboration, and innovation, reinforcing its commitment to ensuring that employees remain a driving force behind its sustained success.

Workplace morale & well-being

The Bank recognises that a motivated, healthy, and engaged workforce is the cornerstone of its sustained success. By fostering a positive workplace culture that values collaboration, inclusivity, and employee welfare, the Bank continues to prioritise morale and well-being. Through innovative programs, events, and inclusive policies, the Bank has cultivated an environment where employees feel supported, valued, and empowered.

Sports and team-building events

The Bank actively fosters collaboration and team spirit through dynamic initiatives such as sports tournaments, team-building retreats, and engaging intra-branch activities. By creating an environment that encourages camaraderie, employees develop stronger connections and a shared sense of purpose. Annual team-building retreats provide opportunities to enhance communication, leadership, and problem-solving skills, while intra-branch games and challenges promote teamwork in a fun and engaging manner. To further recognise and celebrate outstanding talent, the Bank hosts the Annual Sports Awards, honouring employees who excel in sports and recreational activities. These initiatives collectively strengthen workplace relationships, boost morale, and reinforce a culture of teamwork and appreciation across the organisation.

Building on this commitment, the Bank organised a series of sports tournaments, including cricket, football, and carrom leagues, which saw participation from teams across various departments and branches. These events provided a platform for employees to collaborate, build camaraderie, and engage in friendly competition. Additionally, employees took part in team-building retreats, where interactive activities and workshops helped enhance communication, leadership, and conflict resolution skills. At the branch level, intra-branch challenges were introduced to strengthen team bonds and promote a fun, engaging work environment. To recognise and celebrate outstanding talent, the Bank hosted its Annual Sports Awards, honouring exceptional performers in sports and recreational activities, reinforcing the importance of holistic employee development.

Celebrating diversity

The Bank embraces diversity and inclusivity as key pillars of its workplace culture, fostering an environment where employees from all backgrounds feel valued and respected. Major cultural and religious festivals, including Vesak, Christmas, Diwali, and Eid, were celebrated across the organisation with themed decorations, employee gatherings, and community outreach initiatives, reinforcing the spirit of cultural harmony.

To deepen awareness and promote equitable workplace practices, the Bank conducted inclusivity workshops focusing on unconscious bias, cultural sensitivity, and fostering an inclusive work environment. These sessions equipped employees with the knowledge and tools to build a more collaborative and respectful workplace.

Additionally, employee-led diversity campaigns provided a platform for staff to share personal stories and experiences through internal newsletters and social media, enhancing understanding and acceptance across the organisation. Through these initiatives, the Bank continues to champion diversity, equity, and inclusion, ensuring a vibrant and cohesive workplace for all.

Job security and collective bargaining

The Bank remains steadfast in its commitment to job security and collective bargaining, ensuring a stable and inclusive workplace for all employees. Through participatory governance initiatives such as open forums, town hall meetings, and focus groups, employees actively contributed to policy development and decision-making, reinforcing a culture of transparency and trust. In 2023, the Bank renewed its collective bargaining agreements which is valid for three years, securing fair wages, equitable benefits, and improved working conditions through transparent and constructive negotiations with employee unions.
To further support employees, a robust grievance redressal mechanism was in place, allowing concerns to be addressed promptly through anonymous feedback channels and helplines, ensuring fair resolution without fear of retaliation. Additionally, the Bank reinforced job security during economic uncertainties by implementing redeployment and reskilling programs, ensuring career continuity without resorting to layoffs. These initiatives reflect the Bank's dedication to protecting employee interests, fostering stability, and maintaining a fair and supportive work environment.

Looking ahead

Through its holistic approach to workplace morale and well-being, the Bank ensures that every employee feels valued, secure, and empowered to contribute their best. These efforts reaffirm the Bank's commitment to fostering a vibrant, inclusive, and resilient workplace.

Fostering collaboration and team spirit

Staff participation at the Annual Football Tournament

Sustainable supply chain

Redefining supply chain practices for a resilient and sustainable future

The Bank is committed to embedding sustainability into its supply chain management, ensuring that every procurement decision aligns with ESG principles. By integrating sustainable procurement, fostering ethical sourcing, engaging stakeholders, leveraging technology, and monitoring performance, the Bank is building a resilient, efficient, and responsible supply chain. These initiatives not only enhance operational transparency but also contribute to economic inclusivity and long-term sustainability.

Sustainable procurement and ethical sourcing

The Bank has implemented comprehensive policies that integrate ESG criteria into procurement, ensuring that all suppliers adhere to responsible environmental and social standards. Through supplier training sessions and workshops, the Bank has equipped its partners with knowledge on sustainable business practices.

A key priority is supporting local suppliers and SMEs, reducing dependency on long-distance supply chains and minimising environmental impact. During the year, more than 96% of procurement spending was allocated to local suppliers, reinforcing the Bank's commitment to economic inclusivity and community empowerment.

To ensure ethical sourcing, the Bank upholds fair trade principles and prohibits exploitative labour practices, such as child or forced labour. The adoption of digital tools and traceability mechanisms enables the Bank to track the origins of goods and materials, ensuring full transparency in its procurement processes.

Strengthening supplier engagement and capacity building

Recognising the critical role of suppliers in the sustainability ecosystem, the Bank actively engages with its supply chain partners to align them with ESG goals. In December 2024, a Sustainability Awareness Program for Suppliers was conducted, reinforcing expectations around waste reduction, energy conservation, carbon emissions, and diversity and inclusion. The event featured industry experts from the Sri Lanka Sustainable Energy Authority, who shared insights on renewable energy integration and business profitability through energy efficiency measures.

Key achievements in 2024 include:

- Supplier workshops and training sessions for over 50 participants focusing on ethical sourcing and sustainability.

Moving forward, the Bank will continue enhancing supplier capacity-building initiatives and expanding collaborations with local SMEs and artisans to create shared value and drive sustainability.

Supply chain monitoring and performance evaluation

The Bank has implemented a monitoring framework for selected suppliers to ensure that supply chain operations comply with governance standards and sustainability benchmarks. Key initiatives in 2024 included:

- Supplier assessments were carried out on a regular basis assessing compliance with ethical labour practices and environmental impact.
- Enhanced transparency and accountability by sharing audit assessment with key stakeholders.

As part of its circular economy efforts, the Bank introduced eco-friendly logistics initiatives, optimising transportation routes and promoting the use of hybrid vehicles, and providing cost effective transport solutions. These sustainable transport alternatives contributed for reducing carbon emissions. The Bank also launched waste reduction and material reuse programs, promoting sustainability across supplier networks.

Innovative supply chain solutions and digitisation

The Bank is driving supply chain optimisation through technology and digital innovation. The adoption of an e-procurement system has streamlined procurement processes, improving efficiency, transparency, and accountability. In 2024, the Bank introduced this system in three stages as supplier registration, e-bidding and Request for Proposal (RFP) publishing. During 2024, over 60% of the newly on boarded suppliers had enrolled in the Bank's e-procurement system and all three phases are expected to be fully operational by 2025, streamlining documentation processes and enhancing supplier collaboration.

Key technology-driven initiatives include:

- Advanced analytics tools for evaluating supplier performance, forecasting demand, and optimising resource allocation.
- Automation of supply chain workflows, improving turnaround times and operational efficiency.

In alignment with green logistics principles, the Bank has expanded the use of biodegradable and recyclable packaging materials.

Future Plans:

- Expand ESG compliance programs to cover smaller suppliers and SMEs.
- Increase collaborations with global industry bodies to strengthen sustainability frameworks.

By embedding sustainability at every stage of its supply chain, the Bank is setting new industry benchmarks for responsible sourcing, ethical business practices, and operational efficiency. Through collaborations, technology-driven solutions, and stakeholder engagement, the Bank continues to drive long-term value creation while ensuring a resilient and sustainable future.

Community Engagement

Empowering lives and creating shared value

Figure – 37

Capitals affected

Stakeholders to whom value was delivered

Empowering lives and creating shared value

Commitment to community engagement

At Commercial Bank, community engagement is a cornerstone of our Sustainability Framework, reflecting our unwavering commitment to inclusivity, environmental stewardship, and socio-economic progress. Backed by a robust governance framework (see Table 21 on page 139), this pillar encompasses three sub-pillars: Environmental Engagement, Social Engagement, and Social Enterprise. Together, they drive our mission to deliver long-term benefits to underserved communities while contributing to Sri Lanka's national goals and global sustainability targets.

Strategic partnerships and impact in 2024

In 2024, our community engagement initiatives were marked by strategic partnerships, innovation, and measurable impact. Collaborating with esteemed organisations such as the Janarukula Women's Society, we addressed grassroots-level challenges through programs that empowered communities, promoted environmental sustainability, and fostered economic resilience. Among the year's highlights were the completion of our "100,000 Trees Initiative", engagement with the IFC to develop a Climate Transition Plan for the Bank, and the execution of over 300 volunteer initiatives, all of which exemplify our holistic approach to creating meaningful change.

Environmental engagement

Environmental Engagement focused on addressing critical ecological challenges such as marine pollution, deforestation, and climate resilience. Flagship projects included mangrove conservation, coral reef restoration, and the expansion of our reforestation efforts, which contributed significantly to carbon sequestration and biodiversity. These initiatives were complemented by our commitment to green finance, with products like renewable energy loans and climate-smart agriculture financing aligning customer solutions with environmental goals. In addition, by prioritising digital banking, we reduced resource consumption, minimised emissions, and streamlined banking processes, delivering greater efficiency and convenience for customers.

Social engagement

Social engagement initiatives centered on education, healthcare, and cultural preservation. We prioritised underserved communities by establishing IT labs, STEM classrooms, Math Labs and vocational training programs, equipping over 200,000 students with the tools needed to succeed in a technology-driven world. Healthcare efforts included donations of critical medical equipment and clean water solutions, while cultural restoration projects reinforced Sri Lanka's rich heritage. To further drive inclusion, we empowered women and marginalised groups through skill development, targeted financial products, and structured training.

Social enterprise and entrepreneurship

Creating avenues to the marginalised or disadvantaged groups to earn revenue through their endeavours and to fund their social causes while differentiating them from charities, the Bank strategically supports social enterprises, collaborating with organisations like IFC, Sarvodaya and UNDP to empower marginalised communities by establishing initiatives such as childcare centers and donating food dehydrating machines, aiming to balance financial success with meaningful societal and environmental impact.

These efforts not only contributed to Sri Lanka's 2030 SDG targets but also aligned with our strategic goal to become a Net Zero bank by 2050. By educating stakeholders on green finance opportunities, advancing digital transformation, and reducing operational costs through energy and resource conservation, we delivered both environmental and financial value. A robust governance framework, executed by the Sustainability Working Committee, ensured accountability, with sustainability oversight by our Executive Sustainability Committee and progress reported to the BIRMC.

As we look ahead, we aim to deepen our impact by scaling awareness efforts, fostering stronger partnerships, and addressing challenges such as regulatory complexities and resource constraints. With a focus on innovation and inclusivity, we remain committed to building a resilient, sustainable future for Sri Lanka, reinforcing the intrinsic link between our success as a financial institution and the well-being of the communities and environments we serve.

Key highlights

- Completed the 100,000-tree planting initiative.
- Conducted over 300 volunteer initiatives.
- Focused on the high-impact integration of ESG into core products and services.

Elements of community engagement Figure – 38

Community engagement	*Environmental engagement*
Stakeholders engaged	Society and environment
Capitals addressed	Natural capital

Community engagement	*Social engagement*
Stakeholders engaged	Society and environment
Capitals addressed	Social and relationship capital

Community engagement	*Social enterprise*
Stakeholders engaged	Society and environment
Capitals addressed	Social and relationship capital

Governance and impact assessment of CSR initiatives

The Bank's commitment to Community Engagement is underpinned by a robust governance framework and a focus on measurable outcomes. By embedding accountability and transparency into its initiatives, the Bank ensures that its Corporate Social Responsibility (CSR) efforts deliver tangible and meaningful results while aligning with its overarching sustainability goals and global frameworks such as the SDGs.

Governance Framework in place at the Bank for Community Engagement Table – 21

Governing body	CSR Trust	Executive Sustainability Committee
Managed by	A dedicated CSR Unit headed by a Chief Manager consisting of a four member team	Sustainability Working Committee comprising members of Corporate Management and Heads of 16 Departments
Process followed	Highly efficient project management process, including a rigorous approach to selection of projects based on feasibility, impact assessment coupled with managed resource allocation and continuous monitoring of ongoing projects	
Membership	Future Force Members and ownership at branch and department level	

Oversight of the CSR Trust

The Bank's CSR initiatives are governed by the Commercial Bank Corporate Social Responsibility Trust (CSR Trust), which serves as the custodian of the Bank's sustainability and community engagement agenda. Operating under a structured framework, the Trust ensures strategic alignment, effective resource management, and optimal impact delivery. This is achieved through:

- **Board of Trustees oversight** - The CSR Trust is overseen by a Board of Trustees comprising members of Corporate Management and the Board of Directors, including the Chairman and the MD/CEO. This ensures that all initiatives are aligned with the Bank's corporate objectives and the Sustainability Framework.
- **Strategic fund allocation** - CSR resources are allocated to priority areas such as education in particular and healthcare, environmental conservation, and community development. This ensures the optimisation of funds for long-term, high-impact projects.
- **Alignment with global standards** - The CSR Trust ensures that all initiatives align with international sustainability frameworks such as the SDGs, contributing to broader socio-economic and environmental goals.

Transparency and accountability

Transparency and accountability in relation to the activities of the CSR Trust are upheld through stringent processes, including annual external audits conducted by independent auditors to validate compliance with objectives of the Trust, provisions of the Trust Deed and ensure proper fund utilisation. Additionally, comprehensive reporting mechanisms provide regular updates on CSR activities, outcomes, and resource utilisation to the Trustees and other stakeholders, reinforcing trust and demonstrating a commitment to responsible resource management.

Impact assessment

To evaluate the effectiveness of its CSR programs, the Bank employs well-defined metrics and periodic assessments that help track progress and refine initiatives. This approach is structured around key focus areas, including:

- **Defined metrics for assessment,** which help quantify the success of various programs:
  - **Education:** The impact is measured through the number of schools supported, IT labs and STEM classrooms established, and students benefiting from programs such as coding clubs and the Ganitha Saviya initiative.
  - **Healthcare:** Effectiveness is assessed by tracking the volume of medical equipment donated, clean water solutions installed, and the reach of health awareness campaigns.
  - **Environmental programs:** Progress is evaluated based on the number of trees planted, beaches cleaned, mangroves restored, and carbon offset achieved.
- **Project impact assessments,** which involve periodic evaluations, often conducted with third-party technical assistance, to measure the long-term benefits of CSR initiatives. These assessments provide insights into how programs enhance beneficiaries' quality of life and contribute to environmental sustainability.
- **Continuous improvement,** where insights gained from assessments are used to refine strategies, ensuring that the Bank's CSR efforts remain relevant, efficient, and aligned with community needs.

By combining a robust governance framework, rigorous impact assessments, and alignment with global sustainability standards, the Bank ensures its CSR initiatives are transparent, effective, and transformative. The CSR Trust plays a pivotal role in creating lasting value for communities and reinforcing the Bank's position as a leader in sustainable community engagement.

Looking ahead

The Bank increased its contributions to the CSR Trust, as permitted by the provisions of the Trust Deed, enabling the Trust to expand its reach and positively impact more Sri Lankans. Recognising the potential to collaborate with organisations that allocate funds for socio-economic development but require reliable frameworks for fund disbursement, the CSR Trust will actively seek partnerships and leverage its robust governance structure to facilitate impactful initiatives. As the Bank continues to scale its community engagement efforts, it remains committed to enhancing governance mechanisms and strengthening impact measurement practices.

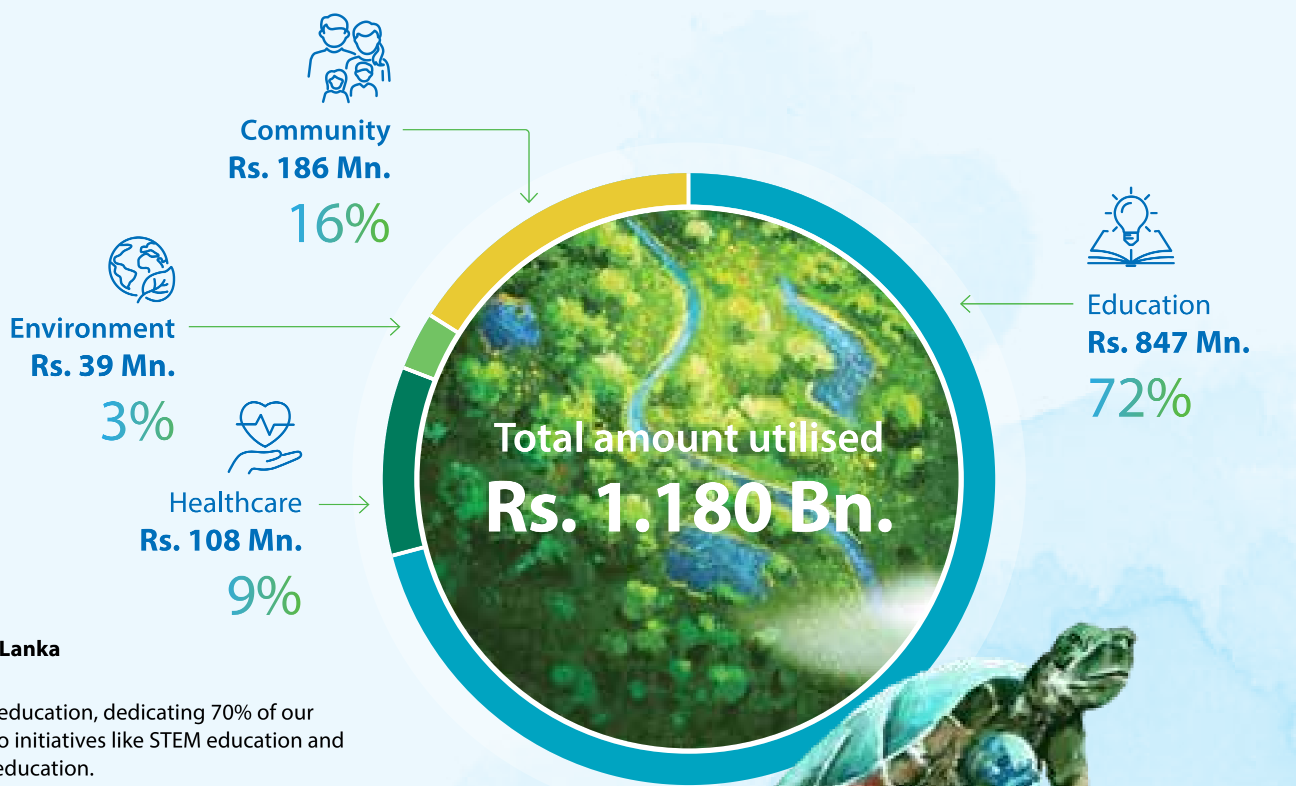
Corporate social responsibility initiatives of the CSR Trust

Figure – 39

CSR Trust Deed
↓
Objectives
↓
Trustees
↓
Chairman | Deputy Chairman | Managing Director/CEO | Chief Financial Officer | Deputy General Manager – Corporate Banking
↓
CSR Coordinator
↓
CSR Unit & Staff

CSR objectives

- To support and further education in Sri Lanka
- To preserve and improve the environment
- To assist in improving health services in Sri Lanka
- To support and provide community services
- To continue aiding ongoing projects in the areas of cultural and historical heritage preservation
- To enhance the availability of water for both agricultural activities and domestic consumption
- To undertake such other charitable activities as the Settlor shall direct



Elevating Sri Lanka through

- Prioritising education, dedicating 70% of our CSR funds to initiatives like STEM education and vocational education.
- Remaining 30% supports healthcare, environmental and other social projects, fostering holistic national development.

Total fund allocation

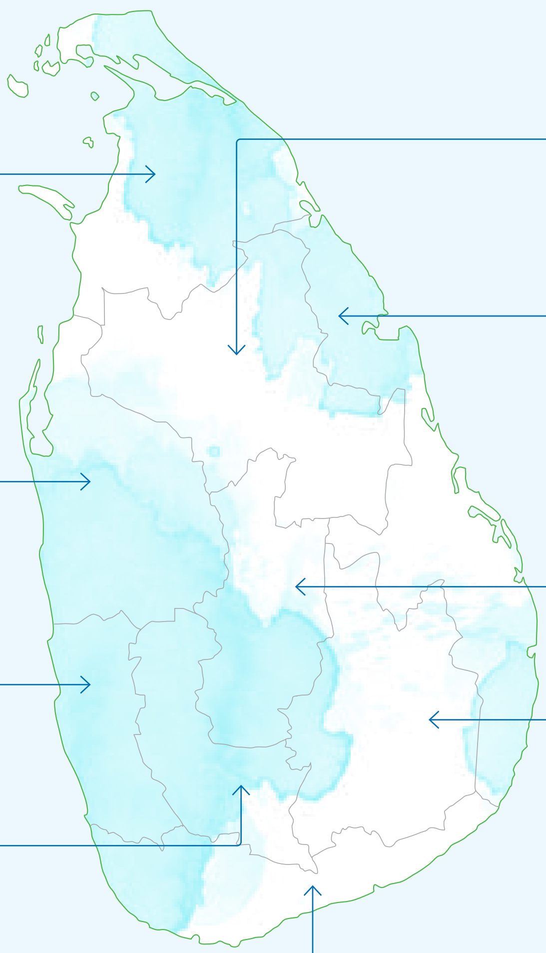
Figure – 40

2011 - 2024

Over Rs. 1 Bn.

Fund Allocation (Rs. Mn.)

Population (Mn.)



Province	Fund Allocation (%)	Population (%)	Fund Allocation	Population
Northern Province	9%	5%	Rs. 103 Mn.	1.2 Mn.
North-Central Province	7%	6%	Rs. 77 Mn.	1.4 Mn.
Eastern Province	7%	8%	Rs. 84 Mn.	1.8 Mn.
North-Western Province	7%	12%	Rs. 77 Mn.	2.6 Mn.
Central Province	12%	13%	Rs. 139 Mn.	2.8 Mn.
Western Province	35%	28%	Rs. 415 Mn.	6.2 million
Uva Province	7%	6%	Rs. 80 Mn.	1.4 Mn.
Sabaragamuwa Province	5%	9%	Rs. 54 Mn.	2.1 Mn.
Southern Province	13%	12%	Rs. 151 Mn.	2.7 Mn.

Awards and accolades

Best CSR Bank in Sri Lanka - Global Business and Finance Magazine, USA 2024

Best CSR Bank in Sri Lanka - The Global Economics Magazine, UK 2024

Best Bank in CSR activities Sri Lanka - Gazette International Magazine, 2024

Overall Excellence in Social Responsibility - ACEF Asian Leaders Award 2024

Best CSR Bank Sri Lanka 2024 - Global Business Review Magazine Awards – 2024

Environmental engagement

Driving ecological preservation through collaboration and action

Environmental engagement lies at the heart of the Bank's sustainability framework, driving a vision to preserve biodiversity, combat climate change, and foster sustainable practices across Sri Lanka. With a steadfast commitment to ecological conservation, the Bank has implemented a series of transformative initiatives, ranging from mangrove restoration and coral reef conservation to groundbreaking tree-planting campaigns and beach cleanups. These efforts not only address critical environmental challenges but also integrate community participation, fostering a culture of collective responsibility. Collaborating with organisations such as WORC, the IFC, and local NGOs, the Bank has reinforced its role as a leader in environmental sustainability. Whether planting over 100,000 trees through the "Trees for Tomorrow" initiative, restoring coastal ecosystems, or promoting environmental education, the Bank remains dedicated to building resilience against climate challenges while empowering communities to actively contribute to a greener, more sustainable future.

Key initiatives in environmental conservation

The Bank continues to demonstrate its unwavering commitment to environmental stewardship by executing a range of impactful conservation initiatives. These efforts reflect our deep-rooted philosophy of preserving biodiversity and fostering sustainable ecosystems, in alignment with our Sustainability Framework and global environmental priorities.

Mangrove restoration

Mangroves play a crucial role in coastal ecosystems, acting as natural barriers against erosion while supporting marine biodiversity. Understanding their ecological significance, the Bank launched a multi-phase Mangrove Restoration Project at Koggala Lagoon in collaboration with the Wildlife and Ocean Resource Conservation (WORC). This initiative has made notable progress in:

- ***Restoration efforts*** – Over four phases, more than 12,000 mangrove saplings have been planted across Kathduwa and Madol Duwa islands, rehabilitating over 1.25 kilometers of critical mangrove habitats. The project has also contributed to scientific research, uncovering new mangrove species and enhancing ecological knowledge.
- ***Community and economic impact*** – To ensure long-term sustainability, the project integrates eco-tourism promotion and supports local industries such as traditional cinnamon farming. Community-driven initiatives, including catamaran tours, have further strengthened socio-economic benefits. From 2022 to 2024, over 1,300 tourists participated in half-day to three-day programs, generating financial benefits for the lagoon community.

Coral reef conservation

Coral reefs play a critical role in supporting marine biodiversity and safeguarding coastal regions, yet they face significant threats from pollution and climate change. In response, the Bank partnered with Biodiversity Sri Lanka to launch the "Life to Our Coral Reefs" initiative to restore and protect coral ecosystems at the Kayankerni Marine Sanctuary. This program, developed in partnership with marine conservation experts, focuses on planting and regenerating coral colonies, contributing to the preservation of marine biodiversity. By raising awareness about the ecological and economic importance of coral reefs, the initiative underscores the Bank's commitment to environmental sustainability and community livelihoods.

Sea turtle conservation

Sri Lanka is home to several endangered sea turtle species, whose protection remains a cornerstone of the Bank's environmental initiatives. Through a collaborative program with WORC, the Bank employs in situ conservation methods at Panama Beach, having successfully released over 85,000 sea turtles back into the ocean since the program's inception. In 2024, Rupees four million was dispensed to bolster these conservation efforts. The initiative also provided job opportunities for the local communities, fostering active participation and raising awareness about the threats these species face, ensuring the program's long-term success and ecological impact.

Holistic environmental conservation: A multifaceted approach

The Bank remains steadfast in its commitment to protecting Sri Lanka's natural ecosystems through a comprehensive suite of initiatives that combine environmental stewardship, scientific research, and community participation. Through flagship programs such as "Life to Our Beaches" and "Trees for Tomorrow", the Bank is not only addressing critical environmental issues but also fostering a culture of sustainability among its employees and other stakeholders. These efforts represent a key pillar of the Bank's broader sustainability framework and its dedication to building resilience in the face of climate change.

Preserving Sri Lanka's Coastlines: The Beach cleaning campaign

Marine pollution poses a growing threat to biodiversity and livelihoods across Sri Lanka's coastal communities. In response, the Bank launched the Beach Cleaning initiative, which has become a flagship program aimed at addressing these challenges through targeted action.

In 2024, the Bank organised 10 large-scale coastal cleanup drives across critical marine ecosystems, engaging over 450 employees, volunteers, and community members. These cleanups resulted in the removal of waste, reducing marine debris and improving the ecological health of coastal regions. However, the campaign extended beyond cleanup activities. It included community engagement sessions that educated local residents on the harmful impacts of plastic pollution and emphasised the importance of adopting sustainable waste management practices. Partnerships with local NGOs and municipal authorities further ensured the long-term impact of the program by establishing waste segregation systems and promoting ongoing community participation.

Reforestation and carbon sequestration: The "Trees for Tomorrow" initiative

Reforestation remains one of the most effective strategies for combating deforestation, mitigating climate change, and enhancing biodiversity. Under the "Trees for Tomorrow" campaign, the Bank achieved a remarkable milestone in 2024 by planting 100,000 trees across urban and rural areas through the efforts of employees, volunteers, and community groups.

Building on this success, the Bank launched a new phase of the campaign in early 2025 in collaboration with the National Water Supply and Drainage Board. This phase aims to plant further 100,000 trees in catchment areas that are critical to water conservation and environmental restoration. These tree-planting activities directly contribute to the Bank's long-term carbon neutrality goals and align with national reforestation targets. The hands-on participation of employees in these events has fostered a sense of ownership and environmental consciousness, further enhancing the impact of the initiative.

ComBank marks completion of 100,000 trees project with pledge to plant another 100,000

The Bank celebrated the successful completion of its ambitious "Trees for Tomorrow" project, originally planned for execution over three years, in exactly one year from its launch.

Also, the Bank announced plans to plant another 100,000 trees over the next 12 months.

Promoting community awareness and participation

The Bank recognises that meaningful environmental conservation requires the active involvement of local communities. Its initiatives integrate educational components that empower participants with the knowledge and tools to adopt sustainable practices. For example, during coastal cleanups and tree-planting events, volunteers and local residents attended awareness sessions on topics ranging from marine ecosystem protection to reforestation benefits. These efforts not only enhanced the impact of specific programs but also nurtured a culture of environmental responsibility within communities.

Strengthening long-term sustainability goals

The Bank's holistic approach to environmental conservation highlights its unwavering dedication to creating a sustainable future. By tackling pressing challenges such as marine pollution, deforestation, and water resource management, the Bank has established itself as a leader in environmental stewardship. Its initiatives not only preserve Sri Lanka's natural heritage but also align with global sustainability goals, ensuring that its operations contribute meaningfully to long-term ecological balance.

Looking ahead

The Bank is committed to scaling its programs by adopting innovative solutions, forging strategic partnerships, and embedding sustainability into every facet of its activities. These efforts aim to amplify the impact of its conservation initiatives while fostering resilience against climate challenges. This forward-thinking strategy reflects the Bank's vision of creating enduring value for its stakeholders and supporting the broader transition to a sustainable economy.

Central to the Bank's mission is the fostering of a culture of responsibility. By combining education, community empowerment, and actionable programs, the Bank inspires individuals and communities to take ownership of their environment. Initiatives such as tree planting, coastal cleanups, and awareness campaigns not only address critical environmental concerns but also encourage collective responsibility and proactive engagement in sustainability efforts.

Through these endeavours, the Bank demonstrates its role as a trusted partner in driving meaningful environmental and social transformation. By integrating conservation goals with community development, it ensures that the benefits of sustainability are shared equitably across all segments of society. As these efforts continue to expand, the Bank's commitment to preserving the environment and empowering communities remains steadfast, paving the way for a greener and more sustainable future.

Collaborative environmental projects

At the Bank, collaboration forms the cornerstone of our environmental conservation strategy. By partnering with biodiversity organisations, supporting community-driven initiatives, and promoting environmental education, we aim to create a sustainable future that prioritises ecological preservation while fostering community engagement.

Partnerships to drive biodiversity conservation

The Bank has established strategic alliances with leading organisations committed to biodiversity conservation, including Biodiversity Sri Lanka (BSL), Wildlife and Ocean Resource Conservation (WORC), the Wildlife and Nature Protection Society, the Department of Forests, and several academic institutions such as University of Sri Jayewardenepura, University of Jaffna, and University of Peradeniya. Collaborations also extend to the Sri Lanka Army, government schools, and divisional secretariats. Through these partnerships, the Bank has strengthened its ecological preservation efforts by:

- **Collaborative projects:** In 2024, the Bank expanded its collaboration with BSL, contributing to projects aimed at preserving Sri Lanka's unique biodiversity. These initiatives included habitat restoration efforts, rewilding programs, and support for biodiversity research, which provided valuable insights into sustainable conservation methods.
- **Engaging local stakeholders:** Recognising the importance of local knowledge and participation, the Bank actively worked with community leaders, local governments, and NGOs to identify and address region-specific environmental challenges. This inclusive approach ensured the alignment of conservation goals with community needs, fostering long-term sustainability.

- **Support for species conservation:** Through its partnerships, the Bank supported initiatives focused on the protection of endangered species and their habitats, contributing to Sri Lanka's national biodiversity targets.

Community-driven waste management

As part of its commitment to promoting sustainable waste management practices, the Bank has partnered with communities to implement effective recycling and waste reduction programs. These efforts focus on three key areas:

- **Establishing recycling infrastructure** – In collaboration with municipal councils and community-based organisations, the Bank facilitated the development of recycling hubs in both urban and rural areas. These hubs provide communities with accessible facilities to segregate and recycle waste, promoting responsible waste disposal.
- **Raising awareness through campaigns** – The Bank conducted educational workshops and public awareness campaigns to highlight the environmental and economic benefits of proper waste management. These initiatives encouraged responsible consumption and household-level waste reduction.
- **Implementing innovative waste management projects** – In 2024, the Bank supported initiatives such as converting organic waste into compost and promoting upcycling projects to reuse non-biodegradable materials. These efforts not only minimised waste but also created new income-generating opportunities for participants.

Environmental education

Fostering environmental stewardship among the younger generation is a key pillar of the Bank's sustainability strategy. Through targeted outreach and engagement programs in schools, the Bank aims to cultivate a culture of responsibility and proactive conservation. These efforts are structured around:

Building a Sustainable Future Together

The Bank's sustainability team, Future Members, is at the heart of driving eco-friendly initiatives and innovative solutions for a greener future.

- **School engagement programmes** – In collaboration with educational institutions, the Bank conducted workshops, tree planting drives, and established eco-clubs to educate students about biodiversity, sustainability, and climate action.
- **Teacher training initiatives** – Recognising the influential role of educators, the Bank organised training sessions to equip teachers with the knowledge and tools necessary to integrate environmental education into their curricula effectively.
- **Community-wide impact** – By engaging students, parents, and teachers, these programs create a ripple effect that extends environmental awareness beyond school premises, fostering sustainable practices within the broader community.
- **Creating public awareness** – Leveraging social media platforms, the Bank amplified its environmental message, reaching a wider audience and encouraging collective action for sustainability.

Building synergies for a greener future

Through these collaborative environmental projects, the Bank has reinforced its role as a catalyst for sustainable change. By combining the expertise of biodiversity organisations, the commitment of local communities, and the curiosity of young learners, the Bank is creating a comprehensive framework for ecological preservation and community empowerment.

These initiatives exemplify the Bank's philosophy of leveraging partnerships to maximise impact, ensuring that its efforts contribute meaningfully to environmental sustainability while creating shared value for all stakeholders. As these collaborations evolve, the Bank remains steadfast in its mission to address pressing environmental challenges and build a resilient, eco-conscious future.

Social engagement

Empowering communities through education, health, and cultural preservation

Social Engagement forms a critical sub-pillar of the Bank's Community Engagement framework, underscoring its commitment to creating transformative socio-economic impacts. Rooted in the belief that education, healthcare, and cultural preservation drive societal progress, the Bank's initiatives focus on empowering communities, fostering inclusivity, and addressing systemic challenges. By bridging gaps in digital literacy, STEM education, and mathematical proficiency through programs like Smart Schools, Math Labs, and STEM Classrooms, the Bank equips future generations with the skills needed for a knowledge-driven economy. Complementing these efforts, the Bank addresses critical healthcare needs through targeted interventions, such as providing advanced medical equipment and ensuring clean water access. Its emphasis on cultural preservation celebrates diversity and strengthens national identity, while initiatives supporting underserved communities, including women and youth empowerment programs, promote inclusivity and economic resilience. This multi-faceted approach reaffirms the Bank's dedication to building cohesive, empowered communities across Sri Lanka.

Advancing education

Education has been a cornerstone of the Bank's Social Engagement pillar, reflecting its unwavering commitment to empowering future generations with the tools and knowledge required to thrive in a rapidly evolving world. In 2024, the Bank continued to drive transformative educational initiatives, with a focus on digital learning, STEM education, and youth empowerment.

Smart Schools and Digital Learning: Empowering the Next Generation

In an era defined by rapid technological advancements, digital literacy has become an essential skill for future generations. Recognising this shift, the Bank has intensified its commitment to modernising education through its Smart Schools and Digital Learning initiatives. By bridging the digital divide and fostering an environment of technological empowerment, these programs are shaping the future of Sri Lanka's students, equipping them with the knowledge and skills necessary for a technology-driven world.

Expanding IT Infrastructure for Digital Education

At the heart of this initiative is the IT Labs and infrastructure development program, which has transformed access to digital learning in underserved schools across Sri Lanka. In 2024 alone, the Bank established 28 new IT Labs, bringing the total to 362 IT Labs since the program's inception. These labs, equipped with state-of-the-art computers and high-speed internet connectivity, serve as digital learning hubs where students gain exposure to information technology, coding, and online research, thereby enhancing their digital literacy and future readiness.

Recognising the pivotal role of educators in digital transformation, the Bank has also extended its support to IT teachers in schools that have received its IT labs. These teachers, trained in digital pedagogy, have been instrumental in guiding students towards structured coding courses offered by the University of Colombo and the University of Kelaniya. As a result of these efforts, over 300 students successfully completed certification programs in coding, equipping them with sought-after skills in the evolving digital landscape.

ComBank donates milestone 300th IT Lab to Nalanda Boys School Minuwangoda

The Bank's nationally-significant campaign to boost digital literacy in Sri Lanka has reached an impactful milestone with the completion of the 300th IT Lab donation by the Bank to the Nalanda Boys Central College, Minuwangoda.

Fostering Interest in Coding and Computer Science

To further support digital education, the Bank actively promotes hands-on coding experience through initiatives such as Day of Code 2024, conducted as part of Computer Science Education Week (December 9–15, 2024) - a global movement to enhance computer literacy. This year's event engaged 150 students, increasing the total number of participants to approximately 850 since the program's launch. As it marked its third successful edition, the initiative has played a crucial role in igniting curiosity and interest in coding, preparing students for careers in STEM fields.

Shaping the Future of Digital Learning

By fostering digital literacy, coding expertise, and IT-enabled education, the Bank's Smart Schools and Digital Learning initiatives are empowering thousands of students with the skills necessary to thrive in a technology-driven world. These programs are not just investments in infrastructure but catalysts for educational transformation, ensuring that Sri Lanka's next generation is prepared to navigate and excel in the digital economy.

STEM Classrooms and Math Labs

Empowering future generations

The Bank has firmly established itself as a leader in advancing STEM (Science, Technology, Engineering, and Mathematics) education, equipping students with essential skills to thrive in a rapidly evolving world. Recognising the transformative power of STEM, the Bank has undertaken multiple initiatives to enhance access to quality education and nurture the next generation of innovators and problem solvers.

STEM Classrooms: Cultivating creativity and innovation

The Bank's journey in promoting STEM education began in 2020 as part of its centennial celebrations, under the transformative "100 Sipnena Smart STEM Schools" initiative. This program aimed to modernise traditional classrooms into STEM hubs by providing advanced digital resources, including computers, multimedia projectors, furniture, and curated digital content from the Sipnena online education platform. By emphasising STEM subjects critical to IT and other emerging fields, these classrooms foster creativity, innovation, and future-readiness among students.

The number of STEM classrooms increased to 176 by end 2024, further broadening the scope of this impactful initiative. Special attention was given to underprivileged and rural schools, ensuring inclusivity and diversity in education. Future plans include extending the project to support students from Grade 1 to the GCE Ordinary Level, empowering learners at all stages of their academic journey.

"Ganitha Saviya" Math Program: Strengthening analytical proficiency

Mathematical literacy forms the cornerstone of critical thinking and problem-solving. In collaboration with the Sasnaka Sansada Foundation, the Bank has expanded its flagship "Ganitha Saviya" program, aiming to improve mathematical proficiency and analytical skills among school children. In 2024, over 30,000 students participated in this program, gaining a stronger foundation in mathematical concepts essential for academic and professional success.

Math Labs: Interactive learning for real-world applications

The Math Lab project, launched in 2015, remains a cornerstone of the Bank's commitment to fostering mathematical and analytical capabilities. Designed as hands-on learning spaces, these labs offer students interactive opportunities to engage with complex mathematical concepts, enhancing their critical thinking and problem-solving abilities.

The Bank has established a total of 123 math labs, primarily in rural schools, serving as hubs for students of various age groups to engage with mathematics through innovative and practical approaches. These facilities continue to promote inclusivity and equip students nationwide with the tools they need to excel in STEM disciplines, reinforcing the Bank's commitment to fostering analytical and problem-solving skills.

Education initiatives and impact assessment

To assess the effectiveness of the efforts to strengthen the Bank's commitment, a comprehensive impact study was launched in collaboration with the National Science Foundation (NSF), the Ministry of Education (MoE), the Sasnaka Sansada Foundation (SSF), and four retired education professionals selected by the NSF.

The primary goals of this study are:

- Evaluating the effectiveness of the donated facilities.
- Identifying the challenges faced by teachers and students in implementation.
- Providing actionable recommendations to enhance STEM education in Sri Lanka.

Employing both quantitative and qualitative methodologies, the study considers IT labs, Math labs, and STEM classrooms as distinct interventions. Samples for each category were selected through a randomised process to ensure a fair representation of outcomes. By mid-March 2024, the selection of the study sample and the preparation of research instruments were successfully completed.

A legacy of impact

Through initiatives like STEM classrooms and Math Labs, the Bank has demonstrated its unwavering commitment to education and empowerment. By bridging educational disparities, nurturing young talent, and fostering innovation, the Bank contributes to individual growth and to Sri Lanka's broader socio-economic development. As it looks ahead, the Bank remains dedicated to enhancing these programs, ensuring every student has the opportunity to realise their full potential in a knowledge-driven economy.

Supporting healthcare and well-being

The Bank has made significant strides in advancing healthcare and well-being for underserved communities, reflecting its commitment to improving quality of life and fostering resilience. In 2024, the Bank continued to support Government healthcare institutions with critical healthcare support, water purification, and health awareness campaigns, addressing pressing needs across Sri Lanka.

Critical healthcare donations

Access to essential healthcare services remains a challenge in many parts of Sri Lanka, particularly in underserved regions. To address this, the Bank has taken proactive steps to strengthen healthcare infrastructure and improve medical facilities through targeted initiatives, including:

- **Donations of medical equipment** – The Bank provided state-of-the-art medical equipment to government hospitals and rural clinics, including ventilators, defibrillators, and diagnostic tools. These critical care devices have significantly enhanced the ability of healthcare facilities to provide timely and life-saving interventions.
- **Support for specialised healthcare** – Collaborating with leading healthcare institutions, the Bank contributed advanced therapeutic equipment such as hydrotherapy machines for sports medicine and critical care units. These donations played a vital role in addressing healthcare service gaps, particularly in rural and semi-urban areas.
- **Expanding rural health access** – In a bid to enhance healthcare availability for marginalised communities, the Bank extended targeted support to rural clinics, equipping them to deliver primary and emergency medical services more effectively.

Ensuring access to clean water and combating Chronic Kidney Disease

Recognising the critical health challenges posed by chronic kidney disease (CKD) and waterborne illnesses, the Bank has implemented transformative initiatives to provide clean water solutions and support preventive healthcare efforts in affected communities.

As part of its long-term commitment to the Raindrops Project, the Bank donated 50 new 5,000-litre water storage tanks to families in Ginnoruwa, Girandurukotte, a region heavily affected by Chronic Kidney Disease of unknown origin (CKDu). Designed to store harvested rainwater, these tanks ensure safe drinking and cooking water for up to six months, shielding families from groundwater contamination—one of the suspected causes of CKDu. This initiative builds on previous research-backed efforts, which demonstrated that families consuming harvested rainwater showed no signs of CKDu, unlike those reliant on well water. Encouraged by these findings, the Centre for Education, Research and Training on Kidney Diseases (CERTKiD) at the University of Peradeniya recommended expanding the initiative to reach more families in high-risk areas.

Beyond household water storage, the Bank has also funded water purification plants and rainwater harvesting systems in rural schools and communities, benefiting over 1,000 individuals and reducing the prevalence of waterborne diseases.

In parallel, the Bank actively supports CKD awareness and prevention programs in agricultural regions. These initiatives include community outreach, early detection screenings, and educational workshops, equipping local populations with the knowledge to mitigate exposure to harmful substances.

Through these interventions, the Bank is not only providing clean water but also fostering long-term health resilience in Sri Lanka's most vulnerable communities.

Health awareness campaigns: Empowering communities through education

Education and awareness play a crucial role in promoting health and well-being. In 2024, the Bank strengthened its commitment to public health by expanding its health education initiatives, benefiting both communities and employees. These efforts focused on:

- **Cancer awareness and prevention:** In collaboration with the Indira Cancer Trust, the Bank conducted cancer awareness sessions, educating participants on the importance of early detection and prevention. This initiative reached 200 individuals, equipping them with life-saving knowledge to safeguard their health.
- **Wellness Programs for Communities and Employees:** The Bank introduced comprehensive wellness programs, including diet and nutrition workshops led by certified health coaches. These sessions encouraged healthier lifestyles and empowered individuals to make informed decisions about their well-being.
- **Employee Health and Safety:** As part of its internal well-being agenda, the Bank introduced mental health support services and occupational safety workshops, fostering a supportive and safe work environment for its employees.

Impact and strategic direction

Through its healthcare initiatives, the Bank supported to improve access to critical care, clean water, and health education. Moving forward, the Bank plans to expand its healthcare support, particularly in underprivileged regions, while fostering partnerships with healthcare institutions and NGOs to scale its impact. These efforts underscore the Bank's holistic approach to enhancing well-being, demonstrating its role as a catalyst for healthier, more resilient communities.

Food Security

The Bank continued its impactful collaboration with the World Food Programme (WFP) to address food security challenges in Sri Lanka. As the exclusive financial partner, the Bank facilitated the distribution of WFP aid worth Rs. 43.7 Mn. (USD 136,863) to over 4,000 households across Jaffna, Mullaitivu, Badulla, Matara, Colombo, Kegalle, and Ratnapura districts. This initiative supported vulnerable communities in meeting their nutritional needs, preventing malnutrition, and strengthening grassroots resilience. By playing a pivotal role in this partnership, the Bank reaffirmed its commitment to addressing fundamental human needs and fostering sustainable development across the nation.

Cultural Heritage and Community Development

The Bank's commitment to cultural preservation and community development reflects its belief in fostering inclusivity and protecting the nation's rich heritage. In 2024, the Bank undertook several impactful initiatives that promoted cultural conservation, supported local economies, and empowered underserved communities.

Preserving Cultural Heritage and Strengthening Community Bonds

The Bank remains deeply committed to safeguarding Sri Lanka's rich cultural heritage, ensuring that historical landmarks, traditions, and community celebrations continue to thrive for future generations. Through cultural restoration projects, heritage sponsorships, and inclusive celebrations, the Bank plays a pivotal role in fostering unity, pride, and economic growth within diverse communities.

Championing Heritage Conservation

Recognising the importance of preserving historical authenticity, the Bank has actively engaged in cultural restoration initiatives in collaboration with conservation experts and local communities. These efforts reinforce the shared responsibility of protecting Sri Lanka's invaluable cultural assets. Additionally, the Bank's sponsorship of numerous community festivals has helped celebrate and sustain local traditions, creating economic opportunities for artisans and vendors while promoting cultural pride.

Fostering Unity Through Cultural and Religious Celebrations

As a champion of inclusivity and community cohesion, the Bank has consistently supported cultural and religious festivities across Sri Lanka. By participating in and sponsoring traditional festivals, religious observances, and heritage celebrations, the Bank fosters unity and mutual respect among its employees and the wider community. These initiatives highlight the Bank's belief in the power of cultural preservation to build stronger, more harmonious societies while contributing to social and economic development.

The Bank also played an active role in the annual festival of the sacred Nallur Kandasamy Kovil in Jaffna, demonstrating its commitment to both heritage and sustainability.

"Ran Kethe Wap Magula" – Honouring Tradition and Empowering Communities

A significant milestone in the Bank's cultural commitment was the "Ran Kethe Wap Magula", a traditional agricultural ceremony held in Tissamaharama in October 2024. The event that symbolised the Bank's dedication to heritage, agriculture, and community empowerment, was attended by over 250 participants. Alongside the Wap Magul ceremony, the event saw several impactful contributions, including:

- The donation of a 40kW solar PV system to the Kawanthissa Vocational Training Center, promoting sustainable energy use.
- The introduction of modern agricultural technologies and educational programs to empower local farmers.

- The formal launch of the Dirishakthi Village Development Program, reinforcing the Bank's commitment to rural economic development.

By integrating cultural preservation, community empowerment, and economic sustainability, the Bank continues to be a driving force in strengthening Sri Lanka's heritage while fostering social progress and unity.

Empowering the Next Generation Entrepreneurs

At SME Trade Fair, a young student showcases innovation and determination by managing a stall and engaging with customers.

Empowering Communities Through Trade Fairs and Entrepreneurial Development

As part of its commitment to economic inclusion and community empowerment, the Bank actively supports regional trade fairs, community events, and entrepreneurial development programs that provide small-scale vendors, women entrepreneurs, and rural producers with the opportunity to showcase their products, expand market access, and develop essential business skills.

In 2024, the Bank played a significant role in organising and collaborating on multiple trade fairs and community initiatives, reinforcing its position as a catalyst for small business growth and financial empowerment. The Bank successfully conducted six Anagi Trade Fairs across the Southern, Northern, Eastern, Wayamba, Central regions and the Head Office, providing an invaluable platform for local entrepreneurs to engage with wider markets and promote their businesses. In addition, it collaborated with WCIC Santa's Village Trade Fair and the Mother Sri Lanka Trade Fair, further expanding opportunities for small businesses to connect with a diverse customer base and strengthen their market presence.

Recognising the importance of fostering entrepreneurship among women, the Bank organised special development programs and awareness sessions, equipping women entrepreneurs with the knowledge and resources needed to grow their businesses. A dedicated awareness session was conducted in partnership with the Women's Chamber to support informal sector female workers in the Kurunegala District, helping them build financial literacy and develop sustainable business models.

The Bank also partnered with the IFC to implement structured entrepreneurial skill development programs, conducting four awareness programmes designed to enhance business acumen and empower emerging entrepreneurs.

Furthermore, the Bank extended its support to the Janarukula Women Society in Kandy, providing tailored awareness and training programs to promote financial independence and sustainable economic participation among women. As part of its commitment to inclusivity, the Bank also allocated a dedicated space for women entrepreneurs at the SME Trade Fair, ensuring they received greater visibility and a strong presence in a competitive market.

By bridging the gap between rural and urban markets, these initiatives have significantly enhanced the visibility of small-scale entrepreneurs while equipping them with essential financial tools, market knowledge, and networking opportunities. Through these efforts, the Bank continues to foster economic empowerment and community development, creating tangible opportunities for business growth, financial independence, and sustainable livelihoods across Sri Lanka.

Empowering underserved communities

The Bank remains committed to fostering inclusivity and economic self-reliance by implementing initiatives that uplift marginalised groups. Through targeted programs, it has provided women entrepreneurs, youth, and differently-abled individuals with the necessary resources, skills, and financial support to create sustainable livelihoods and drive social progress. These efforts focus on:

- **Women entrepreneurs** – The Bank empowered women entrepreneurs through financial literacy workshops, microfinancing solutions, and capacity-building sessions. These initiatives enabled women-led businesses to thrive, enhancing their economic independence and contributing to gender equality in the business landscape.
- **Youth development** – Recognising the importance of preparing young individuals for the future workforce, the Bank introduced vocational training and skill development programs tailored for emerging industries. Initiatives such as coding clubs and technical training programs have created pathways for sustainable livelihoods, equipping youth with the skills to succeed in a rapidly evolving economy.
- **Differently-abled individuals** – The Bank designed tailored programs to support differently-abled individuals, ensuring they have access to banking services and entrepreneurial resources. These efforts have fostered financial independence and social inclusion, enabling participants to contribute meaningfully to their communities.

Empowering communities through employee volunteerism

The Bank fosters a strong culture of volunteerism, encouraging employees to actively participate in initiatives that align with its sustainability and community engagement goals. Throughout the year, employees played a pivotal role in a diverse range of activities, demonstrating their commitment to environmental conservation, social welfare, and community development.

A key highlight of employee engagement was their contribution to "Trees for Tomorrow", a large-scale 100,000-tree planting initiative, as well as active participation in beach cleaning campaigns. These efforts, which focused on reforestation, biodiversity enhancement, and coastal conservation, reinforced the Bank's dedication to environmental sustainability. Employees also played a significant role in community support projects, engaging in school renovations, disaster relief efforts, and healthcare improvements, making a tangible impact on underserved communities.

To further encourage and recognise employee contributions, the Bank introduced the Best Sustainable Branch and Department Awards as detailed on page 127. This initiative has motivated employees to champion meaningful causes and strengthened the Bank's collective impact in driving positive change.

Social enterprises

Catalysing economic resilience through innovation and inclusivity

The Bank's Social Enterprises initiatives are a testament to its commitment to fostering inclusive economic development and uplifting underserved communities. At the heart of this mission is the empowerment of local enterprises through a blend of financial and non-financial support. By forging strategic collaborations, the Bank has implemented impactful interventions that enhance livelihoods, drive entrepreneurship, and promote environmental sustainability. Tailored initiatives such as capacity-building workshops for women entrepreneurs, financial support for agriculture-based enterprises, and streamlined loan solutions for SMEs underscore the Bank's holistic approach to social enterprise development. These efforts are complemented by innovative projects like childcare centers and value-added agricultural solutions, which directly address socio-economic gaps while fostering resilience and self-reliance. By integrating financial innovation, strategic partnerships, and focused capacity-building programs, the Bank not only nurtures economic self-reliance but also strengthens the foundation for sustainable community ecosystems. These initiatives highlight the Bank's unwavering commitment to fostering transformative change and creating long-term value for communities across Sri Lanka.

Empowering local enterprises

Empowering local enterprises is at the core of the Bank's Social Enterprise initiatives, which aim to foster inclusive economic development and uplift underserved communities. By leveraging strategic partnerships and offering a blend of financial and non-financial support, the Bank has made significant strides in enabling sustainable livelihoods and empowering micro-entrepreneurs.

Empowering women through technology-driven social enterprise

As part of its commitment to social enterprise and economic empowerment, the Bank partnered with the Janarukula Women Society to support women-led cashew processing initiatives in rural Sri Lanka. Recognising the productivity challenges faced by women engaged in cashew peeling, the Bank donated a fully functional cashew peeling machine, significantly improving efficiency and income-generating potential for women entrepreneurs.

This initiative directly benefits approximately 150 members across 12 women's teams in the villages of Bogolla, Pallakele, Kumbukulawa, and Pothuwila, addressing one of the key constraints in the industry - the manual peeling process. Previously, women were only able to process 5 kg of cashews per day, a limitation that restricted their ability to scale production and maximise earnings. With the introduction of this advanced peeling machine, these entrepreneurs can now increase their output, reduce manual labour, and enhance the overall efficiency of their operations.

By integrating technology with social enterprise, the Bank continues to uplift rural women entrepreneurs, providing them with the necessary tools to improve productivity, sustain livelihoods, and contribute to the local economy.

Community engagement and sustainability in Bangladesh operations

Pioneering CSR, sustainability, and women banking initiatives

The newly established CSR, Sustainability, and Women Banking (SWB) department in Bangladesh exemplifies the Bank's commitment to fostering social responsibility, financial inclusion, and sustainable growth. With a focus on aligning with regulatory requirements and advancing sustainable business development, the SWB department launched several impactful initiatives in 2024. These included the promotion of renewable energy and eco-friendly infrastructure projects through green financing, signing agreements with the Bangladesh Bank to secure refinancing facilities for sustainable ventures, and organising school banking fairs and financial literacy programs to empower underserved communities. The Bank also conducted an online women's well-being session for female employees in collaboration with the Head Office in Sri Lanka, reinforcing its dedication to diversity and inclusion.

Promoting financial inclusion and literacy

Financial inclusion remains at the heart of the Bank's community engagement in Bangladesh. Through school banking fairs and workshops, the Bank has successfully educated young individuals and underserved communities about money management, saving, and digital banking. The introduction of tailored financial solutions for SMEs, particularly women-owned businesses, has empowered local entrepreneurs to scale their ventures, creating jobs and boosting the economy. Further, microfinance initiatives have provided much-needed financial support to individuals in rural areas, fostering economic empowerment and self-sufficiency.

Advancing women empowerment

SWB's efforts to promote women empowerment include capacity-building programs and financial products tailored to meet the needs of women entrepreneurs. Plans are in place to launch micro loans and business loans specifically designed for women, alongside training programs to improve financial literacy and business acumen. These initiatives aim to integrate women into the financial ecosystem, driving inclusive economic growth and promoting gender equity in underserved regions.

Sustainability and green financing

The SWB department places a strong emphasis on sustainability, spearheading initiatives that integrate green practices into the Bank's operations. Key projects include adopting energy-efficient lighting, transitioning to inverter-based air conditioning systems, and reducing paper usage through digital archiving.
The Bank's strategic goal of achieving carbon neutrality is supported by a Climate Fund, which allocates 10% of the CSR budget to climate-friendly projects. Furthermore, the Bank is committed to sustainability and climate-related financial disclosures, ensuring transparency and accountability in its environmental efforts.

Community involvement and rapid relief efforts

Beyond long-term sustainability goals, the Bank actively engages in community welfare through targeted CSR activities. With a CSR budget of BDT 7 million in 2024, the Bank allocated resources to education, healthcare, and disaster relief programs, ensuring the welfare of vulnerable populations. Rapid action relief initiatives, coupled with partnerships with regulators and local stakeholders, have further strengthened the Bank's role as a responsible corporate citizen in Bangladesh.

CSR activities undertaken in 2024 by Bank's Bangladesh operations Table – 22

Sector	%	Allocation BDT	CSR Recipient	Amounts spent BDT	Status
Education	30	2,100,000	PMEAT	500,000	Completed
			IHF	600,000	In progress
			Teach For Bangladesh	600,000	In progress
			Alokito Poth	325,000	In progress
			Uttsho Bangladesh	50,000	Completed
			Zoom Bangladesh	25,000	Completed
Health	30	2,100,000	Shakti Foundation	1,000,000	Completed
			Inner Wheel Club	100,000	Completed
			ICDDRB	1,000,000	In progress
Climate Environment & Climate Risk Fund	20	1,400,000	TMSS (tree plantation)	500,000	Completed
			Sajida Foundation (safe Drinking water)	900,000	In progress
Other	20	1,400,000	IHF (flood donation)	967,740	Completed
			Winter CSR	432,260	In progress
Total		7,000,000		7,000,000	

Strategic outlook for the future

Looking ahead, the SWB department plans to expand its impact through innovative initiatives such as the launch of women banking products, the establishment of the Climate Fund, and the implementation of sustainability reporting frameworks. Additional goals include educating lending officers on refinance schemes for sustainable projects, supporting climate-friendly financing, and conducting energy audits to optimise operational efficiency. These strategic measures align the Bank's Bangladesh operations with global sustainability frameworks while reinforcing its commitment to empowering communities, promoting environmental stewardship, and driving inclusive socio-economic development.

By integrating sustainability, financial inclusion, and women empowerment into its core strategy, the Bank's Bangladesh operations demonstrate a holistic approach to creating long-lasting value for stakeholders and communities alike.

Driving sustainability through strategic alliances and affiliations

The Bank's active membership in various international and local alliances underscores its unwavering commitment to sustainability and collective action in addressing environmental challenges. These affiliations serve as vital platforms for collaboration, knowledge sharing, and coordinated efforts to curb greenhouse gas emissions and promote green environmental measures. By aligning with like-minded organisations, the Bank amplifies its ability to address pressing ecological issues, leveraging collective expertise and resources to drive impactful outcomes.

Through partnerships with the following organisations, the Bank consolidates its position as a leading force for sustainability, enabling it to stay at the forefront of global best practices, adopt innovative strategies, and contribute meaningfully to achieving national and international environmental goals.

- Sustainability Banking Initiative of the Sri Lanka Banks' Association
- The United Nations Global Compact (UNGC)
- The Business and Biodiversity Platform of Sri Lanka
- The International Finance Corporation (IFC)

The Bank's participation in these networks demonstrates its deep commitment to safeguarding the planet for future generations. By fostering collaborative efforts, the Bank continues to uphold its role as a responsible corporate citizen, advancing sustainability initiatives that align with its broader mission of creating long-term value for stakeholders and communities alike.

Aligning the Bank's sustainability pillars with those of the CBSL pillars and UN SDGs Figure – 41

UN SDG	KPI	The CBSL pillar	Commercial Bank pillar
5 GENDER EQUALITY	• Realising growth targets within the Bank's WSME portfolio	Financing Vision 2030	Sustainable Banking
7 AFFORDABLE AND CLEAN ENERGY	• Achieving a 25% increase in Green Financing disbursements • Advocating for green loans and leases, including initiatives such as rooftop solar power generation, hydro power generation and wind power generation schemes, to foster sustainable practices.	Financing Vision 2030	Sustainable Banking
7 AFFORDABLE AND CLEAN ENERGY	• Ensuring regulatory compliance concerning environmental and social risk management, disclosures and reporting.	ESG integration into financial market	Sustainable Banking
8 DECENT WORK AND ECONOMIC GROWTH	• Enhancing the product range and expanding offerings to attract investments in sustainability sphere • Introducing novel strategies and services tailored to support MSMEs • Innovating loan products aligning with the Bank's commitment to environmental sustainability	Financing Vision 2030	Sustainable Banking
8 DECENT WORK AND ECONOMIC GROWTH	• Supporting financing for export-oriented projects and import substitution initiatives. • Advancing Sustainable Digital Development initiatives. • Incorporating Environmental and Social risk assessment into the Bank's lending cycle and decision-making processes.	Financial inclusion	Sustainable Banking
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Establishing robust monitoring and evaluation mechanisms. • Ensuring prompt and accurate submission of mandatory reports to regulatory authorities.	Measurement and reporting	Sustainable Banking
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Conducting training sessions for staff to enhance awareness of sustainable finance principles.	Capacity building	Responsible Organisation
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Promoting responsible consumption within the Bank: – Managing and reducing the Bank's energy consumption. – Fostering a culture of sustainability throughout the Bank. – Adopting renewable energy sources and green building practices with regard to Bank's own operations. – Implementing measures to reduce paper usage in the Bank operations and marketing. – Implementing energy-saving practices in IT operations, adhering to the "Energy Star" standard for IT equipment. – Fostering a culture of sustainability throughout the Bank.	Financing Vision 2030	Responsible Organisation
17 PARTNERSHIPS FOR THE GOALS	• Engaging in international collaborations, platforms and partnerships.	International cooperation	Sustainable Banking

Performance Analysis
Financial review

This Financial Review provides an in-depth analysis of the Bank's financial performance for the year 2024, offering valuable insights into the key drivers of growth, financial stability, and strategic outcomes. It should be read in conjunction with the section on Operating Environment and Outlook (pages 55 to 61), which examines global, local, and industry trends that shaped the Bank's financial trajectory. Additionally, the section on Management Discussion and Analysis (pages 83 to 151) elaborates on how the Bank effectively strengthened its financial and non-financial capitals within the framework of its Sustainability Agenda and long-term strategic priorities.

In a year marked by economic recovery and evolving regulatory landscapes, the Bank demonstrated resilience, agility, and sound financial stewardship, navigating challenges while capitalising on emerging opportunities. This review presents a comprehensive assessment of how financial decisions, risk management frameworks, and operational efficiencies collectively contributed to sustainable value creation for all stakeholders.

Performance of the Group

An overview

In a period marked with gradual turnaround of the Sri Lankan economy, demonstrating resilience amidst challenges and setting the stage for sustainable growth, the Commercial Bank Group, comprising Sri Lanka's largest private sector bank, its subsidiaries, and the associate, concluded the year 2024 with the best ever operational performance in its history of operations. The Group's assets grew to Rs. 2.876 Tn., marking an increase of 8.30% (2023 – 6.24%) from Rs. 2.656 Tn., at the end of 2023. The Group recorded a remarkable 154.28% growth in profit after tax, reaching Rs. 55.686 Bn., in 2024 (2023 – Rs. 21.900 Bn.), posting the highest-ever profit in its history. A commendable growth in income from core banking operations and the net impact, consequent to the conclusion of the debt restructuring program in relation to SLISBs, as detailed below, contributed for this exceptionally strong financial performance. Notably, even after discounting for the net impact of the debt restructuring program, the Group recorded a strong performance.

With the Bank accounting for 97.00% of the total assets (2023 – 97.17%) and 97.10% of the Group's profit after tax (2023 – 93.43%), the following analysis delves into the Bank's financial performance in detail. Subsequently, a brief overview of the Bank's operations in Bangladesh, other overseas operations, operations in local subsidiaries, and the associate is given on pages 161 to 165.

Performance of the Bank

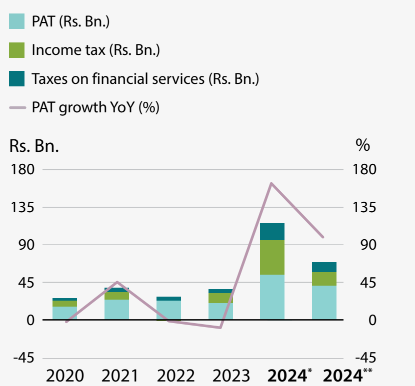
An overview

The Bank's total assets surpassed the Rs. 2.5 Tn. milestone in 2023 and continued to hold its position as the only private sector commercial bank in the country with an asset base exceeding this threshold. As of December 31, 2024, total assets of the Bank stood at Rs. 2.790 Tn. compared to Rs. 2.580 Tn. in 2023, reflecting a growth of 8.12% (2023 – 6.37%). This growth, amounting to Rs. 209.452 Bn., was primarily supported by an increase in deposits, which grew by Rs. 151.521 Bn., or 7.27% (2023 – 8.92%), reaching Rs. 2.237 Tn., by year-end, compared to Rs. 2.085 Tn., at the end of 2023. Notably, the Bank achieved the milestone of being the only private sector bank to surpass Rs. 2 Tn., mark in deposits in the fourth quarter of 2023, an achievement that the Bank is maintaining to date. Net lending portfolio grew by Rs. 208.165 Bn., or 17.70% (2023 – 4.06%), reaching Rs. 1.385 Tn., by the end of the year, compared to Rs. 1.176 Tn., in 2023. It is noteworthy to mention that the Bank was able to increase its market share in total assets, deposits and loans and advances to 13.16%, 12.90% and 13.22% in 2024, respectively, from 12.65%, 12.54% and 11.49% respectively, at the end of 2023, as shown in the Table – 05 on page 61 on the Bank's performance in 2024 compared to the Banking Sector.

It is pertinent to mention that the Bank achieved the above milestones despite the appreciation of the Rupee to 293.00 from 324.25 against the US Dollar by 10.67% during the year.

In 2024, the Bank's profit after tax rose to Rs. 54.074 Bn., showing a significant increase of 164.28% compared to Rs. 20.461 Bn. in 2023, which experienced a negative growth of 10.92%.

Profit growth Graph – 20



* Reported **Normalised

Performance of the Colombo Stock Exchange (CSE) in 2024

The CSE maintained its strong bullish momentum in 2024, building on its stellar performance from the previous year. The All Share Price Index (ASPI) surged 49.66% to close at 15,945 points, outperforming its 25.50% rise in 2023. The S&P SL20 Index, representing the most liquid and capitalised stocks, saw an even sharper 58.46% increase, closing at 4,862 points.

This rally significantly expanded market capitalisation to Rs. 5.696 Tn., by end 2024, a 34.05% growth from Rs. 4.249 Tn., in 2023. Strong investor confidence, supported by improving macroeconomic stability, reinforced the CSE's role as a key driver of capital formation and economic recovery.

Performance of the Banking Sector and Commercial Bank shares in 2024

Against the backdrop of the strong performance of the ASPI and S&P SL20 indices in 2024, the Bank Index climbed 67.77% to close at 1,337 points, reflecting strong sector growth, though at a moderated pace compared to 106.64% in 2023.

The Bank's ordinary voting and non-voting shares appreciated 51.57% and 43.66%, respectively, with market prices closing at Rs. 144.75 (voting) and Rs. 115.50 (non-voting), up from Rs. 95.50 and Rs. 80.40 in 2023, as detailed in Table – 31 on page 182 Despite trading at 0.85 times book value (compared to 0.58 times in 2023), the Bank's shares maintained the highest valuation among peers, reinforcing investor confidence and its market leadership in the sector.

Reflecting the Bank's strong financial performance, its balanced dividend policy, and its commitment to delivering sustainable shareholder value, the Board of Directors has proposed a first and final dividend of Rs. 9.50 per share for 2024. This includes a cash dividend of Rs. 7.50 per share (a regular cash dividend of Rs. 5.50 per share and a special cash dividend of Rs. 2.00 per share) (Rs. 4.50 in 2023) and a scrip dividend of Rs. 2.00 per share (Rs. 2.00 in 2023). The proposed dividend aligns with the Bank's capital augmentation strategy, ensuring continued financial resilience while providing an attractive return to shareholders and attributing to the non-recurring profits recognised during the year 2024.

Impact of the Debt Restructuring Program of the Government of Sri Lanka to the Bank

As part of the Debt Restructuring Program of the Government of Sri Lanka, investments in SLISBs were restructured on December 20, 2024. The Bank had a cumulative impairment provision of 54% of the carrying value to cover potential losses on its investments in SLISBs as of that date (the de-recognition date) which had a face value of USD 517.080 Mn. Under the two restructuring options offered, namely, "Local Bonds Option" and "Global Bonds Option", the Bank opted for the "Local Bonds Option" as it offered a significantly lower principal haircut compared to the Global Bonds Option, albeit lower coupon rates and extended maturities and received 30% of its exposure in Local LKR Bonds (amounting to Rs. 45.033 Bn., or USD 153.700 Mn.) and also accepted a 10% nominal haircut on the face value of the remaining 70% of SLISBs. Consequently, a new USD-denominated bond (Step-Up Bond) was received, which represented 63% of the original face value (amounting to USD 325.760 Mn.), with the Government retaining the option to settle this bond in Sri Lankan Rupees in the event of a default. Further, a "Past Due Interest" (PDI) bond amounting to USD 68.420 Mn., after applying a 11% haircut on past-due interest claims was also received. A shortfall in committee expenses of USD 0.464 Mn., was deducted from the first amortisation of the PDI bond payment received in December 2024. Additionally, an Exchange Fee Bond with a face value of USD 9.602 Mn., was also received for consenting for the debt restructuring program.

The bonds issued under the exchange program were recognised in the Financial Statements as new financial instruments and measured at their fair value using the discounted cash flow valuation method. Since the PDI Bond and the Step-Up Bond referred to above were issued at a lower yield, the Bank determined the exit yields in line with the Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments" (SLFRS 9), to arrive at their fair value on initial recognition.

As a result, the following adjustments were made to the Financial Statements for the year under review:

- Recognition of a loss Rs. 45.108 Bn., comprising a day-one loss of Rs. 39.277 Bn., on USD Step-Up- Bond and PDI Bond and a net capital loss on haircut of Rs. 5.831 Bn., in the "Net gains/(losses) from derecognition of financial assets" in the Income Statement.
- Reversal of the cumulative impairment provision of Rs. 92.858 Bn., as of the de-recognition date, to the "impairment charges/(reversal) and other losses" in the Income Statement.
- Reversal of the deferred tax asset of Rs. 25.522 Bn., recognised on the cumulative impairment provision for SLISBs derecognised to the "income tax expense" in the income statement.

Given the significant impact of these adjustments on the financial performance for the year under review, readers are advised to consider this fact when interpreting the results. To assist the reader in this regard, we have provided a "Normalised Income Statement" below, which excludes the impact of these adjustments and related taxes, for the year 2024 alongside the reported figures for 2023 from the Annual Report 2023. Accordingly, the following analysis of the Bank's financial performance for 2024 is based on the Normalised Income Statement. However, the analysis of Sections on profitability and the Statement of Other Comprehensive Income is based on the Audited Financial Statements published in the Annual Report.

Furthermore, as the impact of the adjustments referred to above on the financial position is not material, the analysis on Statement of Financial Position as at December 31, 2024, is presented as per the Audited Financial Statements published in the Annual Report.

Income Statement of the Bank Table – 23

For the year ended December 31,	2024 Rs. '000 (Normalised)	2023 Rs. '000 (As reported in the Annual Report)	Change %
Gross income	312,439,113	335,770,196	(6.95)
Interest income	269,596,222	292,618,360	(7.87)
Less: Interest expense	155,037,883	209,514,795	(26.00)
Net interest income	114,558,339	83,103,565	37.85
Fee and commission income	33,246,118	29,704,104	11.92
Less: Fee and commission expense	10,716,909	8,145,910	31.56
Net fee and commission income	22,529,209	21,558,194	4.50
Net gains/(losses) from trading	(2,201,010)	(12,481,613)	82.37
Net gains/(losses) from derecognition of financial assets	4,090,697	5,060,242	(19.16)
Net other operating income	7,707,086	20,869,103	(63.07)
Other operating income	9,596,773	13,447,732	(28.64)
Total operating income	146,684,321	118,109,491	24.19
Less: Impairment charges/and other losses	28,286,959	38,623,739	(26.76)
Net operating income	118,397,362	79,485,752	48.95
Less: Expenses			
Personnel expenses	26,913,870	21,956,866	22.58
Depreciation and amortisation	4,669,731	4,283,566	9.02
Other operating expenses	18,069,772	16,403,768	10.16
Total operating expenses	49,653,373	42,644,200	16.44
Operating profit before taxes on financial services	68,743,989	36,841,552	86.59
Less: Taxes on financial services	11,796,956	4,961,392	137.78
Profit before tax	56,947,033	31,880,160	78.63
Less: Income tax expense	16,345,777	11,419,198	43.14
Profit for the year	40,601,256	20,460,962	98.43

Income Statement

Financial intermediation

The normalised gross income decreased by 6.95% in 2024, compared to the growth of 21.90% in 2023, to Rs. 312.439 Bn., from Rs. 335.770 Bn., reported in 2023. This decrease in gross income coupled with the growth in average assets for the year of 7.27% (14.43% in 2023), the financial intermediation margin (calculated as gross income divided by average total assets) dropped to 11.64% by the end of 2024, compared to 13.41% in 2023, representing a decrease of 177 basis points (bps). The financial intermediation margin for the banking sector as a whole stood at 11.59% in 2024 (14.44% in 2023).

Fund-based operations

Interest income, constituting 86.29% of the normalised gross income amounting to Rs. 312.439 Bn., (87.15% in 2023), dropped to Rs. 269.596 Bn, in the year from Rs. 292.618 Bn., in 2023, recording a decrease of 7.87% (as against the growth of 34.03% in 2023). This drop was primarily driven by a decrease in average interest rate on interest-earning assets by 2.27%. However, the negative impact of the above was partly offset due to the growth in average interest-earning assets by Rs. 245.198 Bn.

The growth in average interest-earning assets was primarily funded by the increase in deposits and funds raised to strengthen the regulatory capital. A notable growth of 17.70% (2023 – 4.06%) observed in net loans and advances mainly contributed to the growth in average interest-earning assets. The average interest rate on interest-earning assets dropped due to the re-pricing effect on both the loans and advances portfolio and the other interest earning assets which mainly include Government securities, as a result of the lower interest rate regime prevailed following the easing of monetary policy. Interest income earned from sources other than loans and advances contributed 47.31% of the total interest income, compared to 46.44% in 2023, while the former marked a decrease of 6.15% as against the increase of 80.62% in 2023. Meanwhile, interest income from loans and advances decreased by 9.36% in 2024 (as against a growth of 9.53% in 2023), accounting for 52.69% of the total interest income, compared to 53.56% in 2023.

Interest expenses, comprising 57.51% of the interest income (71.60% in 2023), decreased to Rs. 155.038 Bn., for the year from Rs. 209.515 Bn., in 2023, recording a significant drop of 26.00% (as against a growth of 53.40% in 2023). This decrease was primarily driven by a 3.25% reduction in the average cost of funds, achieved through the timely repricing of deposits under the lower interest rate environment that prevailed during the year. However, the positive impact due to the favourable movement in the interest rates was partly offset due to the increase in average interest-bearing liabilities by Rs. 146.734 Bn. and the marginal decrease in the CASA ratio of the Bank to 38.07% from 39.23% in 2023. However, the CASA ratio of the Bank is considered an industry benchmark compared to the industry CASA ratio of 32.02%.

As a result, the Bank's net interest income increased to Rs. 114.558 Bn., from Rs. 83.104 Bn., recorded in 2023, reflecting a significant growth of 37.85% (compared to the marginal increase of 1.66% in 2023), and represented 78.10% of the total normalised operating income (70.36% in 2023). The Bank's net interest margin too, which indicates the difference between the return on average interest-earning assets and the cost of funds of average interest-bearing liabilities, improved by 98 basis points to 3.80% in 2024 compared to 2.82% reported in 2023.

Fee-based operations

Fee and commission income reached Rs. 33.246 Bn., compared to Rs. 29.704 Bn., in 2023, reflecting a growth of 11.92% (16.65% in 2023). This increase was primarily driven by higher income from credit and debit card-related services and other financial services provided during the year.

On the other hand, fee and commission expenses, primarily associated with credit and debit card-related services, too rose to Rs. 10.717 Bn., from Rs. 8.146 Bn., in 2023, with a higher increase of 31.56% (36.39% in 2023).

Consequently, net fee and commission income increased to Rs. 22.529 Bn., compared to Rs. 21.558 Bn., in 2023, recording a lower growth of 4.50% (10.60% in 2023). Net fee and commission income accounted for 15.36% of the normalised total operating income (18.25% in 2023).

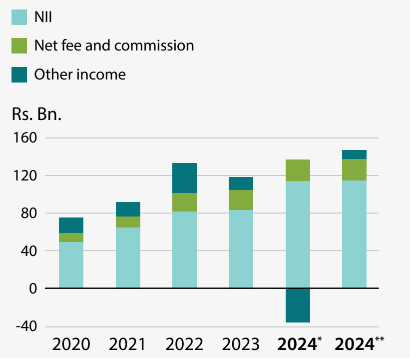
Other operating income

The Bank's normalised other operating income, consisting of net gains or losses from trading, net gains or losses from de-recognition of financial assets, and net other operating income, decreased by 28.64% to Rs. 9.597 Bn. for the year, compared to Rs. 13.448 Bn., reported in 2023 (a drop of 57.52%). The primary factor contributing to this decrease was the drop in net other operating income by 63.07% to Rs. 7.707 Bn., from Rs. 20.869 Bn., in 2023, mainly due to the decrease in exchange gains from the revaluation of assets and liabilities, which was largely offset by a reduction in net losses from trading by 10.281 Bn., or 82.37% to Rs. 2.201 Bn., for the year compared to the net loss of Rs. 12.482 Bn., in 2023.

Total operating income

The improvements in both net interest income and net fee and commission income contributed to the normalised total operating income of the Bank to improve to Rs.146.684 Bn., representing an increase of 24.19% compared to Rs. 118.109 Bn., reported in 2023 (as against the drop of 11.12%).

Total operating income Graph – 21

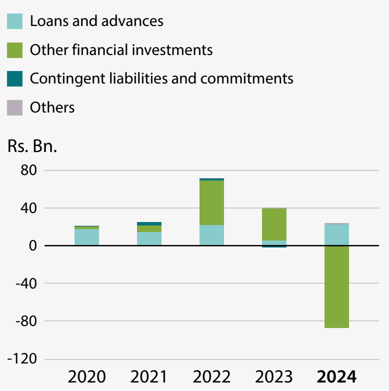


** Reported **Normalised*

Impairment charges and other losses

The normalised impairment charges and other losses reflected a decrease of Rs. 10.337 Bn., or 26.76% to Rs. 28.287 Bn., for the year, compared to Rs. 38.624 Bn., in 2023, This was primarily due to the impairment provisions made on SLISBs in 2024 being only Rs. 4.288 Bn., compared to Rs. 35.262 Bn., in 2023. During the year 2023, the Bank proactively increased its provision cover for SLISBs from 35% to 52% and further increased the provision cover to 54% in the 2nd quarter of 2024. These measures helped the Bank to mitigate the net losses sustained on the restructuring of SLISBs. However, as a prudent measure, impairment provisions for loans and advances were increased to Rs. 22.816 Bn., for the year, compared to Rs. 5.690 Bn., in 2023, which partly offset the positive impact of the decrease in impairment charges for SLISBs.

Impairment charges Graph – 22



Net operating income

Consequently, the net normalised operating income for the year surged by 48.95% (29.40% in 2023) to Rs. 118.397 Bn., from Rs. 79.486 Bn., reported in 2023. This increase was primarily driven by the increase in the contribution from fund and fee-based operations.

Operating expenses

Total operating expenses for the year amounted to Rs. 49.653 Bn., compared to Rs. 42.644 Bn., reported in 2023, an increase of Rs. 7.009 Bn., or 16.44% (22.06% in 2023). This increase was primarily driven by an increase in personnel expenses by 22.58% (14.88% in 2023), to Rs. 26.914 Bn., from Rs. 21.957 Bn., in 2023, due to salary increments and other staff related expenses. Additionally, other operating expenses for the year also increased by 10.16% (33.80% in 2023) to Rs. 18.070 Bn., from Rs. 16.404 Bn., in 2023, mainly attributed to cost of additional services obtained by the Bank to enhance the customer service levels and price hikes across various expense categories as a result of increase of indirect taxes during the year. Depreciation and amortisation expenses also rose to Rs. 4.670 Bn., with an increase of 9.02% (20.21% in 2023), primarily due to investments made in IT-related assets.

Consequently, the Bank's normalised Cost to Income ratio (excluding taxes on financial services) for 2024 dropped to 33.85% for the year from 36.11% in 2023.

Operating profit before taxes on financial services and taxes on financial services

With operating expenses for the year growing by a modest 16.44%, the Bank reported a normalised operating profit before taxes on financial services of Rs. 68.744 Bn., compared to the previous year's figure of Rs. 36.842 Bn., an increase of 86.59% (39.07% in 2023).

Based on the normalized operating profit as mentioned above, the taxes on financial services of the Bank amounted to Rs. 11.797 Bn., compared to Rs. 4.961 Bn. in 2023, which represented an increase of 137.78% (27.47% in 2023).

Consequently, the Bank's normalised Cost to Income ratio (including taxes on financial services) for 2024 marginally increased to 41.89% for the year from 40.31% in 2023.

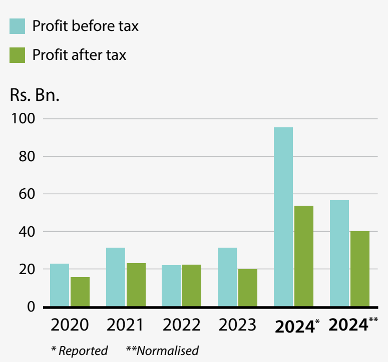
Profit before and after taxes

Due to the increase in taxes on financial services outpacing the increase in operating profit before taxes on financial services, as explained earlier, the normalized profit before taxes for the year increased to Rs. 56.947 Bn., recording a growth of 78.63% (41.07% in 2023).

As such, based on the normalised income statement, income tax charge for the year increased to Rs. 16.346 Bn., compared to Rs. 11.419 Bn., in 2023, an increase of 43.14%.

Consequently, the profit after tax for the year stood at Rs. 40.601 Bn., compared to Rs. 20.461 Bn., in 2023 with a growth of 98.43%. It is pertinent to mention that even after normalising the net effect of the restructuring of SLISBs, the above profit after tax, stands as the highest ever profit after tax reported by the Bank in its history.

Profit before and after tax Graph – 23

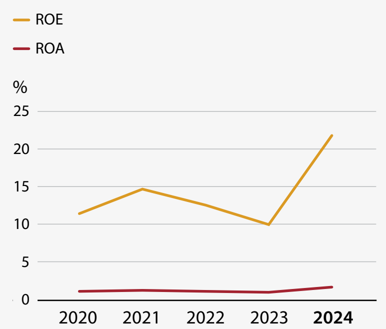


Profitability

Reflecting the significant growth in profit after tax, both the Return on Assets (ROA) and Return on Equity (ROE) increased to 2.01% (0.82% in 2023) and 22.06 % (9.78% in 2023) respectively, despite the growth in total assets and equity during the year.

Similarly, the ROA (before tax) for the year too increased to 3.56% from 1.27% in 2023, with the significant growth in profit before tax as explained earlier.

ROE & ROA Graph – 24



Other Comprehensive Income (OCI)

The Bank reported a loss of Rs. 10.277 Bn., in Other Comprehensive Income during the year, compared to a loss of Rs. 8.465 Bn., reported in 2023. This was primarily due to a loss of Rs. 10.890 Bn., (Rs. 11.086 Bn. in 2023) on the translation of financial statements of the Bank's Bangladesh operations. Further, net gains on investments in financial assets (debt instruments) classified under Fair Value through Other Comprehensive Income (FVOCI) decreased by 98.83% (as against the increase of 113.38% in 2023) during the year recording a gain of Rs. 22.137 Mn. only, compared to the gain of Rs. 1.899 Bn., recorded in 2023. In addition, there was a net surplus on the revaluation of freehold land and buildings of the Bank, amounting to Rs. 1.012 Bn., in 2023 as per the Bank's policy on revaluation of freehold land and buildings. However, the negative effect of the above factors during the year was partially offset by a net gain of Rs. 1.010 Bn., (as against a loss of Rs. 13.481 Mn., in 2023), recognised on revaluation of investments in Financial Assets (equity instruments) at FVOCI.

As a result, the total comprehensive income of the Bank for the year 2024 increased to Rs. 43.796 Bn., compared to Rs. 11.996 Bn., reported in 2023, reflecting a significant growth of 265.09% (as against the negative growth of 75.61% in 2023).

Statement of Financial Position

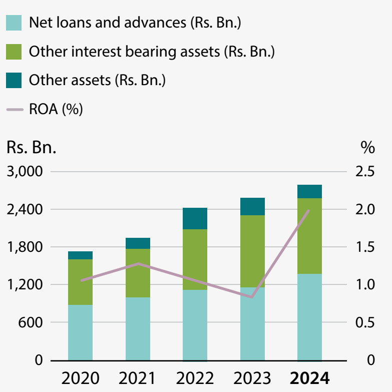
During the year 2024, the Bank reinforced its dominant position as the leader among the private sector banks in the country by further improving its assets, loans and advances portfolio and the deposit base.

In 2023, the Bank became the first private sector Bank in the country to surpass Rs. 2.5 Tn., in assets and Rs. 2 Tn. in deposits, solidifying its status as the benchmark private sector Bank in the country. Those accomplishments added to its legacy of being the first private sector Bank to surpass Rs. 1 Tn., mark in total assets (achieved in 2016), deposits (achieved in 2019) and loans and advances (achieved in 2021).

Assets

During the year, the Bank's total assets grew by a healthy 8.12% (6.37% in 2023), reaching Rs. 2.790 Tn., from Rs. 2.580 Tn., at the end of 2023. This growth rate significantly exceeded the industry's asset growth rate of 3.95% (5.04% in 2023). Notably this growth has been achieved despite the downward revaluation effect on the Bank's assets and liabilities denominated in foreign currency due to appreciation of the Sri Lankan Rupee against the US Dollar as mentioned earlier. It is noteworthy to mention that almost the entirety of this growth came from the increase in net loans and advances.

Composition of total assets Graph – 25



Loans and advances to customers

As of December 31, 2024, gross loans and advances of the Bank increased to Rs. 1.487 Tn., from Rs. 1.266 Tn., a year ago. The net loans and advances stood at Rs. 1.385 Tn., as of December 31, 2024, compared to Rs. 1.176 Tn., at the end of 2023, reflecting an improvement of 17.70% (4.06% in 2023). Net loans and advances accounted for 49.63% of total assets as of December 31, 2024, reflecting a notable improvement over the 45.59% reported in 2023.

The Bank continued to maintain its position as the largest lender to the SME sector in Sri Lanka for the fourth consecutive year (see page 104 for details). It is noteworthy to mention that the gross loans and advances portfolio of the Bank's operations in Bangladesh too reported a growth of 15.00% in 2024 (24.70% in 2023) in BDT terms.

Asset quality

The quality of loans and advances serves as a critical factor in assessing the sustainability of the Bank's operations. Despite greater stability in the Sri Lanka's macroeconomic environment in 2024 in the backdrop of conclusion of the much awaited debt restructuring programme, eased inflation, falling interest rates and stabilisation of forex market, fostering a more favourable environment for businesses and financial institutions, the Bank is mindful of the possible challenges of the volatilities that could arise from the macroeconomic conditions prevailing in Bangladesh. Consequently, impairment provisions in Sri Lanka for loans and advances in Stage 1 and Stage 2 reduced, reflecting improved asset quality under the improved macroeconomic conditions. However, impairment provisions for loans and advances classified under Stage 3 in Sri Lanka were increased as a prudential measure. In the meantime, impairment provisions for loans and advances portfolio in Bangladesh too were increased, as required by SLFRS 9, under Expected Credit Loss (ECL) models, given the uncertainties that prevailed. These proactive measures resulted in both the Net Impaired Loans (Stage 3) to total loans and advances ratio (including undrawn commitments) and Impaired Loans (Stage 3) to total loans and advances ratio (excluding undrawn commitments) improving to 2.76% (2023 – 5.85%) and 8.59% (2023 – 11.34%), respectively, by the end of 2024, demonstrating the Bank's approach for prudent risk management.

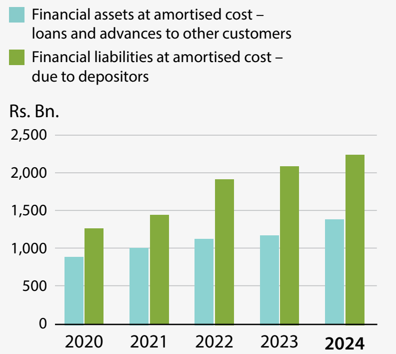
Consequently, cumulative impairment provisions for stage 3 loans and advances as a percentage of stage 3 loans and advances. (Stage 3 Impairment Coverage Ratio) significantly improved to 66.33% (2023 – 44.03%) while the cumulative impairment provisions for loans and advances as a percentage of the total loans and advances (Total Impairment Coverage Ratio) stood at 6.89% (7.05% in 2023), by the end of 2024, reflecting overall improvement in quality of the loan book of the Bank.

These ratios though reflect mix results compared to the industry averages of 52.31% and 8.67% respectively, demonstrate the proactive stance taken by the Bank in its risk management practices.

Moreover, the open credit exposure ratio, which represents the net exposure on Stage 3 loans as a percentage of regulatory capital, saw a significant improvement and stood at 15.06% at the end of 2024 (38.69% in 2023) compared to industry averages of 34.48% (40.90% in 2023), amply demonstrating the soundness of the Bank's risk management process.

It is important to note that the Bank's loans and advances portfolio is well diversified across multiple industry sectors, minimizing significant exposure to any single sector and enhancing resilience against sector-specific risks. Further details on the sector-wise distribution of loans to customers are available on page 360.

Deposits and advances Graph – 26



Deposits

With our solid franchise, customer deposits continued to remain the primary source of funding for the Bank, constituting 80.17% of the total assets as of December 31, 2024 (80.81% in 2023), compared to the industry average of 81.79% (81.54% in 2023). Deposits grew by 7.27% to reach Rs. 2.237.Tn., by the end of 2024, compared to the growth rate of 8.92% in 2023, despite the effect of the appreciation of the Rupee against the US Dollar during the year. The growth in deposits for the year amounted to Rs. 151.521 Bn. (Rs. 170.687 Bn. in 2023)

The Bank's CASA ratio stood at 38.07% as of December 31, 2024, compared to 39.23% in 2023, which is considered the industry best compared to the industry average of 32.02% in 2024 (32.32% in 2023).

Other liabilities

Total other liabilities at the year-end amounted to Rs. 277.952 Bn., compared to Rs. 280.351 Bn., at the end of 2023. In July 2024, the Bank raised Rs. 20 Bn., through the issuance of BASEL III compliant, Tier 2, listed, rated, unsecured, subordinated, redeemable debentures with a non-viability conversion feature, to further strengthen Tier II Capital while Rs. 12 Bn., worth of similar debentures were raised in 2023.

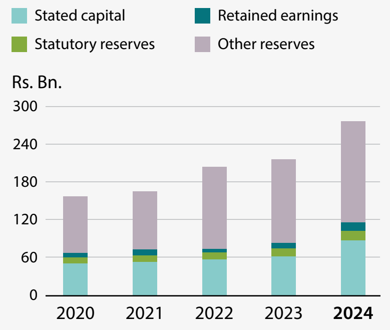
Capital

The Bank is guided by its Internal Capital Adequacy Assessment Process (ICAAP), Capital Augmentation Plan, and the Board-approved dividend policy to maintain capital levels aligned with its current and projected business growth. Accordingly, the Bank raised Rs. 22.544 Bn., via a rights issue in August 2024 to strengthen its Tier I capital base. Consequently, with the capital raised via the rights issue and supported by the total comprehensive income for the year and with its prudent dividend policy, the Bank increased its equity capital by 28.07% (5.51% in 2023) to Rs. 275.262 Bn., as of December 31, 2024, compared to Rs. 214.931 Bn., as of December 31, 2023. With an on-balance sheet multiplier (gearing ratio) of 10.14 times (12.01 times in 2023), equity funded 9.87% (8.33% in 2023) of total assets as of the current year-end, compared to industry averages of 11.17 times (11.55 times 2023) and 8.95% (8.66% in 2023) respectively. The Bank expected to ploughed back Rs. 41.510 Bn., from the profit for the year 2024 after the payment of dividends.

The risk-weighted assets of the Bank increased to Rs.1.574 Tn., as of December 31, 2024, from Rs. 1.371 Tn., as of the end of 2023 by 14.86% (1.12% in 2023). However, both the Tier 1 and total capital ratios improved to 14.227% (11.442% in 2023) and 18.142% (15.151% in 2023) respectively, as at December 31, 2024, comfortably above the regulatory minimum ratios of 10% and 14% respectively. These ratios demonstrate the Bank's compliance with the higher capital adequacy requirements as a one of the top tier Domestic Systemically Important Bank (D-SIB) under Basel III regulations, highlighting its significance to the Sri Lankan economy.

The equity multiplier, in terms of risk-weighted assets to regulatory total capital, decreased to 5.51 times from 6.60 times a year ago.

Shareholder's funds Graph – 27



Liquidity

The growth in loans and advances outpacing deposit growth witnessed during the year, did not exert pressure on the Bank's liquidity, as it maintained excess liquidity throughout the year. This surplus liquidity provides a strong assurance and positions the Bank to capitalize on expected increases in credit demand. Recognising its importance, liquidity review remains a key agenda item in the Bank's fortnightly ALCO meetings.

The gross loans to deposits ratio stood at 66.48% (60.70% in 2023). Available stable funding, as defined by the CBSL, amounted to Rs. 2.123 Tn., as of December 31, 2024 (Rs. 1.933 Tn., in 2023), leading to a Net Stable Funding Ratio (NSFR) of 187.29% (193.70% in 2023), nearly double the minimum statutory requirement of 100%. This underscores the Bank's ability to meet its long-term funding requirements. Moreover, the Liquidity Coverage Ratio (LCR) for all currencies and the Liquidity Coverage Ratio for the Rupee stood at 454.36% (2023: 516.27%) and 529.20% (2023: 491.61%) respectively, as of December 31, 2024, both more than four times the statutory minimum of 100%. These ratios signify the Bank's ability to supply of unencumbered high-quality liquid assets, ensuring its ability to withstand short-term liquidity disruptions.

Segmental performance

The Corporate and the Personal Banking Divisions made a significant contribution to the Group's profit before tax in 2024. In addition, the Treasury Division of the Bank too made an enhanced contribution to the profit before tax of the Group largely due to the reversal of impairment charges upon conclusion of the SLISB restructure program in December 2024. However, contribution to the Group's profit before tax from the International Operations reduced mainly due to increased impairment provisions made for loans and advances portfolio of the Bangladesh Operation as a prudential measure as explained previously.

For a detailed analysis of segmental performance, please refer to pages 159 and 160 and the Note 61 to the Financial Statements on Operating Segments on pages 418 and 419.

Quarterly financial performance and the financial position of both the Group and the Bank for 2024 and 2023 can be found on pages 166 to 171, while the Bank's performance in terms of key indicators over the past 10 year period is given in the "Decade at a Glance" section on pages 172 to 175.

The Financial Soundness Indicators presented below offer valuable insights into the financial robustness and stability of the Bank.

Core Financial soundness indicators (FSIs) Table – 24

Financial soundness indicator (%)	2024	2023	2022	2021	2020
Capital Adequacy Ratios (under Basel III regulations)					
Common Equity Tier 1 ratio (Current minimum requirement – 8.5%)	14.23	11.44	11.39	11.92	13.22
Tier 1 capital ratio (Current minimum requirement – 10%)	14.23	11.44	11.39	11.92	13.22
Total Capital Ratio (Current minimum requirement – 14%)	18.14	15.15	14.66	15.65	16.82
Asset Quality Ratios					
Impaired loans (Stage 3) ratio (Based on existing regulatory provisions which includes undrawn commitments)	2.76	5.85	5.25	3.85	6.78
Impairment (Stage 3) to Stage 3 Loans Ratio (Based on existing regulatory provisions which includes undrawn commitments)	64.61	43.22	39.60	42.76	30.87
Total impairment coverage ratio	6.89	7.05	7.32	5.94	5.38
Cost of credit risk	1.53	0.45	1.80	1.35	1.88
Non-Performing Credit Facilities (NPCFs) – [net of impairment] to Equity	15.63	37.38	33.56	26.69	N/A
Open credit exposure ratio (Net exposure on NPCFs as a % of regulatory capital)	15.06	38.69	34.41	25.33	N/A
Earnings and Profitability Ratios					
Net interest income to total operating income *	78.10	70.36	61.51	70.69	66.15
Net fee and commission income to total operating income *	15.36	18.25	14.67	12.86	12.35
Other income to total operating income *	6.54	11.39	23.82	16.45	21.50
Operating expenses to gross income *	15.89	12.70	12.68	17.96	16.99
Impairment charge to total operating income *	19.28	32.70	53.78	27.02	28.67
Cost to income ratio (including taxes on financial services) *	41.89	40.31	29.22	37.97	39.96
Cost to income ratio (excluding taxes on financial services) *	33.85	36.11	26.29	31.61	33.95
Financial intermediation margin (Gross income to average assets) *	11.64	13.41	12.59	8.73	9.59
Interest margin (Net interest income to average assets)	4.27	3.32	3.74	3.51	3.17
Return on assets (ROA) – before income tax	3.56	1.27	1.03	1.74	1.51
Return on assets (ROA) – after income tax	2.01	0.82	1.05	1.28	1.05
Return on equity (ROE)	22.06	9.78	12.46	14.66	11.28
Liquidity Ratios					
Liquidity coverage ratio (LCR) – Rupee – (Current minimum requirement – 100%)	529.20	491.61	405.91	425.97	599.38
Liquidity coverage ratio (LCR) – All currency – (Current minimum requirement – 100%)	454.36	516.27	293.91	242.52	422.86
Net stable funding ratio (NSFR) – (Current minimum requirement – 100%)	187.29	193.70	173.58	157.47	157.49
CASA ratio (Current and Savings deposits as a % of total deposits)	38.07	39.23	38.36	47.83	42.72
Gross loans and advances to deposits ratio	66.48	60.70	63.71	74.75	74.87
Assets and Funding Structure related Ratios					
Deposits to gross loans and advances	150.42	164.75	156.96	133.78	133.56
Deposits to total assets	80.17	80.81	78.92	74.03	72.92
Borrowings to total assets	2.58	1.91	3.20	3.64	5.35
Equity to total assets	9.87	8.33	8.40	8.46	9.05

** Current year figures are normalized for the effect of the SLISB restructure.*

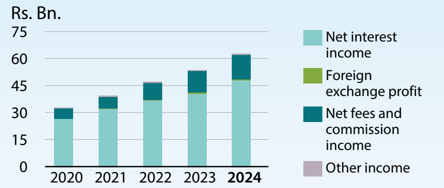
Segmental Analysis – Group

Personal Banking

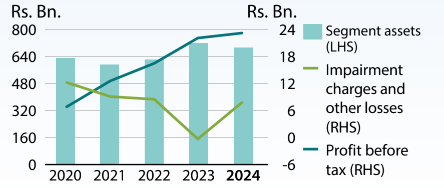
- Highest contributor of the Group in terms of net interest income, net fee and commission income and net operating income.
- Total operating income increased by 17.14% to Rs. 62.846 Bn., contributing 58.7% to the Group.
- Profit before tax increased by 5.20% to Rs. 23.497 Bn.
- Increase in impairment charges by 8.511 Bn. (1,212.39%) was driven mainly by increase in impairment provisions on stage 3 customers during 2024.
- Achieved a compound annual growth rate (CAGR) of 23.85% in profit before tax over the past 3 years, demonstrating consistent expansion and strong market performance.
- Accounted for 24% of the assets of the Group as at end of 2024.

Rs. Bn.	2024	2023	Change	Change as a %
Net interest income	48.020	40.715	7.305	17.94
Foreign exchange profit	0.590	0.604	(0.014)	-2.32
Net fees and commission income	13.463	11.802	1.661	14.07
Other income	0.773	0.532	0.241	45.30
Total operating income	62.846	53.652	9.194	17.14
Impairment charges and other losses	(7.809)	0.702	(8.511)	-1212.39
Net operating income	55.037	54.354	0.683	1.26
Profit before tax	23.497	22.335	1.162	5.20
Segment assets	690.083	716.364	(26.281)	-3.67

Total operating income Graph – 28



Assets vs profit before tax vs impairment charges Graph – 29

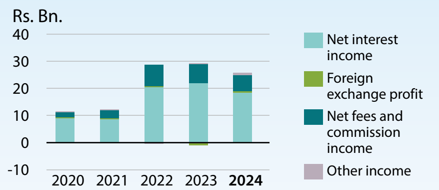


Corporate Banking

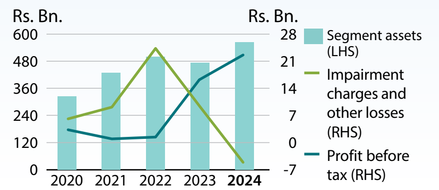
- Profit before tax increased by 40.27% to Rs. 23.230 Bn., contributing almost 23.75% to the Group.
- Net operating income increased to Rs. 31.201 Bn. with significant increases of 62.68%. The main contributory factor for the above increases was the reversal of impairment charges and other losses by 156. 37% as a result of the derecognition of existing SLISBs under Off Shore Banking Unit.
- Accounted for almost one fifth of the assets of the Group as at end of 2024, with a growth of Rs. 88.929 Bn., during the year mainly due to increase in loans and advances portfolio.

Rs. Bn.	2024	2023	Change	Change as a %
Net interest income	18.497	21.869	(3.372)	-15.42
Foreign exchange profit	0.414	(0.460)	0.874	-190.00
Net fees and commission income	6.063	7.094	(1.031)	-14.53
Other income	0.798	0.306	0.492	160.78
Total operating income	25.773	28.808	(3.035)	-10.54
Impairment charges and other losses	5.428	(9.629)	15.057	-156.37
Net operating income	31.201	19.179	12.022	62.68
Profit before tax	23.230	16.561	6.669	40.27
Segment assets	561.360	472.431	88.929	18.82

Total operating income Graph – 30



Assets vs profit before tax vs impairment charges Graph – 31

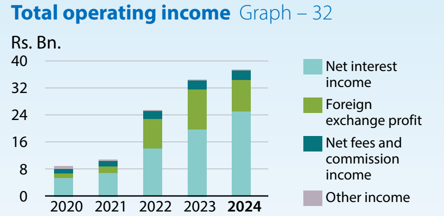


International operations

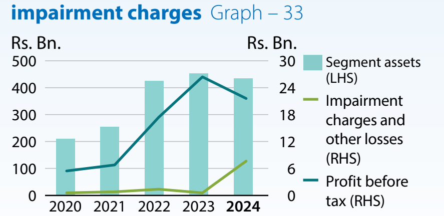
- Significant Increase in net interest income by 27.35% due to increase in the interest income earned from investments in Bangladesh government securities and interest income earned from the loans and advances from Bangladesh customers
- Highest contributor of the Group in terms of foreign exchange profit amounting to Rs. 9.295 Bn., mainly due to the net exchange profit reported on revaluation of foreign currency denominated assets & liabilities of Bangladesh operations.
- The Bangladesh operations of the Bank made a noteworthy contribution of 91.81% of profit before tax of international operations while having the highest asset base within the segment.
- Rs. 7.759 Bn. increase in impairment reported due to additional impairment provided on credit facilities considering the prevailing uncertainties and volatilities in the Bangladesh economy.
- During 2024, CBC Bangladesh operations was adjudged the Best Foreign Bank in Bangladesh, and received the awards for Best Performance of Growth, Best Performance in Asset Quality and Best Performance in Risk Management among foreign banks operating in Bangladesh.

Rs. Bn.	2024	2023	Change	Change as a %
Net interest income	25.113	19.720	5.393	27.35
Foreign exchange profit	9.295	11.888	(2.593)	-21.81
Net fees and commission income	2.828	2.576	0.252	9.78
Other income	0.183	0.098	0.085	86.73
Total operating income	37.419	34.282	3.137	9.15
Impairment charges and other losses	(7.998)	(0.239)	(7.759)	3246.44
Net operating income	29.420	34.043	(4.623)	-13.58
Profit before tax	21.723	26.654	(4.931)	-18.50
Segment assets	432.486	449.873	(17.387)	-3.86

Total operating income Graph – 32



Assets vs profit before tax vs impairment charges Graph – 33

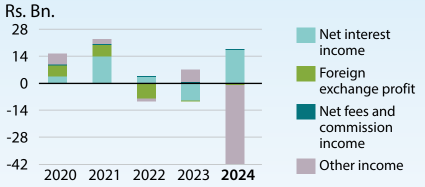


Dealing/Treasury

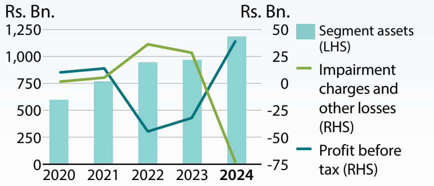
- Other income was decreased by Rs. 47.470 Bn. mainly due to the derecognition of the SLISB portfolio as a result of the finalisation of the SLISB restructuring process.
- However, the cumulative impairment on SLISB portfolio of treasury division was reversed subsequent to the restructuring, resulting a decrease in impairment charges of Rs. 102.163 Bn.
- Treasury operations manage wide array of financial activities by managing the bank's balance sheet, striving to achieve an optimal mix that maximises returns while minimising risks, thereby ensuring long-term financial stability.
- Highest contributor of the Group in terms of total assets of Rs. 1,183 Bn., was mainly due to excess liquidity being invested in treasury related operations.

Rs. Bn.	2024	2023	Change	Change as a %
Net interest income	17.362	(8.945)	26.307	-294.10
Foreign exchange profit	(0.770)	(0.119)	(0.651)	547.06
Net fees and commission income	0.007	0.024	(0.017)	-70.83
Other income	(40.649)	6.821	(47.470)	-695.94
Total Operating income	(24.051)	(2.218)	(21.833)	984.36
Impairment charges and other losses	72.914	(29.249)	102.163	-349.29
Net Operating income	48.863	(31.467)	80.330	-255.28
Profit before tax	39.898	(32.237)	72.135	-223.76
Segment assets	1,183.390	968.516	214.874	22.19

Total operating income Graph – 34



Assets vs profit before tax vs impairment charges Graph – 35

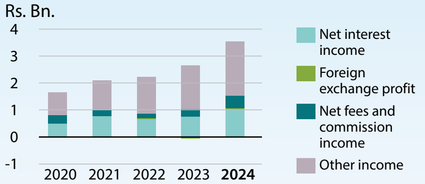


NBFI, Real Estate & Services

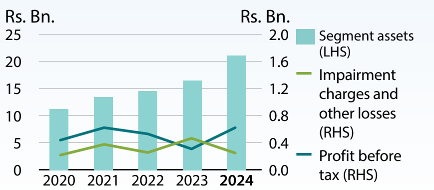
- Commercial Development Company PLC (CDC) was the main contributor in terms of profit before tax.
- Other income of Rs. 1.993 Bn., being highest within the Group, was earned mainly from the rental and other income contributed by CDC
- With the growing demand for technology and AI-driven operational systems in the country, CBC Tech Solutions Limited has experienced an increase in revenue, reflecting a strong market position and commitment to innovation.
- Further, there was a notable increase in the asset base of CBC Finance Limited, due to the increase in loans and advances portfolio.

Rs. Bn.	2024	2023	Change	Change as a %
Net interest income	1.048	0.755	0.293	38.81
Foreign exchange profit	0.001	(0.002)	0.003	150.00
Net fees and commission income	0.489	0.290	0.199	68.62
Other income	1.993	1.610	0.383	23.79
Total operating income	3.532	2.653	0.879	33.13
Impairment charges and other losses	(0.240)	(0.480)	0.240	50.00
Net operating income	3.291	2.173	1.118	51.45
Profit before tax	0.639	0.300	0.339	113.00
Segment assets	21.099	16.484	4.615	28.00

Total operating income Graph – 36



Assets vs profit before tax vs impairment charges Graph – 37



Performance of the Bank's Bangladesh operations, local and foreign subsidiaries

Performance of the Bank's Bangladesh Operations

The performance of the Bank's operations in Bangladesh (CBC Bangladesh) will have to be reviewed in conjunction with the Operating Context and Outlook section of this report (refer to pages 55 to 61).

CBC Bangladesh commenced its operations in November 2003 through the acquisition of Credit Agricole Indosuez's banking business. Over the past two decades, it has established itself as a prominent player in the country's banking sector. With a well-diversified network of 20 operating units, including 11 branches, a sub-branch, six SME centers, and two offshore banking units, CBC Bangladesh has secured a strong market presence. The bank has strategically positioned itself as a premier regional institution, specialising in corporate banking, consumer banking, treasury management, and digital banking.

By the end of 2024, CBC Bangladesh operated 24 ATMs, including seven at off-site locations. Furthermore, the Bank introduced an Automated Banking Centre (ABC) at its Motijheel Branch, featuring a real-time Cash Deposit Machine, Cheque Deposit Machine, KIOSK machine, and digital signage to enhance customer convenience.

Recognised as the top-performing regional bank, CBC Bangladesh continues to excel in deposits, advances, and profitability. This success is driven by its unwavering commitment to service excellence, customer satisfaction, and operational efficiency, with a focus on the following key areas:

Corporate Banking:

In the corporate banking sector, CBC Bangladesh has established itself as a leading regional bank since its inception. This success is driven by its commitment to providing exceptional relationship banking services, fostering strong client partnerships, and significantly expanding its corporate banking portfolio.

Consumer Banking:

In consumer banking, CBC Bangladesh strives to be the preferred provider of retail, SME, and credit card services for its target market. To achieve this, the Bank leverages a cutting-edge IT platform and introduces innovative products, focusing on building a well-balanced deposit mix supported by a strong savings base.

Treasury Management:

In treasury management, CBC Bangladesh maintains consistent and efficient fund management by leveraging its expertise to offer a diverse range of innovative treasury products.

Digital Banking:

CBC Bangladesh is committed to customer satisfaction through digital transformation, enhancing efficiency, security, and innovation. The bank has upgraded IT infrastructure, strengthened governance, and implemented RTGS Montran Gateway, SBS-2 and A-Challan. To accelerate digitalisation, CBC Bangladesh is introducing Host-to-Host Integration, iCashpro, wallet integration, e2gen Payment Hub, Loan Origination System, an independent Islamic banking solution, and custodial service automation. AI-driven transaction monitoring, e-KYC, and biometric authentication will enhance security and customer experience. Cloud-based core banking and open banking initiatives will ensure agility and seamless Fintech integration.

Human Resources:

CBC Bangladesh is recognised as a preferred employer in the banking industry, distinguished by its commitment to professional growth. The Bank provides exceptional training and development opportunities, introduces top-tier banking education programs, and cultivates a dynamic and supportive corporate environment.

CBC Bangladesh currently operates in five key districts: Dhaka, Chittagong, Sylhet, Narayanganj, and Gazipur. Despite intense competition from both international and major local banks, it has consistently expanded its business volumes. This growth is driven by a strong commitment to serving multinationals and large local corporates with superior banking solutions. Additionally, the strategic expansion of its branch network has enabled CBC Bangladesh to attract more SME and retail clients, strengthening its low-cost deposit base, optimising funding costs, and enhancing overall profitability.

Corporate Social Responsibility (CSR) Activities

CSR is an integral part of CBC Bangladesh Culture. Through different projects the Bank contributed to the community but main focus is to help millions of Underprivileged section of the society particularly poor students/ children in Bangladesh. CBC Bangladesh has always been active in social responsibility projects since the beginning.

During the year 2024, CSR expenses were BDT 7.03 Mn. in addition to special CSR expenses incurred (BDT 15.58 Mn. allocated in 2021-23) to mitigate the impact of the countrywide COVID-19 crisis. More details are given on page150.

Key Achievements during the year

In 2024, CBC Bangladesh received numerous awards and recognitions, including:

1. Best Foreign Bank in Bangladesh – 2024 by Global Economic Limited, UK based magazine for 5th consecutive year
2. Most Sustainable Bank in Bangladesh – 2024 by International Business Magazine, UAE based magazine for 4th consecutive year.
3. Most Recommended Foreign Bank in Bangladesh – 2024 by World Business Outlook, Singapore based magazine for 4th consecutive year.
4. Best Corporate Bank Bangladesh – 2024 by Global Business Review Magazine, UAE based magazine for 3rd consecutive year.
5. Bangladesh International Trade Finance Bank of the Year – 2024 by Asian Banking & Finance Magazine, Singapore based magazine for 2nd consecutive year.
6. Best Customer Service Foreign Bank – Bangladesh 2024 by International Finance, UK based magazine.
7. Best Working Place In The Banking Sector Bangladesh – 2024 by World Business Stars Magazine, UK based magazine for 2nd consecutive year.
8. Best Corporate Governance Bank Bangladesh – 2024, Best Banking CEO of the Year – 2024, and Best Customer Services Provider Bank Bangladesh – 2024 by Global Business and Finance Magazine, USA based magazine for 2nd consecutive year.

The progress of CBC Bangladesh operations in core banking areas over the past five years is given below:

Key performance indicator – Bangladesh Operations (based on Management Accounts) Table – 25

As at December 31,	2024 BDT Bn.	2023 BDT Bn.	2022 BDT Bn.	2021 BDT Bn.	2020 BDT Bn.	5-Year CAGR %
Total deposits	103.830	96.917	71.243	64.959	50.997	18.01
Gross advances	73.893	64.002	51.561	58,111	55.039	9.26
Profit before tax	10.241	8.792	5.424	3.035	2.898	30.12
Profit after tax	5.941	4.663	2.954	1.744	1.709	28.48

Key Financial Ratios – Bangladesh Operations (based on Management Accounts) Table – 26

Indicator	2024	2023	2022	2021	2020
Cost/Income ratio (%)	10.56	13.37	16.47	23.68	24.76
Net Interest Margin (%)	6.54	5.03	4.05	3.21	4.01
Profit Per Employee (BDT Mn.)	27.53	24.76	16.95	10.25	9.96
ROA (%)	7.06	6.71	5.61	3.2	3.46
ROE (%)	23.09	23.08	17.95	12.24	13.32

Subsidiaries and associate of the Group

Given below is a brief overview of the operations of the subsidiaries and the associate of the Bank.

Performance of the local subsidiaries

Commercial Development Company PLC (CDC)

Founded in 1980 as the Bank's first subsidiary, CDC owns the Head Office building, "Commercial House", along with two properties in Negombo and Tangalle. The Bank holds a 90% stake in CDC.

CDC is the Group's only listed subsidiary, with a market capitalization of Rs. 1.692 Bn. as of end-2024 (2023 – Rs. 1.341 Bn.). Its core operations include property rentals, vehicle hiring, outsourcing of non-core staff, and providing various utility services to the Bank.

In 2024, CDC reported a post-tax profit of Rs. 582.623 Mn., reflecting a 98.13% increase from Rs. 294.060 Mn. in 2023, primarily driven by higher fair value gains on Investment Properties. Revenue from core business activities grew modestly by 3.02% to Rs. 708.260 Mn. (2023 – Rs. 687.511 Mn.), while the cost of sales declined slightly by 1.61% to Rs. 413.999 Mn. (2023 – Rs. 420.758 Mn.). As a result, gross profit rose by 10.31% to Rs. 294.261 Mn. (2023 – Rs. 266.753 Mn.). However, net finance income dropped by 16.30% to Rs. 104.071 Mn. in 2024 (2023 – Rs. 124.343 Mn.) owning to the drop in the market interest rates.

CDC's profit before tax surged by 79.46% to Rs. 829.055 Mn. in 2024 (2023 – Rs. 461.977 Mn.) mainly due to fair value gains on its investment property significantly increasing to Rs. 479.340 Mn. in 2024 compared to Rs. 97.895 Mn. in 2023. The Company's total assets grew by 13.48%, reaching Rs. 4.909 Bn. at the end of 2024, compared to Rs. 4.326 Bn. in 2023.

CBC Tech Solutions Limited

Moving to new horizon

CBC Tech Solutions Limited, a fully owned subsidiary of Commercial Bank of Ceylon PLC, continues to be a key enabler in the Bank's digital transformation journey by providing cutting-edge Information Technology services and solutions. The company also extends its expertise to the Bank's subsidiaries, reinforcing its position as a trusted technology partner.

The core business areas of CBC Tech Solutions encompass IT services, hardware sales and software licensing, hardware maintenance, software development, and resource augmentation.

In 2024, CBC Tech Solutions expanded its service footprint with the establishment of its seventh service center in Anuradhapura, enhancing support across the North Central Province and improving service efficiency. Over the past 20 years, the company has supported seamless IT operations for the Bank, including maintenance of computers, servers, and POS systems, as well as technical support.

The Company strengthened its business development efforts through its new Business Development Unit, forging strategic partnerships with global technology leaders like Nutanix, IBM, and Qualys to introduce innovative solutions. It also prioritized AI and Data Science to optimize customer experiences, decision-making, and risk management, contributing to the Bank's digital transformation.

CBC Tech Solutions made strides in software development, broadening its market reach and enhancing product customisation. It expanded its resource augmentation capabilities, providing skilled professionals to meet evolving business needs. Notable achievements include being recognised as a Lenovo Tier 2 Retail Partner, leading Lenovo product sales, and receiving the Great Place to Work Certification in 2024. Additionally, the Company relocated to a state-of-the-art facility, promoting operational efficiency, collaboration, and employee well-being.

The Company recorded a total revenue of Rs. 1.169 Bn., in 2024, recording a commendable growth of 43.81% from Rs. 0.813 Bn., in 2023. This remarkable revenue expansion was driven primarily by increased hardware and software sales.

The Company's pre-tax profit for the year 2024 stood at Rs. 102.105 Mn. which recorded a drop of 55.32% compared to Rs. 228.546 Mn., recorded for 2023. This reduction was attributable to higher costs of sales, a decline in net finance income and increase in operating expenses including costs associated with the relocation to the new office premises.

The post-tax profit for 2024 was Rs. 62.358 Mn., reflecting a significant drop of 64.07% compared to the Rs. 173.573 Mn., recorded for the year 2023. Despite this decrease in profits, CBC Tech Solutions remains steadfast in its long-term growth strategy, focusing on expanding service offerings, enhancing operational efficiencies, and strengthening its market position.

CBC Finance Limited (CBCF)

CBC Finance Ltd (CBCF), a fully owned subsidiary of Commercial Bank of Ceylon PLC, is a Licensed Finance Company (LFC) operating under the Finance Business Act No. 42 of 2011. Following its rebranding from Serendib Finance Ltd to CBCF, the Company launched an ambitious image-enhancement campaign. In addition, it further bolstered its governance structure and strengthened synergies with its parent company, Commercial Bank of Ceylon PLC.

Sri Lanka's financial sector showed recovery and resilience in 2024, driven by strategic policies and reforms, with continued efforts needed to sustain stability and inclusivity. In this backdrop, the CBCF achieved a 33.64% increase in gross income, reaching Rs. 2.661 Bn., compared to Rs. 1.991 Bn., in 2023. The interest income of the CBCF's increased to Rs. 2.271 Bn., from Rs. 1.767 Bn., in 2023 by 28.52%, driven by an expansion in its lending portfolio. The interest expenses for the year amounted Rs. 1.399 Bn., compared to Rs. 1.271 Bn., in 2023 which represented an increase of 10.10%. Consequently, the net interest income improved to Rs. 872.079 Mn., in 2024, with a commendable growth of 75.65% from Rs. 496.478 Mn., in 2023. Additionally, net fee and commission income surged by 129.37%, rising to Rs. 269.266 Mn., from Rs. 117.393 Mn., in 2023. This growth contributed to an improvement in total operating income, which increased to Rs. 1.240 Bn., in 2024, from Rs. 0.688 Bn., in the previous year with an increase of 80.18%.

Impairment charges and other losses decreased significantly by 50.82%, dropping to Rs. 236.865 Mn., from Rs. 481.615 Mn., in 2023, reflecting strengthened credit risk management efforts. As a result, net operating income rose significantly to Rs. 1.003 Bn., in 2024, from Rs. 0.207 Bn., in 2023 by 385.46%.

During the year, the CBCF's total operating expenses increased to Rs. 742.811 Mn., reflecting a 40.88% increase from Rs. 527.272 Mn., in 2023. Despite this, the CBCF achieved a net profit of Rs. 81.541 Mn., marking a remarkable turnaround of 136.21% from the net loss of Rs. 225.178 Mn., recorded in the previous year.

By capitalising on market opportunities arising from lower interest rates, the CBCF's total assets grew to Rs. 16.861 Bn., by the end of 2024, up from Rs. 12.457 Bn., at the end of 2023, by 35.35%. Additionally, the net loans and receivables portfolio grew to Rs. 13.445 Bn., by end of 2024, compared to Rs. 10.142 Bn., at the end of 2023, by 32.56%. The drive to attract deposits remained strong amid intense competition, and by the end of the year, the deposit portfolio grew to

Rs. 10.311 Bn., from Rs. 6.534 Bn., at the end of 2023. This growth was driven by increased public confidence in the Company.

During 2024, the Company made significant strides in strengthening its corporate culture, fostering a workplace built on integrity, innovation, and inclusivity. Employee engagement was enhanced through targeted training programs, leadership development, and a culture of continuous learning. A strong emphasis was placed on ethical business practices, compliance, and transparency to reinforce accountability.

Earning the prestigious "Great Place to Work" certification is a testament to the CBCF's unwavering commitment to fostering a positive, inclusive, and high-performance workplace. This achievement reflects the Company's continuous efforts to strengthen corporate culture and enhance employee engagement, creating an environment where people feel valued, motivated, and empowered to excel.

The CBCF expanded its delivery channels by opening branches in Chilaw, Galle and Ratnapura during the year 2024 in strategically important business areas to enhance its presence and is planning to expand its branch network in the year 2025. The Company has already planned to set up the Corporate Office in Colombo and relocate two branches in 2025 to provide a better customer experience.

Opening of the Chilaw Branch

Commercial Insurance Brokers (Pvt) Ltd (CIBL)

The Bank owns a 60% stake in CIBL, which specialises in insurance brokering across various insurance categories through reputable life and general insurance companies in Sri Lanka.

For the year ended December 31, 2024, CIBL recorded a post-tax profit of Rs. 45.192 Mn., up from Rs. 43.800 Mn. in 2023. Its total assets grew to Rs. 834.133 Mn. as of December 31, 2024, compared to Rs. 815.257 Mn. in the 2023.

Local associate

Equity Investments Lanka Ltd. (EQUILL)

The Bank holds a 22.92% stake in EQUILL, a venture capital company operating for 34 years. EQUILL primarily invests in equity and equity-featured debt instruments. In 2024, EQUILL reported a net loss of Rs. 2.008 Mn., as against the net profit of Rs. 15.248 Mn. reported in 2023.

Performance of foreign subsidiaries

Commercial Bank of Maldives Private Limited (CBM)

The Commercial Bank of Maldives (CBM), established in partnership with Tree Top Investments (TTI), has strategically leveraged local market expertise to expand financial services in the Maldives. Since its inception in 2016, CBM has steadily grown, now operating two branches and six Self-service terminals including two offsite ATMs. This expansion underscores CBM's commitment to technological advancement and customer-centric banking solutions.

As CBM continues to expand its portfolio of financial services, its vision is to establish itself as the leading financial institution in the Republic of Maldives. By embracing cutting-edge technology, fostering continuous innovation, and prioritising customer-centric solutions, CBM aims to redefine banking excellence in Maldives, ensuring seamless and superior financial experiences for all its clients.

CBM's commitment to sustainable growth and customer-centric solutions has yielded exceptional results over the financial year 2024. Gross loans and advances grew by MVR 307.474 Mn., (32.41%), driven by innovative products, strategic partnerships, and an aggressive retail expansion strategy.

Customer deposits increased by MVR 459.748 Mn. (16.51%), reflecting the trust customers place in CBM and the Bank's dedication to delivering superior financial services. This success has enabled CBM to expand its offerings and create lasting value for all stakeholders.

As at December 31, 2024, CBM's total asset base expanded by MVR 674.045 Mn., reflecting a 20.75% growth, reaching MVR 3.922 Bn. This remarkable increase was driven by strong deposit growth and robust treasury operations, further strengthening the CBM's presence in the Maldivian financial landscape.

These achievements, combined with enhanced operational efficiency, contributed to total operating income of MVR 179.545 Mn., representing a growth of MVR 36.193 Mn. or 25.25% compared to the previous year.

While reporting exceptional operating performance, the CBM prudently allocated impairment provisions totalling MVR 34.971 Mn. during the year, primarily due to the downgrade of sovereign ratings by Fitch Ratings from B- to CC during the year.

CBM reinforced its corporate social responsibility initiatives by supporting the "Back to School 2024" campaign, which provided essential supplies to children from underprivileged backgrounds. Additionally, CBM actively participated in the Mission for Migrant Workers Maldives initiative, offering financial literacy programs tailored to migrant communities. CBM also played a key role in the Maldives Living Expo, where it actively promoted its home loan services and provided comprehensive information on its diverse range of banking products and services. Furthermore, the Bank hosted an Open Day session at Artificial Beach, allowing the public to explore its products and services first-hand.

A major milestone for CBM in 2024 was the successful launch of UnionPay cards, 1st time in the Maldives, significantly enhancing global financial connectivity. Additionally, The introduction of USD ATMs further improved convenience for customers.

Looking ahead, CBM remains dedicated to technological advancement, expansion, innovation, and enhancing customer experience, with an unwavering focus on financial inclusion, cutting-edge banking solutions, and community development.

CBC Myanmar Microfinance Company (CBC Myanmar)

CBC Myanmar, a fully owned subsidiary of the Bank, commenced operations in July 2018 with the establishment of its head office and inaugural branch in Lewe Township, Nay Pyi Taw. Committed to fostering financial inclusion, the company has consistently expanded its reach, offering accessible and responsible microfinance solutions to underserved rural and semi-urban communities across Myanmar.

With a strong focus on economic empowerment, CBC Myanmar has introduced innovative financial products and strengthened its support services to help individuals and small businesses thrive. By providing tailored financial solutions, the company has played a vital role in supporting entrepreneurs, farmers, and cottage industry business owners, contributing to sustainable growth and economic stability.

Supporting communities through flood relief donations

In 2024, the CBC Myanmar strategically expanded its presence in the Mandalay Region, Myanmar's second-largest commercial hub, by establishing three new branches. This expansion enabled service provision across five additional townships, increasing its footprint to eight branches across two regions and extending financial services to 13 townships.

Furthermore, CBC Myanmar demonstrated remarkable growth compared to the previous year, achieving a 56% increase in loan disbursements, reaching MMK 10.0 Bn. The total loan portfolio grew by 49.49% to MMK 6.832 Bn. while the number of active borrowers grew by 34%.

The CBC Myanmar also made significant progress in improving portfolio quality, successfully reducing non-performing loans by 30% compared to 2023. Additionally, CBC Myanmar maintained an exceptional recovery performance, achieving a 99% recovery ratio in 2024. These accomplishments highlight its proactive risk management strategies, enhanced collection efficiencies, and strengthened borrower engagement, reinforcing its financial stability and long-term sustainability.

Despite macroeconomic and industry-specific challenges, the CBC Myanmar achieved a 51.53% increase in revenue, reaching MMK 1.522 Bn. compared to the previous year, while effectively managing expenses growth at approximately 14.68%. CBC Myanmar successfully transitioned from an MMK 154.383 Mn., loss in 2023 to a profit of MMK 27.971 Mn., in 2024. This financial turnaround was driven by robust loan recovery efforts, optimised interest income, and the implementation of a cost-effective operational model.

In alignment with its commitment to environmental sustainability, CBC Myanmar has proactively adopted measures to reduce its carbon footprint. Key initiatives include the installation of power storage systems at five locations, including the head office, and the complete transition of one branch to solar energy. These efforts have significantly reduced fuel consumption and minimized paper usage in daily operations, reinforcing its commitment to green initiatives and responsible business practices.

Looking ahead to 2025, CBC Myanmar remains committed to expanding financial inclusion and fostering entrepreneurship, backed by a planned capital infusion from the parent company and borrowings secured through standby letter of credit facilities. With an anticipated portfolio growth, the CBC Myanmar aims to introduce new loan products, enhance digital services, strengthen green initiatives, and further extend its branch network. Through these strategic initiatives, CBC Myanmar looks forward to another year of empowering communities and transforming lives across Myanmar.

Summary of Interim Financial Statements

Income Statement – Group and Bank – 2024 and 2023

	1st Quarter ended March 31		2nd Quarter ended June 30	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Group				
Net interest income	27,698,032	18,975,227	30,921,819	18,474,443
Net fee and commission income	5,633,198	5,402,176	5,436,243	5,188,782
Other operating income (net)	1,616,138	909,546	5,951,689	1,569,631
Less: Impairment charges/(reversal) and Other Losses	3,435,941	6,797,175	15,580,582	6,413,788
Net operating income	31,511,427	18,489,774	26,729,169	18,819,068
Less: Expenses	12,054,299	10,677,690	12,408,404	10,607,104
Operating profit before Taxes on financial services	19,457,128	7,812,084	14,320,765	8,211,964
Less: Taxes on financial services	2,718,730	1,071,894	1,941,302	862,074
Operating profit after Taxes on financial services	16,738,398	6,740,190	12,379,463	7,349,890
Add/(less): Share of profit/(loss) of associate, net of tax	(576)	1,245	29	1,107
Profit before income tax	16,737,822	6,741,435	12,379,492	7,350,997
Less: Income tax expense	5,929,491	2,382,405	4,288,752	3,419,553
Profit for the period	10,808,331	4,359,030	8,090,740	3,931,444
Quarterly profit as a percentage of the profit after tax of the year	19.4	19.9	14.5	18.0
Cumulative quarterly profit as a percentage of the profit after tax of the year	19.4	19.9	33.9	37.9

	1st Quarter ended March 31		2nd Quarter ended June 30	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Bank				
Net interest income	26,888,136	18,208,012	30,063,986	17,718,922
Net fee and commission income	5,442,141	5,205,619	5,215,603	5,020,730
Other operating income (net)	1,573,192	949,028	5,765,579	1,539,808
Less: Impairment charges/(reversal) and Other Losses	3,291,970	6,640,021	15,289,196	6,462,414
Net operating income	30,611,499	17,722,638	25,755,972	17,817,046
Less: Expenses	11,702,062	10,313,856	11,999,431	10,329,471
Operating profit before Taxes on financial services	18,909,437	7,408,782	13,756,541	7,487,575
Less: Taxes on financial services	2,714,659	1,071,894	1,931,010	853,344
Profit before income tax	16,194,778	6,336,888	11,825,531	6,634,231
Less: Income Tax Expense	5,743,494	2,245,815	4,179,094	3,211,792
Profit for the period	10,451,284	4,091,073	7,646,437	3,422,439
Quarterly profit as a percentage of the profit after tax of the year	19.3	20.0	14.1	16.7
Cumulative quarterly profit as a percentage of the profit after tax of the year	19.3	20.0	33.5	36.7

	3rd Quarter ended September 30		4th Quarter ended December 31		For the Year ended December 31	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Group						
Net interest income	30,358,990	23,432,092	29,155,843	25,533,597	118,134,684	86,415,359
Net fee and commission income	5,936,994	5,618,955	6,639,743	6,177,406	23,646,178	22,387,319
Other operating income (net)	2,165,474	6,879,193	(44,455,127)	3,908,752	(34,721,826)	13,267,122
Less: Impairment charges/(reversal) and Other Losses	1,002,548	12,571,147	(82,313,885)	13,112,960	(62,294,814)	38,895,070
Net operating income	37,458,910	23,359,093	73,654,344	22,506,795	169,353,850	83,174,730
Less: Expenses	12,029,939	10,691,452	15,345,716	12,313,586	51,838,358	44,289,832
Operating profit before Taxes on financial services	25,428,971	12,667,641	58,308,628	10,193,209	117,515,492	38,884,898
Less: Taxes on financial services	4,206,463	1,730,659	10,840,180	1,296,765	19,706,675	4,961,392
Operating profit after Taxes on financial services	21,222,508	10,936,982	47,468,448	8,896,444	97,808,817	33,923,506
Add/(less): Share of profit/(loss) of associate, net of tax	(195)	1,546	282	(403)	(460)	3,495
Profit before income tax	21,222,313	10,938,528	47,468,730	8,896,041	97,808,357	33,927,001
Less: Income tax expense	8,584,217	4,465,397	23,319,485	1,759,986	42,121,945	12,027,341
Profit for the period	12,638,096	6,473,131	24,149,245	7,136,055	55,686,412	21,899,660
Quarterly profit as a percentage of the profit after tax of the year	22.7	29.6	43.4	32.6	100.0	100.0
Cumulative quarterly profit as a percentage of the profit after tax of the year	56.6	67.4	100.0	100.0	–	–

	3rd Quarter ended September 30		4th Quarter ended December 31		For the Year ended December 31	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Bank						
Net interest income	29,398,775	22,545,916	28,207,442	24,630,715	114,558,339	83,103,565
Net fee and commission income	5,776,534	5,471,251	6,094,931	5,860,594	22,529,209	21,558,194
Other operating income (net)	1,979,480	6,860,424	(44,829,011)	4,098,472	(35,510,760)	13,447,732
Less: Impairment charges/(reversal) and Other Losses	675,059	12,816,947	(82,471,294)	12,704,357	(63,215,069)	38,623,739
Net operating income	36,479,730	22,060,644	71,944,656	21,885,424	164,791,857	79,485,752
Less: Expenses	11,601,509	10,424,726	14,350,371	11,576,147	49,653,373	42,644,200
Profit before income tax	24,878,221	11,635,918	57,594,285	10,309,277	115,138,484	36,841,552
Less: Income tax expense	4,170,041	1,697,659	10,788,163	1,338,495	19,603,873	4,961,392
Profit before income tax	20,708,180	9,938,259	46,806,122	8,970,782	95,534,611	31,880,160
Less: Income Tax Expense	8,429,989	4,148,494	23,108,530	1,813,097	41,461,107	11,419,198
Profit for the period	12,278,191	5,789,765	23,697,592	7,157,685	54,073,504	20,460,962
Quarterly profit as a percentage of the profit after tax of the year	22.7	28.3	43.8	35.0	100.0	100.0
Cumulative quarterly profit as a percentage of the profit after tax of the year	56.2	65.0	100.0	100.0	–	–

Statement of Financial Position – Group – 2024 and 2023

	1st Quarter		2nd Quarter	
As at	March 31, 2024	March 31, 2023	June 30, 2024	June 30, 2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets				
Cash and cash equivalents	119,329,381	147,860,571	103,437,079	112,544,293
Balances with Central Banks	44,654,477	95,653,467	48,211,823	61,871,953
Placements with banks	109,891,013	54,909,247	126,150,729	53,920,816
Securities purchased under re-sale agreements	31,290,304	3,524,478	11,917,984	3,378,561
Derivative financial assets	8,000,370	8,064,310	5,291,686	7,032,972
Financial assets recognised through profit or loss – measured at fair value	68,322,294	28,922,409	77,951,714	50,791,983
Financial assets at amortised cost – Loans and advances to banks	–	–	–	–
Financial assets at amortised cost – Loans and advances to other customers	1,224,802,343	1,094,383,487	1,265,991,667	1,096,826,774
Financial assets at amortised cost – Debt and other financial instruments	652,390,804	765,050,417	648,766,175	740,197,253
Financial assets measured at fair value through other comprehensive income	250,960,953	186,912,374	297,079,303	230,826,265
Investments in subsidiaries	–	–	–	–
Investments in associate	58,319	56,778	58,411	57,856
Property, plant and equipment and right-of-use assets	28,784,956	27,492,933	29,938,899	26,649,043
Investment properties	597,825	326,350	628,125	424,550
Intangible assets	4,410,409	4,137,176	4,309,381	4,042,878
Leasehold property	–	–	–	–
Deferred tax assets	34,013,003	30,366,788	37,108,309	30,251,431
Other assets	38,913,287	44,558,078	33,621,620	43,351,569
Total assets	2,616,419,738	2,492,218,863	2,690,462,905	2,462,168,197
Liabilities				
Due to banks	24,554,816	42,905,385	29,722,835	50,020,369
Derivative financial liabilities	3,934,942	8,121,606	1,196,124	5,309,026
Securities sold under repurchase agreements	98,228,587	96,322,359	121,428,959	133,588,179
Financial liabilities at amortised cost – due to depositors	2,140,750,660	2,023,418,699	2,192,925,482	1,958,690,813
Financial liabilities at amortised cost – other borrowings	12,584,684	10,837,010	11,587,547	11,481,198
Current tax liabilities	18,031,815	23,651,014	18,101,556	23,513,300
Deferred tax liabilities	513,179	435,020	513,703	433,316
Other liabilities	55,275,609	44,064,040	48,377,491	36,253,554
Due to subsidiaries	–	–	–	–
Subordinated liabilities	37,349,629	33,487,710	37,178,895	33,262,957
Total liabilities	2,391,223,921	2,283,242,843	2,461,032,592	2,252,552,712
Equity				
Stated capital	65,184,125	62,891,772	65,374,734	62,891,772
Statutory reserves	13,586,534	12,079,670	13,586,534	12,079,670
Retained earnings	12,042,982	5,440,390	19,971,984	9,216,216
Other reserves	130,019,202	124,736,413	125,898,028	121,617,007
Total equity attributable to equity holders of the Group	220,832,843	205,148,245	224,831,280	205,804,665
Non-controlling interest	4,362,974	3,827,775	4,599,033	3,810,820
Total equity	225,195,817	208,976,020	229,430,313	209,615,485
Total liabilities and equity	2,616,419,738	2,492,218,863	2,690,462,905	2,462,168,197
Contingent liabilities and commitments	686,561,276	629,373,712	661,784,412	605,333,607
Net assets value per ordinary share (Rs.)	164.93	156.18	167.66	156.68
Quarterly growth (%)				
Financial assets at amortised cost – loans and advances to banks & loans and advances to other customers (%)	1.65	-5.29	3.36	0.22
Financial liabilities at amortised cost – due to depositors (%)	-0.33	2.31	2.44	-3.20
Total assets (%)	-1.48	-0.29	2.83	-1.21

3rd Quarter		4th Quarter (Audited)		
September 30, 2024 Rs. '000	September 30, 2023 Rs. '000	December 31, 2024 Rs. '000	December 31, 2023 Rs. '000	As at
				Assets
80,306,909	114,518,140	89,615,459	159,701,507	Cash and cash equivalents
58,735,643	37,516,912	55,989,574	62,633,503	Balances with Central Banks
78,158,980	66,538,167	101,104,941	81,506,653	Placements with banks
29,331,046	549,770	28,655,962	31,148,729	Securities purchased under re-sale agreements
4,965,263	6,091,290	4,264,271	7,226,484	Derivative financial assets
88,971,212	98,042,540	91,677,346	29,449,653	Financial assets recognised through profit or loss – measured at fair value
–	–	–	–	Financial assets at amortised cost – Loans and advances to banks
1,320,237,111	1,148,276,787	1,421,004,171	1,204,865,597	Financial assets at amortised cost – Loans and advances to other customers
662,264,081	706,747,778	701,751,287	685,155,537	Financial assets at amortised cost – Debt and other financial instruments
330,910,503	246,477,855	303,218,395	287,732,972	Financial assets measured at fair value through other comprehensive income
–	–	–	–	Investments in subsidiaries
58,305	59,475	58,791	59,004	Investments in associate
30,555,118	26,538,514	30,670,410	28,997,246	Property, plant and equipment and right-of-use assets
628,125	545,850	743,900	597,825	Investment properties
4,332,953	4,061,409	4,757,905	4,289,404	Intangible assets
–	–	–	–	Leasehold property
36,417,900	32,664,942	12,563,217	34,511,410	Deferred tax assets
37,393,604	36,882,221	29,917,238	37,736,151	Other assets
2,763,266,753	2,525,511,650	2,875,992,867	2,655,611,675	**Total assets**
				Liabilities
35,954,748	48,268,948	25,376,564	47,948,578	Due to banks
1,197,206	1,560,980	837,497	2,319,209	Derivative financial liabilities
92,630,606	117,895,187	112,461,472	111,186,824	Securities sold under repurchase agreements
2,226,517,754	2,038,498,641	2,306,079,421	2,147,906,858	Financial liabilities at amortised cost – due to depositors
12,238,822	13,243,625	14,273,156	12,756,021	Financial liabilities at amortised cost – other borrowings
18,939,734	14,420,344	13,502,666	15,256,244	Current tax liabilities
512,850	431,708	511,000	514,207	Deferred tax liabilities
55,596,643	48,296,812	59,423,992	56,266,302	Other liabilities
–	–	–	–	Due to subsidiaries
58,647,141	24,869,883	57,707,677	36,482,939	Subordinated liabilities
2,502,235,504	2,307,486,128	2,590,173,445	2,430,637,182	**Total liabilities**
				Equity
87,971,557	62,948,003	88,017,094	62,948,003	Stated capital
13,586,534	12,079,670	16,469,686	13,586,534	Statutory reserves
32,531,218	15,470,462	17,533,670	9,943,003	Retained earnings
122,323,505	123,309,743	159,108,992	133,993,167	Other reserves
256,412,814	213,807,878	281,129,442	220,470,707	**Total equity attributable to equity holders of the Group**
4,618,435	4,217,644	4,689,980	4,503,786	**Non-controlling interest**
261,031,249	218,025,522	285,819,422	224,974,493	**Total equity**
2,763,266,753	2,525,511,650	2,875,992,867	2,655,611,675	**Total liabilities and equity**
697,644,269	602,365,134	750,876,960	675,776,516	**Contingent liabilities and commitments**
159.28	162.70	174.58	167.77	**Net assets value per ordinary share (Rs.)**
				Quarterly growth (%)
4.28	4.69	7.63	4.93	Financial assets at amortised cost – loans and advances to banks & loans and advances to other customers (%)
1.53	4.07	3.57	5.37	Financial liabilities at amortised cost – due to depositors (%)
2.71	2.57	4.08	5.15	**Total assets (%)**

Statement of Financial Position – Bank – 2024 and 2023

	1st Quarter		2nd Quarter (Audited)	
As at	March 31, 2024 Rs. '000	March 31, 2023 Rs. '000	June 30, 2024 Rs. '000	June 30, 2023 Rs. '000
Assets				
Cash and cash equivalents	116,947,631	146,685,596	101,811,169	110,088,365
Balances with Central Banks	33,208,736	84,945,804	39,797,629	53,719,053
Placements with banks	109,120,147	54,689,175	125,372,367	53,711,794
Securities purchased under re-sale agreements	31,290,304	3,524,478	11,917,984	3,378,561
Derivative financial assets	8,000,370	8,064,310	5,291,686	7,032,972
Financial assets recognised through profit or loss – measured at fair value	68,322,294	28,922,409	77,951,714	50,791,983
Financial assets at amortised cost – Loans and advances to banks	–	–	–	–
Financial assets at amortised cost – Loans and advances to other customers	1,197,264,264	1,070,780,771	1,233,245,826	1,071,346,946
Financial assets at amortised cost – Debt and other financial instruments	624,438,559	724,191,295	619,707,183	705,929,076
Financial assets measured at fair value through other comprehensive income	250,098,847	186,131,686	295,333,192	230,097,911
Investments in subsidiaries	5,808,429	5,808,429	5,808,429	5,808,429
Investments in associate	44,331	44,331	44,331	44,331
Property, plant and equipment and right-of-use assets	26,059,513	25,502,884	26,982,885	24,608,919
Investment properties	–	–	–	–
Intangible assets	3,852,023	3,588,752	3,769,124	3,500,095
Leasehold property	–	–	–	–
Deferred tax assets	33,571,817	29,941,540	36,608,773	29,844,651
Other assets	38,623,177	44,325,133	33,369,841	43,100,720
Total assets	2,546,650,442	2,417,146,593	2,617,012,133	2,393,003,806
Liabilities				
Due to banks	24,373,544	43,057,367	29,151,318	49,463,863
Derivative financial liabilities	3,934,942	8,121,606	1,196,124	5,309,026
Securities sold under repurchase agreements	98,258,447	96,467,167	121,461,356	133,599,880
Financial liabilities at amortised cost – due to depositors	2,082,546,570	1,957,874,217	2,132,108,093	1,900,074,880
Financial liabilities at amortised cost – other borrowings	12,584,684	10,837,010	11,587,547	11,481,198
Current tax liabilities	17,789,977	23,261,394	17,781,089	22,992,243
Deferred tax liabilities	–	–	–	–
Other liabilities	54,028,516	43,563,528	47,069,515	35,754,190
Due to subsidiaries	143,850	79,101	196,511	76,893
Subordinated liabilities	37,349,629	33,487,710	37,178,895	33,262,957
Total liabilities	2,331,010,159	2,216,749,100	2,397,730,448	2,192,015,130
Equity				
Stated capital	65,184,125	62,891,772	65,374,734	62,891,772
Statutory reserves	12,375,906	11,352,858	12,375,906	11,352,858
Retained earnings	10,483,110	4,116,877	18,129,699	7,565,019
Other reserves	127,597,142	122,035,986	123,401,346	119,179,027
Total equity attributable to equity holders of the Bank	215,640,283	200,397,493	219,281,685	200,988,676
Non-controlling interest	–	–	–	–
Total equity	215,640,283	200,397,493	219,281,685	200,988,676
Total liabilities and equity	2,546,650,442	2,417,146,593	2,617,012,133	2,393,003,806
Contingent liabilities and commitments	680,875,324	626,574,663	656,066,205	602,121,702
Net assets value per ordinary share (Rs.)	161.05	152.57	163.52	153.02
Quarterly growth (%)				
Financial assets at amortised cost – loans and advances to banks & Loans and advances to other customers (%)	1.78	-5.28	3.01	0.05
Financial liabilities at amortised cost – due to depositors (%)	-0.12	2.27	2.38	-2.95
Total assets (%)	-1.31	-0.36	2.76	-1.00

3rd Quarter		4th Quarter (Audited)		
September 30, 2024 Rs. '000	September 30, 2023 Rs. '000	December 31, 2024 Rs. '000	December 31, 2023 Rs. '000	As at
				Assets
77,865,228	111,976,719	86,848,291	157,819,287	Cash and cash equivalents
47,548,512	27,819,813	45,702,086	52,817,502	Balances with Central Banks
76,191,803	66,337,893	99,300,303	81,344,696	Placements with banks
29,331,046	549,770	28,655,962	31,148,729	Securities purchased under re-sale agreements
4,965,263	6,091,290	4,264,271	7,226,484	Derivative financial assets
88,971,212	98,042,540	91,677,346	29,449,653	Financial assets recognised through profit or loss – measured at fair value
–	–	–	–	Financial assets at amortised cost – Loans and advances to banks
1,287,731,593	1,119,577,738	1,384,524,660	1,176,359,971	Financial assets at amortised cost – Loans and advances to other customers
636,567,585	672,664,794	667,709,691	649,740,408	Financial assets at amortised cost – Debt and other financial instruments
329,292,200	245,702,748	301,584,142	287,023,009	Financial assets measured at fair value through other comprehensive income
5,808,429	5,808,429	5,808,429	5,808,429	Investments in subsidiaries
44,331	44,331	44,331	44,331	Investments in associate
27,590,010	24,415,513	27,600,648	26,257,902	Property, plant and equipment and right-of-use assets
–	–	–	–	Investment properties
3,788,351	3,516,989	4,221,131	3,736,504	Intangible assets
–	–	–	–	Leasehold property
35,864,555	32,347,028	12,085,844	34,076,526	Deferred tax assets
37,053,856	36,579,912	29,753,153	37,474,448	Other assets
2,688,613,974	2,451,475,507	2,789,780,288	2,580,327,879	**Total assets**
				Liabilities
32,551,799	47,554,766	21,306,752	47,274,361	Due to banks
1,197,206	1,560,980	837,497	2,319,209	Derivative financial liabilities
92,645,238	117,912,371	112,470,392	111,198,516	Securities sold under repurchase agreements
2,167,546,941	1,976,214,831	2,236,566,800	2,085,046,149	Financial liabilities at amortised cost – due to depositors
12,238,822	13,243,625	14,273,156	12,756,021	Financial liabilities at amortised cost – other borrowings
18,681,367	14,133,449	13,145,697	14,951,984	Current tax liabilities
–	–	–	–	Deferred tax liabilities
54,164,586	47,596,692	58,064,777	55,050,477	Other liabilities
147,640	61,483	145,794	317,221	Due to subsidiaries
58,647,141	24,869,883	57,707,677	36,482,939	Subordinated liabilities
2,437,820,740	2,243,148,080	2,514,518,542	2,365,396,877	**Total liabilities**
				Equity
87,971,557	62,948,003	88,017,094	62,948,003	Stated capital
12,375,906	11,352,858	15,079,581	12,375,906	Statutory reserves
30,450,668	13,375,628	15,330,940	8,558,385	Retained earnings
119,995,103	120,650,938	156,834,161	131,048,708	Other reserves
250,793,234	208,327,427	275,261,746	214,931,002	**Total equity attributable to equity holders of the Bank**
–	–	–	–	**Non-controlling interest**
250,793,234	208,327,427	275,261,746	214,931,002	**Total equity**
2,688,613,974	2,451,475,507	2,789,780,288	2,580,327,879	**Total liabilities and equity**
690,052,925	600,102,554	743,964,900	668,875,778	**Contingent liabilities and commitments**
155.79	158.53	170.94	163.55	**Net assets value per ordinary share (Rs.)**
				Quarterly growth (%)
4.42	4.50	7.52	5.07	Financial assets at amortised cost – loans and advances to banks & Loans and advances to other customers (%)
1.66	4.01	3.18	5.51	Financial liabilities at amortised cost – due to depositors (%)
2.74	2.44	3.76	5.26	**Total assets (%)**

Decade at a glance

STATEMENT OF FINANCIAL POSITION – BANK		SLFRSs		
As at December 31, Rs. Mn.	CAGR* (%)	2024	2023	2022
Assets				
Cash and cash equivalents		86,848	157,819	149,394
Balances with Central Banks		45,702	52,818	66,493
Placements with banks		99,300	81,345	95,900
Securities purchased under resale agreements		28,656	31,149	1,517
Derivative financial assets		4,264	7,226	8,345
Other financial instruments – Held for trading		–	–	–
Financial assets recognised through profit or loss – Measured at fair value		91,677	29,450	24,873
Loans and receivables to banks	13.05	–	–	–
Financial assets at amortised cost – Loans and advances to banks		–	–	–
Loans and receivables to other customers		–	–	–
Financial assets at amortised cost – Loans and advances to other customers		1,384,525	1,176,360	1,130,443
Financial investments – Held to maturity		–	–	–
Financial investments – Loans and receivables		–	–	–
Financial assets at amortised cost – Debt and other financial instruments		667,710	649,740	725,935
Financial investments – Available for sale		–	–	–
Financial assets measured at fair value through other comprehensive income		301,584	287,023	117,056
Total financial assets		2,710,266	2,472,930	2,319,956
Investments in subsidiaries		5,808	5,808	5,808
Investment in associate		44	44	44
Property, plant & equipment and right-of-use assets		27,601	26,258	25,425
Intangible assets		4,221	3,737	3,563
Leasehold property		–	–	–
Deferred tax assets		12,086	34,077	30,301
Other assets		29,754	37,474	40,699
Total assets	13.37	2,789,780	2,580,328	2,425,798
Liabilities				
Due to banks		21,307	47,274	65,130
Derivative financial liabilities		837	2,319	2,881
Securities sold under repurchase agreements		112,470	111,199	97,726
Due to other customers/deposits from customers	15.50	–	–	–
Financial liabilities at amortised cost – Due to depositors		2,236,567	2,085,046	1,914,359
Other borrowings		–	–	–
Financial liabilities at amortised cost – Other borrowings		14,273	12,756	16,150
Current tax liabilities		13,146	14,952	24,475
Deferred tax liabilities		–	–	–
Other provisions		–	–	–
Other liabilities		58,064	55,050	39,861
Due to subsidiaries		146	317	115
Subordinated liabilities		57,708	36,483	61,401
Total liabilities		2,514,518	2,365,397	2,222,099
Equity				
Stated capital		88,017	62,948	58,150
Statutory reserves		15,080	12,376	11,353
Retained earnings		15,331	8,558	5,592
Other reserves		156,834	131,049	128,604
Total liabilities and equity	13.37	2,789,780	2,580,328	2,425,798
Contingent liabilities and commitments		743,965	668,876	549,422

(*) CAGR – Compound Annual Growth Rate

SLFRSs				LKASs		
2021	2020	2019	2018	2017	2016	2015
68,078	50,251	52,535	39,534	33,225	30,194	20,044
52,898	110,971	39,461	54,385	44,801	43,873	28,221
11,585	15,939	24,527	19,899	17,633	11,718	17,194
3,000	–	13,148	9,514	–	–	8,002
3,245	2,637	1,831	7,910	2,335	1,053	4,118
–	–	–	–	4,411	4,988	7,656
23,436	35,189	21,468	5,520	–	–	–
–	–	–	–	641	624	601
–	780	758	763	–	–	–
–	–	–	–	737,447	616,018	508,115
1,014,619	896,845	884,646	861,100	–	–	–
–	–	–	–	63,563	60,981	–
–	–	–	–	48,712	51,824	57,724
369,418	292,728	101,145	83,855	–	–	–
–	–	–	–	154,714	160,023	204,244
335,463	278,461	197,568	176,507	–	–	–
1,881,742	1,683,801	1,337,087	1,258,987	1,107,482	981,296	855,919
5,808	5,808	5,011	4,264	3,066	2,435	1,237
44	44	44	44	44	44	44
23,075	23,212	20,507	15,301	14,635	10,308	9,969
1,725	1,233	1,080	906	777	641	466
–	–	–	72	73	74	74
9,793	2,500	294	–	–	964	–
27,024	19,620	23,323	23,911	17,297	16,439	12,096
1,949,213	1,736,218	1,387,346	1,303,485	1,143,374	1,012,201	879,805
73,777	87,451	51,506	50,101	57,121	67,609	30,319
2,092	1,501	1,495	8,022	3,678	1,515	1,891
151,912	91,438	51,220	49,104	49,677	69,867	112,385
–	–	–	–	850,128	739,563	624,102
1,443,093	1,265,966	1,053,308	983,037	-	–	–
–	–	–	–	23,786	9,270	9,986
32,587	54,556	23,249	25,362	–	–	–
9,294	6,778	4,968	6,566	4,144	3,441	3,002
–	–	–	646	3,275	–	231
–	–	–	–	–	2	2
33,211	33,038	30,497	24,208	19,225	17,710	15,547
49	97	54	41	75	20	26
38,303	38,247	37,887	37,992	25,166	24,850	11,973
1,784,319	1,579,072	1,254,184	1,185,079	1,036,275	933,847	809,464
54,567	52,188	40,917	39,148	37,144	24,978	23,255
10,204	9,024	8,205	7,354	6,477	5,648	4,922
9,028	7,596	5,144	5,063	4,987	4,464	4,389
91,094	88,338	78,896	66,841	58,491	43,264	37,775
1,949,213	1,736,218	1,387,346	1,303,485	1,143,374	1,012,201	879,805
682,400	728,712	579,999	658,722	564,795	498,305	521,232

SUMMARISED INCOME STATEMENT – BANK		SLFRSs		
For the year ended December 31, Rs. Mn.	CAGR* (%)	2024	2023	2022
Operating results				
Gross income	**13.90**	**267,332**	**335,770**	**275,444**
Interest income		269,596	292,618	218,327
Interest expense		(155,038)	(209,515)	(136,583)
Foreign exchange profit		2,990	4,908	31,120
Net Commission and other income (**)		(15,972)	30,098	20,024
Operating expenses, net impairment and taxes on financial services (***)		(6,042)	(86,229)	(110,290)
Profit before tax	**19.76**	**95,534**	**31,880**	**22,598**
Income tax expense		(41,461)	(11,419)	372
Profit for the year	**17.07**	**54,073**	**20,461**	**22,970**
Ratios				
Return on average shareholders' funds (%)		22.06	9.78	12.46
Income growth (%) (**)		(20.38)	21.90	71.20
Return on average assets (%)		2.01	0.82	1.05
Ordinary share dividend cover (times)		3.53	2.40	4.12
Advances to deposits and refinance (%)		66.06	60.33	63.30
Property, plant & equipment and intangible assets to shareholders' funds (%)		11.56	13.96	14.23
Total assets to shareholders' funds (times)		10.14	12.01	11.91
Capital funds to liabilities including contingent liabilities (%)		8.45	7.08	7.35
Cost to income ratio (including taxes on financial services) (%) (****)		41.89	40.31	29.22
Impaired Loans (Stage 3) Ratio (%)		2.76	5.85	5.25
Impairment (Stage 3) to Stage 3 Loans Ratio (%)		64.61	43.22	39.60
Capital adequacy (%) (under Basel II) Tier I		N/A	N/A	N/A
Tier I & II		N/A	N/A	N/A
Capital adequacy (%) (under Basel III)				
Common equity Tier I capital ratio		14.23	11.44	11.39
Tier I capital ratio		14.23	11.44	11.39
Total capital ratio		18.14	15.15	14.66
Share information				
Market value of a voting ordinary share (Rs.)		144.75	95.50	50.20
Earnings per share (Rs.)		38	15	17
Dividend per share (Rs.)		9.50	6.50	4.50
Price earnings ratio (times)		4	6	3
Net assets value per share (Rs.)		171	164	164
Earnings yield (%)		26	16	35
Gross dividends (Rs. Bn.) to ordinary shareholders		15.30	8.54	5.58
Dividend payout ratio (%) – Cash		22	29	–
Total dividend payout ratio (%)		28	42	24
Other information				
Number of employees		5,461	5,201	5,121
Number of delivery points – Sri Lanka	1.28	272	271	269
Number of delivery points – Bangladesh		20	20	20
Number of automated teller machines	4.54	974	948	934

(*) CAGR – Compound Annual Growth Rate
(**) Includes the net derecognition loss on restructuring of SLISBs during 2024 as detailed in Note 16.1 on page 334
(***) Includes the net impairment reversals on restructuring of SLISBs during 2024 as detailed in Note 16.1 on page 334
(****) After discounting the net derecognition loss on restructuring of SLISBs and related taxes on financial services during 2024 as detailed in Note 16.1 on page 334

	SLFRSs				LKASs		
	2021	2020	2019	2018	2017	2016	2015
	160,886	**149,711**	**148,706**	**138,049**	**114,357**	**93,143**	**77,868**
	130,443	122,330	127,780	117,466	103,034	80,738	66,030
	(65,832)	(72,759)	(80,571)	(72,524)	(64,011)	(47,915)	(35,685)
	10,589	8,338	6,726	7,900	588	2,326	2,877
	16,195	17,031	12,082	10,845	9,169	8,951	8,059
	(59,394)	(51,429)	(43,678)	(38,096)	(25,597)	(24,049)	(24,138)
	32,001	**23,511**	**22,339**	**25,591**	**23,183**	**20,051**	**17,143**
	(8,395)	(7,138)	(5,314)	(8,047)	(6,602)	(5,539)	(5,240)
	23,606	**16,373**	**17,025**	**17,544**	**16,581**	**14,512**	**11,903**
	14.66	11.28	13.54	15.56	17.88	19.52	16.90
	7.46	0.68	7.72	20.72	24.10	19.62	7.03
	1.28	1.05	1.27	1.43	1.54	1.53	1.42
	2.64	2.34	2.55	2.67	2.62	2.25	2.09
	73.54	72.96	86.74	86.96	86.07	82.69	80.84
	15.04	15.56	16.21	13.75	14.46	14.07	14.94
	11.82	11.05	10.42	11.01	10.68	12.92	12.51
	6.68	6.81	7.26	6.42	6.69	5.47	5.29
	37.97	39.96	49.41	46.35	51.08	51.06	48.92
	3.85	6.78	N/A	N/A	N/A	N/A	N/A
	42.76	30.87	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	11.56	11.60
	N/A	N/A	N/A	N/A	N/A	15.89	14.26
	11.92	13.22	12.30	11.34	12.11	N/A	N/A
	11.92	13.22	12.30	11.34	12.11	N/A	N/A
	15.65	16.82	16.15	15.60	15.75	N/A	N/A
	79.30	80.90	95.00	115.00	135.80	145.00	140.20
	19	15	17	17	17	16	13
	7.50	6.50	6.50	6.50	6.50	6.50	6.50
	4	5	5	7	8	9	10
	138	135	130	117	108	88	80
	24	19	17	15	13	11	10
	8.96	7.59	6.68	6.57	6.48	5.77	5.70
	22	32	27	26	26	28	33
	38	46	39	37	38	40	48
	5,072	5,057	5,062	5,027	4,982	4,987	4,951
	268	268	268	266	261	255	246
	19	19	19	19	19	19	18
	921	906	885	850	775	677	640

Investor relations

Dear Stakeholder,

Building long-term value and trust

We extend our sincere appreciation to our valued investors who continue to place their trust in the Bank by investing in both our equity and debt instruments. Our unwavering commitment is to maximise returns on your investments through sustainable and prudent growth strategies, ensuring long-term value creation. We recognise our responsibility to provide a comprehensive and transparent overview of the Bank's and the Group's financial performance, operational results, and cash flows, enabling informed investment decisions.

As one of Sri Lanka's two top tier D-SIBs and the largest private sector bank, we remain well-positioned to meet investor expectations. The operating environment in 2024 has improved significantly compared to previous years, creating new opportunities for sustainable expansion. While challenges persist, we have leveraged our resilience, robust governance, and risk management strategies to navigate market dynamics effectively. We are confident that the information provided in this Integrated Report and Financial Statements will further enhance your understanding of our core strengths, financial stability, and strategic direction, fostering continued trust and loyalty among our investor community.

Strengthening investor communication and engagement

The Bank remains dedicated to maintaining strong and transparent communication channels with its investors, fostering mutual trust and confidence. We uphold the rights of investors as stipulated by relevant regulations and actively address material concerns, as detailed in the *"Engaging with Stakeholders"* section on pages 62 to 65 Our proactive investor engagement consistently exceeds statutory requirements, reinforcing our commitment to best-in-class corporate governance and investor relations.

Our diverse engagement methods ensure that stakeholders receive timely and relevant updates. The Annual Report remains our primary communication tool, complemented by AGMs and EGMs, providing investors with direct opportunities to engage with the Bank's leadership. In line with our commitment to transparency, this year's Integrated Annual Report has been presented in a concise and structured format, ensuring clarity and accessibility.

We highly value the insightful feedback provided by our shareholders through surveys and direct engagement. Your input has been instrumental in refining our reporting approach, and to further enhance two-way communication, we have included a stakeholder feedback form in this year's Annual Report too. We encourage you to share your suggestions and opinions, which will help us align our strategies with investor expectations and enhance long-term value creation.

Expanding digital access to investor information

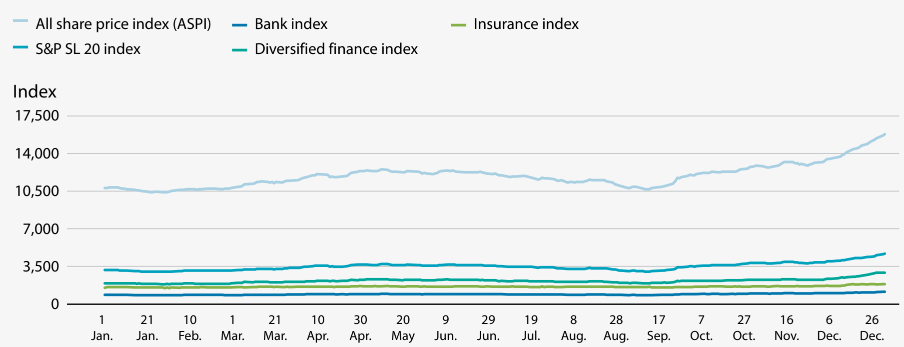
Our Investor Relations section, accessible at https://www.combank.lk/investors, remains a popular and interactive platform for stakeholders. This section provides access to both PDF and interactive versions of the Bank's Annual Report, along with regular updates on financial disclosures, corporate actions, and governance developments. Ensuring timely and accurate investor communication remains a key priority, and we continuously enhance our digital platforms to meet evolving stakeholder expectations.

With these ongoing efforts, we reaffirm our commitment to responsible and transparent investor relations, ensuring that all stakeholders are well-informed and engaged in our journey of sustainable value creation.

Modes of engagement with Stakeholders Figure – 42

We strongly believe that the Bank's effective communication and active engagement with key stakeholders have positioned its shares as a reliable and attractive investment option, despite the various global and local developments as detailed in *Operating Environment and Outlook*.

Performance of the Colombo Stock Exchange and the Banking Sector in 2024 Graph – 38



Performance of the Colombo Stock Exchange (CSE) in 2024

Building on its impressive performance in 2023, when it ranked among the world's top-performing stock market indices, the Colombo Stock Exchange (CSE) continued its bullish momentum throughout 2024. The All Share Price Index (ASPI) closed the year at 15,945 points, marking a 49.66% increase from 10,654 points at the end of 2024, compared to the increase of 25.50% in 2023. Similarly, the S&P SL20 Index, which tracks the top 20 most liquid and capitalised stocks, surged by 58.46%, compared to the increase of 16.42% in 2023, closing at 4,862 points compared to 3,068 points in the previous year.

This positive trajectory significantly boosted market capitalisation, which rose to Rs. 5.696 Tn. by the end of 2024, reflecting a 34.05% increase from Rs. 4.249 Tn. at the close of 2023, compared to the increase of 10.44% in 2023. The strong investor confidence, coupled with improved macroeconomic stability, contributed to this substantial market expansion, positioning the CSE as a key driver of economic growth and investment attractiveness in Sri Lanka.

Performance of the Banking sector and Commercial Bank shares in 2024

Against the backdrop of the strong performance of the ASPI and S&P SL20 indices in 2024, the banking sector shares also exhibited significant growth, with the Bank Index rising to 1,337 points by year-end, marking a 67.77% increase compared to 797 points at the end of 2023. While this reflects a commendable performance, the growth rate moderated from the 106.64% increase recorded in 2023.

The Bank's ordinary voting and non-voting shares saw substantial appreciation, rising by 51.57% and 43.66%, respectively, during 2024. The market prices of ordinary voting shares and ordinary non-voting shares closed at Rs. 144.75 and Rs. 115.50, respectively, compared to Rs. 95.50 and Rs. 80.40 at the end of 2023, as detailed in Table – 31 on page 182.

Despite this strong market performance, the Bank's ordinary voting shares traded at 0.85 times their book value at the end of 2024, reflecting a discount (compared to 0.58 times in 2023). However, the Bank's shares continued to command the highest valuation among its peers in the banking sector, reinforcing investor confidence in its financial strength and market leadership.

As of December 31, 2024, the Bank's public holding (free float) remained high, with ordinary voting shares at 99.79% (99.81% in 2023) and ordinary non-voting shares at 99.88%, unchanged from the previous year. The Bank's float-adjusted market capitalisation, which is compliant under Option-1 of the CSE minimum public holding requirements, saw a significant increase of 85.21%, rising from Rs. 124.095 Bn. in 2023 to Rs. 229.836 Bn. in 2024.

As shown in Tables – 34 and 35 on page 183, both ordinary voting and ordinary non-voting shares remained actively traded on the CSE, providing investors with a convenient entry and exit mechanism. Trading activity surged notably, with the number of share transactions increasing by 45.84% for ordinary voting shares and 61.40% for ordinary non-voting shares. Additionally, the volume of shares traded grew significantly, up 118.98% for ordinary voting shares and 97.76% for ordinary non-voting shares.

Investor confidence in the Bank's shares remained strong, as reflected in the increase in shareholder base, with 16,966 shareholders holding voting shares (15,857 – 2023) and 6,342 shareholders holding non-voting shares (5,702 – 2023) at the end of the year, as detailed in Table – 37 on page 184.

Compliance report on the contents of the Annual Report in terms of the Listing Rules of the CSE

We are pleased to confirm that the Bank has fully complied with all relevant provisions of Section 7.6 of the Listing Rules of the CSE concerning the disclosures required in the Annual Report and Financial Statements of a listed entity.

The comprehensive compliance table (Table – 27) presented below provides a detailed reference to all disclosure requirements, including the corresponding sections and page numbers where the required information has been provided in this Annual Report.

The pages that follow contain detailed insights into the performance of the Bank's listed securities, reflecting market trends, investor activity, and key financial indicators.

Compliance with requirements of the Section 7.6 of the Listing Rules of the CSE Table – 27

Rule No.	Disclosure requirement	Section/reference	Page/s
7.6 (i)	Names of Directors during the financial year and their profiles.	Governance Reports	192 to 284
7.6 (ii)	Principal activities of the Bank and its subsidiaries during the year and any changes therein.	Note 1.3 to the Financial Statements	307 and 308
		Group Structure	30 and 31
7.6 (iii)	Names and the number of shares held by the 20 largest holders of voting and non-voting ordinary shares and the percentage of such shares held.	Item 4.2 of the "Investor Relations"	185 and 186
7.6 (iv) (a)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Bank complies with the minimum public holding requirement, in respect of voting ordinary shares. The public holding percentage (%) in respect of non-voting ordinary Shares.	Item 4.3 of the "Investor Relations"	186

Rule No.	Disclosure requirement	Section/reference	Page/s
7.6 (iv) (b)	Public holding percentage (%), and the number of public shareholders of foreign currency denominated Shares.	The Bank has not issued any foreign currency denominated Shares	
7.6 (v)	Details of each Director's and Chief Executive Officer's holding in each class of shares of the Bank at the beginning and end of the financial year.	Item 4.4 of the "Investor Relations"	187
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Bank.	Item 5 of the "Investor Relations"	188
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Bank.	Item 6 of the "Investor Relations"	188
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Bank's land holdings and investment properties.	Note 38.5 (a) and (b) to the Financial Statements	375 to 381
7.6 (ix)	Number of shares representing the Bank's stated capital.	Note 51 to the Financial Statements Item 7 of the "Investor Relations"	404 188 to 190
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings as at the end of the year.	Item 4.5 of the "Investor Relations"	187
7.6 (xi)	Ratios and market price information:		
	Equity – Dividend per share, dividend payout ratio, net asset value per share, market value per share – highest, lowest values recorded during the financial year and the market value as at the end of the financial year.	Financial Highlights Items 2, 3 and 11 of the "Investor Relations"	24 181 to 184 and 191
	Debt – Interest rate of comparable Government Securities, debt/equity ratio, interest cover and quick asset ratio, Debt Service Coverage ratio, market prices and yield during the year – High, low and last traded prices.	Items 10 and 11 of the "Investor Relations"	191
	Any changes in credit rating (for the Bank or any other instrument issued by the Bank).	Item 12 of the "Investor Relations"	191
7.6 (xii)	Significant changes in the Bank's or its subsidiaries' fixed assets including substantial difference between market value and book value of lands.	Note 38.5 (b) to the Financial Statements	376 to 381
7.6 (xiii)	Details of funds raised through Initial Public Offering and/or a further issue of Securities during the year.	The Bank raised funds through a right issue during the year	
	a. the manner in which the funds of such issue/s have been utilised in conformity with the format provided by the CSE from time to time;	Note 51 and 51.1 to the Financial Statements	404
	b. if any shares or debentures have been issued, the number, class of shares or debenture and consideration received and the reason for the issue; and,	Note 50 to the Financial Statements for the details of shares issued during the year	402 and 403
	c. any material change in the use of funds raised through an issue of Securities.	Item 10 of the "Investor Relations" Note 50 and 51 to the Financial Statements	191 402 to 404
	In the event the funds raised through the Initial Public Offering and/or the further issue of Securities (as applicable) have been fully utilised by the Bank as disclosed in the Prospectus and/or Circular to shareholders between two financial periods, the Entity shall disclose such fact in the immediate succeeding Annual Report or the Interim Financial Statements, whichever is published first.		

Rule No.	Disclosure requirement	Section/reference	Page/s
7.6 (xiv)	a. Information in respect of Employee Share Option Schemes (ESOS). • The number of options granted to each category of employees during the financial year. • Total number of options vested but not exercised by each category of employees during the financial year. • Total number of options exercised by each category of employees and the total number of shares arising therefrom during the financial year. • Options cancelled during the financial year and the reasons for such cancellation. • The exercise price.	Note 52.1 to the Financial Statements "Employee Share Option Plans"	405
	• A declaration by the Directors of the Bank confirming that the Bank or any of its subsidiaries has not, directly or indirectly, provided funds for the ESOS.	Item 24 of the Statement of Compliance	242
	b. Information in respect of Employee Share Purchase Schemes (ESPS). • The total number of shares issued under the ESPS during the financial year. • The number of shares issued to each category of employees during the financial year. • The price at which the shares were issued to the employees. • A declaration by the Directors of the Bank confirming that the Bank or any of its subsidiaries has not, directly or indirectly, provided funds for the ESPS.	Not applicable as the Bank does not have Employee Share Purchase Schemes	
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Rules.	Required disclosures are given in Annexure 1.3 "Compliance with Section 9 of the Listing Rules issued by the Colombo Stock Exchange"	477 to 483
7.6 (xvi)	Related party transactions exceeding 10% of the equity or 5% of the total assets of the Bank as per Audited Financial Statements, whichever is lower.	The Bank did not have any related party transactions exceeding this threshold during the year 2024 and as at end 2024 (Note 62.6 to the Financial Statements)	424
	Details of investments in a related party and/or amounts due from a related party to be set out separately. The details shall include, as a minimum: i. The date of the transaction; ii. The name of the related party; iii. The relationship between the Bank and the related party; iv. The amount of the transaction and terms of the transaction; v. The rationale for entering into the transaction.	Item 20.3 of the Statement of Compliance	240
7.6 (xvii)	Disclosures on foreign currency denominated securities listed on the CSE	The Bank has not issued foreign currency denominated securities	
7.6 (xviii)	Disclosures on the Sustainable Bonds listed on the CSE	The Bank has not issued Sustainable Bonds	
7.6 (xix)	Disclosures on Perpetual Debt Securities listed on the CSE	The Bank has not issued any Perpetual Debt Securities	

Rule No.	Disclosure requirement	Section/reference	Page/s
7.6 (xx)	Disclosures on Infrastructure Bonds listed on the CSE	The Bank has not issued any Infrastructure Bonds	
7.6 (xxi)	Disclosures on Shariah Compliant Debt Securities listed on the CSE	The Bank has not issued any Shariah Compliant Debt Securities	
7.6 (xxii)	Disclosures on High Yield Corporate Debt Securities listed on the CSE	The Bank has not issued any High Yield Corporate Debt Securities	

1. Listed Securities of the Bank

The Bank's ordinary voting and non-voting shares are listed on the Main Board of the CSE under the ticker symbol "COMB". Additionally, all debentures issued by the Bank are also listed on the CSE, ensuring transparency and accessibility for investors. For a comprehensive summary of the Bank's listed securities, please refer to Table – 28 on page 180.

The Business section of major daily newspapers, including the Daily News, Daily FT, The Island, and Daily Mirror, provides a summary of trading activity and daily price updates for shares and debentures traded (if any) under the abbreviation "Commercial Bank" or "COMB".

Summary of listed securities of the Bank Table – 28

	Number in issue as at		Security code/ID
	December 31, 2024	December 31, 2023	
Equity			
Ordinary shares – Voting	1,515,212,126	1,236,525,395	COMB.N0000
Ordinary shares – Non-voting	95,086,178	77,595,733	COMB.X0000
Debt			
Fixed rate Debentures March 2016/26	17,490,900	17,490,900	COMB-BD-08/03/26-C2342-11.25%
Fixed rate Debentures October 2016/26	19,282,000	19,282,000	COMB-BD-27/10/26-C2359-12.25%
Fixed rate Debentures July 2018/28	16,061,600	16,061,600	COMB-BD-22/07/28-C2405-12.50%
Fixed rate Debentures September 2021/26	42,374,700	42,374,700	COMB-BD-20/09/26-C2491-09.00%
Fixed rate Debentures September 2021/28	43,580,000	43,580,000	COMB-BD-20/09/28-C2492-09.50%
Fixed rate Debentures December 2022/27	67,246,800	67,246,800	COMB-BD-11/12/27-C2504-28.00%
Fixed rate Debentures December 2022/29	32,638,200	32,638,200	COMB-BD-11/12/29-C2503-27.00%
Fixed rate Debentures December 2022/32	115,000	115,000	COMB-BD-11/12/32-C2505-22.00%
Fixed rate Debentures December 2023/28	21,324,000	21,324,000	COMB-BD-19/12/28-C2516-14.50%
Fixed rate Debentures December 2023/28	75,580,900	75,580,900	COMB-BD-19/12/28-C2517-15.00%
Fixed rate Debentures December 2023/30	329,800	329,800	COMB-BD-19/12/30-C2519-13.75%
Fixed rate Debentures December 2023/30	8,177,600	8,177,600	COMB-BD-19/12/30-C2521-14.25%
Fixed rate Debentures December 2023/33	308,400	308,400	COMB-BD-19/12/33-C2518-13.50%
Fixed rate Debentures December 2023/33	14,279,300	14,279,300	COMB-BD-19/12/33-C2520-14.00%
Fixed rate Debentures July 2024/29	14,272,500	Issued during the year 2024	COMB-BD-09/07/29-C2532-12.60%
Fixed rate Debentures July 2024/29	124,551,600		COMB-BD-09/07/29-C2533-13.00%
Fixed rate Debentures July 2024/31	1,396,700		COMB-BD-09/07/31-C2534-12.85%
Fixed rate Debentures July 2024/31	3,688,900		COMB-BD-09/07/31-C2535-13.25%
Fixed rate Debentures July 2024/34	730,400		COMB-BD-09/07/34-C2536-13.00%
Fixed rate Debentures July 2024/34	55,359,900		COMB-BD-09/07/34-C2537-13.50%

Equity Securities

Description of Ordinary Shares Table – 29

Security type	Quoted ordinary shares
Listed exchange	Colombo Stock Exchange (CSE) – Main Board
Featured stock indices	All Share Price Index (ASPI)
	Standard & Poor's Sri Lanka 20 (S&P SL20)
GICS Industry Group	Banks
CSE stock symbol	Voting – COMB.N0000
	Non-Voting – COMB.X0000
International Securities Identification Number (ISIN)	Voting – LK0053N00005
	Non-Voting – LK0053X00004

2. Performance of COMB shares and Returns to Shareholders

Investor interest in the Bank's shares remained strong throughout 2024, continuing the momentum from 2023. This is reflected in the notable increase in the number of share transactions (Table – 34 on page 183), significantly higher trading volumes (Table – 35 on page 183), and growth in the number of shareholders across both ordinary voting and non-voting categories (Table – 37 on page 184).

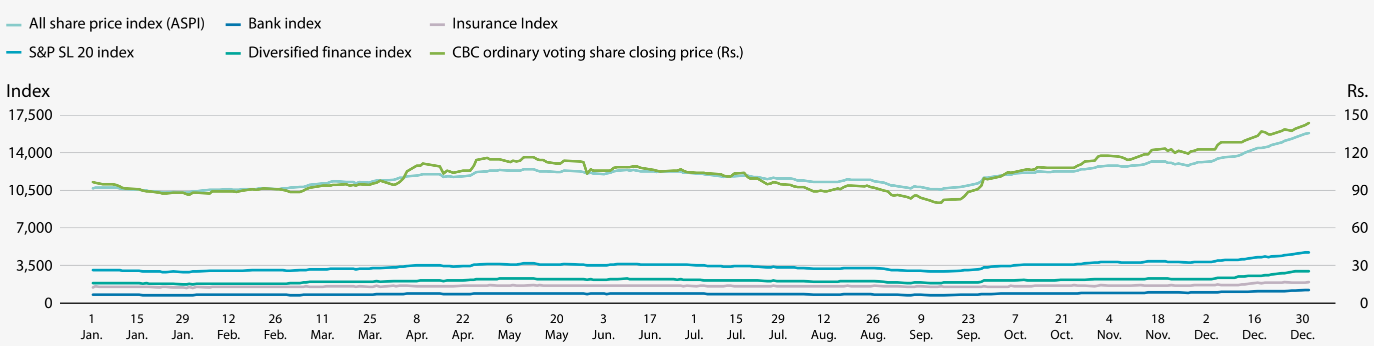
The market price of the Bank's ordinary voting shares recorded a substantial increase of 51.57% (compared to 90.24% in 2023), closing at Rs. 144.75 at the end of 2024, up from Rs. 95.50 in 2023. Similarly, ordinary non-voting shares saw a notable rise of 43.66% (compared to 94.67% in 2023), reaching Rs. 115.50 at the end of 2024 from Rs. 80.40 in the previous year (Table – 31 on page 182). Throughout the year, non-voting share prices closely followed the trend of voting shares, reflecting strong market alignment.

During the year, the Bank successfully concluded a rights issue, raising Rs. 22.544 Bn. in equity, further strengthening its capital base and financial stability. Additionally, the Bank continued its policy of issuing scrip dividends, reinforcing shareholder value and fostering long-term investor confidence.

By the end of 2024, the market capitalisation of both voting and non-voting shares surged to Rs. 230.309 Bn. (USD 786.039 Mn.), up from Rs. 124.327 Bn. (USD 383.429 Mn.) in 2023. This represented 4.04% of the total market capitalisation of the CSE, an increase from 2.93% in 2023, highlighting the Bank's growing market presence.

The Bank's shares ranked fifth among all listed entities on the CSE (up from ninth in 2023) and retained its position as the highest-ranked corporate entity in the banking sector, reaffirming its leadership and investor confidence.

Performance of the ordinary shares – voting – 2024 Graph – 39



2.1 Movement of COMB voting share price over the year Table – 30

Month	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
Highest Price (Rs.)	98.00	92.90	98.60	116.75	117.50	110.25	106.25	96.00	104.75	122.50	128.75	145.75
Lowest Price (Rs.)	86.00	86.10	88.00	91.80	100.00	104.25	92.90	85.60	78.00	99.60	113.75	122.50
Price at the month end (Rs.)	86.20	90.00	97.70	115.00	105.75	105.00	92.50	86.60	101.25	118.00	123.25	144.75

2.2 Share price movement of last five years [As per Rule No. 7.6 (xi) of the Listing Rules of the CSE] Table – 31

Year	2024 Rs.	2023 Rs.	2022 Rs.	2021 Rs.	2020 Rs.
Ordinary shares – Voting					
Highest price during the year	144.75	107.50	85.00	105.00	96.00
Lowest price during the year	78.00	50.00	48.70	76.90	50.00
Last traded price	144.75	95.50	50.20	79.30	80.90
Ordinary shares – Non-voting					
Highest price during the year	117.00	89.00	78.50	95.90	87.20
Lowest price during the year	67.50	40.00	39.40	69.60	48.00
Last traded price	115.50	80.40	41.30	72.00	70.10

2.3 Sustainable value for investors Table – 32

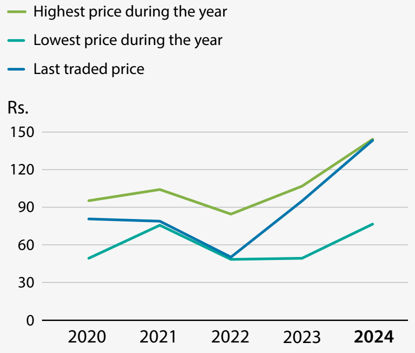
	Ordinary shares – Voting			Ordinary shares – Non-voting		
	Trade date	2024 Rs.	2023 Rs.	Trade date	2024 Rs.	2023 Rs.
Highest price	December 31, 2024	145.75		December 31, 2024	117.00	
	August 10, 2023		107.50	August 11, 2023		89.00
Lowest price	September 12, 2024	78.00		September 10, 2024	67.50	
	January 02, 2023		50.00	January 19, 2023		40.00
Year-end price		144.75	95.50		115.50	80.40

2.4 Information on shareholders' funds and Bank's market capitalisation Table – 33

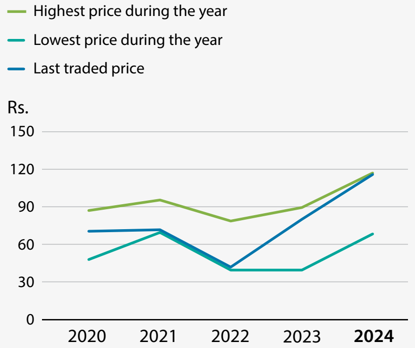
As at December 31,	Shareholders' funds Rs. Bn.	Commercial Bank's market capitalisation (*) Rs. Bn.	Total market capitalisation of the CSE Rs. Bn.	Commercial Bank's market capitalisation as a % of CSE market capitalisation %	Commercial Bank's market capitalisation ranking Rank	Commercial Bank's market capitalisation (*) USD Mn.
2024	275	230	5,696	4.04	5	786.039
2023	215	124	4,249	2.93	9	383.429
2022	204	62	3,847	1.60	12	167.824
2021	165	94	5,490	1.72	9	470.963
2020	157	94	2,961	3.16	5	500.902

(*) Market capitalisation includes both voting and non-voting shares.

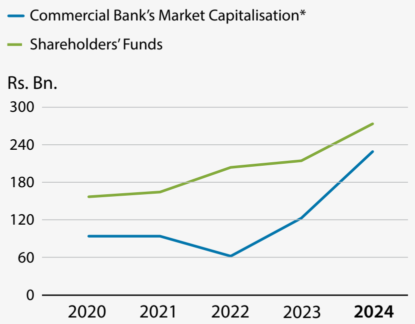
Share price movement – Ordinary Shares – Voting Graph – 40



Share price movement – Ordinary Shares – Non-voting Graph – 41



Shareholders' Funds and Bank's Market Capitalisation Graph – 42



** Market capitalisation includes both voting and non-voting shares*

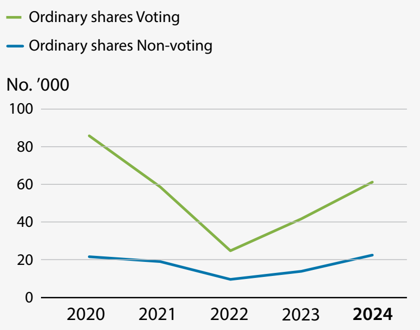
2.5 Number of share transactions Table – 34

For the year ended December 31,	2024	2023	2022	2021	2020
Ordinary shares – Voting	61,562	42,212	25,271	58,754	85,914
Ordinary shares – Non-voting	22,430	13,897	10,075	18,827	21,407

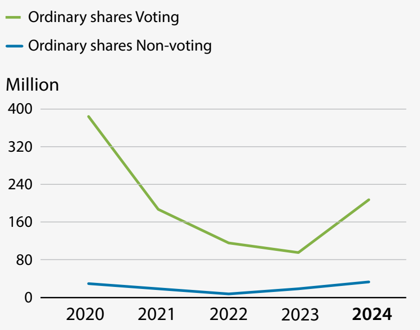
2.6 Number of shares traded ('000) Table – 35

For the year ended December 31,	2024	2023	2022	2021	2020
Ordinary shares – Voting	207,727	94,863	114,432	187,853	385,017
Ordinary shares – Non-voting	31,744	16,052	8,355	15,712	26,614

Number of share transactions Graph – 43



Number of shares traded Graph – 44



3. Dividend declaration and compliance with regulatory guidelines

The Bank recognises the importance of dividends as a means to balance shareholder expectations with business requirements. Historically, interim cash dividends were distributed until 2019; however, in compliance with the Banking Act Directions of the CBSL regarding "Restrictions on Discretionary Payments of Licensed Banks", no cash dividends were declared from 2020 to 2024. These regulations were implemented to safeguard liquidity and key performance indicators during a period of economic uncertainty. Additionally, licensed banks in Sri Lanka were required to defer dividend payments until their financial statements for the respective years were finalised and audited.

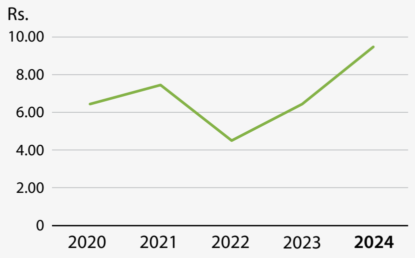
Following careful consideration of these regulatory directives and the superior performance of the Bank, the Board of Directors has recommended a final dividend of Rs. 9.50 per ordinary share for both ordinary voting and non-voting shares of the Bank (Rs. 6.50 in 2023) in accordance with the Board approved dividend policy. This will be distributed in the form of a cash dividend of Rs. 7.50 per share and a scrip dividend of Rs. 2.00 per share, in alignment with the Bank's capital management strategy (compared to Rs. 4.50 and Rs. 2.00 per share in 2023, respectively).

This first and final dividend for 2024 will be submitted for shareholder approval at the 56th AGM, scheduled for March 28, 2025.

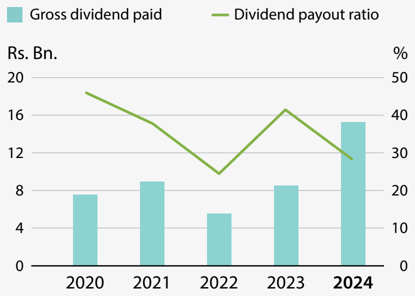
3.1 Dividend information [As per Rule No. 7.6 (xi) of the Listing Rules of the CSE] Table – 36

Dividends/year	2024	2023	2022	2021	2020
Cash – Rs. Per share					
Interim paid	–	–	–	–	–
Final proposed/paid	7.50	4.50	–	4.50	4.50
Total	7.50	4.50	–	4.50	4.50
Scrip – Rs. Per share					
Final proposed/allotted	2.00	2.00	4.50	3.00	2.00
Total	9.50	6.50	4.50	7.50	6.50
Gross dividend paid (Rs. Bn.)					
Cash	12.08	5.91	–	5.37	5.25
Scrip	3.22	2.63	5.58	3.58	2.34
Total	15.30	8.54	5.58	8.95	7.59
Dividend payout ratio (%)					
Cash	22.33	28.90	–	22.77	32.07
Cash and shares	28.29	41.75	24.29	37.94	46.33

Dividend per share Graph – 45



Dividend paid and dividend payout ratio Graph – 46



4. Shareholders

As of December 31, 2024, the Bank had 16,966 ordinary voting shareholders and 6,342 ordinary non-voting shareholders, reflecting an increase from 15,857 and 5,702 shareholders, respectively, at the end of 2023 (Table – 37 on page 184).

The composition of the 20 largest shareholders saw a few adjustments, with three new shareholders entering the list of whom one shareholder acquired shares and joined the list during the year while other two shareholders were existing shareholders who were not among the top 20 shareholders as at end of 2023. The percentage of ordinary voting shares held by the top 20 shareholders marginally increased to 77.08% (compared to 76.39% in 2023). Similarly, in the ordinary non-voting share category, the top 20 shareholders' stake increased to 35.46% from 33.20% in 2023, following a similar shift in shareholder composition.

These changes highlight the continued investor confidence and stability in the Bank's shareholder base while ensuring diversification and liquidity in shareholding patterns.

4.1 Number of ordinary shareholders Table – 37

As at December 31,	2024 Nos.	2023 Nos.
Ordinary shareholders – Voting	16,966	15,857
Ordinary shareholders – Non-voting	6,342	5,702
Total	23,308	21,559

4.2 The names, number of shares and percentages of shares held by the twenty largest shareholders [As per Rule No. 7.6 (iii) of the Listing Rules of the CSE]

Voting shareholders Table – 38

As at December 31,	2024		2023 (*)	
Ordinary shares – Voting	Number of shares	%	Number of shares	%
1. Mr Y S H I Silva	149,546,792	9.87	122,327,008	9.89
2. DFCC Bank PLC A/C 1	147,220,542	9.72	149,777,568	12.11
3. Mr D P Pieris	146,615,856	9.68	95,321,291	7.71
4. Employees Provident Fund	124,889,157	8.24	106,485,764	8.61
5. CB NY S/A International Finance Corporation	107,483,349	7.09	87,919,750	7.11
6. Sri Lanka Insurance Corporation Ltd. – Life Fund	76,250,714	5.03	62,371,928	5.04
7. Melstacorp PLC	62,960,871	4.16	51,131,771	4.14
8. Mr K D D Perera	55,524,908	3.66	45,418,533	3.67
9. CB NY S/A IFC Emerging Asia Fund. LP	55,411,161	3.66	45,325,490	3.67
9. CB NY S/A IFC Financial Institutions Growth Fund. LP	55,411,161	3.66	45,325,490	3.67
11. Sri Lanka Insurance Corporation Ltd. – General Fund	53,469,865	3.53	43,737,539	3.54
12. Citibank New York S/A Norges Bank Account 2	21,220,536	1.40	5,118,891	0.41
13. Renuka Hotels PLC	20,122,221	1.33	15,939,738	1.29
14. Employees Trust Fund Board	17,064,771	1.13	20,004,314	1.62
15. First Capital Holding PLC	15,179,466	1.00	Nil	–
16. Cargo Boat Development Company PLC	13,981,796	0.92	11,186,898	0.90
17. Est. of Late M J Fernando	13,582,057	0.90	11,109,917	0.90
18. Hallsville Frontier Equities Ltd.	12,398,860	0.82	10,876,310	0.88
19. Renuka Consultants & Services Limited	12,041,979	0.79	9,821,527	0.79
20. Mr A L Gooneratne & Mrs C Gooneratne (Joint)	7,557,153	0.50	5,502,209	0.44
Subtotal	1,167,933,215	77.08	944,701,936	76.39
Other Shareholders	347,278,911	22.92	291,823,459	23.61
Total	1,515,212,126	100.00	1,236,525,395	100.00

** Comparative shareholdings as at December 31, 2023 of the twenty largest voting shareholders as at December 31, 2024.*

Non-voting shareholders Table – 39

As at December 31,	2024		2023 (*)	
Ordinary shares – Non-voting	Number of shares	%	Number of shares	%
1. Employees Trust Fund Board	6,111,455	6.43	6,036,439	7.78
2. Akbar Brothers (Pvt) Ltd. A/C No 1	4,772,046	5.02	3,764,303	4.85
3. Assetline Finance Limited/Suhada Gas Distributors (Pvt) Ltd.	2,000,000	2.10	922,371	1.19
4. Mr A L Gooneratne, Mrs C Gooneratne (Joint)	1,894,608	1.99	799,839	1.03
5. Mr T W A Wickramasinghe, Mrs N Wickramasinghe (Joint)	1,660,000	1.75	1,180,375	1.52
6. M J F Exports (Pvt) Ltd.	1,626,613	1.71	1,327,409	1.71
7. Mrs L V C Samarasinha	1,440,000	1.51	1,224,239	1.58
8. Mr M F Hashim	1,425,529	1.50	1,398,829	1.80
9. Saboor Chatoor (Pvt) Ltd.	1,380,574	1.45	1,110,307	1.43
10. Mr R Gautam	1,217,800	1.28	848,054	1.09
11. Janashakthi Insurance PLC – Shareholders	1,175,915	1.24	1,151,537	1.48
12. Mr E Chatoor	1,147,000	1.21	918,991	1.18
13. Quick Tea Pvt Ltd.	1,133,319	1.19	Nil	–
14. J B Cocoshell (Pvt) Ltd.	1,124,374	1.18	653,095	0.84
15. Mr K S M De Silva	1,003,550	1.06	814,467	1.05
16. Mr J D Bandaranayake, Ms N Bandaranayake & Dr V Bandaranayake (Joint)	980,714	1.03	784,297	1.01
17. Mr J D Bandaranayake, Dr V Bandaranayake & Ms I Bandaranayake (Joint)	956,267	1.01	764,347	0.99
18. Est. of Late M J Fernando	934,279	0.98	762,425	0.98
19. Swastika Mills Ltd.	874,592	0.92	694,940	0.90
20. Mr A H Munasinghe	854,686	0.90	615,867	0.79
Subtotal	33,713,321	35.46	25,772,131	33.20
Other shareholders	61,372,857	64.54	51,823,602	66.80
Total	95,086,178	100.00	77,595,733	100.00

(*) Comparative shareholdings as at December 31, 2023 of the twenty largest non-voting shareholders as at December 31, 2024.

4.3 Public shareholding [As per Rule No. 7.6 (iv) and 7.13.1 of the Listing Rules of the CSE] Table – 40

As at December 31,	2024		2023 (*)	
		%		%
Number of shareholders representing the public holding (Voting)	16,927	99.79	15,820	99.81
Number of shareholders representing the public holding (Non-voting)	6,338	99.88	5,698	99.88
Float adjusted market capitalisation (Compliant under Option 1) – Rs. Bn.	230		124	

4.4 Directors' shareholding including the Chief Executive Officer's shareholding [As per Rule No. 7.6 (v) of the Listing Rules of the CSE] Table – 41

As at December 31,	Ordinary shares voting 2024	Ordinary shares voting 2023	Ordinary shares non-voting 2024	Ordinary shares non-voting 2023
Mr Sharhan Muhseen – Chairman (*)	3,361	2,750	Nil	Nil
Mr R Senanayake – Deputy Chairman (*)	Nil	Nil	Nil	Nil
Mr S C U Manatunge – Managing Director/Chief Executive Officer	198,084	118,599	Nil	Nil
Mr S Prabagar – Chief Operating Officer	309,955	251,136	42,215	26,290
Mr L D Niyangoda (*)	Nil	Nil	Nil	Nil
Ms N T M S Cooray (*)	470,652	384,987	73,964	60,360
Ms J Lee (*)	Nil	Nil	Nil	Nil
Mrs D L T S Wijewardena (*)	Nil	Nil	Nil	Nil
Dr Sivakumar Selliah (*)	38,408	28,759	Nil	Nil
Mr D N L Fernando (*)	Nil	Nil	Nil	Nil
Mr P M Kumarasinghe (*)	Nil	Nil	Nil	Nil
Mr P Y S Perera (**)	2,400	Nil	Nil	Nil

(*) Independent Non-Executive Director
(**) Appointed as an Independent Non-Executive Director w.e.f. October 02, 2024

4.5 Distribution schedule of number of holders and percentage of holding in each class of equity securities [As per Rule No. 7.6 (x) of the Listing Rules of the CSE] Table – 42

As at December 31,	2024				2023			
	Number of shareholders	Percentage %	Number of shares	Percentage %	Number of shareholders	Percentage %	Number of shares	Percentage %
Ordinary shares – Voting								
1 – 1,000	9,965	58.74	2,114,698	0.14	9,060	57.14	1,994,558	0.16
1,001 – 10,000	4,564	26.90	16,712,337	1.10	4,467	28.17	15,856,461	1.28
10,001 – 100,000	1,976	11.64	59,567,028	3.93	1,916	12.08	56,004,738	4.53
100,001 – 1,000,000	383	2.26	110,264,030	7.28	348	2.19	96,225,753	7.78
Over 1,000,000	78	0.46	1,326,554,033	87.55	66	0.42	1,066,443,885	86.25
Total	16,966	100.00	1,515,212,126	100.00	15,857	100.00	1,236,525,395	100.00
Ordinary shares – Non-voting								
1 – 1,000	3,579	56.44	797,274	0.84	3,215	56.38	742,221	0.96
1,001 – 10,000	1,840	29.01	6,561,441	6.90	1,722	30.20	6,055,133	7.80
10,001 – 100,000	774	12.20	22,240,440	23.39	642	11.26	18,189,009	23.44
100,001 – 1,000,000	134	2.11	36,374,240	38.25	113	1.98	32,312,767	41.64
Over 1,000,000	15	0.24	29,112,783	30.62	10	0.18	20,296,603	26.16
Total	6,342	100.00	95,086,178	100.00	5,702	100.00	77,595,733	100.00

4.6 Composition of shareholders based on residency and category Table – 43

As at December 31,	2024				2023			
	Number of shareholders	Percentage %	Number of shares	Percentage %	Number of shareholders	Percentage %	Number of shares	Percentage %
Ordinary shares – Voting								
Resident	16,727	98.59	1,238,491,891	81.74	15,607	98.42	1,013,925,355	82.00
Non-resident	239	1.41	276,720,235	18.26	250	1.58	222,600,040	18.00
Total	16,966	100.00	1,515,212,126	100.00	15,857	100.00	1,236,525,395	100.00
Individuals	16,238	95.71	556,300,655	36.71	15,197	95.84	441,206,246	35.68
Institutions	728	4.29	958,911,471	63.29	660	4.16	795,319,149	64.32
Total	16,966	100.00	1,515,212,126	100.00	15,857	100.00	1,236,525,395	100.00
Ordinary shares – Non-voting								
Resident	6,270	98.86	91,810,004	96.55	5,629	98.72	71,721,622	92.43
Non-resident	72	1.14	3,276,174	3.45	73	1.28	5,874,111	7.57
Total	6,342	100.00	95,086,178	100.00	5,702	100.00	77,595,733	100.00
Individuals	6,062	95.58	62,158,895	65.37	5,464	95.83	48,889,575	63.01
Institutions	280	4.42	32,927,283	34.63	238	4.17	28,706,158	36.99
Total	6,342	100.00	95,086,178	100.00	5,702	100.00	77,595,733	100.00

5. Material foreseeable risk factors [As per Rule No. 7.6 (vi) of the Listing Rules of the CSE]

Information pertaining to the material foreseeable risk factors, that require disclosures as per the Rule No. 7.6 (vi) of the Listing Rules of the CSE is discussed in the Section on "Risk Governance and Management" on pages 254 to 284.

6. Material issues pertaining to employees and industrial relations pertaining to the Bank [As per Rule No. 7.6 (vii) of the Listing Rules of the CSE]

During the year under review, the Bank did not encounter any material employee or industrial relations issues that require disclosure.

7. Information on movement in number of shares represented by the stated capital [As per Rule No.7.6 (ix) of the Listing Rules of the CSE] Table – 44

Year	Description	Type of share	Basis	Number of shares issued/(redeemed)	Number of shares	
					Ordinary shares – voting	Ordinary shares non-voting
1987	As at December 31, 1987			–	3,000,000	–
1988	Bonus Issue	Voting	2 for 3	2,000,000	5,000,000	–
1990	Bonus Issue	Voting	1 for 1	5,000,000	10,000,000	–
1993	Rights Issue	Voting	1 for 4	2,500,000	12,500,000	–
1996	Bonus Issue	Voting	3 for 5	7,500,000	20,000,000	–
	Rights Issue	Voting	1 for 4	5,000,000	25,000,000	–
	Share Swap	Non-voting		894,275	25,000,000	894,275
	Bonus Issue	Non-voting	3 for 5	536,565	25,000,000	1,430,840
	Rights Issue	Non-voting	1 for 4	357,710	25,000,000	1,788,550

Year	Description	Type of share	Basis	Number of shares issued/(redeemed)	Number of shares	
					Ordinary shares – voting	Ordinary shares non-voting
1998	Bonus Issue	Voting	3 for 10	7,500,000	32,500,000	1,788,550
	Bonus Issue	Non-voting	3 for 10	536,565	32,500,000	2,325,115
2001	Bonus Issue	Voting	1 for 5	6,500,000	39,000,000	2,325,115
	Bonus Issue	Non-voting	1 for 5	465,023	39,000,000	2,790,138
	Issue of cumulative redeemable preference shares			90,655,500	39,000,000	2,790,138
2003	Bonus Issue	Voting	1 for 3	13,000,000	52,000,000	2,790,138
	Rights Issue	Voting	1 for 4	13,000,000	65,000,000	2,790,138
	Bonus Issue	Non-voting	1 for 3	930,046	65,000,000	3,720,184
	Rights Issue	Non-voting	1 for 4	930,046	65,000,000	4,650,230
	Issue of cumulative redeemable preference shares			100,000,000	65,000,000	4,650,230
2004	ESOP	Voting		29,769	65,029,769	4,650,230
2005	ESOP	Voting		1,361,591	66,391,360	4,650,230
	Bonus Issue	Voting	1 for 1	66,389,162	132,780,522	4,650,230
	Bonus Issue	Non-voting	1 for 1	4,650,230	132,780,522	9,300,460
2006	ESOP	Voting		737,742	133,518,264	9,300,460
	Redemption of cumulative redeemable preference shares			(90,655,500)	133,518,264	9,300,460
2007	Rights Issue	Voting	3 for 10	40,288,996	173,807,260	9,300,460
	Bonus Issue	Voting	1 for 3	58,204,268	232,011,528	9,300,460
	ESOP	Voting		919,649	232,931,177	9,300,460
	Rights Issue	Non-voting	3 for 10	2,790,138	232,931,177	12,090,598
	Bonus Issue	Non-voting	1 for 3	4,030,199	232,931,177	16,120,797
2008	Redemption of cumulative redeemable preference shares			(100,000,000)	232,931,177	16,120,797
	ESOP	Voting		350,049	233,281,226	16,120,797
2009	ESOP	Voting		540,045	233,821,271	16,120,797
2010	Share Split	Voting	1 for 2	117,402,608	351,223,879	16,120,797
	Share Split	Non-voting	1 for 2	8,060,398	351,223,879	24,181,195
	ESOP	Voting		2,081,508	353,305,387	24,181,195
2011	Scrip issue for final dividend 2010	Voting	Rs. 2.00 per share	2,277,195	355,582,582	24,181,195
	Scrip issue for final dividend 2010	Non-voting		255,734	355,582,582	24,436,929
	ESOP	Voting		1,457,645	357,040,227	24,436,929
	Rights Issue	Voting	1 for 14	25,502,433	382,542,660	24,436,929
	Rights Issue	Non-voting	1 for 14	1,745,494	382,542,660	26,182,423
	Share Split	Voting	1 for 1	382,542,660	765,085,320	26,182,423
	Share Split	Non-voting	1 for 1	26,182,423	765,085,320	52,364,846
2012	Scrip issue for final dividend 2011	Voting	Rs. 2.00 per share	13,587,144	778,672,464	52,364,846
	Scrip issue for final dividend 2011	Non-voting		1,108,902	778,672,464	53,473,748
	ESOP	Voting		1,341,768	780,014,232	53,473,748

Year	Description	Type of share	Basis	Number of shares issued/(redeemed)	Number of shares Ordinary shares – voting	Number of shares Ordinary shares non-voting
2013	Scrip issue for final dividend 2012	Voting	Rs. 2.00 per share	13,076,189	793,090,421	53,473,748
	Scrip issue for final dividend 2012	Non-voting		1,069,474	793,090,421	54,543,222
	ESOP	Voting		1,445,398	794,535,819	54,543,222
2014	Scrip issue for final dividend 2013	Voting	Rs. 2.00 per share	12,504,344	807,040,163	54,543,222
	Scrip issue for final dividend 2013	Non-voting		1,036,724	807,040,163	55,579,946
	ESOP	Voting		3,237,566	810,277,729	55,579,946
2015	Scrip issue for final dividend 2014	Voting	Rs. 2.00 per share	8,118,773	818,396,502	55,579,946
	Scrip issue for final dividend 2014	Non-voting		719,740	818,396,502	56,299,686
	ESOP	Voting		2,170,613	820,567,115	56,299,686
2016	Scrip issue for final dividend 2015	Voting	Rs. 2.00 per share	11,818,040	832,385,155	56,299,686
	Scrip issue for final dividend 2015	Non-voting		912,967	832,385,155	57,212,653
	ESOP	Voting		1,136,732	833,521,887	57,212,653
2017	Scrip issue for final dividend 2016	Voting	Rs. 2.00 per share	10,521,802	844,043,689	57,212,653
	Scrip issue for final dividend 2016	Non-voting		903,357	844,043,689	58,116,010
	Rights Issue	Voting	1for10	84,649,465	928,693,154	58,116,010
	Rights Issue	Non-voting	1for10	5,811,601	928,693,154	63,927,611
	ESOP	Voting		3,278,537	931,971,691	63,927,611
2018	Scrip issue for final dividend 2017	Voting	Rs. 2.00 per share	11,998,388	943,970,079	63,927,611
	Scrip issue for final dividend 2017	Non-voting		1,085,563	943,970,079	65,013,174
	ESOP	Voting		1,739,324	945,709,403	65,013,174
2019	Scrip issue for final dividend 2018	Voting	Rs. 2.00 per share	15,249,529	960,958,932	65,013,174
	Scrip issue for final dividend 2018	Non-voting		1,241,095	960,958,932	66,254,269
	ESOP	Voting		293,385	961,252,317	66,254,269
2020	Scrip issue for final dividend 2019	Voting	Rs. 2.00 per share	22,485,434	983,737,751	66,254,269
	Scrip issue for final dividend 2019	Non-voting		1,716,432	983,737,751	67,970,701
	Issue of shares via a private placement	Voting		115,197,186	1,098,934,937	67,970,701
2021	Scrip issue for final dividend 2020	Voting	Rs. 2.00 per share	25,071,337	1,124,006,274	67,970,701
	Scrip issue for final dividend 2020	Non-voting		1,770,070	1,124,006,274	69,740,771
	ESOP	Voting		474,254	1,124,480,528	69,740,771
2022	Scrip issue for final dividend 2021	Voting	Rs. 3.00 per share	42,755,914	1,167,236,442	69,740,771
	Scrip issue for final dividend 2021	Non-voting		2,800,834	1,167,236,442	72,541,605
2023	Scrip issue for final dividend 2022	Voting	Rs. 4.50 per share	68,687,375	1,235,923,817	72,541,605
	Scrip issue for final dividend 2022	Non-voting		5,054,128	1,235,923,817	77,595,733
	ESOP	Voting		601,578	1,236,525,395	77,595,733
2024	Scrip issue for final dividend 2023	Voting	Rs. 2.00 per share	23,202,324	1,259,727,719	77,595,733
	Scrip issue for final dividend 2023	Non-voting		1,642,749	1,259,727,719	79,238,482
	Rights issue	Voting	1 for 5	252,353,693	1,512,081,412	79,238,482
	Rights issue	Non-voting	1 for 5	15,847,696	1,512,081,412	95,086,187
	ESOP	Voting		3,130,714	1,515,212,126	95,086,187

8. Engaging with shareholders

The Bank has a Board-approved Shareholder Communication Policy that establishes formal channels for engaging with shareholders. This Policy ensures the timely communication of the Group's and the Bank's quarterly performance, as detailed in the "Summary of Interim Financial Statements – Group and Bank" (pages 166 to 171). It also records significant events that could reasonably impact the share price. (For further details, refer to the Financial Calendar on page 287)

We value shareholder feedback and encourage you to share your thoughts on this Annual Report using the "Stakeholder Feedback Form" provided at the end of the Report. Your insights will help us continuously enhance the presentation and disclosures in future reports.

9. Quarterly performance in 2024 compared to 2023 [As per Rule No. 7.5 (a) (i) of the Listing Rules of the CSE]

We wish to inform shareholders that the Bank has duly submitted the Interim Financial Statements for 2024 to the CSE within the applicable statutory deadlines, as it did for 2023. For details on these requirements and the Bank's compliance, please refer to the "Financial Calendar" on page 287.

A summary of the Income Statement and the Statement of Financial Position, outlining the Bank's quarterly performance for 2024 along with comparative figures for 2023, is available in the "Summary of Interim Financial Statements – Group and Bank" on pages 166 to 171 for stakeholders' reference.

The Annual Report, including the Audited Financial Statements for the year ended December 31, 2024, will be submitted to the CSE within three months of the year-end, in compliance with Rule No. 7.5 (a) of the CSE Listing Rules. (The Bank also adhered to this requirement in 2023.)

The full Annual Report is available on the Bank's website in both PDF and interactive formats at http://www.combank.lk/newweb/en/investors.

Shareholders who prefer a printed copy may request one. The Bank's Company Secretary will respond to individual requests made using the specimen request letter included in the booklet sent to shareholders.

10. Debt securities

Details of debentures issued and redeemed by the Bank along with the outstanding balances and other relevant information is given in Note 50 to the Financial Statements on Subordinated Liabilities on pages 402 and 403.

10.1 Debenture Composition [As per Rule No. 7.6 (xi) of the Listing Rules of the CSE]

Please refer to Note 50 to the Financial Statements on Subordinated Liabilities on pages 402 and 403 for full details.

11. Key Shareholder Return Indicators [As per Rule No. 7.6 (xi) of the Listing Rules of the CSE] Table – 45

For the year ended/as at December 31,	2024	2023
Key financial indicators		
Interest margin (%)	4.27	3.32
Return on assets (before tax) (%)	3.56	1.27
Return on equity (%)	22.06	9.78
Net asset value per share (Rs.)	170.94	163.55
Regulatory liquidity		
Liquidity coverage ratio – LCR (%) (Current minimum requirement 100%)		
Rupee	529.20	491.61
All currencies	454.36	516.27
Net stable funding ratio – NSFR (%) (Minimum 100%)	187.29	193.70
Debt service related ratios		
Debt equity ratio (%)	20.96	16.97
Interest cover (Times)	17.54	8.84
Debt service coverage ratio (%)	220.16	127.11

Please refer "Financial Highlights" and "Core Financial Soundness Indicators" on pages 24 and 158 for a comprehensive list of financial indicators.

12. Credit ratings [As per Rule No. 7.6 (xi) of the Listing Rules of the CSE]

12.1 National Long-term ratings

Following the recent sovereign upgrade and recalibration of Sri Lanka's national rating scale, Fitch Ratings upgraded the Bank's credit rating to AA-(lka) from A(lka) with a Stable outlook, in January 2025.

Meanwhile, in June 2024, Credit Rating Information Services Ltd reaffirmed the Bank's AAA credit rating for its Bangladesh operations for the 14th consecutive year.

These ratings reflect the Bank's strong financial position, its established status as Sri Lanka's third-largest bank, and its well-entrenched domestic deposit franchise, which supports its funding and liquidity profile.

12.2 Credit ratings – Debentures [As per Rule No. 7.6 (xi) of the Listing Rules of the CSE]

The credit rating of the Bank's Subordinated Debentures was upgraded to A(lka) by Fitch Ratings Lanka Ltd., in January 2025.

Governance Reports
Annual corporate governance report

Chairman's Message

The rapidly evolving global landscape, characterised by digital innovation, demographic shifts, and mounting regulatory expectations, continues to redefine the banking industry. As we navigate this challenging environment, Commercial Bank remains steadfast in its commitment to upholding the highest standards of corporate governance, recognising that transparency, accountability, and ethical conduct are foundational to our long-term success and sustainability.

Our governance framework is built on the principles of accountability, ethical conduct, and stakeholder engagement, ensuring transparency in our disclosures and decision-making.

The year 2024 was marked by significant governance milestones. The transition of Board leadership, including my appointment as the Chairman and the reconstitution of key Board committees to align with new regulatory frameworks, underscores our dedication to maintaining a strong governance culture. These changes, coupled with the appointment of a new Director and the refinement of governance structures, have enhanced the Board's ability to provide strategic oversight and adapt to emerging challenges.

Our governance framework is built on the principles of accountability, ethical conduct, and stakeholder engagement. At its core, this framework ensures that we not only comply with regulatory requirements but also stay true to the spirit of good governance. By fostering transparency in our disclosures and decision-making processes, we empower stakeholders and strengthen trust, which is paramount to our role as a financial intermediary.

In 2024, we continued to emphasise the integration of ESG principles into our business strategy. Our Sustainability Framework and the CSR Trust have guided our efforts to create lasting value for all stakeholders. From ethical conduct initiatives, such as the Conduct Risk Management Policy and the Anti-Bribery and Anti-Corruption Policy, to our proactive adoption of the revised Section 9 of the Listing Rules on Corporate Governance issued by the CSE, we are setting benchmarks for responsible banking in Sri Lanka.

I am pleased to affirm that the Bank has adhered to all applicable requirements of the Banking Act Directions No. 11 of 2007 issued by the CBSL and the Code of Best Practice on Corporate Governance – 2023 issued by CA Sri Lanka.

We have already taken steps to reconstitute the composition of the Board Committees of the Bank., complying with the requirements of the Banking Act Direction No. 05 of 2024 on Corporate Governance issued by the CBSL which became effective from January 01, 2025, and will take necessary steps to comply with any remaining gaps well within the stipulated timelines.

This Integrated Annual Report reflects our unwavering commitment to accountability and transparency. By exceeding mandatory disclosure requirements, we aim to provide stakeholders with a holistic view of our governance practices and sustainability initiatives. Our focus extends beyond compliance, showcasing the dedication to advancing ESG priorities and driving long-term value creation.

As we look to the future, our focus remains on delivering greater value to shareholders, fostering resilience amidst changing industry dynamics, and maintaining our reputation as a model of corporate governance. I extend my deepest gratitude to the Board, the Management team, employees, and all other stakeholders for their unwavering dedication to the Bank's principles and goals. Together, we will continue to uphold the values that define Commercial Bank, ensuring sustainable growth and enduring success.

S Muhseen
Chairman

February 28, 2025
Colombo

How we govern
(Principles D.6 and D.7)[1]

The Bank upholds the highest standards of corporate governance, recognising its vital role in fostering sustainable value and stakeholder confidence. Built on transparency, accountability, and ethical decision-making, our governance framework ensures resilience and adaptability to evolving regulations and operations.

The governance framework of the Bank complies with the disclosure requirements of the following:

- Banking Act Directions No. 11 of 2007 on Corporate Governance for Licensed Banks and subsequent amendments thereto, issued by the CBSL, which was revoked with effect from January 01, 2025
- Banking Act Directions No. 05 of 2024 on Corporate Governance for Licensed Banks, issued by the CBSL, which came into effect from January 01, 2025 with extended effective dates for some provisions
- Section 9 of the Listing Rules on Corporate Governance issued by the CSE
- The Code of Best Practice on Corporate Governance – 2023 ("Code") issued by CA Sri Lanka

Details of the Bank's compliance with the above regulations and best practices are elaborated on pages 460 to 483 of this Annual Report.

Independent Assurance on Governance Compliance

The Bank's External Auditors, Messrs KPMG, have provided their Assurance Statement to the CBSL after reviewing the Bank's compliance with the Direction.

Comprehensive governance disclosures

In line with regulatory requirements and international best practices, the Bank has provided detailed disclosures on its compliance with key governance standards in the following Annexures:

- **Annex 1.1:** Compliance with the Banking Act Direction No. 11 of 2007 on Corporate Governance (pages 460 to 471)
- **Annex 1.2:** Compliance with the Code (pages 472 to 476)
- **Annex 1.3:** Compliance with Section 9 of the Listing Rules of the CSE (pages 477 to 483)
- **Annex 1.4:** Compliance with disclosure requirements issued by the CBSL for the publication of Annual Financial Statements (pages 484 to 490)

The Bank has ensured full compliance with the prescribed formats and disclosure standards mandated by the CBSL, underscoring our dedication to governance, transparency, and accountability.

Bank's approach to governance

At Commercial Bank, our commitment to governance is rooted in the fiduciary responsibility of managing significant sums of uncollateralised public funds. This responsibility necessitates an unwavering focus on maintaining public trust and confidence, which are paramount to the Bank's long-term success and sustainability.

A culture of exemplary conduct

We believe that good governance begins with exemplary conduct across all levels of the organisation – from the Board of Directors, our highest governing body, and members of the Corporate Management, to the Senior Management and the most junior levels of staff. This commitment ensures that decisions are made with discipline, accountability, and the interests of all stakeholders at heart.

Our governance framework, refined and perfected over a legacy of more than 100 years, has been the foundation for sustainable value creation. It embodies a system of rules, practices, and processes that govern corporate behaviour, supporting disciplined decision-making and execution.

Beyond compliance: Governance as a responsibility

For Commercial Bank, good governance is more than meeting legal and regulatory requirements. It is a collective responsibility that underpins financial integrity, investor confidence, and sustainable growth. This governance philosophy not only strengthens our risk management capabilities but also enables us to seize emerging opportunities.

A commitment to integrity and sustainability

The Bank's commitment to good governance is unwavering, grounded in intellectual honesty, integrity, and diligence. It also reflects a strong sense of responsibility to the society and the environment, a key stakeholder. This tone of accountability is set by the highest levels of leadership and is deeply embedded in the Bank's culture.

A dynamic and evolving framework

Our governance framework is regularly reviewed and updated to remain aligned with evolving regulations and best practices on good governance. This ensures that the Bank's governance systems are robust and relevant in navigating the complexities of modern banking. Guided by such principles as leadership, integrity, effectiveness, accountability, transparency, sustainability, and stakeholder engagement, the framework informs every decision, from resource allocation and risk management to performance appraisals and financial reporting.

Recognition of excellence in governance

The Bank's reputation as the most awarded bank in Sri Lanka underscores the effectiveness of its governance practices. For details on key awards received in 2024, please refer to page 21 of this Report.

Adapting to regulatory changes

During the year under review, the Bank evaluated the compliance requirements of the new Banking Act Directions No. 05 of 2024 on Corporate Governance for Licensed Banks, issued by the CBSL, which came into effect from January 01, 2025 while taking necessary steps to ensure compliance with the requirements of Section 9 of the amended Listing Rules of the CSE which came into effect from October 01, 2023. These efforts reaffirm our readiness to adapt to regulatory advancements.

Objectives of the Bank's Corporate Governance Framework

As the largest private-sector bank and the third-largest overall in Sri Lanka, the Bank plays a pivotal role in the lives of millions of stakeholders. These individuals and entities entrust the Bank with their confidence, placing high expectations on their interactions with us. Recognising that this trust is indispensable for our long-term success, our Corporate Governance framework is meticulously designed to achieve the following objectives, aligned with our Business Model (refer to pages 74 and 75):

[1] *Principles referred to in this section are the principles in the Code of Best Practice on Corporate Governance – 2023 issued by CA Sri Lanka.*

Core objectives

- **Driving sustainability and ESG practices –** Guide the Bank on ESG matters, addressing both risks and opportunities, to ensure long-term success.
- **Ensuring strategic oversight –** Facilitate rigorous oversight on Management to ensure due diligence in key decisions and alignment with strategic intent.
- **Establishing accountability for risk management –** Define clear ownership and accountability for addressing key and emerging risks.
- **Efficient systems and processes –** Maintain robust systems to rapidly identify, assess, and escalate issues, incidents, and risks.
- **Facilitating timely decision-making –** Enable swift and effective decision-making for achieving expected results and outcomes.
- **Resource competency and maturity –** Ensure business and support service functions are well-resourced with the required skills and maturity.
- **Aligning remuneration with success –** Develop a remuneration framework that aligns with the long-term success of the Bank.
- **Compliance and ethical standards –** Uphold strict adherence to policies, laws, regulations, and ethical standards in both letter and spirit.
- **Safeguarding assets –** Protect the Bank's assets through robust controls.
- **Building stability and resilience –** Guide the Bank and its Group entities to remain stable, resilient, and future-ready.
- **Sustainable value creation –** Foster value creation for stakeholders in the short, medium, and long-term.

Board's contribution to governance objectives

To meet these objectives, the Board of Directors has ensured the following:

- Clear demarcation of roles and responsibilities among the Board, Board Committees, Management, and Management Committees, outlined in approved charters/mandates and Terms of Reference, reviewed annually.
- Establishment of clear reporting lines and structured reporting frequencies.
- Consideration of the legitimate needs and expectations of all stakeholders.
- Upholding the highest degree of fairness, transparency, and accountability.

Governance policies and frameworks

The Bank has instituted several policies to support its governance structure, including:

- **Anti-Bribery and Anti-Corruption Policy –** Outlining principles to combat bribery and corruption, with a zero-tolerance stance on non-compliance.
- **Group Conduct Risk Management Policy Framework –** Establishing the principles for managing conduct risk.
- **Whistleblowers' Charter –** Communicated clearly to all staff, emphasising their responsibility to act in line with its provisions.

Key initiatives for governance excellence

- Aligning remuneration with performance through accurate job descriptions, KPIs, and clear communication of expectations.
- Minimising negative external impacts on the society and the environment.
- Upholding the values and brand reputation of the Bank.
- Operationalising sustainable banking through the Bank's Sustainability Framework, focusing on responsible organisation and community impact.

A detailed depiction of the Bank's governance framework, regulatory requirements, and voluntary codes is given in Figure 43 on page 195.

To ensure adherence to the highest standards of governance and regulatory compliance, the Bank operates within a robust framework that integrates external regulatory requirements with internally developed governance elements.

Governance structure

The governance structure of the Bank is designed to ensure clarity, accountability, and efficiency at every level of decision-making and operational execution. Built upon well-defined roles, responsibilities, and reporting lines, the governance structure facilitates a seamless alignment between strategic oversight and operational execution.

Roles and responsibilities

- **Board of Directors and Board Committees:**
  - Responsible for setting strategy, defining the risk appetite, and exercising oversight over the Bank's operations.
  - Supported by consultants where necessary, the Board ensures that strategic decisions align with the Bank's long-term objectives and governance principles.
- **Corporate Management and Executive Management Committees:**
  - Entrusted with executing strategies and driving performance across the Bank's operations.
  - These committees are tasked with implementing the policies and strategies defined by the Board while ensuring compliance with regulatory requirements and operational goals.
- **Strategic Business Units and support functions:**
  - Led by respective heads, these units bear responsibility and accountability for day-to-day operations and the assumption of risks under the purview of the Corporate Management.

Organisational structure

The Bank operates under a Board-approved organisational structure, which clearly delineates work responsibilities and reporting relationships to ensure efficiency and transparency. Refer to Figure 44 on page 197, which provides a detailed depiction of the governance structure. Additionally, an abridged organisational chart is available in Annex 7 on pages 516 and 517.

This structure is fundamental to maintaining a balance between governance oversight and operational efficiency, ensuring that all decisions are made with accountability and in alignment with the Bank's strategic objectives.

Key regulatory requirements, voluntary codes, and elements of Corporate Governance Framework Figure – 43

Elements of Corporate Governance Framework

INTERNAL

- **Foundational documents:**
  - The Bank's Articles of Association, defining its governance structure and authority.
- **Organisational structure:**
  - Detailed in Annex 7 on pages 516 and 517, ensuring clarity in roles and responsibilities.
- **Policies and risk frameworks:**
  - Board-approved policies governing major operational aspects.
  - Integrated Risk Management Framework, aligning with the Three Lines Model.
- **Governance charters:**
  - Terms of Reference and Charters for the Board, Board Committees, and Management Committees, providing clear mandates and accountability.
- **Ethics and conduct:**
  - Code of Business Conduct and Ethics, applicable to all employees, fostering a culture of integrity.
- **Sustainability practices:**
  - A comprehensive Sustainability Framework, supporting sustainable banking, responsible practices, and community impact.
  - Executive Sustainability Committee and Sustainability Working Committee
- **Related party transactions:**
  - A structured Related Party Transactions Policy, ensuring transparency, capturing of transactions and compliance with regulations.

EXTERNAL

- **Listing Rules and investor protections:**
  - Section 9 of the Listing Rules on Corporate Governance and Section 7 of the Listing Rules on Continuing Listing Requirements issued by the CSE, which include corporate governance requirements for listed entities and protections for investor rights.
- **Banking and financial services regulations:**
  - Banking Act No. 30 of 1988 and amendments thereto, designed to protect depositors' rights and define the responsibilities of regulators.
  - Directions issued to Licensed Commercial Banks by the CBSL, including the Banking Act Direction No. 05 of 2024 on Corporate Governance and other directives from regulatory authorities in countries where the Bank operates.
- **Corporate governance standards:**
  - Code of Best Practice on Corporate Governance 2023, issued by CA Sri Lanka, outlining corporate responsibilities towards key stakeholders.
- **Company law and stakeholder protection:**
  - Companies Act No. 07 of 2007 and amendments thereto, with provisions to safeguard investors' rights.
  - Circulars issued by the Securities and Exchange Commission of Sri Lanka (SEC).
- **Taxation and financial reporting:**
  - Guidelines from Taxation Authorities for compliance and acting as collection agents.
  - Requirements under the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and amendments thereto.
- **Employee and social responsibility legislation:**
  - Shop and Office Employees Act No. 19 of 1954, outlining employee rights and responsibilities.
- **Sustainability and data protection:**
  - CBSL Roadmap for Sustainable Finance in Sri Lanka, encouraging sustainable banking practices.
  - Personal Data Protection Act No. 09 of 2022, ensuring secure management of customer data.
  - SLFRS S1 and S2 on Sustainability related disclosures
  - SDGs
- **Guidance for Directors:**
  - Corporate Directors' Handbook and related guidelines for effective Board oversight and governance.
  - Guidance for Directors of Banks on the Directors' Statement on Internal Control, issued by CA Sri Lanka.

This governance ecosystem, underpinned by both external mandates and internal practices, ensures that the Bank operates with transparency, accountability, and integrity.

Board of Directors
(Principles A.1, A.1.5, A.4, and A.10)

The Board of Directors serves as the cornerstone of governance at the Bank, embodying the principles of good corporate citizenship, ethical behaviour, transparency, and accountability. Its leadership and oversight ensure the long-term sustainability and resilience of the Bank while safeguarding its integrity and reputation.

Role and responsibilities of the Board

As the highest decision-making authority, the Board assumes a leadership role in:

- **Strategic direction –** Setting the strategic objectives and defining the risk appetite to ensure the Bank's goals align with stakeholder expectations.
- **Oversight and monitoring –** Evaluating the Bank's performance, overseeing compliance, and assessing internal control and risk management systems.
- **Resource allocation –** Ensuring the optimal utilisation of resources to deliver value.
- **Corporate governance –** Approving governance policies, including remuneration frameworks, and ensuring ethical business conduct.
- **Appointments –** Making appointments to the Board, its Committees, and Corporate Management positions.

Through diligent oversight, the Board entrusts the Corporate Management with the execution of strategies, day-to-day operations, and the implementation of robust internal control and risk management systems.

Board – Corporate Management dynamics

The Board and the Corporate Management share a clear mutual understanding of their respective roles, delegated authority, and boundaries. This relationship, grounded in trust and respect, has been instrumental in fostering good governance and organisational effectiveness. It is a hallmark of the Bank's sustained success and its reputation as a benchmark private-sector bank in Sri Lanka.

Composition of the Board

At the end of 2024, the Board comprised twelve Directors (twelve at the end of 2023 as well), including ten Independent Non-Executive Directors (INEDs), ensuring a high degree of autonomy and adherence to shareholder interests.

Each Director brings a wealth of expertise in diverse professional fields, enabling constructive challenges to the Corporate Management and enriching deliberations on complex and dynamic issues (Refer pages 38 to 45 for profiles of the Board and Figure 45 on page 199 for the composition of the Board at end of 2024.

As one of Sri Lanka's two higher-tier D-SIBs, the Bank's Board is acutely aware of its role in navigating emerging global challenges and threats to conventional banking models.

Diversity and inclusion
(Principle A.10.1)

Diversity and inclusion are integral to fostering a dynamic, forward-thinking organisation in the Bank. A wide array of voices and perspectives are encouraged and inclusively heard within the Bank's working environment, driving innovation and contributing to the overall progress of the institution.

Diversity at the Board level

The Board of Directors exemplifies the Bank's commitment to diversity by encompassing expertise across multiple disciplines, including:

- Banking and Management
- Agriculture and Chemical Industry
- Finance, Accounting and Management
- Law
- Healthcare, Insurance, Logistics and Renewable Energy
- Science, Engineering and IT
- Risk Management and International Capital Markets

Each Director has achieved significant professional milestones, having risen to leadership positions in Government institutions or private-sector organisations. Their expertise ensures that independent and informed judgment is brought to bear on matters reserved for the Board.

A unique perspective for value creation

This diversity enables the Board to:

- Blend banking, entrepreneurial, investor, and regulatory perspectives.
- Explore matters from multiple points of view to drive long-term value creation.
- Mitigate groupthink and promote healthy, constructive exchanges that enhance Boardroom dynamics and decision-making.

The Company Secretary plays a key role in supporting the Board, ensuring that he fulfills his responsibilities effectively and in line with governance principles.

Enhancing dynamics and effectiveness

The unique composition of the Board fosters an environment that values different perspectives, creating opportunities for innovative thinking and collaboration. This commitment to inclusion enhances the Board's effectiveness in steering the Bank towards its strategic objectives.

Details on the Board's composition, including qualifications, Committee memberships, significant appointments, and the profile of the Company Secretary, can be found on pages 38 to 45.

Board process
(Principles A.1.3, A.1.4, A.1.6, A.1.7, A.3.1, and A.6)

The Board of Directors ensures that its operations and decision-making processes are conducted with the utmost diligence, transparency, and accountability.

Maintaining transparency and accountability

- **Detailed records –** Minutes of all deliberations and decisions made during Board and Board Committee meetings are meticulously documented in sufficient detail, ensuring a transparent record of governance.
- **Engagement with the Corporate Management –** When necessary, members of Corporate Management are invited to make presentations to the Board, providing critical insights into the performance and operations of areas under their purview.

Access to independent expertise

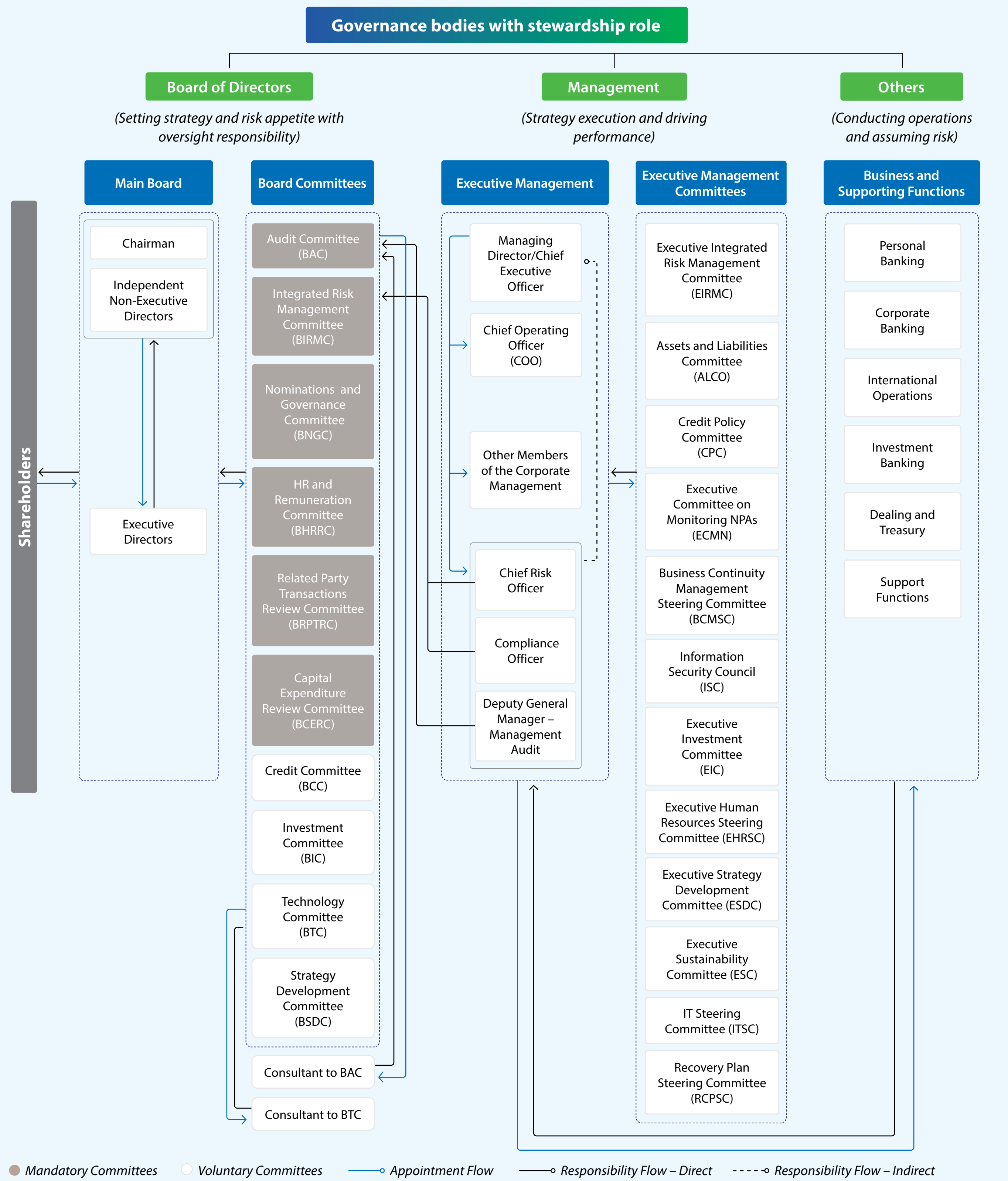
- **Independent Advice –** Board Members are entitled to seek independent professional advice when required, at the Bank's expense. This ensures that Directors have access to the necessary expertise to make informed decisions.

Protection and support for Directors

- **Liability Insurance –** To safeguard Directors in the execution of their duties, the Bank has secured a Directors' and Officers' Liability Insurance Policy, offering protection against allegations arising from their professional responsibilities.

This robust process not only facilitates effective decision-making but also ensures that governance principles are upheld at every level.

Governance structure Figure – 44



Conflicts of interest
(Principles A.5.5 and A.10.1)

The Bank has a robust system in place to identify, manage, and mitigate conflicts of interest, ensuring the integrity and independence of its Board and decision-making processes.

Declaration and management of conflicts

- **Individual accountability:**
  - Members of the Board are required to declare any conflicts of interest or situations that could potentially lead to a conflict.
  - In such cases, Directors withdraw from deliberations and refrain from influencing decisions where the conflict exists or may appear to exist.
  - All such declarations and actions are minuted for future reference.
- **Regular reviews:**
  - Affiliations and transactions of Directors are periodically reviewed to ensure that there are no conflicts of interest or relationships that could compromise their independence.

Related Party Transactions Policy

The Board has implemented a Related Party Transactions Policy, which outlines procedures for granting accommodations to Directors, their close family members, and entities in which the Directors hold directorships. These transactions are conducted in compliance with the CBSL rules and regulations, under terms and conditions applicable to other customers of the Bank.

Approval and oversight of Related Party Transactions

- **Approval process:**
  - Related party transactions are first reviewed and recommended by the BCC.
  - Final approval is granted by the Board.
- **Reporting to Committees:**
  - Once approved, such transactions are tabled at the next scheduled meeting of the BRPTRC for information.
- **Disclosure:**
  - The section on 'Directors' Interest in Contracts with the Bank' (pages 252 and 253) provides details of transactions conducted on an arm's-length basis with entities associated with the Bank's Chairman or Directors.
  - Further details can be found under "Related Party Disclosures" in Note 62 to the Financial Statements (pages 420 to 424).

Ongoing declarations and registers

- **Quarterly declarations:**
  - At the time of joining and every quarter thereafter, Directors are required to declare their interests. This ensures the continuous monitoring of any potential conflicts.
- **Register of interests:**
  - A register of declared interests is maintained by the Company Secretary, ensuring transparency and compliance with the Companies Act No. 07 of 2007 and amendments thereto
  - This register is available for inspection by shareholders or their authorised representatives as per legal requirements.

This comprehensive system ensures that the Bank's governance processes remain transparent, ethical, and free from conflicts of interest, reinforcing stakeholder confidence.

Board meetings
(Principles A.1.1 and A.10.1)

In 2024, the Board of Directors of the Bank convened fourteen scheduled meetings, maintaining the same number as in 2023. These meetings served as a vital platform for overseeing the Bank's strategic, financial, and operational performance.

Key focus areas of Board deliberations

- **Strategic planning:**
  - One meeting was specifically allocated to reviewing the Corporate Plan 2025–2029 and Budget 2025, with active participation from the Corporate Management.
  - The Board provided directions for preparing the Bank's five-year strategic plan, critically evaluating proposals and exploring alternative strategies before approving the resource allocation.
- **Performance and risk review:**

  Twelve meetings were devoted to reviewing:
  - Financial and operating results against budgeted KPIs and prior periods.
  - Risk factors impacting results and mitigation measures.
  - Monitoring the progress of the restructuring process of the foreign currency denominated Sri Lanka Government Debt and its impact on the Bank's investments.
  - Compliance with mandatory and voluntary requirements, addressing corrective actions for non-compliance.
  - Updates on credit quality, including the staging of non-performing credit facilities and recovery actions.
  - ESG risks and opportunities, alongside discussions on wider sustainability objectives.
  - Cybersecurity risks, mitigation strategies, and compliance reports, particularly for critical systems.
- **Governance and oversight:**
  - Review of internal control lapses, fraud investigations, and follow up actions.
  - Regular updates on strategy implementation and investment strategies.
  - Minutes of Board Committee meetings to ensure alignment and oversight.
  - Share transactions by employees at Assistant Manager grade and above.
  - Review and approval of updated policies and procedures to align with new CBSL directions.
- **Capital and liquidity management:**
  - Emphasis on enhancing provision coverage, optimising liquidity and capital management, and addressing the rising tax burden to support stability and sustainable growth.
- **Subsidiary oversight:**
  - Periodic presentations by the Managing Directors/Chief Executive Officers of subsidiaries on their performance and future plans.

Reorganisation post-AGM

Following the Fifty-Fifth Annual General Meeting (AGM) held on March 28, 2024, the Board conducted a meeting to review and revise the composition of its Committees.

Attendance and hybrid meeting format

The Bank continued to adopt a hybrid approach to Board meetings, seamlessly integrating virtual participation for Directors residing or traveling overseas or those encountering unavoidable circumstances. This inclusive approach ensured uninterrupted collaboration, enhanced engagement, and effective decision-making, while upholding the Bank's commitment to governance excellence.

Regulatory compliance and policy updates

In response to CBSL Directions Nos. 13 and 14 of 2021, which required revisions to the classification and measurement of financial assets and credit facilities, the Board reviewed and approved necessary updates to ensure compliance with regulatory standards.

Enhancing governance and value creation

The Board's focus extended to liquidity and capital management, ensuring resilience and stability, regular evaluation of ESG and cybersecurity risks and monitoring distressed credit facilities and resolving exposures to high-risk industries.

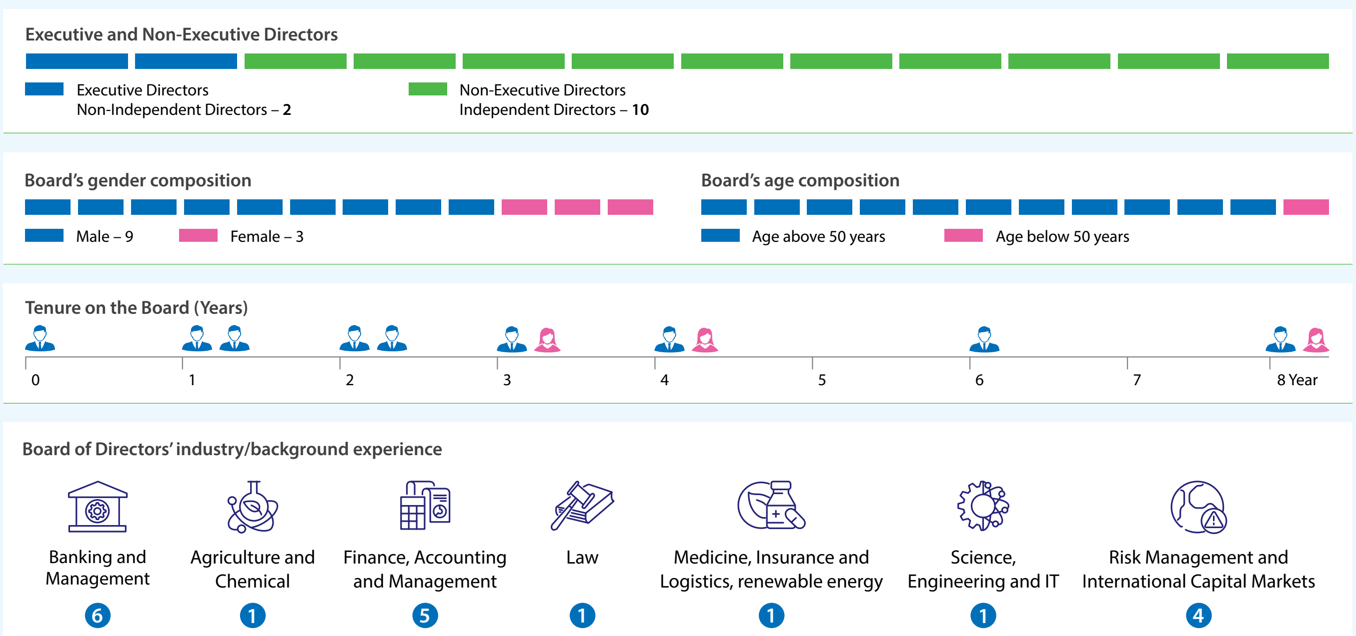
Composition of the Board and attendance at meetings Figure – 45

Name of the Director	Designation	DOA	Age (Years)	Membership Status		Meeting Attendance			Board Subcommittee Membership										Tenure on the Board (Years)
						Eligible to attend/ Attended	Mode of Participation In Person	Mode of Participation Virtual	BAC	BIRMC	BNGC	BHRRC	BRPTRC	BCC	BTC	BIC	BSDC	BCERC	
Mr S Muhseen	Chairman	15.02.2021	49	NED	ID	14/14	14	0			M	M		C		M	C		3+
Mr R Senanayake	Deputy Chairman	16.09.2020	63	NED	ID	14/14	13	1	C	M	M	C	C				M	C	4+
Mr S C U Manatunge	Managing Director/ Chief Executive Officer	27.07.2018	54	ED	NID	14/14	14	0	BI	M	BI	BI	BI	M	M	M	M	BI	6+
Mr L D Niyangoda	Director	26.08.2016	68	NED	ID	14/14	14	0		M			M				M		8+
Ms N T M S Cooray	Director	19.09.2016	66	NED	ID	14/14	12	2	M					M		M	M	M	8+
Ms J Lee	Director	13.08.2020	57	NED	ID	14/14	1	13	M	C	C	M				M	M		4+
Ms D L T S Wijewardena	Director	31.03.2021	51	NED	ID	14/13	12	1	M	M					C				3+
Dr S Selliah	Director	27.04.2022	65	NED	ID	14/14	14	0			M	M				C	M	M	2+
Mr S Prabagar	Chief Operating Officer	12.05.2022	58	ED	NID	14/14	14	0	BI	BI			BI	M	M	M		BI	2+
Mr D N L Fernando	Director	07.02.2023	64	NED	ID	14/14	14	0	M	M				M	M				1+
Mr P M Kumarasinghe	Director	12.04.2023	66	NED	ID	14/13	13	0		M			M	M	M				1+
Mr P Y S Perera	Director	02.10.2024	66	NED	ID	4/4	4	0											<1
Prof A K W Jayawardane (Relinquished office w.e.f. April 22, 2024)	Former Chairman	21.04.2015	64	NED	ID	4/4	4	0											9

DOA – Date of Appointment, ED – Executive Director, NED – Non-Executive Director, ID – Independent Director, NID – Non-Independent Director

C – Chairman M – Member BI – By Invitation

Composition of the Board as at December 31, 2024 Figure – 46



Board committees

(Principles A.7.1 to A.7.3, A.7.5 & A.7.6, B.2, D.3 to D.5)

The Bank has established ten Board Committees, each entrusted with delegated authority to enhance governance and address subject-specific and specialised matters. These Committees play a vital role in the Bank's governance framework, enabling the Board to focus on broader strategic issues while ensuring that specialised areas receive the necessary attention.

Mandatory and voluntary committees

- **Mandatory Board Committees:**
  - The Banking Act Directions No. 05 of 2024 on Corporate Governance mandates licensed banks to establish five mandatory committees, including the BRPTRC, effective from January 01, 2025. However, the Bank had voluntarily established BRPTRC in 2014, aligning with the early adoption of the Code of Best Practice on Related Party Transactions issued by the SEC, which later became mandatory.
  - The Banking Act Directions No. 01 of BCERC to address restrictions on discretionary payments.
- **Voluntary Board Committees:**
  - The remaining four Committees were formed based on the Bank's business, operational, IT, and strategic needs, as permitted under its Articles of Association.
  - These Committees underscore the Bank's commitment to good governance and operational excellence.

Governance and functionality

- **Committee operations –** Each Committee meets regularly, with a minimum of one meeting per quarter.
- **Use of external expertise –** Committees have sought guidance and advice from external consultants as needed.
- **Director participation –** Each Director served on at least three Committees during the year, ensuring broad oversight and engagement.

Accountability to the Board

- The Board retains overall responsibility for decisions made by the Committees, ensuring alignment with the Bank's governance framework.
- Matters arising from Committee meetings are regularly deliberated at Board meetings for information or approval, with any specialised concerns referred back to the Committees for further oversight.
- Minutes of Committee meetings are carefully recorded, capturing Directors' views and deliberations on key issues.

Key reports and details

Comprehensive details on the composition of each Committee, their areas of responsibility, key activities during 2024, and attendance records of members are given in the Board Committee Reports on pages 214 to 237 of this Report.

Executive Management Committee

The Executive Management Committee (EMC) of the Bank plays a critical role in translating Board-approved strategies into actionable plans and ensuring the efficient operation of the Bank. The EMC comprises all members of the Corporate Management, including the Managing Director/Chief Executive Officer (MD/CEO) and the Chief Operating Officer (COO), who also serve as the Bank's Executive Directors (EDs).

Primary responsibilities

Under the leadership of the MD/CEO, the EMC is tasked with:

- **Strategy implementation –** Executing the strategies approved by the Board and achieving performance objectives.
- **Risk management –** Ensuring that risks undertaken are within the Bank's approved risk profile.
- **Policy and operational oversight –** Formulating policies, making operational decisions, and addressing customer and operational challenges.
- **Performance monitoring –** Reviewing financial performance against budgets and assessing progress on strategic goals for various business divisions.
- **Resource allocation –** Diligently allocating capital to optimise returns.
- **Digital roadmap –** Overseeing the implementation and progress of the Bank's Digital Road Map.
- **Human resource development –** Addressing staff welfare, health, safety, and development initiatives.
- **Sustainability –** Implementing the Bank's Sustainability Framework to align operations with ESG principles.
- **Regulatory compliance –** Ensuring adherence to all applicable laws and regulations.

Supporting the Board

The EMC plays a pivotal role in supporting the Board by reviewing and deliberating on material information prior to Board presentations, ensuring that the Board is equipped with accurate, timely, and comprehensive insights to fulfill their oversight responsibilities effectively.

Meeting dynamics and reporting

EMC meetings provide an opportunity for members to gain a 360-degree view of the Group's operations. Detailed minutes of these meetings are recorded by the Secretary of the EMC, approved by the MD/CEO, and used for follow up actions.

Subsidiaries and associate oversight

The MD/CEO and other members of the Corporate Management actively review the operations of the Bank's subsidiaries and the associate. Several members of the Corporate Management are appointed as Directors of the Bank's subsidiaries, ensuring oversight, safeguarding the Bank's interests, and delivering reasonable returns.

Detailed overviews of the performance of subsidiaries and the associate are provided in the Financial Review (pages 161 to 165) and the Group Structure (pages 30 and 31), which also includes details on the Board of Directors for each entity.

Profiles of key members

Detailed profiles of the Corporate Management, including names, designations, qualifications, and experience, are available on pages 46 to 49 while the names of the Senior Management members overseeing operations in Sri Lanka, Bangladesh, the Maldives, Myanmar, and subsidiaries are listed on pages 50 to 54.

Management committees

In addition to the Board, Board Committees, and the EMC, the Bank has established several Management Committees to strengthen governance and enhance decision-making along subject-specific lines. These Committees are integral to facilitating the execution of Board-approved strategies and ensuring effective governance.

Structure and governance

- **Delegated authority –** The Management Committees operate under the authority delegated by the MD/CEO, ensuring alignment with the Bank's strategic goals.
- **Terms of Reference –** Each Committee functions within clearly defined and Board-approved Terms of Reference, ensuring consistency, accountability, and clarity in their operations.
- **Chaired leadership –** The Committees are chaired by either the MD/CEO or the COO, further emphasising their strategic importance.

Operations and reporting

- **Collaborative deliberations –** Committees facilitate extensive deliberations and foster cross-departmental cooperation on matters critical to the Bank's operations.
- **Detailed documentation –** Minutes of the Committee meetings are meticulously recorded by the respective Committee Secretaries.
- **Board integration –** The minutes, after approval by the MD/CEO, are submitted to the relevant Board Committees for review and oversight, ensuring seamless integration into the Bank's governance structure.

Focus and scope

These Committees address a wide range of operational and strategic areas critical to the Bank's success. A list of the Committees together with their activities are described in Figure 47 of this Report, providing a clear view of their composition, focus areas, decision-making framework and meeting frequency.

Executive Management Committees Figure – 47

Executive Integrated Risk Management Committee (EIRMC)

Purpose and tasks

Monitors and reviews all risk exposures and risk-related policies and procedures affecting credit, market and operational areas in line with the directives from the BIRMC.

Composition

MD/CEO, COO, and key members of Integrated Risk Management, Personal Banking, Corporate Banking, Treasury, Management Audit, Compliance, Finance, and Information Security Divisions.

Meeting Frequency: Monthly

Assets and Liabilities Committee (ALCO)

Purpose and tasks

Optimises the Bank's economic goals whilst maintaining liquidity and market risk within the Bank's predetermined risk appetite.

Composition

MD/CEO, COO, and key members of the Treasury, Corporate Banking, Personal Banking, Integrated Risk Management, International Operations, Marketing, and Finance Divisions.

Meeting Frequency: Fortnightly

Credit Policy Committee (CPC)

Purpose and tasks

Reviews and approves credit policies and procedures pertaining to the effective management of all credit portfolios within the lending strategy of the Bank.

Composition

MD/CEO, COO, and key members of Corporate Banking, Personal Banking, Integrated Risk Management, Management Audit, Marketing, International Operations, and Credit Supervision & Recoveries Divisions.

Meeting Frequency: Quarterly

Executive Committee on Monitoring NPAs (ECMN)

Purpose and tasks

Review and monitor the Bank's Non-Performing Loans and Advances (NPAs) above a predetermined threshold to initiate timely corrective actions to prevent/reduce credit losses to the Bank.

Composition

MD/CEO, COO, and key members of the Corporate Banking, Personal Banking, Credit Supervision & Recoveries, and Integrated Risk Management Divisions.

Meeting Frequency: Monthly

Business Continuity Management Steering Committee (BCMSC)

Purpose and tasks

Direct, guide, and oversee the activities of the Business Continuity Plan of the Bank in accordance with the Bank's strategy.

Composition

COO and key members of Human Resources Management, Personal Banking, Corporate Banking, IT, Services, Operations, Integrated Risk Management, Finance, Treasury, International Operations, and Management Audit.

Meeting Frequency: Quarterly

Information Security Council (ISC)

Purpose and tasks

Focus continuously on meeting the information security objectives and requirements of the Bank in line with emerging technology and the Bank's Strategy.

Composition

MD/CEO, COO, and key members of Human Resources Management, Services, Operations, Legal, IT, and Information Security Divisions.

Meeting Frequency: Monthly

Executive Investment Committee (EIC)

Purpose and tasks

Oversee investment activities by guiding the management on significant investment decisions and review performance.

Composition

MD/CEO, COO, and key members of Corporate and Personal Banking, Investment Banking, Treasury, Finance, and Planning Divisions.

Meeting Frequency: Quarterly

Executive Human Resources Steering Committee (EHRSC)

Purpose and tasks

Set guidelines and policies on matters that may affect the Human Resource Management of the Bank and make recommendations on policy matters to the BHRRC and/or address any issues that may need to be reviewed at the Board level.

Composition

MD/CEO, COO, and key members of Human Resource Management, Personal Banking, Corporate Banking, Marketing, Finance, Management Audit, International Operations, IT, Integrated Risk Management and Treasury Divisions.

Meeting Frequency: Quarterly

Executive Strategy Development Committee (ESDC)

Purpose and tasks

Formulate strategies geared for the sustainable development of the Bank based on overall insights provided by the BSDC. and monitor the implementation of the approved strategic plan and the progress made towards strategic milestones and goals.

Composition

MD/CEO, COO, and key members of Personal Banking, Corporate Banking, Treasury, Human Resource Management, Marketing, Finance, Integrated Risk Management, International Operations, Management Audit, IT, and Planning Divisions.

Meeting Frequency: Quarterly

Executive Sustainability Committee (ESC)

Purpose and tasks

To help advance the Sustainability agenda and performance of the Bank, directing Banks' activities to be in line with the regulatory requirements of the CBSL on Sustainable Finance Roadmap and Principles of the Sri Lanka Banks' Association sustainable banking voluntary initiatives, while assisting the Board to oversee and approve the implementation of sustainable policies, objectives and targets.

Composition

MD/CEO, COO, and key members of Integrated Risk Management, Services, Corporate Banking, Personal Banking, Investment Banking, Human Resource Management, Bangladesh Operations, Finance, Sustainability, and Retail Banking & Marketing.

Meeting Frequency: Bi-annually

IT Steering Committee (ITSC)

Purpose and tasks

Assist the Management Committee and the Board of Directors to fulfil its overseeing responsibilities with respect to the overall role of technology, in executing the business strategy of the Bank including but not limited to, major technology investment, technology strategy, operational performance and technology trends that may affect future banking.

Composition

COO, and key members of Corporate Banking, Personal Banking, Treasury, Human Resource Management, Integrated Risk Management, Retail Banking & Marketing, Management Audit, IT, Services and Operations.

Meeting Frequency: Monthly

Recovery Plan Steering Committee (RCPSC)

Purpose and tasks

Exercises the powers and authority entrusted by the Board/Corporate Management with respect to formulating, maintaining, regularly reviewing, executing, coordinating, activating the Bank's recovery plan to deal with shocks to capital, liquidity and all other aspects that may arise from institution-specific market wide stresses.

Composition

COO, and key members of planning, Integrated Risk Management, Finance, Corporate Banking, Personal Banking, Treasury, Human Resource Management, Marketing, Intentional Operations, Management Audit, Compliance, IT, and Operations.

Meeting Frequency: Quarterly

Cost Optimisation Committee (COC)

Purpose and tasks

To streamline costs while maintaining high service quality. The committee's primary focus is to manage operational expenses and implement strategies to enhance operational efficiency. Responsible for enforcing strong governance and accountability in managing the bank's financial resources.

Composition

COO, and key members of Finance and Planning, Services, Personal Banking, Human Resource Management.

Meeting Frequency: Quarterly

Data Analytics Steering Committee (DASC)

Purpose and tasks

Oversee and provide updates on all projects managed by the AI & Data Science unit with the primary goal of enhancing operational efficiency, productivity, and turnaround time (TAT) across the bank's internal units, branches, and related processors.

Composition

COO and key members of IT, Integrated Risk Management, Management Audit, and Personal Banking.

Meeting Frequency: Monthly

Early Warning Signals Corporate Health Council (EWSCHC)

Purpose and tasks

To proactively identify and mitigate risks within the bank's borrowing customer base. The committee's primary focus is to monitor early signs of financial distress, operational challenges, or market risks, ensuring timely intervention to safeguard the bank's asset quality.

Composition

COO and key members of Personal Banking, Corporate Banking and Credit supervision and recoveries

Meeting Frequency: Quarterly

Roles, responsibilities, and powers of the Board

(Principles A.1.2 to A.1.7)

The Board of Directors of the Bank operates under a clearly defined Board Charter, which outlines their roles, responsibilities, and powers. This includes a schedule of powers reserved for the Board, ensuring clarity in governance and decision-making.

Role of the Board

The Board represents and serves the interests of shareholders while ensuring long-term value creation for all stakeholders. Key roles include:

- Representing and safeguarding the interests of shareholders by overseeing and appraising the Bank's strategies, policies, and performance.
- Providing leadership and guidance to Management for executing strategies.
- Optimising performance and building sustainable value for stakeholders, adhering to the regulatory framework and internal policies.
- Ensuring that an effective governance framework is in place.
- Keeping regulators informed about the Bank's performance and major developments.
- Regularly reviewing the performance of key business units against their goals and objectives.

Key responsibilities of the Board

The Board's responsibilities span strategic, operational, and governance-related areas:

- **Strategic direction:**
  - Setting and monitoring the Bank's strategic direction.
- **Governance and oversight:**
  - Ensuring effective systems for information integrity, risk management, internal controls, cybersecurity, and business continuity.
  - Establishing corporate governance structures, policies, and frameworks to ensure compliance with laws, regulations, and ethical standards.
  - Strengthening the Bank's safety and soundness.
- **Financial integrity:**
  - Overseeing the integrity of the financial reporting process.
  - Approving Interim and Annual Financial Statements for publication.
- **Appointments and succession planning:**
  - Selecting, appointing, and evaluating the performance of the MD/CEO.
  - Appointing the Chair and filling casual vacancies on the Board.
  - Appointing members to the Corporate Management ensuring that they possess the required skills, experience, and knowledge to execute strategy effectively, with a focus on succession planning.
- **Risk and ICT:**
  - Understanding criticality and mitigating the impact of cyber risks.
  - Ensuring the availability and effective execution of an ICT Road Map.
- **Sustainability:**
  - Aligning the Bank's strategy with ESG principles to drive long-term value creation.
- **External auditors:**
  - Appointing and overseeing the responsibilities of External Auditors.
- **Subsidiary performance:**
  - Reviewing the performance of the Bank and its Group companies.

Powers reserved for the Board

Certain powers are exclusively reserved for the Board to maintain control over key decisions:

- Approving the Corporate Plan and Budgets, including capital expenditures, acquisitions, and divestitures.
- Monitoring capital management activities.
- Appointing the Company Secretary, as stipulated in Section 43 of the Banking Act No. 30 of 1988/Section 1.5 of the Banking Act Directions No. 05 of 2024 on Corporate Governance for Licensed Banks.
- Establishing Board Committees and evaluating their performance.
- Seeking professional advice when necessary, at the Bank's expense.
- Reviewing, amending, and approving governance structures and policies.

Board's role in risk management
(Principles D.2 and D.4)

Risk management forms the cornerstone of the long-term sustainability of the Bank. As the highest decision-making authority, the Board of Directors assumes responsibility for implementing a robust and effective risk management mechanism across the Group.

Key responsibilities of the Board in risk management

- **Risk Management Framework:**
  - In collaboration with the BIRMC, the Board has developed a comprehensive risk management framework.
  - The framework defines the risk appetite and tolerance limits, ensuring risks are consistently aligned with the Bank's strategic objectives.
- **Risk profile monitoring:**
  - The Board actively monitors the Bank's risk profile through regular risk reports submitted by the Management.
  - Deviations from the agreed risk profile are addressed through detailed clarifications from relevant Management members, with guidance provided for implementing mitigatory actions.
- **Integration into strategic decisions:**
  - Risks associated with business strategies were carefully reviewed at a special Board meeting convened to deliberate on the Budget for 2025 and the Strategic Plan 2025-2029.

Board oversight in risk management

Risk management remains a regular and prominent item on the agenda of both Board and relevant Board Committee meetings. The Board ensures that risks are not only identified and assessed but also proactively mitigated to safeguard the Bank's financial health and reputation.

Further details on risk governance

For a comprehensive discussion on the Bank's risk governance framework, methodologies, and practices, refer to the Risk Governance and Management section on pages 254 to 284.

Board highlights for year 2024 Figure – 48

- Recommended a First and Final dividend for the year ended December 31, 2023 of Rs. 6.50 per share, totalling to Rs. 8,541,930,332/- (subject to applicable government taxes), distributed partly in cash and partly by the allotment and issue of new shares.
- Conducted the 55th AGM, followed immediately by an EGM, to obtain shareholder approval for the Debenture Issue 2024. Recommended to issue and allot up to 200,000,000 fully paid, Basel III Compliant – Tier 2 Listed Rated Unsecured Subordinated Redeemable Debentures with a Non-Viability Conversion Feature at a par value of Rs. 100/- each, for tenures of 5 years, 7 years, and 10 years, raising Rs. 20,000,000,000/- (Debenture Issue 2024).
- Conducted an EGM in July 2024 to obtain shareholder approval for the Rights Issue 2024.
- Recommended to issue 252,353,693 new ordinary (voting) shares and 15,847,696 new ordinary (non-voting) shares to existing shareholders by way of a Rights Issue, raising Rs. 21,450,064/- for voting shares and Rs. 1,093,491/- for non-voting shares. The Rights Issue was in the proportion of one (1) new ordinary share for every five (5) ordinary shares held by either class of shareholders as at the Record Date (July 17, 2024), at an issue price of Rs. 85.00 per ordinary (voting) share and Rs. 69.00 per ordinary (non-voting) share (Rights Issue 2024).
- Appointed a new INED to strengthen the Board.
- Reviewed the composition of the Board and Board Committees, respective Committee Charters, and Terms of Reference.
- Reviewed major policy documents of the Bank and approved and introduced new policies to ensure compliance with the recently updated Rule 9 of the Listing Rules of the CSE.
- Conducted the Mid-Year Review of the Bank's 2024 Budget and 2024-2028 Strategic Plan.
- Conducted a training program on Information Security Awareness for the Board of Directors.
- Conducted the Annual Strategy Meeting with the Corporate Management Team.
- Based on recommendations by the BNGC, the appointment of a new Deputy General Manager – HRM (Designate) was approved, two Senior Officers were promoted to the Assistant General Manager Grade, and a change in the designation of an Assistant General Manager was implemented during the year. Additionally, the Deputy General Manager – Corporate Banking was re-designated as the Deputy General Manager – International, and consequently, the Deputy General Manager – Retail Banking & Marketing was re-designated as the Deputy General Manager – Corporate Banking.

Segregation of roles of Chairman and Chief Executive Officer (Principles A.2 and A.3)

The roles of Chairman and Chief Executive Officer (CEO), who also serves as the Managing Director (MD), are distinctly separated in the Bank to ensure a balance of power and authority and to comply with the CSE Listing Rules on Corporate Governance.

Role of the Chairman

The Chairman, an INED appointed by the Board, is responsible for:

- **Leadership of the Board –** Presiding over Board meetings and maintaining order to facilitate the effective discharge of the Board's duties.
- **Promoting corporate governance –** Upholding the highest standards of integrity and probity across the Group.
- **Providing necessary information –** Ensuring the Board receives all relevant information required for informed decision-making.
- **Balancing power –** Maintaining a balance of power between Executive and Non-Executive Directors (EDs and NEDs), ensuring the Board remains in full control of the Bank's affairs.
- **Director participation –** Encouraging active participation from all Directors during Board deliberations.
- **Stakeholder awareness –** Ensuring that the Board fulfills its obligations to all stakeholders.
- **Communication –** Maintaining open communication channels with the Corporate Management, enabling strategic and operational discussions.

Role of the MD/CEO

The MD/CEO, an Executive Director (ED) appointed by the Board, has the following responsibilities:

- **Operational leadership:** Leading the Management team in daily operations and implementing Board-approved strategies, plans, and budgets.
- **Corporate governance:** Conducting the Group's affairs in line with the governance principles, integrity, and probity set by the Board.
- **Defined authority:** Operating within the corporate objectives and authority boundaries defined by the Board.
- **Execution of responsibilities:** Focusing on achieving the Bank's strategic objectives while ensuring operational efficiency and effectiveness.

Collaboration between the Chairman and the MD/CEO

While their roles are distinct, the Chairman and the MD/CEO collaborate regularly to set the agenda for Board meetings, discuss current and future developments impacting the Bank and address any material issues or challenges to ensure alignment towards the Bank's overall progress. This effective segregation of duties and collaborative approach enables the Board to maintain robust governance and ensure strategic and operational excellence across the Bank.

Role of Independent Non-Executive Directors (Principles A.3.1, A.5, and A.5.1)

- INEDs form a significant component of the Board, ensuring robust governance and impartiality in decision-making.

Independence of the Board

- As of December 31, 2024, ten out of twelve Directors were INEDs, reflecting a strong emphasis on independence within the Board. The independent Directors' sole association with the Bank and its Group is their directorships, safeguarding their judgment from external influences or conflicts of interest.

Contributions of INEDs

The INEDs bring objectivity, expertise, and a fresh perspective to the Board by:

- Providing an independent view, conveying unbiased and independent opinions on key matters.
- Enhancing decision-making, leveraging their skills and experience to complement those of Executive Directors and other Board Members.
- Constructively challenging the Board and the Management, ensuring thorough deliberation and effective decision-making.
- Strategic guidance, assisting in formulating and refining the Bank's strategy, ensuring alignment with long-term goals and governance principles.

The presence of a strong cohort of INEDs ensures that the Board remains committed to ethical governance, sound decision-making, and stakeholder value creation.

Role of the Company Secretary (Principle A.1.4)

The Company Secretary plays a pivotal role in upholding good corporate governance at the Bank. Acting as an advisor and facilitator for the Board, the Company Secretary ensures that the Bank complies with all governance, legal, and regulatory requirements.

Primary responsibilities

- **Board and general meetings –** Assisting the Chairman in conducting Board Meetings, AGMs, and EGMs in alignment with the Articles of Association, the Board Charter, and relevant laws.
- **Documentation and filing –** Maintaining minutes of meetings, statutory registers, and filing statutory returns in a timely manner.
- **Board committee oversight –** Monitoring all Board Committees to ensure they are properly constituted with clearly defined Terms of Reference.
- **Corporate governance –** Facilitating best practices in corporate governance and assisting Directors in understanding and fulfilling their duties and responsibilities.
- **Access to expertise –** Facilitating access to legal and independent professional advice in consultation with the Board, as needed.
- **Compliance with Articles of Association –** Ensuring the Bank adheres to its Articles of Association, including implementing required amendments while following proper procedures.
- **Reporting and communication –** Coordinating the preparation, publication, and distribution of the Bank's Annual Reports, accounts, interim financial statements, and the Directors' Report.
- **Regulatory compliance –** Ensuring compliance with Listing Rules, particularly regarding disclosures on related parties and transactions.
- **Stakeholder relationships –** Maintaining strong relationships with the CSE, shareholders, and debenture holders.
- **Regulatory liaison –** Communicating promptly with regulators to ensure compliance with applicable requirements.

Appointment and removal

The Board is responsible for the appointment and removal of the Company Secretary, ensuring accountability and alignment with governance principles. This multifaceted role underscores the Company Secretary's significance in fostering a culture of transparency, accountability, and governance excellence within the Bank.

Appointments and retirements/ resignations of Directors (Principle A.7)

The process for appointing and retiring/resigning Directors at the Bank is based on ensuring the Board's combined knowledge, experience, and diversity. This includes consideration of gender, age, and other industry-relevant factors to maintain the Board's effectiveness in executing the Bank's strategic plans.

Appointment of new Directors

- **Formal and transparent process:**
  - The nomination and appointment of Directors follow a formal and transparent procedure overseen by the BNGC.
  - Resumes of potential candidates are thoroughly evaluated, and in certain cases, an interview with the candidate is conducted.
- **Assessment criteria:**
  - The BNGC considers the candidate's ability to bring fresh perspectives and ensure the Board's continued effectiveness in meeting its strategic goals.
  - Members of the BNGC abstain from participating in decisions relating to their own appointment or reappointment.
- **Role of the Chairman:**
  - In compliance with the requirements of Section 9.3.3 of listing rule of the CSE, the Chairman does not chair the BNGC.
- **Appointments of EDs:**
  - Similar processes are followed for EDs, except when candidates are selected from within the Bank's Corporate Management.
  - The BNGC ensures a succession plan for the MD/CEO and other KMPs, including identifying training and development needs for succession planning.
- **Regulatory and listing requirements:**
  - New Director appointments are promptly communicated to the CSE following approval from the CBSL regarding their fitness and propriety.
  - Announcements include key details such as a brief resume, expertise, shareholdings, directorships, and independence status.
  - Internal communications ensure that Bank staff are informed of appointments, retirements, or resignations via circulars.

Changes to the Board in 2024

- **New appointments –** One new Director was appointed to the Board during the year.
- **Retirements –** One Director (former Chairman of the Board) retired from the Board after completing nine years of service.
- **Resignations –** There were no resignations of Directors during the year ended December 31, 2024.

Details of these changes are provided in Figure 45, titled Composition of the Board and Attendance, on page 199.

Communication of changes to the CSE

- The Bank ensured all required details regarding the appointments/retirement of Directors were promptly communicated to the CSE, as stipulated in the Listing Rules.

Re-election/election of Directors (Principles A.8 and A.9.3)

The Articles of Association of the Bank prescribe a process for the re-election and election of Directors, ensuring that the Board maintains its effectiveness and alignment with governance principles.

Re-election of NEDs

- **Rotation Policy:**
  - The two longest-serving NEDs since their last election or appointment must offer themselves for re-election at each AGM in rotation.
- **Selection process:**
  - If multiple Directors qualify for re-election in a given year, the determination is made by:
    - Reviewing affidavits and declarations submitted by the Directors.
    - Considering all other relevant factors or, where necessary, drawing lots to decide.
- **2024 re-election candidates:**
  - Mr L D Niyangoda and Ms D L T S Wijewardena, the two longest-serving Directors since their last re-election, will seek re-election at the AGM on March 28, 2025.
  - The BNGC reviewed their participation, contributions, and engagement. Based on the BNGC's recommendation, the Board approved their candidacy for re-election.

Election following a casual vacancy

- **Casual vacancy appointments:**
  - Any Director appointed to fill a casual vacancy since the last AGM is required to offer themselves for election at the immediately following AGM.
- **2025 election candidate:**
  - Mr P Y S Perera, appointed in October 2024 to fill a casual vacancy, will offer himself for election at the upcoming AGM to be held on March 28, 2025.

This structured re-election and election process ensures transparency, accountability, and compliance with governance standards, contributing to the Board's stability and effectiveness.

Induction and training of Directors (Principle A.1.8)

The Bank has a robust induction and training programme to ensure that Directors are well-equipped to fulfill their responsibilities effectively while staying updated on governance and industry standards.

Induction programme for new Directors

On appointment, Directors are provided with a comprehensive induction pack that includes:

- Key governance documents consisting of the Articles of Association, Banking Act Directions, the Corporate Directors' Handbook published by the Sri Lanka Institute of Directors (SLID) and the Code issued by CA Sri Lanka.
- Internal Governance Framework consisting of the Bank's organisational structure and copies of the approved Board Charter and the Board Related Party Transactions Policy.
- Operational and historical context consisting of the most recent Annual Report and access to an electronic support system, which includes archived minutes of meetings held over the past twelve years.

Ongoing training and familiarisation

- **Membership in governance institutes:**
  - Directors are encouraged to obtain membership in the SLID, which offers programmes to enhance their knowledge and governance skills.
- **Mandatory participation:**
  - Attendance at Director Forums organised by the CBSL is mandatory, ensuring that Directors remain informed about regulatory and industry developments.

- **Presentations and briefings:**
  - Members of the Corporate Management and external experts regularly present updates on the business environment and the Bank's operations which enables newly appointed Directors to get familiarised themselves with the banking operations.
  - The Management also provides presentations on sustainability-related initiatives and developments, especially at the Annual Corporate Plan meeting.

This structured approach ensures that Directors remain well-informed about the Bank's governance framework, industry trends, and strategic initiatives, enabling them to make informed decisions and contribute effectively to the Board's deliberations.

Remuneration and Benefits Policy

The Remuneration and Benefits Policy of the Bank is designed to align employee rewards with the Bank's strategic objectives and long-term success. It establishes a robust framework that attracts, retains, and motivates employees with the skills, values, and expertise necessary for the Bank's sustainable growth.

Key objectives of the Policy

- Attracting talent, by offering a competitive and distinctive value proposition to attract prospective employees whose skills align with the Bank's business needs.
- Retaining skilled professionals, by providing compelling rewards and benefits to retain top talent and encourage employee loyalty.
- Inspiring desired behaviours, by implementing reward programs that motivate and inspire employees to exhibit behaviours aligned with the Bank's goals and core values.
- Ensuring alignment with strategic success, by structuring remuneration in a way that directly supports the long-term success and sustainability of the Bank.

Framework for reward programmes

- The Policy provides a clear framework to design innovative and effective reward programs, administer these programs with fairness and transparency and evaluate their effectiveness to ensure alignment with desired outcomes and stakeholder expectations. This approach ensures that remuneration policies remain aligned with the evolving needs of the Bank while fostering a motivated and engaged workforce.

Directors' and Executive remuneration (Principles A.10, B.1, and B.3)

The remuneration framework of the Bank ensures transparency, fairness, and alignment with governance principles. A structured process is in place to ensure that no individual Director participates in decisions related to their own remuneration.

Decision-making process for remuneration

- **Role of the BHRRC:**
  - The BHRRC composed entirely of NEDs who meet the independence criteria set out in governance regulations, oversees the remuneration process.
  - The BHRRC makes recommendations to the Board on the remuneration of Directors and executives, in consultation with the MD/CEO and professional advisors where necessary.
- **Remuneration for NEDs:**
  - The remuneration of NEDs is determined by the Board as a whole.
- **Use of external expertise:**
  - HR professionals are engaged regularly to ensure that the Board and the BHRRC make informed, fair, and objective judgments on remuneration matters.

Alignment with the Remuneration and Benefits Policy

The remuneration structure for Directors and executives is aligned with the Bank's Remuneration and Benefits Policy, ensuring consistency and adherence to the Bank's strategic goals.

Disclosure of remuneration

- **Aggregate remuneration:** Details of the aggregate remuneration paid to EDs and NEDs are disclosed in Note 62.2.1 of the Financial Statements on page 420.
- **Senior Management remuneration:** The aggregate remuneration of senior management personnel, including the MD/CEO, is provided under item 3 (8) (ii) f in Annex 1.1 on Compliance with the Code on page 471.

This transparent approach ensures that remuneration decisions support the Bank's long-term success while upholding its commitment to good corporate governance.

Remuneration Committee (Principle B.2)

The BHRRC of the Bank ensures that remuneration policies and practices attract and retain talented professionals while aligning the interests of employees and shareholders to support the Bank's performance and long-term goals.

Key responsibilities of the BHRRC

- **Attraction and retention:**
  - Structuring competitive remuneration packages for EDs and NEDs to attract and retain top talent.
  - Ensuring policies are motivating, equitable, and capable of retaining high-performing employees.
- **Market benchmarking:**
  - Regularly benchmarking remuneration packages against the market with the assistance of external professionals to maintain competitiveness.
- **Remuneration structure:**
  - Total remuneration for EDs and Corporate Management includes:
    - Guaranteed remuneration (fixed component).
    - Annual performance bonus (variable component).
    - Employee Share Option Plans (ESOPs) (variable component).

Components of remuneration

- **Guaranteed remuneration:**
  - Includes monthly salary and allowances based on qualifications, experience, levels of competencies, skills, roles and responsibilities.
  - Reviewed annually and adjusted for promotions, performance, and inflation.
- **Annual performance bonus:**
  - Based on a multi-layered performance criteria matrix, communicated to employees at the start of each year.
- **ESOPs:**
  - Structured to:
    - Motivate employees for long-term value creation.
    - Improve performance and retention.
    - Provide equity funding for the Bank.
  - Employees can purchase shares at a pre-determined price under these plans, approved by shareholders in EGMs.
  - EDs are also eligible for ESOPs, with approval obtained through the Board and based on recommendations from the BAC.
  - Details on ESOPs and eligibility criteria are available in Note 52 to the Financial Statements on "Share-based Payment" on pages 405 to 408.

Performance-based remuneration

- The Committee annually reviews the performance of the EDs against Board-approved targets and goals. Recommendations are made for revising remuneration, benefits, and performance-based incentives accordingly.

Employee relations and collective agreements

The Bank engages in regular dialogues with the Association of Commercial Bank Executives and the Ceylon Bank Employees' Union (CBEU). In January 2024, a Collective Agreement covering the period 2024–2026 was signed with the CBEU after extensive but cordial negotiations.

Additional considerations

Employment contracts do not include compensation clauses for early termination, and no early terminations requiring compensation occurred during the year.

Board and Board Committee evaluations
(Principle A.9)

The performance of the Board, its Committees, and individual Directors is evaluated annually to ensure they effectively discharge their responsibilities in alignment with the Board Charter, regulatory requirements, and best governance practices.

Evaluation process

- **Self and collective appraisal:**
  - Directors individually assess their own performance, as well as that of the Board and its Committees, using Board/Board Committee Performance Evaluation Forms.
  - These forms incorporate criteria outlined in the Board Performance Evaluation Checklist of the Code.
- **Collation of responses and review:**
  - The responses are collected by the Company Secretary and submitted to the BNGC for analysis.
  - The outcomes are discussed at a Board meeting, fostering transparency and accountability.
- **NED evaluations:**
  - The performance of NEDs is evaluated individually by EDs and the Chairman.
  - Similarly, the EDs' performance is evaluated by the Chairman and NEDs, ensuring a balanced appraisal process.

Specific evaluations

- **EDs and KMP Evaluations –** The BHRRC conducts a 360-degree appraisal of EDs and other KMPs annually. The results are compiled and shared with the Board, enabling informed recommendations for skill enhancement, governance improvements, and strategy refinement.
- **Annual review timeline –** The Board evaluations for 2023 were reviewed during Board meetings held in February 2024 while the Board evaluations for 2024 will be done in March 2025.
- **Formalised evaluation structure –** Commencing from 2024, evaluations for NEDs and EDs follows a formalised structure to enhance clarity and rigor in the process.

Outcome and recommendations

The evaluation outcomes provide insights into the balance of skills, experience, and independence on the Board, the adequacy of industry and Company knowledge, governance processes, and strategy review mechanisms and training needs for Directors to improve overall Board effectiveness. This structured evaluation process ensures continuous improvement in governance standards, aligning the Board's performance with the Bank's strategic goals.

Appraisal of the Chief Executive Officer
(Principle A.11)

The performance of the MD/CEO is evaluated annually through a structured process led by the Board with the assistance of the BHRRC.

Key components of the appraisal process

- **Predefined criteria:**
  - The assessment is based on objectives and targets agreed upon at the start of the year.
  - The criteria include a mix of short-, medium-, and long-term objectives with both financial and non-financial targets.
- **Adaptability to the operating environment:**
  - The appraisal considers changes in the operating environment, ensuring the MD/CEO's performance is evaluated in context.
- **Formal feedback:**
  - The Chairman conducts a discussion with the MD/CEO to provide formal feedback on the evaluation results.
- **Consideration of MD/CEO's responses:**
  - The MD/CEO's responses to the appraisal are reviewed and taken into account before final approval of the evaluation.
- **Timely completion:**
  - The entire process is concluded within three months from the financial year-end, ensuring timely alignment with the Bank's governance and strategic planning.

This thorough evaluation process ensures that the MD/CEO's performance aligns with the Bank's strategic goals while fostering accountability and continuous improvement.

Shareholder engagement and voting
(Principles C.1, C.2, E, and F)

The Bank maintains a robust framework for engaging with shareholders, prioritising transparency, equitable treatment, and the facilitation of shareholder rights. These efforts are aligned with good corporate governance practices and a commitment to open communication.

Shareholder communication

- **Communication channels:**
  - Board-approved Shareholder Communication Policy ensures timely and effective dissemination of material information.
  - Communication methods include:
    - Annual Report (PDF and interactive formats).
    - AGMs and EGMs (rights and debenture issues)
    - Interim Financial Statements.
    - Announcements made to the CSE.
    - Press releases and updates published on the Bank's website.
    - Shareholder surveys and investor feedback forms (refer Figure 13 on pages 64 and 65 for stakeholder connection details).
- **Key announcements made to CSE in 2024:**
  - Dividend declaration for 2023.
  - Annual and interim financial statements.
  - Fitch Ratings preview.
  - Appointments and retirements of Directors.
  - Listing of shares issued as part of the 2023 final dividend, rights issue and ESOPs.
  - Basel III-compliant convertible debenture issue details.

- **Website enhancements:**
  - The dedicated "Investor Relations" page provides easy access to financial statements, annual reports, and investor feedback features.

Regulatory compliance

- **Statutory deadlines –** Financial statements are published in all three mediums within statutory deadlines as per CBSL Directions and submitted to the CSE per Listing Rule No. 7.4.
- **Media engagement –** Interim financial statements are accompanied by detailed press releases.

Encouraging shareholder participation

- **AGMs and EGMs:**
  - Clear instructions on voting procedures are circulated with meeting notices.
  - Shareholders vote on re-elections, financial statements adoption, and other key matters.
- **Attendance at the 55th AGM held on March 28, 2024:**
  - 158 Voting and 76 Non-Voting shareholders attended in person.
  - 99 Voting and 24 Non-Voting shareholders voted via proxy.
- **EGMs:**
  - Approval was secured in March 2024 for issuing Basel III-compliant convertible debentures to raise Rs. 20 Bn., in Tier II capital to improve capital adequacy and to support future lending growth.
  - Approval was secured in July 2024 for making a rights issue of shares to raise Rs. 22.5 Bn., in Tier I capital to improve capital adequacy.

Commitment to equity and rights

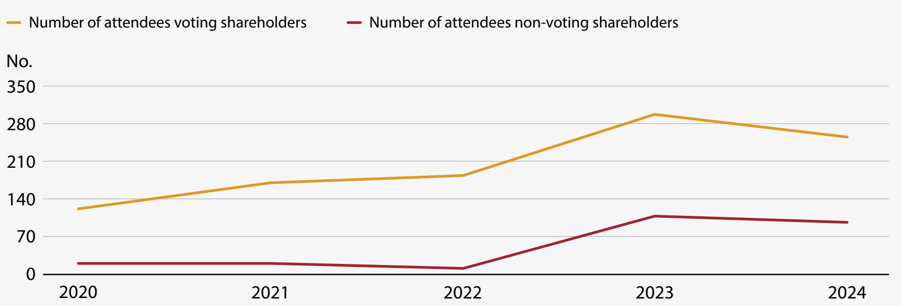
The Board ensures all shareholders are treated equitably, their rights are protected, and they are encouraged to actively participate in governance processes.

A detailed tabulation of AGM attendance over the past five years is provided below:

Attendance at AGMs held during the period 2020 – 2024 Table – 46

	Voting shareholders			Non-voting shareholders		
Year of the AGM	Number of Attendees	Shareholding	% of total shareholding	Number of Attendees	Shareholding	% of total shareholding
2024	257	975,632,759	78.89	100	8,534,514	10.99
2023	301	943,963,856	80.87	112	10,962,985	15.11
2022	183	795,203,283	72.33	9	4,197,212	6.17
2021	169	795,052,531	72.32	19	4,326,942	6.36
2020	119	672,118,061	69.92	19	3,132,256	4.72

Attendance at AGMs Graph – 47



Code of Business Conduct and Ethics (Principle D.6)

The Bank maintains a robust Code of Ethics that governs the conduct of all employees, including KMPs. This Code, complemented by other Board-approved policies, ensures that the Bank adheres to the highest standards of integrity, transparency, and accountability.

Scope of the Code of Ethics

- **Employee coverage** – Currently applicable to all employees, including KMPs.
- **Board of Directors coverage** – The Bank extended application of the Code of Ethics to include the Board of Directors in 2024, through the Board-approved Policy on Internal Code of Business Conduct and Ethics.

Alignment with Governance Principles (Principles D.6.1 to D.6.6)

The Code addresses key topics to ensure compliance with the principles of ethical behaviour, including:

- **Transparency** – Encouraging open communication and disclosure.
- **Accountability** – Holding all employees accountable for their actions.
- **Integrity** – Promoting honesty and fair dealings in all professional interactions.
- **Conflict of Interest** – Providing clear guidelines to avoid and manage conflicts of interest.
- **Compliance** – Adhering to all legal and regulatory requirements.

The Bank's Code of Business Conduct and Ethics serves as a cornerstone for maintaining trust among stakeholders, ensuring the alignment of actions with the Bank's values and principles.

Alignment with Governance Principles Table – 47

Topic	Key policies, documents and guidelines
Conflict of interest	• Code of Ethics • Related Party Transactions Policy
Bribery and corruption	• Anti-Bribery and Anti-Corruption Policy • AML/CFT Policy
Entertainment and gifts	• Gift Policy • Code of Ethics
Accurate accounting and record-keeping	• Financial Statement closure process • Operational Procedure Manual for the Finance Division • Accounts Reconciliation Process and Monitoring of Suspense Accounts of the Bank • Financial and Risk Management Disclosure Policy
Fair and transparent procurement policies	• Procurement policy • Expenditure approval guidelines • Sponsorship Guidelines
Corporate opportunities	• Code of Ethics • HR Policies
Confidentiality	• Information Classification Policy • Data Governance Policy
Fair dealing	• Group Conduct Risk Management Policy
Protection and proper use of company assets including information assets	• Information Security Policy • Risk Management Policies
Sexual harassment, discrimination and abuse	• Code of Ethics • HR Policies
Compliance with laws, rules and regulations (including insider trading laws)	• Group Compliance Policy
Encouraging the reporting of any illegal, fraudulent or unethical behaviour	• Whistleblowers' Charter

Principle D.6.2

Process is in place to identify and report material and price sensitive information.

Principle D.6.4

Whistleblower's charter

(Refer page 211)

Principle D.6.6

Process is in place to disseminate policies and conduct training via the Bank's intranet and the e-learning module

Principle D.6.3

Process is in place to monitor and disclose shares purchased by any Director, KMP or by an employee in the grade of Assistant Manager and above

Principle D.6.5

Conduct training on Code of Ethics as part of induction and training of new employees

Anti-Bribery and Anti-Corruption Policy (Principle D.6.1)

The Bank upholds a zero-tolerance policy towards bribery and corruption, ensuring that all operations and transactions are conducted with the highest standards of integrity and compliance.

Policy framework

- **Annual review and updates:**
  - The Board-approved Anti-Bribery and Anti-Corruption Policy was reviewed and updated during the year.
  - The Policy outlines principles for identifying, mitigating, and managing bribery and corruption risks, applying to the Bank, its employees, and defined third parties.
- **Zero tolerance commitment:**
  - The Bank treats any form of bribery or corruption as a severe threat to its integrity and reputation.
  - Employees are expected to actively prevent and mitigate risks within their respective roles and responsibilities.

Employee responsibilities and guidelines

- **Code of Ethics:**
  - Every employee is issued a Code of Ethics, which includes:
    - Prevention of insider trading and rules on the purchase or sale of the Bank's shares.
    - Gift Policy guidelines.
    - Management of conflicts of interest.
    - Measures to combat financial crimes.
    - Emphasis on respecting communities and the environment.
- **Prohibition of political contributions:**
  - The updated Policy explicitly prohibits the use of Bank funds for political contributions, emphasising the Bank's stance on neutrality and compliance.

Culture of compliance

The Policy is designed to promote a culture of compliance aligned with applicable laws and regulations, ensuring that ethical practices remain a cornerstone of the Bank's operations.

Further insights on the Bank's sustainable practices in line with this Policy are discussed in the section on Responsible organisation on pages 129 and 130.

Group Conduct Risk Management Policy Framework (Principle D.6.1)

The Group Conduct Risk Management Policy Framework of the Bank emphasises a proactive approach to mitigating misconduct risks, fostering accountability, and promoting ethical practices across all operations.

Policy updates and enhancements

- Originally adopted in 2022, the framework was reviewed and updated during the year to further strengthen risk management and corporate governance.
- The updated policy focuses on safeguarding customers, maintaining market stability, and ensuring effective competition.

Key objectives

- **Establishing a risk culture:**
  - Cultivating a preventive approach to misconduct risks.
  - Promoting accountability for individual and collective actions.
- **Preventing misconduct:**
  - Ensuring proper customer onboarding practices.
  - Maintaining transparency in fees and charges.
- **Prohibited actions:**
  - Fraudulent activities
  - Insider trading
  - Improper financial advice to customers
  - Mis-selling of financial products
  - Tax avoidance
  - Collusion in financial markets
  - Inaccurate financial and regulatory disclosures

This Policy underpins the Bank's commitment to ethical conduct and operational excellence, aligning with its broader risk management framework and corporate governance principles.

Whistleblowing (Principle D.6.4)

The Whistleblowers' Charter adopted by the Bank serves as a crucial tool in deterring, detecting, and addressing malpractices and unethical behaviour across the organisation.

Key features of the whistleblowers' charter

- **Oversight by the Compliance Officer:**
  - The Compliance Officer is designated to manage the whistleblowing process, ensuring proper handling of all concerns raised.
- **Encouraging reporting of concerns:**
  - Employees are encouraged to raise genuine concerns about malpractices or unethical behaviour.
- **Confidentiality and protection:**
  - The Bank ensures strict confidentiality for individuals who report concerns.
  - Whistleblowers acting in good faith are protected from any retaliation or adverse consequences.
- **Promoting governance across tiers:**
  - The charter promotes a healthy workplace culture, fostering good governance practices from operational levels to the highest tiers of management.

Internet of things and Cyber security (Principle G)

The Bank prioritises robust cybersecurity measures and effective governance to ensure data confidentiality, integrity, and availability in an increasingly connected and digital environment.

Fortifying digital trust: cyber and information security governance

In an era where financial institutions are increasingly reliant on technology, the Bank remains steadfast in its commitment to safeguarding digital platforms, protecting data integrity, and preserving customer trust. Recognising the ever-evolving cyber threat landscape, the Bank takes a proactive approach to cybersecurity, ensuring compliance, resilience, and operational continuity. As a D-SIB, the Bank also plays a pivotal role in strengthening Sri Lanka's cyber-resilient financial ecosystem.

Industry leadership in cybersecurity and compliance

The Bank has cemented its position as a leader in information security, achieving several industry-first certifications that underscore its dedication to best practices:

- **ISO/IEC 27001:2022 Certification –** The only local financial institution in Sri Lanka to secure this latest certification, covering its entire operation, including its **nationwide branch network.**
- **PCI DSS v4.0 Certification –** Ensuring the highest security standards in handling payment card transactions.
- **ISO/IEC 20000 Certification –** Validating excellence in IT service management.
- **Alignment with ISO/IEC 22301:2019 –** Strengthening Business Continuity Management Systems (BCMS) to enhance resilience and preparedness.

These milestones reaffirm the Bank's longstanding legacy in cybersecurity, dating back to 2010 when it became the first in Sri Lanka's banking sector to achieve ISO 27001 certification.

A strong governance framework for information security

The Bank has embedded cybersecurity governance within its enterprise risk management framework, ensuring robust oversight through a three lines model. This approach integrates business units and technology teams responsible for implementing security controls, independent risk and audit functions that provide monitoring and assessments, and Board-level oversight to ensure accountability.

At the core of the Bank's information security governance is the Chief Information Security Officer (CISO), who reports directly to the MD/CEO. The Information Security Council (ISC), chaired by the MD/CEO, functions as the apex management body for cybersecurity and reports to the BIRMC. The Bank's Information Security Policy (ISP), aligned with ISO/IEC 27001 standards, defines stringent security requirements applicable to employees, partners, and external stakeholders. These policies encompass essential domains such as access control, asset management, secure operations, incident response, supplier and third-party risk management, and business continuity planning.

A multi-layered security architecture with a proactive risk management approach

To ensure comprehensive protection of its digital assets, the Bank employs a defense-in-depth security model that integrates multiple layers of physical, technical, and administrative controls. A Security Information and Event Management (SIEM) system enables real-time monitoring and rapid threat detection, while a set of incident response playbooks and cyber resilience strategies enhance the Bank's ability to contain and mitigate potential cyber threats.

Regular risk assessments, including vulnerability testing, penetration testing, and application security reviews, help identify and address security risks. In 2024, the Bank further strengthened its third-party security risk management processes, ensuring enhanced oversight of supplier and partner cybersecurity practices.

Building a cybersecurity-first culture

Beyond deploying advanced technologies, the Bank recognises that security is also a matter of culture and awareness. A structured cybersecurity awareness program ensures that employees and third parties are well-equipped to recognise and respond to cyber threats. Training programs include classroom sessions, digital learning modules, and hands-on simulations of potential cyberattacks. The annual Cyber Awareness Month serves as an engaging initiative, featuring interactive activities such as cyber quizzes and newsletters that reinforce best practices across all levels of the organisation.

Rigorous monitoring, audits, and regulatory compliance

The Bank maintains continuous compliance through an extensive framework of internal and external audits. Annual independent validations of the Information Security Management System (ISMS) are conducted by ISO 27001 external auditors, while Qualified Security Assessors (QSA) perform periodic reviews to ensure compliance with PCI DSS requirements. The Bank's adherence to the SWIFT Customer Security Controls Framework is independently verified, reinforcing its commitment to international cybersecurity standards. Regular reviews of cybersecurity performance, including incident reports and audit findings, are presented to the ISC and BIRMC, ensuring Board-level engagement and strategic oversight.

A future-ready cybersecurity roadmap

As cyber threats continue to evolve, the Bank remains committed to staying ahead of emerging risks through investments in AI-driven threat detection, Zero-Trust security models, and enhanced cyber resilience frameworks. Strengthening security infrastructure and continuously aligning with global best practices remain central to the Bank's long-term vision.

For in-depth discussions on the Bank's cybersecurity governance, refer to:

- BIRMC Report (pages 218 to 220)
- BTC Report (pages 232 to 233)
- BAC Report (pages 214 to 217)

With an unwavering commitment to cybersecurity, resilience, and trust, the Bank continues to set the benchmark for information security excellence in Sri Lanka's banking industry.

Data security and privacy

The Bank is committed to safeguarding the privacy and security of customers' personal data through rigorous data governance practices. The Bank ensures compliance with evolving regulatory frameworks, including the Personal Data Protection Act No. 09 of 2022, while continuously strengthening data protection measures to maintain customer trust.

Commitment to data privacy

Protecting the confidentiality, integrity, and availability of personal data is at the core of the Bank's operations. A robust framework encompassing skilled personnel, advanced technology, stringent controls, well-defined policies, and efficient processes ensures responsible management of personal data. All customer information is handled with the highest level of security and is used exclusively for legitimate business purposes in compliance with applicable privacy laws and regulations, including the Personal Data Protection Act and Global Data Protection Regulation (GDPR).

Privacy framework and third-party collaborations

The Bank has established a comprehensive privacy framework to safeguard customer information. Stringent data privacy and security standards are enforced when collaborating with third-party service providers. Due diligence assessments, contractual safeguards, and continuous monitoring ensure that personal data remains protected across all external engagements.

Employee training and awareness

Recognising that data privacy is a shared responsibility, the Bank conducts regular training and awareness programs to educate employees on data protection best practices. These sessions equip staff with the knowledge to handle personal data securely, stay informed of evolving privacy regulations, and uphold the highest standards of data security.

Governance and Risk Management

The data governance team plays a pivotal role in identifying, assessing, and mitigating data privacy risks. These risks are regularly reported at the highest levels of management, ensuring a proactive approach to data protection. Data privacy is a key focus at multiple governance forums, including Board-level discussions, to facilitate strategic oversight and timely decision-making.

As part of its commitment to continuous improvement, the Bank regularly reviews and enhances its data privacy practices to stay ahead of emerging threats, evolving technologies, and regulatory changes. Protecting personal data remains a top priority as the Bank continues to build a secure and trustworthy financial ecosystem for its customers.

Sustainability: ESG risks and opportunities
(Principle H)

The Bank recognises that integrating ESG principles into its strategy and operations not only aligns with global sustainability goals but also enhances innovation, risk mitigation, and long-term value creation.

Integration of ESG principles

- **Strategic focus:**
  - The Bank integrates ESG principles into decision-making processes to mitigate risks and capitalise on emerging opportunities.
  - Compliance with relevant regulations and adaptation to evolving stakeholder needs form a cornerstone of the Bank's ESG strategy.
- **Measurement and disclosure:**
  - Utilises globally recognised frameworks such as the GRI standards and the <IR> Framework.
  - Regularly measures and discloses sustainability performance to foster transparency and accountability.

ESG risk management initiatives

- **Sustainability Framework:**
  - Adoption of a comprehensive framework and establishment of an Executive Sustainability Committee, which reports to BIRMC, for regular ESG risk assessments.
- **ESMS:**
  - Based on IFC Performance Standards, ESMS includes policies and tools for managing environmental and social risks.
- **Due diligence and impact assessment:**
  - Conducts environmental and social due diligence and proposes corrective actions for identified risks.
  - Evaluates the impact of lending activities on factors such as pollution, community well-being, and biodiversity.
- **Responsible lending practices:**
  - Maintains a credit policy and lending guidelines to minimise transactions that adversely impact the environment.
- **Supply chain oversight:**
  - Reviews social and environmental impacts through supplier selection and evaluation.
- **Minimising environmental footprint:**
  - Implements green processes, adopts green buildings, and generates solar energy for operations.

Leveraging ESG opportunities

- **Green financing:**
  - Supports sustainable projects such as renewable energy, energy-efficient buildings, and eco-friendly technologies.
  - Encourages clients to adopt sustainable practices through green loans and leases.
- **Supplier collaboration:**
  - Works with responsible suppliers to minimise indirect environmental and social footprints.
- **Staff training and engagement:**
  - Conducts training programmes to enhance staff understanding of sustainable finance and ESG principles.
- **International partnerships:**
  - Actively collaborates with global platforms to share knowledge and leverage international resources for ESG initiatives.

The Bank's ESG strategy reflects its commitment to sustainable value creation, proactive risk management, and global best practices.

Board Committee reports

Report of the Board Audit Committee

The Committee regularly evaluates the adequacy and effectiveness of internal control systems to safeguard the accuracy and reliability of the Bank's financial reporting.

Composition of the Committee

The Board Audit Committee (the BAC) during the year under review, comprised of the following Independent Non-Executive Directors in conformity with the requirements of the Section 9.18.6 of the Listing Rules issued by CSE and the Section D.3.1 of the Code of Best Practice on Corporate Governance – 2023, issued by CA Sri Lanka.

Board Members and attendance

	Eligible to attend/ attended
Mr R Senanayake* Chairman	08/08
Ms N T M S Cooray* Director	08/08
Ms J Lee* Director	08/08
Ms D L T S Wijewardena* Director	08/06
Mr D N L Fernando* Director	08/08

**Independent Non-Executive Director*

Regular attendees

Mr K D N Buddhipala Chief Financial Officer	08/08
Mr J Premanath Deputy General Manager – Management Audit	08/08
Mr P Y S Perera Independent Consultant (Independent consultant to BAC up to March 31, 2024)	02/02
Mr W N I C Fernando Independent Consultant (Appointed as the Independent Consultant to BAC w.e.f. April 01, 2024)	05/04

Representation of the Bank's External Auditor

Messrs Ernst & Young

Messrs KPMG

Regular attendees by invitation

	Eligible to attend/ attended
Mr S C U Manatunge Managing Director/ Chief Executive Officer	07/07
Mr S Prabagar Director/Chief Operating Officer	08/08
Mr S K K Hettihamu Chief Risk Officer	
Mr L W P Indrajith Deputy General Manager – Finance (Appointed w.e.f. February 21, 2024)	
Ms A V P K T Amarasinghe Assistant General Manager Compliance/Compliance Officer (Retired w.e.f. August 16, 2024)	
Ms R M C Siyambalagastenne Assistant General Manager Compliance/Compliance Officer (Appointed w.e.f. August 17, 2024)	

Secretary to the Committee

Mr J Premanath
Deputy General Manager – Management Audit

Pursuant to the requirements of the Section 6.2 of the Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks which became effective from January 01, 2025, the Board of Directors of the Bank has resolved that the composition of the BAC shall be comprised of the following Board Members from January 01, 2025.

Mr P Y S Perera* Chairman
Mr R Senanayake*
Mr L D Niyangoda*
Ms N T M S Cooray*
Mr P M Kumarasinghe*

**Independent Non-Executive Director*

Secretary to the Committee

Mr J Premanath
Deputy General Manager – Management Audit

Profiles of the members are indicated on pages 38 to 45.

Regulations/Rules relevant to the function of the Committee

The role, functions and the composition of the BAC are defined by the provisions of the:

- Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka and the subsequent amendments thereto
- Banking Act Direction No. 05 of 2024 on Corporate governance for Licensed Banks w.e.f. January 01, 2025
- Section 9.13 of the Listing Rules of the Colombo Stock Exchange (Revised w.e.f. 01.10.2023)
- Code of Best Practice on Corporate Governance – 2023 issued by CA Sri Lanka

Terms of Reference of the Committee

The BAC, operating under delegated authority from the Board, plays a key role in supporting the Board's responsibilities by providing structured oversight of the Group's financial reporting requirements, internal audit, internal controls, and external audit processes. The Board-approved Charter/ Terms of Reference (TOR) of the Committee comprehensively outline its purpose, composition, duties, responsibilities, and authority. The Committee is tasked with ensuring the quality and integrity of the Bank's financial statements and disclosures, monitoring compliance with internal policies and regulatory requirements, strengthening internal controls over financial reporting, and assessing the performance and independence of the external auditor to protect the interests of shareholders and all other stakeholders.

The Charter/TOR is reviewed annually to ensure that new developments relating to the Committee's functions are addressed. Reflecting recent amendments under the Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks, the BAC Charter was reviewed and approved by the Board at its meeting held on November 29, 2024.

Key responsibilities of the Committee

- Ensure that financial reporting systems in place are effective and well managed in order to provide accurate, appropriate, and timely information to the Board, Regulatory Authorities, the Management, and other stakeholders.
- Review the appropriateness of accounting policies, and ensure adherence to statutory and regulatory compliance requirements, and applicable accounting standards.
- Ensure that the Bank adopts and adheres to high standards of corporate governance practices, conforming to the highest ethical standards, and good industry practices, in the best interest of all stakeholders.
- Evaluate the adequacy, efficiency, and effectiveness of risk management measures, internal controls, including information systems controls, and governance processes in place to avoid, mitigate, or transfer current and evolving risks.
- Monitor all aspects of Inspections, Information Systems Audit, and External Audit program of the Bank, and review Internal and External Audit Reports for follow up with the Management on responses to their findings and recommendations.
- Review the Interim and Annual Financial Statements of the Bank, to ensure the integrity of such Statements prepared for disclosure, prior to submission to the Board.

Highlights of the year 2024

In 2024, the BAC made significant strides in strengthening the Bank's governance and risk management frameworks. The Committee ensured the timely review and approval of financial statements, maintaining compliance with Sri Lanka Accounting Standards and regulatory requirements.

A key focus was on assessing the adequacy of the impairment provision on Sri Lanka International Sovereign Bonds (SLISBs) with extensive discussions held to ensure that the provision accurately reflected market conditions and potential risks. The BAC also closely monitored developments impacting local bondholders, ensuring that the Bank's strategies and disclosures aligned with evolving market dynamics.

To strengthen internal controls, the Committee oversaw the implementation of a comprehensive, risk-based Integrated Audit Plan for 2024. This plan encompassed both internal audit and information systems audits, with a focus on high-risk areas. The Committee actively collaborated with Management to address and remediate any identified audit findings.

The BAC took proactive steps in cybersecurity by inviting the Chief Information Security Officer to present an in-depth assessment of the Bank's cybersecurity posture, ensuring that appropriate measures were in place to safeguard against emerging threats.

Based on the project complexities, the Committee also reviewed the progress update presented by the Assistant General Manager – Operations on the Identity Access Management solution implementation in the Bank to assess and ensure safeguarding access controls.

Furthermore, the Committee collaborated with the external auditor to ensure an independent and robust audit process, safeguarding the integrity of financial reporting.

The BAC also aligned the Bank's governance practices with the revised Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks, including the revision and approval of the Audit Committee Charter.

Financial reporting

In 2024, the BAC diligently discharged its responsibilities to ensure the reliability of financial reporting. The Committee rigorously reviewed the Bank's financial statements to confirm compliance with Sri Lanka Accounting Standards, maintaining transparency and the adequacy of disclosures. Special attention was given to evaluating critical accounting policies and significant judgments made in preparing the financial statements, ensuring consistency with industry standards and providing an accurate and fair representation of the Bank's financial position. The BAC also reviewed the assumptions underlying the Bank's going concern status, including the viability statement, to validate their appropriateness in light of current and future risks. Furthermore, the Committee ensured that supplementary regulatory information, including tax assessments, was reported accurately and in full compliance with applicable laws and regulations.

To enhance the reliability of financial reporting, the BAC continuously engaged the services of an independent consultant, a Chartered Accountant, whose specialised skills and expertise added substantial value to the process. The Committee reviewed the Bank's Interim and Annual Financial Statements in collaboration with Management, external consultants, internal auditors, and external auditors, ensuring that all perspectives were considered prior to their release. This review process was informed by detailed reports from the Chief Financial Officer and audit findings from both internal and external auditors. The Committee also conducted focused reviews on the integrity of financial reporting for the Bank and the Group, considering unprecedented challenges such as exchange rate volatility, inflationary pressures, fluctuating interest rates, government debt restructuring, and evolving regulatory requirements. Particular attention was given to the adequacy of post-model adjustments, especially in areas characterised by significant uncertainty. The BAC ensured that prudent accounting practices were followed, reflecting the complex economic realities, with the aim of providing stakeholders with the most accurate and meaningful financial information.

Additionally, the Committee obtained assurances from the Managing Director/Chief Executive Officer and the Chief Financial Officer regarding the integrity of the Bank's financial records, confirming that the financial statements provided a true and fair view of the operations and financial position of the Bank and the Group.

Internal controls over financial reporting (ICOFR)

Sections 3 (8) (ii) (b) and (c) of the Banking Act Direction No. 11 of 2007 stipulate the requirements to be complied with by the Bank to ensure reliability of the financial reporting system in place at the Bank.

The Committee regularly evaluates the adequacy and effectiveness of internal control systems to safeguard the accuracy and reliability of the Bank's financial reporting. This includes overseeing the design and implementation of controls related to financial reporting processes, ensuring compliance with regulatory requirements, and identifying potential risks. The BAC collaborates closely with internal and external auditors to assess these controls' effectiveness and ensure that any identified weaknesses are promptly addressed. The Committee also ensures that Management has implemented robust processes to monitor ongoing compliance, thereby ensuring that the financial statements present a true and fair view of the Bank's operations and financial position.

During the year, the Committee conducted a thorough review of the governance practices within the Finance function, including accounting policies and operational procedures, to ensure the robustness and adequacy of the account reconciliation process and the effective monitoring of suspense accounts. The Committee also reviewed the Bank's SLFRS 09 Policy on Expected Credit Loss Provisioning to confirm its alignment with best practices and regulatory requirements. In addition, all critical system implementations were supported by post-implementation reviews conducted through Integrated Audit, with the BAC evaluating and addressing the outcomes of these assessments.

The BAC also reviewed the adequacy and integrity of the Bank's Management Information System (MIS) through internal audit reports to ascertain whether information presented to the Board is "fit for purpose".

For Group companies, changes to internal control systems were reviewed by the respective Board Audit Committees, with significant matters escalated to the BAC for attention and resolution. This systematic approach ensures that internal control systems across the Bank and its Group companies remain strong and effective, aligned with regulatory requirements and the Bank's commitment to sound governance.

The Committee reviewed and approved the Directors' Statement on Internal Controls over Financial Reporting for disclosure in the Annual Report.

Integrated Audit, Internal Audit, and IS Audit

The BAC provides oversight of the Internal Audit and IS Audit functions (Integrated Audit Function) , ensuring its independence, effectiveness, and alignment with the Bank's strategic objectives. Integrated Audit operates free from interference by any element within the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content. The Deputy General Manager – Management Audit reports directly to, and meets frequently with, the Chair of the BAC to maintain open and transparent communication.

Integrated Audit consistently upholds the mandatory guidance set by The Institute of Internal Auditors (IIA) and adheres to the Information Systems Audit and Control Association (ISACA) Code of Ethics, ensuring high standards of professional practice integrity and objectivity.

The BAC reviewed and approved the 2024 Integrated Audit Plan, developed by the Inspection Department and the Information Systems Audit Unit (ISAU). The plan is built on a rigorous, risk-based methodology that incorporates detailed risk profiling and pre-engagement risk assessments to ensure that the scope and focus of audits are aligned with the Bank's most pressing risks and strategic priorities. This approach thoroughly evaluates inherent risks and the strength of the control environment across all Group entities.

Audit coverage is comprehensive, encompassing a blend of onsite, online, offsite, and integrated audits to assess processes and controls, risk management frameworks, regulatory compliance, major change initiatives, investigations, and special reviews. Regular updates from the Deputy General Manager – Management Audit provided the Committee with insights into key findings, risk exposures, and the progress of corrective actions implemented by the Management.

The Committee placed particular emphasis on critical areas of governance, encompassing key operational functions such as Financial Management, Treasury Operations, Lending, Branch Operations, Procurement, Payments and Expected Credit Loss (ECL) provisioning. This ensured robust oversight of the Bank's financial health, particularly in relation to credit risk management, and reinforced the importance of accurate and timely provisioning for potential credit losses. The Committee's oversight in these areas ensured strict adherence to established policies, procedures, and regulatory requirements, while enhancing the Bank's risk mitigation strategies and financial resilience.

The Committee reviewed the findings of the ISAU covering the Bank's local operations, overseas operations and subsidiaries. The ISAU coverage focused on cyber resilience, emerging technologies, internal IT control environment, supplier chain risk management and regulatory compliance.

Regulatory Requirements on Technology Risk Management (Banking Act Direction 16 of 2021 of the CBSL), mandated the requirement of Internal Audit involvement at various levels from the year 2023 onwards; especially in case of Bank wide compliance with ISO standards. The Committee deliberated ISAU review on Bank level of Compliance with the Banking Act Direction No. 16 of 2021.

The Committee also reviewed the report on findings relating to the Business Continuity Plan and Disaster Recovery arrangement during the year 2024 including the Role Swap Exercise carried out as per Guideline on Business Continuity Planning No. 01/2006 and Business Continuity Management and Disaster Recovery (DR) Site Operations – 2024 issued by the CBSL. In addition, the Committee reviewed the report on compliance with goAML Reporting Process aligning with instructions of the FIU of the CBSL, Baseline Security Standard, PCIDSS, and SWIFT CSP to ensure safeguarding Information and IT Assets of the Bank.

The BAC deliberated on ISAU reports on Cyber Security, Vulnerability and Penetrating Testing Process, Risk on outdated IT Assets, IT General Control and Governance Risks, IT Infrastructure management, deficiencies in data classifications and Data Loss Prevention, End Point Security, Software Source Code

Security, Logical and Physical Access including adequacy of controls in Privileged Access granted by the Bank.

Additionally, the Committee evaluated the resource requirements of the Integrated Audit Department to ensure its capacity to deliver comprehensive audit coverage. The BAC will conduct the performance evaluation of the Deputy General Manager – Management Audit and senior staff members of the Internal Audit Department for 2024.

The Committee members visited five branches of the Bank during the year and provided their observations and recommendations to the Board and the Management.

Effectiveness of the External Audit

The BAC ensured the independence and effectiveness of the External Auditor by implementing robust oversight mechanisms. To uphold good governance, the Committee ensured compliance with regulations limiting external audit engagements to a maximum of five years per engagement. Accordingly, Messrs KPMG, Chartered Accountants, were appointed as the Bank's External Auditor.

The Committee met with the Auditors independently, without the presence of Executive Directors, providing them the opportunity to express their views freely on any matter. This process assured the BAC that management had provided all necessary information and explanations, imposed no restrictions on the audit's scope, and maintained a cooperative relationship with the Auditors, free of disagreements.

The BAC reviewed the Auditors' Declaration regarding their independence, confirming compliance with the Code of Conduct and Ethics of the CA Sri Lanka. Audit fees, expenses, and any non-audit services provided by the Auditors were scrutinised to ensure these did not impair their independence or objectivity. The Committee ensured that non-audit services adhered to regulatory requirements and the Board approved Policy on Non-Audit Services, thereby avoiding any restricted activities.

The Committee reviewed the Management Letter issued at the conclusion of the audit for the year ended December 31, 2023, and discussed it with the Auditors before its submission to the Board and the Central Bank of Sri Lanka (CBSL). The BAC also evaluated the Audit Plan and scope of work for the year ended December 31, 2024, ensuring alignment with the Bank's expectations and regulatory standards.

Oversight on Regulatory Compliance

The Committee also ensured that the Bank complies with all regulatory and legal requirements. Closely scrutinised compliance with mandatory banking including other statutory requirements and the systems and procedures that are in place. The quarterly reports submitted by the Assistant General Manager – Compliance were used by the Committee to monitor compliance with all such legal and statutory requirements. The Bank's Inspection Department has been mandated to conduct independent test checks covering all regulatory compliance requirements, as a further monitoring measure.

The Committee monitored the progress on implementation of the recommendations made in the Statutory Examination Reports of the CBSL through regular follow up reports tabled during the year 2024. It also reviewed the progress of implementation of the recommendations in the Statutory Examination Report of the Bangladesh Bank on the Bank's Bangladesh Operations.

Risk Management

The Committee diligently reviewed the effectiveness of the Bank's internal control mechanisms, ensuring compliance with regulatory requirements, particularly in relation to ICAAP, and the capital assessment process for the year 2023. In alignment with Section 10 (Pillar II – Supervisory Review Process) of the Banking Act Direction No. 01 of 2016 on the "Regulatory Framework on Supervisory Review Process", the Committee confirmed the integrity, accuracy, and reasonableness of the Bank's capital adequacy assessment procedures.

The positive assurance statements submitted by the Chief Risk Officer provided the Committee with confidence that appropriate processes were in place to identify and manage significant risks. The Committee proactively sought and received assurances from relevant Business Units regarding the remedial actions implemented to address identified risks, ensuring the ongoing effectiveness and robustness of the internal control framework.

Governance, Conduct, and Ethics

Through a review of regulatory, external audit, compliance, risk and internal audit reports, the Committee ensured that Management's role over the first and the second lines is clearly defined and segregated to fortify good governance. The Committee strongly advocated for and strengthened the Internal audit function. The Deputy General Manager – Management Audit is independent from the Management in their reporting lines, and holds no operational decision-making responsibilities, which provides an additional degree of independence and governance.

The Committee continuously emphasised on upholding ethical values of the staff members. In this regard, the Bank has a Code of Ethics, a Whistleblowers' Charter and an Anti-Bribery and Anti-Corruption Policy in place, which ensure and encourage all staff members to be ethical, transparent and accountable and resort to whistleblowing if they suspect any wrongdoings or other improprieties.

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.

During the year, the Compliance Officer regularly updated the BAC on whistleblowing effectiveness, including controls assessments and outcomes of the key investigations.

The whistleblower Charter has been reviewed by the Committee and approved by the Board in 2023.

Reporting to the Board

The minutes of the Committee meetings were tabled at Board meetings, thereby providing Board Members with access to the deliberations of the Committee.

Committee evaluation and effectiveness

An independent evaluation of the effectiveness of the Committee was carried out by the other members of the Board during the year. Considering the overall conduct of the Committee and its contribution to the overall performance of the Bank, the Committee has been rated as highly effective.

R Senanayake* **P Y S Perera****
Chairmen
Board Audit Committee

February 28, 2025

** Chairman of the BAC up to December 31, 2024*
*** Chairman of the BAC with effect from January 01, 2025.*

Report of the Board Integrated Risk Management Committee

The BIRMC reviewed, approved, and oversaw the Bank's Recovery Plan framework, ensuring compliance with regulatory guidelines and Board-approved policy parameters to strengthen financial and operational resilience.

Composition of the Committee

The Board Integrated Risk Management Committee (the BIRMC) during the year under review comprised of the following Board Members in conformity with the requirements of Section D.4.1 of the Code of Best Practice on Corporate Governance-2023, issued by CA Sri Lanka.

Board Members and attendance

	Eligible to attend/ attended
Ms J Lee* Chairperson	05/05
Mr S C U Manatunge Managing Director/Chief Executive Officer	05/05
Mr L D Niyangoda* Director	05/04
Mr R Senanayake* Director	05/05
Ms D L T S Wijewardena* Director	05/05
Mr D N L Fernando* Director	05/05
Mr P M Kumarasinghe* Director	05/04

Non-Board Member

Mr S K K Hettihamu
Chief Risk Officer

Regular attendees by invitation

Mr S Prabagar Director/Chief Operating Officer	05/04
Ms A V P K T Amarasinghe Assistant General Manager Compliance/Compliance Officer (Retired w.e.f. August 16, 2024)	
Ms R M C K Siyambalagastenne Assistant General Manager Compliance/Compliance Officer (Appointed w.e.f. August 17, 2024)	
Mr P K A S K Gunawardhana Chief Information Officer	

Secretary to the Committee

Mr K D N Buddhipala
Chief Financial Officer

Pursuant to the requirements of the Section 6.5 of the Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks which became effective from January 01, 2025, the Board of Directors of the Bank has resolved that the composition of the BIRMC shall be comprised of the following Board Members from January 01, 2025.

Mr R Senanayake* Chairman

Mr S C U Manatunge
Managing Director/Chief Executive Officer

Ms J Lee*

Ms D L T S Wijewardena*

Mr D N L Fernando*

Mr P Y S Perera*

Mr S Prabagar
Director/Chief Operating Officer – By Invitation

Secretary to the Committee

Mr K D N Buddhipala
Chief Financial Officer

**Independent Non-Executive Director*
Profiles of the members as at December 31, 2024, are indicated on pages 38 to 45.

Terms of Reference of the Committee

The BIRMC was established in accordance with the Central Bank of Sri Lanka (CBSL) regulatory framework for Corporate Governance in licensed banks. Its formation historically aligned with Direction No. 11 of 2007, which was superseded by the Banking Act Directions on Corporate Governance for Licensed Banks No. 05 of 2024, dated September 30, 2024, issued by the CBSL. The composition and the scope of work of the Committee are in line with the said Directions, as set out in the BIRMC Charter which is reviewed annually, most recently in December 2024, which clearly sets out the membership, authority, duties and responsibilities of the BIRMC as described in the "Risk Governance and Management" Section of this Annual Report on pages 254 to 284.

The BIRMC assists the Board of Directors in fulfilling its responsibilities of overseeing the Bank's risk management framework and activities including the review of major risk exposures, the steps taken to monitor and control those exposures pertaining to the myriad of risks faced by the Bank in its business operations. Responsibilities of the BIRMC include determining the adequacy and effectiveness of such measures and ensuring that the actual overall risk profile of the Bank conforms to the desirable risk profile, as defined by the Board. Special attention is given to the material risks that the Bank may face within its existing portfolio of risks, as well as for forward-looking and emerging risks that require action to minimise their potential impact on future performance.

All key risks such as Credit, Operational, Market, Liquidity, Data Security, Information Technology, Strategic, etc. are assessed by the BIRMC regularly through a set of defined risk indicators. The Committee works very closely with the Key Management Personnel and the Board in fulfilling its statutory, fiduciary and regulatory responsibilities for risk management. The risk profile of the Bank is communicated to the Board of Directors periodically through the Risk Assessment report following each BIRMC meeting.

Activities in 2024

In discharging the above duties and responsibilities vested in the BIRMC, the Committee reviewed all significant and emerging risks during the year, focusing on their potential impact on the Bank's operations, financial stability and strategic objectives. The activities carried out by the Committee are appended below:

- The Bank demonstrated continued resilience in 2024, proactively managing its credit portfolio amidst a dynamic market environment as the overall market showed signs of recovery and more stability compared to 2023. Recognising that the impact of shifting market conditions in various sectors required continued vigilance, the Bank, with the help of the Integrated Risk Management Department, leveraged various internal capabilities and know-how to navigate the evolving economic landscape effectively.
- In a climate of declining interest rates and the prevailing political uncertainty in the country for most of 2024, the Committee prioritised strategic initiatives to optimise growth, profitability and asset quality.
- Local and global macro-economic factors were discussed with a view to identify and assess the impact of such factors on changes in the Banking sector as a whole and for the Bank, in order to initiate remedial action in a proactive manner. Further, various challenges experienced by the Bank due to socio-economic and geo-political factors gave rise to volatile market conditions. The impact of these factors on the Bank's capital and performance were reviewed closely by the BIRMC, and mitigatory measures were deliberated accordingly to reduce the impact.
- Comprehensive risk oversight was maintained on all financial subsidiaries including Commercial Bank of Maldives and the Bangladesh operations. The Committee deliberated extensively on various risk aspects associated with the Maldives and the Bangladesh Operations, taking into account the unprecedented macro-economic and political uncertainties that prevailed in both countries. Strategic decisions were made to mitigate potential impacts, strengthen resilience and proactively address emerging challenges.
- Data Breach Handling Policy and Procedure was implemented to strengthen and enhance the overall Data Governance Policy Framework of the Bank in accordance with the Personal Data Protection Act No. 09 of 2022.
- Implemented the Risk-Adjusted Return on Capital (RAROC) framework as a comprehensive tool for performance measurement, pricing strategy alignment with underlying risk, and capital allocation optimisation. This framework facilitates the evaluation of the economic feasibility of credit exposures by integrating the risk and return of lending transactions, as well as for the entire portfolio.
- Formulated the Technology Risk Committee and a comprehensive Technology Risk Management Framework to strengthen oversight and enhance monitoring within the technology risk domain. This framework enables the Bank to effectively adapt to the rapidly evolving dynamics of technology-related risks while ensuring the acquisition and continuous development of essential skills required to manage such risks.
- Identified and analysed potential pressure on the Bank's Net Interest Margin (NIM) resulting from the downward trend in market interest rates. Contributed to strategy formulation by supporting decisions to mitigate potential impact, including the recommendation of mixed pricing approaches such as Hybrid Rate Lending Products.
- Approval of parameters and limits set by the Management against various risk categories upon ascertaining that they are in accordance with the relevant laws and regulations as well as the desired policy levels stipulated by the Board of Directors.
- Periodic reports from the Management were reviewed on the metrics used to measure, monitor and manage risks, including acceptable and appropriate levels of risk exposures. The reviews covered both inherent and residual risk levels which indicated the progress of implementing controls and assessing the effectiveness of measures to address the sources of risk.
- Improvements were recommended to the Bank's Risk Management Framework and related policies and procedures as deemed suitable, in consideration of anticipated changes in the economic and business environment, including consideration for emerging risks, legislative or regulatory changes and other factors relevant to the Group's risk profile.
- The Key Risk Indicators (KRIs) designed to monitor the level of specific risks were reviewed regularly, with a view of determining the adequacy of such indicators to serve the intended risk management objectives. Moreover, proactive measures were taken to control risk exposures. The actual results computed monthly were reviewed against each risk indicator and prompt corrective actions were recommended to mitigate the effects of specific risks, in case such risks exceeded the prudent thresholds defined by the Board of Directors.
- Reviewed and revised the Terms of Reference of all Management Committees dealing with specific risks or some aspects of risk such as the Executive Integrated Risk Management Committee, Executive Committee on Monitoring NPLs, Credit Policy Committee, Information Security Council, Asset and Liability Committee, etc. for enhanced effectiveness. Actions initiated by the Senior Management were monitored periodically to verify the effectiveness of the measures taken by these respective Committees.
- The annual work plans, related strategies, policies and frameworks of the above Committees were reviewed to ensure that these Committees have a sound understanding of their mandates and mechanisms to identify, measure, avoid, mitigate, transfer or manage the risks within the qualitative and quantitative parameters set by the BIRMC.
- Reviewed and approved the Internal Capital Adequacy Assessment Process (ICAAP) results related to Commercial Bank Group entities to ensure that the Group maintains an appropriate level and quality of capital in line with the risks inherent in its activities and projected business performance.

- Reviewed, approved and oversaw the Bank's Recovery Plan (RCP) framework and accountability matrix whilst ensuring that RCP is subject to comprehensive internal audit. Moreover, the Early Warning Indicators/Trigger events defined in the RCP paper were periodically monitored in order to assess compliance with regulatory guidelines and Board approved RCP policy parameters.
- Reviewed and approved the identified critical systems essential for uninterrupted banking operations, as per CBSL Banking Act Directions No. 16 of 2021 on Technology Risk Management and Resilience.
- Monitored the effectiveness and the independence of the risk management function within the Bank and ensured the adequacy of resources deployed for this purpose.
- Reviewed the effectiveness of the compliance function in order to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies in all areas of business operation. Increasing regulatory expectations, challenging working conditions and heightened levels of misbehaviour of certain customer segments posed further challenges during the period under review in this front.
- Initiated appropriate action through the Management against failures of the Risk Owners in order to improve the overall effectiveness of the Risk Management of the Bank.
- The risk profiles of the Subsidiaries of the Bank were monitored through periodic review of KRIs and comprehensive annual risk reviews.
- Continually overseeing the Sustainable Banking Initiatives performed by the Bank (through Executive Sustainable Banking Committee) whilst consistently directing the Data Governance Framework of the Bank and periodically evaluating the adequacy of controls deployed with regard to confidentiality, integrity and availability of Data Assets.
- Reviewed the adequacy of the Business Continuity and Disaster Recovery plans of the Bank, in line with the statutory requirements.
- Findings from the bi-annual Risk Control Self-Assessment (RCSA) exercise were reviewed.

During the year under review, the BIRMC held four (04) meetings on a quarterly basis and one (01) additional meeting specifically to discuss the ICAAP of the Bank.

Proceedings of the Committee meetings which also included activities under its Charter were regularly reported to the Board of Directors.

Ms J Lee*	**R Senanayake****
Chairperson Board Integrated Risk Management Committee	Chairman

February 28, 2025

** Chairperson of the BIRMC up to December 31, 2024*

*** Chairman of the BIRMC with effect from January 01, 2025.*

Report of the Board Nominations and Governance Committee

The Bank is fully committed to ensuring complete alignment with the updated regulations under the new rules under Banking Act Directions No. 5 of 2024 on Corporate Governance for Licensed Banks.

Composition of the Committee

The Board Nominations and Governance Committee (the BNGC) during the year under review comprised of the following Independent Non-Executive Directors in conformity with the requirements of Section 9.11.4 of the Listing Rules of the CSE and Section A.7.1 of the Code of Best Practice on Corporate Governance-2023, issued by CA Sri Lanka.

Board Members and attendance

	Eligible to attend/ attended
Ms J Lee* Chairperson (Appointed as the Chairperson, w.e.f. October 01, 2024)	10/10
Mr S Muhseen Director (Chairman of BNGC from April 22, 2024 to September 30, 2024)	10/10
Mr R Senanayake* Director (Appointed w.e.f. April 22, 2024)	05/05
Dr S Selliah* Director	10/10
Prof. A K W Jayawardane* Former Chairman (Relinquished office w.e.f. April 22, 2024)	05/05

Attendees by invitation

Mr S C U Manatunge
Managing Director/Chief Executive Officer

Secretary to the Committee

Mr R A P Rajapaksha Company Secretary

**Independent Non-Executive Director*

Profiles of the members as at December 31, 2024, are indicated on pages 38 to 45.

Terms of Reference of the Committee

The Committee was established to ensure Board's oversight and control over the selection of Directors, Chief Executive Officer and Key Management Personnel. The Composition and the scope of work of the Committee are in line with the Terms of Reference of the Committee. The Committee makes recommendations to the Board on all new appointments to the Board and Key Management Personnel in line with its Terms of Reference. The Committee has overall responsibility for ensuring that the Board and its Committees have the appropriate balance of skills, experience, independence, diversity, and expertise to effectively discharge their respective duties and responsibilities. Refer "Composition of the Board and attendance at meetings" in Figure – 45 on page 199 for further information in this connection.

The BNGC assists the Board of Directors in fulfilling its responsibilities includes:

- Review the composition of the Board and its Board Committees and make recommendations for approval by the Board, of the membership of Board and Board Committees.
- Review the leadership needs of the organisation, both executive and non-executive with a view to ensuring long term sustainability of the organisation to compete effectively in the market place.
- Implement a procedure for the appointment and re-appointment of Directors to the Board taking into account factors such as fitness, propriety including qualifications, competencies, independence and relevant statutory provisions and regulations.
- Oversee appointment and composition of the Sharia Supervisory Board (SSB or Sharia Board) of the Islamic Banking Unit (IBU).
- Implement a procedure for the selection/appointment of Managing Director/Chief Executive Officer, Chief Operating Officer and other Key Management Personnel.
- Set the criteria such as qualifications, competencies, experience, independence, conflict of interest and other key attributes required for the eligibility to be considered for the appointment or promotion to the position of Managing Director/Chief Executive Officer, Chief Operating Officer and Key Management Personnel.
- Prior to any appointment being made to the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board and in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.
- Consider in respect of the Executive Directors and Key Management Personnel proposals for their appointment or promotion and any proposal for their dismissal or any substantial change in their duties or responsibilities or the terms of their appointment.
- Prior to the appointment of a Director, ensure that the proposed appointee would disclose any other business interests that may result in a conflict of interest and report any future business interests that could result in a conflict of interest.

- Consider and recommend from time to time, the requirements of additional/ new expertise for Directors and other Key Management Personnel.
- Propose the maximum number of listed Company Board representations which any Director may hold in accordance with relevant statutory provisions and regulations.
- Peruse duly completed Affidavits and Declarations of all Directors and Key Management Personnel and recommend same for approval of the Board.
- Formulates and regularly review plans for succession for Key Management Personnel, Executive and Non-Executive Directors in the Board and in particular the key roles of Chairman, Chief Executive Officer and Chief Operating Officer, taking into account challenges and opportunities facing the Company and skills needed in the future.
- Make recommendations to the Board concerning suitable candidates for the role of Senior Independent Director in instances where Chairman is not an Independent Director, and membership of other Board Committees as appropriate in consultation with the Chairpersons of those Committees. Additionally, the Committee ensures that all Directors are required to submit themselves for re-election at regular intervals, and at least once in every three years, in accordance with the provisions of the Articles of Association of the Bank.
- Review and recommend the overall Corporate Governance framework of the Bank taking into account the Listing Rules of the CSE, other applicable regulatory requirements and industry/international best practices.
- Monitor the progress of any relevant Corporate Governance or Regulatory Developments and recommend any actions or changes it considers necessary for Board approval and ensure compliance with existing Laws and regulations.
- Be authorised to express their independent views when making decisions.
- Be authorised by the Board to obtain, at the Bank's expense, outside legal or other professional advice on any matters within its Terms of Reference.
- Make recommendations to the Board concerning indemnity and insurance cover to be taken in respect of all Directors and Key Management Personnel in accordance with the Articles of Association, relevant statutory provisions and regulations.
- Invite any member of the Corporate Management, any member of the Bank staff or any external advisers to attend meetings as and when appropriate and necessary.

Activities in 2024

In discharging the above duties and responsibilities vested in the BNGC, the Committee obtained declarations from all Directors (except the two Executive Directors) through a prescribed format, confirming their status of independence. During the reporting period, there were no major issues that needed to be communicated to the Independent Directors. Affidavits signed by each of the Directors in the prescribed format were obtained with the assistance of the Company Secretary to satisfy an annual requirement imposed under a Direction issued by the Central Bank of Sri Lanka (CBSL) and the originals of same were furnished to the Director of Bank Supervision of CBSL to enable the CBSL to re-assess their fitness and propriety.

In addition, Affidavits signed by each of the Director was obtained with the assistance of the Colombo Stock Exchange to satisfy a regulatory requirement imposed on the Bank by the Colombo Stock Exchange to reinforce the Directors commitment towards upholding their Fitness and Propriety.

Furthermore, the Committee reviewed and recommended the introduction of the following Policies to ensure Compliance with the revised Listing Rules of the Colombo Stock Exchange,

- Policy on Relations with Shareholders and Investors
- Board Disclosure Policy
- Policy on Board Committees
- Policy on Corporate Governance, Nomination and Election
- Policy on Internal Code of Business Conduct & Ethics – Applicable to the Members of the Board
- Policy on Matters relating to the Board of Directors
- Environmental, Social, and Governance (ESG) Policy
- Policy on Control and Management of Company Assets and Shareholder Investments

Upon the retirement of Prof A K W Jayawardane, former Chairman of the Bank during the year and after careful evaluation, the Committee recommended the appointment of the new Chairman and the new Deputy Chairman.

The Committee, having considered the vacancy created in the Board by the retirement of Prof A K W Jayawardene, former Chairman, identified a suitable person and recommended the appointment of Mr P Y S Perera as an Independent – Non-Executive Director to the Board in October 2024.

Based on the Committee's recommendations, the Board approved several significant changes in the Key Management Personnel cadre during the year. These changes included the appointment of a new Deputy General Manager – HRM (Designate) in anticipation of the retirement of the incumbent Deputy General Manager – Human Resource Management, the promotion of two Senior Officers to the Assistant General Manager grade, and the re-designation of an Assistant General Manager. Additionally, the Deputy General Manager – Corporate Banking was re-designated as the Deputy General Manager – International, and, consequently, the Deputy General Manager – Retail Banking & Marketing was re-designated as the Deputy General Manager – Corporate Banking.

During the year, the Committee recommended to the Board suitable candidates for the appointments of Directors to the Boards of the Bank's subsidiaries.

As provided for in the Articles of Association of the Bank, the Committee recommended the retirement by rotation of two Directors, namely, Mr L D Niyangoda and Ms D L T S Wijewardena and the election of one Director, i.e. Mr P Y S Perera, who was appointed to fill a casual vacancy on the Board during the year 2024. The Committee ensures that all Directors are required to submit themselves for re-election at regular intervals, and at least once in every three years, in accordance with the provisions of the Articles of Association of the Bank.

The Committee noted the following information regarding Directors who are elected/re-elected during the year as aforesaid:

Name of Director	Board Committees in which the Director is a Chairman	Date of first appointment as Director	Date of last re-appointment	Directorships or Chairpersonships and other principal commitments both present and those held over the preceding three years in other Listed Entities	Any relationships including close family relationships between the candidate and the directors, the Listed Entity or its shareholders holding more than ten per-centum (10%) of the shares of the Listed Entity.
Ms D L T S Wijewardena	Board Technology Committee	March 31, 2021	March 30, 2022 (Elected under Article 92 of the Articles of Association)	Refer "Board of Directors and profiles"	None
Mr L D Niyangoda	None	August 26, 2016	March 30, 2022 (Re-elected under Article 86 of the Articles of Association)	Refer "Board of Directors and profiles"	None
Mr P Y S Perera	Board Audit Committee	October 02, 2024	N/A	Refer "Board of Directors and profiles"	None

The BNGC conducted periodic evaluations on the performance of the Board of Directors and the Chief Executive Officer to ensure that their responsibilities are satisfactorily discharged. The Board approved the Succession Plan in January 2024, as recommended by the Committee.

The BNGC ensures that induction programs and orientation sessions for newly appointed Directors, covering corporate governance, Listing Rules, securities market regulations, and other applicable laws and regulations, are conducted by the Bank after their appointment. This is to ensure they have a thorough understanding of their roles and responsibilities. For the newly appointed Director of 2024, these sessions are scheduled to be conducted during the 1st quarter of 2025. The Committee continued to work closely with the Board of Directors on matters assigned to it and duties and responsibilities delegated to it in terms of the Committee Terms of Reference and reported back to the Board of Directors with its recommendations.

An annual update was provided to existing Directors on Corporate Governance, Listing Rules, and other applicable laws and regulations by the former Compliance Officer in June 2024. The Bank has fully complied with the Corporate Governance requirements stipulated under the Listing Rules of the Colombo Stock Exchange (CSE). Additionally, the Bank has met all provisions outlined in the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka. The Bank is fully committed to ensuring complete alignment with the updated regulations under the new rules under Banking Act Directions No. 5 of 2024 on Corporate Governance for Licensed Banks.

During the year under review, the BNGC held ten (10) meetings.

Proceedings of the Committee meetings which also included activities under its Charter were regularly reported to the Board of Directors.

Ms J Lee
Chairperson

Board Nominations and Governance Committee

February 28, 2025

Report of the Board Human Resources and Remuneration Committee

The Committee reviewed the Performance Appraisals of Corporate Management Members, including the Managing Director/Chief Executive Officer, and provided key observations and recommendations to the Board.

Composition of the Committee

The Board Human Resources and Remuneration Committee (the BHRRC) during the year under review, comprised of the following Independent Non-Executive Directors in conformity with the requirements of Section 9.12.6 of the Listing Rules of the CSE and the Section B.2.2 of the Code of Best Practice on Corporate Governance-2023, issued by CA Sri Lanka.

Board Members and attendance

	Eligible to attend/attended
Mr R Senanayake* Chairman (Appointed as a Member/Chairman w.e.f. October 01, 2024)	00/00
Mr S Muhseen* Director (Chairman of BHRRC from April 22, 2024 to September 30, 2024)	03/03
Ms J Lee* Director	03/03
Dr S Selliah* Director	03/03
Prof A K W Jayawardane* Former Chairman (Relinquished office w.e.f. April 22, 2024)	02/02

Regular attendees by invitation

Mr S C U Manatunge Managing Director/Chief Executive Officer (Participated in all deliberations except those matters impacting his own terms and conditions of employment)	03/03

Secretary to the Committee

Mr U I S Tillakawardana Deputy General Manager – Human Resource Management

Pursuant to the requirements of the Section 6.3 of the Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks, which became effective from January 01, 2025, the Board of Directors of the Bank has resolved that the composition of the BHRRC shall be comprised of the following Board Members from January 01, 2025.

Dr S Selliah* Chairman
Mr S Muhseen* Director
Mr R Senanayake* Director
Ms J Lee* Director

Secretary to the Committee

Mr U I S Tillakawardana
Deputy General Manager –
Human Resource Management

**Independent Non-Executive Director*

Profiles of the members are indicated on pages 38 to 45.

Terms of Reference of the Committee

The Committee is vested with power to evaluate, assess, decide and recommend to the Board of Directors on any matter that may affect the Human Resources Management of the Bank and shall specifically include:

- Determining the compensation of the Chairman, Deputy Chairman, Managing Director and other members of the Board of Directors of the Bank.
- Determining the compensation and benefits of the Key Management Personnel (KMP) and establishing performance parameters in setting their individual targets.
- Lay down guidelines, policies and parameters for the compensation structures for all executive staff of the Bank and oversee the implementation thereof.
- Review information related to executive pay from time to time to ensure same is in par with the market/industry rates as per the strategy of the Bank.
- Setting goals and targets for the Directors, Managing Director and KMP.
- Evaluate the performance of the Managing Director and KMP against the pre agreed targets and goals.
- Make recommendations to the Board of Directors from time to time of the additional/new expertise required at the Bank.

- Assess and recommend to the Board of Directors, succession management and issues connected to the Organizational Structure.
- Recommend/decide/direct on disciplinary action where significant financial or reputational loss to the Bank is caused by KMP of the Bank.
- Review of the effectiveness of Terms of Reference of the Executive Human Resources Steering Management Committee.

The Chairman of the Committee can convene a special meeting in the event a requirement arises provided all members are given sufficient notice of such special meeting. The quorum for a meeting is three (3) members. Members of the Corporate Management may be invited to participate at the sittings of the Committee meetings as and when required by the Chairman, considering the topics for deliberation at such meetings.

Guiding Principles

The overall focus of the Committee:

- Setting guidelines and policies to formulate compensation packages, which are attractive, motivating and capable of retaining qualified and experienced employees in the Bank.
- Providing guidance and policy direction for relevant matters connected to general areas of Human Resources Management of the Bank.
- Ensuring that the performance related element of remuneration is designed and tailored to align employee interests with those of the Bank and its main stakeholders and support sustainable growth.
- Structuring remuneration packages to ensure that a significant portion of the remuneration is linked to performance, to promote a pay for performance culture.
- Promoting a culture of regular performance reviews to enable staff to obtain feedback from their superiors in furtherance of achieving their objectives and development goals.
- Developing a robust pipeline of talent capable and available to fill key positions in the Bank.

Methodology adopted by the Committee

The Committee recognizes rewards as one of the key drivers influencing employee behaviour, thereby impacting business results. Therefore, the reward programmes are designed to attract, retain and motivate employees to perform by linking performance to demonstrable performance-based criteria. In this regard, the Committee evaluates the performance of the Managing Director and KMP against the pre-agreed targets and goals that balance short-term and long-term financial and strategic objectives of the Bank.

The Bank's variable (bonus) pay plan is determined according to the overall achievements of the Bank and pre-agreed individual targets, which are based on various performance parameters. The level of variable pay is set to ensure that individual rewards reflect the performance of the Bank overall, the particular business unit and individual performance. The Committee makes appropriate adjustments to the bonus pool in the event of over or under achievement against predetermined targets. In this regard, the Committee can seek external independent professional advice on matters falling within its purview.

Further, the Committee may seek external agencies to carry out salary surveys to determine the salaries paid to staff vis-à-vis the market position, enabling the Committee to make informed decisions regarding the salaries and perquisites in the Bank.

Activities in 2024

The Committee reviewed the Performance Appraisals of Corporate Management Members, including the Managing Director/Chief Executive Officer, and provided key observations and recommendations to the Board. It also recommended performance-based rewards for staff, considering the applicable scheme, the Bank's performance, and market benchmarks, for the approval of the Board.

Additionally, necessary changes within the Corporate Management grade were evaluated, taking into account the Bank's Succession Plan and the availability of suitable candidates. This assessment aligned with the Bank's long-term needs and the career progression of key individuals in this grade.

The Committee also examined necessary modifications to the Bank's Organization Structure to support future growth and create career advancement opportunities for employees. Furthermore, it evaluated Management's efforts in attracting and retaining top talent, developing capabilities, and enhancing the Bank's compensation and reward systems.

The Committee held Three (03) meetings during the year under review and the proceedings of the Committee meetings, which also included activities under its Terms of Reference, were regularly reported to the Board of Directors with its comments and observations. There were no meetings conducted during the last quarter of the year although a few urgent papers were approved by circulation.

R Senanayake* **Dr S Selliah ****
Chairmen
Board Human Resources and Remuneration Committee

February 28, 2025

**Chairman of the BHRRC from October 01, 2024 up to December 31, 2024*

*** Chairman of the BHRRC with effect from January 01, 2025.*

Report of the Board Related Party Transactions Review Committee

The Committee deliberated and took several steps to improve the processes involved in the identification of RPT, including a project to identify the Related Parties in the Bank's Core Banking System and the Loan Origination System.

Composition of the Committee

The Board Related Party Transactions Review Committee (the BRPTRC) during the year under review, comprised of the following Independent Non-Executive Directors in conformity with the requirements of the Section 9.14.2 of the Listing Rules of the CSE and Section D.5.2 of the Code of Best Practice on Corporate Governance-2023, issued by CA Sri Lanka.

Board Members and attendance

	Eligible to attend/attended
Mr R Senanayake* Chairman (Appointed as the Chairman w.e.f. April 22, 2024)	04/04
Mr L D Niyangoda* Director	04/04
Mr P M Kumarasinghe* Director	04/04
Prof. A. K. W. Jayawardane* Former Chairman (Relinquished office w.e.f. April 22, 2024	01/01

Independent Non-Executive Director

Regular attendees by invitation

Mr S.C.U. Manatunge Managing Director/ Chief Executive Officer	04/04
Mr S. Prabagar Director/Chief Operating Officer	04/04

Secretary to the Committee

Mr L W P Indrajith
Deputy General Manager – Finance

Pursuant to the requirements of the Section 6.6 of the Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks which became effective from January 01, 2025, the Board of Directors of the Bank has resolved that the composition of the BRPTRC shall be comprised of the following Board Members from January 01, 2025.

Mr P M Kumarasinghe* Chairman
Mr L D Niyangoda*
Ms D L T S Wijewardena*
Mr P Y S Perera*

Secretary to the Committee

Mr L W P Indrajith
Deputy General Manager - Finance

**Independent Non-Executive Director*

The Executive Directors of the Bank, Managing Director/CEO and the Director/Chief Operating Officer, may attend the meetings by invitation.

Profiles of the members are indicated on pages 38 to 45.

Terms of Reference of the Committee

Demonstrating its commitment to good governance, the Board of Directors of the Bank (being one of the few listed entities to do so) formed the BRPTRC in 2014 by early adoption of the Code of Best Practice on Related Party Transactions as issued by the Securities and Exchange Commission of Sri Lanka (SEC) which became mandatory for all listed entities from January 01, 2016.

The Committee assists the Board in reviewing all related party transactions (RPT) carried out by the Bank, all its subsidiaries and the associate in the Group to ensure that the interests of shareholders as a whole are taken into account by the Bank when entering into RPT and also to ensure that Directors, Key Management Personnel (KMP) and shareholders with material shareholding of the Bank do not secure any undue advantage due to their positions, thereby avoiding any conflicts of interest. The Committee also assists the Board in maintaining transparency in relation to RPT with the required disclosures.

The mandate of the Committee includes inter-alia, the following:

- Developing, updating and recommending a RPT Policy consistent with that proposed by the Section 9 of the Listing Rules on Corporate Governance issued by the Colombo Stock Exchange (CSE), the Banking Act No. 30 of 1988 and amendments thereto and the Directions issued thereunder for adoption by the Board of Directors of the Bank and its listed subsidiaries.

- Updating the Board of Directors on the RPT of the Bank and each of the companies in the Group as and when required.
- Advising the Board in making immediate market disclosures on applicable RPT as required by Section 9.14.7 of the Listing Rules of the CSE.
- Advising the Board in making appropriate disclosures on RPT in the Annual Report as required by Section 9.14.8 of the Listing Rules of the CSE.
- Reviewing and recommending RPT as per the RPT Policy for the approval of the Board of Directors.

Methodology adopted by the Committee

- Reviewing the mechanisms in place to obtain declarations from all Directors (at the time of joining the Board and quarterly thereafter) by the Company Secretary, the primary contact point for Directors, of any existing or potential RPT carried out by them or their Close Family Members (CFM) and obtaining further declarations in the event of any change during the quarter to the positions previously disclosed.
- Reviewing the mechanisms in place to obtain confirmations on any new appointments accepted by Directors of the Bank in other entities as KMP, informing the Company Secretary to identify and capture transactions carried out by the Bank with such entities, if any, which need to be disclosed under "Directors" Interest in Contracts with the Bank' as disclosed on pages 252 and 253 of this Annual Report.
- Reviewing the mechanisms in place to capture and feed relevant information on RPT, which also includes information on KMP, CFM and the Bank's subsidiaries and the associate into the data collection system and the accuracy of such information.
- Ensuring that a Director who has a material personal interest in matters considered at meetings is abstained while the matter is being discussed at meetings and does not take part in recommending such RPT to the Board of Directors.
- Obtaining an annual declaration from each Director, as required by the CBSL which is designed to elicit information about any existing or potential RPT.
- Ensuring that annual declarations are submitted by Directors directly to the Bank's external auditor immediately after the closure of the Financial Year for external audit purposes.
- Obtaining independent validation from the Bank's Internal Audit division for information submitted to the Committee for its review.

Following types of RPT were brought to the attention of the Committee during the year under review as required by the Sections 3(7)(iv) and (v) of the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka and the Sections 7.3 and 7.4 of the Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks issued by the CBSL.

- Any credit facility or any other form of accommodation for Related Parties – "Individuals" as identified by the Directions aforesaid as approved by the Board.
- Any credit facility or any other form of accommodation for Related Parties – "Entities" as identified by the Directions aforesaid as approved by the Board.

Activities in 2024

As part of the Bank's policy review process, the RPT Policy was reviewed and updated during September/ October 2024, whilst ensuring that the revised policy complies with the requirements of the Section 9 of the Listing Rules issued by the CSE and the requirements set out in the Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks aforesaid. The amended RPT Policy was approved by the Board of Directors in October 2024 and arrangements were also made to disseminate the amended RPT Policy among all relevant stakeholders for their acknowledgement and implementation. Further, awareness sessions were also conducted by the Finance Division for relationship managers and the regional managers to educate them on the requirements of the new Banking Act Direction. In addition, the Terms of Reference of the Committee was also reviewed in September 2024 and was approved by the Board of Directors in October 2024. Further, the Committee deliberated and took several steps to improve the processes involved in the identification of RPT including a project to identify the Related Parties in the Bank's Core Banking System and the Loan Origination System.

The Committee held four (4) meetings during the year under review as required by Section 9.14.4 (1) of the Listing Rules. The Committee reviewed all RPT carried out during the year at its quarterly meetings and the proceedings of the Committee meetings, which also included activities under its Terms of Reference, were regularly reported to the Board of Directors for information.

R Senanayake* **P M Kumarasinghe****
Chairmen
Board Related Party
Transactions Review Committee

February 28, 2025

**Chairman of the BRPTRC up to December 31, 2024*

*** Chairman of the BRPTRC with effect from January 01, 2025.*

Report of the Board Credit Committee

The Committee seeks to ensure prudent management of the Bank's credit growth while aiming to maintain and improve credit quality, with a commitment to incorporating sustainable practices that align with environmental and social responsibility.

Composition of the Committee

The Board Credit Committee (the BCC) during the year under review comprised of the following Board Members.

Board Members and attendance

	Eligible to attend/ attended
Mr S Muhseen* Chairman (Appointed as Chairman w.e.f. April 22, 2024)	12/12
Ms N T M S Cooray* Director	12/12
Mr D N L Fernando* Director	12/12
Mr P M Kumarasinghe* Director (Appointed w.e.f. April 22, 2024)	09/09
Mr S C U Manatunge Managing Director/Chief Executive Officer	12/12
Mr S Prabagar Director/ Chief Operating Officer	11/11
Prof A K W Jayawardane* Former Chairman (Relinquished Office w.e.f. April 22, 2024)	03/03

Secretary to the Committee

Mr R A P Rajapaksha Company Secretary

**Independent Non-Executive Director*

Profiles of the members as at December 31, 2024, are indicated on pages 38 to 45.

Terms of Reference of the Committee

The BCC assists the Board of Directors in effectively fulfilling its responsibilities relating to Credit Direction, Credit Policy and Lending Guidelines of the Bank in order to inculcate healthy lending culture, meeting standards and best practices and ensure relevant rules, regulations and directions issued by the appropriate authorities are complied with.

Responsibilities of the BCC include:

- Review and consider changes proposed by the Management from time to time to the Credit Policy and the Lending Guidelines of the Bank.
- Review the credit risk controls in lending, ensure alignment with the market context and the internal policy of the Bank and the prevailing regulatory framework in order to ensure continuous maintenance and enhancement of the overall quality of the Bank's loan book.
- Evaluate, assess and approve credit proposals which fall within the delegated authority level of the Committee as prescribed by the Board from time to time.
- Evaluate, assess and approve concessions on interest and writing off of bad debts within the delegated authority level of the Committee as prescribed by the Board from time to time.
- Review and recommend credit proposals which fall within the purview of the Board.
- Evaluate and recommend counter party exposures, sector exposures and cross border exposures to the Board as per the frequencies identified in Risk Management Policy of the Bank.
- Monitor and evaluate special reports called for by the Board.
- Set lending directions based on the current economic climate and risk appetite of the Bank.
- Proactively review, discuss and remedy significantly large lending exposures with increased vulnerabilities.

The Committee works very closely with the Key Management Personnel and the Board in fulfilling its statutory, fiduciary and regulatory responsibilities for risk management.

Activities in 2024

The activities carried out by the Committee are appended below:

- In the face of a challenging environment characterised by the effects of unprecedented domestic, macroeconomic and other challenges including reduced consumer spending power, prolonged conclusion of the ISB restructure, political uncertainties that prevailed over most of the year and global externalities such as armed conflicts, political turmoil, the regime changes, disruption of markets etc., the Committee strategically sets the Bank's lending directions. It seeks to ensure prudent management of the Bank's credit growth while aiming to maintain and improve credit quality, with a commitment to incorporating sustainable practices that align with environmental and social responsibility.

- The Committee approved credit proposals above a predetermined limit, recommended credit proposals and other credit reports intended for approval/ perusal by the Board of Directors after careful scrutiny. The Committee also focused on large exposures of the Bank.
- The Committee provided guidance for the implementation of customer profit ability metrics such as Gross Return Assets (GROA), Net Return on Assets (NROA) and capital Adjusted Return Metrix.
- The Committee deliberated strategies and framework for overseas lending for better credit and FX related risk management.
- The Committee deliberated on credit related implications from political changes for the Bank's operations in Bangladesh and Maldives.
- These tasks were carried out by the Committee in line with the Bank's lending policies, keeping to regulator guidelines and compliances and credit risk appetite to ensure that the lending portfolios were managed in line with the stipulated credit risk parameters set by the Board of Directors while achieving the Bank's lending targets.
- Reviewed and revised the Terms of Reference of the BCC

During the year under review, the BCC held Twelve (12) meetings and the proceedings of the BCC meetings were regularly reported to the Board of Directors.

S Muhseen
Chairman
Board Credit Committee

February 28, 2025

Report of the Board Investment Committee

The Committee continuously benchmarks the performance of the Bank's investment portfolios, returns of the banking book, profitability of its business activities and implied risk factors associated with investment decisions.

Composition of the Committee

The Board Investment Committee (the BIC) during the year under review, comprised of the following members.

Board Members and attendance

	Eligible to attend/attended
Dr S Selliah* Chairman (Appointed as the Chairman w.e.f. October 19, 2024)	12/12
Mr S Muhseen* Director (Chairman of the BIC up to October 18, 2024)	12/12
Ms J Lee* Director	12/11
Mr S C U Manatunge Managing Director/ Chief Executive Officer	12/12
Ms N T M S Cooray* Director	12/12
Mr S Prabagar Director/Chief Operating Officer	12/09

Regular attendees by invitation

Mr K D N Buddhipala Chief Financial Officer

Mr A Wijesiriwardane Deputy General Manager – Treasury

Mr S K K Hettihamu Chief Risk Officer

Secretary to the Committee

Mr A Wijesiriwardane
Deputy General Manager – Treasury

**Independent Non-Executive Director*

Profiles of the members as at December 31, 2024, are indicated on pages 38 to 45.

Terms of Reference of the Committee

BIC is mandated to achieve the Bank's financial goals, whilst maintaining market risk and liquidity risk at desired levels and maintaining a healthy capital buffer at all times.

The BIC reviews and approves the policies and operating parameters for investment activities, initiates discussions on capital management of the Bank, reviews and recommends significant investment decisions and reviews the performance of investment portfolios.

In addition, the Committee also evaluates the Bank's overall liquidity management operations, treasury investments and borrowing activities, and the capital adequacy. The Bank's borrowing proposals are evaluated by the Committee together with the liquidity requirement and deployment, and suitable recommendations are provided.

The Committee also evaluates the impact of possible macroeconomic developments and trends to the profitability, liquidity, balance sheet, and capital through sensitivity and scenario analysis. As part of macroeconomic analysis process the Committee also recommends and sanctions undertaking of relevant research, investment in enhancing and developing research and analytical capabilities and acquisition of required technical and human resources.

The Committee continuously benchmarks the performance of the Bank's investment portfolios, returns of the banking book, profitability of its business activities and implied risks factors associated with investment decisions.

Methodology adopted by the Committee

The Committee meets monthly to discuss, review and action on following key responsibilities.

- Defining the investment objectives and guidelines of the Bank in alignment with the Bank's strategic goals and risk tolerance, taking into consideration the market conditions, regulatory changes and economic trends.
- Overseeing the implementation of the investment objectives in line with the investment related policies of the Bank by defining the asset allocations, investment horizons and potential returns.
- Approving the investment limits to be set for the Executive Investment Committee by setting the performance benchmarks and measurement criteria for different portfolios, liquidity credit and market risk parameters and reporting requirements.
- Making decisions on investments which fall beyond the limits of the Executive Investment Committee by evaluating the potential investment opportunities, risk return profiles of investments with due consideration for profitability and sustainability.
- Providing guidance on the investment activities of the Bank through oversight of the Due Diligence process, documentation, financial modeling and feasibility analysis and legal agreements. The Committee will ensure that the Bank adhere to the market best practices at all times in its investment activities.

- Provide regular updates and recommendations to the Board of Directors of the Bank on the investment opportunities and decisions approved by the Committee, performance review of portfolios, risk management measures and ensure that all Board Members are well informed of the Bank's investment activities.

Activities in 2024

The continuously evolving banking landscape required the Committee to regularly review the Bank's investment activities and financial position. The Committee evaluated and recommended the actions proposed by the Management in areas of investment, risk management and capital mobilisation during the year for the approval of the Board of Directors of the Bank.

Following key areas where the Committee was required to recommend and make decisions can be highlighted.

- Review of the investment and trading portfolio limits for LKR securities to allow better assets and liabilities management by the Bank's treasury.
- Continuous review of the Bank's FX Management Policy to optimise the impact high volatility of LKR and BDT on the Bank's balance sheet. This encompasses the revaluation impact of LKR appreciation on the reserves and risk weighted FCY assets of the Sri Lanka operations, impact of the BDT currency depreciation in Bangladesh operations and continuous evaluation of the balance sheet positioning of both SL and Bangladesh balance sheet to gauge the FX and interest rate impact.
- Recommendation of the Bank's Rights Issue under Capital Augmentation Plan and Tier 2 debt issuance of the Bank to strengthen the capital base.
- Approving the acceptance of the Bond Exchange program under restructuring of International Sovereign Bonds of the Government of Sri Lanka.
- Adoption of the Terms of Reference for the Committee, review and recommendation of the Bank's ALM, Treasury and Investment policies for approval by the Board of Directors of the Bank.
- Reconstitution of the Bank's investment and trading activities in the fixed income securities to optimise the investment returns and segregation of trading and liquidity management activities from statutory investment requirements.
- Defining parameters for macroeconomic research covering Sri Lanka and Bangladesh markets, key policy developments and forecasts.

Dr S Selliah
Chairman
Board Investment Committee

February 28, 2025

Report of the Board Technology Committee

In 2024, the Bank was successfully recertified for ISO 20000 (IT Service Management), ISO 27001 (Information Security), and PCI-DSS (Payment Card Industry Data Security Standard), affirming the Bank's adherence to robust IT systems, information security, and service management practices.

Composition of the Committee

During the year under review, the Board Technology Committee (the BTC) comprised of the following members.

Board Members and attendance

	Eligible to attend/ attended
Ms D L T S Wijewardena* Chairman (Appointed as the Chairman w.e.f. April 22, 2024)	09/09
Mr S C U Manatunge Managing Director/Chief Executive Officer	09/09
Mr S Prabagar Director/ Chief Operating Officer	09/08
Mr P M Kumarasinghe* Director	09/08
Mr D N L Fernando* Director (Appointed w.e.f. April 22, 2024)	06/06
Mr S Muhseen* Former Chairman (Chairman/Member of the BTC up to April 21, 2024)	03/03

Regular attendees by invitation

Mr L H Munasinghe
Deputy General Manager – Corporate Banking

Mr P K A S K Gunawardhana
Chief Information Officer

Mr T P Suraweera
Assistant General Manager – Transformation

Mr U K P Banduwansa
Assistant General Manager – Digital Banking

Mr R Sivagnanam
Assistant General Manager – Operations

Ms Deepthi Denagama
Associate Principal Engineering Manager

Secretary to the Committee

Mr K S A Gamage
Assistant General Manager – Information Technology Operations

**Independent Non-Executive Director*

Profiles of the members as at December 31, 2024, are indicated on pages 38 to 45.

Terms of Reference of the Committee

The primary objective of the Board Technology Committee is to ensure that the organisation's technology initiatives align with its overarching strategy and objectives while maintaining secure, reliable, and compliant technology systems that adhere to applicable regulations and standards.

This Charter outlines the framework, responsibilities, authorities, and duties of the Board Technology Committee. The Committee's key focus areas include, but are not limited to, the following:

- **Technology Strategy:** Overseeing the alignment of technology initiatives with organisational goals.
- **Technology Roadmaps:** Evaluating and guiding the development of long-term technology plans.
- **Digital Transformation:** Driving initiatives that modernise and digitise operations.
- **Emerging Technology:** Monitoring and leveraging innovative technologies for strategic advantage.
- **IT Infrastructure:** Ensuring robust, scalable, and secure technology infrastructure.
- **Technology Investment:** Assessing and prioritising investments in technology.
- **Progress Review of Key IT Initiatives:** Monitoring and evaluating the implementation and outcomes of significant IT projects.

Activities in 2024

The Committee convened on nine (09) occasions during the year, with the proceedings of each meeting duly reported to the Board of Directors, along with its recommendations and observations.

The Committee prioritised several strategic areas considered pivotal for the Bank's transition to a digital era while ensuring the robustness and reliability of its IT infrastructure. Key focus areas included the development of a Digital Transformation Roadmap and AI and Data Science Strategy. The Committee also oversaw the organization's Information Security initiatives, IT infrastructure enhancements, and technology-related investments, providing recommendations to the Board where necessary.

Key IT Initiatives in 2024

- **Microservices-Oriented Architecture:** Adoption of a microservices-based architecture to enhance system flexibility, scalability, and resilience.
- **Digital Signature Solution:** Implementation of a digital signature platform to ensure secure and efficient document authentication across the Bank's operations.

- **Enterprise-Class Customer Relationship Management (CRM) Platform:** Deployment of a sophisticated CRM system to provide a seamless, unified 360-degree view of customer profiles and interactions, enhancing customer engagement and service delivery.
- **AI and Data Science Strategy:** Collaborating with a leading international consultancy, the bank has outlined a dynamic, forward-looking AI and machine learning (ML) strategy designed to adapt over the next five years. This strategy includes a robust data governance framework to ensure scalability, security, and ethical implementation, allowing the bank to remain agile and responsive to the fast-evolving AI landscape.
- **Low-Code/No-Code Platforms:** Introduction of business process automation tools that enable IT and business users to rapidly design, develop, and deploy applications with minimal coding requirements.
- **Centralised Identity and Access Management:** Establishment of a centralised platform for provisioning and managing user identities and access across both internal and external-facing applications.
- **Trade Finance Platform Upgrade:** Enhancement of the Trade Finance platform to enable fully online customer operations, integrating seamlessly with related systems for an end-to-end digital journey.
- **Interactive eStatements:** Launch of interactive electronic statements to provide customers with actionable insights into their transactions across various banking products, including credit cards, CASA accounts, withholding tax certificates, and other advisories.
- **Asset and Liabilities Management System:** Implementation of a system to simulate the impact of economic factors on the Bank's balance sheet, improving transparency and collaboration between the funding center and business units.
- **Observability Platform:** Adoption of a leading global observability platform to optimise application performance management and ensure seamless operational monitoring.

In 2024, the Bank was successfully recertified for ISO 20000 (IT Service Management), ISO 27001 (Information Security), and PCI-DSS (Payment Card Industry Data Security Standard). These globally recognised certifications affirm the Bank's adherence to robust IT systems, information security, and service management practices, enhancing customer confidence and trust.

Demonstrated exceptional Disaster Recovery and Resilience capabilities by operating seamlessly from the DR Data Center for three months, supporting over 200 servers and applications. Achieved the distinction of being the first bank to accomplish this milestone.

Projects in Progress

In line with the Bank's commitment to innovation, operational excellence, and enhanced customer experience, several strategic initiatives were undertaken to modernise systems and processes. These initiatives aim to strengthen digital capabilities, improve security, and optimise internal operations:

Corporate Digital Platform: Implementation of a cutting-edge digital platform designed to empower business users with advanced tools and seamless functionality.

Enhanced Security Operations Center (SOC): Strengthening the Bank's Security Operations Center to ensure robust threat detection, prevention, and incident response capabilities.

Super App: Introduction of a consolidated digital banking application offering customers a unified, comprehensive platform for all banking services.

Human Resource Information System: Deployment of an advanced Human Resource Information System (HRIS) to streamline and optimise HR processes and employee management.

The committee has given its recommendations for following major initiatives of the Bank

- New Server Consolidation and Virtualisation Solution
- Implementation of Customer Identity and Access Management Solution (CIAM)
- Purchase of 50 CRM and 75 ATMs
- Implementation of Application Performance Monitoring Solution (APM)
- Change of Implementation Partner for SAS AML Solution
- Information Technology Service Management (ITSM) Tool
- Purchase of 1,617 Nos. Personal Computers
- Gmail License
- Implementation of Loan Originating System for Bangladesh Operations (LOS)
- Low Code/No Code platform
- Agency Banking Solution
- Enhancements to ComBank Digital Application
- Corporate Digital Banking Solution
- Virtual Cards and Q+ Feature Enhancements

Ms D L T S Wijewardena
Chairperson
Board Technology Committee

February 28, 2025

Report of the Board Strategy Development Committee

The Committee discussed strategies for the Bank' overseas expansion, focusing on potential markets and entry strategies. Given the challenging operating environment and the consequent stresses on the Bank, the Committee recommended appropriate revisions to its expansion plans.

Composition of the Committee

The Board Strategy Development Committee (BSDC) during the year under review, comprised of the following members.

Board Members and attendance

	Eligible to attend/attended
Mr S Muhseen* Chairman	06/06
Mr R Senanayake* Director	06/06
Mr S C U Manatunge Managing Director/Chief Executive Officer	06/06
Mr L D Niyangoda* Director	06/06
Ms N T M S Cooray* Director	06/06
Ms J Lee* Director	06/06
Dr S Selliah* Director	06/06
Prof A K W Jayawardane* Director (Relinquished office w.e.f. April 22, 2024)	02/02

Secretary to the Committee

Mr R A P Rajapaksha Company Secretary

**Independent Non-Executive Director*

Profiles of the members as at December 31, 2024, are indicated on *pages 38 to 45.*

Terms of Reference of the Committee

The BSDC was established to have an overall Bank-wide strategic management oversight. The Committee is empowered:

- To assist the Board in performing its core responsibilities relating to the Bank's strategy.
- To advise and monitor the Management on:
  - Identification of business strategies geared for the sustainable development of the Bank; and
  - Establishment of processes for planning, implementing, assessing and adjusting of the business strategies.
- To oversee the Management's engagement on the strategic perspective, direction and development of the strategy for the Bank and its business units.
- To oversee the Management's implementation of the approved strategic plan and the progress against strategic milestones and goals.
- To oversee the Management's implementation of major business transformation projects and their execution.
- To engage in detailed discussion and provide guidance to the Management on:
  - Whether the governance, risk appetite, financial and capital planning, liquidity and funding management, risk and control environment and resources can support the Bank's strategic objectives.
  - Divestitures, Mergers and Acquisition (M&A) strategies including post transaction performance tracking.
  - The impact of changes in the competitive environment.
- To foster a cooperative, interactive strategic planning process between the Board and the Management.
- To provide recommendations for strategic direction of the Bank's subsidiaries whenever appropriate.

Activities in 2024

The activities carried out by the Committee are appended below:

- Highlighted the significance of improving customer experience and discussed the staff training needs, and the tools required to facilitate this effort.
- Deliberated on the importance of standardising service levels across all customer touch points.
- Discussed the significance of distinguishing the Bank's service standards to secure a competitive edge in the financial industry.
- Discussed initiatives to enhance customer experience for staff and the appointment of a Customer Experience Officer to oversee these improvements
- Reviewed the progress made in enhancing the bank's digital banking platform and product offerings and evaluated their impact on customer engagement and satisfaction.

- Discussed the use of data analytics and AI to improve customer experience.
- Requested regular presentations by the CIO on the technology roadmap and ongoing technological developments within the bank.
- Deliberated and assessed various aspects concerning the digital banking platform of the Bank, exploring strategic insights, potential enhancements, and key considerations to propel its effectiveness.
- Deliberated strategies to enhance the contribution of subsidiaries to the overall Group performance and identified the way forward for optimising their operations and alignment with the Group's objectives.
- Conducted the Mid-Year Review of the Bank's 2024 Budget and 2024-2028 Strategic Plan.
- Discussed matters relating to the 2025 Budget of the Bank.
- Deliberated on the Banks 5 year development plan setting the Vision for the future.
- Deliberated on the potential stress on the capital adequacy arising due to many external factors and measures that need to be taken to augment capital adequacy.
- Received frequent updates on the progress of the initiatives taken in relation to the Government debt restructuring programme, and deliberated on their impact.
- Reviewed and discussed matters of importance arising from the Minutes of the Executive Strategy Development Committee Meetings.
- Considered the market share analysis and discussed matters relating to same.
- Discussed strategies for the company's overseas expansion, focusing on potential markets and entry strategies.
- Given the challenging operating environment and the consequent stresses on the Bank, the Committee recommended appropriate revisions to its expansion plans.
- Conducted discussions regarding the initiation of operations at the Colombo Port City, exploring feasibility, strategic implications, and operational considerations to make informed decisions moving forward.

During the year under review, the BSDC held Six (06) meetings and the proceedings of the BSDC meetings were regularly reported to the Board of Directors.

S Muhseen
Chairman
Board Strategy Development Committee

February 28, 2025

Report of the Board Capital Expenditure Review Committee

The BCERC works closely with Key Management Personnel and the Board in fulfilling its statutory, fiduciary, and regulatory responsibilities for capital expenditure management.

Composition of the Committee

The Board Capital Expenditure Review Committee (BCERC) during the year under review, comprised of following members.

Board Members and attendance

	Eligible to attend/ attended
Mr R Senanayake* Chairman (Appointed as the Member/ Chairman w.e.f. April 22, 2024)	01/01
Ms N T M S Cooray* Director	04/03
Dr S Selliah* Director	04/04
Mr S Muhseen* Chairman (Chairman of the BCERC up to April 21, 2024)	03/03

Regular attendees by invitation

Mr S C U Manatunge Managing Director/Chief Executive Officer	03/03
Mr S Prabagar Executive Director/ Chief Operating Officer)	04/04

Secretary to the Committee

Mr R A P Rajapaksha Company Secretary

Pursuant to the requirements of the Banking Act Direction No.05 of 2024 on Corporate Governance for Licensed Banks, which became effective on January 01, 2025, the Board of Directors of the Bank has resolved that the composition of the BCERC shall be comprised of the following Board Members from January 01, 2025.

Mr D N L Fernando* Chairman

Mr R Senanayake* Director

Ms N T M S Cooray* Director

Dr S Selliah* Director

Secretary to the Committee

Mr R A P Rajapaksha
Company Secretary

**Independent Non-Executive Director*

The Executive Directors of the Bank, Managing Director/CEO and the Director/Chief Operating Officer, may attend the meetings by invitation.

Profiles of the members as at December 31, 2024, are indicated on pages 38 to 45.

The BCERC was established in accordance with Item 3.5 of the Banking Act Directions No. 01 of 2023 on Restrictions on Discretionary Payments of Licensed Banks and subsequent amendments thereto which mandates Licensed Banks to form a Board-Level Subcommittee to operate during 2023 and 2024.

Terms of Reference of the Committee

The Committee is entrusted with the responsibility of evaluating, approving, and recommending to the Board for approval all expenses, including non-essential and/ or non-urgent expenditure and/or capital expenditure to be incurred by the Bank, if any.

The BCERC assists the Board of Directors in fulfilling its responsibilities by ensuring compliance with the aforementioned Banking Act Direction. Upon receipt of approval by the Bank's Executive Procurement Committee, the BCERC is empowered to:

1. Review and approve all capital expenditure projects, except for IT-related capital expenditure, which will be recommended by the Board Technology Committee (BTC) for approval by the Board, in terms of the Terms of Reference of BTC, in excess of Rs. 25 Mn. up to Rs. 50 Mn.
2. Review and recommend for approval by the Board all capital expenditure projects, except for IT-related capital expenditure, which will be recommended by BTC in terms of the Terms of Reference of BTC, in excess of Rs. 50 Mn.

In accordance with the BCERC Terms of Reference, the Committee evaluates any expense-related proposals to ascertain whether such expenditure can be considered non-essential or non-urgent. It also discusses the Company's capital expenditure, objectives, and plans with the Management.

The Committee periodically reviews the performance of major capital expenditure projects against original projections. The BCERC works closely with Key Management Personnel and the Board in fulfilling its statutory, fiduciary, and regulatory responsibilities for capital expenditure management.

The Committee is also tasked with executing any other duties or responsibilities expressly delegated to it by the Board from time to time, relating to the Company's non-essential or non-urgent expenditure and/or capital expenditure. The Committee also monitors and evaluates these projects to ensure they align with the Board's objectives and expectations. Special reports on capital expenditure projects, called for by the Board, are communicated to the Board of Directors periodically through reports following each BCERC meeting.

Activities in 2024

In discharging its duties and responsibilities, the BCERC held four (04) meetings during the year under review.

The Committee's deliberations and decisions were regularly reported to the Board of Directors for their information and approval, ensuring alignment with the Bank's strategic objectives and governance framework.

R Senanayake* **D N L Fernando****
Chairmen

Board Capital Expenditure and
Review Committee

February 28, 2025

** Chairman of the BCERC up to December 31, 2024.*

*** Chairman of the BCERC with effect from January 01, 2025.*

Statement of compliance

Further to the Annual Report of the Board of Directors on the Affairs of the Company appearing on pages 4 and 5, given below is a summary of the extent of compliance with the requirements of Section 168 of the Companies Act No. 07 of 2007 and amendments thereto, other relevant statutes and recommended best practice.

Statement of compliance Table – 48

	Disclosure Requirement	Reference to the relevant statute/rule/RBP	Page reference for Compliance and other necessary disclosures	Page/s
Mandatory Disclosures as required by the Companies Act No. 07 of 2007 and amendments thereto (CA)				
01.	The nature of the business of the Group and the Bank together with any changes thereof during the accounting period	Section 168 (1) (a)	Notes to the Financial Statements: Item 1.3: Principal Business Activities, Nature of Operations of the Group and ownership by the Bank in its subsidiaries and the Associate	307 and 308
02.	Signed Financial Statements of the Group and the Bank for the accounting period completed in accordance with Section 152	Section 168 (1) (b)	Financial Statements of the Group and the Bank for the year ended December 31, 2024	295 to 306
03.	Auditors' Report on the Financial Statements of the Group and the Bank	Section 168 (1) (c)	Independent Auditor's Report	288 to 292
04.	Accounting Policies of the Group and the Bank and any changes therein	Section 168 (1) (d)	Notes 5 to 10 to the Financial Statements: Material Accounting Policies adopted in the preparation of the Financial Statements of the Group and the Bank	316 to 329
05.	Particulars of the entries made in the Interests Registers of the Bank and its Subsidiaries during the accounting period	Section 168 (1) (e)	The Bank and all its Subsidiaries maintain Interests Registers. All Directors have made declarations as required by the Section 192 (1) and (2) and all related entries were made in the Interests Registers during the year under review. The Interests Registers are available for inspection by shareholders or their authorised representatives as required by the Section 119 (1) (d). "Directors' Interest in Contracts with the Bank" disclosed in the Annual Report.	252 and 253
06.	Remuneration and other benefits paid to Directors of the Bank and its Subsidiaries during the accounting period	Section 168 (1) (f) and as per CBSL Directions on Corporate Governance	Note 21 to the Financial Statements: Other Operating Expenses	342
			Note 62 to the Financial Statements: Related Party Disclosures	420 to 424
			Report of the Board Human Resources and Remuneration Committee	224 and 225
07.	Total amount of donations made by the Bank and its Subsidiaries during the accounting period	Section 168 (1) (g)	Note 21 to the Financial Statements: Other Operating Expenses	342
08.	Information on Directorate of the Bank and its Subsidiaries during and at the end of the accounting period	Section 168 (1) (h)	Governance Reports	192 to 253
			"Board of Directors and Profiles" for details of members of the Board of Directors of the Bank	38 to 45
			"Group Structure" for details of members of the Board of Directors of the Group	30 and 31
			Recommendations for Re-election (i) In terms of Article 85 of the Articles of Association, two Directors are required to retire by rotation at each Annual General Meeting (AGM). Article 86 provides that the Directors to retire by rotation at an AGM shall be those who (being subject to retirement by rotation) have been longest in office, since their last re-election or appointment.	

	Disclosure Requirement	Reference to the relevant statute/rule/RBP	Page reference for Compliance and other necessary disclosures	Page/s
			(ii) The Board recommended the re-election/election of the following Directors, after considering the contents of the Affidavits & Declarations submitted by them and all other related issues: (a) Re-election of Directors who retire by rotation Mr L D Niyangoda Ms D L T S Wijewardena (b) Election of the Director who was appointed to fill the casual vacancy Mr P Y S Perera	
			(iii) Directors who served on the Board for nine years – None as at end of 2024. [In terms of the Banking Act Directions No. 11 of 2007 on "Corporate Governance for Licensed Commercial Banks in Sri Lanka", the total period of service of a Director (other than a Director who holds the Position of Chief Executive Officer) is limited to nine years. Further, under the criteria to assess the fitness and proprietary of Directors, the age of a person who serves as director of a bank has been restricted to a maximum of 70 years].	
09.	Separate disclosure on amounts payable to the Auditors as Audit Fees and Fees for other services rendered during the accounting period by the Bank and its Subsidiaries	Section 168 (1) (i)	Note 21 to the Financial Statements: Other Operating Expenses	342
10.	Auditors' relationship or any interest with the Bank and its Subsidiaries (Lead auditor's independence)	Section 168 (1) (j)	Independence Confirmation has been provided by Messrs KPMG as required by Section 163 (3), in connection with the audit for the year ended December 31, 2024, confirming that KPMG is not aware of any relationship with or interest in the Bank or any of its subsidiaries that in their judgement, may reasonably be thought to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by CA Sri Lanka, applicable as at the reporting date. No prohibited non-audit services have been provided by Messrs KPMG as per the Direction issued by the CBSL on 'Guidelines for External Auditors relating to their Statutory Duties'. The Directors are satisfied as the BAC has assessed each service, having regard to auditor's independence requirements of applicable laws, rules and regulations, and concluded in respect of each non-audit service or type of non-audit service that the provision of that service or type of service would not impair the independence of Messrs KPMG.	
11.	Acknowledgement of the contents of this Report/ Signatures on behalf of the Board of Directors	Section 168 (1) (k)	The Board of Directors have acknowledged the contents of this Annual Report as disclosed.	4 and 5
	Other Disclosures as required by Recommended Best Practices (RBP), Listing Rules (LR) of the Colombo Stock Exchange, Companies Act No. 07 of 2007 and amendments thereto (CA) and the Banking Act Direction No. 11 of 2007 (the Direction)			
12.	Vision, Mission and Corporate Conduct	RBP	The business activities of the Group and the Bank are conducted maintaining the highest level of ethical standards in achieving our "Vision and Mission", which reflect our commitment to high standards of business conduct and ethics. The Bank issues a copy of its Code of Ethics to each and every staff member and all employees are required to abide by the provisions contained therein.	Inner Front Cover

	Disclosure Requirement	Reference to the relevant statute/rule/RBP	Page reference for Compliance and other necessary disclosures	Page/s
13.	Review of Business operations of the Group and the Bank and future developments	RBP	"Message from the Chairman" and "Managing Director's/Chief Executive Officer's Review"	32 to 37
			Management Discussion and Analysis	83 to 151
			Note 61 to the Financial Statements: Operating Segments	418 and 419
14.	Gross Income	RBP	Notes 12 & 61 to the Financial Statements: Gross Income & Operating Segments	330, and 418 to 419
15.	Dividends on Ordinary Shares	RBP	Notes 25 & 68 to the Financial Statements: Dividends on ordinary shares & Events after the reporting period	346 and 458
			Item 3 of "Investor Relations"	183 and 184
16.	Reserves and appropriations	RBP	Statement of Changes in Equity	298 to 305
			Notes 53, 54 & 55 to the Financial Statements: Statutory reserves, Retained earnings & other reserves	408 to 412
17.	Corporate Social Responsibility (CSR)	RBP	"Community Engagement – Empowering lives and creating shared value"	137 and 138
18.	Extents, locations, valuations and the number of buildings of the Bank's land holdings and investment properties	LR 7.6 (VIII)	Note 38 to the Financial Statements: Property, Plant and Equipment & Right-of-use assets	370 to 382
			Note 39 to the Financial Statements: Investment Properties	382 to 385
			Note 57.2 to the Financial Statements: Capital Commitments	413
19.	Significant changes in the Bank's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value	LR 7.6 (XII)	Note 38.5 (b) to the Financial Statements: Information on freehold land and buildings of the Bank and Group – Valuations	376 to 381
			Note 39.1 (b) to the Financial Statements: Information on investment properties of the Group – Valuations	384
20.	Issue of Shares and Debentures			
20.1	Issue of Shares by the Bank	LR 7.6 (XIII)	In August 2024, the Bank raised equity capital amounting to Rs. 22.5 Bn., through a rights issue. Notes 51 & 51.1 to the Financial Statements: Stated Capital and Movements in number of shares	404
20.2	Issue of Debentures by the Bank	LR 7.6 (XIII)	In July 2024, the Bank infused Rs. 20 Bn., through an issue of Basel III Compliant – Tier 2 Listed Rated Unsecured Subordinated Redeemable Debentures with a Non-Viability Conversion Feature. Note 50 to the Financial Statements: Subordinated Liabilities	402 to 403
20.3	Issue of Shares and Debentures by the Subsidiaries and the Associate	CA S.168 (1) (e)	During the year, the subsidiaries and associate of the Bank did not make any share or debenture issues.	
21	Share information and Substantial Shareholdings			

	Disclosure Requirement	Reference to the relevant statute/rule/RBP	Page reference for Compliance and other necessary disclosures	Page/s
21.1	Distribution Schedule of Shareholdings, names and the number of shares held by the 20 largest holders of Voting & Non-Voting shares and the percentage of such shares held, Float adjusted Market Capitalisation, public holding percentage, number of public shareholders, and the option under which the Bank complies with the minimum public holding requirement.	LR 7.6 (III) LR 7.6 (IV) LR 7.6 (X) LR 7.13.1	Items 4.2, 4.3 and 4.5 of "Investor Relations"	185 to 187
21.2	Financial ratios and market price information	LR 7.6 (XI)	Financial Highlights Item 2 of the "Investor Relations"	24 181
	Information on Earnings, Dividends, Net Assets and Market Value per share		Decade at a Glance Items 3 and 11 of the "Investor Relations"	172 to 175 183 and 191
	Information on listed debt securities		Refer items 10 and 11 of the "Investor Relations"	191
			Note 50 to the Financial Statements – Subordinated Liabilities	402 and 403
			Annex 2 – Basel III – Disclosures under Pillar III as per Banking Act No. 01 of 2016 – Disclosure 6 – Main features of regulatory capital instruments	494 and 495
	Any changes in credit rating (for the Bank or any other instrument issued by the Bank)		Refer item 12 of the "Investor Relations"	191
21.3	Information on Number of shares representing the Bank's stated capital	LR 7.6 (IX)	Note 51 to the Financial Statements – Stated capital	404
			Item 7 of the "Investor Relations"	188 and 190
21.4	Own Share Purchases	CA S.64	The Bank does not purchase its own shares	N/A
21.5	Equitable Treatment to Shareholders	RBP	Statement of Directors' Responsibility for Financial Reporting – item (k)	247
			Annual Corporate Governance Report – Shareholder engagement and voting (Principles C.1, C.2, E and F)	208
22.	Information on Directors' Meetings and Board Committees			
22.1	Directors' Meetings	RBP	Composition of the Board and attendance at meetings – Figure 45 for details of the meetings of the Board of Directors Board Meetings (Principles A.1.1 and A.10.1)	199 198
22.2	Board Committees	RBP	Board Committee Reports	214 to 237
23.	Disclosure of Directors' dealings in shares and debentures			

	Disclosure Requirement	Reference to the relevant statute/rule/RBP	Page reference for Compliance and other necessary disclosures	Page/s
23.1	Directors' Interests in Ordinary Voting and Non-voting Shares of the Bank	LR 7.6 (V)	Item 4.4 of "Investor Relations"	187
			Directors' shareholdings in Ordinary Voting Shares and Ordinary Non-Voting Shares have not changed subsequent to the date of the Statement of Financial Position up to February 05, 2025, the date being one month prior to the date of Notice of the AGM.	
23.2	Directors' Interests in Debentures	LR 7.6 (V)	Mr R Senanayake and Dr S Selliah, Directors held 22,800 and 183,200 debentures of the Bank as at December 31, 2024. Except for the above, there were no debentures registered in the name of any other Director as at the beginning and at the end of the year.	
24.	Employee Share Option Plans and Profit-sharing Plans	LR 7.6 (XIV)	Note 52 to the Financial Statements: Share-based payment	405 and 408
			The Group and the Bank have not, directly or indirectly, provided funds to employees to purchase shares under the ESOPs.	N/A
			The Group and the Bank do not have any employee profit sharing plans, except the variable bonus scheme.	N/A
			Tabulated below are the details of options available/exercised by the Executive Directors under the ESOPs.	

Description	2024		2023	
	Mr S C U Manatunge	Mr S Prabagar	Mr S C U Manatunge	Mr S Prabagar
As at January 01,	80,070	–	152,914	97,750
Vested during the year	71,347	41,497	–	–
Exercised during the year	(83,096)	–	(38,323)	(75,683)
Expired during the year	–	–	(34,521)	(22,067)
As at December 31,	68,321	41,497	80,070	–

	Disclosure Requirement	Reference to the relevant statute/rule/RBP	Page reference for Compliance and other necessary disclosures	Page/s
25.	Directors' Interests in Contracts or Proposed Contracts and Remuneration & other benefits of Directors during the year under review	CA S.192	Directors declare their outside business interests on appointment and quarterly thereafter, details of which are recorded in the Directors' Interests Register, and available for inspection in terms of the Companies Act.	
			Directors' interests in contracts with the Bank	252 and 253
			Note 21 to the Financial Statements: Other Operating Expenses	342
			Note 62 to the Financial Statements: Related Party Disclosures	420 to 424
		RBP and the code	As a standard practice, Directors abstain from voting on matters where they have a material interest. Furthermore, they do not hold any direct or indirect interest in any contract or proposed contract with the Bank, except for those explicitly disclosed under the Directors' interests in contracts with the Bank.	252 to 253
		CA S.168 (1) (e) LR 7.6 (XIV)	There are no arrangements that enable the Non-Executive Directors of the Group and the Bank to acquire shares or debentures of the Bank or its Subsidiaries, other than via the market.	
		CA S.217 (2) (d)	There are no restrictions on the approval of loans to Directors in the Bank's ordinary course of business, subject to compliance with all applicable regulations.	

	Disclosure Requirement	Reference to the relevant statute/rule/RBP	Page reference for Compliance and other necessary disclosures	Page/s
26.	Directors' and Officers' Insurance	CA S.218	The Bank has, during the financial year, paid an insurance premium in respect of an insurance policy for the benefit of the Bank and the Directors, Secretaries, Officers and certain employees of the Bank and related body corporates as defined in the insurance policy. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.	
27.	Environmental Protection	RBP	The Group and the Bank have not, to the best of their knowledge, engaged in any activity, which was detrimental to the environment.	N/A
			Specific measures taken to protect the environment are disclosed in the section on "Environment Engagement"	142 to 144
28.	Declaration on Statutory Payments	RBP	Statement of Directors' Responsibility for Financial Reporting – item (h)	246
29.	Events after the reporting period	RBP	Note 68 to the Financial Statements: Events after the reporting period	458
30.	Going Concern	RBP	Statement of Directors' Responsibility for Financial Reporting – item (m)	247
31.	Directors' Responsibility for Financial Reporting	CBSL Direction 3 (8) (ii) (a)	Statement of Directors' Responsibility for Financial Reporting	246 to 247
32.	Appointment of Auditors and their remuneration	CBSL Direction 3 (1) (i) (m)	The Board has adopted a policy of rotation of auditors , once in every five years, in keeping with the principles of good corporate governance. At the end of the five-year period, quotations are called from suitable audit firms, prior to the recommendation of new auditors as per the rotation policy. Messrs Ernst & Young (former external auditor of the Bank) completed six consecutive years of external audit with the audit of the Financial Statements for year ended December 31, 2023. Although the Bank used to rotate the external auditor every five years, Messrs Ernst & Young was retained as the external auditor of the Bank for an additional year, considering the fact that the CBSL deployed Messrs KPMG (the present external auditor) to conduct an Asset Quality Review on the Banking Sector in the country in year 2023. Accordingly, at the AGM to be held on March 28, 2024, Messrs KPMG was appointed as the external auditor and the Directors were authorised to fix their remuneration as approved by the shareholders. In addition, External Auditors submit a statement annually confirming their independence as required by Section 163 (3) of the Companies Act No. 07 of 2007 (as amended) in connection with external audit.	
33.	Material issues pertaining to employees and industrial relations	LR 7.6 (VII)	Item 6 of "Investor Relations"	188
34.	Risk management and system of internal controls	LR 7.6 (VI)	Risk Governance and Management	254 to 284
			Report of the Board Integrated Risk Management Committee	218 to 220
			Note 66 to the Financial Statements: Financial Risk Review	426 to 457
			Directors' Statement on Internal Control over Financial Reporting and Risk Management	248 and 249
			The Independent Auditor's Report	288 to 292
			Independent Assurance Report on the Directors' Statement on Internal Control over Financial Reporting and Risk Management	250

	Disclosure Requirement	Reference to the relevant statute/rule/RBP	Page reference for Compliance and other necessary disclosures	Page/s
35.	Corporate Governance	RBP	The Directors declare that –	
			(a) the Bank has complied with all applicable laws and regulations in conducting its business and have not engaged in any activity contravening the relevant laws and regulations. Officers responsible for ensuring compliance with the provisions in various laws and regulations, confirm compliance in each quarter to the BIRMC;	
			(b) they have declared all material interests in contracts involving the Bank and refrained from voting on matters in which they were materially interested;	
			(c) they have complied with the Direction (Annex 1.1 – pages 460 and 471), Code of Best Practices on Corporate Governance – 2023 issued by CA Sri Lanka (Annex 1.2 on pages 472 to 476) Section 9 of the Listing Rules (Annex 1.3 on pages 477 to 483);	
			(d) they have conducted a review of internal controls covering financial, operational & compliance controls, risk management and have obtained a reasonable assurance of their effectiveness and proper adherence.	
			(e) the Bank has complied with the Section 9.14 of the Listing Rules on Related Party Transactions Review Committee and has made the required disclosures in the Financial Statements and to the market when applicable;	
			(f) the business is a Going Concern with supporting assumptions or qualifications as necessary, and that the Board of Directors has reviewed Corporate/Business plans of the Bank and is satisfied that the Bank has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements of the Bank, its Subsidiaries and the Associate are prepared based on the Going Concern assumption.	
36.	Focus on new regulations	RBP	**Accounting Standards** The Bank is well poised to comply with the amendments made to the Accounting Standards issued but not yet effective as at the reporting date, as disclosed in Note 11 to the Financial Statements.	329
			Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks The Bank has taken necessary measures to adhere to the Corporate Governance requirements outlined in the above Direction, with some provisions having extended timelines. The Bank is confident in its ability to meet these new requirements, leveraging its robust governance framework and proactive approach to ensure full compliance within the stipulated timelines.	
			Tax Reforms The Bank is exploring the capabilities of its computer systems to cater to the changes announced in the government fiscal policy on Advance Income Tax.	
37.	Sustainability	RBP	The Bank has been a pioneer in adopting sustainability practices and reporting, integrating sustainability considerations into its business strategy. The Bank is currently actively working towards compliance with SLFRS S1 and S2 requirements, reinforcing its commitment to transparency and responsible business conduct.	
			Annex 3: GRI Content Index	504 to 508

	Disclosure Requirement	Reference to the relevant statute/rule/RBP	Page reference for Compliance and other necessary disclosures	Page/s
38.	Human Resources	RBP	The Bank remains committed to Human Capital Development, implementing effective HR practices and policies to enhance workforce efficiency, effectiveness, and productivity. Further, it fosters collaborative partnerships that enrich both the work and learning environment for employees.	
			Specific measures taken in this regard are detailed in the "Report of the Board Human Resources and Remuneration Committee".	224 and 225
			Management Discussion and Analysis	83 to 151
39.	Technology	RBP	Aligned with our Vision and Mission, technology serves as the foundation of our business processes. Every aspect of our operations is driven by information technology, enabling us to deliver superior products and services to our customers. As a result, our business is now more deeply integrated with technology than ever before, enhancing efficiency, innovation, and customer experience.	
			Key achievements in this regard during the year are detailed in the "Report of the Board Technology Committee".	232 and 233
40.	Operational excellence	RBP	To enhance efficiency and reduce operating costs, the Bank is actively implementing initiatives aimed at policy and process standardization while optimising the use of existing technology platforms, ensuring streamlined operations and improved productivity.	
41.	Outstanding Litigation	RBP	Based on the Directors' assessment and legal consultation, any pending litigation against the Bank is not expected to have a material impact on its financial results or future operations.	
			Note 59 to the Financial Statements: Litigation Against the Bank	415
42.	Disclosure on Related Party Transactions	LR 9.14.8 (1) and (2)	Note 62 to the Financial Statements: Related Party Disclosures	420 to 424
		LR 9.14.8 (3)	Report of the Board Related Party Transactions Review Committee	226 and 227
		LR 9.14.8 (4)	Annual Report of the Board of Directors	4 and 5
43.	Annual General Meeting and the Notice of Meeting	CA S.133 and CA S.135 (a)	The 56th AGM of the Bank will be held at the Galadari Hotel, "Grand Ballroom", No. 64, Lotus Road, Colombo 01, on Friday, March 28, 2025 at 2.30 p.m. Notice relating to the 56th AGM of the Bank is enclosed at the end of the Annual Report.	

Statement of Directors' responsibility for financial reporting

The Statement sets out the responsibility of the Board of Directors, in relation to the Financial Statements of the Commercial Bank of Ceylon PLC (the Bank) and the Consolidated Financial Statements of the Bank and its Subsidiaries and the Associate (the Group).

The responsibilities of the External Auditors in relation to the Financial Statements are set out in the "Independent Auditor's Report" given on pages 288 to 292

In terms of Sections 150 (1), 151, 152 (1) and 153 (1) & (2) of the Companies Act No. 07 of 2007 and amendments thereto, the Board of Directors of the Bank is responsible for preparing Financial Statements that give a true and fair view of the financial position (State of affairs) as at the end of each financial year and the financial performance (profit or loss or income and expenditure) for each financial year of the Group and the Bank as per the requirements set out in the Act.

The Directors are also responsible to keep proper books of account of all the transactions and maintain adequate internal financial controls and risk management framework within the Bank to protect and safeguard the Bank assets and prevents frauds and mismanagements.

And the Directors also need to ensure that adequate resources exist within the Bank to adopt going concern basis in preparing Financial Statements.

The Financial Statements comprise of the Statement of Financial Position as at December 31, 2024, the Income Statement and Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and Notes thereto of the Group and the Bank.

Accordingly, the Board of Directors confirms that the Financial Statements of the Group and the Bank give a true and fair view of the

- financial position of the Group and the Bank as at December 31, 2024; and
- financial performance of the Group and the Bank for the financial year then ended.

COMPLIANCE REPORT

The Board of Directors also wishes to confirm that:

(a) appropriate Accounting Policies have been selected and applied in preparing the Financial Statements exhibited on pages 295 to 458 based on the latest financial reporting framework on a consistent basis, while reasonable and prudent judgements have been made so that the form and substance of transactions are properly reflected and material departures, if any, have been disclosed and explained;

(b) the Financial Statements for the year ended December 31, 2024, prepared and presented in this Annual Report are in agreement with the underlying books of account and are in conformity with the requirements of the following:

Sri Lanka Accounting Standards;

Companies Act and amendments thereto;

- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and amendments thereto;
- Banking Act No. 30 of 1988 and amendments thereto and the Directions, Determinations and Guidelines issued by the Central Bank of Sri Lanka (CBSL);
- Listing Rules of the Colombo Stock Exchange (CSE); and
- Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka;

(c) these Financial Statements comply with the prescribed format issued by the CBSL in the Circular on the "Publication of annual and quarterly financial statements and other disclosures by licensed banks";

(d) proper accounting records which correctly record and explain the Group's and the Bank's transactions have been maintained as required by Section 148 (1) of the Companies Act to determine at any point of time the Group's and the Bank's financial position, with reasonable accuracy, enabling preparation of the Financial Statements, in accordance with the Companies Act to facilitate proper audit of the Financial Statements;

(e) they have taken appropriate steps to ensure that the Group and the Bank maintain proper books of account and review the financial reporting system directly by them at their regular meetings and also through the BAC, the Report of which is given on pages 214 to 217 The Board of Directors also approves the Interim Financial Statements prior to their release, following a review and recommendation by the BAC;

(f) they accept responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report;

(g) they have taken reasonable measures to safeguard the assets of the Group and the Bank and to prevent and detect frauds and other irregularities. In this regard, the Board of Directors has instituted an effective and comprehensive system of internal controls comprising of internal checks, internal audit and financial and other controls required to carry on the business of banking in an orderly manner and safeguard its assets and secure as far as practicable, the accuracy and reliability of the records. The "Directors' Statement on Internal Control over Financial Reporting and Risk Management" is given on pages 248 and 249;

(h) to the best of their knowledge, all taxes, duties and levies payable by the Bank and its Subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Bank and its Subsidiaries, and all other known statutory dues as were due and payable by the Bank and its Subsidiaries as at the Reporting date have been paid or, where relevant, provided for, except as specified in Note 59 to the Financial Statements on "Litigation against the Bank" on page 415.

(i) as required by the Section 56 (2) of the Companies Act, they have authorised distribution of the dividends paid and proposed upon being satisfied that the Bank and all its Subsidiaries, subject to complying with all the conditions imposed by the CBSL, would satisfy the solvency test after such distributions are made in accordance with the Section 57 of the Companies Act and have obtained in respect of dividends paid and proposed, and also for which approval is now sought, necessary certificates of solvency from the External Auditors;

(j) as required by the Sections 166 (1) and 167 (1) of the Companies Act, they have prepared this Annual Report in time and ensured that a copy thereof is sent to every shareholder of the Bank, who has expressed desire to receive a hard copy. A soft copy of this Annual Report has also been hosted in the 'Investors' section of the Bank's website (https://www.combank.lk/investors), in addition to the soft copy thereof available in the CSE website (https://cdn.cse.lk/cmt/upload_report_file/369_1709636062232.pdf), for the benefit of other shareholders within the stipulated period of time as required by the Rules No. 7.5 (a) and (b) of Continuing Listing Requirements of the Listing Rules of the CSE, instead of sending a soft copy in a CD. Further, an interactive html version of the Annual Report too has been hosted in the Bank's website (https://www.combank.lk/investors);

(k) that all shareholders in each category have been treated equitably in accordance with the original terms of issue;

(l) that the Bank and its quoted subsidiary have met all the requirements under Section 07 of Continuing Listing Requirements of the CSE, where applicable;

(m) that after considering the financial position, operating conditions, economic indicators, regulatory and other factors and such matters required to be addressed in the 'Code of Best Practice on Corporate Governance 2023' issued by the CA Sri Lanka, the Board of Directors has a reasonable expectation that the Bank and its Subsidiaries possess adequate resources to continue in operation for the foreseeable future. For this reason, we continue to adopt the Going Concern basis in preparing the Financial Statements;

(n) the Financial Statements of the Group and the Bank have been certified by the Chief Financial Officer, the officer responsible for their preparation, as required by the Sections 150 (1) (b) and 152 (1) (b) of the Companies Act and also have been signed by three Directors and the Company Secretary of the Bank on February 28, 2025 as required by the Sections 150 (1) (c) and 152 (1) (c) of the Companies Act and other regulatory requirements; and

(o) the Bank's External Auditors, Messrs KPMG who were appointed in terms of the Section 158 of the Companies Act and in accordance with a resolution passed at the last Annual General Meeting held on March 28, 2024, were provided with every opportunity to undertake the inspections they considered appropriate. They carried out reviews and sample checks on the system of internal controls as 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 by the Board of Directors of the Bank together with all the financial records, related data and Minutes of shareholders' and Directors' Meetings and expressed their opinion in the 'Independent Auditor's Report' which appears as reported by them on pages 288 to 292.

Accordingly, the Board of Directors is of the view that they have discharged their responsibilities as set out in this Statement.

By Order of the Board,

R A P Rajapaksha
Company Secretary

February 28, 2025
Colombo

Directors' statement on internal control over financial reporting and risk management

RESPONSIBILITY

The Board of Directors (the Board) of Commercial Bank of Ceylon PLC (the Bank) wishes to present this Report on Internal Control over Financial Reporting and Risk Management, in line with the Section 3 (8) (ii) (b) of the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka issued by the Central Bank of Sri Lanka (CBSL) (which was revoked with effect from January 01, 2025, with the issuance of the Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks) and Principle D.1.5 of the Code of Best Practice on Corporate Governance 2023 (Code) issued by CA Sri Lanka.

The Board is responsible for the adequacy and effectiveness of the system of risk management and internal controls in place at the Bank. However, such a system is designed to manage the Bank's key areas of risk within an acceptable risk profile, rather than to eliminate the risk of failure to achieve business objectives of the Bank. Accordingly, the system of internal controls can only provide reasonable but not absolute assurance against material misstatements of management and financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the principal risks faced by the Bank and this risk management framework has been well established for many years with continuous enhancements on a need basis, which includes enhancing the system of internal controls as and when there are changes to the 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 Control" issued by CA Sri Lanka. The Board has assessed the internal controls taking into account all main principles for the assessment of an internal control system as given in the above-mentioned guidance.

The Board is of the view that the system of internal controls in place over financial reporting at the Bank 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 Board's policies and procedures on risk management and internal controls by identifying and assessing the risks faced, and in designing, implementing, operating and monitoring of suitable system of risk management and internal controls to mitigate and control these risks.

KEY FEATURES OF THE PROCESS ADOPTED IN APPLYING AND REVIEWING THE DESIGN AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM ON FINANCIAL REPORTING AND RISK MANAGEMENT

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

- Ten (10) Sub-committees have been established by the Board, including those mandatory committees as required by the Banking Act Direction No. 11 of 2007 aforesaid, the Listing Rules of the Colombo Stock Exchange, and the Banking Act Direction No. 01 of 2023, to assist the Board in ensuring the effectiveness of the Bank's daily operations and that the Bank's operations are conducted in line with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved by the Board. Details of the activities undertaken by each Sub-committee are set out on pages 214 to 237.
- Policies/Charters have been developed covering all functional areas of the Bank and these have been recommended by the Board appointed Committees and approved by the Board. These policies and Charters are reviewed and approved by the Board at least annually.
- The Board Audit Committee (BAC) approves the audit plan and reviews internal control issues identified by the Inspection/Internal Audit Department/ Information Systems Audit Unit of the Bank (collectively referred to as "Internal Audit Department"), co-sourced internal auditors, regulatory authorities, external auditors and the Management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. The BAC also carries out an annual evaluation to review the effectiveness of the internal audit function with particular emphasis on the scope, quality, independence of internal audit and the adequacy of resources. The Minutes of the BAC meetings are tabled at the meetings of the Board of Directors of the Bank on a periodic basis. Further details of the activities carried out by the BAC during the year under review are set out in the BAC Report on pages 214 to 217.
- The Internal Audit Department 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 scheduled audit procedures. Further, Onsite, Online, Offsite and integrated audits are carried out covering all departments, branches, subsidiaries and overseas operations in accordance with the annual audit plan reviewed and approved by the BAC. The type and frequency of audits of these Business units are dynamically determined based on the assessed level of risk and changes in the control environment, ensuring the delivery of an independent and objective reports. Scope of online, real time and near real time audits was further enhanced to cover high-risk transactions of the Bank. In addition, monitoring over cyber security controls and modifications to core banking systems/databases was further strengthened utilising appropriate tools/techniques and resources. These audit procedures and techniques enable continuous testing of all controls, either on a near-real time or real time basis. Significant findings identified during internal audits are submitted to the BAC for review at its periodic meetings.
- In assessing the internal control system over financial reporting, identified officers of the Bank continued to review and update all procedures and controls that are connected with significant accounts and disclosures in 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. The assessment included both local and overseas subsidiaries and the Bangladesh operations of the Bank as well.
- The Board Integrated Risk Management Committee (BIRMC) reviews the major risk exposures of the Bank and the steps taken to control those exposures. This includes assessing key risks such as credit, market, liquidity, data security and Information Technology. BIRMC works closely with

the Board and the BAC in fulfilling responsibility for risk management and communicates the risk profile of the Bank to the Board periodically. Further details of the activities carried out by the BIRMC during the year under review are set out in the BIRMC Report on pages 218 to 220.

Since the adoption of the Sri Lanka Accounting Standard – SLFRS 9 on 'Financial Instruments', which became effective from January 01, 2018, the Bank introduced and implemented the processes that are required to comply with the requirements of recognition, measurement, presentation and disclosures under the above Accounting Standard. These processes are continuously strengthened based on the feedback received from the External Auditor, Internal Audit Department, regulators and the BAC. Continuous monitoring is in progress and steps are being taken to further improve the processes where required, and to enhance effectiveness and efficiency. The Bank has documented the procedures relating to these requirements and updates the procedure manuals as and when necessary and also obtains approval of the Board with the recommendation of the BAC for changes made to the documented procedures. The Bank's Internal Audit Department conducts tests on these processes and the observations from these exercises are regularly tabled for review by the BAC during the year 2024 as well.

Having recognised the need to introduce an automated platform for various computations required under SLFRSs and LKASs including loan impairment, the Bank automated impairment calculations through a renowned software solution and commenced computation of impairment for loans and advances based on this automated impairment solution when preparing its Financial Statements from the second quarter of 2023. However, the Bank continued with the manual calculation of impairment as a parallel exercise till December 2023, despite the successful live deployment of the software solution. This was due to the continuous refinements required in the computation of impairment given the macro-economic challenges faced by the country, the consequent impact on the Bank's customers in most of the industries and the evolving regulatory requirements which are in addition to the requirements of the Sri Lanka Accounting Standards. After a comprehensive evaluation of the results of the two methodologies, namely impairment results under manual calculation and the automated impairment solution, the Bank decided to use the impairment results from automated impairment solution for the preparation of financial statements for the financial year 2023 onwards with the approval of the Board of Directors and discontinued the manual calculation of impairment from the beginning of January 2024. The Bank has a documented Financial Statements Closure Process in place which was developed with the support of an external consultant and validated by an independent consultant. These proactive measures helped the Bank to ensure that the Bank is in compliance with the requirements of the Banking Act Direction Nos. 13 and 14 on "Classification, Recognition and Measurement of Credit Facilities and other Financial Assets in Licensed Banks" issued by the CBSL which became effective from January 01, 2022. The Bank also documented the risks and controls underlying the automated impairment calculations referred to above. Further, despite the improvements in the economic factors during the year ended December 31, 2024, the Bank has reviewed the requirement for impairment and has made adequate provisions to address any expected credit losses.

The comments made by the External Auditor in the Management Letter in connection with the internal control system over financial reporting in previous years and the recommendations made in the Statutory Examination Reports of the CBSL were continuously reviewed and necessary steps were taken to address them with regular reports from the Management and updates to the BAC and the Board, where appropriate. The recommendations made by the External Auditor 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 of Directors confirms that the financial reporting system of the Bank has been designed to provide a reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards and regulatory requirements of the CBSL.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditor, Messrs KPMG, has reviewed the Directors' Statement on Internal Control over Financial Reporting and Risk Management included in this Annual Report for the year ended December 31, 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 control system over financial reporting and risk management of the Bank. Their independent assurance report on the Directors' Statement on Internal Control over Financial Reporting is given on page 250 of this Annual Report.

By Order of the Board,

S Muhseen
Chairman

R Senanayake
Deputy Chairman (*)

P Y S Perera
Chairman – Board Audit Committee (**)

Ms J Lee
Chairperson
Board Integrated Risk Management Committee (***)

S C U Manatunge
Managing Director/Chief Executive Officer

February 28, 2025

** Chairman of the Board Audit Committee up to December 31, 2024. Appointed as the Chairman of the Board Integrated Risk Management Committee with effect from January 01, 2025*

***Appointed as the Chairman of the Board Audit Committee with effect from January 01, 2025*

**** Chairperson of the Board Integrated Risk Management Committee up to December 31, 2024*

Independent Assurance Report

KPMG
(Chartered Accountants)
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THE BOARD OF DIRECTORS OF COMMERCIAL BANK OF CEYLON PLC

Report on the Directors' Statement on Internal Control

We were engaged by the Board of Directors of Commercial Bank of Ceylon PLC ("the Bank") to provide assurance on the Director's Statement on Internal Control ("the Statement") included in the Annual Report for the year ended December 31, 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 the 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 requirement 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 professional compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities

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 Chartered Accountants of Sri Lanka.

This standard requires that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

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

Summary of work performed

Our engagement has been conducted to assess whether the Statement is both supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors have adopted in reviewing the system of internal control for the Bank.

To achieve this objective, appropriate evidence has been obtained by performing the following procedures:

(a) Enquired the Directors to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared their understanding to the Statement made by the Directors in the Annual Report.

(b) Reviewed the documentation prepared by the Directors to support their Statement made in the Annual Report.

(c) Related the Statement made by the Directors to our knowledge of the Bank obtained during the audit of the financial statements.

(d) Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees.

(e) Attended meetings of the Audit Committee at which the Annual Report, including the Statement on Internal Control is considered and approved for submission to the Board of Directors.

(f) Considered whether the Director's Statement on Internal Control covers the year under review and that adequate processes are in place to identify any significant matters arising.

(g) Obtained written representations from Directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

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 judgment, 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 on pages 248 to 249 of this Annual Report is inconsistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Bank.

KPMG

Chartered Accountants

February 28, 2025
Colombo

Managing Director/Chief Executive Officer's and Chief Financial Officer's statement of responsibility

The Financial Statements of the Commercial Bank of Ceylon PLC (the Bank) and the Consolidated Financial Statements of the Bank and its Subsidiaries and the Associate (the Group) as at December 31, 2024, are prepared and presented in conformity with the requirements of the following:

- Sri Lanka Accounting Standards;
- Companies Act and amendments thereto;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and amendments thereto;
- Banking Act No. 30 of 1988 and amendments thereto and the Directions, Determinations and Guidelines issued by the Central Bank of Sri Lanka (CBSL);
- Listing Rules of the Colombo Stock Exchange (CSE); and
- Code of Best Practice on Corporate Governance – 2023 issued by CA Sri Lanka

The formats used in the preparation of the Financial Statements and disclosures made in this Annual Report and the Interim Financial Statements comply with the specified formats prescribed by the CBSL.

The Group presents the financial results to its shareholders on a quarterly basis.

The Material Accounting Policies have been consistently applied by the Group. Application of Material Accounting Policies and estimates and assumptions that involve a high degree of judgement and complexity were discussed with the members of the BAC and the Bank's External Auditors in addition to changes made to those applied in the prior year. Comparative information has been amended to comply with the current presentation, where applicable.

There were no changes to the material Accounting Policies and methods of computation since the publication of the Annual Report for the year ended December 31, 2023. Accordingly, there was no necessity to amend the comparative information to comply with the current presentation.

We confirm that to the best of our knowledge, the Financial Statements, Material Accounting Policies and other financial information included in this Annual Report, fairly present in all material respects the financial position, results of the operations and the Cash Flows of the Group during the year under review. We also confirm that the Group has adequate resources to continue in operation and has applied the Going Concern basis in preparing these Financial Statements.

We are responsible for establishing, implementing, and maintaining Internal Controls and Procedures within the Bank and all its Subsidiaries and the Associate. We ensure that effective Internal Controls and Procedures are in place, ensuring material information relating to the Group is made known to us for safeguarding assets, preventing, and detecting fraud and/or error as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. We have evaluated the Internal Controls and Risk Management Procedures of the Group for the financial period under review and are satisfied that there were no significant deficiencies and weaknesses in the design or operation of the Internal Controls and Risk Management Procedures, to the best of our knowledge. We confirm, based on our evaluations, that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and the detection of fraud that involves management or other employees. The Bank's Internal Audit Department also conducts periodic reviews to ensure that the Internal Controls and Risk Management Procedures are consistently followed.

The Financial Statements of the Group were audited by Messrs KPMG, Chartered Accountants and their Report is given on pages 288 to 292 The BAC pre-approves the audit and non-audit services provided by Messrs KPMG, to ensure that the provision of such services does not contravene with the guidelines issued by the CBSL on permitted non-audit services or impair Messrs KPMG's independence and objectivity.

The BAC, inter alia, reviewed all the Internal and External Audit and Inspection Programmes, the efficiency of Internal Control Systems and Risk Management Procedures and also reviewed the quality of Material Accounting Policies and their adherence to Statutory and Regulatory requirements, the details of which are given in the "Report of the Board Audit Committee" appearing on pages 214 to 217 The Bank engaged the services of two firms of Chartered Accountants approved by the CBSL to strengthen the audit and inspection functions. The continuous inspection and audit functions, engagement of firms of Chartered Accountants and effective functioning of the BAC ensure that the Internal Controls and Procedures are followed consistently. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the BAC to discuss any matters of substance. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal control and accounting.

It is also declared and confirmed that the Group and the Bank have complied with and ensured compliance with the guidelines for the audit of listed companies where mandatory compliance is required.

We confirm that to the best of our knowledge:

- The Group and the Bank have complied with all applicable laws and regulations and guidelines and there is no material litigation against the Group and the Bank other than those disclosed in Note 59 on Litigation Against the Bank on page 415 of the Financial Statements.
- All taxes, duties, levies and all statutory payments payable by the Group and the Bank and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Group and the Bank as at December 31, 2024 have been paid, or where relevant provided for.

S C U Manatunge
Managing Director/Chief Executive Officer

K D N Buddhipala
Chief Financial Officer

Colombo

February 28, 2025

Directors' interest in contracts with the Bank

Related party disclosures as per the Sri Lanka Accounting Standard – LKAS 24 on "Related Party Disclosures" is disclosed in Note 62 to the Financial Statements on pages 420 to 424 of this Annual Report. In addition, the Bank carries out transactions in the ordinary course of business on an arm's length basis with entities where the Chairman or a Director of the Bank is the Chairman or a Director of such entities.

Table – 49

	Director/Company	Relationship	Accommodation granted/Deposits	Current limit as at December 31, 2024 Rs. '000	Balance/outstanding as at December 31, 2024 Rs. '000	Balance/outstanding as at December 31, 2023 Rs. '000
(a)	**Mr S Muhseen**					
	Amana Takaful Life PLC	Deputy Chairman	Deposits	–	15,696	7,301
	CBC Finance Ltd.	Chairman	Loans and advances	2,888,447	1,343,417	2,155,550
			Deposits	–	61,029	94,099
	David Pieris Holdings (Pvt) Ltd	Non Executive Director	Loans and advances	1,030,400	–	500,378
			Off-balance sheet accommodations	239,400	–	–
			Deposits	–	336	–
			Debentures	–	350,000	350,000
(b)	**Mr R Senanayake**					
	Senkadagala Finance PLC	Chairman	Loans and advances	8,418,898	5,756,347	3,699,912
			Deposits	–	677,672	1,652,802
			Debentures	–	6,960	6,960
	Virtual Capital Technologies (Pvt) Ltd.	Non Executive Director	Deposits	–	6	11
	CBC Tech Solutions Ltd.	Chairman	Loans & Advances	250	35	–
			Deposits	–	245,915	193,568
(c)	**Mr S C U Manatunge**					
	Commercial Development Company PLC	Director	Loans and advances	29,932	29,932	60,092
			Deposits	–	162,627	263,061
	Commercial Bank of Maldives Private Limited	Deputy Chairman	Off-balance Sheet Accommodations	586,000	586,000	680,925
			Deposits	–	1,315,175	812,009
	The Employers' Federation of Ceylon	Vice Chairperson	Deposits	–	79,409	79,409
			Debentures	–	18,009	6,820
(d)	**Ms N T M S Cooray**					
	Ceylon Tea Brokers PLC	Non-Executive Director	Deposits	–	2,888	5,550
	Jetwing Hotels Limited	Director	Deposits	–	100	5,787
	Negombo Hotels Ltd.	Director	Deposits	–	6,751	3,747
	The Lighthouse Hotel PLC	Non Executive Director	Deposits	–	61,136	17,605
	Jetwing Travels (Pvt) Ltd.	Chairman/ Managing Director	Loans and advances	32,100	637	340
			Off-balance sheet accommodations	100,000	10,862	30,384
			Deposits	–	2,080,853	2,817,807
	Jetwing Air (Pvt) Ltd.	Director	Loans and advances	101,000	106	–
			Off-balance sheet accommodations	105,000	129,840	100,141
			Deposits	–	323,398	351,854
	Jetwing Hotel Management Services (Pvt) Ltd.	Director	Deposits	–	25	26
	Allianz Insurance Lanka Ltd.	Non Executive Director	Deposits	–	108,975	17,337
	Go Vacation Lanka Co. (Pvt) Ltd.	Director	Deposits	–	14,290	22,981
	Allianz Life Insurance Lanka Ltd.	Non Executive Director	Deposits	–	7,603	465
	Yarl Hotels (Pvt) Ltd.	Director	Deposits	–	853	12
	Jetwing Symphony PLC	Non Executive Director	Deposits	–	201	1,383
	Capital Alliance Holdings Ltd.	Director	Deposits	–	5,508	6,290
	Saman Villas Ltd.	Director	Deposits	–	1,951	897
(e)	**Ms J Lee**					
	DBS Bank Ltd.	Director	Off-balance sheet accommodations	13,185,000	2,443,970	2,807,600

Director/Company	Relationship	Accommodation granted/Deposits		Current limit as at December 31, 2024 Rs. '000	Balance/outstanding as at December 31, 2024 Rs. '000	Balance/outstanding as at December 31, 2023 Rs. '000
(f) Dr S Selliah						
Lanka Tiles PLC	Non Executive Director	Loans and advances		200,000	–	–
		Off-balance sheet accommodations		400,000	111,014	85,167
		Deposits		–	395,421	690,130
ACL Cables PLC	Non Executive Director	Deposits		–	12,232	7,446
Lanka Walltiles PLC	Non Executive Director	Loans and advances	Combined Limits available	5,461,060	5,181,476	2,954,904
		Off-balance sheet accommodations		1,000,000	100,506	185,670
		Deposits		–	11,387	31,756
Cleanco Lanka (Pvt) Ltd.	Chairman	Loans and advances		250	63	–
		Off-balance sheet accommodations		1,121	1,121	–
		Deposits		–	78,253	147,115
Swisstek (Ceylon) PLC	Director	Deposits		–	11,325	11,893
JAT Holdings PLC	Chairman	Loans and advances	Combined Limits available	143,200	1,052,219	1,084,120
		Off-balance sheet accommodations		1,457,999	410,184	284,666
		Deposits		–	65,791	37,430
		Debentures		–	24,220	24,220
		Contracts		–	91,000	–
Arunodhaya (Pvt) Ltd.	Director	Loans and advances		55,000	–	–
		Deposits		–	70	55
		Debentures		–	4,430	4,430
Arunodhaya Industries (Pvt) Ltd.	Director	Loans and advances		55,000	–	–
		Deposits		–	53	55
		Debentures		–	4,430	4,430
Andysel (Pvt) Ltd.	Chairman	Loans and advances		47,000	–	–
		Deposits		–	55	55
Vydexa (Lanka) Power Corporation (Pvt) Ltd.	Chairman	Deposits		–	1,111	1,586
Arunodhaya Investments (Pvt) Ltd.	Director	Loans and advances		55,000	–	–
		Deposits		–	53	55
		Debentures		–	4,430	4,430
(g) Mr S Prabagar						
Commercial Bank of Maldives Private Limited	Non Executive Director	Off-balance Sheet Accommodations		586,000	586,000	680,925
		Deposits		–	1,315,175	812,009
CBC Myanmar Microfinance Company Limited	Non Executive Director	Off-balance Sheet Accommodations		586,000	586,000	324,250
(h) Mr P Y S Perera						
Hayleys PLC	Non Executive Director	Loans and advances		9,302,250	9,200,327	–
		Deposits		–	453	–
Haycarb PLC	Non Executive Director	Loans and advances		1,816,000	454,831	–
		Off-balance Sheet Accommodations		77,300	–	–
		Deposits		–	31,737	–
Dipped Products PLC	Non Executive Director	Deposits		–	3,595	–
E. B. Creasy & Co. PLC	Non Executive Director	Loans and advances	Combined Limits available	277,816	288,942	–
		Off-balance Sheet Accommodations		400,000	147,578	–
		Deposits		–	17,164	–
Overseas Realty (Ceylon) PLC	Non Executive Director	Loans and advances		1,500	121	–
		Deposits		–	499,984	–

Risk governance and management

Navigating risks in a recovering economy

The year 2024 marked a pivotal turning point for Sri Lanka's economy, as the country made significant strides in its post-crisis recovery. After the severe economic and foreign exchange crisis of 2022, the country's reforms, supported by the USD2.9 Bn. IMF program, started to show positive outcomes. Real GDP expanded by 5.2% in the first 9 months of 2024, the highest growth rate in 5 years, signaling renewed stability and confidence. Additionally, the successful completion of Sri Lanka's debt restructuring in December 2024 further strengthened its fiscal position, laying a foundation for long-term economic resilience. Notably, these achievements were realised despite the political uncertainties of holding two key elections, underscoring growing institutional stability and policy continuity.

Amidst these developments, monetary policy played a crucial role in balancing growth with stability. To support economic expansion, the Central Bank of Sri Lanka (CBSL) gradually reduced the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) from 9% and 10% at the beginning of the year to 8.25% and 9.25% respectively by October 2024. In November, CBSL introduced a unified Overnight Policy Rate (OPR) at 8%, marking a key shift towards a simplified monetary policy framework. Combined with easing energy prices and administrative interventions, these measures anchored inflation at a medium-term target of 5%, with the Colombo Consumer Price Index (CCPI) recording a year-on-year deflation of 1.70% in December 2024.

Despite these positive developments, challenges persist. The IMF has emphasised the importance of fiscal prudence, particularly in achieving tax revenue targets and reforming state-owned enterprises, as the country works towards a primary surplus target of 2.3% of GDP in 2025. Structural vulnerabilities in Sri Lanka's economy necessitate sustained policy discipline and continued reforms. Additionally, global economic uncertainties and potential commodity price fluctuations demand careful monitoring of the economic environment.

For the banking sector, these dynamics create a complex risk landscape. While economic recovery presents new opportunities, potential volatility in inflation, interest rates, and fiscal policy decisions necessitates proactive risk management. The Bank continued to strengthen its risk frameworks, with a heightened focus on stress-testing, scenario analysis, capital adequacy and internal measures ensuring regulatory compliance. Robust credit risk management remains critical as businesses and individuals adjust to evolving economic conditions. Furthermore, ongoing investments in digital transformation, operational resilience and skill development are vital to navigating an increasingly sophisticated risk landscape.

As the economy transitions from crisis to recovery, a prudent and forward-looking approach to risk management is more important than ever. The Bank remains committed to safeguarding its financial soundness while supporting the country's economic revival. By staying agile and adaptive in a rapidly evolving landscape, the Bank will continue to manage risks effectively, ensuring sustainable growth and stability for all stakeholders.

Balancing growth and risk

As a leading financial institution, the Bank's operations center on financial intermediation and maturity transformation (refer to the Business Model for Sustainable Value Creation on pages 72 – 73). As of December 31, 2024, the Bank managed an on-balance sheet asset base of Rs. 2,789.78 Bn., leveraging a capital base of Rs. 285.63 Bn., 9.8 times. While this leverage facilitates growth, it necessitates vigilant management of key risks – credit, operational, and market risks – aligned with Basel capital adequacy standards.

Beyond these core risks, emerging challenges such as digital disruptions, geopolitical volatility, and evolving regulatory frameworks introduce additional complexities. These external uncertainties, coupled with sector-specific risks, have the potential to influence all risk categories.

The Bank's robust risk governance framework and proactive management strategies ensure a well-calibrated balance between risk and return. By continuously refining risk mitigation techniques, the Bank safeguards stakeholder confidence particularly among depositors and upholds its commitment to sustainable value creation.

Advancing risk management

As the authority for designing, calibrating, and deploying risk rating models, Integrated Risk Management Department (IRMD) has bolstered the Bank's compliance with regulatory requirements and enhanced the acceptability of these models. To ensure the robustness of credit risk evaluation frameworks for its lending operations, the IRMD has implemented external validation processes, covering all credit risk assessment models, subject to periodic review.

To extend its expertise beyond the core banking operations, IRMD has collaborated with Bank's financial subsidiaries as well as Bangladesh operations to implement best practices in managing credit, operational, market, and environmental risks across the Group.

The introduction of Data Governance and Business Intelligence Unit marks another milestone, enabling enhanced regulatory compliance and robust internal data protection measures. With a view to enhance operational efficiency and to significantly reduce turnaround times in the SME lending, IRMD collaborated with the internal stakeholder units to recalibrate SME credit scoring models.

Looking ahead, IRMD's strategic focus includes digital transformation initiatives such as implementing a Data Repository and Data Marts. Further, the Department has outlined a five-year plan to integrate Environmental, Social, and Climate Risk (ESCR) considerations into the Bank's Risk Management Framework. This plan aims to align climate risk governance, scoring, and data-driven disclosures with the Bank's sustainability goals, ensuring resilience, regulatory compliance, and sustainable growth.

By embedding sound risk management practices and leveraging technological advancements, IRMD continues to play a pivotal role in driving the Bank's strategic objectives and ensuring long-term value creation.

Key objectives of risk oversight

The key objectives of the Bank's risk governance framework and risk management function are designed to ensure resilience, stability, and sustainable growth. These objectives include:

- **Building a robust risk management structure:** Establishing a well-defined organisational framework for effective risk oversight and management across all levels of the Bank.
- **Defining and aligning risk appetite:** Articulating the desired risk profile, encompassing risk appetite and tolerance thresholds, to align with the Bank's strategic objectives.
- **Fostering a positive risk culture:** Promoting a culture where values, beliefs, and practices encourage proactive risk awareness and informed decision-making.

- **Assigning responsibility and accountability:** Clearly defining responsibilities for accepting, mitigating, transferring, or minimising risks, with a focus on recommending optimal approaches.
- **Ongoing risk profiling:** Continuously monitoring and evaluating the Bank's risk profile against approved risk appetite to maintain alignment with strategic goals.
- **Quantifying potential losses:** Identifying plausible risk exposures and estimating potential financial and operational impacts.
- **Conducting stress-testing:** Regularly performing stress tests to ensure the Bank maintains sufficient capital and liquidity buffers to absorb shocks and meet obligations.
- **Leveraging technology in risk management:** Adopting advanced analytics and digital tools to enhance risk assessment, monitoring, and reporting.
- **Integrating risk with strategy:** Embedding risk considerations into the formulation and execution of business strategies to align operational decisions with risk objectives.
- **Optimising capital utilisation:** Ensuring that capital is effectively deployed to achieve an optimal balance between risk and return.
- **Enhancing risk communication:** Strengthening communication channels to ensure a shared understanding of risks across all organisational levels.
- **Promoting stakeholder trust:** Demonstrating robust risk governance to maintain confidence among stakeholders, including investors, customers, and regulators.

Key challenges to risk oversight in 2024

- **Challenges in addressing Environmental, Social, and Governance (ESG) risks and Climate Risk assessment:**

  The increasing global and local focus on ESG factors presents significant challenges for the banking sector. Sri Lankan banks face hurdles in developing and integrating robust climate risk assessment frameworks, as these frameworks are still in their infancy. The absence of established benchmarks and the need for significant investments in tools, expertise, and systems further compound these challenges.
- **Aligning with global ESG standards and opportunities in sustainable finance:** Simultaneously, heightened regulatory expectations for ESG compliance drive the need for structured climate finance strategies. The Bank is proactively aligning with SLFRS S1 & S2 reporting standards, expanding its green finance portfolio, and developing sustainability-linked credit products. Key initiatives include implementing a Climate Risk Assessment Framework, developing a Climate Transition Plan, conducting stress-testing for ESG factors, and fostering stakeholder engagement. By embedding ESG principles into core lending and investment decisions, the Bank aims to mitigate regulatory and reputational risks while positioning itself as a leader in sustainable finance.
- **Climate risk integration in credit and stress-testing:** Given Sri Lanka's vulnerability to natural disasters, integrating climate risk into credit evaluation processes and stress-testing is becoming a priority. The Bank is planning to commence climate-related stress-testing in 2026, which will involve assessing the potential financial impacts of extreme weather events on borrowers and the portfolio. This integration requires the development of robust methodologies, access to reliable environmental data, and training for risk management professionals to interpret climate-related risks effectively.
- **Infrastructure and expertise gaps in digitisation:** While the banking industry is accelerating its digital transformation, gaps in digital infrastructure, limited expertise, and slow adoption rates present significant challenges. Collaborative efforts with the Bank's Data Science Team of the IT Research & Development Unit and external consultants are crucial to bridge these gaps. This journey highlights the need for continuous skill development within the IRMD as well as among the stakeholder departments and units and alignment across departments to achieve meaningful digital transformation.
- **Heightened regulatory requirements:** Stricter regulatory requirements regarding compliance, corporate governance, capital adequacy, liquidity management, and sustainability are expected to intensify over the next 2–3 years. Banks will be required to allocate substantial resources to meet these evolving demands. This includes implementing governance and risk frameworks that align with both local and international regulations. Adhering to these requirements while managing costs and operational efficiency will be a significant balancing act for the Bank.
- **Cybersecurity risks and data protection:** The banking sector faces an escalating threat from cyberattacks and data breaches, necessitating continuous investments in robust cybersecurity frameworks. The Bank prioritises the protection of customer and institutional data through multi-layered security measures. Proactive cybersecurity initiatives include periodic vulnerability assessments/penetration testing, independent security assessments, and ongoing employee training to reinforce cyber hygiene practices. The Bank also ensures strict adherence to CBSL directives and global cybersecurity standards, including ISO/IEC 27001 and Payment Card Industry Data Security Standards (PCI DSS), further strengthening its resilience against evolving cyber threats.
- **Talent acquisition and retention challenges:** The demand for skilled risk professionals with up-to-date knowledge in relevant technologies is growing, both locally and globally. Attracting and retaining such talent is becoming increasingly challenging owing to scarcity, especially as specialised skills like ESG risk analysis, cybersecurity, and data analytics. The Bank is on a journey of nurturing internal talent while positioning itself as a preferred employer to attract external expertise.
- **Rising operational costs and efficiency pressures:** The transformation of legacy risk management processes into digital formats is already underway with the collaborative support of stakeholder units as well as through the services of external consultants. However, optimising resource allocation, leveraging automation, and ensuring cost efficiency remain ongoing challenges.
- **Technological obsolescence:** Rapid advancements in technology demand continuous upgrades to systems and processes. Falling behind on technological adoption could affect operational resilience and the ability to compete in an increasingly digitalised banking landscape.

Key risk management initiatives adopted in 2024

- **Digital transformation in risk management:** The IRMD has taken significant strides in digitizing risk management processes. Initiating the implementation of a Risk Data Repository and Data Marts, the Department is on a transformative journey. These initiatives aim to streamline risk management activities, enhance internal governance, and drive greater operational efficiency, consistency and alignment across departments.
- **Integration of environmental and social risks:** Recognising the importance of environmental and social factors, the Bank has incorporated these risks into its Internal Capital Adequacy Assessment Process (ICAAP). This enhancement enables improved evaluations of potential impacts through internally developed stress-testing methodologies.
- **Enhanced application of Risk Adjusted Return on Capital (RAROC):** Strengthening credit risk evaluation, the Bank has externally validated its RAROC assessment methodologies and processes, ensuring adherence to global best practices and reinforcing its commitment to prudent risk management.
- **Integrating climate risk governance:** The Bank is aligning with global standards by embedding climate risk governance, scoring, and data-driven disclosures into its Risk Management Framework. This initiative enhances the Bank's resilience to climate related risks, ensures compliance with evolving regulatory requirements, and promotes long-term sustainable growth.
- **Commitment to customer centricity:** Comprehensive internal training and knowledge sharing programs were conducted for Branch Managers and Credit Analysts. These sessions covered credit risk analysis, ECL assessment of Individually Significant Customers (ISCs) and environmental and social considerations, equipping stakeholders with essential expertise.
- **Strengthened credit risk review process:** The Credit Risk Review (CRR) mechanism has been enhanced, resulting in improved identification of potential credit deteriorations and minimised delinquencies. This progress is driven by the expansion of the centralised online oversight system, which now encompasses additional lending units and provides the IRMD with a growing wealth of timely and actionable risk insights, strengthening operational efficiency and decision making.
- **Expansion of ECL review practices:** The IRMD has enhanced its independent review of ECL assessments for ISCs. This enhancement expands coverage to encompass all lending units within the Bank's domestic and Bangladesh operations. The expanded scope has resulted in demonstrably improved consistency and accuracy of ECL assessments, coupled with enhanced coordination with lending units.
- **Revision of threshold limits:** In light of improving economic conditions and a healthy portfolio, and with Board approval, the Bank has adjusted the threshold limits for credit proposals reviewed by the IRMD, coupled with differentiated threshold framework for credit proposals, predicated on validated internal credit risk rating models. This revision reflects the Bank's responsiveness to market dynamics and the commitment to achieve optimised resource allocation and enhanced operational efficiency. Critically, the IRMD maintains a strong focus on significant credit exposures, ensuring rigorous oversight even with adjusted thresholds.
- **The Risk Elevated Industry (REI) assessment process:** Encompassing both initial assessments and subsequent reviews for credit facility upgrades, has been centralised and entrusted to the IRMD. This centralisation enhances efficiency, eliminates operational burden from Lending Officers, and ensures improved accuracy, consistency, and expedited processing of these critical risk assessments.
- **Integration of technology risk into Risk and Control Self Assessment (RCSA) Framework:** Broadening its risk management scope, the IRMD has successfully integrated technology risk into the Risk Control Self-Assessment framework, enhancing the Bank's resilience to technological vulnerabilities.
- **Pursuit of ISO 22301:2019 certification:** To align with global best practices in Business Continuity and Disaster Recovery, the Bank has engaged external expertise to achieve ISO 22301:2019 certification. This underscores its commitment to operational excellence and organizational sustainability.
- **Introduction of Technology Risk Framework and setting up steering committee:** This is in tandem with the rapid embracing of new technologies into the Bank's ecosystem as a balancing act that helps the Bank in managing the relatively new risk vistas it may get exposed in the new digital era.
- **Strengthening Data Governance:** Data Breach Handling Policy and Procedure were implemented to strengthen and enhance the Bank's overall Data Governance Policy Framework, in accordance with the Personal Data Protection Act 09 of 2022.

Details of the specific activities undertaken by the Board Integrated Risk Management Committee (BIRMC) during the year to strengthen risk governance and management are given in its report on pages 218 and 220 of this Annual Report.

Risk Appetite and Risk Profile

The Board-approved Risk Appetite Statement (RAS) sets the strategic parameters for risk-taking, defining acceptable risk thresholds and guiding capital allocation decisions. This framework outlines:

- **Quantitative risk limits:** Preferred asset quality ratios, market risk thresholds, and capital adequacy buffers
- **Qualitative risk parameters:** The Bank's stance on reputational, strategic, and compliance risks
- **Dynamic risk considerations:** Real-time adjustments based on macroeconomic trends and stress-testing outcomes

The RAS is continuously reviewed against emerging market dynamics, regulatory shifts, and stress scenario assessments, ensuring that the Bank remains well-capitalised and resilient under varying economic conditions.

The risk management function provides regular updates to the Management, BIRMC, and the Board through detailed reports, including Key Risk Indicators (KRIs) and a comprehensive Risk Profile Dashboard. These updates enable continuous monitoring of the Bank's risk profile, ensuring that it remains within the approved risk appetite. Prompt corrective actions are taken to address any deviations, safeguarding the Bank's adherence to established risk limits.

The Bank's risk profile is anchored in its strong capital adequacy and liquidity positions, which determine its capacity to manage risks effectively. It is characterised by a portfolio of high-quality assets and a stable, diversified funding base across geographies, sectors, products, currencies, sizes, and tenors. A detailed comparison of the risk profile of the Bank's Sri Lankan operations as of December 31, 2024, and December 31, 2023, against the defined risk appetite and regulatory or Board-approved policies is given below.

Risk profile Table – 50

As at December 31, Risk category	Key Risk Indicator	Policy parameter	Actual position 2024	Actual position 2023
Credit risk:				
Quality of lending portfolio	Impaired loans Stage 3 ratio (%)	2 – 5	3.05	5.85
	Impairment (Stage 3) to Stage 3 loans ratio (%)	40 – 45	64.61	43.22
	Weighted average rating score of the overall lending portfolios to be better than '6' (%)	35 – 40	80.35	80.89
Concentration	Loans and advances by product – Highest exposure to be maintained as a percentage of the total loan portfolio (%)	30 – 40	35.01	35.40
	Advances by economic sub sector (using HHI-Herfindahl – Hirschman-index)	0.015 – 0.025	0.0111	0.0136
	Exposures exceeding 5% of the eligible capital (using HHI)	0.05 – 0.10	0.0067	0.0095
	Exposures exceeding 15% of the eligible capital (using HHI)	0.10 – 0.20	0.0054	0.0049
	Exposure to any sub sector out of total loan portfolio to be maintained at (%)	4 – 5	2.74	3.18
	Aggregate of exposures exceeding 15% of the eligible capital (%)	20 – 30	16.88	15.04
Cross border exposure	Rating of the highest exposure of the portfolio on S&P Investment Grade – AAA to BBB-	AA	AAA	AAA
Market risk:				
Interest rate risk	Interest rate shock: (Impact to NII as a result of 100bps parallel rate shock for LKR and 25bps for FCY) (Rs. Mn.)	Maximum of 2,000	805.25	100.79
	Maximum repricing gap (RSA/RSL in each maturity bucket – up to one- year period) (Times)	<1-1.5	0.84	0.99
Liquidity risk	Liquidity Coverage Ratio (LCR) for All Currencies (%)	100	454.36	516.27
	Net Stable Funding Ratio (NSFR) (%)	100	187.29	193.70
Foreign exchange risk	Exchange rate shocks on Total FCY exposure (at 1% exchange rate sensitivity) (Rs. Mn.)	750	562.68	602.23
Operational risk	Operational loss tolerance limit (as a percentage of last three years average gross income) (%)	3 – 5	0.504	0.226
Strategic risk:	Capital adequacy ratios:			
	CET 1 (%)	Over 8.5	14.227	11.442
	Total capital (%)	Over 14.0	18.142	15.151
	ROE (%)	Over 15.0	22.06	9.78
	Creditworthiness – Fitch Rating	AA(lka)	A(lka)	A(lka)

(RSA – Rate Sensitive Assets, RSL – Rate Sensitive Liabilities)

Credit rating

Fitch Ratings upgraded the National Long-Term Ratings of ten Sri Lankan banks, including our Bank, following the recent sovereign upgrade and the recalibration of the agency's Sri Lankan National Rating Scale. As part of this process, our Bank's National Long-Term Rating was upgraded to AA-(lka) from A(lka), effective January 21, 2025. The recalibration of Sri Lanka's National Rating Scale was prompted by Fitch's upgrade of Sri Lanka's Long-Term Local-Currency Issuer Default Rating (IDR) to "CCC+" from "CCC" on December 20, 2024.

This upgrade reflects the Bank's strong credit fundamentals and resilience amidst a stabilizing macroeconomic environment. The improved sovereign credit profile and recalibrated rating scale have further bolstered the risk profile of the Sri Lankan banking sector. Stable Outlook highlights the Bank's ability to navigate the current operating environment while maintaining robust financial performance and a solid capital base.

Roadmap for 2025 and beyond

The Bank's strategic risk outlook for 2025 and beyond is shaped by an evolving economic and regulatory landscape, necessitating a resilient and adaptive risk management framework. The IRMD has outlined three transformative priorities to enhance risk governance and drive sustainable growth:

1. Value addition to decision making through digitisation (i.e. provision of robust risk insights via digital platforms for effective business decision making).
2. Internal customer experience (i.e customer centricity through continuous process improvements).
3. Enhancement of ESCR function into value creation (i.e. forerunner among peers from an ESCR perspective).
   By embedding sound risk analytics, fostering a culture of agility, and reinforcing ESG-driven risk frameworks, the Bank is positioning itself for future-ready risk governance that supports its growth and sustainability ambitions.

To achieve these objectives, the IRMD will undertake a series of strategic initiatives designed to strengthen the risk management framework:

- Serving internal customer demands by providing granular risk insights, prioritised through digital platforms.
- Expanding the existing CRR function to transform it to a digitised process to assist line Management and Lending Officers in making swift credit decisions.
- Increased automated operational risk monitoring and operational risk best practices.
- Automated processes for liquidity level monitoring.

- Increasing IT Risk Management coverage to capture the risks associated with emerging technologies.
- Risk leadership to new business models/ initiatives of the Bank.
- Inclusion of risk management and governance to the Bank's equity investment portfolio.
- Risk management of Bank's digital channels in order to secure customers' digital journey with the Bank.
- Integrate climate risk governance, scoring, and data-driven disclosures, into Bank's existing risk management framework to enhance resilience, regulatory compliance, and sustainable growth.

By pursuing these initiatives, the IRMD aims to strengthen its capabilities and deliver on its commitment to proactive risk management. These efforts will enhance resilience to future uncertainties, improve regulatory compliance, and align with the Bank's vision of fostering sustainable growth in a rapidly changing environment.

Risk Management Framework

The Bank's Integrated Risk Management Framework (IRMF) is a robust and comprehensive structure designed in accordance with CBSL guidelines and based on the internationally recognised Three Lines Model. This framework delineates the specific roles and responsibilities of various departments within the Bank, ensuring a coordinated and effective approach to managing risks.

The IRMF encompasses all risk exposures through a structured methodology supported by well-defined organisational structures, advanced systems, efficient processes, and globally benchmarked best practices. It provides a systematic approach to identifying, mitigating, and addressing potential risks, uncertainties, and losses faced by the Bank.

By adhering to the Three Lines model, the framework balances operational responsibilities while equipping the Bank with specialised skills and tools to manage risks effectively. The IRMF undergoes an annual review or is updated more frequently as needed to reflect changes in regulatory requirements, operational dynamics, and the evolving risk landscape.

Three lines of defence Figure – 49

1st Line of Defence

Business lines/Corporate functions

- Owns and manages associated risks
- Evaluates risk using informed judgment
- Ensures that risks accepted are within the Bank's risk appetite and risk management policies
- Comprises a robust system of internal controls and an organisation culture of risk awareness which is nurtured with regular training

Line Management/ Business Units

2nd Line of Defence

Risk management and control

- Independently monitors effective implementation of risk management framework
- Facilitates high levels of risk awareness throughout the organisation and ensures implementation of the risk management framework
- Maintains a sound risk management policy framework
- Carries out measurement, monitoring and reporting to the Management and Board Integrated Risk Management Committee
- Objectively challenges First Line of Defence

Risk/Compliance Departments

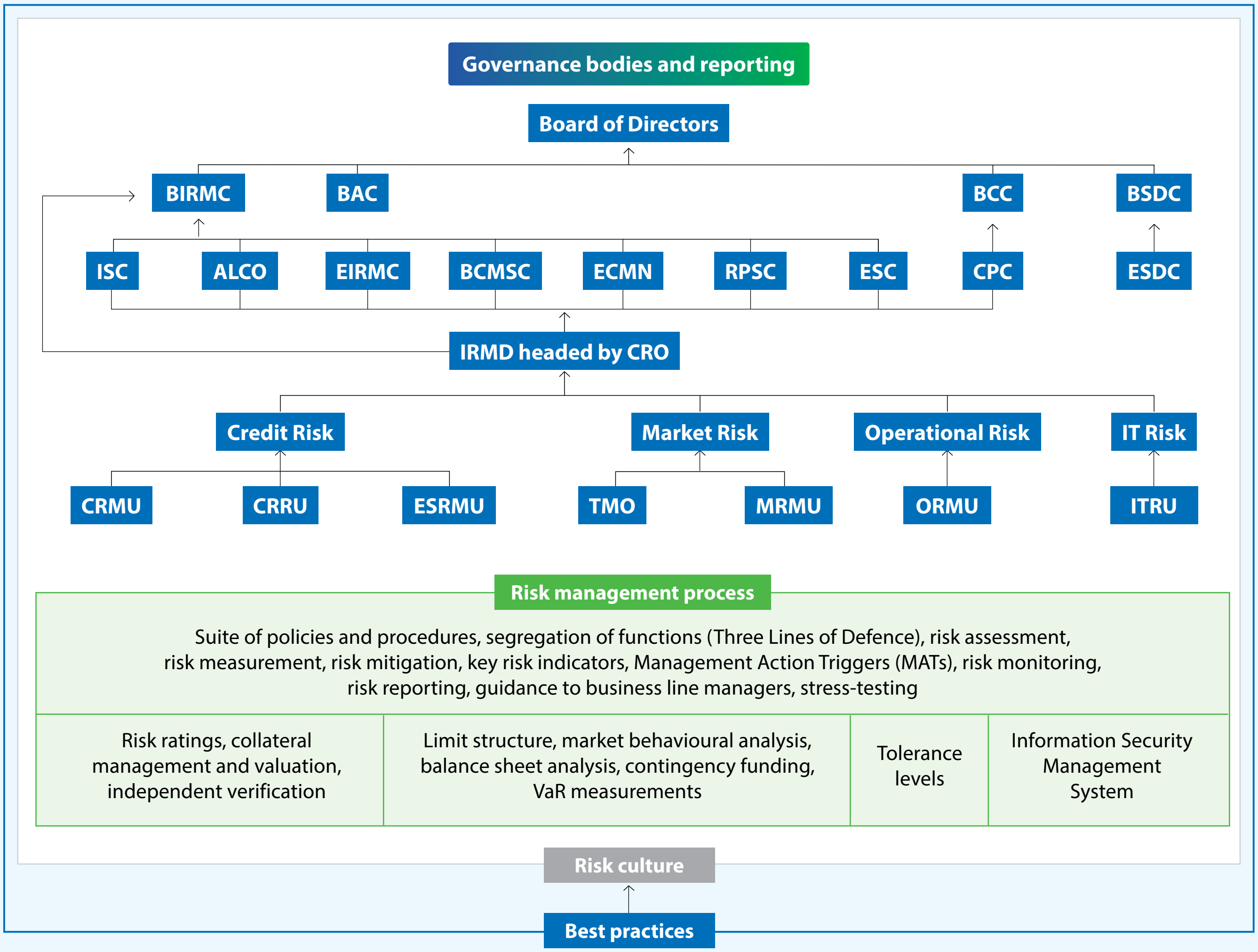
3rd Line of Defence

Assurance

- Comprises internal audit, external audit and regulatory reviews providing independent assurance to the Board over the First and Second Lines of Defence
- Facilitates high standards of governance and control systems
- Carries out timely reporting of findings to the Management and the Board Audit Committee

Inspection/Audit

Risk governance structure Figure – 50



***BAC** – Board Audit Committee, **BIRMC** – Board Integrated Risk Management Committee, **BCC** – Board Credit Committee, **BSDC** – Board Strategy Development Committee,*

***ISC** – Information Security Council, **ALCO** – Asset and Liability Committee, **EIRMC** – Executive Integrated Risk Management Committee, **BCMSC** – Business Continuity Management Steering Committee, **ECMN** – Executive Committee on Monitoring NPAs, **CPC** – Credit Policy Committee, **ESC** – Executive Sustainability Committee, **ESDC** – Executive Strategy Development Committee, **IRMD** – Integrated Risk Management Department, **CRMU** – Credit Risk Management Unit, **CRRU** – Credit Risk Review Unit, **ESRMU** – Environmental and Social Risk Management Unit, **TMO** – Treasury Middle Office, **MRMU** – Market Risk Management Unit, **ORMU** – Operational Risk Management Unit, **ITRU** – IT Risk Management Unit, **RPSC** – Recovery Plan Steering Committee*

Board of Directors

The Board of Directors functions as the highest governing authority, responsible for formulating the Bank's strategies and policies, setting objectives, and overseeing executive operations. It holds the ultimate accountability for supervising the risks undertaken by the Bank and its Group entities, ensuring these are effectively identified and managed. (Refer to pages 38 to 45 for detailed profiles of the Board of Directors.)

The Board defines the Bank's risk appetite by maintaining a balance between achieving strategic objectives and managing the risks associated with pursuing those objectives. Oversight responsibilities are delegated to various Board committees, listed on page 197, which are supported by executive-level counterparts. These committees work in close collaboration with the executive management to assess the effectiveness of the Bank's risk management framework. They regularly report their findings to the Board, offering a comprehensive perspective on the Bank's risk profile, management actions, and outcomes. This process enables the Board to identify risk exposures, address gaps, and implement mitigation measures in a timely manner.

The Board actively guides executive management to ensure that business strategies and objectives are aligned with the desired risk levels. The leadership and ethical tone set by the Board, combined with its strong corporate culture, are instrumental in managing risks effectively throughout the Bank.

In addition to adhering to the Three Lines Model, the Bank places a strong emphasis on ethical conduct as a core element of risk management. The Bank's commitment to responsible, transparent, and disciplined business practices is clearly outlined in various policies and frameworks, including the Code of Ethics, Gift Policy, Communication Policy, Credit Policy, Anti-Bribery and Anti-Corruption Policy, and Conduct Risk Management Policy Framework. These documents set clear expectations for all employees to uphold the highest standards of honesty, integrity, and accountability.

The Board also ensures diligent oversight of the risk profiles of all subsidiaries within the Group, in addition to that of the Bank, recognising the potential financial and reputational risks involved. This oversight is conducted in strict compliance with regulatory requirements. (Refer to page 30 for the list of subsidiaries.)

Board committees

The Board has established four dedicated committees to support its oversight responsibilities for risk management and to ensure the adequacy and effectiveness of the Bank's internal control systems. These committees are:

- Board Audit Committee (BAC)
- Board Integrated Risk Management Committee (BIRMC)
- Board Credit Committee (BCC)
- Board Strategy Development Committee (BSDC)

Each committee functions under clearly defined Terms of Reference (ToR) and convenes meetings at predetermined intervals or as required. Through their discussions and evaluations, these committees provide recommendations to the Board on critical areas such as risk appetite, risk profile, strategy, risk management and internal control frameworks, risk policies, limits, and delegated authority.

For detailed information on the composition, Terms of Reference, authority, meeting schedules, attendance, activities undertaken during the year, and other relevant aspects, please refer to the respective committee reports on pages 214 to 237.

Executive committees

The executive management is responsible for implementing strategies and plans as mandated by the Board of Directors while ensuring that the Bank's risk profile remains within the approved risk appetite. The Executive Integrated Risk Management Committee (EIRMC), composed of members from units overseeing credit risk, market risk, liquidity risk, operational risk, and IT risk, leads this effort. To address specific risk areas comprehensively, the EIRMC is supported by several dedicated committees, facilitating effective risk management across both the First and Second Lines of Defence:

- Asset and Liability Management Committee (ALCO)
- Credit Policy Committee (CPC)
- Executive Committee on Monitoring Non-Performing Credit Facilities (ECMN)
- Information Security Council (ISC)
- Business Continuity Management Steering Committee (BCMSC)
- Executive Sustainability Committee (ESC)
- Recovery Plan Steering Committee (RPSC)

The EIRMC maintains active communication with the BIRMC to ensure that risk management activities align with the IRMF and that risks are managed within established parameters. The Chief Risk Officer (CRO) directly reports to the BIRMC, underscoring the independence of the risk management function. Details regarding the composition of the executive committees can be found in the "Annual Corporate Governance Report" on pages 201 and 203.

The CRO, who heads the IRMD, plays a pivotal role in ensuring risk governance by participating in major risk and control forums, including meetings of the BIRMC, BCC, and BAC. The IRMD is entrusted with independently monitoring the compliance of the First Line of Defence with established policies, procedures, guidelines, and limits. Any deviations are escalated to the relevant executive committees for further action.

Further, the IRMD provides a holistic view of all types of risk, enabling independent risk assessments by the executive committees. The findings and recommendations are shared with Line Managers and Senior Management, fostering effective communication, promoting discussions, and driving necessary actions to mitigate risks and enhance the Bank's resilience.

Risk management

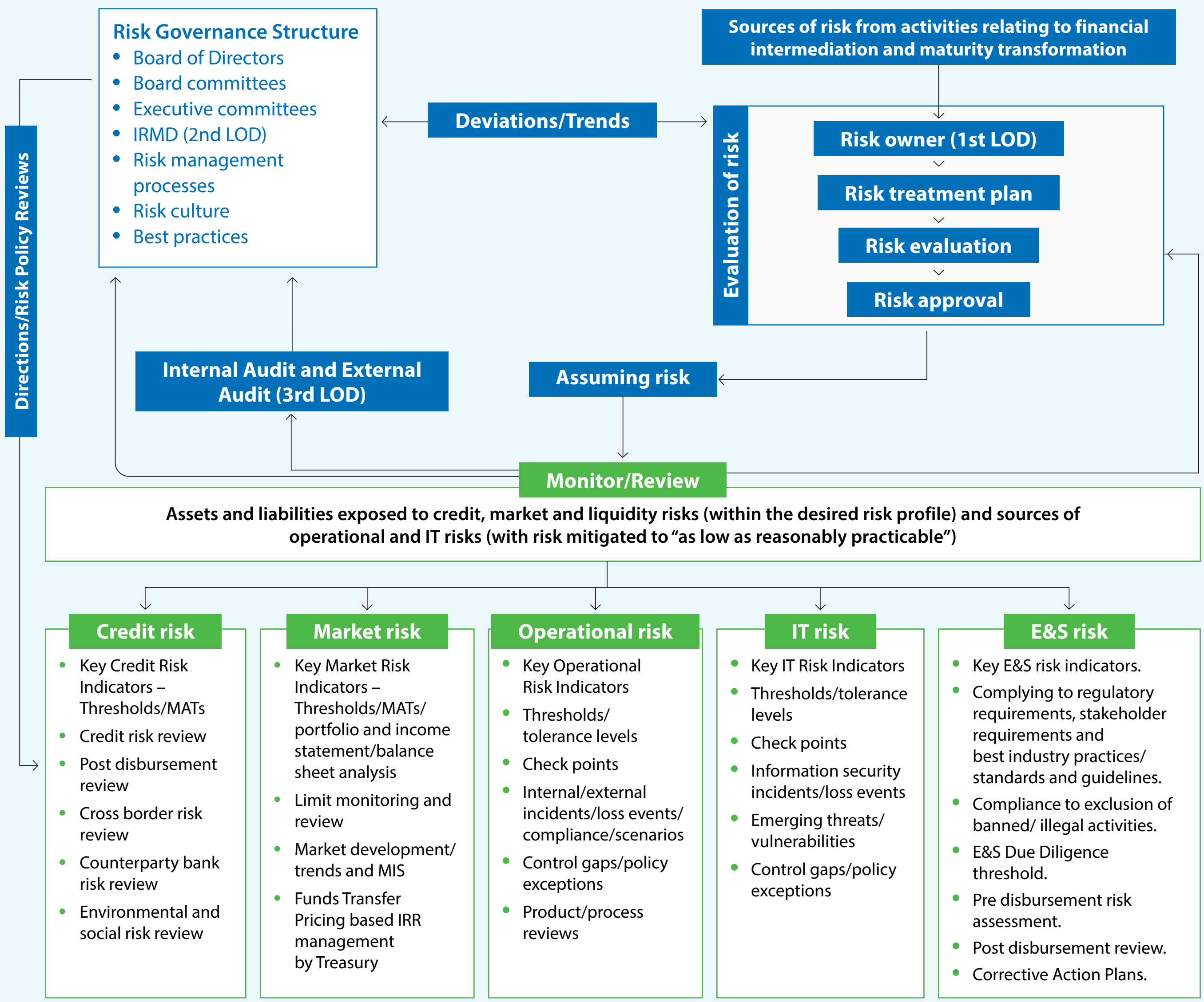
Risk management involves the critical responsibility of identifying, assessing, controlling, and mitigating risks. This includes developing and implementing risk mitigation strategies, monitoring Early Warning Signals (EWS), estimating potential future losses, and taking proactive measures to manage or transfer risks effectively. The Bank's risk management framework (depicted in Figure 51) serves as a guide for designing and executing risk management strategies, policies, and procedures, ensuring alignment with the strategic priorities outlined in the Bank's Corporate Plan and its defined risk appetite.

To enhance its risk detection and management capabilities, the Bank has made significant investments in developing a robust infrastructure. This infrastructure includes foundational resources such as policies, procedures, guidelines, circulars, limits, software platforms, risk assessment tools, databases, and expertise. Additionally, the Bank has implemented risk dashboards and predictive modeling capabilities to support real-time monitoring and decision-making. These elements are complemented by incident response mechanisms, advanced data analytics, and streamlined communication channels, all aligned with international best practices to ensure the effectiveness of risk management processes.

This infrastructure establishes the foundation for applying specific risk management tools, enabling the Bank to proactively identify, assess, and manage risks while ensuring regulatory compliance and operational resilience.

Recognising that risk management is a shared responsibility across the organisation, the Bank emphasises the importance of equipping all employees with a clear understanding of the risks they may encounter. The IRMD plays a key role in fostering a strong risk culture by providing continuous training and awareness programs. These initiatives focus particularly on risk owners, offering knowledge and skill-building opportunities to ensure that all employees are well-prepared to address risks effectively and contribute to the Bank's overall resilience.

Risk management framework Figure – 51



Policies, procedures, and limits

The Bank has implemented a comprehensive suite of risk management policies that address all managed risks, ensuring robust governance and regulatory compliance. These policies provide clear guidance to business and support units on managing risks effectively and adhering to regulatory requirements, including the Banking Act Direction No. 07 of 2011 – Integrated Risk Management Framework for Licensed Commercial Banks, developed in alignment with the Basel Framework, as well as subsequent directives issued by the CBSL.

By institutionalising a structured knowledge base, these policies aim to minimise bias and subjectivity in risk-related decision-making. Core documents, such as risk management policies, play a critical role in shaping the Bank's risk culture by clearly defining objectives, priorities, processes, and the roles and responsibilities of the Board of Directors and the Management in risk governance.

The Risk Appetite Statement (RAS) is a key element of the Bank's risk management framework, establishing the limits within which risks must be managed. The RAS is reviewed and updated by the BIRMC and the Board of Directors at least annually or more frequently, in line with evolving regulatory and business requirements.

To ensure the Bank's overall risk exposure, including that of its international operations, aligns with CBSL's regulatory framework, the Bank considers the regulatory landscapes in all jurisdictions where it operates. Operational guidelines are issued to facilitate the implementation of the Risk Management Policy and ensure compliance with the limits outlined in the RAS. These guidelines provide employees with detailed instructions on the types of facilities, processes, and terms and conditions that govern the Bank's daily operations.

Risk management tools

Building on its comprehensive infrastructure, the Bank employs a diverse range of qualitative and quantitative tools to identify, measure, manage, and report risks effectively. These tools are tailored to address specific risks based on factors such as the likelihood of occurrence, potential impact, and data availability.

Key tools utilised by the Bank include EWS, threat analysis, risk policies, risk registers, risk maps, and RCSA. These tools are complemented by advanced frameworks like the ICAAP, workflow-based operational risk management systems, and the Environmental and Social Management System (ESMS).

To enhance risk quantification and mitigation, the Bank employs diversification strategies, insurance, benchmarking, gap analysis, and Net Present Value (NPV) analysis. Additionally, advanced products such as SWAPs, Caps and Floors, hedging and techniques like risk scoring, stress-testing, duration analysis, Value at Risk (VaR) assessments , and scenario analysis are integral to managing market and credit risks.

These tools and techniques collectively ensure that risks across all dimensions of the Bank's operations are managed effectively within the parameters of its risk appetite and governance frameworks.

Summary of Key Risks Figure – 52

External

	Economic performance and trade cycles	Cyber threats	Increased regulations	Stability of fiscal and monetary policy	Other emerging risks
Mitigation	Guiding business strategy and resource allocation communicated to business lines.	Specialised teams within the risk management function (in addition to the First Line of Defence) and continued investments in enhancing cyber security.	A dedicated compliance function and an independent internal audit function facilitate compliance.	Close monitoring of trends for possible ramifications on the economy and business strategy which could impact asset quality and profitability.	Offering unparalleled and unprecedented convenience by adopting the latest banking technology. Embedding Climate Risk assessment (physical risk and transition risk) under Environmental and Social Risk Assessment.
Our objective	Safeguard stable funding sources, asset quality and returns	Safeguard information and ensure business continuity	Dynamic approach to comply with regulations		To satisfy the rising expectations of stakeholders and to be future ready

BANK

Internal

	Credit risk	People and operational risk	Market risk	Model risk	Liquidity risk	Environmental and Social Risk
Our objective	Safeguard the asset quality and reduce exposures to high risk segments	Creating an environment that enables performance while safeguarding the business	Safeguard against adverse movement of market factors arising from price sensitivities of funding sources, investments, lending or trading portfolios	Develop predictive capability to support the decision making process	Safeguard against funding constraints that prevent growth and meet demands of depositors/investors	Proactively safeguard against exposure to industries, sectors, or projects with significant negative environmental and social impacts, such as community displacement, pollution, human rights violations, or climate change.
Mitigation	Robust and rigorous risk assessment and pricing of loans in line with risk appetite and collateral support	Succession plans, code of conduct and business ethics, competency, policy frameworks, segregation of duties and internal controls	Monitoring, predicting and controlling through stringent limits and Management Action Triggers	Assumptions based models and behavioural testing through internal/ external independent validation	Retention and growth of a stable deposit base and tapping low cost funding sources locally and overseas, act as a buffer in addition to sound maintenance of the liquid asset portfolio to support contingencies	Robust environmental and social risk assessments followed by corrective action plans development and implementation by the borrowers.

Increasing trend in risk   Decreasing trend in risk   No significant change

Types of risks

The Bank is exposed to a wide spectrum of financial and non-financial risks, which are broadly categorised into credit, market, liquidity, operational, reputational, IT, strategic, environmental and social, and legal risks. Collectively, these risks define the Bank's overall risk profile, which is consistently monitored against the established risk appetite. To prudently manage these risks, the Bank has implemented a comprehensive risk management framework. However, despite these measures, external and internal factors continue to introduce substantial uncertainty, requiring constant vigilance and adaptability to navigate an evolving risk landscape.

External factors

- Macroeconomic and political risks: Fluctuations in macroeconomic variables, political instability, changes in fiscal and monetary policies, sovereign risk destabilising financial markets, demographic shifts.
- Market and trade risks: Fragile supply chains, pandemics, sustainability concerns, competitive pressures, declining property valuations, credit rating downgrades.
- Technological and regulatory risks: Technological advancements, regulatory developments, stakeholder demand for ethical practices.
- Reputational risks: Social media misinformation, heightened public scrutiny, unfounded perceptions of banks exploiting customers.
- Contagion Risk : Interconnectedness of banking ecosystem, companies, economies that can have cascaded impact on the business sustainability.

Internal factors

- Workforce and culture: High staff turnover, knowledge and skill gaps, industrial disharmony, deterioration in internal sub-cultures.
- Governance and strategy: Arbitrary decision-making, misalignment of strategy, lapses in risk framework implementation, inaccurate macroeconomic predictions, improper alignment of remuneration to performance and risk.
- Process and Data Risks: Execution gaps, weak data infrastructure hindering decision-making, inadequate digitization, inaccuracies in risk reporting, acts of fraud, misappropriation, or unethical behaviour.
- Customer and strategy risks: Provision of incorrect advice to customers, strategic misalignments, underperformance of group companies.

Navigating in an increasingly complex environment

The Bank operates in an environment marked by increasing complexity and uncertainty, driven by emerging threats and challenges to traditional assumptions about markets, competition, and fundamental business principles. To address these challenges, the Bank emphasises on:

1. Gaining a deeper understanding of stakeholder needs.
2. Ensuring excellence in internal process execution.
3. Leveraging strategic responses to risks as opportunities to enhance its value proposition and foster future growth.

These efforts ensure that discussions on risk management remain a top priority in all Board, Board Committee, and Executive Committee meetings. A summary of key risks is given in Figure 52 on page 262.

By adopting a consistent approach to risk management and addressing uncertainties effectively, the Bank strives to implement its strategy to deliver value for all stakeholders. A detailed account of the various types of risks managed by the Bank and the corresponding mitigation measures is given below.

Credit risk

Credit risk refers to the potential financial loss arising from a borrower or counterparty's failure to meet their contractual obligations. The Bank is exposed to credit risk through its direct lending activities as well as commitments and contingencies. The extent of credit risk is influenced by several factors, including the quality and the diversification of the lending portfolio, the concentration of exposures, the credit ratings of counterparties with international exposure, and sovereign ratings related to government exposures.

The marked improvement in the macroeconomic and operating environment during the year, driven by stabilising socio-economic and political conditions, contributed to an enhancement in overall asset quality across the financial sector. This positive shift has provided the Bank with opportunities to refine its credit risk management practices. While challenges persist in certain sectors, the Bank has leveraged the improved conditions to adopt forward-looking strategies for managing and mitigating credit risk, ensuring a balanced and resilient approach to risk management.

The Bank's total credit risk is composed of three key elements: counterparty risk, concentration risk, and settlement risk. These components are monitored and managed under the Bank's comprehensive risk management framework to ensure a proactive and resilient approach to credit risk mitigation.

Maximum credit risk exposure Table – 51

As at December 31,	2024		2023	
	Rs. Bn.	%	Rs. Bn.	%
Net carrying amount of credit exposure:				
Cash and cash equivalents	86.848	2.6	157.819	5.2
Placements with central banks and other banks (excluding reserves)	104.901	3.2	86.248	2.9
Financial assets at amortised cost – Loans and advances to Banks				
Financial assets at amortised cost – Loans and advances to Other Customers	1,384.524	42.1	1,176.360	38.9
Financial assets at amortised cost – Debt and other financial instruments	667.709	20.3	649.740	21.5
Financial assets measured at fair value through other comprehensive income	301.584	9.2	287.023	9.5
Total (a)	2.545.566		2,357.190	
Off-balance sheet maximum exposure:				
Lending commitments	196.131	6.0	157.205	5.2
Contingencies	546.359	16.6	507.169	16.8
Total (b)	742.490		664.374	
Total of maximum credit exposure (a + b)	3,288.056	100.0	3,021.564	100.00
Gross carrying amount of loans and advances to Other Customers	1,486.900		1,265.559	
Stage 3 (credit impaired) loans and advances to Other Customers	127.738		143.564	
Impaired loans as a % of gross loans and advances to Other Customers		8.6		11.3
Allowance for impairment – loans and advances to Other Customers	102.376		89.199	
Allowance for impairment as a % of gross loans and advances to Other Customers		6.9		7.0
Impairment charge – loans and advances to Other Customers	22.816		5.690	

Amidst the improving socio-economic conditions in the country, the maximum credit exposure of the Bank increased to Rs. 3,288.06 Bn. as of December 31, 2024 (compared to Rs. 3,021.56 Bn. as of December 31, 2023).

With the improving macroeconomic environment, the financial services industry witnessed a relative stabilization in the trend of loans and advances categorised as Non-Performing Credit Facilities (NPCF). Consequently, the credit-impaired (Stage 3) loans and advances to customers of the Bank stood at Rs. 127.74 Bn. as of December 31, 2024 (compared to Rs. 143.56 Bn. in 2023), constituting 8.6% of gross loans and advances to customers (compared to 11.3% in 2023). The Bank has made a cumulative impairment provision of Rs. 102.38 Bn. on the loans and advances portfolio as of December 31, 2024, in accordance with the requirements of SLFRS 9 (compared to Rs. 89.2 Bn. in 2023).

Additionally, following the successful completion of the debt restructuring program related to Sri Lanka International Sovereign Bonds (SLISBs), the Bank derecognised the existing bonds and reversed the full impairment provision previously held against them. New bonds issued as part of the restructuring were subsequently recognised, with the required provisions for impairment and day-one loss accounted for in accordance with applicable standards.

Managing credit risk

The lending portfolio constituted 53.3% of the Bank's total assets as at December 31, 2024, with credit risk accounting for over 88.12% of the total risk-weighted assets. Recognising this significant exposure, the Bank places utmost importance on prudently managing credit risk, going beyond regulatory compliance. This focus is governed by a Board-approved credit risk management framework, encompassing a robust governance structure and a comprehensive suite of risk management processes. These include policies and procedures, risk assessments, collateral management, credit risk segregation, environmental and social risk management, independent verifications, ongoing monitoring, post-disbursement reviews, guidance to business managers, credit risk knowledge dissemination, and the integration of internal audit information.

During 2024, supported by the improved socio-economic environment, the EIRMC/BIRMC continued to address credit risk management with diligent oversight mechanisms. The top 5 Stage 3 customers in each subsector remained under close surveillance. Leveraging insights from the EWS system, the Bank meticulously tracked the movements of exposures and the number of customers categorised as EWS Watch List, Cautious Care, and Intensive Care. Continuous monitoring of stressed lending assets identified through EWS was conducted in collaboration with Lending Officers and the IRMD. The IRMD independently reviewed impairment of Individually Significant Customers quarterly, with plans underway to enhance this process further through technology for improved accuracy and efficiency in 2025.

Despite the improved macroeconomic conditions, the Bank continued to maintain significant attention on its exposures to REIs while closely monitoring the Expected Credit Loss (ECL) for individually and collectively impaired facilities in Stage 2 and Stage 3 categories. Separate analyses and monitoring processes were undertaken for tourism-related and other exposures, with the top

10 borrowers in each REI category within Stage 2 and Stage 3 under close observation. The Bank also paid close attention to its exposures to the Government, both in terms of commercial lending and treasury guarantees, while tracking the concentration of collateral in its advances.

The Bank has established internal limits to manage credit exposure effectively, including but not limited to:

- Open credit exposure
- Aggregate credit exposures to corporate borrowers owned or controlled by a single common shareholder or stakeholder
- Related party exposures
- Economic group exposure ratios
- Cross-border exposures

Post-disbursement credit reviews for loans and overdrafts were conducted in line with the "Credit Risk Review Policy". These reviews aligned with the provisions outlined in the Credit Policy and Lending Guidelines. Findings were communicated to Lending Officers, whose responses were subsequently assessed. Particular attention was given to lending units or regions with elevated stress levels, with detailed analyses escalated to the Executive Committees for prompt action.

Credit health checks for branches and other lending units assessed various parameters, including credit evaluation processes, account behaviour, risk ratings, compliance with guidelines, post-sanction compliance, concentration levels in the Loan Book, recovery efforts, follow up on NPCF, examination of problematic advances, adherence to credit processes, and the reporting system.

Review of credit risk

The notable turnaround in the operating environment during the year contributed to the revival of credit growth in the private sector and supported moderate economic activity. The Bank demonstrated resilience during this recovery period and managed to secure a proportionately higher share of this growth when the loan book grew by 17.49%. At the same time, there was a notable improvement in asset quality too as evidenced by the gross Stage 3 loans and advances ratio falling to 8.6% by year end compared to 11.3% a year ago.

The robust credit risk management framework guided the Bank in onboarding new exposures and monitoring the quality of the loan book, ensuring the selection of customers, products, industries, and geographies aligned with the Bank's risk appetite. Strategic initiatives implemented during the year to mitigate credit risks and maintain credit quality are detailed in the Report of the Board Integrated Risk Management Committee on pages 218 to 220.

Concentration risk

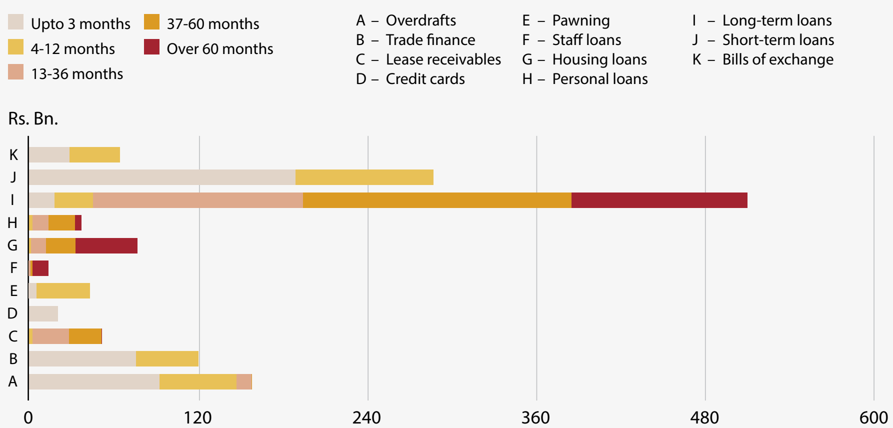
The Bank actively mitigates concentration risk through strategic diversification across various dimensions, including industry sectors, products, counterparties, and geographies. The RAS has established specific limits for these segments, ensuring compliance, and exposure monitoring is conducted by the CPC, the EIRMC, the BIRMC and the Board. These committees not only oversee concentration risk exposures but also provide recommendations and propose adjustments to defined limits in response to emerging trends and changes in the business environment.

During the year, the CBSL issued new Directions on large exposures for licensed banks as a macroprudential measure to mitigate systemic risks arising from potential credit concentration. These Directions aim to enhance the safety and soundness of the banking sector and preserve public confidence. One key provision under these Directions requires that, effective January 1, 2026, the maximum limit on large exposures to an individual borrower or a group of connected borrowers must not exceed 25% of the licensed bank's Tier I capital at any given time.

In response to this regulatory requirement, the Bank extensively deliberated at both the executive and Board committee levels on the measures needed to ensure compliance with the new exposure caps. These discussions emphasised the importance of timely and proactive adjustments to the Bank's credit exposure strategies to meet the requirements while maintaining a balanced and diversified portfolio.

For a detailed view of the Bank's exposure management, Graph 48 illustrates the composition of the portfolio of total loans and advances to other customers by tenure, in alignment with the Bank's defined risk appetite and regulatory guidelines.

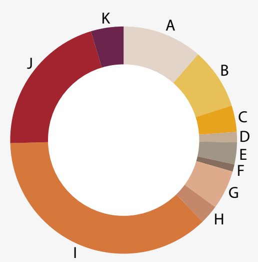
Tenure-wise loans & advances to other customers as at December 31, 2024 (based on residual maturity) Graph – 48



Distribution of Stage 3 credit impaired loans and advances to other customers Table – 52

As at December 31, 2024					
Industry Category	Stage 3 Loans & Advances Rs.'000	Cumulative provision for Individual Impairment Rs.'000	Cumulative provision for Collective Impairment Rs.'000	Cumulative provision for Expected Credit Loss Rs.'000	Amount Written-off Rs.'000
Agriculture, forestry & fishing	11,137,842	7,249,194	1,281,116	8,530,310	147,608
Arts, entertainment & recreation	30,128	16,914	3,242	20,156	126
Construction	12,573,601	5,629,673	1,340,459	6,970,132	2,951,489
Consumption and others	5,720,517	1,085,751	1,838,578	2,924,329	168,813
Education	441,492	54,181	186,091	240,272	462
Financial services	1,467,574	1,339,133	45,391	1,384,524	10
Health care, social services & support services	2,380,888	1,446,459	167,080	1,613,539	16,418
Information technology and communication services	1,357,264	782,722	107,740	890,462	10,590
Infrastructure development	2,686,972	1,608,457	316,291	1,924,748	199,714
Lending to overseas entities	10,941,400	7,755,263	894,861	8,650,124	0
Manufacturing	21,726,476	13,564,193	2,063,106	15,627,299	723,271
Professional, scientific & technical activities	1,056,700	285,836	214,547	500,383	20,36
Tourism	21,525,864	10,454,967	1,266,557	11,7215,24	33,401
Transportation & storage	2,212,953	1,340,823	223,821	1,564,644	11,096,49
Wholesale & retail trade	32,478,280	18,323,036	3,838,016	22,161,052	202,155
Total	127,737,951	70,936,602	13,786,896	84,723,498	5,565,742

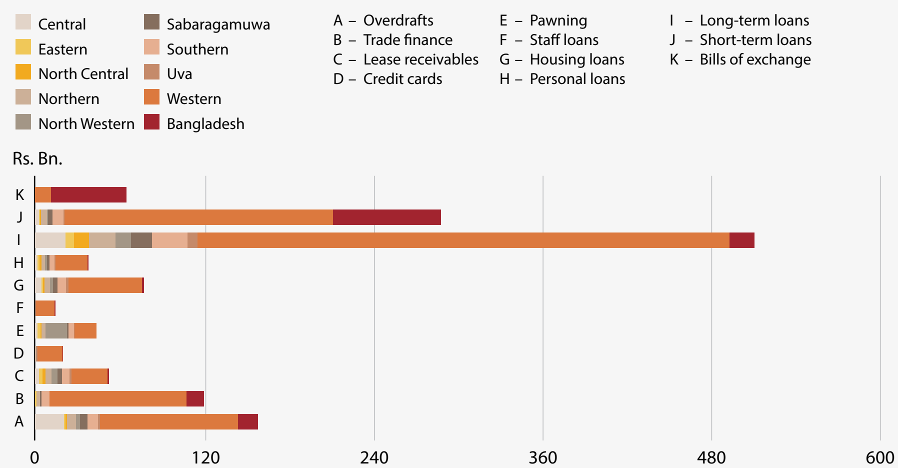
Product-wise analysis of loans & advances to other customers as at December 31, 2024 Graph – 49



		%	Net exposure (Rs. '000)
A	Overdraft	11.4	157,854,379
B	Trade Finance	8.7	120,251,551
C	Lease Receivables	3.8	52,130,100
D	Credit card	1.5	20,273,286
E	Pawning	3.1	43,257,311
F	Staff Loans	1.0	14,242,499
G	Hosing Loans	5.6	77,175,413
H	Personal Loans	2.7	37,445,909
I	Long Term Loans	36.8	509,817,684
J	Short Term Loans	20.8	287,481,952
K	Bills of Exchange	4.7	64,594,576

An analysis of the Bank's lending portfolio by product (refer to Graph 49) demonstrates the effectiveness of the Bank's credit policies, ensuring a well-diversified risk distribution across various credit products.

Product-wise geographical analysis of loans & advances to other customers as at December 31, 2024 Graph – 50



The Bank has a relatively high exposure of 36.8% to long-term loans, which is carefully monitored and effectively mitigated through the provision of adequate collateral.

Counterparty risk

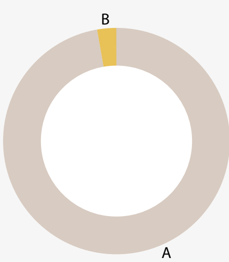
The Bank manages counterparty risk through well-defined policies, procedures, and limit structures, including large exposure thresholds and group exposure limits across various products. The Bank has implemented limits that are more stringent than those mandated by regulators, providing enhanced flexibility in managing concentration levels associated with counterparty exposures.

Loans and advances to the Bank from both local and foreign counterparties represent a significant component of counterparty risk. These exposures are closely monitored against established product limits at regular intervals, with dedicated policies, procedures, and limit structures guiding their management.

The financial and economic performance of counterparties is rigorously assessed throughout the year. For exposures to counterparty banks, limits are reviewed and monitored frequently, with adjustments made as necessary to align with the most current information available.

The Bank utilises ratings provided by Fitch Ratings for local banks in Sri Lanka and Credit Ratings Agency Bangladesh (CRAB) for local banks in Bangladesh. Where CRAB ratings are unavailable, equivalent CRISL/ Alpha ratings are used. As of December 31, 2024, 97% of the Bank's exposure to local banks in Sri Lanka was rated in the AAA to A category (refer to Graph 51), while 100% of the exposure to local banks in Bangladesh consisted of AAA to AA-rated counterparties (refer to Graph 52).

The concentration of counterparty bank exposures in Sri Lanka as at December 31, 2024 (Fitch ratings-wise) Graph – 51



	Country Rating	%	Exposure (USD Mn.)
A	AAA to A	97	70.47
B	BBB to B	3	1.97
C	CCC to Unrated	0	0.01

The concentration of counterparty bank exposures in Bangladesh as at December 31,2024 (CRAB ratings-wise*) Graph – 52

	Country Rating	%	Exposure (USD Mn.)
A	AAA to A	100	125.52
B	BBB to B	0	0.00
C	CCC to Unrated	0	0.00

Equal CRISIL/Alpha ratings are given where CRAB ratings are unavailable

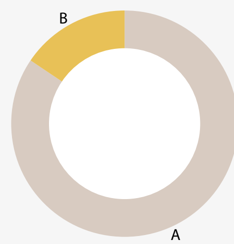
Cross-border risk

Cross-border risk refers to the potential challenges the Bank may face in receiving payments from customers or third parties due to actions taken by foreign governments, particularly those impacting the convertibility and transferability of foreign currency. Assets exposed to cross-border risk primarily include loans and advances (including exposures acquired through risk participation agreements), interest-bearing deposits with other banks, trade and other bills, and acceptances, which are largely linked to short-term money market activities.

To mitigate risks associated with over-concentration in cross-border exposures, the Bank has established a robust limit structure. It continuously monitors macroeconomic and market conditions in the countries where counterparties are located, rigorously evaluates counterparties, and maintains regular communication with them. When adverse economic or political developments arise in specific countries, the Bank takes timely actions, such as suspending or revising limits, to safeguard its exposures.

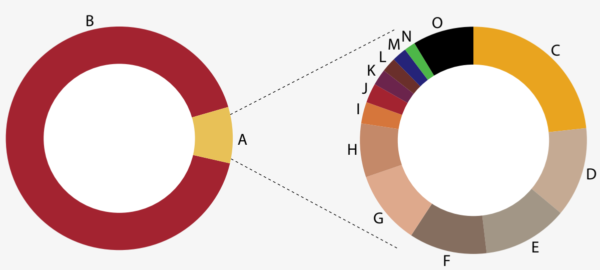
The Bank limits its total cross-border exposure to 8% of its total assets (refer to Graph 53). Cross-border exposures span several countries, including the UK, the Maldives, India, Hong Kong, Singapore, and China. Of the Bank's cross-border exposures related to Sri Lankan and Bangladesh operations, 84.44% are to countries rated AAA to BBB-, while 15.56% are to countries rated below BBB- or unrated (refer to Graph 54).

The concentration of cross-border exposure (Sri Lanka and Bangladesh operations) – S&P rating wise as at December 31, 2024 Graph – 54



	Country Rating	%	Exposure (USD Mn.)
A	AAA to BBB-	84	687.67
B	Below BBB- and Unrated	16	126.74

Cross border exposure of the Bank (Sri Lankan & Bangladesh operations) as at December 31, 2024 Graph – 53



		%
A	Cross-border Assets	8
B	Other Assets	92

	Country	%
C	SINGAPORE	23.28
D	UK	12.76
E	USA	12.09
F	MALDIVES	11.10
G	INDIA	10.52
H	HONG KONG	7.63
I	QATAR	3.07
J	INDONESIA	2.76
K	BANGLADESH	2.32
L	CHINA	2.09
M	MAURITIUS	2.09
N	DENMARK	1.60
O	Others	8.69

Market risk

Market risk refers to the potential adverse effects on a bank's financial position arising from fluctuations in financial market conditions. These conditions include changes in interest rates, exchange rates, commodity prices, equity and debt prices, and the correlations between these variables. Deviations from the assumptions made during decision-making can lead to unexpected financial impacts. The Bank's operations are influenced by these variables and their interdependencies to varying degrees.

Market risk comprises several components, including interest rate risk, liquidity risk, foreign currency risk, and equity risk.

Market risk categories Table – 53

Major market risk category	Risk components	Description	Tools to monitor	Severity	Impact	Exposure
Interest rate		Risk of loss arising from movements or volatility in interest rates				
	Re-pricing	Differences in amounts of interest-earning assets and interest-bearing liabilities getting re-priced at the same time or due to timing differences in the fixed rate maturities, and appropriately re-pricing of floating rate assets, liabilities, and off-balance sheet instruments	Re-pricing gap limits and interest rate sensitivity limits	High	Medium	Medium
	Yield curve	Unanticipated changes in shape and the gradient of the yield curve	Rate shocks and reports	High	High	High
	Basis	Differences in the relative movements of rate indices which are used for pricing instruments with similar characteristics	Rate shocks and reports	High	Medium	Medium
Foreign exchange		Possible impact on earnings or capital arising from movements in exchange rates arising out of maturity mismatches in foreign currency positions other than those denominated in base currency, Sri Lankan Rupee (LKR)	Risk tolerance limits for individual currency exposures as well as aggregate exposures	Medium	Medium	Medium
Equity		Possible losses arising from changes in prices and volatilities of individual equities	Mark-to-market calculations are carried out daily for Fair Value Through Profit and Loss (FVTPL) and Fair Value Through Other	Low	Low	Negligible
Commodity		Exposures to changes in prices and volatilities of individual commodities	Mark to market calculations	Low	Low	Negligible

Managing market risk

The Bank effectively manages market risk through a Board-approved market risk management framework. This framework incorporates a robust governance structure and comprehensive risk management processes, including policies, market risk limits, Management Action Triggers (MATs), ongoing risk monitoring, and detailed risk assessments.

To evaluate the impact on the Bank's Net Interest Income (NII) under stress conditions, scenario analyses were conducted, simulating changes of 100 – 400 basis points (bps) for LKR and 25 – 100 bps for foreign currency (FCY) over a 12-month horizon. Additionally, the Bank employs the Economic Value of Equity (EVE), a long-term measure of Interest Rate Risk (IRR), to analyse its sensitivity to market rate changes and assess its value under current market conditions. The repricing gap between Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL) was also reviewed.

Monitoring changes in Net Interest Margin (NIM) for both LKR and FCY on a monthly basis in Sri Lanka and Bangladesh operations remained a key focus area. Stress tests were conducted to evaluate FX position gains/losses under a 5% up/down movement in the exchange rate between USD and LKR. The Bank also assessed the impact of Mark-to-Market (MTM) gains or losses for the Fair Value Through Profit or Loss (FVTPL) portfolio of LKR Government securities and the Fair Value Through Other Comprehensive Income (FVTOCI) portfolio under interest rate changes of 1% up/down and 2% up/down.

Ongoing monitoring of opportunity losses in the amortised cost portfolio and FCY cash flow projections for the next three months was conducted to enhance risk preparedness. The Bank also maintained a summary of the FCY liquidity gap, incorporating funding liquidity against undrawn overdraft limits and anticipated loan disbursements for the following three months. Moreover, funding concentration was evaluated by tenor, value, top 20 depositors, and currency to ensure effective liquidity management.

Review of market risk

The Bank's market risk primarily arises from interest sensitive Non-Trading Portfolio (Banking Book), which accounted for 88.02% of total assets and 88.99% of total liabilities as of December 31, 2024. The majority of the market risk exposure is attributed to Interest Rate Risk (IRR) and Foreign Exchange (FX) risk, with a minimal exposure to commodity price risk, equity price risk, and debt price risk. These latter components collectively account for less than 5% of the total risk-weighted exposure for market risk.

Further details on the Bank's market risk exposure, including an analysis of the Trading Book and Non-Trading Portfolio (Banking Book), are provided in Note 66.3.1 on page 452.

Market risk portfolio analysis

The gap report is prepared by categorising Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL) into various time bands based on their maturity (for fixed-rate instruments) or the time remaining until their next repricing (for floating-rate instruments). The distribution of savings deposit balances is aligned with the results of a behavioural analysis conducted by the Bank and adheres to the guidelines issued by the CBSL for overdrafts and credit cards.

The Bank's exposure to interest rate volatility is represented by the gap between RSA and RSL, as illustrated in Table 55.

Interest Rate Risk (IRR)

Significant fluctuations in interest rates pose a critical risk to the Bank, as they can directly impact its Net Interest Income (NII) and the economic value of interest-earning assets, interest-bearing liabilities, and off-balance sheet items. Interest rate volatility may lead to unexpected changes in income and valuations, potentially affecting the Bank's financial stability and profitability.

The primary types of Interest Rate Risk (IRR) the Bank is exposed to include:

- **Repricing risk:** Arises from differences in the timing of rate changes for assets and liabilities. This mismatch in the repricing schedules may lead to a decline in interest income or an increase in interest expense, adversely affecting NII.
- **Yield curve risk:** Occurs when changes in interest rates affect the slope and shape of the yield curve, which may impact the valuation of fixed-income instruments and the Bank's balance sheet.
- **Basis risk:** Emerges when there are variations in the relationship between different interest rate benchmarks or indices, leading to discrepancies in the pricing of assets and liabilities.

Managing IRR is a key component of the Bank's overall risk management framework. The Bank actively monitors interest rate movements and their potential impact, employing tools such as gap analysis, sensitivity analysis, and stress-testing to assess exposure and implement appropriate mitigation strategies. These measures enable the Bank to minimise the adverse effects of interest rate volatility while optimising its risk-adjusted returns.

Sensitivity of Net Interest Income to rate shocks Table – 54

	2024		2023	
Net Interest Income (NII)	Parallel increase Rs. '000	Parallel decrease Rs. '000	Parallel increase Rs. '000	Parallel decrease Rs. '000
As at December 31,	805,254	(806,045)	100,792	(101,013)
Average for the period	830,956	(831,385)	(18,795)	16,928
Maximum profit/(loss) for the period	1,461,243	(1,461,840)	276,499	(276,604)
Minimum profit/(loss) for the period	152,547	(152,674)	(576,068)	557,037

Interest rate sensitivity gap analysis of assets and liabilities of the Banking Book Table – 55

As at December 31, 2024 – Bank

Description	0-90 days Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	More than 5 years Rs. '000	Non-sensitive Rs. '000	Total Rs. '000
Total financial assets	692,439,066	470,261,258	531,518,432	438,535,282	322,779,332	158,791,765	2,614,325,135
Total financial liabilities	828,924,800	743,437,128	269,870,915	217,954,555	177,688,111	204,449,268	2,442,324,777
Interest rate sensitivity gap	(136,485,734)	(273,175,870)	261,647,517	220,580,727	145,091,221	(45,657,503)	172,000,358
Cumulative gap	(136,485,734)	(409,661,604)	(148,014,087)	72,566,640	217,657,861	172,000,358	
RSA/RSL	0.84	0.63	1.97	2.01	1.82	0.78	1.07

Sensitivity of projected NII

The Bank conducts regular stress-testing on Interest Rate Risk in the Banking Book (IRRBB) to evaluate its exposure to potential rate fluctuations. These tests incorporate variations in balance sheet positions, new economic variables, and a range of systemic and specific stress scenarios, ensuring that the Bank is well-prepared to manage the potential impact of adverse market movements on its profitability and financial stability.

The sensitivity of the Fixed Income Securities (FIS) portfolio, categorised under Fair Value Through Profit or Loss (FVTPL) and Fair Value Through Other Comprehensive Income (FVOCI), is assessed through stress-testing. The Bank evaluates the changes in value caused by abnormal market fluctuations using both the Economic Value of Equity (EVE) and Earnings at Risk (EAR) perspectives, generating valuable insights into how interest rate shocks affect the Bank's long-term equity value and short-term profitability.

In addition to portfolio-level analysis, the Bank continuously monitors the potential impact of interest rate shocks on Net Interest Income (NII) for both Sri Lankan Rupee (LKR) and foreign currency (FCY) exposures, helping the Bank to gauge its susceptibility to abrupt interest rate changes and the formulation of risk mitigation strategies to maintain a stable income stream.

The results of these stress tests are rigorously analysed to identify potential vulnerabilities, allowing the Bank to implement timely corrective actions and enhance its resilience to interest rate fluctuations. Detailed findings from these analyses, including projected NII sensitivities, are presented in Table 54 on page 269 for further reference.

Foreign exchange risk

To mitigate potential losses stemming from fluctuations in foreign exchange (FX) rates, the Bank follows stringent risk tolerance limits for individual currency exposures and aggregate exposures. These limits are maintained within regulatory boundaries, ensuring that FX losses are minimised and remain well within the Bank's defined risk appetite.

From December 31, 2023 to December 27, 2024, the USD/LKR exchange rate appreciated by 10.1% (Source: Central Bank of Sri Lanka,). Further details on the Bank's exposure to currency risk in the non-trading portfolio can be found in Note 66.3.3 on page 455.

Stress-testing of the Net Open Position (NOP) is regularly performed by applying exchange rate shocks ranging from 5% to 25% to evaluate the potential impact on the Bank's profitability and capital adequacy. As of December 31, 2024, a 5% downward movement in the exchange rate, even with the remote chance of occurrence, indicated a potential loss of Rs. 2,813 Mn. (Refer to Graph 82 on page 456 for the impact of a 5% upward change in the exchange rate). Detailed results of these stress tests are provided in Table 62 on page 283.

Equity price risk

Although the Bank's exposure to equity price risk remains minimal, daily mark-to-market calculations are performed for the Fair Value Through Profit or Loss (FVTPL) and the Fair Value Through Other Comprehensive Income (FVOCI) portfolios. Additionally, the Bank calculates the Value at Risk (VaR) for its equity portfolio to assess potential losses under adverse market conditions.

For further details, refer to Note 66.3.4 on page 456, which provides a summary of the impact of a 10% shock on equity prices on profit, other comprehensive income (OCI), and equity.

Commodity price risk

The Bank's exposure to commodity price risk is primarily linked to fluctuations in gold prices, which impact its pawning portfolio. To mitigate this risk, the Bank has implemented a lower Loan-to-Value (LTV) ratio and conducts regular mark-to-market valuations of the portfolio to ensure effective risk management.

Liquidity risk

Liquidity risk arises from the potential inability of the Bank to meet its contractual and contingent financial obligations, on or off balance sheet, as they become due, without incurring unacceptable losses. Banks are inherently exposed to liquidity and solvency challenges resulting from mismatches in the maturities of assets and liabilities.

The primary objective of liquidity risk management is to assess and ensure the availability of adequate funds to meet these obligations promptly, under both normal operating conditions and periods of stress.

Liquid assets ratios as of December 31, 2024 are given below:

Regulatory liquidity ratios Table – 56

As at December 31,	2024 %	2023 %
Liquidity Coverage Ratio (LCR)		
Rupee	529.20	491.61
All currencies	454.36	516.27
Net Stable Funding Ratio (NSFR)	187.29	193.70

Managing liquidity risk

The Bank adopts a comprehensive approach to managing liquidity risk, encompassing policies, procedures, measurement techniques, mitigation strategies, stress-testing methodologies, and contingency funding arrangements. Throughout most of the year, the Bank maintained excess liquidity levels. However, with credit growth gaining momentum in the latter half of the year, the Advances to Deposits & Refinance ratio improved to 66% by year-end compared to 61% at the beginning of the year. This improvement reflects the Bank's ability to efficiently utilise its liquidity to support business growth.

The Bank continued to make substantial investments in LKR-denominated Government securities and FCY-denominated US Treasuries at optimal yields, effectively minimising potential adverse impacts on profitability. Furthermore, the negative carry experienced on specific treasury investments in prior years turned positive during the year as a result of the maturity of the underlying instruments and subsequent reinvestments at more favourable rates.

In December 2024, the Bank participated in the Ministry of Finance's invitation to exchange its holdings of International Sovereign Bonds (ISBs). The Bank opted for the local offer, wherein 30% of the settlement was done in LKR. This move alleviated potential foreign exchange outflow pressures, positively contributing to liquidity management within the domestic financial system.

The resulting NOP created from forex sales was effectively managed within the permanent negative NOP limit prescribed by the CBSL. This proactive approach ensured that the Bank's foreign currency exposures remained well within regulatory and internal thresholds, thereby safeguarding its liquidity position throughout the transition.

Liquidity risk review

The ALCO closely monitors the net loans-to-deposits ratio to ensure that the Bank's asset and liability portfolios are structured to maintain a strong liquidity position. Throughout the year, the NSFR, which reflects the stability of funding sources relative to the Bank's loans and advances, was consistently maintained well above the policy threshold of 100%. This healthy level of funding stability effectively supports the Bank's business model and growth objectives.

The key ratios used for liquidity measurement under the stock approach are detailed below:

Key ratios used for measuring liquidity under the stock approach Table – 57

As at December 31, Liquidity ratios	2024	2023
Loans to customer deposits	0.66	0.61
Net loans to total assets	0.50	0.46
Purchased funds to total assets	0.24	0.25
(Large liabilities – Temporary Investments) to (Earning assets – Temporary Investments)	0.26	0.27
Commitment to total loans	0.24	0.21

Maturity gap analysis

The Maturity Gap Analysis of the Bank's assets and liabilities as of December 31, 2024, is detailed in Note 66.2.2 (a) to the Financial Statements, given on pages 446 and 447.

This analysis provides insights into the maturity structure of financial assets and liabilities, demonstrating that the Bank has sufficient funding capacity to navigate adverse scenarios in line with prescribed behavioural patterns. The assessment does not indicate any liquidity concerns, particularly considering the composition of cash outflows, which include savings deposits. These deposits are considered a quasi-stable funding source, consistent with the historical behavioural patterns of depositors, as elaborated below.

Behavioural analysis on savings accounts

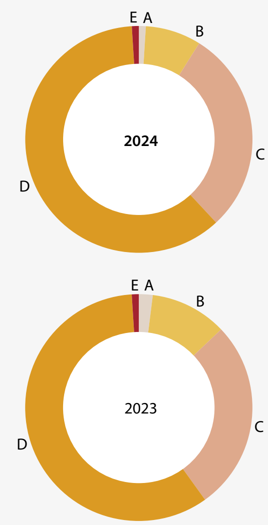
In the absence of a contractual maturity agreement, savings deposits are classified as non-maturing demand deposits. These deposits lack a defined re-pricing frequency, and the Bank periodically adjusts the offered rates based on factors such as the re-pricing gap, liquidity requirements, and profitability considerations. Due to their lower sensitivity to market interest rate changes, the allocation of savings products across predefined maturity buckets in the maturity gap report is determined through simulations and behavioural studies conducted by the Bank.

To ensure liquidity adequacy, the Bank evaluates its liquidity position across all major currencies, both individually and in aggregate, ensuring that potential risks remain within specified threshold limits. Further, the Bank closely monitors potential liquidity commitments arising from loan disbursements and undrawn overdrafts, ensuring the availability of sufficient funding sources to meet these obligations.

Funding diversification by product

The Bank primarily relies on customer deposits and other borrowings as its principal sources of funding. A product-wise analysis of the Bank's funding diversification as of the end of 2024 and 2023 is presented in Graph 55.

Funding diversification by product as at December 31, Graph – 55



		2024 %	2023 %
A	Due to Banks	1	2
B	Current Account Balances	8	11
C	Savings Deposits	29	27
D	Term Deposits	61	59
E	Other Borrowings	1	1

Operational risk

Operational risk refers to the potential for losses resulting from inadequate or failed internal processes, human errors, system malfunctions, or external events such as natural disasters, and social or political occurrences. As an inherent component of all banking products and processes, the Bank remains committed to managing operational risk effectively.

The assessment of operational risk is based on seven standard criteria: execution, delivery, and process management; internal fraud; external fraud; employment practices and workplace safety; clients, products, and business practices; damage to physical assets; and business disruption and system failures.

It is important to note that while operational risk includes legal risk, it does not encompass strategic or reputational risk.

Managing operational risk

The Bank employs a comprehensive operational risk management framework, incorporating policies, risk assessments, and mitigation strategies, supported by insurance coverage. The Bank also manages operational risk through structured procedures for outsourcing business activities, mitigation of technology-related risks, development of robust Business Continuity and Disaster Recovery Plans, stress-testing, fostering a culture of risk awareness across the organisation, and regular monitoring and reporting of operational risks.

Policies and procedures related to outsourcing ensure the continuous identification and effective management of risks associated with external arrangements. The Bank provides detailed reports on all outsourced functions to the CBSL annually. Due diligence is rigorously conducted by risk owners before entering into or renewing agreements with vendors. Regular bi-annual review meetings with key IT service providers are conducted to evaluate performance and adherence to service agreements.

The EIRMC and the BIRMC closely monitor and address business disruptions caused by various factors, including network outages, branch system failures, natural disasters, fire, industrial unrest, hartals, police curfews, and pandemics, ensuring timely corrective actions.

During the year, the Bank underwent a comprehensive operational risk review of its Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP), including an assessment of its Disaster Recovery site. This review was conducted by the IRMD in accordance with Section 6.5 (m) of the Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks. Independent assessments of the BCP and DRP by the BIRMC ensured the adequacy of the Bank's preparedness for potential operational disruptions.

The Bank successfully implemented a Group-wide Conduct Risk Management Policy Framework. Additionally, an operational loss event database covering the Bank's operational incidents over the past 14 years has been integrated into the Operational Risk Management System (ORMS). Furthermore, the RCSA Framework, originally implemented within the Bank, was extended to all other financial entities within the Group. This framework empowers each entity to identify, assess, and manage its unique risks while ensuring alignment with the broader risk management objectives of the Group.

Business continuity management

The Bank's Business Continuity Management (BCM) framework integrates a comprehensive range of activities, including business continuity planning, disaster recovery, crisis management, incident management, emergency management, and contingency planning. This framework underscores the Bank's commitment to delivering uninterrupted services to all stakeholders by ensuring minimal disruption during unforeseen events such as man-made, natural, or technical disasters and enabling a swift resumption of operations.

The BCM framework encompasses various key components: program initiation and management, risk evaluation and business impact analysis, development of business continuity strategies, emergency preparedness and response, implementation of business continuity plans, awareness building and training, business continuity plan exercises, regular audits and maintenance, and crisis communication with external agencies.

To align with global best practices in Business Continuity and Disaster Recovery, the Bank has partnered with external consultants to obtain ISO 22301:2019 certification, enhancing its resilience and preparedness. This underscores its commitment to operational excellence and long term sustainability. Additionally, a high-availability secondary setup for core banking and other critical systems was introduced to strengthen the Bank's IT system recovery capabilities, enhancing redundancy and reliability.

In June 2024, the Bank conducted a comprehensive BCP exercise, extending beyond the current CBSL requirement of one working day to span 03 months. During the exercise, all application functionalities were meticulously tested before rollback, ensuring minimal disruptions. The rigorous and thorough testing of disaster recovery capabilities reflects the Bank's growing maturity and commitment to operational resilience.

The success of this extended BCP exercise reinforces the Bank's proactive approach to safeguarding its operations, protecting customer access, and ensuring preparedness for potential disruptions. By continuously refining its BCM framework and implementing advanced recovery measures, the Bank remains focused on maintaining service excellence and operational stability for all stakeholders.

Review of operational risk

The Bank maintains a low appetite for operational risk, with clearly defined tolerance levels for significant operational risk losses. These thresholds are based on multiple factors, including historical loss data, budgets and forecasts, the Bank's overall performance, and the adequacy of its existing systems and controls. To ensure effective monitoring, the following thresholds have been established using audited financial statements:

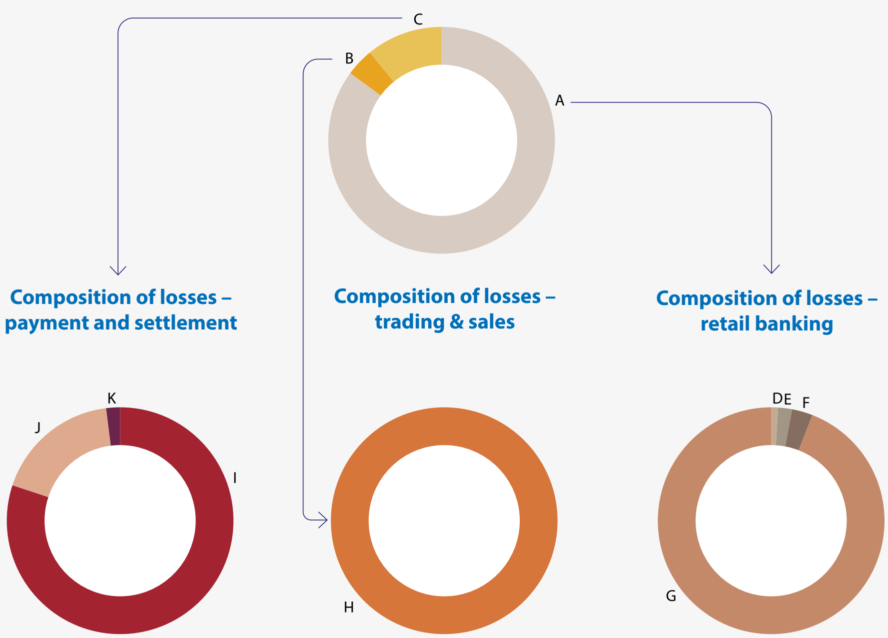
- **Alert level:** 3% of the average gross income over the past three years
- **Maximum level:** 5% of the average gross income over the past three years

Operational losses for the financial year 2024 remained below the internal alert level, at 0.50% of the average audited gross income for the past three years. This outcome reflects the Bank's decade-long track record of maintaining operational losses well below the alert threshold. This consistent performance underscores the Bank's strong governance structures, effective risk management processes, and the leadership commitment to operational risk control, as set by the "tone at the top." Graph 56 provides a detailed analysis of operational risk losses incurred in 2024 across various business lines and categories.

A review of losses incurred during 2024, categorised according to Basel II-defined business lines, reveals that 85.06% of financial impact losses were attributable to the "Retail Banking" business line, followed by 11.21% under "Payment and Settlement" and 3.73% under "Trading & Sales". Losses linked to other business lines remained minimal.

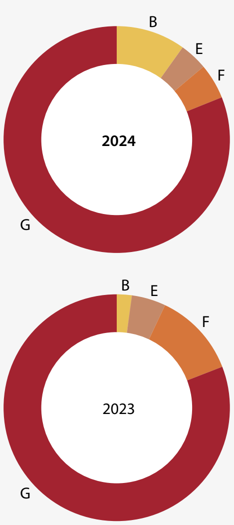
Graphs 57 and 58 present a comparative analysis of operational losses reported in 2024 and 2023 across each Basel II-defined loss event type. These visuals provide insights into both the frequency of occurrences and the corresponding monetary impacts, offering a comprehensive perspective on the Bank's operational risk profile.

Composition of losses – 2024 Graph – 56



			%
	A	Retail Banking	85
	B	Trading and Sales	4
	C	Payment and Settlement	11
	D	Internal frauds	1
	E	External frauds	2
	F	Damage to physical assets	3
	G	Execution delivery & process management	94
	H	Execution delivery & process management	100
	I	Business disruptions & system failures	80
	J	Execution delivery & process management	18
	K	External frauds	2

Losses by number of events Graph – 57



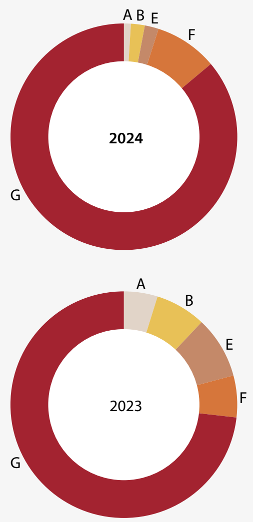
			2024 %	2023 %
	A	Internal frauds	0	0
	B	External frauds	10	2
	C	Employment practice and work place safety	0	0
	D	Clients products and business practices	0	0
	E	Damage to physical assets	4	5
	F	Business disruption and system failures	5	12
	G	Execution delivery and process management	81	81

Operational losses by number of events

As is typical in operational risk patterns, the Bank's losses in 2024 primarily consisted of high-frequency, low-impact events, particularly under the "Execution, Delivery, and Process Management" category. These losses were predominantly related to the Bank's extensive service delivery network, which spans over 1,000 touchpoints across Sri Lanka and Bangladesh, with cash handling and ATM operations being the most impacted. Notably, events with monetary values below Rs. 100,000 accounted for more than 92% of the total loss events during the year. Furthermore, when compared to the sheer volume of transactions processed, the ratio of loss events to total transactions remained impressively low at just 0.0060%.

Throughout the year, the Bank further reinforced its Anti-Money Laundering (AML) compliance initiatives by integrating advanced audit mechanisms to monitor transactions, ensuring strict adherence to Know Your Customer (KYC) requirements. These improvements further underscore the Bank's commitment to maintaining a robust compliance framework.

Losses by value Graph – 58



		2024 %	2023 %
A	Internal frauds	1	5
B	External frauds	2	7
C	Employment practice and work place safety	0	0
D	Clients products and business practices	0	0
E	Damage to physical assets	2	9
F	Business disruption and system failures	9	6
G	Execution delivery and process management	86	73

In terms of financial value, the losses incurred in 2024 were distributed across key categories, including Execution, Delivery, and Process Management; Business Disruptions & System Failures; Damage to Physical Assets; External Frauds; and Internal Frauds. While these losses were predominantly driven by a limited number of specific incidents, the Bank successfully mitigated their financial impact through timely recoveries and rectifications. To prevent recurrence, the Bank introduced targeted process improvements and fortified its control environment.

The operational risk capital allocation for 2024, calculated under the Alternative Standardised Approach per Basel III, amounted to Rs. 82.20 Bn. Remarkably, net losses (after accounting for recoveries) constituted only 0.087% of this allocation, reflecting the effectiveness of the Bank's operational risk management framework and robust internal controls.

IT risk

IT risk encompasses the business risks associated with the use, ownership, operation, and strategic adoption of information technology within the Bank. As a critical subset of operational risk, IT risk manifests through various channels, such as system interruptions or failures, errors, fraud enabled by system vulnerabilities, cyberattacks, technological obsolescence, and the competitive pressure of keeping pace with advancements in technology. IT risks broadly cover governance structures, system availability, access controls, threat management, change management, physical and environmental security, and disaster recovery and business continuity planning.

Given the complex and unpredictable nature of IT risks, their effective management remains a challenging yet paramount task for the Bank. Recognising these challenges, the Bank has prioritised IT risk management, particularly focusing on implementing robust cyber security strategies. Substantial investments in cyber security enhancements have enabled the Bank to integrate new technologies and business innovations securely while safeguarding both institutional and customer data from sophisticated cyber threats.

IT Risk Management Framework

The Bank's IT Risk Management Framework, implemented through the IT Risk Unit within the IRMD, ensures a structured approach to IT risk governance. This includes robust policies, processes, and advanced technical capabilities to identify, assess, and mitigate significant IT risks. The IT Risk Management Policy, operating in synergy with the Operational Risk Management Policy and the Information Security Policy, establishes a comprehensive system for managing IT and information security risks across the Bank.

A core component of the framework is the Risk Control Self-Assessment (RCSA), which enables the proactive identification and assessment of IT risks. Independent IT risk reviews conducted by the IT Risk Unit, alongside audits, incident analyses, and data from internal and external loss events, contribute to the holistic evaluation of IT risk.

Risk mitigation measures

The Bank employs a multi-layered approach to IT risk mitigation, implementing controls across data, applications, devices, and networks to ensure robust, end-to-end security. This multi-layered system enhances the Bank's ability to detect, prevent, respond to, and recover from cyber threats effectively. Key units within the Bank have achieved globally recognised certifications, including ISO/IEC 27001:2013 for Information Security Management Systems (ISMS) and PCI DSS certification, ensuring the confidentiality, integrity, and availability of data and systems. The Bank remains on track to achieve full certification for all 350 banking units by 2025.

Cyber security and compliance

Cyber security remains a strategic focus, with initiatives including the rollout of Baseline Security Standards (BSS) across the Bank's branch network and head office. These measures align with the regulatory expectations of the CBSL, underlining the Bank's commitment to enhancing information and cyber security governance. Annual independent audits conducted by ISO 27001 ISMS external auditors and PCI DSS Qualified Security Assessors further reinforce the Bank's adherence to global best practices.

Monitoring IT risk

Continuous, independent monitoring of the Bank's IT risk profile is conducted using Key IT Risk Indicators (KIRIs). These indicators, supported by trend analyses, identify high-risk or emerging issues, enabling the Bank to take prompt and effective corrective actions. Areas monitored include information security incidents and system performance metrics, ensuring timely responses to mitigate risks.

Talent retention and operational resilience

Staff turnover, a persistent concern in the IT domain, was proactively addressed during the year. The Bank introduced a special grading system and market-aligned salary adjustments for IT professionals to attract and retain talent. Despite increased business volumes and operational complexity, the number of major IT-related incidents remained stable, reflecting the robustness of the Bank's IT infrastructure and risk management capabilities. All major operational risk events, including those related to IT, underwent thorough reviews, with mitigatory actions implemented promptly.

Key achievements and future plans

- Continued investments in cyber security enhancements.
- Expansion of the Bank's ISMS certification to cover all units by 2025.
- Implementation of advanced IT risk mitigation measures across technological layers.
- Enhanced talent retention strategies to sustain operational excellence.
- Alignment with CBSL directives to fortify IT risk governance.

By integrating cutting-edge technology with a strong governance framework, the Bank continues to bolster its resilience against IT risks, ensuring secure, efficient, and uninterrupted services for its stakeholders.

Sustainability and Climate Risk

Sustainability and climate-related risks, including Environmental and Social (E&S) risks, are pivotal components of the Bank's risk management strategy. These risks stem from a wide range of ESG factors that directly or indirectly influence the Bank's operations, lending activities, reputation, and long-term viability. By addressing these interconnected risks, the Bank reinforces its commitment to responsible banking and positions itself as a leader in sustainable development.

The Bank recognises that sustainability risks not only pose challenges but also provide opportunities for innovation, growth, and resilience. Incorporating ESG considerations into decision-making and operational practices strengthens the Bank's ability to create value for all stakeholders while aligning with global sustainability goals, such as the United Nations' Sustainable Development Goals (SDGs) and the Paris Agreement.

Key risk areas

The Bank has categorised sustainability and climate-related risks into three primary domains to ensure comprehensive identification and management:

Environmental risks

- Climate-related risks:
  - Physical risks:
    - Acute events such as floods, hurricanes, and droughts
    - Chronic changes such as rising sea levels, temperature variations, and shifting rainfall patterns
    - Impact on assets, infrastructure, and supply chains, affecting borrowers' financial stability and the Bank's operational continuity
  - Transition risks
    - Policy changes such as carbon taxes, emission reduction targets, and environmental regulations
    - Market dynamics, including shifts in consumer preferences towards sustainable products and technologies
    - Reputational risks linked to perceived inaction on climate change the Bank and/or borrowers
- Resource depletion and biodiversity loss
- Pollution including air, water, soil contamination, and greenhouse gas emissions

Social risks

- Unfair labour practices, including forced and child labour
- Occupational health and safety hazards
- Community displacement and cultural heritage loss due to project financing
- Discrimination, lack of diversity, and inequitable access to resources
- Reputational risks arising from borrower practices that fail to meet ethical or social expectations

Governance risks

- Bribery and corruption, unethical business conduct, and financial crimes
- Information security breaches and inadequate IT governance
- Poor compliance with international frameworks and regulatory standards

Integrated framework for sustainability and climate risk management

The Bank's approach to managing these risks is guided by its comprehensive Sustainability Framework. This framework aligns with international best practices, including the IFC Performance Standards and the SLFRS S1 & S2. Supporting systems and policies include:

1. Environmental and Social Management System (ESMS):
   - A systematic mechanism to assess and mitigate E&S risks across lending activities, operations, and stakeholder engagements
   - Incorporates tools for identifying and addressing potential risks at every stage of the project lifecycle

1.1 Environmental and Social Risk Management Policy:
   - Outlines principles for sustainable development, including environmental protection, social equity, and ethical governance
   - Defines risk assessment processes, mitigation measures, and criteria for excluded activities

1.2 Environmental and Social Risk Assessment and Management Procedure: Defines risk assessment and management processes: criteria for excluded activities, environmental and social risks screening, pre-defined thresholds for due diligence, mitigation measures/corrective action plans for material risks, and process for monitoring compliance to corrective actions.

2. Climate Risk Management Framework (to be implemented in 2025)

- Aims to systematically identify, assess, and manage climate-related risks at both the portfolio and project levels
- Emphasises integrating climate considerations into existing risk management processes

Impact of sustainability and climate-related risks

The Bank acknowledges that inadequate management of these risks could result in:

- Financial impacts: Loan defaults, increased credit risk, asset devaluation, and higher operational costs due to climate-related disruptions.
- Reputational damage: Loss of stakeholder trust due to perceived inaction or association with unsustainable practices.
- Legal and regulatory consequences: Penalties, lawsuits, or enforcement actions resulting from non-compliance with sustainability-related regulations.

List of climate related risks is given in the Tables 58 and 59 on pages 276 and 277 and the climate related opportunities in the Table 60 on page 278.

***In line with the requirements specified under SLFRS S2, a preliminarily level assessment has been carried out by the Bank. However, this assessment will be further improved through the Bank's continuous commitment by investing on climate data capabilities and climate risk management.*

- Climate-related risks:

Climate change can have widespread and significant impacts across sectors and geographies, potentially affecting the financial system. The identified climate related risks are categorised into three different time buckets in line with their synchronisation with the Bank's financial and capital budgets, as listed below:

- Short term (ST): 0-1 year
- Medium term (MT): 1-5 years
- Long term (LT): 5-30 years

As the crystallisation of climate related risks of the Bank's portfolios, through macro and micro transmission channels, emerged through traditional risk categories such as credit risk, market risk, operational risk and reputational risk etc., Climate risk itself is treated as a risk driver.

Climate related Physical Risks Table – 58

Category	Climate Related Risk driver	Time Horizon	Impact on Business Model	Direct/ Indirect Impact	Principal Risk category to the Bank	Strategy & Decisions (adaptation/ mitigation)
Acute	Extreme weather events (floods, storms, landslides)	ST, MT	Disruption of business operations of the Bank Infrastructure damage, service disruptions, Decreasing Supplies, increased operational costs, Adaptation costs	Direct	Operational Risk, Reputation Risk	Disaster preparedness, Business Continuity planning, budget allocations for repair work and structural reinforcements, Digital Transformation to Remote Services -enhancing digital banking services to ensure customers can access banking services even during physical disruptions.
		ST, MT	Disruption Borrowers' business operations Infrastructure damage, service disruptions, Decreasing Supplies, increased operational costs, Adaptation costs leading to Increased loan defaults, collateral devaluation	Indirect	Credit Risk	Incorporating physical climate risks into the credit evaluations, insurance coverage, Diversify the loan portfolio across different sectors and geographic areas,
Chronic	Sea-level rise	LT	Damage to business premises in coastal belt	Direct	Operational Risk Reputation Risk	budget allocations for structural reinforcements, Relocation plans,
		LT	Damage to borrower's business premises in coastal belt	Indirect	Credit Risk, Operational Risk	Regularly assess and adjust the loan and investment portfolio to minimise exposure to sectors vulnerable to climate impacts
	Rising temperatures	MT, LT	Business disruptions, Heat waves can strain cooling systems for data centers, increasing the risk of outages or data loss, affect human health, leading to heat-related illnesses, Reduce labour productivity	Indirect	Operational Risk Reputation Risk,	budget allocations for backup systems, Business Continuity plans, employee support programs

Climate related Transition Risks Table – 59

Climate Transition risk driver	Description	Time Horizon	Impact on Business Model	Direct/Indirect Impact	Principal Risk	Strategy & Decision Making
Policy & Legal	Requirement of de-carbonization of loan portfolio	MT, LT	Loss of revenue from clients with high carbon intensity	Direct	Strategic Risk	Green financing, loan tenure adjustments, Support customers in their transition to a net zero economy,
	Absence of carbon pricing policies	MT	Missed innovation opportunities	Direct	Strategic Risk	Alignment with national policies and climate strategies and Nationally Determined Contributions (NDC)
	EU Carbon Border Adjustment Mechanism (CBAM)	MT, LT	Increased credit risk for export clients	Indirect	Credit Risk	Transitional finance, climate stress-testing
Reputation	Bank's reputation affected by slow transition	MT, LT	investor concerns, Loss of customers	Direct	Reputational Risk	Proactive climate strategies, scenario planning, report on progress in supporting the green transition to Bank's stakeholders
	Funding clients slow to adapt	MT, LT	Higher costs, slow adoption of sustainable processors	Direct	Credit Risk Market Risk Reputational Risk	Climate-focused lending policies, ESG alignment, Build resilience by embedding climate risk impacts in decision making processes
Market	Shifts in consumer preferences toward sustainable technologies	MT, LT	Impact industries dependent on traditional, carbon-intensive technologies, Market share loss to competitors, may result in stranded assets, Decline in equity prices of carbon-intensive firms	Direct	Credit risk Market Risk	Digital transformation, sustainable banking products Diversification, green investments, Monitoring macroeconomic conditions, strategic alignment

Climate related Opportunities Table – 60

Category	Opportunity Description	Time Horizon	Business Impact	Strategy & Decision Making
Working towards making the Bank operations Net zero aligning with country plans and targets	Energy efficiency & resource optimization	ST, MT, LT	Cost reduction, improved efficiency, Reduced carbon footprint, National policy alignment and regulatory compliance,	Incentives for energy-saving innovations, employee KPIs linked to reducing carbon footprint
	Renewable energy transition	ST, MT, LT		Renewable installations targets, investing in carbon credit schemes
	Financing to Sustainable businesses and Circular Economy	ST, MT, LT	Market expansion, enhanced ESG profile with market reputation, National policy and NDC alignment and regulatory compliance Positive Impact on market share of the Bank.	Targets in corporate plan, Green financing targets(financing to the activities eligible under the climate mitigation criteria given in Green Finance Taxonomy of Sri Lanka) , digital banking expansion
Bank investments for Enhancing climate adaptive capacity and resilience of communities and ecosystems.	Financing to climate adaptation projects and companies engaged in climate resilience	ST, MT, LT	Market expansion, align with country's National Adaptation Plan (NAP) for Climate Change Impacts, Positive Impact on market share of the Bank.	Targets in corporate plan, Green financing targets(financing to the activities eligible under the climate adaptation criteria given in Green Finance Taxonomy of Sri Lanka)

There will be opportunities available for the Bank, arising from the global transition to a low-carbon economy, which will involve scaling up zero or near-zero emitting technologies and supporting emissions reductions in high-emitting and hard-to-abate sectors, amid the global journey to minimise the worst effects of climate change.

Banks have several opportunities due to climate adaptation, ranging from financial products to risk management strategies. Climate adaptation finance is becoming a growing market, especially as businesses and governments invest in resilience against physical climate risks.

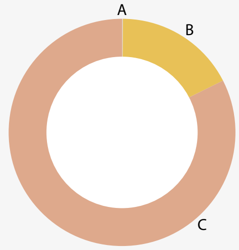
Proactive risk management measures related to ESCR

The Bank employs a multi-faceted approach to manage sustainability and climate-related risks effectively:

1. Risk identification and assessment:
   - Comprehensive due diligence for all lending activities, incorporating ESG and climate risk evaluations.
   - Detailed climate risk assessments, including the identification of physical and transition risks, supported by scenario analysis and stress-testing.
   - Use of internationally recognised metrics such as Scope 1, Scope 2, and if applicable, Scope 3 greenhouse gas emissions to quantify climate-related impacts.
2. Risk mitigation:
   - Avoiding financing for activities deemed illegal or unsustainable, such as projects involving unsustainable resource extraction/utilization, forced labour, destruction of critical habitats, destruction of cultural heritage or trade in banned substances.
   - Partnering with borrowers to improve their ESG practices through capacity building, technical assistance, and alignment with global standards.
   - Strengthening the Bank's internal operations to reflect its sustainability values, including adopting energy-efficient technologies and reducing its carbon footprint.
3. Monitoring and reporting:
   - Regular monitoring of borrower compliance with E&S requirements, supported by annual performance reviews and real-time tracking tools.
   - Quarterly reporting of climate and E&S risk metrics to the Board and management committees, ensuring transparency and accountability.
   - Use of risk dashboards to visualise and analyse the Bank's overall risk exposure across products, portfolios, and geographies.
4. Governance and oversight:
   - Active oversight by the Board of Directors, ensuring alignment with regulatory standards and international best practices.
   - Integration of climate considerations into governance structures such as the EIRMC and the BIRMC.
   - Establishment of a Climate Risk Workgroup to drive the development and implementation of climate strategies.

During the year 2024, the E&S risk screening outcome is given in Graph 59.

Environmental and social risk category wise distribution of lending proposals as at December 31, 2024 Graph – 59



	Total
A	14
B	1,892
C	8,821

Category A – Projects with High environmental and/or social risks.

Category B – Projects with Medium environmental and/or social risks

Category C – Projects with Low environmental and/or social risks projects

Legal risk

Legal risk is recognised as a critical element of operational risk, encompassing potential exposure to adverse outcomes arising from issues such as inaccurately drafted contracts, improper execution of agreements, absence of written agreements, or inadequately structured contracts. These risks may lead to significant consequences, including regulatory reprimands, fines, penalties, punitive damages from supervisory actions, or the financial and reputational costs of private settlements.

The Bank adopts a proactive and structured approach to managing legal risk by ensuring that all relevant regulations are thoroughly considered and adhered to in its dealings with individuals, institutions, and other entities. This is achieved through comprehensive documentation and robust risk mitigation strategies. To further mitigate legal risks, the Bank has established and maintains an effective framework for verifying the conformity of its operations and agreements with applicable laws and regulations.

This proactive approach not only aims to prevent breaches of rules and regulations but also minimises the likelihood and impact of legal risks associated with the Bank's activities. By aligning its legal risk management practices with industry best practices and regulatory expectations, the Bank reinforces its commitment to maintaining operational resilience and safeguarding stakeholder interests.

Compliance and regulatory risk

Compliance and regulatory risk encompass the potential exposure of the Bank to adverse outcomes resulting from non-compliance with applicable laws, rules, regulations, and codes of conduct. Such non-compliance could result in regulatory penalties, financial losses, business disruptions, and reputational damage. To address this, the Bank has instituted a robust compliance framework, anchored by a dedicated compliance function that directly reports to the Board of Directors. The framework is guided by a comprehensive Compliance Policy that systematically identifies, monitors, and mitigates compliance risks.

Complementing this framework, the Bank's culture and Code of Ethics play an integral role in fostering accountability and mitigating compliance risks.

The Bank is committed to maintaining a strong culture of compliance across its operations, ensuring alignment with all relevant regulations and industry standards. To strengthen its regulatory compliance capabilities, the Bank has implemented several key measures:

- Incorporating regulatory developments: Ensuring timely integration of new regulatory requirements into internal policies, procedures, and controls.
- Enhanced transaction monitoring: Introducing advanced scenarios to better monitor and identify unusual activities.
- Compliance program reviews: Conducting regular reviews to ensure the relevance and effectiveness of the compliance framework.
- Compliance audits: Performing comprehensive audits across 139 branches, business units and financial subsidiaries to ensure adherence to policies.
- Risk analysis and control implementation: Systematically analysing compliance risks and implementing tailored controls to address identified gaps.
- Staff training: Providing ongoing training programs to enhance staff awareness and competency in compliance matters.
- Independent verification: Conducting periodic verifications of the compliance function by the Inspection Department to ensure robust oversight and accountability.

These initiatives collectively reflect the Bank's unwavering commitment to regulatory compliance and the proactive management of compliance and regulatory risks. By maintaining rigorous standards and fostering a compliance-focused culture, the Bank ensures the safeguarding of its operations, reputation, and stakeholder trust.

Strategic risk

Strategic risk in banking pertains to the challenges arising from ineffective strategic decisions, misalignment with market dynamics, or the inability to adapt to rapidly changing competitive and economic environments. Such risks can lead to erosion of market share, compromised financial performance, and failure to achieve long-term strategic goals.

The Bank adopts a proactive approach to managing strategic risk, integrating risk evaluation into its corporate planning and budgeting processes. These processes are closely aligned with the Bank's vision, mission, and risk appetite to ensure consistency and resilience in strategic decision-making.

To quantify and monitor strategic risk, the Bank employs a robust scorecard-based qualitative model, which is harmonised with the ICAAP. This model considers multiple dimensions, such as the Bank's size, sophistication, operational complexity, and the nature of its business. Key factors evaluated within this model include:

- Capital adequacy: Ensuring sufficient capital buffers to support growth while managing risks.
- Earnings volatility: Analysing revenue streams to minimise fluctuations and maintain financial stability.
- Shareholder value creation: Monitoring initiatives that align with shareholder expectations and deliver long-term value.

The model assigns weightages to these criteria, and scores are allocated based on performance against these metrics. This structured methodology enables the Bank to identify areas requiring improvement and implement targeted actions to mitigate potential strategic risks.

Reputational risk

Reputational risk in banking pertains to the potential negative impact on earnings, assets, liabilities, or brand equity resulting from adverse stakeholder perceptions of the Bank's business practices, activities, or financial health. Recognising its broad and interconnected nature, the Bank acknowledges that reputational risk can arise from various operational and strategic business risks, requiring proactive and multifaceted management. The rise of digital platforms and social media has significantly increased the Bank's exposure to reputational risks, amplifying the speed and scale of stakeholder reactions.

The Bank adopts a robust, integrated approach to managing reputational risk, embedding its management into the existing systems and controls designed for credit, market, and operational risks. This is further supported by a comprehensive suite of policies and frameworks, including:

- Code of conduct: Ensures ethical practices are consistently upheld across all operations.
- Anti-Bribery and Anti-Corruption Policy: Reinforces the Bank's commitment to transparency and integrity.
- Conduct Risk Management Policy Framework: Focuses on embedding ethical conduct into daily operations.
- Communication Policy: Manages external and internal communications to maintain clarity, consistency, and alignment with the Bank's values.
- Business ethics guidelines: Promote responsible decision-making and ethical interactions with stakeholders.

Employees are encouraged to internalise and adhere to these policies, fostering a culture of integrity and accountability that underpins the Bank's reputation.

To monitor and assess reputational risk, the Bank employs a comprehensive scorecard methodology aligned with the ICAAP. This structured framework evaluates various dimensions of reputational risk, enabling the Bank to proactively identify vulnerabilities and implement timely mitigation strategies. Additionally, the implementation of a Group Reputational Risk Management Policy framework formalises the governance of reputational risks across the organisation.

Through these proactive measures, the Bank safeguards its reputation while reinforcing stakeholder trust, ensuring its long-term sustainability and competitive positioning in a dynamic business environment.

Conduct risk

As a trusted financial institution, the Bank recognises that public trust and confidence are fundamental to its success and sustainability. This underscores the importance of aligning the Bank's interests with those of its customers, ensuring fair and ethical outcomes in all interactions.

Conduct risk arises from various factors such as unfair business practices, professional misconduct, ethical lapses, operational inefficiencies, bribery and corruption, compliance failures, and weaknesses in governance. These issues can erode customer confidence and compromise the Bank's reputation. Fully aware of these risks, the Bank has implemented a comprehensive approach to ensure proper conduct and fair outcomes for all stakeholders.

The Bank's customer-centric approach focuses on fostering a culture of integrity, transparency, and accountability through the following key practices:

- Accountability: Emphasising individual and organisational responsibility for actions and decisions, ensuring alignment with customers' best interests.
- Remuneration structures: Designing compensation systems that discourage unethical behaviour while promoting fair and responsible practices.
- Compliance with laws and regulations: Upholding not only the legal requirements but also the spirit of regulations, adhering to the highest standards of compliance.
- Learning culture: Building a continuous learning environment where employees are educated on ethical conduct, compliance expectations, and industry best practices.
- Transparency: Enhancing operational and decision-making transparency to provide clear, concise, and accurate information to customers and stakeholders.
- Public disclosures: Maintaining open communication through timely, relevant, and accurate disclosures to foster public trust.
- Service level agreements (SLAs): Establishing and rigorously adhering to SLAs to ensure efficient and reliable service delivery.
- Customer complaint handling: Developing a robust, fair, and prompt process for addressing customer complaints to enhance satisfaction and trust.
- Customer engagement: Actively seeking customer feedback to better understand their needs and concerns, continuously refining products and services to meet expectations.

To monitor and assess conduct risk, the Bank employs a comprehensive scorecard methodology aligned with the ICAAP. This structured framework evaluates multiple dimensions of conduct risk, enabling the Bank to proactively identify vulnerabilities and implement timely mitigation strategies. Furthermore, the implementation of a Group Conduct Risk Management Policy framework formalises the governance of conduct risks across the organisation, reinforcing a robust risk management culture. This framework serves as a comprehensive guide to managing conduct risk and upholding high standards of behaviour and integrity within the organisation.

Contagion risk

Contagion risk, also referred to as systemic risk, is a significant concern in the banking sector, arising from the interconnected nature of global financial systems. It denotes the potential for financial stress or shocks in one country, market, industry, or counterparty to spill over and trigger disturbances or defaults across others. Such cascading effects can amplify existing vulnerabilities, resulting in widespread disruptions.

The implications of contagion risk are profound, often manifesting as financial volatility, destabilisation of financial systems, and broader economic consequences. The COVID-19 pandemic exemplified how a global health crisis can ignite financial contagion, disrupting markets and economies worldwide. Similarly, geopolitical tensions, trade conflicts, and currency crises are potential triggers that could escalate into contagion events.

To mitigate contagion risk, the Bank employs proactive monitoring and robust risk management practices. Key initiatives include:

- Identifying risk-elevated industries: Systematic monitoring of sectors and regions prone to economic stress, leveraging the EWS system. This system utilises comprehensive internal data sources to flag potential vulnerabilities early.
- Scenario analysis and stress-testing: Conducting regular scenario analyses to anticipate potential contagion scenarios and their impact on the Bank's operations and capital adequacy.
- Risk mitigation strategies: Developing

targeted action plans to address identified risks, including measures to contain potential spillover effects and strengthen resilience.

- Monitoring cross-market linkages: Assessing the interconnectedness between markets, industries, and counterparties to identify and limit vulnerabilities.
- Enhanced strategic planning: Incorporating contingency plans into broader strategic frameworks to ensure readiness for systemic disruptions.

The Bank also places emphasis on fostering operational resilience by maintaining strong capital buffers, liquidity reserves, and risk governance frameworks. This ensures that the Bank is well-positioned to manage contagion risk effectively while safeguarding the interests of its stakeholders.

Given the ongoing uncertainties in the global economic landscape, the Bank remains vigilant in its approach to contagion risk. Continuous risk assessments, dynamic monitoring, and adaptive strategies are integral to mitigating potential systemic threats, preserving financial stability, and supporting sustainable growth.

Model risk

Model risk, a critical subset of operational risk, pertains to the potential for adverse outcomes arising from the failure or inaccuracy of financial models used by the Bank. These models, which integrate statistical, economic, financial, and mathematical theories, techniques, and assumptions, are instrumental in processing data and generating quantitative estimates for managing a variety of risks. When models malfunction or produce inaccurate results, they can undermine decision-making and adversely impact the Bank's performance and risk profile.

Model risk can emerge from a multitude of factors, including programming errors, incorrect data inputs, flawed technical designs, inappropriate model assumptions, and misinterpretations of model outputs. Given the pivotal role these models play in shaping strategic and risk management decisions, effective management of model risk is indispensable to maintaining the Bank's resilience and operational efficiency.

The Bank maintains a streamlined framework for managing model risk through several key measures. These include comprehensive testing protocols, stringent governance policies, and independent model reviews.

Comprehensive Testing: Validation procedures are employed to ensure the accuracy and reliability of all financial models. These procedures encompass testing for potential errors, validation of underlying assumptions, and verification of model output consistency with expected results.

Stringent Governance Policies: The Bank adheres to established governance policies and frameworks governing the development, validation, and application of financial models. These policies define standards and procedures designed to ensure model integrity.

Independent Model Reviews: Independent reviews are conducted to provide an objective assessment of model effectiveness and accuracy. These reviews, performed by external experts or internal specialised teams, aim to identify potential weaknesses or areas for enhancement.

Through the implementation of these risk management practices, the Bank seeks to minimise the probability of model failure and enhance the reliability of its quantitative risk estimates. This proactive approach ensures that the models employed contribute to sound decision-making and support the effective management of diverse risk exposures.

Bribery and corruption-related risks

The Bank takes a firm stance against bribery and corruption, recognising their illegality and potential to harm its reputation, operational integrity, and stakeholder trust. Addressing these risks is a priority for the Bank, supported by a robust framework of policies and guidelines that foster transparency, accountability, and ethical conduct across all levels of the organisation.

To mitigate bribery and corruption-related risks, the Bank has implemented the following measures:

- Anti-Bribery and Anti-Corruption Policy: The Bank's Board-approved Anti-Bribery and Anti-Corruption Policy outlines clear principles for identifying, preventing, and countering bribery and corruption. The policy sets explicit expectations regarding employee conduct related to bribery, kickbacks, commissions, and other corrupt practices. Accessible to the public via the Bank's official website and available on the intranet for employees, this policy underscores the Bank's zero-tolerance stance and commitment to ethical governance. (Link: https://www.combank.lk/info/file/91/anti-bribery-and-anti-corruption-policy)
- Whistleblowers Charter: A Whistleblowers Charter is in place to protect and encourage employees to report suspected bribery, corruption, or other unethical behaviour. By providing anonymity and safeguarding whistleblowers from retaliation, the Bank ensures accountability and reinforces trust within the organisation.
- Guidelines on gifts and favours: The Bank has established detailed guidelines regarding the acceptance and offering of gifts, favours, or any form of illegal gratification. These guidelines also govern fundraising activities and personal affiliations with customers and suppliers, as outlined in the Code of Ethics and administrative circulars. This measure seeks to eliminate potential conflicts of interest and deter situations that could lead to unethical practices.
- Code of Ethics: As part of its commitment to the 10th Principle of the UN Global Compact, the Bank's Code of Ethics emphasises combating corruption in all forms. Employees are expected to avoid abuse of power for personal gain, refrain from soliciting or accepting gifts, and ensure they and the Bank maintain integrity. Furthermore, employees are prohibited from offering bribes or illegal incentives to secure business for the Bank, reinforcing the Bank's commitment to fairness and ethical business practices.
- Prohibition on political contributions: The Bank strictly prohibits any form of political contributions, as stated explicitly in the Anti-Bribery and Anti-Corruption Policy. This ensures impartiality and prevents any potential misuse of resources or influence in political activities.
- Training and awareness: Regular training programs are conducted to raise awareness among employees about the Code of Ethics, Whistleblowers Charter, and incident-specific scenarios. These sessions are designed to equip staff with the knowledge and skills required to identify and prevent corruption-related risks.

By embedding these measures into its operations and fostering a culture of transparency, accountability, and ethical conduct, the Bank is committed to mitigating bribery and corruption risks.

This proactive approach not only aligns with regulatory expectations but also strengthens stakeholder confidence in the Bank's commitment to integrity and ethical business practices.

Capital adequacy and ICAAP Framework

The Bank remains steadfast in adhering to Basel requirements while employing sophisticated internal models as outlined in the ICAAP framework. ICAAP serves as a cornerstone of the Bank's risk and capital management strategy, enabling a comprehensive assessment of its risk profile, stress-testing key risk drivers, and determining internal capital adequacy requirements. By implementing internal limits that are often more stringent than regulatory thresholds, the Bank proactively identifies early warning signals to ensure robust capital adequacy.

Role of ICAAP in capital management

ICAAP is integral to the Bank's supervisory review process, providing a holistic evaluation of capital requirements in alignment with its future business strategies. This framework seamlessly integrates the Bank's strategic focus, risk management initiatives, and capital planning, ensuring that these elements are harmonised to support sustainable growth.

The process is enriched by inputs from multiple levels of the organisation, including Senior Management, Management Committees, Board Committees, and the Board of Directors. It incorporates a forward-looking perspective, evaluating the risks of capital inadequacy under stressed scenarios to bolster the Bank's resilience against potential vulnerabilities.

Optimising capital and risk management

In addition to ensuring capital adequacy, ICAAP underpins profit optimisation by enabling proactive decision-making on current and potential exposures. By leveraging stress-testing and scenario analysis, the Bank identifies vulnerabilities and focuses on managing both the qualitative and quantitative dimensions of reputational and strategic risks. These critical aspects, which extend beyond the scope of Pillar I under Basel III, reflect the Bank's commitment to comprehensive risk management.

Compliance and prudence in capital adequacy

The Bank consistently complies with both regulatory and prudential capital adequacy requirements, demonstrating a proactive approach to maintaining financial stability. Its loyal shareholder base, combined with consistently strong profitability, positions the Bank well to meet its capital needs over the long term. This ensures not only sufficient coverage for all material risks but also supports the Bank's growth ambitions, particularly as a Domestic Systemically Important Bank (D-SIB).

Ensuring resilience and strategic expansion

As a D-SIB, the Bank recognises its critical role in maintaining systemic stability within the financial ecosystem. ICAAP enhances its ability to sustain adequate capital buffers while pursuing expansion initiatives, enabling the Bank to remain resilient in the face of evolving market dynamics. Through its robust capital management framework, the Bank is well-prepared to address emerging challenges and seize growth opportunities, ensuring long-term value creation for its stakeholders.

Basel III minimum capital requirements and buffers

The Banking Act Direction No. 01 of 2016 mandated all licensed commercial banks to comply with the capital requirements under the Basel III framework starting July 1, 2017. This directive outlined a phased timeline for progressively raising minimum capital ratios, culminating in full implementation by January 1, 2019. Notably, the framework also introduced a Higher Loss Absorbency (HLA) component for Domestic Systemically Important Banks (D-SIBs), reflecting their critical role in financial system stability.

The Bank's capital status as of December 31, 2024, significantly surpasses the minimum requirements prescribed by the CBSL effective January 1, 2019. This underscores the Bank's strong capital position, robust financial stability, and resilience, even amidst ongoing economic challenges. The Bank's ability to consistently meet and exceed these stringent regulatory thresholds demonstrates its commitment to maintaining a solid capital foundation.

Targeted and actual Capital Adequacy Ratios Table – 61

As at December 31,			2024	2023
Capital ratios	Regulatory minimum %	Goal (internal requirement) %	%	%
CET 1	8.500	>8.500	14.227	11.442
HLA	1.500	>1.500		
Tier I	10.000	>10.000	14.227	11.442
Total	14.000	>14.000	18.142	15.151

ICAAP and capital planning

The Bank leverages the ICAAP to periodically assess its capital requirements over a five-year horizon. This process enables the development of proactive capital augmentation plans, which are reviewed by the CBSL for alignment with regulatory expectations. The successful issuance of Basel III-compliant debentures, a rights issue of shares, and the prudent retention of profits have significantly bolstered the Bank's capital adequacy, elevating it comfortably above minimum requirements throughout the year.

Basel Workgroup and strategic alignment

To ensure robust capital adequacy in alignment with its strategic objectives, the Bank has established a dedicated Basel Workgroup comprising representatives from key business and support units. This workgroup actively assesses the Bank's capital position, taking into account the evolving regulatory and economic landscape. While ICAAP provides the foundation for these assessments, the Basel Workgroup continuously refines its approach, offering actionable recommendations to the ALCO. These insights cover a range of aspects, including current and future capital requirements, anticipated capital expenditure, and optimal capital levels, ensuring that the Bank remains well-prepared to address both existing and emerging challenges.

Capital as a cornerstone of resilience

Recognising the capital-intensive nature of the banking industry, the Bank places significant emphasis on maintaining an optimal capital structure. It benefits from a dedicated shareholder base with a long-term perspective, supported by prudent dividend policies and the strategic retention of profits. These efforts have fostered shareholder loyalty while strengthening the Bank's financial foundation.

The Bank actively seeks ways to optimise capital allocation, ensuring judicious utilisation for day-to-day operations while retaining the flexibility to explore external sources for capital enhancement when necessary. This balanced approach provides the Bank with the agility to support growth initiatives and navigate market uncertainties effectively.

Maintaining a sound capital buffer

The Bank's current capital buffer is considered adequate to support its growth plans and to withstand stress scenarios in the market. However, it remains vigilant, proactively assessing its capital position to adapt to changing conditions. This disciplined approach ensures sustained stakeholder confidence and positions the Bank as a trusted and resilient institution in the financial sector. By aligning its strategic objectives with a robust capital management framework, the Bank continues to uphold its commitment to financial stability, resilience, and long-term value creation.

Stress-testing

Stress-testing is a vital component of the Bank's ICAAP under Pillar II, enabling the Bank to evaluate the potential impact of severe yet plausible shocks on its major risk exposures. By subjecting its risk profile to these stress scenarios, the Bank gains valuable insights into the resilience of its capital, funding, liquidity, and earnings, both in the present and for future projections.

This process plays a dual role, not only assessing the resilience of the Bank under adverse conditions but also contributing to strategic planning. Within the ICAAP framework, stress-testing informs key aspects of risk management, capital planning, and liquidity strategies.

These include:

- Setting risk appetite triggers and risk tolerance limits.
- Reviewing and adjusting limits to mitigate risks.
- Restricting or reducing exposures as necessary.
- Implementing hedging strategies.
- Developing contingency plans to address varying degrees of stressed conditions.

Stress-testing also serves as an important communication tool, demonstrating the Bank's preparedness and resilience under adverse scenarios to both internal and external stakeholders.

Governance and methodologies

The Bank has established a robust governance framework for stress-testing, clearly defining the responsibilities and methodologies for conducting stress tests at various levels, including the Bank as a whole, specific business lines and individual risk types.

The methodologies employed include:

- Scenario analysis: Assessing the impact of predefined adverse scenarios on the Bank's performance
- Sensitivity analysis: Measuring the Bank's vulnerability to changes in specific risk factors
- Reverse stress-testing: Identifying scenarios that could result in the Bank's business model becoming unviable

This comprehensive approach ensures a deeper understanding of the potential impacts of various stress scenarios.

Impact on CAR at minor, moderate and severe stress levels Table – 62

As at December 31,		2024			2023		
Particulars	Description	Minor	Moderate	Severe	Minor	Moderate	Severe
		%	%	%	%	%	%
Credit risk – asset quality downgrade	Increasing the direct non-performing facilities over the direct performing facilities for the entire portfolio(1)	-0.39	-0.94	-1.51	-0.55	-1.54	-2.33
Operational risk	Impact of; Top five operational losses during last five years Average of yearly operational risk losses during last three years whichever is higher	-0.03	-0.07	-0.15	-0.03	-0.08	-0.17
Foreign exchange risk	Percentage shock in the exchange rates for the Bank and the Maldives operations (gross positions in each Book without netting)	-0.18	-0.22	-0.34	-0.13	-0.39	-0.65
Liquidity risk (LKR) –	Withdrawal of percentage of the clients, banks and other banking institution deposits from the Bank within a period of three months Rollover of loans to a period greater than three months	-0.18	-0.43	-0.75	-0.14	-0.33	-0.61
Interest rate risk – EAR and EVE (LKR) – Sri Lanka	To assess the long-term impact of changes in interest rates on Bank's EVE through changes in the economic value of its assets and liabilities and to assess the immediate impact of changes in interest rates on Bank's earnings through changes in its net interest income	-1.42	-2.16	-6.25	-0.72	-2.08	-4.63

(1) Stress scenarios are based on SLFRS-9 guidelines and staging of credit facilities pursuant to the Banking Act Direction No. 13 of 2021.

Scope and risk coverage

The stress-testing framework evaluates material risks such as:

- Credit risk
- Credit concentration risk
- Operational risk
- Liquidity risk
- Foreign exchange (FX) risk
- Interest rate risk in the banking book (IRRBB) using Economic Value of Equity (EVE) and Earnings at Risk (EAR) perspectives
- Stress levels are categorised into three tiers based on their impact on capital:
- Minor risk: Where deterioration in capital remains within policy-level requirements
- Moderate risk: A deterioration of up to 1% of capital adequacy
- Severe risk: A deterioration that breaches the statutory minimum capital level, necessitating immediate attention from the Board of Directors and Senior Management

Proactive risk management and reporting

The results of stress-testing are reported quarterly to the EIRMC and the BIRMC. This enables timely and informed decision-making, ensuring that the Bank remains agile and resilient in the face of adverse scenarios. Stress-testing outcomes are also used to guide risk tolerance levels, refine strategy, and foster a proactive risk management culture across the organisation.

Furthermore, stress-testing results help the Bank develop effective communication strategies, providing a comprehensive overview of its risk landscape under hypothetical stress scenarios. This transparency reinforces confidence among stakeholders regarding the Bank's stability and resilience.

Extracts from the most recent stress-testing results are presented in Table 62 on page 283, offering further insights into the Bank's resilience under stressed conditions.

Monitoring and reporting

The risk management function at the Bank plays a pivotal role in identifying, measuring, monitoring, and reporting risks across the organisation. To maintain the highest standards of efficiency and expertise, staff members within this function undergo regular training and upskilling, ensuring they remain proficient in the latest risk management practices and methodologies. This skilled workforce is complemented by state-of-the-art IT systems, which enable seamless data extraction, analysis, and scenario modeling. Together, these resources equip the risk management team to manage and oversee the Bank's risk exposures effectively.

The Bank generates regular and ad-hoc reports on KRIs and risk matrices for both the Bank and its subsidiaries. These reports are meticulously reviewed by Senior Management, Executive Committees, Board Committees, and ultimately, the Board of Directors. The actionable insights provided by these reports are instrumental in evaluating risks, aligning them with the Bank's strategic objectives, and providing a solid foundation for informed decision-making.

Comprehensive risk insights

The reports provide detailed, multi-dimensional insights into the Bank's risk exposures, including:

- Aggregate risk measures segmented by products, portfolios, tenures, and geographies.
- Comparative analyses against agreed-upon policy parameters, ensuring the Bank adheres to its defined risk appetite.
- Trend analysis to identify emerging risks and anticipate potential vulnerabilities.

This holistic view of the Bank's risk landscape facilitates strategic decision-making and ensures that the organisation remains resilient in the face of changing market dynamics. By understanding the sensitivities and interdependencies of the risks undertaken, the Bank can confidently navigate complex risk environments while upholding its commitment to stakeholders.

The Bank's commitment to robust monitoring and reporting frameworks underscores its proactive approach to risk management, fostering transparency, accountability, and alignment with its long-term objectives.

Basel III – Market discipline

Refer Annex 2 on pages 491 to 503 for the minimum disclosure requirements under Pillar III as per the Banking Act Direction No. 01 of 2016.

Refer pages 502 and 503 on Annex 2 for the D-SIB Assessment Exercise disclosed as required by the Banking Act Direction No. 10 of 2019.

FINANCIAL STATEMENTS

The Financial Statements, including Accounting Policies and notes, fully comply with relevant Accounting Standards, providing a true and fair view of the Bank's performance, financial position, equity changes, and cash flows. As confirmed in the Auditor's Report, they are free from material misstatements. The Independent Auditor's Report affirms an unmodified opinion on these Financial Statements.

Financial calendar – 2024 and 2025

	2024			2025	
	February	March	April	February	March
Annual General Meeting Calendar					
55th Annual Report and Accounts signed on	21st				
55th Annual General Meeting held on		28th			
56th Annual Report and Accounts signed on				28th	
56th Annual General Meeting to be held on					28th
Dividend Calendar					
For the year 2023					
Interim – Cash Dividend (Note 1)					
Final – Cash Dividend			8th & 24th		
– Scrip Dividend			15th		
For the year 2024					
Final – Cash and Scrip Dividend (Note 2)					28th

Note 1 The Bank did not declare interim cash dividends during the year ended December 31, 2023, in conformity with the requirements of the Banking Act Direction No. 01 of 2023, dated February 02, 2023, on "Restrictions on Discretionary Payments of Licensed Banks" issued by the Central Bank of Sri Lanka (CBSL).

Note 2 Subject to the recommendation by the Board of Directors and approval by the Shareholders at the 56th Annual General Meeting to be held on March 28, 2025.

	Published on (2024-2025)				To be published on or before (2025-2026)					
	May	August	November	February	March	May	August	November	February	March
Interim Financial Statements Calendar										
Submission to the Colombo Stock Exchange (CSE) (Note 3)										
For the three months ended/ ending March 31, (unaudited)	14th					15th				
For the six months ended/ ending June 30, (audited)		14th					15th			
For the nine months ended/ ending September 30, (unaudited)			13th					14th		
For the year ended/ending December 31, (audited)				28th					27th	
Publication in the Newspapers (Note 4)										
English	22nd	23rd	21st		31st	31st	31st	30th		31st
Sinhala	30th	29th	29th		31st	31st	31st	30th		31st
Tamil	30th	29th	29th		31st	31st	31st	30th		31st

Note 3 In terms of Rule 7.4 of the CSE and as per the requirements of the CBSL

Note 4 As per the Section 6 of the Circular No. 02 of 2019 dated January 18, 2019, and as per the Section 6 of the Circular No. 05 of 2024 dated December 31, 2024, issued by the Bank Supervision Department of the CBSL.

Independent Auditor's Report

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TO THE SHAREHOLDERS OF COMMERCIAL BANK OF CEYLON PLC

Report on the audit of the Financial Statements

Opinion

We have audited the Financial Statements of Commercial Bank of Ceylon PLC ("the Bank") and the Consolidated Financial Statements of the Bank and its subsidiaries ("the Group"), which comprise the statement of financial position as at December 31, 2024, and the income statement, the statement of profit and loss and other 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 policies and other explanatory information as set out on pages 295 to 458 of this Annual Report.

In our opinion, the accompanying financial statements of the Bank and the Group give a true and fair view of the financial position of the Bank and the Group as at December 31, 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 Group 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 judgement, 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.

KPMG

Allowance for Expected Credit Losses

Refer to Note 2.12 (use of judgements and assumptions & estimates), Note 18 (Impairment charges/(reversal) and other losses) and Note 33 (Financial assets measured at amortised cost – loans and advances to other customers), to these Financial Statements.

Risk Description	Our Responses
As disclosed in Note 33 & 18 to these Financial Statements, the Bank and the Group have recorded financial assets measured at amortised cost against loans and advances to customers, of Rs. 1,486,900.7 Mn. and Rs. 1,525,506.8 Mn. respectively as at December 31, 2024. High degree of complexity and judgement are involved in estimating Expected Credit Loss (ECL) (Bank – Rs. 102,376.0 Mn.; Group – Rs. 104,502.6 Mn.) as at the reporting date. Allowance for Expected Credit Losses (ECL) is a key audit matter due to the significance of the loans and advances balance to the Financial Statements, the involvement of significant management judgements, assumptions and level of estimation uncertainty associated in estimating management expectation of future cash flows to recover such financial assets, the inherent complexity of the ECL models used by the Bank and the Group to measure ECL allowances. These models are reliant on data and estimates including multiple economic scenarios and key assumptions such as defining a Significant Increase in Credit Risk (SICR). SICR identification is a key judgement within the ECL methodology, as this criterion determines if a forward-looking 12 month or lifetime allowance is recorded. SLFRS 9 – Financial Instruments requires the Group to measure ECLs on a forward-looking basis reflecting a range of economic conditions. Post-model adjustments are considered to address known ECL model limitations or emerging trends in the loan portfolios. Additional subjectivity and judgement are required due to the heightened uncertainty associated with the impact of the economic outlook and its impact on customers, increasing our audit effort thereon. Additionally, allowances for individually assessed loans exceeding specific thresholds are assessed. Challenging the assessment of specific allowances based on the expected future cash repayments and estimated proceeds from the value of the collateral held in respect of the loans by the Bank and Group in respect of the loans. The disclosures regarding the Bank and Group's application of SLFRS 9 are key to explaining the key judgements and material inputs to the SLFRS 9 ECL results.	Our audit procedures to assess the allowances for ECL included the following: Testing key controls of the Bank and Group in relation to: • The ECL model governance and validation processes which involved assessment of model performance; • The assessment and approval of the forward-looking macroeconomic assumptions and scenario weightings through challenge applied by internal governance processes; • Reconciliation of the data used in the ECL calculation process to gross balances recorded within the general ledger as well as source systems; • IT system controls which record loans days past due, non-performing loan classification and impairment calculation. **Assessing adequacy of impairment for individually significant customers (ISL)** Selecting a sample of larger customers (based on quantitative threshold set by the Bank and the Group for ISL customers) where impairment indicators have been identified by management and assessed as higher risk or impaired, and a sample of other loans, focusing on larger exposures assessed by the Bank and Group as showing signs of deterioration, or in areas of emerging risk (assessed against external market conditions and in particular considering the potential implications of prevailing economic conditions). Obtaining management's assessment of the recoverability of these exposures (including individual impairment calculations) and assessed whether individual impairment provisions, or lack of, were appropriate. This included the following procedures; • Testing the implementation of the Bank and Group's SICR methodology by re-performing the staging calculation for a sample of loans. • For a sample of customer loans which were not identified as displaying indicators of impairment by management, we reassessed the conclusions made by the management by reviewing the historical performance of the customers and form our own view whether any impairment indicators were present. • Evaluating management's assessment of recoverability of the forecasted cash flows by comparing them to the historical performance of the customers, their financial position and the expected future performance where applicable. • Assessing external collateral valuer's credentials and comparing external valuations to values used in management's impairment assessments, forecasted timing of future cash flows in the context of underlying valuations and approved business plans and challenging key assumptions in the valuations. • Exercising our judgement, our procedures included using our understanding of relevant industries and the macroeconomic environment and comparing with the data and assumptions used by the Bank and the Group in recoverability assessment. Where relevant we assessed the forecast timing of future cash flows in the context of underlying valuations, and business plans and evaluating the key assumptions in the valuations.

Risk Description	Our Responses

	Assessing the adequacy of collectively assessed impairment
	Testing key controls of the Bank and Group in relation to:
	• Obtaining an understanding of the processes to determine ECL allowances of the Bank and the Group, evaluating the ECL model methodologies of the Bank and the Group's against established market practices and criteria in the accounting standards.
	• The assessment and approval of the forward-looking macroeconomic assumptions and scenario weightings, trends in the credit risk concentration of specific portfolios and our understanding of economic conditions. As part of this work, we assessed the reasonableness of the considerations of the uncertainty relating to key economic indicators used by the Bank and the Group.
	• By working with our Financial Risk Management (FRM) specialist we carried out the following procedures.
	  ◦ Challenging the Bank and the Group's forward-looking macro-economic assumptions and scenarios incorporated in the ECL models by comparing the economic factors used to relevant publicly available macro-economic information, to identify contradictory indicators.
	  ◦ Evaluating and challenging the key assumptions in the components of the Bank and Group's post-model adjustments to the ECL allowance balance. This included assessing the requirement for additional allowances considering the Group's ECL model and data limitations identified by the Group's ECL model validation processes, particularly in light of the extreme volatility in economic scenarios caused by the prevailing economic conditions.
	• Assessing the ongoing effectiveness of the SICR criteria and independently calculating the loans' stage to determine whether a SICR event had occurred.
	• Assessing the completeness of additional allowance overlays by checking the consistency of risks we identified in the loan portfolios against the assessment of the Bank and the Group.
	• Evaluating the approach taken by the Management in identifying the risk elevated sectors and assessing the current market conditions and specific risks in the loan portfolios of the Bank and the Group due to exposure to risk elevated sectors.
	Assessing the adequacy of post model adjustments
	We challenged key assumptions in the components of the Bank and the Group's post-model adjustments to the ECL allowance balance. This included:
	• Assessing changes made to the post-model against the ECL model of the Bank and the Group and data deficiencies identified in the ECL model validation processes, particularly in light of the improvements in the economic scenarios.
	• Assessing certain post-model adjustments identified by the Bank and the Group against internal and external information.
	• Assessing the completeness of post-model adjustments by checking the consistency of risks we identified in the loan portfolios against the Bank and the Group's assessment.
	• Comparing underlying data used in concentration risk and economic cycle allowances to underlying loan portfolio characteristics of recent loss experience, current market conditions and specific risks (including exposure to risk elevated sectors) in the loan portfolios of the Bank and the Group.
	Assessing the adequacy of impairment for financial assets
	By working with our Financial Risk Management (FRM) specialist we carried out the following procedures;
	• Challenging the underlying assumptions used and the methodology adopted by the Bank and the Group to compute the impairment provision.
	• Assessing the reasonableness of key inputs and assumptions using comparable data in the market and available alternatives.
	We also assessed the adequacy and appropriateness of the related disclosures in the Financial Statements using our understanding obtained from our testing and against the requirements of Sri Lanka Accounting Standards.

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IT systems and controls over financial reporting

Risk Description	Our Responses
The Bank and the Group's businesses utilise many complex, interdependent Information Technology (IT) systems to process and record a high volume of transactions. The controls over access, changes to and operation of IT systems are key to the recording of financial information and the preparation of Financial Statements which provide a true and fair view of the Bank and the Group's financial position and performance. The IT systems and controls, as they impact the recording and reporting of financial transactions, is a key audit matter as our audit approach could significantly differ depending on the effective operation of the Bank and Group's IT controls.	We worked with our internal IT specialists to perform audit procedures to test the IT control environment for key IT applications (systems) used in processing significant transactions and recording balances in the general ledger. We also tested automated controls embedded within these systems which link the technology-enabled business processes. Our further audit procedures included: • General IT controls design, observation and operation. • Assessing the governance and higher-level controls in place across the IT Environment, including those regarding policy design, policy review and awareness and IT Risk Management practices. • Obtaining an understanding and testing operating effectiveness of the sample of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management, monitor system integrity, program development and computer operations. • Data integrity of critical system reporting used by us in our audit to select samples and analyse data used by management to generate Financial Statements. **Application controls** Design and operating effectiveness testing of key automated business process controls including those relating to enforcing segregation of duties to avoid conflicts from inappropriate role combinations within IT applications. • On sample basis, re-performed selected automated computations and compared our results with those from the system and the general Ledger. **User access controls operation** Design and operating effectiveness testing of key controls across the user access management. • Assessing the management's evaluation of access rights granted to applications relevant to financial accounting and reporting systems, • Evaluate the design and operating effectiveness of IT controls, including those related to user access and change management and, • Assessing the operating effectiveness of controls over granting, removal and appropriateness of access rights. Where our testing identified design and operating effectiveness matters relating to IT systems or application controls relevant to our audit, we performed alternative audit procedures, including consideration of mitigating controls.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the Financial Statements does not cover the other information and we will 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 identified above when it becomes available 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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Those charged with governance are responsible for overseeing the Bank and the Group'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 judgement and maintain professional skepticism throughout the audit. We also:

- 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.
- 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 and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Group'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 Group to cease to continue as a going concern.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and as far as appears from our examination, proper accounting records have been kept by the Bank and the Group.

The Bank's financial position is in compliance with the provisions of the Banking Act No. 30 of 1988 and the Banking (Amendment) Act No. 24 of 2024 relating to the issuance of Financial Statements and disclosure provisions and we have not noted any instance to call for an explanation or any information from any officer or agent of the Bank in relation to Section 39 (1A).

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is FCA 2294.

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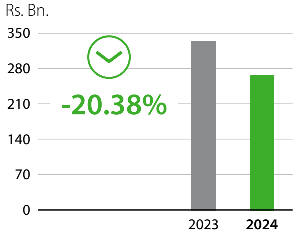
Chartered Accountants

February 28, 2025

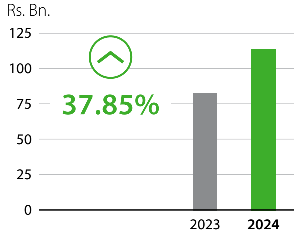
Colombo, Sri Lanka

Financial statements highlights – Bank

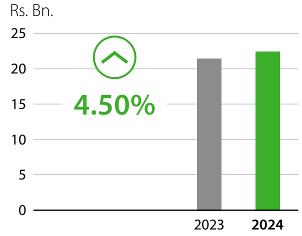
Gross income Graph – 60



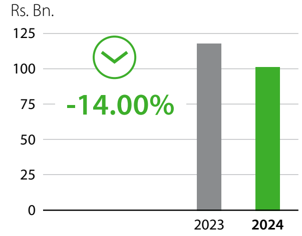
Net interest income Graph – 61



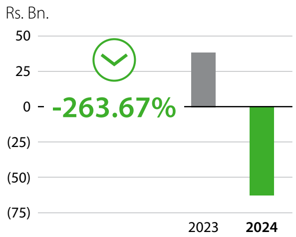
Net fee and commission income Graph – 62



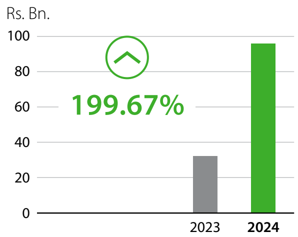
Total operating income Graph – 63



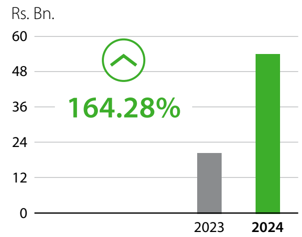
Impairment charges/(reversals) and other losses Graph – 64



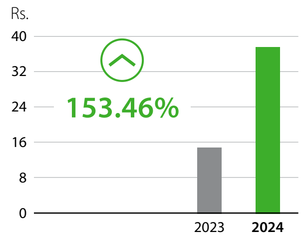
Profit before tax Graph – 65



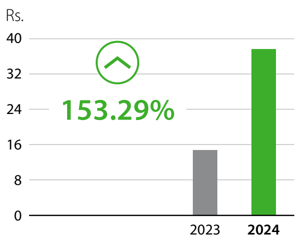
Profit after tax Graph – 66



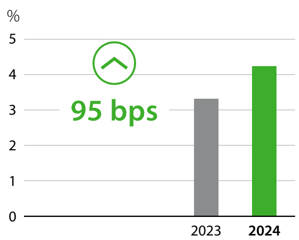
Earnings per share – Basic Graph – 67



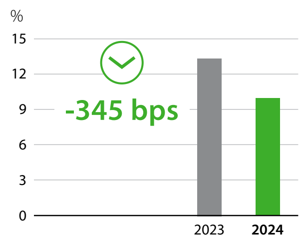
Earnings per share – Diluted Graph – 68



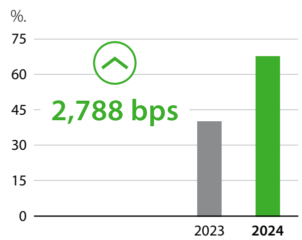
Interest margin Graph – 69



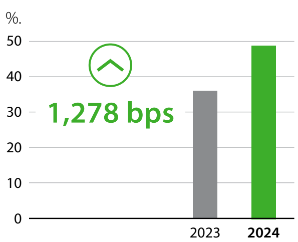
Financial intermediation margin Graph – 70



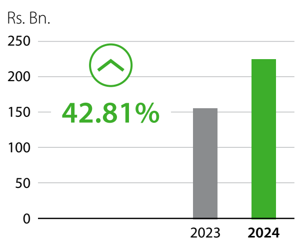
Cost Income Ratio (including taxes on financial services) Graph – 71



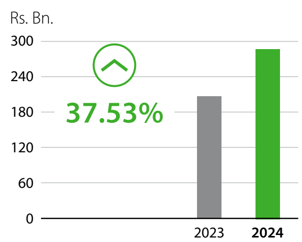
Cost Income Ratio (excluding taxes on financial services) Graph – 72



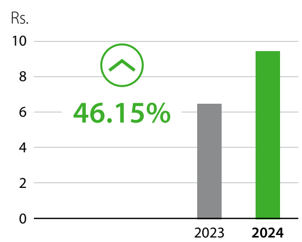
Common Equity Tier I Capital Graph – 73



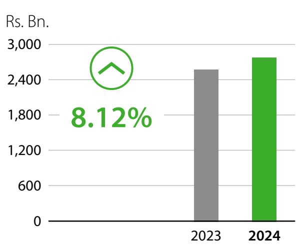
Total Capital Graph – 74



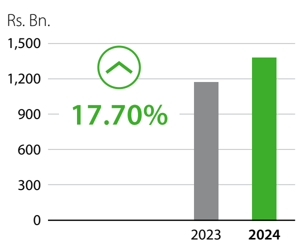
Dividends per share Graph – 75



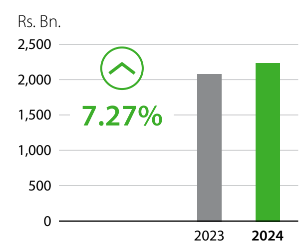
Total assets Graph – 76



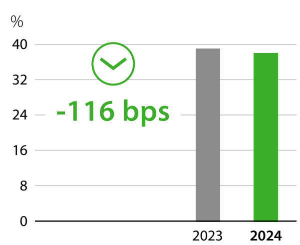
Financial assets at amortised cost – Loans and advances to other customers (net of impairment) Graph – 77



Financial liabilities at amortised cost – due to depositors Graph – 78



CASA Ratio Graph – 79



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Income Statement

For the year ended December 31,	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	GROUP Change %	BANK 2024 Rs. '000	BANK 2023 Rs. '000	BANK Change %
Gross income	12	330	274,975,814	341,566,200	(19.50)	267,331,580	335,770,196	(20.38)
Interest income	13.1	331	275,217,117	297,645,866	(7.54)	269,596,222	292,618,360	(7.87)
Less: Interest expense	13.2	331	157,082,433	211,230,507	(25.63)	155,037,883	209,514,795	(26.00)
Net interest income	13	330	118,134,684	86,415,359	36.71	114,558,339	83,103,565	37.85
Fee and commission income	14.1	333	34,480,523	30,653,212	12.49	33,246,118	29,704,104	11.92
Less: Fee and commission expense	14.2	333	10,834,345	8,265,893	31.07	10,716,909	8,145,910	31.56
Net fee and commission income	14	332	23,646,178	22,387,319	5.62	22,529,209	21,558,194	4.50
Net gains/(losses) from trading	15	334	(2,201,010)	(12,481,613)	82.37	(2,201,010)	(12,481,613)	82.37
Net gains/(losses) from derecognition of financial assets	16	334	(41,016,836)	5,060,242	(910.57)	(41,016,836)	5,060,242	(910.57)
Financial assets measured at fair value through other comprehensive income			4,090,697	5,060,242	(19.16)	4,090,697	5,060,242	(19.16)
Derecognition loss on restructuring of SLISBs	16.1	334	(45,107,533)	–	(100.00)	(45,107,533)	–	(100.00)
Net other operating income	17	337	8,496,020	20,688,493	(58.93)	7,707,086	20,869,103	(63.07)
Other operating income			(34,721,826)	13,267,122	(361.71)	(35,510,760)	13,447,732	(364.07)
Total operating income			107,059,036	122,069,800	(12.30)	101,576,788	118,109,491	(14.00)
Less: Impairment charges/(reversal) and other losses	18	337	(62,294,814)	38,895,070	(260.16)	(63,215,069)	38,623,739	(263.67)
Net operating income			169,353,850	83,174,730	103.61	164,791,857	79,485,752	107.32
Less: Expenses								
Personnel expenses	19	341	27,907,458	22,810,045	22.35	26,913,870	21,956,866	22.58
Depreciation and amortisation	20	341	4,737,203	4,335,640	9.26	4,669,731	4,283,566	9.02
Other operating expenses	21	342	19,193,697	17,144,147	11.95	18,069,772	16,403,768	10.16
Total operating expenses			51,838,358	44,289,832	17.04	49,653,373	42,644,200	16.44
Operating profit before taxes on financial services			117,515,492	38,884,898	202.21	115,138,484	36,841,552	212.52
Less: Taxes on financial services	22	343	19,706,675	4,961,392	297.20	19,603,873	4,961,392	295.13
Operating profit after taxes on financial services			97,808,817	33,923,506	188.32	95,534,611	31,880,160	199.67
Share of profit/(loss) of associate, net of tax	37.1	369	(460)	3,495	(113.16)	–	–	–
Profit before tax			97,808,357	33,927,001	188.29	95,534,611	31,880,160	199.67
Less: Income tax expense	23	343	42,121,945	12,027,341	250.22	41,461,107	11,419,198	263.08
Profit for the year			55,686,412	21,899,660	154.28	54,073,504	20,460,962	164.28
Profit attributable to:								
Equity holders of the Bank			55,073,240	21,114,675	160.83	54,073,504	20,460,962	164.28
Non-controlling interest	56	412	613,172	784,985	(21.89)	–	–	–
Profit for the year			55,686,412	21,899,660	154.28	54,073,504	20,460,962	164.28
Earnings per share								
Basic earnings per ordinary share (Rs.)	24.1	345	38.44	15.37	150.10	37.74	14.89	153.46
Diluted earnings per ordinary share (Rs.)	24.1	345	38.38	15.36	149.87	37.69	14.88	153.29

The Notes appearing on pages 307 to 458 form an integral part of these Financial Statements.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31,	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	GROUP Change %	BANK 2024 Rs. '000	BANK 2023 Rs. '000	BANK Change %
Profit for the year			55,686,412	21,899,660	154.28	54,073,504	20,460,962	164.28
Other comprehensive income, net of tax								
Items that will never be reclassified to profit or loss								
Net actuarial gains/(losses) on defined benefit plans			(421,295)	(251,090)	(67.79)	(419,134)	(239,530)	(74.98)
Gains/(losses) on remeasurement of defined benefit liability/asset			(552,425)	(304,616)	(81.35)	(549,338)	(288,101)	(90.68)
Less: Deferred tax charge/(reversal) on actuarial gains/(losses)			(131,130)	(53,526)	(144.98)	(130,204)	(48,571)	(168.07)
Net change in revaluation surplus	55.1	410	–	1,341,641	(100.00)	–	1,012,171	(100.00)
Changes in revaluation surplus/(deficit)			–	1,871,175	(100.00)	–	1,445,959	(100.00)
Less : Deferred tax charge/(reversal) on revaluation surplus			–	529,534	(100.00)	–	433,788	(100.00)
Net change in fair value of investments in equity			1,012,450	(13,481)	7,610.20	1,010,216	(13,481)	7,593.63
Change in fair value of investments in equity at fair value through other comprehensive income			1,012,450	(13,481)	7,610.20	1,010,216	(13,481)	7,593.63
Share of other comprehensive income/(expense) of associate, net of tax	37.1	369	247	207	19.32	–	–	–
Items that are or may be reclassified to profit or loss								
Net gains/(losses) arising from translating the Financial Statements of foreign operations	55.4	411	(11,971,874)	(12,116,058)	1.19	(10,890,433)	(11,086,172)	1.77
Net gains/(losses) on investment in financial assets at fair value through other comprehensive income			24,575	1,905,017	(98.71)	22,137	1,898,733	(98.83)
Fair value gains/(losses) that arose during the year, net of tax			2,888,034	5,447,186	(46.98)	2,885,596	5,440,902	(46.96)
Fair value gains/(losses) realised to the Income Statement on disposal, net of tax			(2,863,459)	(3,542,169)	19.16	(2,863,459)	(3,542,169)	19.16
Cash flow hedges – effective portion of changes in fair value, net of tax	55.6	411	–	(36,554)	100.00	–	(36,554)	100.00
Other comprehensive income/(expense) for the year, net of tax			(11,355,897)	(9,170,318)	(23.83)	(10,277,214)	(8,464,833)	(21.41)
Total comprehensive income for the year			44,330,515	12,729,342	248.25	43,796,290	11,996,129	265.09
Attributable to:								
Equity holders of the Bank			44,123,957	12,341,301	257.53	43,796,290	11,996,129	265.09
Non-controlling interest			206,558	388,041	(46.77)	–	–	–
Total comprehensive income for the year			44,330,515	12,729,342	248.25	43,796,290	11,996,129	265.09

The Notes appearing on pages 307 to 458 form an integral part of these Financial Statements.

Statement of Financial Position

As at December 31,	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	GROUP Change %	BANK 2024 Rs. '000	BANK 2023 Rs. '000	BANK Change %
Assets								
Cash and cash equivalents	28	352	89,615,459	159,701,507	(43.89)	86,848,291	157,819,287	(44.97)
Balances with Central Banks	29	353	55,989,574	62,633,503	(10.61)	45,702,086	52,817,502	(13.47)
Placements with banks	30	354	101,104,941	81,506,653	24.05	99,300,303	81,344,696	22.07
Securities purchased under resale agreements			28,655,962	31,148,729	(8.00)	28,655,962	31,148,729	(8.00)
Derivative financial assets	31	354	4,264,271	7,226,484	(40.99)	4,264,271	7,226,484	(40.99)
Financial assets recognised through profit or loss – measured at fair value	32	355	91,677,346	29,449,653	211.30	91,677,346	29,449,653	211.30
Financial assets at amortised cost – loans and advances to other customers	33	359	1,421,004,171	1,204,865,597	17.94	1,384,524,660	1,176,359,971	17.70
Financial assets at amortised cost – debt and other financial instruments	34	362	701,751,287	685,155,537	2.42	667,709,691	649,740,408	2.77
Financial assets measured at fair value through other comprehensive income	35	365	303,218,395	287,732,972	5.38	301,584,142	287,023,009	5.07
Investments in subsidiaries	36	367	–	–	–	5,808,429	5,808,429	–
Investment in associate	37	369	58,791	59,004	(0.36)	44,331	44,331	–
Property, plant and equipment and right-of-use assets	38	370	30,670,410	28,997,246	5.77	27,600,648	26,257,902	5.11
Investment properties	39	382	743,900	597,825	24.43	–	–	–
Intangible assets	40	385	4,757,905	4,289,404	10.92	4,221,131	3,736,504	12.97
Deferred tax assets	41	387	12,563,217	34,511,410	(63.60)	12,085,844	34,076,526	(64.53)
Other assets	42	389	29,917,238	37,736,151	(20.72)	29,753,153	37,474,448	(20.60)
Total assets			2,875,992,867	2,655,611,675	8.30	2,789,780,288	2,580,327,879	8.12
Liabilities								
Due to banks	43	389	25,376,564	47,948,578	(47.08)	21,306,752	47,274,361	(54.93)
Derivative financial liabilities	44	390	837,497	2,319,209	(63.89)	837,497	2,319,209	(63.89)
Securities sold under repurchase agreements			112,461,472	111,186,824	1.15	112,470,392	111,198,516	1.14
Financial liabilities at amortised cost – due to depositors	45	390	2,306,079,421	2,147,906,858	7.36	2,236,566,800	2,085,046,149	7.27
Financial liabilities at amortised cost – other borrowings	46	391	14,273,156	12,756,021	11.89	14,273,156	12,756,021	11.89
Current tax liabilities	47	392	13,502,666	15,256,244	(11.49)	13,145,697	14,951,984	(12.08)
Deferred tax liabilities	41	387	511,000	514,207	(0.62)	–	–	–
Other liabilities	48	392	59,423,992	56,266,302	5.61	58,064,777	55,050,477	5.48
Due to subsidiaries	49	401	–	–	–	145,794	317,221	(54.04)
Subordinated liabilities	50	402	57,707,677	36,482,939	58.18	57,707,677	36,482,939	58.18
Total liabilities			2,590,173,445	2,430,637,182	6.56	2,514,518,542	2,365,396,877	6.30
Equity								
Stated capital	51	404	88,017,094	62,948,003	39.83	88,017,094	62,948,003	39.83
Statutory reserves	53	408	16,469,686	13,586,534	21.22	15,079,581	12,375,906	21.85
Retained earnings	54	409	17,533,670	9,943,003	76.34	15,330,940	8,558,385	79.13
Other reserves	55	409	159,108,992	133,993,167	18.74	156,834,131	131,048,708	19.68
Total equity attributable to equity holders of the Bank			281,129,442	220,470,707	27.51	275,261,746	214,931,002	28.07
Non-controlling interest	56	412	4,689,980	4,503,786	4.13	–	–	–
Total equity			285,819,422	224,974,493	27.05	275,261,746	214,931,002	28.07
Total liabilities and equity			2,875,992,867	2,655,611,675	8.30	2,789,780,288	2,580,327,879	8.12
Contingent liabilities and commitments	57	412	750,876,960	675,776,516	11.11	743,964,900	668,875,778	11.23
Net assets value per ordinary share (Rs.)	58	415	174.58	167.77	4.06	170.94	163.55	4.52
Memorandum information								
Number of employees						5,461	5,201	
Number of customer service centres						292	291	

The Notes appearing on pages 307 to 458 form an integral part of these Financial Statements.

Certification
These Financial Statements have been prepared in compliance with requirements of the Companies Act No. 07 of 2007.

K D N Buddhipala
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.

Sharhan Muhseen
Chairman

Raja Senanayake
Deputy Chairman

S C U Manatunge
Managing Director/
Chief Executive Officer

R A P Rajapaksha
Company Secretary

February 28, 2025
Colombo

Statement of Changes in Equity – Group

	Note	Page No.	Stated capital Rs. '000	Statutory reserve fund Rs. '000	Retained earnings Rs. '000
Balance as at December 31, 2022			58,149,621	12,079,670	6,790,304
Total comprehensive income for the year 2023					
Profit for the year			–	–	21,114,675
Other comprehensive income, net of tax			–	–	(241,899)
Net actuarial gains/(losses) on defined benefit plans			–	–	(251,035)
Share of other comprehensive income/(expense) of associate, net of tax	55.3	410	–	–	–
Net change in revaluation surplus	55.1	410	–	–	–
Revaluation surplus transferred to retained earnings upon the disposal of freehold land	55.1	410	–	–	9,136
Net fair value gains/(losses) on remeasuring financial assets measured at fair value through other comprehensive income	55.3	410	–	–	–
Net gains/(losses) arising from translating the Financial Statements of foreign operations	55.4	411	–	–	–
Cash flow hedges – effective portion of changes in fair value, net of tax	55.6	411	–	–	–
Total comprehensive income for the year 2023			–	–	20,872,776
Transactions with owners recognised directly in equity, contributions by and distributions to owners					
Issue of ordinary voting shares under employee share option plans	51	404	51,740	–	–
Transfer o/a share-based payment transactions	51	404	4,491	–	–
Transfer of cost o/a of expired ESOP shares (net of tax)	54 & 55.5	409 & 411	–	–	47,510
Dividends to equity holders			4,742,151	–	(5,558,473)
First & final dividend for 2022 satisfied in the form of cash			–	–	–
First & final dividend for 2022 satisfied in the form of issue and allotment of new shares	25 & 51	346 & 404	4,742,151	–	(5,579,001)
Unclaimed dividend absorbed/(dividend paid) in respect of previous years			–	–	20,528
Interim Dividend for 2023			–	–	–
Share-based payment transactions	55.5	411	–	–	–
Transfers to non-distributable capital reserve	33.2(a)	360	–	27,750	–
Transfers during the year	53 to 55	408 to 409	–	1,479,114	(12,209,114)
Total transactions with equity holders			4,798,382	1,506,864	(17,720,077)
Balance as at December 31, 2023			62,948,003	13,586,534	9,943,003

Other reserves									
Revaluation reserve Rs. '000	Fair value reserve Rs. '000	Foreign currency translation reserve Rs. '000	Hedging reserve Rs. '000	Employee share option reserve Rs. '000	Special reserve Rs. '000	General reserve Rs. '000	Shareholders' funds Rs. '000	Non-controlling interest Rs. '000	Total equity Rs. '000
10,214,244	72,270	21,371,971	36,554	150,529	–	100,000,003	208,865,166	4,107,408	212,972,574
–	–	–	–	–	–	–	21,114,675	784,985	21,899,660
1,287,844	1,891,743	(11,674,508)	(36,554)	–	–	–	(8,773,374)	(396,944)	(9,170,318)
–	–	–	–	–	–	–	(251,035)	(55)	(251,090)
–	207	–	–	–	–	–	207	–	207
1,296,980	–	–	–	–	–	–	1,296,980	44,661	1,341,641
(9,136)	–	–	–	–	–	–	–	–	–
–	1,891,536	–	–	–	–	–	1,891,536	–	1,891,536
–	–	(11,674,508)	–	–	–	–	(11,674,508)	(441,550)	(12,116,058)
–	–	–	(36,554)	–	–	–	(36,554)	–	(36,554)
1,287,844	1,891,743	(11,674,508)	(36,554)	–	–	–	12,341,301	388,041	12,729,342
–	–	–	–	–	–	–	51,740	–	51,740
–	–	–	–	(4,491)	–	–	–	–	–
–	–	–	–	(67,871)	–	–	(20,361)	–	(20,361)
–	–	–	–	–	–	–	(816,322)	(14,367)	(830,689)
–	–	–	–	–	–	–	–	(10,800)	(10,800)
–	–	–	–	–	–	–	(836,850)	–	(836,850)
–	–	–	–	–	–	–	20,528	33	20,561
–	–	–	–	–	–	–	–	(3,600)	(3,600)
–	–	–	–	21,433	–	–	21,433	–	21,433
–	–	–	–	–	–	–	27,750	22,704	50,454
–	–	–	–	–	–	10,730,000	–	–	–
–	–	–	–	(50,929)	–	10,730,000	(735,760)	8,337	(727,423)
11,502,088	1,964,013	9,697,463	–	99,600	–	110,730,003	220,470,707	4,503,786	224,974,493

	Note	Page No.	Stated capital Rs. '000	Statutory reserve fund Rs. '000	Retained earnings Rs. '000
Total comprehensive income for the year 2024					
Profit for the year			–	–	55,073,240
Other comprehensive income, net of tax			–	–	(421,605)
Net actuarial gains/(losses) on defined benefit plans			–	–	(421,605)
Share of other comprehensive income/(expense) of associate, net of tax	55.3	410	–	–	–
Net fair value gains/(losses) on remeasuring financial assets measured at fair value through other comprehensive income	55.3	410	–	–	–
Net gains/(losses) arising from translating the Financial Statements of foreign operations	55.4	411	–	–	–
Total comprehensive income for the year 2024			–	–	54,651,635
Transactions with owners recognised directly in equity, contributions by and distributions to owners					
Proceeds from Right issue of Ordinary shares	51	404	22,543,555	–	–
Issue of ordinary voting shares under employee share option plans	51	404	272,475	–	–
Transfer o/a share-based payment transactions	51	404	19,017	–	–
Transfer of cost o/a of expired ESOP shares (net of tax)	54 & 55.5	409 & 411	–	–	42,808
Dividends to equity holders			2,234,044	–	(8,519,130)
First & final dividend for 2023 satisfied in the form of cash	25	346	–	–	(5,913,644)
First & final dividend for 2023 satisfied in the form of issue and allotment of new shares	25 & 51	346 & 404	2,234,044	–	(2,628,286)
Unclaimed dividend absorbed/(dividend paid) in respect of previous years			–	–	22,800
Interim dividend for 2024			–	–	–
Share-based payment transactions	55.5	411	–	–	–
Transfers during the year	53 to 55	408 to 409	–	2,883,152	(38,584,646)
Total transactions with equity holders			25,069,091	2,883,152	(47,060,968)
Balance as at December 31, 2024			88,017,094	16,469,686	17,533,670

The Notes appearing on pages 307 to 458 form an integral part of these Financial Statements.

Other reserves									
Revaluation reserve Rs. '000	Fair value reserve Rs. '000	Foreign currency translation reserve Rs. '000	Hedging reserve Rs. '000	Employee share option reserve Rs. '000	Special reserve Rs. '000	General reserve Rs. '000	Shareholders' funds Rs. '000	Non-controlling interest Rs. '000	Total equity Rs. '000
–	–	–	–	–	–	–	55,073,240	613,172	55,686,412
–	1,037,272	(11,564,950)	–	–	–	–	(10,949,283)	(406,614)	(11,355,897)
–	–	–	–	–	–	–	(421,605)	310	(421,295)
–	247	–	–	–	–	–	247	–	247
–	1,037,025	–	–	–	–	–	1,037,025	–	1,037,025
–	–	(11,564,950)	–	–	–	–	(11,564,950)	(406,924)	(11,971,874)
–	1,037,272	(11,564,950)	–	–	–	–	44,123,957	206,558	44,330,515
–	–	–	–	–	–	–	22,543,555	–	22,543,555
–	–	–	–	–	–	–	272,475	–	272,475
–	–	–	–	(19,017)	–	–	–	–	–
–	–	–	–	(61,154)	–	–	(18,346)	–	(18,346)
–	–	–	–	–	–	–	(6,285,086)	(20,364)	(6,305,450)
–	–	–	–	–	–	–	(5,913,644)	(16,800)	(5,930,444)
–	–	–	–	–	–	–	(394,242)	–	(394,242)
–	–	–	–	–	–	–	22,800	36	22,836
–	–	–	–	–	–	–	–	(3,600)	(3,600)
–	–	–	–	22,180	–	–	22,180	–	22,180
–	–	–	–	–	8,731,494	26,970,000	–	–	–
–	–	–	–	(57,991)	8,731,494	26,970,000	16,534,778	(20,364)	16,514,414
11,502,088	3,001,285	(1,867,487)	–	41,609	8,731,494	137,700,003	281,129,442	4,689,980	285,819,422

Statement of Changes in Equity – Bank

	Note	Page No.	Stated capital Rs. '000	Statutory reserve fund Rs. '000	Retained earnings Rs. '000
Balance as at December 31, 2022			58,149,621	11,352,858	5,592,121
Total comprehensive income for the year 2023					
Profit for the year			–	–	20,460,962
Other comprehensive income, net of tax			–	–	(230,394)
Net actuarial gains/(losses) on defined benefit plans			–	–	(239,530)
Net change in revaluation surplus	55.1	410	–	–	–
Revaluation surplus transferred to retained earnings upon the disposal of freehold land	55.1	410	–	–	9,136
Net fair value gains/(losses) on remeasuring financial assets measured at fair value through other comprehensive income	55.3	410	–	–	–
Net gains/(losses) arising from translating the Financial Statements of the foreign operations	55.4	411	–	–	–
Cash flow hedges – effective portion of changes in fair value, net of tax	55.6	411	–	–	–
Total comprehensive income for the year 2023			–	–	20,230,568
Transactions with owners recognised directly in equity, contributions by and distributions to owners					
Issue of ordinary voting shares under employee share option plans	51	404	51,740	–	–
Transfer o/a share-based payment transactions	51	404	4,491	–	–
Transfer of cost o/a of expired ESOP shares (net of tax)	54 & 55.5	409 & 411	–	–	47,510
Dividends to equity holders			4,742,151	–	(5,558,766)
First & final dividend for 2022 satisfied in the form of cash			–	–	–
First & final dividend for 2022 satisfied in the form of issue and allotment of new shares	25 & 51	346 & 404	4,742,151	–	(5,579,001)
Unclaimed dividend absorbed/(dividend paid) in respect of previous years			–	–	20,235
Share-based payment transactions	55.5	411	–	–	–
Transfers during the year	53 to 55	408 to 409	–	1,023,048	(11,753,048)
Total transactions with equity holders			4,798,382	1,023,048	(17,264,304)
Balance as at December 31, 2023			62,948,003	12,375,906	8,558,385

Other reserves									
Revaluation reserve Rs. '000	Fair value reserve Rs. '000	Foreign currency translation reserve Rs. '000	Hedging reserve Rs. '000	Employee share option reserve Rs. '000	Special reserve Rs. '000	General reserve Rs. '000	Shareholders' funds Rs. '000	Non-controlling interest Rs. '000	Total equity Rs. '000
9,396,542	78,743	18,941,705	36,554	150,529	–	100,000,003	203,698,676	-	203,698,676
–	–	–	–	–	–	–	20,460,962	–	20,460,962
1,003,035	1,885,252	(11,086,172)	(36,554)	–	–	–	(8,464,833)	–	(8,464,833)
–	–	–	–	–	–	–	(239,530)	–	(239,530)
1,012,171	–	–	–	–	–	–	1,012,171	–	1,012,171
(9,136)	–	–	–	–	–	–	–	–	–
–	1,885,252	–	–	–	–	–	1,885,252	–	1,885,252
–	–	(11,086,172)	–	–	–	–	(11,086,172)	–	(11,086,172)
–	–	–	(36,554)	–	–	–	(36,554)	–	(36,554)
1,003,035	1,885,252	(11,086,172)	(36,554)	–	–	–	11,996,129	–	11,996,129
–	–	–	–	–	–	–	51,740	–	51,740
–	–	–	–	(4,491)	–	–	–	–	–
–	–	–	–	(67,871)	–	–	(20,361)	–	(20,361)
–	–	–	–	–	–	–	(816,615)	–	(816,615)
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	(836,850)	–	(836,850)
–	–	–	–	–	–	–	20,235	–	20,235
–	–	–	–	21,433	–	–	21,433	–	21,433
–	–	–	–	–	–	10,730,000	–	–	–
–	–	–	–	(50,929)	–	10,730,000	(763,803)	–	(763,803)
10,399,577	1,963,995	7,855,533	–	99,600	–	110,730,003	214,931,002	–	214,931,002

	Note	Page No.	Stated capital Rs. '000	Statutory reserve fund Rs. '000	Retained earnings Rs. '000
Total comprehensive income for the year 2024					
Profit for the year			–	–	54,073,504
Other comprehensive income, net of tax			–	–	(419,134)
Net actuarial gains/(losses) on defined benefit plans			–	–	(419,134)
Net fair value gains/(losses) on remeasuring financial assets measured at fair value through other comprehensive income	55.3	410	–	–	–
Net gains/(losses) arising from translating the Financial Statements of the foreign operations	55.4	411	–	–	–
Total comprehensive income for the year 2024			–	–	53,654,370
Transactions with owners recognised directly in equity, contributions by and distributions to owners					
Proceeds from Right issue of Ordinary shares	51	404	22,543,555	–	–
Issue of ordinary voting shares under employee share option plans	51	404	272,475	–	–
Transfer o/a share-based payment transactions	51	404	19,017	–	–
Transfer of cost o/a of expired ESOP shares (net of tax)	54 & 55.5	409 & 411	–	–	42,808
Dividends to equity holders			2,234,044	–	(8,519,454)
First & final dividend for 2023 satisfied in the form of cash	25	346	–	–	(5,913,644)
First & final dividend for 2023 satisfied in the form of issue and allotment of new shares	25 & 51	346 & 404	2,234,044	–	(2,628,286)
Unclaimed dividend absorbed/(dividend paid) in respect of previous years			–	–	22,476
Share-based payment transactions	55.5	411	–	–	–
Transfers during the year	53 to 55	408 to 409	–	2,703,675	(38,405,169)
Total transactions with equity holders			25,069,091	2,703,675	(46,881,815)
Balance as at December 31, 2024			88,017,094	15,079,581	15,330,940

The Notes appearing on pages 307 to 458 form an integral part of these Financial Statements.

Other reserves									
Revaluation reserve Rs. '000	Fair value reserve Rs. '000	Foreign currency translation reserve Rs. '000	Hedging reserve Rs. '000	Employee share option reserve Rs. '000	Special reserve Rs. '000	General reserve Rs. '000	Shareholders' funds Rs. '000	Non-controlling interest Rs. '000	Total equity Rs. '000
–	–	–	–	–	–	–	54,073,504	–	54,073,504
–	1,032,353	(10,890,433)	–	–	–	–	(10,277,214)	–	(10,277,214)
–	–	–	–	–	–	–	(419,134)	–	(419,134)
–	1,032,353	–	–	–	–	–	1,032,353	–	1,032,353
–	–	(10,890,433)	–	–	–	–	(10,890,433)	–	(10,890,433)
–	1,032,353	(10,890,433)	–	–	–	–	43,796,290	–	43,796,290
–	–	–	–	–	–	–	22,543,555	–	22,543,555
–	–	–	–	–	–	–	272,475	–	272,475
–	–	–	–	(19,017)	–	–	–	–	–
–	–	–	–	(61,154)	–	–	(18,346)	–	(18,346)
–	–	–	–	–	–	–	(6,285,410)	–	(6,285,410)
–	–	–	–	–	–	–	(5,913,644)	–	(5,913,644)
–	–	–	–	–	–	–	(394,242)	–	(394,242)
–	–	–	–	–	–	–	22,476	–	22,476
–	–	–	–	22,180	–	–	22,180	–	22,180
–	–	–	–	–	8,731,494	26,970,000	–	–	–
–	–	–	–	(57,991)	8,731,494	26,970,000	16,534,454	–	16,534,454
10,399,577	2,996,348	(3,034,900)	–	41,609	8,731,494	137,700,003	275,261,746	–	275,261,746

Statement of Cash Flows

For the year ended December 31,	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Cash flows from operating activities						
Profit before income tax			97,808,357	33,927,001	95,534,611	31,880,160
Adjustments for:						
Non-cash items included in profit or Loss and other Comprehensive Income	63	425	(59,700,533)	36,135,811	(60,723,394)	35,977,444
Change in operating assets	64	425	(244,015,913)	(178,560,551)	(233,400,043)	(177,671,173)
Change in operating liabilities	65	426	138,769,911	181,930,677	128,849,627	181,162,526
(Gains)/losses on sale of property, plant and equipment	17	337	(15,939)	(21,048)	(2,197)	(3,167)
Loss on sale of investment property	17	337	3,225	–	–	–
Share of (profit)/loss of associate, net of tax	37.1	369	460	(3,495)	–	–
Dividends received from investments in subsidiaries	17	337	–	–	(93,600)	(384,601)
Proceeds received from the voluntary liquidation of a subsidiary			(3,105)	–	(3,105)	–
Interest expense on subordinated liabilities	13.2	331	7,242,090	5,247,288	7,242,090	5,247,288
Net unrealised gains/(losses) arising from translating the Financial Statements of foreign operations	55.4	411	(11,971,874)	(12,116,058)	(10,890,433)	(11,086,172)
Benefits paid on defined benefit plans			(270,771)	(610,920)	(255,784)	(601,335)
Income tax paid	47	392	(20,193,005)	(25,270,440)	(19,558,649)	(24,526,988)
Net cash from/(used in) operating activities			(92,347,097)	40,658,265	(93,300,877)	39,993,982
Cash flows from investing activities						
Purchase of property, plant and equipment	38.1 to 38.4	371 to 374	(3,397,817)	(2,826,122)	(3,243,491)	(2,576,818)
Proceeds from sale of property, plant and equipment			42,495	33,221	5,264	15,092
Proceeds from sale of investment property			9,000	–	–	–
Purchase of financial investments			(3,151,144)	–	(3,151,144)	–
Proceeds from sale and maturity of financial investments			1,644,409	1,061,999	1,644,409	1,061,999
Purchase of intangible assets	40.1 & 40.2	386	(1,646,414)	(1,142,983)	(1,625,594)	(1,115,994)
Proceeds received from the voluntary liquidation of a subsidiary			3,105	–	3,105	–
Dividends received from investments in subsidiaries	17	337	–	–	93,600	384,601
Net cash from/(used in) investing activities			(6,496,366)	(2,873,885)	(6,273,851)	(2,231,120)
Cash flows from financing activities						
Proceeds from right issue of ordinary shares	51	404	22,543,555	–	22,543,555	–
Proceeds from issue of ordinary voting shares under employee share option plans	51	404	272,475	51,740	272,475	51,740
Proceeds from issue of subordinated liabilities	50	402	20,000,000	12,000,000	20,000,000	12,000,000
Redemption of subordinated liabilities	50	402	–	(32,393,840)	–	(32,393,840)
Interest paid on subordinated liabilities			(6,017,352)	(6,249,529)	(6,017,352)	(6,249,529)
Payment of lease liabilities/advance payment of right-of-use assets			(1,719,337)	(1,745,373)	(1,893,969)	(1,904,590)
Dividend paid to shareholders			(5,165,595)	(3,222)	(5,165,595)	(3,222)
Withholding tax paid on scrip dividend			(1,142,772)	(836,850)	(1,142,772)	(836,850)
Dividend paid to non-controlling interest	56	412	(20,364)	(14,367)	–	–
Net cash from/(used in) financing activities			28,750,610	(29,191,441)	28,596,342	(29,336,291)
Net increase/(decrease) in cash and cash equivalents			(70,092,853)	8,592,939	(70,978,386)	8,426,571
Cash and cash equivalents as at January 01,			159,716,458	151,123,519	157,833,872	149,407,301
Gross cash and cash equivalents as at December 31,	28	352	89,623,605	159,716,458	86,855,486	157,833,872
Less: Impairment charges on cash and cash equivalents	28.1	352	(8,146)	(14,951)	(7,195)	(14,585)
Net cash and cash equivalents as per Statement of Financial Position	28	352	89,615,459	159,701,507	86,848,291	157,819,287

The Notes appearing on pages 307 to 458 form an integral part of these Financial Statements.

Notes to the Financial Statements

1 Reporting Entity

1.1 Corporate information

Commercial Bank of Ceylon PLC (the Bank) is a public limited liability company listed on the Colombo Stock Exchange (CSE), incorporated on June 25, 1969 under the Companies Ordinance No. 51 of 1938, and domiciled in Sri Lanka. It is a licensed commercial bank regulated under the Banking Act No. 30 of 1988 and amendments thereto (Banking Act). The Bank was re-registered under the Companies Act No. 07 of 2007 on January 23, 2008, under the Company Registration No. PQ 116. The registered office of the Bank is situated at "Commercial House", No. 21, Sir Razik Fareed Mawatha, Colombo 01, Sri Lanka.

The ordinary shares of the Bank (both Ordinary Voting and Non-Voting shares) have a primary listing on the CSE. The unsecured subordinated debentures of the Bank are also listed on the CSE.

The staff strength of the Group and the Bank was as follows: Table – 63

As at December 31,	2024	2023
Group	6,300	5,946
Bank	5,461	5,201

Corporate information is presented in the inner back cover of this Annual Report.

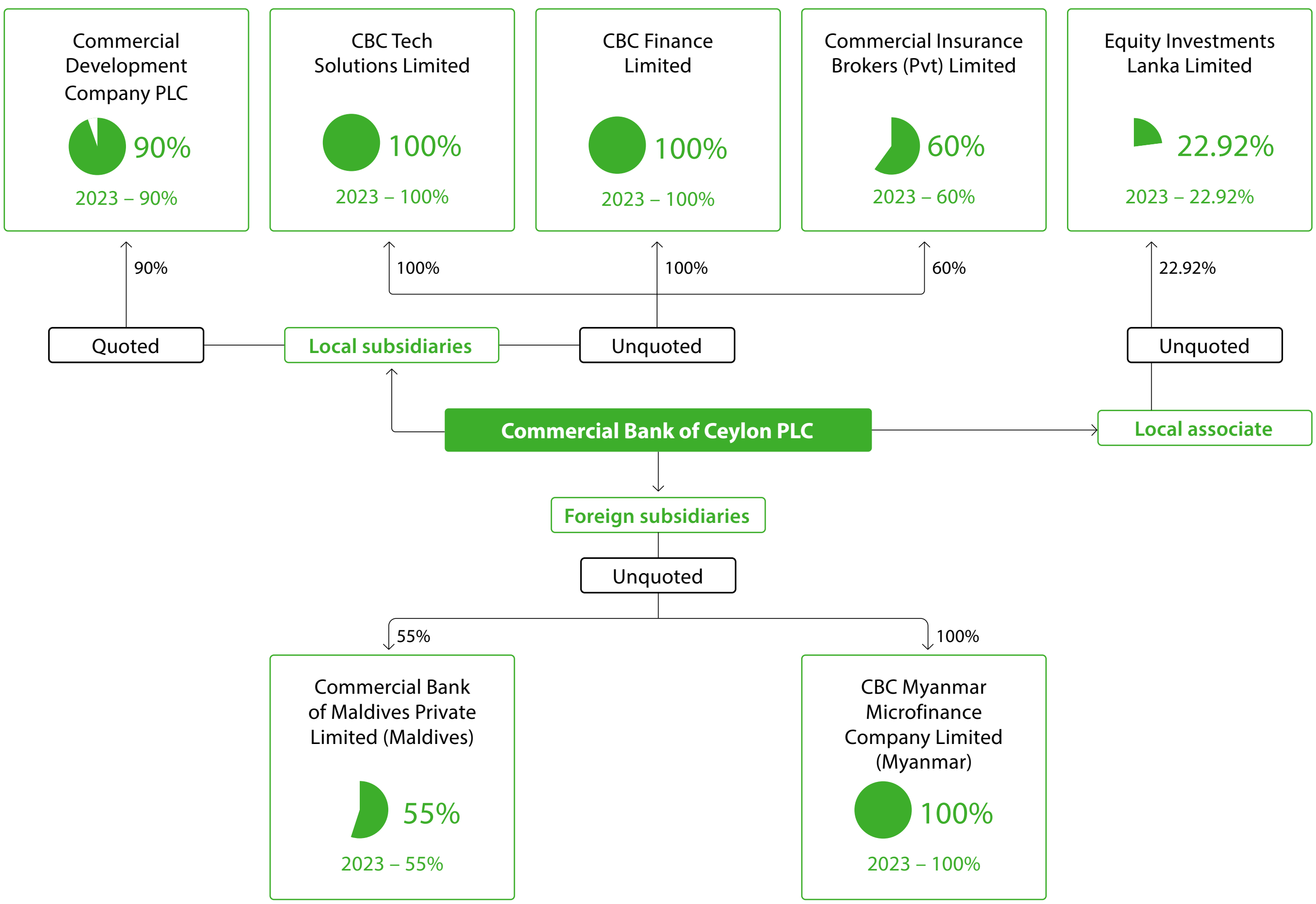
1.2 Consolidated Financial Statements

The Consolidated Financial Statements as at and for the year ended December 31, 2024, comprise the Bank (Parent Company) and its Subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in its Associate.

The Bank does not have an identifiable parent of its own. The Bank is the ultimate parent of the Group.

1.3 Principal business activities, nature of operations of the Group and ownership by the Bank in its subsidiaries and associate

Group Structure Figure – 53



(*) Commex Sri Lanka S.R.L, foreign subsidiary of the Bank was liquidated during the year 2024.

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Principal business activities and nature of business operations of the Group Table – 64

Entity	Principal business activities
Commercial Bank of Ceylon PLC	Banking and related activities such as accepting deposits, personal banking, trade financing, offshore banking, RFC & NRFC operations, travel-related services, corporate and retail credit, syndicated financing, project financing, investment banking, development banking, lease & hire purchase, rural credit, issuing of local and international debit and credit cards, internet banking, mobile banking, money remittance facilities, dealing in Government Securities and treasury-related products, salary remittance package, bullion trading, export and domestic factoring, pawning, margin trading, digital banking services, bancassurance and Islamic banking products and services etc.
Local subsidiaries	
Commercial Development Company PLC (CDC)	Property development, related ancillary services and providing manpower needs for various support services which are unrelated to providing core banking services to the customers of the Bank (parent).
CBC Tech Solutions Limited	Providing Information & Communication Technology (ICT) related products, services and solutions to the corporate sector.
CBC Finance Limited	Granting of lease facilities, hire purchase, mortgage loans and other credit facilities and accepting deposits.
Commercial Insurance Brokers (Pvt) Limited (CIBL)	Providing professional service and handling all insurance portfolios of individuals as well as many leading and reputed organisations in Sri Lanka engaged in diverse business activities.
Foreign subsidiaries	
Commercial Bank of Maldives Private Limited (CBM)	Offering of an extensive range of banking and related financial services such as accepting deposits, retail banking, trade financing, corporate and retail credit, project financing, development banking, tele-banking, internet banking, mobile banking, money remittance facilities, dealing in Government securities and treasury-related products etc.
CBC Myanmar Microfinance Company Limited	Operating as a non-deposit taking microfinance institution throughout Myanmar providing micro financial services to the lower segment of the market, and to engage in all activities reasonably allowed by the Microfinance Supervisory Authority of Myanmar.
Local associate	
Equity Investments Lanka Limited	Project financing in the form of Equity, Quasi Equity and other corporate debt instruments of new and existing ventures in Sri Lanka.

2 Basis of Accounting

2.1 Statement of compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Bank, have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs), laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

These SLFRSs and LKASs are available at the website of CA Sri Lanka – *www.casrilanka.com*.

The Group did not adopt any inappropriate accounting treatments, which did not comply with the requirements of the SLFRSs and LKASs.

Details of the Group's Material Accounting Policies followed during the year are given in Notes 6 to 10 on pages 317 to 329.

2.2 Responsibility for Financial Statements

The Board of Directors of the Bank is responsible for the preparation and presentation of the Financial Statements of the Group and the Bank as per the provisions of the Companies Act and Sri Lanka Accounting Standards.

The Board of Directors acknowledges their responsibility for Financial Statements as set out in the "Annual Report of the Board of Directors", "Statement of Directors' Responsibility for Financial Reporting" and the certification on the Statement of Financial Position on pages 4, 246 and 297, respectively.

These Financial Statements include the following components:

- Income Statement and a Statement of Profit or Loss and Other Comprehensive Income (OCI) – which provides the information on the financial performance of the Group and the Bank for the year under review. Refer pages 295 and 296;
- Statement of Financial Position (SOFP) – which provides the information on the financial position of the Group and the Bank as at the year end. Refer page 297;
- Statement of Changes in Equity- which depicts all changes in shareholders' funds during the year under review of the Group and the Bank. Refer pages 298 to 305;
- Statement of Cash Flows – which provides the information to the users, on the ability of the Group and the Bank to generate cash and cash equivalents and utilisation of those cash flows. Refer page 306;
- Notes to the Financial Statements comprising Material Accounting Policy Information and other explanatory information. Refer pages 307 to 458.

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2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Group and the Bank for the year ended December 31, 2024 (including comparatives for 2023), were approved and authorised for issue by the Board of Directors in accordance with Resolution of the Directors on February 28, 2025 (The Financial Statements of the Group and the Bank for the year ended December 31, 2023, were approved and authorised for issue by the Board of Directors on February 21, 2024).

2.4 Basis of measurement

The Financial Statements of the Group have been prepared on the historical cost basis except for the following material items stated in the SOFP.

Basis of measurement Table – 65

Items	Basis of measurement	Note Number/s	Page/s
Financial instruments measured at fair value through profit or loss including derivative financial instruments	Fair value	31, 32 & 44	354, 355 and 390
Financial assets measured at fair value through other comprehensive income	Fair value	35	365
Land and buildings	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation	38	370
Investment Property	Measured at cost at the time of acquisition and subsequently at Fair value	39	382
Defined benefit obligation	Net liability for defined benefit obligations are recognised as the present value of the defined benefit obligation, less net total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost, and unrecognised actuarial losses	48	392
Equity settled share-based payment arrangements	Fair value on grant date	52	405

2.5 Going concern basis of accounting

These financial statements have been prepared on a going concern basis, which assume that the Group will be able to discharge its abilities.

The Group has recognised a profit after tax of Rs. 55.686 Bn. for the year ended December 31, 2024 and, as at the date total assets exceeds the total liabilities by Rs. 285.819 Bn.

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. In making this assessment, the Group has considered the uncertainties associated with the prevailing economic conditions and its possible impact on the business operations, projections of profitability, regulatory capital requirements and funding needs.

Considering a wide range of factors including history of profitable operations, strong liquidity positions and the availability of stable external funding sources, diversified lending profile and the initiatives taken to strengthen risk monitoring at borrower level, the Management is satisfied that the going concern basis is appropriate.

Further, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements of the Group continue to be prepared on a going concern basis.

2.6 Functional and presentation currency

Items included in these Financial Statements are measured using the currency of the primary economic environment in which the Bank operates (the functional currency).

Each entity in the Group determines its own functional currency and items included in the Financial Statements of these entities are measured using that functional currency. There was no change in the Group's presentation and functional currency during the year under review.

These Financial Statements are presented in Sri Lankan Rupees, the Group's functional and presentation currency.

The information presented in US Dollars in Annex 8 in the Section on "Supplementary Information" on pages 518 and 519 does not form part of the Financial Statements and is made available solely for the information of stakeholders.

2.7 Presentation of Financial Statements

These Financial Statements have been presented in compliance with the requirements of the Companies Act No. 07 of 2007 and amendments thereto (Companies Act) and the Banking Act and provide appropriate disclosures as required by the Listing Rules of the CSE.

The formats used in the preparation and presentation of the Financial Statements and the disclosures made therein also comply with the specified formats prescribed by the CBSL in the Circular No. 05 of 2024 dated December 31, 2024, on "Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks". The Bank also expects to publish annual and quarterly financial information and other disclosures in the Annual Report, Press and the Website in compliance with the aforementioned Circular. Prior to this, the Bank published annual and quarterly financial information and other disclosures in the Annual Report, Press and the Website in compliance with Section 4.2 of the Circular No. 02 of 2019 dated January 18, 2019, on "Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks" issued by CBSL.

The assets and liabilities of the Group presented in the SOFP are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

No adjustments have been made for inflationary factors affecting the Financial Statements.

An analysis on recovery or settlement within 12 months and more than 12 months from the reporting date is presented in Note 60 on pages 416 and 417.

2.8 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 1 on "Presentation of Financial Statements" (LKAS 1).

2.9 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the SOFP, only when there is a legally enforceable right to offset 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 offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the IFRS Interpretations Committee and Standard Interpretations Committee) and as specifically disclosed in the Material Accounting Policies of the Group.

2.10 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 the LKAS 1 and amendments to the LKAS 1 on "Disclosure Initiative" which was effective from January 01, 2016.

Notes to the Financial Statements are presented in a systematic manner, which ensures the understandability and comparability of Financial Statements of the Group and the Bank. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.11 Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

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2.12 Use of judgements and assumptions & estimates

In preparing the Financial Statements of the Group in conformity with SLFRSs and LKASs, the Management has made judgements, estimates and assumptions about the future, including climate related risks and opportunities which affect the application of Accounting Policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Group's risk management and climate related commitments where appropriate. Revisions to accounting estimates are recognised prospectively.

Significant areas of critical judgements, assumptions and estimation uncertainty, in applying the Accounting Policies that have material effects on the amounts recognised in the Financial Statements of the Group are as follows:

A. Judgements

Information about judgements made in applying the Accounting Policies that have material effects on the amounts recognised in these Financial Statements is included in Notes 2.12.1 to 2.12.4 below.

2.12.1 Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in Note 36 on page 367 indicates that the Group controls the investees.

2.12.2 Classification of financial assets and liabilities

The Material Accounting Policy Information of the Group provides scope for financial assets to be classified and subsequently measured into different categories, namely, at Amortised Cost (AC), Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL) based on the following criteria;

- The Group's business model for managing the financial assets as set out in Note 7.1.3.1 on page 319
- The contractual cash flow characteristics of the financial assets as set out in Note 7.1.3.2 on page 319

2.12.3 Classification of investment property

Management uses its judgment to determine whether a property qualifies as an investment property. A property that is held either to earn rental income or for capital appreciation or both and thus generates cash flows largely independently of the other assets held by the Group are classified as Investment Property. On the other hand, a property used in the production or supply of goods and services or for administrative purposes and thus generates cash flows that are attributable not only to that property but also to other assets used in the production or supply process are classified as Property, Plant & Equipment. The Group assesses on an annual basis, the accounting classification of its investment properties, taking into consideration the current use of such properties.

2.12.4 Determination of Expected Credit Loss (ECL)

Management uses judgement in establishing the criteria for determining whether credit risk on financial assets has increased significantly since initial recognition, determining the methods for incorporating forward looking information into the measurement of ECL and selection and approval of models used to measure ECL.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are included in Notes 2.12.5 to 2.12.15 below.

2.12.5 Fair value of financial instruments with significant unobservable inputs

The fair values of financial assets and financial liabilities recognised on the SOFP, for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The Group measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. Methodologies used for valuation of financial instruments and fair value hierarchy are stated in Note 27 on pages 348 to 352.

2.12.6 Impairment losses on financial assets

The measurement of impairment losses across the categories of financial assets under SLFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses.

Accordingly, the Group reviews its individually significant loans and advances portfolio at each reporting date to assess whether an impairment loss should be recognised in the Income Statement. In particular, the Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, Management makes judgements about a borrower's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable. These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made.

A collective impairment provision is established for:

- Groups of homogeneous loans and advances that are not considered individually significant; and
- Groups of assets that are individually significant but that were not found to be individually impaired.

As per SLFRS 9, the Group's 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 Group's ECL models that are considered accounting judgements and estimates include:

- Criteria for qualitatively assessing whether there has been a Significant Increase in Credit Risk (SICR) and if so allowances for financial assets measured on a Life Time Expected Credit Loss (LTECL) basis.
- Segmentation of financial assets when their ECL is assessed on a collective basis.
- Various statistical formulas and the choice of inputs used in the development of ECL models.
- Associations between macro-economic inputs, such as GDP growth, inflation, interest rates, exchange rates and unemployment and the effect of these inputs on Probability of Default (PDs), Loss Given Default (LGD) and Exposure At Default (EAD).
- Forward-looking macro-economic scenarios and their probability weightings.

As such, the accuracy of the impairment provision depends on the model assumptions and parameters used in determining the ECL calculations.

In response to the Group's expectations of economic impacts due to uncertainties, key assumptions used in the Group's calculation of ECL have been revised. As at the reporting date, the expected impacts of the economic uncertainties have been captured via the modelled outcome as well as a separate management overlay reflecting the considerable uncertainty remaining in the modelled outcome given the unprecedented impacts in the economy. Although the credit model inputs and assumptions, including forward-looking macro-economic assumptions, were revised in response to any possible adverse scenarios, the fundamental credit model mechanics and methodology underpinning the Group's calculation of ECL have remained consistent with prior periods.

Accordingly, the Bank took steps to identify the customers showing distress signs in identifying SICR under the individual impairment assessment. Under the collective assessment, customers operating in risk elevated industries including tourism & hospitality, construction & infrastructure development, and few sub sectors under industrial and health care services were assessed for Lifetime ECL. Exposures outstanding from the borrowers operating in these industries have been classified as stage 2.

During 2024, the Bank reviewed the forecasts of macro-economic indicators and the weightages assigned for base case, best case and worst-case scenarios when assessing the probability weighted forward looking macro-economic indicators in line with the latest available information. The Bank used Expert credit judgement in assessing individual significant customers and ensured adequate provisions are made considering riskiness of the customers.

Early observations of payment behaviour of expiries for this year were considered in the assessment of the changes in the risk of default occurring over the expected life of a financial instrument when determining staging and is a key input in determining migration.

Refer Note 18 on page 337 for details.

2.12.7 Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for an asset or a Cash Generating Unit (CGU) at each reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the Value in use (VIU) of such individual assets or the CGUs. Estimating VIU requires the Management to make an estimate of the expected future cash flows from the asset or the CGU and also to select a suitable discount rate in order to calculate the present value of the relevant future cash flows. This valuation requires the Group to make estimates about expected future cash flows and discount rates and hence, they are subject to uncertainty.

Refer Note 7.6 on page 325 for details.

2.12.8 Revaluation of property, plant and equipment

The Group measures land and buildings at revalued amounts with changes in fair value being recognised in Equity through OCI. The Group engages independent professional valuers to assess fair value of land and buildings in terms of Sri Lanka Accounting Standard – SLFRS 13 on "Fair Value Measurement" (SLFRS 13). The key assumptions used to determine the fair value of the land and building and sensitivity analyses are provided in Notes 38.5 (b) and 38.5 (c) on pages 376 to 381.

2.12.9 Useful lifetime of the property, plant and equipment

The Group reviews the residual values, useful lives and methods of depreciation of 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.

Refer Note 20 on page 341.

2.12.10 Fair valuation of investment property

Fair valuation of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties at similar locations and categories. They have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The key assumptions used to determine the fair value of investment property are provided in detail in Note 39 on page 382.

2.12.11 SLFRS 16 – leases

2.12.11.1 Determination of the lease term for lease contracts with renewal and termination options (Group as a lessee)

The Group 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 Group has several lease contracts that include extension and termination options. The Group 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 renewal or termination option. After the commencement date, the Group 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 (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

2.12.11.2 Estimating the incremental borrowing rate

As the Group cannot readily determine the interest rate implicit in the lease, it uses its Incremental Borrowing Rate ("IBR") to measure the lease liabilities. The IBR is the rate of interest that the Group 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 right-of-use asset in a similar economic environment.

The IBR therefore reflects what the Group '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 Group estimates the IBR using observable input when available and is required to make certain entity-specific adjustments.

2.12.12 Recognition of Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available and can be utilised against such tax losses. Judgement 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 future tax-planning strategies.

Refer Note 41 on page 387 for details.

2.12.13 Key actuarial assumptions relating to Defined benefit obligation

The costs of the defined benefit plans are determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates, future pension increase, etc. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The Bank generally uses similar long-term treasury bond rate as the discount rate for the purpose of assessing the present value of future obligations.

Refer Note 48 on pages 392 to 401 for the assumptions used.

2.12.14 Impact of climate risk

Climate risks are potential negative impact on the Group arising from climate change. Climate related risk have an impact on principal risk categories such as credit, liquidity, market and operational risks, but due to pervasive nature have been identified and managed by the Group on an overall basis.

The Group distinguishes between physical and transition risks. Physical risks arise as the result of acute weather events and transition risks arise as a result of measures taken to mitigate the effects of climate change and transition to a low carbon economy.

The Group and its customers are exposed to the physical risks from climate change and risks of transitioning to a net-zero economy. Most climate-related physical risks are expected to manifest over a term that is generally longer than the maturity of most of the outstanding exposures. The following balances may be impacted by physical and transition risks:

ECL: Customers and portfolios with exposure to climate risk may have a resultant deterioration in creditworthiness, which has an impact on ECL. On the whole, the Group is of the view that the counterparties who have exposures to climate risk are not expected to be materially impacted by physical or transition risks associated with climate change.

Fair value measurement: The Bank has assumed that any climate change variables incorporated in fair value measurement are those that market participants would consider when pricing the asset or liability, in line with SLFRS 13.

2.12.15 Provisions for liabilities, commitments and contingencies

The Group receives legal claims in the normal course of business. Management has made judgements as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due processes in respective legal jurisdictions.

Information about significant areas of estimation uncertainty and critical judgements in applying Accounting Policies other than those stated above that have material effects on the amounts recognised in the Consolidated Financial Statements are described in Notes 7.10 to 7.15 on pages 327 and 328.

2.13 Events after the reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue.

In this regard, all material and important events that occurred after the reporting period have been considered and appropriate disclosures are made in Note 68 on page 458, where necessary.

3 Financial Risk Management

3.1 Introduction and overview

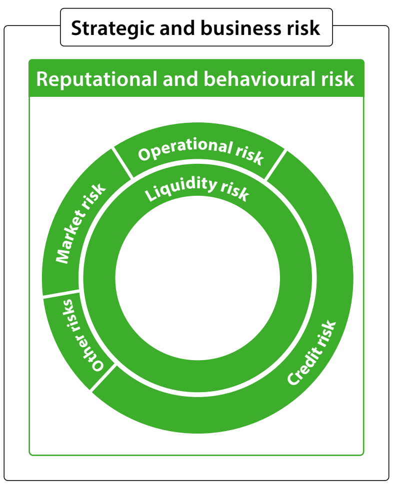
Like any other business model, risk is inherent in the Bank's activities too and attempts to manage through a process of ongoing identification, measurement and monitoring, subject to risk limits and controls are adopted to mitigate possible consequences arising out of volatile and fluid outcomes in the internal and external environment.

The process of risk management is identified as critical to maintain Bank's continuing profitability. Managing the changing stakeholder dynamics whilst preserving culture and value system of the Bank is considered as a priority in the business operation.

The Group has exposure mainly to the following broad risk categories arising out of its business activities that are undertaken in its day to day functions:

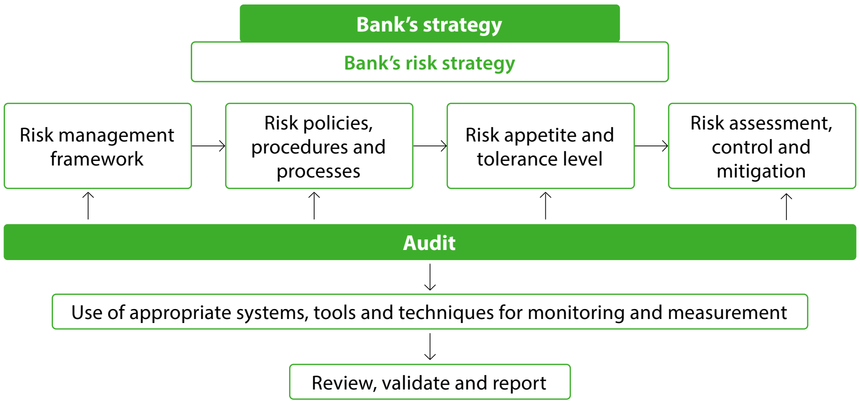
- Strategic and business risk;
- Credit risk;
- Liquidity risk;
- Market risk;
- Operational risk;
- Conduct risk and reputational risk;
- Environmental and social risk & climate risk.

Types of risk Figure – 54



3.2 Bank's risk management framework

Risk Management Framework Figure – 55



The Board of Directors of the Bank has the overall responsibility for the establishment and oversight of the Bank's Risk Management Framework.

The Risk Management Framework of the Bank translates overall risk appetite on business activities in a holistic approach to provide the guidance required for convergence of strategic and risk perspectives of the Bank.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls to monitor risks and adherence to limits. The Risk Management Policy Framework constitutes the Credit Policy, Lending Guidelines, Credit Risk Review Policy, ALM Policy including Contingency Funding Plan, Foreign Exchange Policy, Operational Risk Policy, IT Risk Policy, Market Risk Policy, Stress Testing Policy, Financial & Risk Management Disclosure Policy, Conduct Risk Management Policy, Group Environmental and Social Policy and Reputational Risk Management Policy etc., which have been firmly established to provide control and guidance for decision-making throughout the Bank in a uniform manner.

The Committee structure embedded to the Risk Management Framework acts as a fact finding and decision making authority through deliberations and arriving at consensus arising out of multiple points of views. The Risk Management Committees effectively deliberate on matters at hand to provide guidance to the business lines with a view to managing risk in accordance with the strategic goals and risk appetite of the Bank.

The Board of Directors of the Bank has formed the Board Integrated Risk Management Committee (BIRMC) as a mandatory Board Committee, as per Banking Act Direction No. 05 of 2024 on Corporate Governance. The performance of the Committee and the duties and roles of members are reviewed by the Board annually or more frequently, if warranted.

The meetings of the Executive Integrated Risk Management Committee (EIRMC) are conducted on a monthly basis to discuss Credit, Operational, Market, IT and Environmental and Social risk matters of the Bank. Assets and Liabilities Committee (ALCO), that convene at least once a fortnight, gives priority for liquidity, funding and profitability in line with the changes taken place in the market.

Risk Control Self-Assessment (RCSA) framework is adopted to identify risks involved in business activities of the Bank and to implement appropriate risk mitigatory measures after assessing criticality of such risks. The Integrated Risk Management Department (IRMD) carries out semi-annual and quarterly Bank-wide RCSA exercise focusing on adherence to laws, regulations, and regulatory guidelines as well as internal controls and approved policies.

Further, the Internal Audit function of the Bank independently monitors and evaluates the risk management function of the Bank and provides its views on the adequacy of the Risk Management Framework to the Board Audit Committee (BAC).

Strategic and business risk

Bank's inability to keep up with the evolving market dynamics, resulting in loss of market share and failure to achieve strategic goals in line with its Vision and Mission is identified as Strategic risk.

Business risk refers to any risk that arises from the Bank's long-term business strategies and affects its profitability, and relatively short term in nature.

Management of strategic and business risk

Corporate planning and budgeting process and continuous evaluation of their alignment with the Bank's Vision, Mission and the risk appetite facilitate management of strategic risk. In the annual Internal Capital Adequacy Assessment Process (ICAAP) exercise of the Bank, detailed scorecard-based qualitative models are used to measure and monitor strategic risk of the Bank. This scorecard-based approach takes a number of variables into account, including the size and sophistication level of the Bank, the nature and complexity of its operations and highlights the areas that require focus to mitigate potential strategic risks.

Business risk of the Bank is managed through its day-to-day decisions made by the line managers and also at different Management Committees in identifying, assessing and remediating such risks.

Also, in line with the Banking Act Direction No. 09 of 2021, commencing from 2022, the Bank being the largest private sector bank in the industry designated as a Domestic Systemically Important Bank (D-SIB), has developed its Recovery Plan (RCP). The Bank has commenced the review of RCP on a quarterly basis commencing from 2023. This plan outlines the Bank's transition from Business-As-Usual (BAU) to different degrees of elevated risk conditions, highlighting the preparedness to the recovery actions, if the financial deterioration occurs and is not rectified.

Credit risk

The risk that the Bank will incur a loss due to its customers or counterparties failing to discharge their contractual obligations, is considered generally under the credit risk assessment.

The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, groups of counterparties, geographies, business sectors, and industries by monitoring exposures and possible adverse external factors in relation to such limits.

Management of credit risk

Lending Guidelines of the Bank has been formulated based on evolving practices of lending to provide expected granularity of credit assessment and thereby, to ensure strict attention to risks emanating from lending proposals at the time of initiation, analysis, and approval. In addition, Lending Guidelines ensures objective assessment of acceptability of collateral as well as limits on exposures and concentration levels to various sectors, counterparties, geographies and segments etc.

A robust risk grading system in line with the Basel guidelines on rating of facilities and counterparties is adopted by the Bank for evaluation of credit proposals. This risk grading framework consists of 10 grades of gradually escalating continuum of risks as indicators for the Lending Officers to evaluate and arrive at suitable risk reward trade-offs in their propositions. These risk grades were validated by internationally accepted consultants and are reviewed by the IRMD regularly.

Credit Risk Review function covers over 30% of the advances portfolio, including non performing credit facilities, of the Bank using the Loan Review Mechanism (LRM). This continuous exercise provides reasonable assurance that all major credit risks embedded in the operation of lending is carried out in line with the stipulated guidelines and within the risk appetite framework of the Bank.

Early Warning Signals (EWS) system which is currently being adopted based on Machine Learning/Regression analysing Prediction model to assist Lending Officers. This will reciprocally affect in detecting problematic advances, industries whilst inversely provide insights to identify potential lending opportunities. This tool is used to maintain the quality of the Loan Book of the Bank.

Portfolio level credit risk analyses are taken up at monthly EIRMC meetings as well as quarterly at BIRMC meetings. Individual credit proposals evaluated by the Lending Officers are approved by the Authorising Officers within the hierarchy in delegated authority levels whilst ensuring a minimum of the Four Eyes Principle, when approving them. Approval levels are escalated based on delegated authority levels attached to exposure levels, final risk ratings, and changes of risk appetite for specific industries as well as negative deviation of performance levels as compared to previous facilities extended to borrowers.

The Executive Credit Committee (ECC) and the Board Credit Committee (BCC) are responsible for approving credit facilities with high value while the Board will be the ultimate authority for approving facilities exceeding predetermined threshold levels. Deliberations take place at the BCC level on facilities being considered for approval beyond the specified threshold and recommendations for approval of the Board are made based on quantum of exposures at various levels.

The IRMD provides risk approval for individual proposals above predetermined threshold levels, consequent to a rigorous independent risk evaluation guided by Credit Policy, Lending Guidelines, and circular instructions within a limit framework stemming from risk appetite of the Bank.

Across the globe, Banks are intensifying their approach towards early recognition of impaired credit assets and thereby, taking proactive efforts in readying their institutions to encounter possible economic downturns. Most regulators of the banking sector around the world expect the financial institutions in their markets to implement robust credit risk estimation models and align the decision making process based on such robust models. Forward looking impairment provision approach is significantly different from the traditional approach of providing for Incurred Loss Assets. The Expected Credit Loss (ECL) model introduced under the SLFRS 9 replaced the Incurred Loss Model, which was considered inadequate in recognising credit losses in a proactive manner and had failed in accurately estimating the credit losses during economic stress conditions. Accordingly, the Bank also had duly adopted the ECL modelling in impairment computations. IRMD involves in independent oversight on Individually Significant Loans (ISLs) to improve accuracy of cash flow projections bringing in a more robust and specific approach to the classification, recognition and measurement of credit facilities. Also, the CBSL had issued the Banking Act Direction No. 13 of 2021, which spells out clear procedures to be adopted by banks in impairment computations.

Commencing from January 01, 2022, IRMD has been entrusted with the responsibility of objective assessment of credit facilities for upgrading purpose as per the provisions of the Banking Act Direction No. 13 of 2021. Accordingly, models used for calculation of impairment would be evaluated/ recommended by the IRMD under the specific supervision of the Chief Risk Officer. Upgrading of restructured and rescheduled credit facilities shall only be carried out by the IRMD and shall be independent from the credit facility review mechanism.

Liquidity risk

The risk that the Bank will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset is focused on this risk domain. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations or not receiving what is due to the Bank 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 managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has reviewed and strengthened its internal control processes and contingency plans for managing liquidity risk.

Management of liquidity risk

Market Risk Management Policy and the ALM Policy of the Bank approved by the Board of Directors set the tone for managing liquidity risk of the Bank. Liquidity risk of the Bank is given utmost priority when managing a wide range of other risks because it is considered as the most critical risk for any financial institution.

The Bank's Treasury Department is entrusted with managing liquidity of the Bank on a real time basis to ensure smooth functioning of business activities of all other business units of the Bank. Additionally, a team of members of the Corporate Management, comprising the Deputy General Manager - Treasury, Assistant General Manager - Treasury and the Chief Risk Officer, carefully analyse liquidity position of the Bank taking in to consideration, both short term and medium term cash flow gaps, more frequently.

Access to a substantial stable Current Account and Savings Account (CASA) base due to its wide branch network and the top of the mind perception created among the depositors, provide immense strength to the Bank in managing liquidity. Also, the growing balance sheet size, higher rating and continuous rapport maintained with local and international counterparty banks have helped immensely to the Bank to maintain adequate foreign currency liquidity amidst stressed market conditions.

Having an adequate buffer of High Quality Liquid Assets (HQLA) at the disposal of the Bank is another plus factor for the Bank. The strength of such portfolio is amply reflected in the Basel III computation the Bank carries out for arriving at Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as per the CBSL Directions that recorded very healthy results as compared to regulatory minimum threshold levels.

The Bank has experienced accumulation of rupee liquidity above the minimum regulatory requirements as a result of sluggish economic performance of the country since 2020. However, having adopted many strategies to invest excess liquidity at optimum yields but in staggered maturities and thereby to minimise the negative impact on the bottom line as well as liquidity, the bank is mindful about the excessive exposure to the Government by way of the Government Securities. As such, the Bank has focused on revitalising the steady expansion of its Loan Book throughout year 2024.

Contingency funding plans are in force, constant monitoring of salient liquidity ratios and scenario-based stress testing being carried out regularly would enable the Bank to take proactive measures towards overcoming an adverse liquidity position that may arise on a future date. The regular stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

Market risk

The risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices comes under the ambit of Market risk. The market risk management is to manage and control market risk exposure within acceptable parameters to ensure the Group's solvency while optimising the return on risk. The Bank classifies exposures to Market Risk into either Trading or Non-Trading portfolios (Banking Book) and manages each of those portfolios separately.

The Market risk for the Trading portfolio is monitored and managed closely having paid attention to the changes on the prices of market.

Management of market risk

Market Risk Management Policy, ALM Policy and Foreign Exchange Risk Policy are the three main policies that constitute the framework governing the Market Risk Management function of the Bank. Due to business model adopted by the Bank, exposure to equity and commodity risk was kept at bay throughout the year.

However, Interest Rate Risk arising from the Banking Book as well as Trading Book and Foreign Exchange Risk arising from dealing in assets and liabilities denominated in currencies other than local currency, continued to expose the Bank to associated risk elements.

Declining interest rates throughout 2024 posed challenges to the Net Interest Margin (NIM), despite a renewed appetite for advances driven with the recent economic reforms introduced in the country.

Interest Rates of the Banking Book is subjected to varying degrees of rate shocks to stimulate and identify impact on earnings perspective in such rate scenarios. The results of such predictions could assist the Bank in formulating strategies to manage the financial position in an effective manner with the limited choices available in the local market.

Trading Book too was subjected to Value at Risk (VaR) framework internally carried out by the Bank on a regular basis. The Bank also carried out sensitivity analysis on a regular basis to ascertain the impact on portfolios maintained, mainly in Government Securities and marking to market of such portfolios to reflect fair value of underlying assets for the decision-making process.

The Sri Lankan Rupee appreciated around 10% against the US dollar during the year. Forex positions were subjected to continuous sensitivity analysis to provide insights to possible losses arising from currency appreciation/depreciation, as the reporting currency of the Bank, being Sri Lankan Rupees.

Operational risk

The risk that the Bank will incur a loss due to failure of systems, processes, human errors, frauds or external events is focused on this risk domain. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring, escalating, reporting and responding to potential risks.

Circular Instructions and Operational Risk Management Policy play a major part in bringing together business practices with accepted benchmarks to ensure minimum disruption to processes, personnel, technology and infrastructure.

Internal Control Framework and audit function with firmly established "three lines of defences" serve the Bank to manage operational risk at current acceptable levels.

Sound Operational Risk Management practices are embedded into the work process through the Bank's culture, internal policy framework and as per regulatory requirements.

IT Risk of the Bank is managed through strict monitoring of Key IT Risk Indicators while Vulnerability Assessment and Penetration Tests are being carried out by both internal and external parties at regular intervals to identify the relevant risks.

Controls include effective segregation of duties, access authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

Conduct risk and reputational risk

A well-established framework, developed over decades, mitigates risk associated with mis-selling, unethical business practices, professional misbehaviour and governance deficiencies etc.

The risk that the Bank's reputation will be damaged by one or more than one reputation event, as reflected from negative publicity about the Bank's business practices, conduct or financial condition. Such negative publicity, whether true or not, may impair public confidence in the Bank, result in costly litigation, or lead to a decline in its customer base, business or revenue.

Management of the Conduct and Reputational risk is underpinned by a comprehensive policy framework approved by the Board of Directors.

Refer Note 66 on pages 426 to 457 for "Financial risk review".

Environmental and social risk & climate risk

The Bank's Environmental and Social Management System (ESMS) is a highly mature and robust framework, ensuring that Environmental and Social (E&S) considerations are deeply embedded in lending decisions. Aligned with the Central Bank of Sri Lanka's Sustainable Finance Roadmap, the ESMS has been instrumental in addressing various E&S factors, including resource efficiency, pollution control, fair labour practices, community health and safety, biodiversity conservation, cultural heritage protection, and governance structures for ESMS. This comprehensive system promotes both financial health and long-term sustainability across the Bank's operations and the businesses it finances.

Building on this strong foundation, the Bank is now prioritising the integration of climate-related risks, recognising their growing significance due to the increasing impacts of extreme weather events and climate change. The evolving regulatory landscape, including upcoming requirements under SLFRS S1 and S2 to disclose climate-related financial impacts, has further underscored the importance of mitigating these risks. The ESG risk assessments including climate risk of individual assets/ borrowers will be combined to build a comprehensive understanding of the Bank's portfolio's overall ESG risk profile, In order to disclose sustainability-related risks and opportunities (adhering to SLFRS S1) and specifically focuses on climate-related risks and opportunities (adhering to SLFRS S2).

While the integration of climate risks is in its early stages, the Bank is actively enhancing its capabilities to address data limitations and incorporate these factors into its existing Environmental and Social risk management framework.

Guided by internationally recognised standards such as the IFC Performance Standards, the Bank evaluates the potential ESG impacts of borrowers and projects. Special focus is now being placed on how climate-related risks and opportunities could affect financial performance, operational resilience, and social outcomes. Insights from these evaluations are translated into actionable measures, potentially deciding the equity contribution of the promoter, borrowing terms and pricing etc.

Transparency and continuous improvement remain core to the Bank's approach. Policies and practices are openly disclosed to stakeholders, fostering trust and accountability. The Bank also collaborates with peers, regulators, and civil society organisations to refine its approach and remain aligned with emerging best practices. As the Bank works toward meeting SLFRS S1 and S2 requirements, it is committed to leveraging its mature ESMS to lead in responsible financing while advancing its integration of climate risk considerations for a more sustainable future.

Management of environmental and social risks and climate risk

The implementation of ESMS involves clearly defined roles and responsibilities within the Bank. A dedicated team within the Integrated Risk Management Department spearheads day-to-day integration efforts. Credit analysts are continuously trained to incorporate E&S factors into their assessments, utilising specialised data and tools. Additionally, the Bank leverages the expertise of internal and external sector specialists to address complex E&S challenges unique to particular industries.

As the Bank navigates the evolving landscape of E&S and climate, it actively monitors concentrations of credit exposure to specific factors like climate transition/ physical risks and resource dependency. By establishing robust risk limits and mitigation strategies, the Bank manages these exposures proactively. To remain agile and responsive, the Bank continually incorporates insights from emerging E&S and climate trends, particularly those related to climate change, into its risk screening tools and analysis frameworks. The Bank's proactive approach ensures informed decision-making that minimises long-term risks and promotes greater resilience in the face of future challenges.

Through active engagement with stakeholders and ongoing refinement of its E&S integration practices, the Bank strives to ensure that its lending decisions contribute not only to financial prosperity but also to a more equitable and sustainable future for all. The Bank's dedication to responsible financing remains resolute, and it continues to embrace innovative solutions that pave the way for a world where economic progress and environmental well-being go hand in hand.

A detailed write-up on how the risk management is carried out within the Bank's Risk Management Framework with due consideration given to factors such as governance, identification, assessment, monitoring, reporting and mitigation are discussed in the Section on "Risk Governance and Management" on pages 254 to 284.

4 Fair Value Measurement

"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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted pricing in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

A fair value measurement of a non-financial asset takes into account a market participant's 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. External professional valuers are involved for valuation of significant assets such as land and buildings.

An analysis of fair value measurement of financial and non-financial assets and liabilities is provided in Note 27 on pages 348 to 352.

5 Changes in Material Accounting Policies

There were no new or amended standards and interpretations that were required to be incorporated in to the financial statements with effect from January 01, 2024.

Material Accounting Policies

The Material Accounting Policies set out in Notes 6 to 10 on pages 317 to 329 have been applied consistently to all periods presented in the Financial Statements of the Group except as specified in Note 2.11 on page 310.

These Accounting Policies have been applied consistently by the Group.

Set out below is an index of Material Accounting Policies, the details of which are available on the pages that follow:

Index of Material Accounting Policy Information Table – 66

6 Material Accounting Policies – General

6.1 Basis of consolidation

The Group's Financial Statements comprise, Consolidated Financial Statements of the Bank and its Subsidiaries in terms of the Sri Lanka Accounting Standard – SLFRS 10 on "Consolidated Financial Statements" (SLFRS 10) and the proportionate share of the profit or loss and net assets of its associate in terms of the Sri Lanka Accounting Standard – LKAS 28 on "Investments in Associates and Joint Ventures" (LKAS 28). The Bank's Financial Statements comprise the amalgamation of the Financial Statements of the Domestic Banking Unit, the Offshore Banking Centre and the international operations of the Bank.

6.1.1 Business combinations

Business combinations are accounted for using the acquisition method when control is transferred to the Group as per Sri Lanka Accounting Standard – SLFRS 3 on "Business Combinations" (SLFRS 3). In determining whether a particular set of activities and assets is a business, the Bank assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has ability to produce outputs. The consideration transferred in the acquisition and identifiable net assets acquired are measured at fair value. Any goodwill that arises is tested annually for impairment (Refer Note 7.6 on page 325). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

6.1.2 Non-Controlling Interests (NCI)

Details of NCI are given in Note 56 on page 412.

6.1.3 Subsidiaries

Details of the Bank's subsidiaries, how they are accounted in the Financial Statements of the Bank and their contingencies are set out in Notes 36 and 57.5 (a) on pages 367 to 368 and 414.

6.1.4 Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Subsequently, it is accounted for as an associate or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

6.1.5 Associates

Details of the associate, how it is accounted in the Financial Statements of the investee, together with its fair values and the Group's share of contingent liabilities of the associate is set out in Notes 37 and 57.5 (b) on pages 369 to 370 and 414.

6.1.6 Transactions eliminated on consolidation

Intra-group balances, transactions and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

6.2 Foreign currency

6.2.1 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency, which is Sri Lankan Rupees, using the exchange rates prevailing at the dates of the transactions. In this regard, the Bank's practice is to use the middle rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies as at the reporting date are translated into the functional currency at the middle exchange rate of the functional currency ruling as at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency as at the beginning of the year adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate as at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- Equity instruments in respect of which an election has been made to present subsequent changes fair value through other comprehensive income
- 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 hedge is effective.

6.2.2 Foreign currency translations

The Group's Consolidated Financial Statements are presented in Sri Lankan Rupees, which is also the Bank's Functional Currency. The Financial Statements of the Offshore Banking Centre of the Bank and the Financial Statements of the foreign operations of the Bank have been translated into the Group's Presentation Currency as explained under Notes 6.2.3 and 6.2.4 below.

6.2.3 Transactions of the offshore banking centre

These are recorded in accordance with Note 6.2.1 above, except the application of the annual weighted average exchange rate for translation of the Income Statement and the Statement of Profit or Loss and Other Comprehensive Income. Net gains and losses are dealt through the profit or loss.

6.2.4 Foreign operations

The results and financial position of foreign operations that have a functional currency different from the Bank's presentation currency are translated into the Bank's presentation currency as follows:

- Assets and liabilities, including goodwill and fair value adjustments arising on acquisition, are translated at the rates of exchange ruling as at the reporting date.
- Income and expenses are translated at the average exchange rate for the period, unless this average rate is not a reasonable approximation of the rate prevailing at the transaction date, in which case income and expenses are translated at the exchange rates ruling at the transaction date.
- All resulting exchange differences are recognised in the OCI and accumulated in the Foreign Currency Translation Reserve (Translation Reserve), which is a separate component of Equity, except to the extent that the translation difference is allocated to the NCI.

When a foreign operation is disposed of such that the control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount of the translation reserve is reattributed to NCI.

7 Material Accounting Policies – Recognition of assets and liabilities

7.1 Financial instruments – initial recognition, classification and subsequent measurement

7.1.1 Date of recognition

The Group initially recognises loans and advances, deposits and subordinated liabilities, etc., on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

7.1.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments. Refer Notes 7.1.3 and 7.1.4 for further details on classification of financial instruments.

A financial asset or financial liability is measured initially at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities at fair value through profit or loss as per SLFRS 9 and trade receivables that do not have a significant financing component as defined in Sri Lanka Accounting Standard – SLFRS 15 on "Revenue from contracts with customers" (SLFRS 15).

Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with through the Income Statement.

Trade receivables that do not have a significant financing component are measured at their transaction price at initial recognition as defined in SLFRS 15.

When the fair value of financial instruments (except trade receivables that do not have a significant financing component) at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

7.1.2.1 "Day 1" profit or loss

When the transaction price of the instrument differs from the fair value at origination and fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in net gains/(losses) from trading. In those cases, where the fair value is based on models for which some 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.

The "Day 1 loss" arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) in "Interest income" and "Personnel expenses" over the remaining service period of the employees or tenure of the loan whichever is shorter in line with SLFRS 9 and Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits" (LKAS 19).

Refer Notes 13 and 19 on pages 330 and 341.

7.1.3 Classification and subsequent measurement of financial assets

As per SLFRS 9, the Group classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms. Accordingly, the financial assets are measured at either;

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

7.1.3.1 Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on instrument-by-instrument basis because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

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 Group's original expectations, the Group 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.

7.1.3.2 Assessment of whether contractual cash flows are Solely Payments of Principal and Interest (SPPI test)

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

"Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

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 principal amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.

The Group holds a portfolio of long-term fixed rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Non – recourse loans

In some cases, loans made by the Group that are secured by collateral of the borrower, limit the Group's claim to cash flow of the underlying collateral (non-recourse loans). The Group applies the adjustment in assessing whether the non-recourse loans meet the SPPI criterion. The Group typically considers the following information when making the judgements:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payment, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;- the Group's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or substantial portions of the borrower's assets
- whether the Group will benefit from any upside from the underlying assets.

Refer Notes 7.1.3.3 to 7.1.3.5 below for details on different types of financial assets recognised on the SOFP.

7.1.3.3 Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are given in Notes 7.1.3.3.1 to 7.1.3.3.6 below.

7.1.3.3.1 Loans and advances to other customers

Loans and advances to other customers include amounts due from loans and advances and lease receivables from the customers of the Group.

Details of "Loans and advances to other customers" are given in Note 33 on pages 359 to 362.

7.1.3.3.2 Securities purchased under resale agreements (reverse repos)

When the Group purchases a financial asset and simultaneously enters into an agreement to resale the asset (or a similar asset) at a fixed price on a future date (reverse repo), the arrangement is accounted for as a financial asset in the SOFP reflecting the transaction's economic substance as a loan granted by the Group. Subsequent to initial recognition, these securities issued are measured at amortised cost using the EIR with the corresponding interest income/ receivable being recognised as interest income in profit or loss.

Details of "Securities purchased under resale agreements" are given in the SOFP on page 297.

7.1.3.3.3 Debt and other financial instruments measured at amortised cost

Details of "Debt and other financial instruments measured at amortised cost" are given in Note 34 on page 362.

7.1.3.3.4 Cash and cash equivalents

Details of "Cash and cash equivalents" are given in Note 28 on page 352.

7.1.3.3.5 Balances with central banks

Details of "Balances with central banks" are given in Note 29 on page 353.

7.1.3.3.6 Placement with banks

Details of "Placement with banks" are given in Note 30 on page 354.

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7.1.3.4 Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income.

For financial assets measured at FVOCI 🕮 refer Notes 7.1.3.4.1 and 7.1.3.4.2.

7.1.3.4.1 Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and selling financial assets, where the asset's contractual cash flows represent payments that are solely payments of principal and interest on principal outstanding. Details of "Debt instruments at FVOCI" are given in Note 35 on page 365.

7.1.3.4.2 Equity instruments designated at FVOCI

Upon initial recognition, the Group elects to classify irrevocably some of its equity instruments held for strategic and regulatory purposes as equity instruments at FVOCI. Details of "Equity instruments at FVOCI" are given in Note 35 on page 365.

7.1.3.5 Financial assets measured at FVTPL

All financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets measured at FVTPL include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell as discussed in Notes 7.1.3.5.1 and 7.1.3.5.2 below.

7.1.3.5.1 Financial assets held for trading

Details of "Financial Assets held for trading" are given in Note 32 on pages 355 to 358.

7.1.3.5.1.1 Derivatives recorded at FVTPL

Details of "Derivative financial assets" recorded at fair value through profit or loss are given in Note 31 on page 354.

7.1.3.5.2 Financial assets designated at FVTPL

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL when such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

Financial assets designated at FVTPL are recorded in the SOFP at fair value. Changes in fair value are recorded in "Net gain or loss on financial instruments designated at FVTPL". Interest earned is accrued in "Interest Income", using the EIR, while dividend income is recorded in "Other operating income" when the right to receive the payment has been established.

The Group has not designated any financial assets upon initial recognition as at FVTPL as at the end of the reporting period.

7.1.4 Classification and subsequent measurement of financial liabilities

The Group classifies financial liabilities, other than financial guarantees and loan commitments into one of the following categories:

- Financial liabilities at FVTPL, and within this category as –
  - Held-for-trading; or
  - Designated at FVTPL;
- Financial liabilities measured at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

Refer Notes 7.1.4.1 and 7.1.4.2 as detailed below:

7.1.4.1 Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Refer Notes 7.1.4.1.1 and 7.1.4.1.2 below.

7.1.4.1.1 Financial liabilities held for trading

Details of "Derivative financial liabilities" classified under financial liabilities held for trading are given in Note 44 on page 390.

7.1.4.1.2 Financial liabilities designated at FVTPL

Financial liabilities designated at FVTPL are recorded in the SOFP at fair value when;

- 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
- A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided on that basis to entity's key management personnel, 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(s) is prohibited.

Changes in fair value are recorded in "Net fair value gains/ (losses) from financial instruments at FVTPL" with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the own credit reserve through OCI and do not get recycled to profit or loss. Interest paid/payable is accrued in "Interest expense", using the EIR.

The Group has not designated any financial liabilities as at FVTPL as at the end of the reporting period.

7.1.4.2 Financial liabilities at amortised cost

Financial liabilities of the Group that are not measured at FVTPL are classified as financial liabilities at amortised cost under "Due to banks", "Securities sold under repurchase agreements", "Due to depositors", "Other borrowings" or "Subordinated liabilities" as appropriate, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

After initial recognition, such financial liabilities are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

The EIR amortisation is included in "Interest expense" in profit or loss. Gains and losses too are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

7.1.4.2.1 Due to banks

Details of "Due to banks" are given in Note 43 on page 389.

7.1.4.2.2 Securities sold under repurchase agreements (repos)

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repos), the arrangement is accounted for as a financial liability in the SOFP reflecting the transaction's economic substance as a deposit. Subsequent to initial recognition, these securities are measured at amortised cost using the EIR with the corresponding interest payable being recognised as "Interest expense" in profit or loss.

Details of "Securities sold under repurchase agreements (repos)" are given in the SOFP on page 297.

7.1.4.2.3 Due to depositors

Details of "Due to depositors" are given in Note 45 on page 390.

7.1.4.2.4 Other Borrowings

Details of "Other Borrowings" are given in Note 46 on page 391.

7.1.4.2.5 Subordinated liabilities

Details of "Subordinated liabilities" are given in Note 50 on page 402.

7.1.5 Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets and liabilities. Derivatives held for risk management purposes are measured at fair value in the SOFP.

The Group designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument and hedged item, including risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument is expected to be highly effective in offsetting the changes in fair value or cash flow of the respective hedged item during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80% to 125%. The Group makes an assessment for a cash flow hedge of a forecast transaction, of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Different types of hedges and derivatives are discussed in Notes 7.1.5.1 to 7.1.5.5 below:

7.1.5.1 Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect the profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss in the same line item as the hedged item that is attributable to the hedged risk. If the hedge item would otherwise be measured at cost or amortised cost, then its carrying amount is adjusted accordingly.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those are necessary for the novation, then the derivative is not considered as expired or terminated.

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used, is amortised to profit or loss as part of the recalculated EIR of the item over its remaining life.

On hedge discontinuation, any hedging adjustments made previously to hedge financial instruments for which the effective interest method is used is amortised to profit or loss by adjusting the effective interest rate of the hedged item from the date on which amortisation beings. If the hedged item is derecognised, then the adjustment is recognised immediately in profit or loss when the item is derecognised.

7.1.5.2 Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect the profit or loss, the effective portion of changes in the fair value of the derivative are recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the Statement of Profit or Loss and OCI.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those are necessary for the novation, then the derivative is not considered as expired or terminated.

If the hedged cash flow are no longer expected to occur, then the Group immediately reclassifies the amount in the hedging reserve from OCI to profit or loss. For terminated hedging relationships, if the hedge cash flows are still expected to occur, then the accumulated in the hedging reserve is not reclassified until the hedge cash flow affect the profit or loss. If the hedge cash flows are expected to affect profit or loss in multiple reporting periods, the group reclassifies the amount in the hedging reserve from OCI to profit or loss on straight line basis.

7.1.5.3 Net investment hedges

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

7.1.5.4 Other non-trading derivatives

If the derivative is not held for trading, and is not designated in a qualifying hedging relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of net income from other financial instruments at FVTPL.

7.1.5.5 Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Derivatives may be embedded in another contractual arrangement (a host contract). The Group treats derivatives embedded in financial liabilities and non-financial host contracts as separate derivatives, if:

- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the SOFP together with the host contract. Derivatives embedded in financial assets are classified based on the business model and their contractual terms and are not separated as explained in Notes 7.1.3.1 and 7.1.3.2 on page 319.

7.1.6 Reclassification of financial assets and liabilities

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Group changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

7.1.6.1 Timing of reclassification of financial assets

Consequent to the change in the business model, the Bank reclassifies all affected assets prospectively following the change in the business model (the reclassification date). Accordingly, prior periods are not restated.

7.1.6.2 Measurement of reclassification of financial assets

7.1.6.2.1 Reclassification of Financial Instruments at "FVTPL"

- **To FVOCI**

The fair value on reclassification date becomes the new gross carrying amount. The EIR is calculated based on the new gross carrying amount. Subsequent changes in the fair value is recognised in OCI.

- **To amortised cost**

The fair value on reclassification date becomes the new carrying amount. The EIR is calculated based on the new gross carrying amount.

7.1.6.2.2 Reclassification of Financial Instruments at "FVOCI"

- **To FVTPL**

The accumulated balance in OCI is reclassified to profit or loss on the reclassification date.

- **To amortised cost**

The financial asset is reclassified at fair value. The cumulative balance in OCI is removed and is used to adjust fair value on the reclassification date. The adjusted amount becomes the amortised cost. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost.

EIR determined at initial recognition and gross carrying amount are not adjusted as a result of reclassification.

7.1.6.2.3 Reclassification of Financial Instruments at "Amortised Cost"

- **To FVOCI**

The asset is remeasured to fair value, with any difference being recognised in OCI. EIR determined at initial recognition is not adjusted as a result of reclassification.

- **To FVTPL**

The fair value on the reclassification date becomes the new carrying amount. The difference between amortised cost and fair value is recognised in profit or loss.

7.1.7 Derecognition of financial assets and financial liabilities

7.1.7.1 Financial assets

The Group derecognises a financial asset (or where applicable a part of thereof) when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

However, cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its SOFP, but retains either all or substantially all risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions because the Group retains all or substantially all risks and rewards of ownership of such assets.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on the basis that reflected the rights and obligations that the Group has retained.

7.1.7.2 Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

7.1.8 Modification of financial assets and financial liabilities

7.1.8.1 Modification of Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses measured using a pre modification interest rate. In other cases, it is presented as interest income.

7.1.8.2 Modification of Financial Liabilities

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. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating- rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instruments.

7.1.9 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the SOFP if, and only if, there is a currently enforceable legal right to offset 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 presented on a net basis only when permitted under SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

7.1.10 Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL allowance.

The "gross carrying amount of a financial asset" is the amortised cost of a financial asset before adjusting for any ECL allowance.

7.1.11 Fair value of financial instruments

Fair value measurement of financial instruments including the fair value hierarchy is explained in Notes 4 and 27 on pages 316 and 348.

7.1.12 Identification and measurement of impairment of financial assets

7.1.12.1 Overview of the ECL principles

The Group records an allowance for ECL for loans and advances to other customers, debt and other financial instruments measured at amortised cost, debt instruments measured at FVOCI, any other financial assets measured at amortised cost, loan commitments and financial guarantee contracts.

SLFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition.

- **Stage 1:** A financial asset that is not originally credit impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).
- **Stage 2:** If a significant increase in credit risk (SICR) since origination is identified, the financial asset is moved to Stage 2 and the Group records an allowance for LTECL. Refer Note 7.1.12.2 for a description on how the Group determines when a SICR has occurred.
- **Stage 3:** If a financial asset is credit-impaired, it is moved to Stage 3 and the Group recognises an allowance for LTECL, with probability of default at 100%. Refer Note 7.1.12.3 for a description on how the Group defines default and credit impaired assets.

Purchased or originated credit impaired (POCI) financial assets:

Financial assets which are credit impaired on initial recognition are categorised within Stage 3 with a carrying value already reflecting the LTECL. The Group does not have POCI loans as at the reporting date.

The key judgements and assumptions adopted by the Group in addressing the requirements of SLFRS 9 are discussed below:

7.1.12.2 Significant Increase in Credit Risk (SICR)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and expert credit assessment and including forward looking information.

The Group considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 days past due in accordance with the rebuttable presumption in SLFRS 9.

The Group individually reviews at each reporting date, loans and advances above a predefined threshold to identify whether the credit risk has increased significantly since origination, before an exposure is in default. Such indicators include, inter-alia:

- When the risk rating of a customer or an instrument has been downgraded to B+ by an external credit rating agency and/or when there is a two-notch downgrade in the banks internal rating system.
- When reasonable and supportable forecasts of future economic conditions directly affect the performance of a customer/group of customers, portfolios or instruments.
- When there is a significant change in the geographical locations or natural catastrophes that directly impact the performance of a customer/group of customers or an instruments.
- When the value of collateral is significantly reduced and/or realisability of collateral is doubtful.
- When a customer is subject to litigation that significantly affects the performance of the credit facility.
- Frequent changes in the Board of Directors and senior management of an institutional customer.
- Delay in the commencement of business operations/projects by more than two years from the originally agreed date.
- When the Bank is unable to contact or find the customer.
- A fall of 50% or more in the turnover and/or profit before tax of the customer when compared to the previous year for two consecutive years.
- Significantly adverse financial ratios compared to the industry norms.
- Erosion in net-worth by more than 25% when compared to the previous year.
- Number of times credit facilities are restructured.
- Modification of terms resulting in concessions, including extensions, deferment of payments, waiver of covenants etc., due to credit deterioration.
- Any other indicator that the Group believes which indicate an SICR as per expert credit judgement.

Credit facilities/exposures which have one or more of the above indicators are treated as facilities with SICR and assessed accordingly in ECL computations. The Group also considers the conditions stipulated in the Directions issued by the CBSL on identifying SICR criteria for assessing credit facilities for ECL computations. The Group regularly monitors the effectiveness of the criteria used to identify SICR to confirm that the criteria is capable of identifying SICR before an exposure is in default.

For debt instruments having an external credit rating, which are measured at amortised cost or at FVOCI, the Group determines SICR based on the generally accepted investment/non-investment grade definitions published by international rating agencies. Debt instruments are moved to stage 2, if their credit risk increases to the extent that they are no longer considered investment grade.

7.1.12.3 Definition of default and credit impaired assets

The Group considers loans and advances to other customers be defaulted when:

- The borrower is unlikely to pay its obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The borrower becomes 90 days past due on its contractual payments.
- The borrower is deceased/insolvent.

In addition, the Group classifies the financial investments under Stage 3 when the external credit rating assigned to the particular investment is "default".

In assessing whether a borrower is in default, the Group reviews its individually significant loans and advances above a predefined threshold at each reporting date. Further, as per "CBSL Banking act direction No. 13 of 2021", Non-Performing credit facilities (NPCF) means all the credit facilities where the contractual payments of a customer are past due for more than 90 days or has remained in excess of the sanctioned limit for more than 90 days, and any other credit facilities classified as stage 3 credit facility under SLFRS 9.

7.1.12.4 Movement between the stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described in Note 7.1.12.2 and also as per the Policy on Upgrading of Credit Facilities. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above as per the Policy on Upgrading of Credit Facilities. The Bank has developed a comprehensive Policy on Upgrading of Credit Facilities in line with the CBSL Banking act direction No. 13 of 2021. Accordingly, credit facilities other than restructured and rescheduled facilities are upgraded to a better stage if all due contractual payments associated with such credit facility as at the date of upgrading are fully settled. Restructured and rescheduled facilities are gradually upgraded upon satisfactory repayment for a stipulated period according to the policy while exercising prudence principles.

7.1.12.5 Grouping financial assets measured on collective basis

The Group calculates ECL either on a collective or an individual basis. Asset classes where the Group calculates ECL on individual basis include;

- Credit impaired facilities and facilities identified with SICR which are impaired based on the individual impairment assessment
- The treasury, trading and interbank relationships (such as due from Banks, money at call and short notice, placements with Banks, government securities, investments in debentures etc.)

Those financial assets for which, the Group determines that no provision is required under individual impairment are then collectively assessed for ECL. For the purpose of ECL calculation on collective basis, financial assets are grouped on the basis of similar risk characteristics. Loans and advances to other customers are grouped in to homogeneous portfolios, based on a combination of product and customer characteristics.

Details of the ECL calculation are given in Note 18 on pages 337 to 340.

7.2 Non-current assets held for sale and disposal groups

The Group intends to recover the value of non-current assets and disposal groups classified as held for sale as at the reporting date principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset or disposal group is available-for-sale in its present condition, the management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

As per the Sri Lanka Accounting Standard – SLFRS 5 on "Non-current Assets Held for Sale and Discontinued Operations", (SLFRS 5) these assets are measured at the lower of the carrying amount and fair value, less costs to sell. Thereafter, the Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that the investment or a group of investment is impaired. The Group recognises an impairment loss for any initial or subsequent write down of the assets to fair value less costs to sell and also recognises a gain for any subsequent increase in fair value less costs to sell of an asset, only to the extent of the cumulative impairment losses that have been recognised previously. Impairment loss is first allocated to goodwill, and then to the remaining assets and liabilities on a *pro rata basis*, except that no loss is allocated to financial assets, deferred tax assets or employee benefit assets which continue to be measured in accordance with the Group's other accounting policies. As a result, once classified, the Group neither amortises nor depreciates the assets classified as held for sale.

In the Income Statement of the reporting period and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a NCI in a subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the Income Statement.

7.3 Property, plant and equipment

Details of "Property, plant and equipment" are given in Note 38 on pages 370 to 382.

7.3.1 Depreciation

Details of "Depreciation" are given in Note 20 on pages 341 and 342.

7.3.2 Borrowing costs

As per the Sri Lanka Accounting Standard – LKAS 23 on "Borrowing Costs" (LKAS 23), the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the profit or loss in the period in which they occur.

7.4 Investment property

Investment properties are initially measured at cost, including transaction costs. The Group subsequently measures investment properties under fair value model. Any gain or loss arising from a change in fair value and the rental income from the investment property is recognised under "Net other operating income".

Details of "Investment Property" are given in Note 39 on pages 382 and 385.

7.5 Intangible assets

Details of "Intangible assets" are given in Note 40 on pages 385 to 386.

Amortisation recognised during the year in respect of intangible assets is included under the item of "Amortisation of intangible assets" under "Depreciation and amortisation" in profit or loss.

Refer Note 20 on pages 341 and 342.

7.6 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The "recoverable amount" of an asset or CGU is the greater of its VIU and its fair value less costs to sell. VIU is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

7.7 Dividends payable

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended and declared by the Board of Directors and approved by the shareholders. Interim dividends are deducted from Equity when they are declared and no longer at the discretion of the Bank.

Dividends for the year, that are approved after the reporting date and not provided for, are disclosed as an event after the reporting period in accordance with the Sri Lanka Accounting Standard – LKAS 10 on "Events after the reporting period" (LKAS 10) in Note 68 on page 458.

7.8 Employee benefits

7.8.1 Defined Benefit Plans (DBPs)

A DBP is a post-employment benefit plan other than a Defined Contribution Plan (DCP) as defined in LKAS 19.

7.8.1.1 Defined benefit pension plans

7.8.1.1.1 Description of the plans and employee groups covered

The Bank operates two types of Defined Benefit Pension Plans for its employees as described below:

(a) The Bank has an approved Pension Fund, which was established in 1992. As per the Deed of Trust, only those employees who were less than 45 years of age as at January 01, 1992 were covered by the Pension Fund in order to leave a minimum contribution for a period of 10 years before they are eligible to draw pension from the Pension Fund. Further, only the employees those who joined the Bank before January 01, 2000, became eligible for this pension scheme.

During 2006, the Bank offered a restructured pension scheme to convert the DBP to a DCP for the pensionable employees of the Bank and over 99% of them accepted it. As a result, the above Pension Fund now covers only those employees who did not opt for the restructured pension scheme and those employees who were covered by the Pension Fund which was established in 1992, but retired before the restructured pension scheme came into effect;

(b) Provision for pensions has been made for those employees who retired before January 01, 2000, and on whose behalf the Bank could not make contributions to the Retirement Pension Fund for more than 10 years. This liability although not funded has been provided for in full in the Financial Statements;

The subsidiaries of the Bank do not operate Pension Funds.

The Bank's net obligation in respect of Defined Benefit Pension Plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets, as per LKAS 19 as detailed in Note 48 on pages 392 to 401.

The past service cost is recognised as an expense on a straight-line basis over the period until the benefits become vested. If the benefits are already vested following the introduction of, or changes to, a pension plan, past service cost is recognised immediately.

7.8.1.1.2 Recognition of actuarial gains or losses

Actuarial gains or losses are recognised in the OCI in the period in which they arise.

7.8.1.1.3 Recognition of retirement benefit obligation

The defined benefit asset or liability comprises the present value of the defined benefit obligation, less past service cost not yet recognised and the fair value of the plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the Projected Unit Credit Method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense/ (income) on the net defined benefit liability/ (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net-defined benefit liability/ (asset), taking into account any changes in the net-defined benefit liability/ (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to DBPs are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a DBP when the settlement occurs.

Amounts recognised in profit or loss as expenses on DBPs and provisions made on DBPs together with the details of valuation methods are given in Notes 19 and 48 on pages 341 and 392 to 401, respectively.

7.8.2 Defined Contribution Plans (DCPs)

A DCP is a post-employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay a further amount. Obligations to DCPs are recognised in the profit or loss as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. The Group has four such plans as explained in Notes 7.8.2.1, 7.8.2.2, 7.8.2.3 and 7.8.2.4.

Amounts recognised in profit or loss as expenses on DCPs are given in Note 19 on page 341.

7.8.2.1 Defined contribution pension plan

As explained in Note 7.8.1.1.1 (a), during 2006, the Bank restructured its pension scheme which was a DBP to a DCP. This restructured plan was offered on a voluntary basis to the eligible employees of the Bank. The scheme provides for lump sum payments instead of commuted/monthly pensions to the eligible employees at the point of their separation, in return for surrendering their pension rights. The lump sum offered consisted of a past service package and a future service package. The shortfall on account of the past service package in excess of the funds available in the Pension Fund was borne by the Bank in 2006.

The future service package includes monthly contributions to be made by the Bank for the employees who accepted the offer, to be made during their remaining period of service, at predetermined contribution rates to be applied on their salaries, which are estimated to increase for this purpose at 10% p.a. based on the salary levels that prevailed as at the date of implementation of this scheme. In addition, interest to be earned on the assets of the DCP is also allocated to the employees who opted for the restructured pension scheme.

The assets of this Fund are held separately from those of the Bank and are independently administered by the Trustees as per the provisions of the Trust Deed.

7.8.2.2 Employees' Provident Fund

The Bank and employees contribute to an approved Private Provident Fund at 12% and 8% respectively, on the salaries of each employee. In addition, the employees may voluntarily contribute an excess amount. Other local entities of the Group and their employees contribute at the same percentages as above to the Employees' Provident Fund managed by the CBSL.

7.8.2.3 Employees' Trust Fund

The Bank and other local entities of the Group contribute at the rate of 3% of the salaries of each employee to the Employees' Trust Fund managed by the CBSL.

7.8.2.4 Defined Contribution Pension Fund (DCPF)

Defined Contribution Pension Fund (DCPF) was established on March 01, 2020, which is managed by a Board of Trustees consisting of representatives of Employee Organisations and the Management.

Employees who joined since the year 2000, and who are not covered under the Restructured Pension Scheme of the Bank and are in the service of the Bank as at March 01, 2020 are eligible for the new DCPF. The initial lump sum, based on Gratuity entitlement as at February 29, 2020, is being transferred to the accounts opened in the names of individual eligible employees.

The Bank contributes monthly, a percentage equivalent of seven decimals five per centum (7.5%) of the monthly salary of each eligible employee starting from March 01, 2020 until cessation of employment to the DCPF.

Employees cannot withdraw money from the DCPF before cessation of employment. In the event of early separation prior to retirement (excluding death), eligible employees are entitled to withdraw the accumulated amounts in their respective DCPF accounts. However, the eligible employees are not entitled to receive any DCPF payment where the completed service is less than 5 years (similar to the Gratuity payments are done in case of a separation as per the Gratuity Act at the point of termination and separation). In the event of death of an employee whilst in service, the accumulated funds in the members account will be released in full to the nominated parties/legal heirs as the case may be, where the completed service is more than 5 years.

7.8.3 Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate used as the yield as at the reporting date is the current market rate that has been extrapolated to reflect long-term rate of discount based on market rates of interest on short-term Corporate/Government Bonds and anticipated long-term rate of inflation. The calculation is performed using the Projected Unit Credit Method. Remeasurements are recognised in profit or loss in the period in which they arise.

The Group does not have any "Other long-term employee benefits plans".

7.8.4 Terminal benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

7.8.5 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

7.8.6 Share-based payment arrangements

Share-based payment arrangements in which the Bank receives services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Bank. Executive Employees of the Bank receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The Group does not operate any cash-settled share-based payment transactions.

The Group applies the requirements of the Sri Lanka Accounting Standard – SLFRS 2 on "Share-based Payment" (SLFRS 2) in accounting for equity-settled share-based payment transactions, if any, that were granted after January 01, 2012 and had not vested at the same date. As per SLFRS 2, on the grant date, fair value of equity-settled share-based payment awards (i.e., share options) granted to employees is recognised as personnel expense, with a corresponding increase in equity, over the period in which the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related service and non-market performance vesting conditions are expected to be met, so that the amount ultimately recognised as an expense is based on the number of share awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The Employee Share Option Plans – 2019 and 2023, which were granted are subjected to the above accounting treatment.

The details of Employee Share Option Plans are given in Note 52 on pages 405 to 408.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share as disclosed in Note 24.1 and Note 24.2 on page 345.

7.9 Other liabilities

Details of "Other liabilities" are given in Note 48 on pages 392 to 401.

7.10 Restructuring

Provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses arising on such restructuring are not provided for.

The Group does not have any provision for restructuring as at the reporting date.

7.11 Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

The Group does not have any onerous contracts as at the reporting date.

7.12 Bank levies

A provision for bank levies is recognised when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

7.13 Financial guarantees, letters of credit and undrawn loan commitments

"Financial guarantees" are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Undrawn loan commitments and letters of credits 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.

Financial guarantees are initially recognised in the Financial Statements (within *other liabilities*) at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement and ECL provision, if appropriate.

The premium received is recognised in profit or loss in Note 14.1 on "Fee and commission income" on a straight line basis over the life of the guarantee.

The nominal contractual value of financial guarantees including performance bond guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the SOFP, but included as part of contingent liabilities and commitments. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 57 on pages 412 to 414.

Loan commitments at below market interest rates are initially measured at fair value and subsequently measured at the higher of the amount of the ECL allowance and the amount initially recognised less the cumulative amount of income recognised, when appropriate.

7.14 Commitments

All discernible risks are accounted for in determining the amount of known liabilities as explained in Note 7.9 above.

Details of the Commitments are given in Note 57 on pages 412 to 414.

7.15 Contingent liabilities and commitments

A detailed list of "Contingent liabilities and commitments" and "Litigation against the Bank" are given in Notes 57 and 59 on pages 412 and 415.

7.16 Stated capital and reserves

Details of the "Stated capital and reserves" are given in Notes 51, 53, 54 and 55 to the Financial Statements on pages 404 and 408 to 412.

7.17 Earnings per Share (EPS)

Details of "Basic and Diluted EPS" are given in Note 24 on page 345.

7.18 Operating segments

Details of "Operating segments" are given in Note 61 on pages 418 and 419.

7.19 Fiduciary assets

The Bank provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in these Financial Statements as they do not belong to the Bank.

8 Material Accounting Policies – Recognition of income and expense

Details of "Income and expense" are given in Notes 12 to 21 on pages 330 to 342.

8.1 Interest income and interest expense

Details of "Interest income and Interest expense" are given in Note 13 on pages 330 to 332.

8.2 Fee and commission income and fee and commission expense

Details of "Fee and commission income and commission expense" are given in Note 14 on pages 332 and 333.

8.3 Net gains/(losses) from trading

Details of "Net gains/(losses) from trading" are given in Note 15 on page 334.

8.4 Net gains/(losses) from derecognition of financial assets

Details of "Net gains/(losses) from derecognition of financial assets" are given in Note 16 on page 334.

8.5 Dividend income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities.

Dividends are presented in net gains/ (losses) from trading, net other operating income based on the underlying classification of the equity investment.

Details of "Dividend income" are given in Notes 15 and 17 on pages 334 and 337.

8.6 Leases

The Group assesses at the inception of a contract, whether a contract is, or contains, a lease 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 the guidelines of SLFRS 16. This assessment considers whether, throughout the period of use, the lessee has both the right to obtain all of the economic benefits from the use of the identified asset and the right to direct how and for what purpose the identified asset is used.

After the assessment of whether a contract is, or contains, a lease, the Group determines whether it contains additional lease or non-lease (service) components based on the detailed guidance provided in SLFRS 16. Accordingly, the right to use of an identifying asset is a separate lease component if the lessee can benefit from the use of underlying asset either on its own or together with other resources readily available to the lessee and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

8.6.1 Group as a lessee

As per SLFRS 16, when the Group has determined that a contract contains a lease component and one or more additional lease components or non-lease components, the consideration in the contract is allocated to each lease component on the basis of relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

At the commencement date, the Group recognises right-of-use of an asset and a lease liability which is measured at the present value of the lease payments that are payable on that date. Lease payments are discounted using the IBR.

After initial recognition, the Group applies cost model for the right-of-use of an asset and depreciate the asset from commencement date to the end of the useful life of the underlying asset. Where the right does not transfer the ownership of the asset, the Group depreciates it from commencement date to the earlier of the end of the useful life of the right-of-use asset or end of the lease term. In addition, interest expense on the lease liability is recognised in the profit or loss.

Details of "Right-of-use asset" and "Lease liability" are given in Notes 38 and 48 respectively, on pages 370 and 392.

8.6.2 Group as a lessor

Similar to above, at the commencement of the contract, the Group determines whether the contract contains a lease component and one or more additional lease components or non-lease components. When there is one or more additional lease or non-lease component, the Group allocates consideration based on the guidelines given in SLFRS 15.

8.6.2.1 Finance leases – Group as a lessor

As per SLFRS 16, a lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At the commencement date, the Group recognises assets held under finance lease in the SOFP and present them as a lease receivable at an amount equal to the net investment in the lease. Net investment in the lease is arrived at by discounting lease payments receivable at the interest rate implicit in the lease, i.e. the rate of interest which causes present value of lease payments to equal to the fair value of the underlying asset and initial direct costs. The Group's net investment in lease is included in Note 33 "Loans and advances to other customers". The finance income receivable is recognised in "interest income" over the periods of the leases so as to achieve a constant rate of return on the net investment in the leases.

8.6.2.2 Operating leases – Group as a lessor

As per SLFRS 16, a lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. The Group recognises lease payments from operating leases as income on straight-line basis. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and are 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.

8.7 Rental income and rental expenses

Rental income and rental expense are recognised in profit or loss on an accrual basis.

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9 Material Accounting Policies – Taxes and levies

9.1 Income tax expense

9.1.1 Current tax

Details of "Income tax expense" are given in Note 23 on pages 343 and 344.

9.1.2 Deferred tax

Details of "Deferred tax assets and liabilities" are given in Note 41 on pages 387 and 388.

9.1.3 Tax exposures

In determining the amount of current and deferred tax, the Group considers the favourable/adverse impact to the current tax liability and deferred tax liability due to assessments, revision to legislature etc. Such changes to tax liabilities could impact the tax expense in the period in which such revision is considered, as an over or under provision.

9.2 Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from April 01, 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

9.3 Withholding Tax (WHT) on dividends distributed by the Bank, subsidiaries and associate

9.3.1 WHT on dividends distributed by the Bank

The prevailing WHT rate on dividends distributed by the Bank to residents/ non-residents is 15%. Dividend paid by the Bank will be exempt in the hands of shareholders to the extent that such dividend payment is attributable to, or derived from dividend received by the Bank or another resident company. Dividend is liable to 15% WHT and will not be subjected to income tax, further.

9.3.2 WHT on dividends distributed by the subsidiaries and associate

Dividend income received by the Bank from its subsidiaries and associate is liable to WHT at the rate of 15%, which will be a final tax for the Bank.

9.4 Value Added Tax on Financial Services (VAT FS)

VAT FS is calculated at 18% of the Value Addition. The value addition attributable to the supply of financial services is derived by adjusting the accounting profit with economic depreciation determined using depreciation rates prescribed by the Department of Inland Revenue. Further, staff emoluments (including both monetary and non-monetary benefits) were added back to the accounting profit, in calculating, the value addition.

The amount of VAT FS charged in determining the profit or loss for the period is given in Note 22 on page 343.

9.5 Social Security Contribution Levy (SSCL)

The Bank is liable to pay SSCL on Financial Services at the rate of 2.5% on the value addition attributable to the supply of financial services. Further, Non-Financial Services are made liable on the turnover at the rate of 2.5%.

The amount of SSCL charged in determining the profit or loss for the period is given in Note 22 on page 343.

9.6 Value Added Tax (VAT)

The VAT rate has been increased from 15% to 18% with effect from January 01, 2024.

Further, certain goods and services which were previously exempt from VAT has been made liable at the rate of 18% effective January 01, 2024.

Pursuant to the Value Added Tax (Amendment) Act No. 16 of 2024, the turnover threshold for mandatory VAT registration has been reduced to Rs. 60 Mn. per annum, from the previous threshold of Rs. 80 Mn. per annum, effective from January 01, 2024.

9.7 Introduction of New Tax Reforms

The Government announced the new tax reforms in Parliament on December 18, 2024. Proposal to introduce an Income tax rate of 15% on export of services utilised outside Sri Lanka (previously exempt from Income Tax), effective from year 2025, would have an impact to the Bank.

However, said proposal is pending enactment.

10 Material Accounting Policies – Statement of Cash Flows

10.1 Statement of Cash Flows

The Statement of Cash Flows is prepared using the "Indirect Method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard – LKAS 7 on "Statement of Cash Flows" (LKAS 7). Gross cash and cash equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents as referred to in the Statement of Cash Flows are comprised of those items as explained in Note 28 on page 352.

The Statement of Cash Flows is given on page 306.

11 New or Amended Accounting Standards issued but not yet effective as at the reporting date

The following new or amended standards and interpretations have been issued, but not yet effective, as at the reporting date of the Consolidated Financial Statements. These are not expected to result in material impact to the Group on adoption.

Sustainability Disclosure Standard – SLFRS S1 on "General Requirements for Disclosure of Sustainability-related Financial Information" (SLFRS S1) and SLFRS S2 on "Climate-related Disclosures" (SLFRS S2)

Due to the investors growing demand for ESG information, the International Sustainability Standards Board (ISSB) released its first two sustainability disclosure standards, IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures).

As a local accounting standard setter, CA Sri Lanka issued the localised standards based on these IFRSs designated as SLFRS S1 & SLFRS S2 during the year 2024. The adoption of the Sri Lanka Sustainability Disclosure Standards, SLFRS S1 and SLFRS S2 will become effective for the Group from January 01, 2025 and no material financial impact is expected on the Group except for additional disclosures.

Sri Lanka Accounting Standard – SLFRS 17 on "Insurance Contracts" (SLFRS 17)

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace Sri Lanka Accounting Standard – SLFRS 4 on "Insurance Contracts" (SLFRS 4) that was issued in 2005. SLFRS 17 is effective for annual reporting periods beginning on or after January 01, 2026. The Group does not expect this will result in a material impact on its Financial Statements.

12 Gross income

ACCOUNTING POLICY

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

For the year ended December 31,	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Interest income	13.1	331	275,217,117	297,645,866	269,596,222	292,618,360
Fee and commission income	14.1	333	34,480,523	30,653,212	33,246,118	29,704,104
Net gains/(losses) from trading	15	334	(2,201,010)	(12,481,613)	(2,201,010)	(12,481,613)
Net gains/(losses) from derecognition of financial assets	16	334	(41,016,836)	5,060,242	(41,016,836)	5,060,242
Net other operating income	17	337	8,496,020	20,688,493	7,707,086	20,869,103
Total			274,975,814	341,566,200	267,331,580	335,770,196

13 Net interest income

ACCOUNTING POLICY

Interest income and expense are recognised in the Income Statement using the Effective Interest Rate (EIR) method.

Interest income and expense presented in the Income Statement include:

- Interest income on financial assets measured at amortised cost (AC) calculated using EIR method;
- Interest income on financial assets measured at fair value through other comprehensive income (FVOCI) calculated using EIR method;
- Interest income on financial assets measured at fair value through profit or loss (FVTPL) calculated using EIR method;
- Interest expense on financial liabilities measured at amortised cost calculated using EIR method;
- Interest expense on financial liabilities measured at FVTPL calculated using EIR method.

Effective interest rate (EIR)

The EIR is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the EIR for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses (ECLs). For credit-impaired financial assets which are classified under Stage 3, a credit-adjusted EIR is calculated using estimated future cash flows including ECLs. 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.

The calculation of the EIR includes transaction costs and fees paid or received that are an integral part of the EIR.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted EIR to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Overdue interest on loans and advances is recognised on cash basis.

For the year ended December 31,	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Interest income	13.1	331	275,217,117	297,645,866	269,596,222	292,618,360
Less: Interest expense	13.2	331	157,082,433	211,230,507	155,037,883	209,514,795
Net interest income			118,134,684	86,415,359	114,558,339	83,103,565

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13.1 Interest income

			GROUP		BANK	
For the year ended December 31,	Note	Page No.	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Cash and cash equivalents			1,125,854	1,487,030	1,125,232	1,481,495
Balances with central banks			110,417	184,013	88,365	132,719
Placements with banks			7,130,174	4,084,715	7,051,124	4,078,104
Securities purchased under resale agreements			2,684,252	3,015,477	2,667,926	2,988,837
Financial assets recognised through profit or loss			8,035,069	2,963,716	8,035,069	2,963,716
Derivative financial instruments			57,329	140,384	57,329	140,384
Other financial instruments			7,977,740	2,823,332	7,977,740	2,823,332
Financial assets at amortised cost – Loans and advances to other customers			142,983,240	156,560,656	138,967,018	153,359,824
Financial assets at amortised cost – Debt and other financial instruments(*)			80,585,703	79,655,171	79,372,456	78,223,689
Financial assets measured at fair value through other comprehensive income			29,320,257	46,182,102	29,194,610	46,020,068
Interest accrued on impaired loans and advances to other customers	33.2 (a) & 33.2 (b)	360 & 361	3,242,151	3,512,986	3,094,422	3,369,908
Total			275,217,117	297,645,866	269,596,222	292,618,360

(*) This includes interest accrued on the new USD Step Up Bond and PDI Bonds at the EIR following the restructuring of SLISBs. Refer Note 16.1 on pages 334 to 337.

13.2 Interest expense

			GROUP		BANK	
For the year ended December 31,	Note	Page No.	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Due to banks			1,378,050	3,130,626	1,257,854	3,040,227
Derivative financial liabilities			77,988	278,447	77,988	278,447
Securities sold under repurchase agreements			10,835,036	18,462,357	10,836,964	18,469,875
Financial liabilities at amortised cost – due to depositors			136,232,636	183,046,047	134,314,759	181,393,821
Refinance borrowings			759,123	627,697	759,123	627,697
Subordinated liabilities			7,242,090	5,247,288	7,242,090	5,247,288
Interest expense on lease liabilities	48.1	393	557,510	438,045	549,105	457,440
Total			157,082,433	211,230,507	155,037,883	209,514,795

13.3 Net interest income from Government Securities

Interest income and interest expenses on Government Securities given in the Notes 13.3 (a), 13.3 (b) and 13.3 (c) have been extracted from interest income and interest expenses given in Notes 13.1 and 13.2 respectively and disclosed separately, as required by the guidelines issued by the Central Bank of Sri Lanka.

13.3 (a) Net interest income from Sri Lanka Government Securities

	GROUP		BANK	
For the year ended December 31,	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Interest income	106,784,031	123,146,908	106,642,058	122,958,234
Securities purchased under resale agreements	535,494	467,932	519,168	441,292
Financial assets recognised through profit or loss	257,248	489,913	257,248	489,913
Financial assets at amortised cost – Debt and other financial instruments	76,671,032	76,006,961	76,671,032	76,006,961
Financial assets measured at fair value through other comprehensive income	29,320,257	46,182,102	29,194,610	46,020,068
Less: Interest expense	10,834,199	18,462,357	10,836,127	18,469,875
Securities sold under repurchase agreements	10,834,199	18,462,357	10,836,127	18,469,875
Net interest income	95,949,832	104,684,551	95,805,931	104,488,359

13.3 (b) Net interest income from Bangladesh Government Securities

	GROUP		BANK	
For the year ended December 31,	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Interest income	11,943,617	6,432,155	11,943,617	6,432,155
Securities purchased under resale agreements	2,148,758	2,547,545	2,148,758	2,547,545
Financial assets recognised through profit or loss	7,720,492	2,333,419	7,720,492	2,333,419
Financial assets at amortised cost – Debt and other financial instruments	2,074,367	1,551,191	2,074,367	1,551,191
Less: Interest expense	837	–	837	–
Securities sold under repurchase agreements	837	–	837	–
Net interest income	11,942,780	6,432,155	11,942,780	6,432,155

13.3 (c) Net interest income from Maldives Government Securities

	GROUP		BANK	
For the year ended December 31,	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Interest income	1,208,172	1,421,587	–	–
Financial assets at amortised cost – Debt and other financial instruments	1,208,172	1,421,587	–	–
Net interest income	1,208,172	1,421,587	–	–

14 Net fee and commission income

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ACCOUNTING POLICY

Fee and commission income and expenses which are integral to the EIR of a financial asset or financial liability are capitalised and included in the measurement of the EIR and recognised in the Income Statement over the expected life of the instrument.

Other fee and commission income, including account servicing fees, investment management fees, sales commission, and placement fees are recognised as the related services are performed. If a loan commitment is not expected to result in the drawdown of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

As per SLFRS 15, the Group adopts principles based five step model for revenue recognition.

Accordingly, revenue is recognised only when all of the following criteria are met:

- The parties to the contract have approved the contract/s;
- The Group can identify each party's rights regarding the goods or services to be transferred;
- The Group can identify the payment terms for the goods or services to be transferred;
- The contract has the commercial substance;
- It is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

The applicability of SLFRS 15 for the Bank is limited to fee and commission income.

For the year ended December 31,	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Fee and commission income	14.1	333	34,480,523	30,653,212	33,246,118	29,704,104
Less: Fee and commission expense	14.2	333	10,834,345	8,265,893	10,716,909	8,145,910
Net fee and commission income			23,646,178	22,387,319	22,529,209	21,558,194

14.1 Fee and commission income

For the year ended December 31,	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Loans and advances related services	2,790,229	1,486,801	2,443,884	1,293,162
Credit and debit cards related services	16,483,201	13,374,045	16,362,344	13,266,286
Trade and remittances related services	8,866,944	10,427,969	8,347,892	9,974,831
Deposits related services	1,735,944	1,581,804	1,703,661	1,546,378
Guarantees related services	1,587,025	1,455,628	1,581,554	1,453,180
Other financial services	3,017,180	2,326,965	2,806,783	2,170,267
Total	34,480,523	30,653,212	33,246,118	29,704,104

14.2 Fee and commission expense

For the year ended December 31,	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Loans and advances related services	108,119	113,153	85,951	80,664
Credit and debit cards related services	10,343,217	7,843,649	10,256,276	7,769,341
Trade and remittances related services	103,075	93,603	94,748	80,417
Other financial services	279,934	215,488	279,934	215,488
Total	10,834,345	8,265,893	10,716,909	8,145,910

15 Net gains/(losses) from trading

ACCOUNTING POLICY

Net gains/(losses) from trading comprises gains less losses related to trading assets and trading liabilities, and include all realised and unrealised fair value changes, related capital gains and losses, dividend income, and foreign exchange gains/(losses) from trading assets and trading liabilities.

	GROUP		BANK	
For the year ended December 31,	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Derivative financial instruments	(3,504,340)	(14,330,445)	(3,504,340)	(14,330,445)
Net foreign exchange losses from banks and other customers	(3,544,959)	(14,797,263)	(3,544,959)	(14,797,263)
Net mark-to-market gains	40,619	466,818	40,619	466,818
Financial assets recognised through profit or loss – measured at fair value				
Government Securities	352,179	1,381,928	352,179	1,381,928
Net mark-to-market gains	334,715	1,225,810	334,715	1,225,810
Net capital gains	17,464	156,118	17,464	156,118
Equities	951,151	466,904	951,151	466,904
Net mark-to-market gains	846,874	379,182	846,874	379,182
Net capital gains	34,519	42,728	34,519	42,728
Dividend income	69,758	44,994	69,758	44,994
Total	(2,201,010)	(12,481,613)	(2,201,010)	(12,481,613)

16 Net gains/(losses) from derecognition of financial assets

ACCOUNTING POLICY

Net gains/(losses) from derecognition of financial assets comprises all realised gains less losses related to debt instruments measured at FVOCI and financial assets measured at amortised cost.

			GROUP		BANK	
For the year ended December 31,	Note	Page No.	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Financial assets measured at fair value through other comprehensive income						
Government Securities			4,090,697	5,060,242	4,090,697	5,060,242
Net capital gains			4,090,697	5,060,242	4,090,697	5,060,242
Financial assets at amortised cost – Debt and other financial instruments						
Government Securities			(45,107,533)	–	(45,107,533)	–
Derecognition loss on restructuring of SLISBs	16.1	334	(45,107,533)	–	(45,107,533)	–
Total			(41,016,836)	5,060,242	(41,016,836)	5,060,242

16.1 Derecognition loss on restructuring of SLISBs

			GROUP		BANK	
For the year ended December 31,	Note	Page No.	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Derecognition loss on restructuring of SLISBs	16.1.3. (a)	336	(45,107,533)	–	(45,107,533)	–
Sub Total			(45,107,533)	–	(45,107,533)	–

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Sri Lanka's economy experienced economic downturn which was started in 2019 and led the country to seek support from the International Monetary Fund (IMF) to restore the country's macro-economic stability. However, the execution of this support programme was contingent on the implementation of a debt restructuring programme. The restructuring of SLISBs issued by the Government of Sri Lanka was finalised on December 20, 2024, as part of the above debt restructuring programme. Under this programme, the eligible bond holders were given a choice to select either the Global Bonds Option or the Local Bonds Option. Global Bonds Option included the combination of Macro Linked Bonds, Governance Linked Bonds and Past Due Interest (PDI) Bonds denominated in USD whereas the Local Bonds Option included the combination of USD-Step-Up Bonds (with the LKR settlement option in case of default), PDI Bonds denominated in USD and Local LKR Bonds.

The Bank chose the Local Bonds Option as it offered a significantly lower principal haircut compared to the Global Bond Option, albeit with lower coupon rates and extended maturities. The total face value and the PDI of the outstanding SLISBs portfolio of the Bank, prior to the conclusion of the restructuring programme, amounted to USD 517.080 Mn. and USD 82.411 Mn. respectively.

Under the Local Bonds Option, 30% of the portfolio was converted to LKR Bonds (Rs. 45.033 Bn.) whereas remaining 70% of the portfolio was converted to a USD Step-Up Bond (USD 325.760 Mn.) with a haircut of 10%. The Step-Up Bond also provides the Government the option to service the bond in LKR if it determines that servicing in USD is not feasible. A PDI Bond (USD 68.420 Mn.), denominated in USD, was issued to compensate the past due interest due to the Bank, subject to absorbing the shortfall in the Committee expenses. In addition, the Bank was provided with an Exchange Fee Bond (USD 9.602 Mn.) for giving its consent to the restructuring programme. As per SLFRS 9, since the modification is substantial, the existing SLISBs were derecognised and the new bonds were recognised at the fair value.

16.1.1 Bonds eligible for exchange

The following table provides the details of the amounts exchanged and the original settlement years of SLISBs of the Bank denominated in USD.

ISIN	Original settlement year	Amount Exchanged (Face value in USD Mn.)
USY8137FAK40	2023	46.000
USY8137FAN88	2024	66.500
USY8137FAQ10	2024	53.000
USY8137FAH11	2027	2.500
USY8137FAL23	2028	10.000
USY8137FAP37	2029	126.550
USY2029SAH77	2022	73.560
USY8137FAC24	2025	27.170
USY8137FAE89	2025	85.500
USY8137FAF54	2026	26.300
Total		517.080

A summary of the key terms and the details of the new bonds received by the Bank under the Local Bonds Option is tabulated below.

Type of Bond/Bonds & Amount Exchanged	Key terms
Local LKR Bonds (Rs. 45.033 Bn.)	• Coupon rate: Variable interest rate of SLFR + 0.5%. • Eight (8) new variable coupon Treasury bonds denominated in LKR with bullet repayment on the relevant maturity date. • Maturity dates: between March 2036 and March 2043, with one bond maturing each year during this period. • Haircut: 0%.
USD Step-Up Bond (USD 325.760 Mn.)	• Coupon rate: 1% to 3.5% throughout its tenor. (1% at inception which will gradually increase up to 3.5% by the bond's final maturity date). • Number of installments: 10 (5 installments each amounting to 8% of the total value of the USD Step-Up Bond and another 5 installments each amounting to 12% of the total value of the USD Step-Up Bond). • Amortisation dates: from June 2029 to June 2038. • Haircut: 10%.
PDI Bond (USD 68.420 Mn.)	• Coupon rate: Fixed interest rate of 4%. • Number of installments: 5 (1 installment amounting to 7% of the total value of the PDI Bond and another 3 installments each amounting to 20% of the total value of the PDI Bond. Last installment of 33% of the total value of the PDI Bond). • Amortisation dates: from December 2024 to April 2028. • Haircut: 11%.

16.1.2 Measurement of eligible bonds held at amortised cost

- **Initial recognition of new bonds subsequent to finalisation of debt restructure programme**
  - The new bonds issued under the exchange programme were recognised as new financial assets and initially measured at fair value. The fair value of the new bonds was estimated using discounted cash flow techniques, applying rates from the yield curve that was constructed from market information and data available at the date of measurement to discount the expected cash flows from the new bonds as outlined in the exchange memorandum. The data considered in the construction of the yield curve includes traded prices, indicative broker quotes and evaluated prices from pricing services around the measurement date.
  - The difference between the fair value of the new bonds and the carrying amount of the SLISBs as at December 20, 2024 has been recorded in the income statement under 'Net gains/(losses) from derecognition of financial assets' on the date of initial recognition (i.e., the settlement date).

- The yield/discount rates for discounting purposes were determined by adding premiums to a risk-free rate (yield on US treasury bonds with similar maturities) in line with SLFRS 9. Accordingly, the Bank estimated the risk premium to possibly be in the range of 5%-6% for the compensation for the credit risk premium, liquidity premium and other risk premium where minimum risk allocation on a straight-line basis should carry a premium between 1.5%-2.0% for each category of risk.

- Accordingly, a discount rate of 10% was used to measure the fair value of PDI Bond (denominated in USD) whereas a discount rate of 8.5% (after removing the approximate credit risk premium) was used to measure the fair value of USD Step-Up Bond (denominated in USD) as this bond does not carry credit risk due to the availability of LKR settlement option in the event of a default. Fair value of the Local LKR Bond is not significantly different from the issued value, since the bond has been issued at Standing Lending Facility Rate (SLFR)+0.5% which is on par with the short-term market return of similar instruments with a term reflecting the repricing interval (i.e., 6 months Treasury Bill Rate) as the reference rate (i.e., SLFR+0.5%) is repriced every six months.

- Accordingly, the net derecognition loss on restructuring of SLISBs amounted to Rs 45.108 Bn.

- **ECL considerations**
  - Although Sri Lanka has been facing financial challenges since 2019, the Government has not defaulted on the LKR bonds issues so far and not exposed to credit risk characteristics.

    Accordingly, the Bank did not make ECL provisions for the Local LKR Bond and USD Step-Up Bond as the instruments are not exposed to credit risk characteristics and are deemed to carry no LGD for the assessment of ECL as at the reporting date. The total amortised cost of Local LKR Bond (Rs. 46.300 Bn.) and USD Step-Up Bond (Rupee equivalent of 58.210 Bn.) have been classified under Stage 1 as at the reporting date. However, the Bank has made an ECL provision of 8% on the amortised cost of the PDI Bond (Rupee equivalent of Rs. 16.947 Bn.), considering the credit risk/exchange risk involved as there is no LKR settlement option. Further, the PDI Bond has been classified under Stage 2, until such time the instrument becomes eligible for an upgrade in line with the requirements of SLFRS 9 and as per the Internal Risk Management policies of the Bank by adequately demonstrating that the conditions which lead to Stage 2 classification are no longer applicable/ relevant.

- **Inputs, assumptions, and techniques for estimating ECL on PDI Bonds**

  Loss Given Default

  - The Loss Given Default (LGD) is determined to assess ECL. In this case, the Bank has determined an LGD of 20% for the assessment of ECL. This LGD is consistent with the LGD assigned to sovereign debts in BASEL regulation.

Justification for the approach:

- The determination of LGD based on the LGD assigned to sovereign debts (denominated in foreign currency) in BASEL regulation provides a reasonable estimate of the proportion of exposure that may not be recovered in the event of default. LGD reflects the inherent credit risk associated with government exposures in USD and helps in estimating potential credit losses.

Probability of Default

PD is a measure of the probability of a financial asset falling into default over a specific length of time.

- The PD is determined to assess ECL. In this case, the Bank has determined an approximate PD of 40% for the assessment of ECL.

Justification for the approach:

- The determination of PD was based on the weightage assigned by S&P for Sri Lanka bonds with 4-year tenure.

16.1.3 Impact to the Financial Statements due to restructuring of SLISBs

16.1.3.(a) Derecognition loss on restructuring of SLISBs

Description		Rs. Bn.
Net Capital loss from previously held SLISBs		(8.640)
day one loss owing to the difference between the contractual rates and the discounting rates used to measure the fair values:		
– USD Step-Up Bond - face value of USD 325.760 Mn.	(Discounted at 8.5%)	(37.395)
– PDI Bond - face value of USD 68.420 Mn.	(Discounted at 10%)	(1.882)
Present value of Exchange Fee Bond – face value of USD 9.602 Mn. (Discounted at 10%)		2.809
Derecognition loss on restructuring of SLISBs (Note 16.1)		(45.108)

16.1.3.(b) Sensitivity of the fair value of the new bonds

The following table illustrates the impact arising from the possible changes in the discount rate on the fair value of the new bonds as at the initial recognition.

Variable	Sensitivity effect on Statement of Financial Position [Increase/(decrease) in the fair value of the new bond] Rs. Bn.	Sensitivity effect on Income Statement [Increase/(decrease) in the derecognition loss] Rs. Bn.
1% increase in discount rate	(4.368)	4.368
1% decrease in discount rate	4.781	(4.781)

16.1.3.(c) Net reversal of impairment

Description	Rs. Bn.(*)
Reversal of cumulative ECL on SLISBs made up to December 20, 2024	92.858
Recognition of ECL on new PDI Bond as at December 31, 2024	(1.356)
Net reversal of impairment	91.502

(*) Including the exchange impact

16.1.3.(d) Net reversal of deferred tax asset

Description	Rs. Bn.
Reversal of Deferred tax asset recognised on cumulative ECL on SLISBs made up to December 20, 2024	(25.522)
Recognition of Deferred tax asset on ECL on new PDI Bond as at December 31, 2024	0.407
Net reversal of Deferred tax asset	(25.115)

17 Net other operating income

ACCOUNTING POLICY

Net other operating income includes net foreign exchange gains and losses, dividend income from equity instruments designated at fair value through other comprehensive income, dividend income from group entities, net gains/(losses) on disposal of property, plant and equipment, net gains/(losses) on fair valuation of investment properties and rental and other income.

			GROUP		BANK	
For the year ended December 31,	Note	Page No.	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Net gains/(losses) on sale of property, plant and equipment	17.1	337	15,939	21,048	2,197	3,167
Net gains/(losses) on revaluation of foreign currency assets and liabilities			6,956,434	19,778,853	6,534,955	19,705,416
Recoveries o/a loans written off			469,104	440,484	387,935	381,338
Dividend income from subsidiaries			–	–	93,600	384,601
Dividend income from other equity securities			72,612	20,772	72,383	20,593
Gain on fair valuation of investment properties	39	382	3,500	18,930	–	–
Loss on sale of investment property			(3,225)	–	–	–
Rental and other income	17.2	337	981,656	408,406	616,016	373,988
Less: Dividends received from associate transferred to investment account			–	–	–	–
Total			8,496,020	20,688,493	7,707,086	20,869,103

17.1 Net gains/(losses) on sale of property, plant and equipment

ACCOUNTING POLICY

The net gains or losses on disposal of property, plant and equipment are determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, net of incremental disposal costs. This is recognised as an item in "net other operating income" in the year in which the Group transfers control of the asset to the buyer.

17.2 Rental and other income

ACCOUNTING POLICY

Rental and other income is recognised in the Income Statement on an accrual basis.

18 Impairment charges/(reversal) and other losses

ACCOUNTING POLICY

Impairment charges as per SLFRS 9

The Group recognises loss allowances for expected credit loss (ECL) on the following financial instruments that are not measured at FVTPL:

- Cash and cash equivalents;
- Foreign currency balances with central banks other than the operating currency;
- Placements with banks;
- Loans and advances to other customers;
- Financial assets at amortised cost-debt and other financial instruments;
- Debt instruments at fair value through other comprehensive income;
- Loan commitments and financial guarantee contracts.

No impairment loss is recognised on equity investments.

The Group assesses the credit risk and the estimates unbiased and probability-weighted ECL, and incorporates all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL takes into account the time value of money.

Impairment charges on loans and advances to customers

For customers who are having exposures above the predefined threshold, the Group individually assesses for Significant Increase in Credit Risk (SICR). If a particular loan is individually impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. If the Group determines that no provision is required under individual impairment, such financial assets are then collectively assessed for any impairment along with the remaining portfolio.

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The Group computes ECL using three main components; a Probability of Default (PD), a Loss Given Default (LGD) and the Exposure At Default (EAD) under the collective assessment. These parameters are generally derived from internally developed statistical models and historical data and then adjusted to reflect forward-looking information.

- **PD** – The probability of default represents the likelihood of a borrower defaulting on its financial obligations (as per Note 7.1.12.3) either over the next 12-months (12m PD) or over the remaining lifetime (Lifetime PD) of the obligation. PD estimates are estimates at a certain date and Days Past Due (DPD) is the primary input into the determination of the term structure of PD for exposures. DPD are determined by counting the number of days since the due date. The Group employs statistical models to analyse the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.
- **LGD** – The loss given default 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 Bank would expect to receive, including from the realisation of any collateral. The Group estimates LGD parameters based on historical recovery rates of claims against defaulted counterparties. They are calculated on a discounted cash flow basis using EIR as the discounting factor. LGD is usually expressed as a percentage of the EAD.
- **EAD** – The exposure at default represents the expected exposure in the event of a default. The Group estimates EAD, taking into account the repayment of principal and interest from the reporting date to the default event together with any expected drawdowns of committed facilities. To calculate EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months. To calculate EAD of all other loans, default events over the lifetime of the financial instruments are considered.

Impairment charges on financial investments

Impairment charges on financial investments include ECL on debt instruments at FVOCI and financial assets at amortised cost.

The Group considers PDs published by the external sources (E.g: Bloomberg).

LGD for debt securities issued by the government of Sri Lanka in rupees is considered as 0%, LGDs for foreign currency denominated securities issued by the government are considered at a minimum of 20%. For all other instruments LGD is considered as 45% in accordance with the guideline issued by the Central Bank of Sri Lanka.

EAD of the financial investment is considered as the gross carrying amount in order to reflect repayment pattern of the instrument.

Credit cards and revolving facilities

The Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities. The Group reviews the sanction limits at least annually and therefore has the right to cancel and/or reduce the limits. Therefore, the Group calculates only the 12-month ECL(12m ECL) allowance on these facilities. The EAD is arrived by taking the maximum of either sanction limit adjusted for Credit Conversion Factor (CCF) and the gross carrying amount of the loan (utilised amount). EAD of Stage 3 contracts are limited to the gross carrying amount which is the utilised amount since it is assumed that the Group freeze the limits of those contracts up to the utilised amount. The expected 12-month default probabilities are applied to EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Undrawn loan commitments

When estimating Life Time ECL(LTECL) for undrawn loan commitments, the Group 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. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For loan commitments and letters of credit, the allowances for 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 Income Statement, 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 allowances for ECLs related to financial guarantee contracts are recognised within "other liabilities".

Forward-looking information

The Group incorporates forward-looking information into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group also obtained experienced credit judgement from economic experts and Credit and Risk Management Departments to formulate a base case, a best case and a worst case scenario. The base case represents a most-likely outcome and is aligned with information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk both quantitative and qualitative for various portfolio segments. Quantitative economic factors are based on economic data and forecasts published by the CBSL, other reliable sources and statistical models.

Quantitative drivers of credit risk	Qualitative drivers of credit risk
GDP growth rate	Status of industry business
Unemployment rate	Regulatory impact
Interest rate (AWPLR)	Government policies
Rate of inflation	Average loan to value ratio
Exchange rate	

The calculation of ECLs

The Group measures loss allowance at an amount equal to LTECL, except for following, which are measured as 12m ECL.

- Loans and advances on which credit risk has not increased significantly since the initial recognition.
- Debt instruments that are determined to have low credit risk at the reporting date.

The Group considers a debt instrument to have a low credit risk when they have an "investment grade" credit risk rating.

ECLs are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of expected cash flows;

- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive;
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Financial assets that are not credit-impaired at the reporting date

As described above, the Group calculates 12m ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to EAD and multiplied by the economic factor adjustment, expected LGD and discounted by an approximation to the original EIR. When the financial asset has shown a SICR since origination, the Group records an allowance for LTECLs based on PDs estimated over the lifetime of the instrument.

Financial assets that are credit-impaired at the reporting date

For the credit impaired facilities assessed under individual basis, impairment is computed as the difference between the asset's gross carrying amount and the present value of estimated future cash flows. The expected future cash flows are based on the estimate made by credit risk officers' as at the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest. The Group regularly reviews the assumptions for projecting future cash flows.

Further, the loans and advances identified as credit impaired in Note 7.1.12.3 will be assessed for impairment with 100% PD. For the credit impaired facilities assessed under collective basis, LGDs are considered as the impairment ratio.

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, Government Securities, Letters of Credit/Guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements, etc.

Write-off of financial assets

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Post Model Adjustments (PMA) – Management overlay

Due to the high level of economic uncertainty prevailed in 2022, the Bank introduced the concept of management overlays based on post model adjustments, as additional provisions for loans in risk elevated industries and loans under review post moratoriums to capture unforeseeable events that cannot be assessed using modeled outcomes. The Bank assesses the adequacy of the management overlay at each reporting date.

Scenario probability weighting (Bank)

	Sri Lankan operations		Bangladesh operations	
As at December 31,	2024 %	2023 %	2024 %	2023 %
Best case	5.00	5.00	5.00	15.00
Base case	30.00	30.00	15.00	40.00
Worst case	65.00	65.00	80.00	45.00

In order to address the prevailing uncertainties in Bangladesh due to the current adverse macro-economic conditions prevailing therein, the Bank decided to adjust the probability weightages of macro-economic scenarios of Bangladesh operations during the year 2024 as a prudential measure.

Refer Note 2.12.5 on page 310 for detailed explanation on significant assumptions and estimates used with the objective of capturing the impact of economic uncertainties to ECL provisions.

			GROUP		BANK	
For the year ended December 31,	Note	Page No.	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Loans and advances to other customers	33.2 (a) & 33.2 (b)	360 & 361	23,254,356	6,163,845	22,816,296	5,689,719
Other financial assets			(86,756,674)	33,671,655	(87,221,649)	33,856,430
Off-balance sheet credit exposures			83,687	(1,651,568)	79,414	(1,633,548)
Receivables from Special Incentive Schemes	42.1	389	935,789	–	935,789	–
Total impairment charges/(reversal)	18.1 & 18.2	340	(62,482,842)	38,183,932	(63,390,150)	37,912,601
Direct write-offs			188,028	711,138	175,081	711,138
Total			(62,294,814)	38,895,070	(63,215,069)	38,623,739

18.1 Impairment charges/(reversal) to the Income Statement – Group

For the year ended December 31,	Note	Page No.	2024 Stage 1 Rs. '000	2024 Stage 2 Rs. '000	2024 Stage 3 Rs. '000	2024 Total Rs. '000	2023 Stage 1 Rs. '000	2023 Stage 2 Rs. '000	2023 Stage 3 Rs. '000	2023 Total Rs. '000
Cash and cash equivalents	28.1	352	(6,109)	–	–	(6,109)	2,729	–	–	2,729
Balances with Central Banks	29.1	353	128,013	–	–	128,013	–	–	–	–
Placements with banks	30.1	354	109,235	–	–	109,235	11,372	–	–	11,372
Financial assets at amortised cost – loans and advances to other customers	33.2(a)	360	(2,344,783)	(5,373,860)	30,972,999	23,254,356	(5,278,093)	(10,782,914)	22,224,852	6,163,845
Financial assets at amortised cost – debt and other financial instruments	34.1(a)	363	226,709	(87,214,522)	–	(86,987,813)	(172,536)	33,830,090	–	33,657,554
Receivables from Special Incentive Schemes	42.1	389	–	935,789	–	935,789	–	–	–	–
Contingent liabilities and commitments	57.3 (a)	414	(573,063)	(194,861)	851,611	83,687	(1,103,146)	(664,771)	116,349	(1,651,568)
Total			(2,459,998)	(91,847,454)	31,824,610	(62,482,842)	(6,539,674)	22,382,405	22,341,201	38,183,932

18.2 Impairment charges/(reversal) to the Income Statement – Bank

For the year ended December 31,	Note	Page No.	2024 Stage 1 Rs. '000	2024 Stage 2 Rs. '000	2024 Stage 3 Rs. '000	2024 Total Rs. '000	2023 Stage 1 Rs. '000	2023 Stage 2 Rs. '000	2023 Stage 3 Rs. '000	2023 Total Rs. '000
Cash and cash equivalents	28.1	352	(6,746)	–	–	(6,746)	2,662	–	–	2,662
Balances with Central Banks	29.1	353	–	–	–	–	–	–	–	–
Placements with banks	30.1	354	(3,547)	–	–	(3,547)	11,387	–	–	11,387
Financial assets at amortised cost – loans and advances to other customers (*)	33.2(b)	361	(2,314,729)	(5,484,152)	30,615,177	22,816,296	(5,303,991)	(10,715,219)	21,708,929	5,689,719
Financial assets at amortised cost – debt and other financial instruments (**)	34.1(b)	364	3,166	(87,214,522)	–	(87,211,356)	12,291	33,830,090	–	33,842,381
Receivables from Special Incentive Schemes	42.1	389	–	935,789	–	935,789	–	–	–	–
Contingent liabilities and commitments	57.3 (b)	414	(577,336)	(194,861)	851,611	79,414	(1,085,126)	(664,771)	116,349	(1,633,548)
Total			(2,899,192)	(91,957,746)	31,466,788	(63,390,150)	(6,362,777)	22,450,100	21,825,278	37,912,601

(*) Due to the prevailing uncertainties and volatilities in the Bangladesh economy, the Bank adjusted the probability weightages of macro-economic scenarios, as detailed in Note 18 on pages 337 and 340 and applied stressed LGDs in measuring ECL. As a result, the impairment provision for the Bangladesh loan portfolio increased during the year 2024.

Further, the Bank performed a comprehensive assessment of individually significant customers as at December 31, 2024, and based on the assessment, those customers who have been impaired due to the SICR were moved from Stage 1 to Stage 2 or Stage 3 based on the higher credit risk, as applicable. The Bank continued to review the key assumptions used in the impairment computation against individually significant customers classified under Stages 2 and 3 during the year.

Accordingly, the impairment charge on loans and advances was increased to Rs. 22.816 Bn. in 2024 from Rs. 5.690 Bn. in 2023.

As explained on page 339 under post-model adjustments, the Bank's cumulative impairment provision under management overlays as of December 31, 2024 was Rs. 0.852 Bn. (Rs. 6.697 Bn. as at December 31, 2023). The reduction in management overlay was primarily due to the reduction in exposure to risk-elevated industries, decline in total value of loans under review post moratorium, and improvements in economic indicators in the Sri Lankan economy.

(**) The above Rs. 87.215 Bn. net impairment reversal reported under stage 2 during the year 2024, comprises the reversal of impairment provision on previously held SLISBs and recognition of impairment provision on PDI Bond.

19 Personnel expenses

ACCOUNTING POLICY

See Note 7.8 on pages 325 to 327.

For the year ended December 31,	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Salary and bonus	19.1	341	22,083,675	18,039,972	21,215,708	17,346,582
Pension costs	19.1	341	2,725,989	2,237,199	2,638,716	2,167,342
Contributions to defined contribution/benefit plans – Funded schemes			2,652,679	2,162,932	2,607,321	2,131,832
Contributions to defined benefit plans – Unfunded schemes	48.2 (b) & 48.3 (c)	394 & 395	73,310	74,267	31,395	35,510
Equity-settled share-based payment expense	19.2 & 55.5	341 & 411	22,180	21,433	22,180	21,433
Other expenses	19.3	341	3,075,614	2,511,441	3,037,266	2,421,509
Total			27,907,458	22,810,045	26,913,870	21,956,866

19.1 Salary, bonus, and pension costs

Salary, bonus, and contributions to defined contribution/benefit plans, reported above also include amounts paid to and contribution made on behalf of Executive Directors.

19.2 Share-based payment

The Bank has equity-settled share-based compensation plans, the details of which are given in Note 52 on page 405.

19.3 Other expenses

This includes expenses such as overtime payments, leave encashment benefits, medical and hospitalisation charges, expenses incurred on staff training/recruitment and staff welfare activities, etc.

20 Depreciation and amortisation

ACCOUNTING POLICY

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in the Income Statement. Freehold land is not depreciated. Right-of-use assets are depreciated over the useful lives of the assets. However, if there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, the assets are depreciated over the shorter of the estimated useful lives and the lease terms.

The estimated useful lives of the property, plant and equipment of the Bank as at December 31, 2024 are as follows:

Class of asset	Depreciation % Per Annum	Useful lives (years)
Freehold and leasehold buildings	2.5	40
Motor vehicles	20	5
Computer equipment	20	5
Office equipment, furniture, and fixtures		
Office equipment	20	5
Office interior work	20	5
Furniture and fittings	10	10

The above rates are compatible with the rates used by all Group entities, and these rates have not been changed during the year.

The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and depreciation commences when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Management. 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.

All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year together with other relevant information are given in Note 38 on pages 370 to 382.

Depreciation methods, useful lives, and residual values are reassessed at each reporting date and adjusted, if required.

Amortisation of intangible assets

Intangible assets are amortised using the straight-line method to write down the cost over its estimated useful economic lives from the date on which it is available for use, at the rates specified below:

Class of asset	Amortisation % per annum	Useful lives (years)
Computer software	20	5
Trademarks	20	5

The above rates are compatible with the rates used by all Group entities, and these rates have not been changed during the year.

The unamortised balances of intangible assets with finite lives are reviewed for impairment whenever there is an indication for impairment and recognised in the Income Statement to the extent that they are no longer probable of being recovered from the expected future benefits.

Amortisation method, useful lives, and residual values are reviewed at each reporting date and adjusted, if required.

For the year ended December 31,	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Depreciation of property, plant and equipment	38.1 to 38.4	371 to 374	2,205,505	2,010,788	2,043,168	1,864,203
Depreciation of right-of-use assets	38.1 to 38.4	371 to 374	1,415,409	1,360,457	1,539,983	1,491,714
Amortisation of computer software	40.1	386	1,116,289	964,395	1,086,580	927,649
Total			4,737,203	4,335,640	4,669,731	4,283,566

21 Other operating expenses

ACCOUNTING POLICY

These expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenses incurred in running the business and in maintaining the property, plant and equipment in a state of efficiency are charged to the Income Statement.

For the year ended December 31,	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Directors' emoluments	21.1	342	155,128	142,247	101,522	94,270
Auditors' remuneration			47,852	66,799	38,644	42,247
Audit fees and expenses			26,138	32,900	19,665	16,016
Audit-related fees and expenses			12,281	16,248	11,970	16,248
Non-audit fees and expenses			9,433	17,651	7,009	9,983
Professional and legal expenses			1,971,740	1,606,635	2,788,721	2,288,491
Deposit insurance premium paid to the Central Banks			1,879,248	1,697,622	1,863,529	1,687,623
Donations including contribution made to the CSR Trust Fund			220,888	433,515	220,791	433,507
Establishment expenses			3,898,218	3,567,431	3,542,512	3,257,047
Maintenance of property, plant, and equipment			4,468,786	4,380,412	4,466,572	4,346,537
Loss on revaluation of land and buildings	38.1 to 38.4	371 to 374	–	40,273	–	40,273
Office administration expenses			6,551,837	5,209,213	5,047,481	4,213,773
Total			19,193,697	17,144,147	18,069,772	16,403,768

21.1 Directors' emoluments

Directors' emoluments represent the fees paid to both Executive and Non-Executive Directors of the Group and the Bank.

20 21

22 Taxes on financial services

ACCOUNTING POLICY

Refer Notes 9.4 and 9.5 on page 329.

			GROUP		BANK	
For the year ended December 31,	Note	Page No.	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Value Added Tax	9.4	329	17,306,021	4,314,752	17,215,756	4,314,752
Social Security Contribution Levy	9.5	329	2,400,654	646,640	2,388,117	646,640
Total			19,706,675	4,961,392	19,603,873	4,961,392

23 Income tax expense

ACCOUNTING POLICY

Income tax expense comprises of current tax expense/(reversal) and deferred tax expense/(reversal). Income tax expense is recognised in the Income Statement, except to the extent it relates to items recognised directly in Equity or in OCI.

Current tax

"Current tax" comprises the best estimate of expected tax payable to or (recoverable from) taxation authorities for the year and any adjustment to the tax payable or (recoverable) in respect of previous years. It is measured using tax rates enacted or substantively enacted, as at the reporting date in countries where the group operates. "Current tax" also include any tax expense arising from dividend income.

Accordingly, provision for taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the relevant statutes of tax jurisdictions in countries where the group operates. Major components of tax expense, the effective tax rates and a reconciliation between the profit before tax and tax expense, is computed as required by the Sri Lanka Accounting Standard – LKAS 12 on "Income Taxes".

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities as per Statement of Financial Position and the amount of such assets or liabilities considered for taxation purposes.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax liability is not recognised for:

- temporary differences on the initial recognition of goodwill, assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.
- temporary differences at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

Deferred tax assets are recognised for deductible temporary, carried forward unused tax losses and carried forward unused tax credits to the extent that it is probable that future taxable profits will be available, against which they can be used. Deferred tax assets are reassessed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax asset or liability is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted as at the reporting date.

The measurement of deferred tax reflects the tax consequences to the Group as at the reporting date in relation to temporary difference in carrying amount of its assets and liabilities recorded in the Statement of Financial Position and the tax base.

Application of International Financial Reporting Interpretations Committee – IFRIC 23 on "Uncertainty Over Income Tax Treatments" (IFRIC 23)

IFRIC 23 was applied in determining taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates in cases where uncertainty existed regarding income tax treatments. However, the application of IFRIC 23 did not have a material impact on the financial statements, and therefore, no additional disclosures were required.

Entity-wise breakup of income tax expense in the Income Statement is as follows:

For the year ended December 31,	Note	Page No.	Applicable tax rate 2024 %	Applicable tax rate 2023 %	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Current year tax expense					20,281,459	17,671,951	19,561,899	16,972,949
Income tax expense of Sri Lanka operation			30	30	7,744,334	6,773,565	7,744,334	6,773,565
Income tax expense of Bangladesh operation			40	40	11,179,539	9,844,003	11,179,539	9,844,003
Profit remittance tax of Bangladesh operation			20	20	619,211	294,602	619,211	294,602
Withholding tax on dividends received			15	15	18,815	60,779	18,815	60,779
Income tax expense of Commercial Development Company PLC			30	30	104,609	120,857	–	–
Income tax expense of CBC Tech Solutions Limited			30	30	39,953	66,238	–	–
Income tax expense of CBC Finance Limited			30	30	–	–	–	–
Income tax expense of Commercial Bank of Maldives Private Limited			25	25	552,016	488,576	–	–
Income tax expense of CBC Myanmar Microfinance Company Limited			22	22	–	–	–	–
Income tax expense of Commercial Insurance Brokers Private Limited			30	30	22,982	23,331	–	–
Under/(over) provision	47	392			70,942	(512,850)	70,265	(463,909)
In respect of prior years					70,942	(512,850)	70,265	(463,909)
Deferred tax impact	41.1	387			21,769,544	(5,131,760)	21,828,943	(5,089,842)
(Origination) and reversal of temporary differences from assets					21,394,869	(4,914,687)	21,505,240	(4,890,951)
Origination and (reversal) of temporary differences from liabilities					374,675	(217,073)	323,703	(198,891)
Total					42,121,945	12,027,341	41,461,107	11,419,198
Effective tax rate (including deferred tax) (%)					43.07	35.45	43.40	35.82
Effective tax rate (excluding deferred tax) (%)					20.81	50.58	20.55	51.78

23.1 Reconciliation of the accounting profit to income tax expense

A reconciliation between taxable income and the accounting profit multiplied by the statutory tax rates is given below:

For the year ended December 31,	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Accounting profit before tax from operations			97,808,357	33,927,001	95,534,611	31,880,160
Tax effect at the statutory income tax rate			33,284,692	11,885,123	32,559,566	11,095,565
Sri Lankan operation of the Bank			21,797,660	1,644,345	21,797,660	1,644,345
Bangladesh operation of the Bank			10,761,906	9,451,220	10,761,906	9,451,220
Subsidiaries			725,126	789,558	–	–
Tax effect of exempt income			(4,105,876)	(3,630,710)	(3,960,568)	(3,596,520)
Tax effect of non-deductible expenses			20,279,548	16,536,977	20,036,586	16,447,986
Tax effect of tax deductible expenses			(29,814,931)	(7,474,820)	(29,711,711)	(7,329,463)
Profit remittance tax of Bangladesh operation			619,211	294,602	619,211	294,602
Under/(over) provision of taxes in respect of prior years	47	392	70,942	(512,850)	70,265	(463,909)
Withholding tax on dividends received			18,815	60,779	18,815	60,779
Origination and reversal of temporary differences	41.1	387	21,769,544	(5,131,760)	21,828,943	(5,089,842)
from deferred tax assets			21,394,869	(4,914,687)	21,505,240	(4,890,951)
from deferred tax liabilities			374,675	(217,073)	323,703	(198,891)
Income tax expense reported in the Income Statement at the effective income tax rate			42,121,945	12,027,341	41,461,107	11,419,198

24 Earnings Per Share (EPS)

ACCOUNTING POLICY

The Group computes basic and diluted EPS for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding, adjusted for the effects of all potentially dilutive ordinary shares, which comprise share options granted to employees under Employee Share Option Plans (ESOP).

Details of Basic and Diluted EPS are given below:

24.1 Basic and diluted earnings per ordinary share

			GROUP		BANK	
	Note	Page No.	2024	2023	2024	2023
Amount used as the numerator:						
Profit for the year attributable to equity holders of the Bank (Rs. '000)			55,073,240	21,114,675	54,073,504	20,460,962
Number of ordinary shares used as the denominator:						
Weighted average number of ordinary shares for Basic EPS	24.2	345	1,432,678,752	1,373,727,774	1,432,678,752	1,373,727,774
Weighted average number of ordinary shares for Diluted EPS	24.2	345	1,434,854,321	1,374,658,775	1,434,854,321	1,374,658,775
Basic earnings per ordinary share (Rs.)			38.44	15.37	37.74	14.89
Diluted earnings per ordinary share (Rs.)			38.38	15.36	37.69	14.88

24.2 Weighted average number of ordinary shares for basic and diluted Earnings Per Share

			Outstanding number of shares		Weighted average number of shares	
	Note	Page No.	2024	2023	2024	2023
Number of shares in issue as at January 01,			1,314,121,128	1,239,778,047	1,314,121,128	1,239,778,047
Add: Number of shares satisfied in the form of issue and allotment of new shares from first & final dividend for 2022	51.1	404	–	73,741,503	–	73,741,503
Add: Number of shares satisfied in the form of issue and allotment of new shares from first & final dividend for 2023	51.1	404	24,845,073	–	24,845,073	24,845,073
Add: Number of shares exercised in the form of Right issue in 2024	51.1	404	268,201,389	–	92,331,626	35,148,610
			1,607,167,590	1,313,519,550	1,431,297,827	1,373,513,233
Add: Number of shares issued under ESOP – 2019	51.1	404	2,407,265	601,578	1,223,888	214,541
Add: Number of shares issued under ESOP – 2023	51.1	404	723,449	–	157,037	–
Number of ordinary shares for basic earnings per ordinary share calculation			1,610,298,304	1,314,121,128	1,432,678,752	1,373,727,774
Add: Bonus element on number of outstanding options under ESOP 2019 as at the year end			–	–	–	931,001
Add: Bonus element on number of outstanding options under ESOP 2023 as at the year end			–	–	2,175,569	–
Number of ordinary shares for diluted earnings per ordinary share calculation			1,610,298,304	1,314,121,128	1,434,854,321	1,374,658,775

25 Dividends on ordinary shares

ACCOUNTING POLICY

Refer Note 7.7 on page 325.

	Note	Page No.	GROUP AND BANK Cash dividend 2024 Rs. '000	Cash dividend 2023 Rs. '000	Scrip dividend 2024 Rs. '000	Scrip dividend 2023 Rs. '000	Total 2024 Rs. '000	Total 2023 Rs. '000
Dividends for 2022								
First and final dividend	25.1	346	–	–	–	5,579,001	–	5,579,001
Dividends for 2023								
First and final dividend	25.2	346	5,913,644	–	2,628,286	–	8,541,930	–
Total amount paid during the year							8,541,930	5,579,001

25.1 Dividends for 2022

The Bank did not declare cash dividends during the year 2022 (for the year ended December 31, 2022), in conformity with the restrictions imposed by the Central Bank of Sri Lanka on payment of cash dividends for the financial year 2022, as per the instructions given in the Banking Act Direction No. 02 of 2022, dated May 6, 2022, on "Restrictions on Discretionary Payments of Licensed Banks".

The Board of Directors of the Bank recommended and paid a first and final dividend of Rs. 4.50 per share which was satisfied in the form of issue and allotment of new shares for both voting and non-voting ordinary shares of the Bank for the year ended December 31, 2022, and these new shares were listed on April 19, 2023. This dividend was recommended and paid after the Financial Statements for the year 2022 were finalised and audited by the Bank's external auditors and in compliance with the instructions given in the Banking Act Direction No. 02 of 2022.

25.2 Dividends for 2023

The Bank did not declare cash dividends during the year 2023 (for the year ended December 31, 2023), in conformity with the restrictions imposed by the Central Bank of Sri Lanka on payment of cash dividends for the financial year 2023, as per the instructions given in the Banking Act Direction No. 01 of 2023, dated February 2, 2023, on "Restrictions on Discretionary Payments of Licensed Banks".

The Board of Directors of the Bank recommended and paid a first and final dividend of Rs. 6.50 per share to be paid and satisfied in the form of Rs. 4.50 per share in cash and Rs. 2.00 per share in the form of issue and allotment of new shares for both voting and non-voting ordinary shareholders' of the Bank for the year ended December 31, 2023, and these new shares were listed on April 15, 2024. This dividend was recommended and paid after the Financial Statements for the year 2023 were finalised and audited by the Bank's external auditors and in compliance with the instructions given in the Banking Act Direction No. 01 of 2023.

25.3 Dividends for 2024

The Board of Directors of the Bank has recommended the payment of a first and final dividend of Rs. 9.50 per share to be paid and satisfied in the form of Rs. 7.50 per share in cash (a regular cash dividend of Rs. 5.50 per share and a special cash dividend of Rs. 2.00 per share) and Rs. 2.00 per share in the form of issue and allotment of new shares for both voting and non-voting ordinary shareholders' of the Bank for the year ended December 31, 2024, subject to the applicable WHT as disclosed in Note 9.3.1 on page 329.

The above first and final dividend recommended by the Board of Directors is to be approved at the forthcoming Annual General Meeting to be held on March 28, 2025 and in accordance with provisions of LKAS 10, the first and final dividend referred to above has not been recognised as a liability as at the year end as disclosed in Note 7.7 on page 325.

26 Classification of financial assets and financial liabilities

The tables below provide a reconciliation between line items in the Statement of Financial Position and categories of financial assets and financial liabilities of the Group and the Bank:

26.1 Classification of financial assets and financial liabilities – Group

			As at December 31, 2024				As at December 31, 2023			
			Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVOCI)	Total	Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVOCI)	Total
	Note	Page No.	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets										
Cash and cash equivalents	28	352	–	89,615,459	–	89,615,459	–	159,701,507	–	159,701,507
Balances with Central Banks	29	353	–	55,989,574	–	55,989,574	–	62,633,503	–	62,633,503
Placements with banks	30	354	–	101,104,941	–	101,104,941	–	81,506,653	–	81,506,653
Securities purchased under resale agreements			–	28,655,962	–	28,655,962	–	31,148,729	–	31,148,729
Derivative financial assets	31	354	4,264,271	–	–	4,264,271	7,226,484	–	–	7,226,484
Financial assets recognised through profit or loss – measured at fair value	32	355	91,677,346	–	–	91,677,346	29,449,653	–	–	29,449,653
Financial assets at amortised cost – loans and advances to other customers	33	359	–	1,421,004,171	–	1,421,004,171	–	1,204,865,597	–	1,204,865,597
Financial assets at amortised cost – debt and other financial instruments	34	362	–	701,751,287	–	701,751,287	–	685,155,537	–	685,155,537
Financial assets measured at fair value through other comprehensive income	35	365	–	–	303,218,395	303,218,395	–	–	287,732,972	287,732,972
Total financial assets			95,941,617	2,398,121,394	303,218,395	2,797,281,406	36,676,137	2,225,011,526	287,732,972	2,549,420,635
Financial liabilities										
Due to banks	43	389	–	25,376,564	–	25,376,564	–	47,948,578	–	47,948,578
Derivative financial liabilities	44	390	837,497	–	–	837,497	2,319,209	–	–	2,319,209
Securities sold under repurchase agreements			–	112,461,472	–	112,461,472	–	111,186,824	–	111,186,824
Financial liabilities at amortised cost – due to depositors	45	390	–	2,306,079,421	–	2,306,079,421	–	2,147,906,858	–	2,147,906,858
Financial liabilities at amortised cost – other borrowings	46	391	–	14,273,156	–	14,273,156	–	12,756,021	–	12,756,021
Subordinated liabilities	50	402	–	57,707,677	–	57,707,677	–	36,482,939	–	36,482,939
Total financial liabilities			837,497	2,515,898,290	–	2,516,735,787	2,319,209	2,356,281,220	–	2,358,600,429

26.2 Classification of financial assets and financial liabilities – Bank

	Note	Page No.	As at December 31, 2024 Financial instruments recognised through profit or loss (FVTPL) Rs. '000	Financial instruments at amortised cost (AC) Rs. '000	Financial instruments at fair value through other comprehensive income (FVOCI) Rs. '000	Total Rs. '000	As at December 31, 2023 Financial instruments recognised through profit or loss (FVTPL) Rs. '000	Financial instruments at amortised cost (AC) Rs. '000	Financial instruments at fair value through other comprehensive income (FVOCI) Rs. '000	Total Rs. '000
Financial assets										
Cash and cash equivalents	28	352	–	86,848,291	–	86,848,291	–	157,819,287	–	157,819,287
Balances with Central Banks	29	353	–	45,702,086	–	45,702,086	–	52,817,502	–	52,817,502
Placements with banks	30	354	–	99,300,303	–	99,300,303	–	81,344,696	–	81,344,696
Securities purchased under resale agreements			–	28,655,962	–	28,655,962	–	31,148,729	–	31,148,729
Derivative financial assets	31	354	4,264,271	–	–	4,264,271	7,226,484	–	–	7,226,484
Financial assets recognised through profit or loss – measured at fair value	32	355	91,677,346	–	–	91,677,346	29,449,653	–	–	29,449,653
Financial assets at amortised cost – loans and advances to other customers	33	359	–	1,384,524,660	–	1,384,524,660	–	1,176,359,971	–	1,176,359,971
Financial assets at amortised cost – debt and other financial instruments	34	362	–	667,709,691	–	667,709,691	–	649,740,408	–	649,740,408
Financial assets measured at fair value through other comprehensive income	35	365	–	–	301,584,142	301,584,142	–	–	287,023,009	287,023,009
Total financial assets			95,941,617	2,312,740,993	301,584,142	2,710,266,752	36,676,137	2,149,230,593	287,023,009	2,472,929,739
Financial liabilities										
Due to banks	43	389	–	21,306,752	–	21,306,752	–	47,274,361	–	47,274,361
Derivative financial liabilities	44	390	837,497	–	–	837,497	2,319,209	–	–	2,319,209
Securities sold under repurchase agreements			–	112,470,392	–	112,470,392	–	111,198,516	–	111,198,516
Financial liabilities at amortised cost – due to depositors	45	390	–	2,236,566,800	–	2,236,566,800	–	2,085,046,149	–	2,085,046,149
Financial liabilities at amortised cost – other borrowings	46	391	–	14,273,156	–	14,273,156	–	12,756,021	–	12,756,021
Subordinated liabilities	50	402	–	57,707,677	–	57,707,677	–	36,482,939	–	36,482,939
Total financial liabilities			837,497	2,442,324,777	–	2,443,162,274	2,319,209	2,292,757,986	–	2,295,077,195

27 Fair value measurement

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ACCOUNTING POLICY

The Group measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement. An analysis of fair value measurement of financial and non-financial assets and liabilities is provided below:

Level 1

Inputs that are quoted market prices (unadjusted) in an active market for identical instruments.

When available, the Group measures the fair value of an instrument using active quoted prices or dealer price quotations, without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).

This category includes instruments valued using;

(a) quoted prices in active markets for similar instruments,

(b) quoted prices for identical or similar instruments in markets that are considered to be less active, or

(c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3

Inputs that are unobservable.

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices of similar instruments for which significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and Government Securities such as Treasury Bills and Treasury Bonds.

Availability of observable prices and model inputs reduces the need for Management judgement and estimation while reducing uncertainty associated in determining the fair values.

Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ("Day 1" profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

27.1 Assets and liabilities measured at fair value and fair value hierarchy

The following table provides an analysis of assets and liabilities measured at fair value as at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. These amounts were based on the values recognised in the Statement of Financial Position:

			GROUP				BANK			
As at December 31, 2024	Note	Page No.	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Non-financial assets										
Property, plant and equipment										
Land and buildings	38	370	–	–	18,419,003	18,419,003	–	–	16,238,809	16,238,809
Investment properties	39	382	–	–	743,900	743,900	–	–	–	–
Total non-financial assets at fair value			–	–	19,162,903	19,162,903	–	–	16,238,809	16,238,809
Financial assets										
Derivative financial assets	31	354	–	4,264,271	–	4,264,271	–	4,264,271	–	4,264,271
Currency swaps			–	3,777,948	–	3,777,948	–	3,777,948	–	3,777,948
Forward contracts			–	483,255	–	483,255	–	483,255	–	483,255
Spot contracts			–	3,068	–	3,068	–	3,068	–	3,068
Financial assets recognised through profit or loss – measured at fair value	32	355	91,677,346	–	–	91,677,346	91,677,346	–	–	91,677,346
Government securities			87,741,168	–	–	87,741,168	87,741,168	–	–	87,741,168
Equity shares			3,936,178	–	–	3,936,178	3,936,178	–	–	3,936,178
Financial assets measured at fair value through other comprehensive income	35	365	302,215,830	–	1,002,565	303,218,395	300,583,935	–	1,000,207	301,584,142
Government securities			301,882,131	–	–	301,882,131	300,250,236	–	–	300,250,236
Equity securities			333,699	–	1,002,565	1,336,264	333,699	–	1,000,207	1,333,906
Total financial assets at fair value			393,893,176	4,264,271	1,002,565	399,160,012	392,261,281	4,264,271	1,000,207	397,525,759
Total assets at fair value			393,893,176	4,264,271	20,165,468	418,322,915	392,261,281	4,264,271	17,239,016	413,764,568
Financial liabilities										
Derivative financial liabilities	44	390	–	837,497	–	837,497	–	837,497	–	837,497
Currency swaps			–	394,036	–	394,036	–	394,036	–	394,036
Interest rate swaps – LKR			–	1,748	–	1,748	–	1,748	–	1,748
Forward contracts			–	437,278	–	437,278	–	437,278	–	437,278
Spot contracts			–	4,435	–	4,435	–	4,435	–	4,435
Total liabilities at fair value			–	837,497	–	837,497	–	837,497	–	837,497

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As at December 31, 2023	Note	Page No.	GROUP Level 1 Rs. '000	GROUP Level 2 Rs. '000	GROUP Level 3 Rs. '000	GROUP Total Rs. '000	BANK Level 1 Rs. '000	BANK Level 2 Rs. '000	BANK Level 3 Rs. '000	BANK Total Rs. '000
Non-financial assets										
Property, plant and equipment										
Land and buildings	38	370	–	–	18,361,584	18,361,584	–	–	16,138,517	16,138,517
Investment properties	39	382	–	–	597,825	597,825	–	–	–	–
Total non-financial assets at fair value			–	–	18,959,409	18,959,409	–	–	16,138,517	16,138,517
Financial assets										
Derivative financial assets	31	354	–	7,226,484	–	7,226,484	–	7,226,484	–	7,226,484
Currency swaps			–	5,380,997	–	5,380,997	–	5,380,997	–	5,380,997
Forward contracts			–	1,840,608	–	1,840,608	–	1,840,608	–	1,840,608
Spot contracts			–	4,879	–	4,879	–	4,879	–	4,879
Financial assets recognised through profit or loss – measured at fair value	32	355	29,449,653	–	–	29,449,653	29,449,653	–	–	29,449,653
Government securities			26,894,480	–	–	26,894,480	26,894,480	–	–	26,894,480
Equity shares			2,555,173	–	–	2,555,173	2,555,173	–	–	2,555,173
Financial assets measured at fair value through other comprehensive income	35	365	287,673,707	–	59,265	287,732,972	286,963,868	–	59,141	287,023,009
Government securities			287,536,621	–	–	287,536,621	286,826,782	–	–	286,826,782
Equity securities			137,086	–	59,265	196,351	137,086	–	59,141	196,227
Total financial assets at fair value			317,123,360	7,226,484	59,265	324,409,109	316,413,521	7,226,484	59,141	323,699,146
Total assets at fair value			317,123,360	7,226,484	19,018,674	343,368,518	316,413,521	7,226,484	16,197,658	339,837,663
Financial liabilities										
Derivative financial liabilities	44	390	–	2,319,209	–	2,319,209	–	2,319,209	–	2,319,209
Currency swaps			–	1,429,366	–	1,429,366	–	1,429,366	–	1,429,366
Interest rate swaps – LKR			–	42,367	–	42,367	–	42,367	–	42,367
Forward contracts			–	838,315	–	838,315	–	838,315	–	838,315
Spot contracts			–	9,161	–	9,161	–	9,161	–	9,161
Total liabilities at fair value			–	2,319,209	–	2,319,209	–	2,319,209	–	2,319,209

27.2 Level 3 fair value measurement

Property, Plant and Equipment (PPE)

Reconciliation from the beginning balance to the ending balance for the land and buildings in the Level 3 of the fair value hierarchy is given in Notes 38.1 to 38.4 on pages 371 to 374.

Reconciliation of Revaluation Reserve pertaining to land and buildings categorised as Level 3 in the fair value hierarchy is given in the Statement of Changes in Equity on pages 298 to 305.

Note 38.5 (b) on page 376 provides information on significant unobservable inputs used in measuring fair value of land and buildings categorised as Level 3 in the fair value hierarchy.

Note 38.5 (c) on page 381 provides details of valuation techniques used and sensitivity of fair value measurement to changes in significant unobservable inputs.

Investment properties

Reconciliation from the beginning balance to the ending balance for the investment properties in the Level 3 of the fair value hierarchy is available in Note 39 on page 382.

Note 39.1 (b) on page 384 provides information on significant unobservable inputs used in measuring fair value of investment properties categorised as Level 3 in the fair value hierarchy.

Note 39.1 (c) on page 385 provides details of valuation techniques used and the sensitivity of fair value measurement to changes in significant unobservable inputs.

Equity securities - Unquoted shares

The Bank used net asset based valuation technique in measuring the fair value of unquoted shares measured at FVOCI as at December 31, 2024. Refer Note 35.2 on pages 366 and 367.

27.3 Financial instruments not measured at fair value and fair value hierarchy

Methodologies and assumptions used to determine fair value of financial instruments which are not recorded at fair value in the Statement of Financial Position are as follows:

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost (e.g. fixed rate loans and advances, due to depositors, subordinated liabilities) are estimated based on the Discounted Cash Flow approach. This approach employs the current market interest rates of similar financial instruments as a significant unobservable input in measuring the fair value and hence it is categorised under Level 3 in the fair value hierarchy.

Sensitivity of significant unobservable inputs used to measure fair value of fixed rate financial instruments

A significant increase/(decrease) in the market interest rate would result in lower/(higher) fair value being disclosed.

Financial instruments for which fair value approximates carrying value

For financial assets and liabilities with short-term maturities or with short-term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity.

The following table sets out the fair value of financial assets and liabilities not measured at fair value and related fair value hierarchy used:

			GROUP					BANK				
As at December 31, 2024	Note	Page No.	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '000	Total carrying amount Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '000	Total carrying amount Rs. '000
Financial assets												
Cash and cash equivalents	28	352	–	89,615,459	–	89,615,459	89,615,459	–	86,848,291	–	86,848,291	86,848,291
Balances with Central Banks	29	353	–	55,989,574	–	55,989,574	55,989,574	–	45,702,086	–	45,702,086	45,702,086
Placements with banks	30	354	–	101,104,941	–	101,104,941	101,104,941	–	99,300,303	–	99,300,303	99,300,303
Securities purchased under resale agreements			–	28,655,962	–	28,655,962	28,655,962	–	28,655,962	–	28,655,962	28,655,962
Financial assets at amortised cost – loans and advances to other customers	33	359	–	1,405,823,539	–	1,405,823,539	1,421,004,171	–	1,369,344,028	–	1,369,344,028	1,384,524,660
Financial assets at amortised cost – debt and other financial instruments (*)	34	362	642,152,910	102,241,490	–	744,394,400	701,751,287	608,111,314	102,241,490	–	710,352,804	667,709,691
Total financial assets			642,152,910	1,783,430,965	–	2,425,583,875	2,398,121,394	608,111,314	1,732,092,160	–	2,340,203,474	2,312,740,993
Financial liabilities												
Due to banks	43	389	–	25,376,564	–	25,376,564	25,376,564	–	21,306,752	–	21,306,752	21,306,752
Securities sold under repurchase agreements			–	112,461,472	–	112,461,472	112,461,472	–	112,470,392	–	112,470,392	112,470,392
Financial liabilities at amortised cost – due to depositors	45	390	–	2,311,417,549	–	2,311,417,549	2,306,079,421	–	2,241,904,928	–	2,241,904,928	2,236,566,800
Financial liabilities at amortised cost – other borrowings	46	391	–	14,273,156	–	14,273,156	14,273,156	–	14,273,156	–	14,273,156	14,273,156
Subordinated liabilities	50	402	–	66,484,748	–	66,484,748	57,707,677	–	66,484,748	–	66,484,748	57,707,677
Total financial liabilities			–	2,530,013,489	–	2,530,013,489	2,515,898,290	–	2,456,439,976	–	2,456,439,976	2,442,324,777

(*) USD Step-Up Bond and PDI Bond were reported under level 2 as at December 31, 2024. Total fair value of the Bonds amounted to Rs. 79.890 Bn. (Carrying value – Rs. 73.801 Bn.)

			GROUP					BANK				
As at December 31, 2023	Note	Page No.	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '000	Total carrying amount Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '000	Total carrying amount Rs. '000
Financial assets												
Cash and cash equivalents	28	352	–	159,701,507	–	159,701,507	159,701,507	–	157,819,287	–	157,819,287	157,819,287
Balances with Central Banks	29	353	–	62,633,503	–	62,633,503	62,633,503	–	52,817,502	–	52,817,502	52,817,502
Placements with banks	30	354	–	81,506,653	–	81,506,653	81,506,653	–	81,344,696	–	81,344,696	81,344,696
Securities purchased under resale agreements			–	31,148,729	–	31,148,729	31,148,729	–	31,148,729	–	31,148,729	31,148,729
Financial assets at amortised cost – loans and advances to other customers	33	359	–	1,175,864,097	–	1,175,864,097	1,204,865,597	–	1,147,358,471	–	1,147,358,471	1,176,359,971
Financial assets at amortised cost – debt and other financial instruments	34	362	665,889,078	24,114,999	–	690,004,077	685,155,537	630,473,949	24,114,999	–	654,588,948	649,740,408
Total financial assets			665,889,078	1,534,969,488	–	2,200,858,566	2,225,011,526	630,473,949	1,494,603,684	–	2,125,077,633	2,149,230,593
Financial liabilities												
Due to banks	43	389	–	47,948,578	–	47,948,578	47,948,578	–	47,274,361	–	47,274,361	47,274,361
Securities sold under repurchase agreements			–	111,186,824	–	111,186,824	111,186,824	–	111,198,516	–	111,198,516	111,198,516
Financial liabilities at amortised cost – due to depositors	45	390	–	2,156,899,386	–	2,156,899,386	2,147,906,858	–	2,094,038,677	–	2,094,038,677	2,085,046,149
Financial liabilities at amortised cost – other borrowings	46	391	–	12,756,021	–	12,756,021	12,756,021	–	12,756,021	–	12,756,021	12,756,021
Subordinated liabilities	50	402	–	40,279,813	–	40,279,813	36,482,939	–	40,279,813	–	40,279,813	36,482,939
Total financial liabilities			–	2,369,070,622	–	2,369,070,622	2,356,281,220	–	2,305,547,388	–	2,305,547,388	2,292,757,986

27.4 Valuation techniques and inputs in measuring fair values

The table below provides information on the valuation techniques and inputs used in measuring the fair values of derivative financial assets and liabilities in the Level 2 of the fair value hierarchy, as given in Note 27.1 on page 349.

Type of financial instruments	Fair value as at December 31, 2024 (Rs. '000)	Valuation technique	Significant valuation inputs
Derivative financial assets	4,264,271	**Adjusted forward rate approach** This approach considers the present value of projected forward exchange rate as at the reporting date as the fair value. The said forward rate is projected, based on the spot exchange rate and the forward premium/discount calculated using extrapolated interest rates of the currency pairs under consideration. In computing the present value, interest rate differential between two currencies under consideration is used as the discount rate.	• Spot exchange rate
Derivative financial liabilities	837,497		• Interest rate differentials between currencies under consideration

28 Cash and cash equivalents

ACCOUNTING POLICY

Cash and cash equivalents include cash in hand, demand placements with banks and money at call/short notice and highly liquid financial assets with original maturities within three months or less from the date of acquisition. These are subject to an insignificant risk of changes in fair value and are used by the Group in the management of its short-term commitments. These items are brought to Financial Statements at face values or the gross values, where appropriate. There were no cash and cash equivalents held by the Group companies that were not available for use by the Group. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

			GROUP		BANK	
As at December 31,	Note	Page No.	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Cash in hand			50,582,374	54,731,698	49,202,117	53,483,401
Coins and notes held in local currency			43,711,424	46,904,054	43,604,057	46,842,715
Coins and notes held in foreign currency			6,870,950	7,827,644	5,598,060	6,640,686
Balances with banks			38,966,215	78,860,419	37,578,353	78,226,129
Local banks			85,076	82,398	–	–
Foreign banks			38,881,139	78,778,021	37,578,353	78,226,129
Money at call and at short notice			75,016	26,124,341	75,016	26,124,342
Gross cash and cash equivalents (*)			89,623,605	159,716,458	86,855,486	157,833,872
Less: Provision for impairment	28.1	352	8,146	14,951	7,195	14,585
Net cash and cash equivalents			89,615,459	159,701,507	86,848,291	157,819,287

(*) Gross cash and cash equivalents are reported in the Statement of Cash Flows.

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28.1 Movement in provision for impairment during the year

			GROUP		BANK	
	Note	Page No.	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Movement in Stage 1 impairment						
Balance as at January 01,			14,951	14,029	14,585	13,690
Charge/(reversal) to the Income Statement	18.1 & 18.2	340	(6,109)	2,729	(6,746)	2,662
Exchange rate variance on foreign currency provisions			(696)	(1,807)	(644)	(1,767)
Balance as at December 31,			8,146	14,951	7,195	14,585

The maturity analysis of cash and cash equivalents is given in Note 60 on pages 416 and 417.

29 Balances with Central Banks

ACCOUNTING POLICY

These balances consist of Statutory/Non-statutory balances with Central Banks and are carried at amortised cost in the Statement of Financial Position. Balances with Central Banks of the Group denominated in foreign currencies other than respective national currency are subject to ECL.

			GROUP		BANK	
As at December 31,	Note	Page No.	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Statutory balances with Central Banks						
Balances with Central Bank of Sri Lanka			19,727,132	9,939,660	19,727,132	9,939,660
Balances with Bangladesh Bank			20,373,800	37,974,389	20,373,800	37,974,389
Balances with Maldives Monetary Authority			5,147,458	5,725,865	–	–
Non-statutory balances with Central Banks						
Balances with Central Bank of Sri Lanka			5,601,154	4,903,453	5,601,154	4,903,453
Balances with Maldives Monetary Authority			5,264,718	4,090,136	–	–
Total			56,114,262	62,633,503	45,702,086	52,817,502
Less: Provision for impairment	29.1	353	124,688	–	–	–
Net balance with central Banks			55,989,574	62,633,503	45,702,086	52,817,502

29.1 Movement in provision for impairment during the year

			GROUP		BANK	
	Note	Page No.	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Movement in Stage 1 impairment						
Balance as at January 01,			–	–	–	–
Charge/(reversal) to the Income Statement	18.1 & 18.2	340	128,013	–	–	–
Exchange rate variance on foreign currency provisions			(3,325)	–	–	–
Balance as at December 31,			124,688	–	–	–

The maturity analysis of balances with Central Banks is given in Note 60 on pages 416 and 417.

Balances with Central Bank of Sri Lanka

The Monetary Law Act requires that all commercial banks operating in Sri Lanka to maintain a statutory reserve on all deposit liabilities denominated in Sri Lankan Rupees. As required by the provisions of Section 93 of the Monetary Law Act, a cash balance is maintained with the Central Bank of Sri Lanka. As at December 31, 2024, the minimum cash reserve requirement was 2.00% of the rupee deposit liabilities and this rate was applicable from August 16, 2023. There is no reserve requirement for foreign currency deposits liabilities in Sri Lanka.

Balances with Bangladesh Bank

The Bank's Bangladesh operation is required to maintain the Statutory Liquidity Requirement on time and demand liabilities (both local and foreign currencies), partly in the form of a Cash Reserve Requirement and the balance by way of foreign currency and/or in the form of unencumbered securities held with the Bangladesh Bank. As per the Bangladesh Bank regulations, the Statutory Liquidity Requirement as at December 31, 2024 was 17.00% for Domestic Banking Unit (DBU) and 13.00% for Off-shore Banking Unit (OBU)(17.00% for DBU and 15.00% for OBU in 2023) on time and demand liabilities (both local and foreign currencies), which includes a Cash Reserve Requirement of 4.00% only to the DBU (4.00% on DBU and 2.00% for OBU in 2023) and the balance 13.00% is permitted to be maintained in foreign currency and/or also in unencumbered securities held with the Bangladesh Bank for both DBU and OBU (13.00% for both DBU and OBU in 2023).

Balances with Maldives Monetary Authority

According to the Banking Act No. 24 of 2010, the CBM is required to maintain a statutory reserve for all deposit liabilities denominated in both foreign and local currencies, excluding interbank deposits of other banks in the Maldives, letters of credit, and margin deposits. As per the regulations set by the Maldives Monetary Authority (MMA), the Minimum Reserve Requirement (MRR) as of December 31, 2024, was 10.00% for deposits denominated in Maldivian Rufiyaa and 7.50% for deposits denominated in USD (10% for Maldivian Rufiyaa and USD in December 31, 2023).

30 Placements with banks

As at December 31,	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Placements – Within Sri Lanka			4,836,942	3,310,863	4,836,942	3,310,863
Placements – Outside Sri Lanka			96,415,672	78,237,355	94,501,028	78,075,229
Gross placements with banks			101,252,614	81,548,218	99,337,970	81,386,092
Less: Provision for impairment	30.1	354	147,673	41,565	37,667	41,396
Net placements with banks			101,104,941	81,506,653	99,300,303	81,344,696

30.1 Movement in provision for impairment during the year

	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Movement in Stage 1 impairment						
Balance as at January 01,			41,565	34,319	41,396	34,111
Charge/(reversal) to the Income Statement	18.1 & 18.2	340	109,235	11,372	(3,547)	11,387
Exchange rate variance on foreign currency provisions			(3,127)	(4,126)	(182)	(4,102)
Balance as at December 31,			147,673	41,565	37,667	41,396

The maturity analysis of placements with banks is given in Note 60 on pages 416 and 417.

31 Derivative financial assets

ACCOUNTING POLICY

The Bank uses derivatives such as interest rate swaps, foreign currency swaps, forward foreign exchange contracts, currency options, etc. Derivative financial assets are recorded at fair value. Changes in the fair value of derivatives are included in "Net Gains/(Losses) from Trading" in the Income Statement.

Under SLFRS 9, embedded derivatives are not separated from a host financial asset and are classified entirely based on the business model and their contractual terms.

Derivatives embedded in non-financial host contracts are treated separately and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, a separate instrument with the same terms as embedded derivative would meet the definition of derivative and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the Income Statement.

In accordance with SLFRS 9, the Bank classifies spot contracts as derivative financial instruments. Despite the typical shorter settlement period, spot contracts share similar characteristics with forward contracts, as both involve an agreement to exchange financial instruments at a future date for a predetermined price. These contracts are typically settled within a future date and value of the asset changes in response to market fluctuations and their settlement is deferred.

As such, spot contracts are recognised as derivative assets or liabilities in the Statement of Financial Position, depending on the net position at the reporting date. The Bank measures these contracts at fair value, with changes in fair value recognised in Income Statement, consistent with the accounting treatment of other derivatives under SLFRS 9.

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	GROUP		BANK	
As at December 31,	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Derivative financial assets – Held for trading				
Foreign currency derivatives	4,264,271	7,226,484	4,264,271	7,226,484
Currency swaps	3,777,948	5,380,997	3,777,948	5,380,997
Forward contracts	483,255	1,840,608	483,255	1,840,608
Spot contracts	3,068	4,879	3,068	4,879
Total	4,264,271	7,226,484	4,264,271	7,226,484

The maturity analysis of derivative financial assets is given in Note 60 on pages 416 and 417.

32 Financial assets recognised through profit or loss – measured at fair value

ACCOUNTING POLICY

This includes financial assets that are held for trading purposes. The financial assets are classified as held for trading if:

- They are acquired principally for the purpose of selling in the near term; or
- They are held as part of portfolio that is managed together for short-term profit or position taking; or
- They form part of derivative financial instruments entered into by the Group that are not financial guaranteed contracts or designated as hedging instruments in effective hedging relationships.

Financial assets held for trading are measured at fair value through profit or loss in the SOFP. Interest and dividend income are recorded in "Interest Income" and "Net Gains/(Losses) from Trading" respectively in the Income Statement, according to the terms of the contract, or when the right to receive the payment has been established.

Financial assets held for trading include instruments such as Government and other debt securities and equity instruments that have been acquired principally for the purpose of selling in the near term.

Further as per SLFRS 9, financial assets recognised through profit or loss includes all financial assets other than those classified under FVOCI and amortised cost.

			GROUP		BANK	
As at December 31,	Note	Page No.	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Government securities	32.1	355	87,741,168	26,894,480	87,741,168	26,894,480
Equity securities	32.2	356	3,936,178	2,555,173	3,936,178	2,555,173
Total			91,677,346	29,449,653	91,677,346	29,449,653

The maturity analysis of financial assets recognised through profit or loss is given in Note 60 on pages 416 and 417.

32.1 Government securities

	GROUP		BANK	
As at December 31,	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Government securities – Sri Lankan Rupee	2,082,562	4,216,063	2,082,562	4,216,063
Treasury Bills	–	–	–	–
Treasury Bonds	2,082,562	4,216,063	2,082,562	4,216,063
Government securities – Bangladesh Taka	85,658,606	22,678,417	85,658,606	22,678,417
Treasury Bills	78,506,332	22,678,417	78,506,332	22,678,417
Treasury Bonds	7,152,274	–	7,152,274	–
Total	87,741,168	26,894,480	87,741,168	26,894,480

32.2 Equity securities – Group and Bank

Sector/Name of the Company	As at December 31, 2024				As at December 31, 2023			
	Number of shares	Market price Rs.	Market value Rs. '000	Cost of the investment Rs. '000	Number of shares	Market price Rs.	Market value Rs. '000	Cost of the investment Rs. '000
Application Software								
hSenid Business Solutions Limited	1,520,900	12.20	18,555	29,080	1,520,900	11.50	17,490	29,080
Subtotal			18,555	29,080			17,490	29,080
Automobiles and Components								
Kelani Tyres PLC	305,500	83.50	25,509	23,425	71,000	63.50	4,509	5,836
Subtotal			25,509	23,425			4,509	5,836
Banks								
DFCC Bank PLC	4,156	113.75	473	270	4,054	79.60	323	262
Hatton National Bank PLC	436,706	319.75	139,637	60,937	310,235	169.25	52,507	37,524
Hatton National Bank PLC (Non-voting)	264,967	256.75	68,030	28,281	258,641	140.00	36,210	27,402
National Development Bank PLC	614,391	113.25	69,580	65,827	398,386	64.90	25,855	46,893
Nations Trust Bank PLC	460,102	186.50	85,809	28,004	450,771	107.50	48,458	27,045
Sampath Bank PLC	634,640	118.25	75,046	28,937	634,640	70.50	44,742	28,937
Seylan Bank PLC	1,314	77.90	102	60	1,278	43.90	56	59
Seylan Bank PLC (Non-voting)	275,000	57.00	15,675	12,375	–	–	–	–
Subtotal			454,352	224,691			208,151	168,122
Capital Goods								
Access Engineering PLC	500,000	34.50	17,250	12,557	500,000	20.30	10,150	12,557
Central Industries PLC	40,000	151.50	6,060	5,096	–	–	–	–
Colombo Dockyard PLC	75,000	65.90	4,943	16,685	75,000	50.50	3,788	16,685
Hemas Holdings PLC	1,350,000	103.25	139,388	99,612	788,619	66.70	52,601	55,698
John Keells Holdings PLC	4,030,000	22.60	91,078	63,635	330,000	191.00	63,030	49,927
Renuka Holdings PLC	124,434	18.40	2,290	3,275	124,434	12.70	1,580	3,275
Renuka Holdings PLC (Non-voting)	285,445	13.90	3,968	5,175	285,445	10.80	3,083	5,175
Subtotal			264,977	206,035			134,232	143,317
Consumer Durables and Apparel								
Hayleys Fabric PLC	161,839	55.00	8,901	7,606	–	–	–	–
Teejay Lanka PLC	1,000,000	52.40	52,400	43,459	1,000,000	36.30	36,300	43,459
Subtotal			61,301	51,065			36,300	43,459
Consumer Services								
Galadari Hotels Lanka PLC	361,675	18.20	6,582	6,796	–	–	–	–
John Keells Hotels PLC	267,608	20.60	5,513	3,473	267,608	18.80	5,031	3,473
Tal Lanka Hotels PLC	212,390	22.10	4,694	6,625	212,390	19.00	4,035	6,625
Subtotal			16,789	16,894			9,066	10,098
Diversified Financials								
Central Finance Company PLC	644,898	190.00	122,531	70,062	309,250	105.25	32,549	28,575
Ceylon Investment PLC	301,403	73.40	22,123	16,199	–	–	–	–
Citizen Development Business Finance PLC (Non-voting)	105,390	172.25	18,153	3,398	105,390	80.30	8,463	3,398

Sector/Name of the Company	As at December 31, 2024 Number of shares	Market price Rs.	Market value Rs. '000	Cost of the investment Rs. '000	As at December 31, 2023 Number of shares	Market price Rs.	Market value Rs. '000	Cost of the investment Rs. '000
LOLC Holdings PLC	10,000	690.25	6,903	4,391	–	–	–	–
LB Finance PLC	278,272	89.50	24,905	23,267	–	–	–	–
People's Leasing & Finance PLC	2,186,316	17.00	37,167	28,113	1,764,126	10.70	18,876	21,557
VISA Inc.	19,424	USD.316.04	1,798,657	–	19,424	USD. 260.35	1,639,745	–
Subtotal			2,030,439	145,430			1,699,633	53,530
Energy								
Lanka IOC PLC	200,000	125.75	25,150	24,236	–	–	–	–
Subtotal			25,150	24,236			–	–
Food and Staples Retailing								
Cargills (Ceylon) PLC	179,920	420.00	75,566	41,568	179,920	338.50	60,903	41,568
Subtotal			75,566	41,568			60,903	41,568
Food, Beverage and Tobacco								
Ceylon Cold Stores PLC	1,400,000	83.60	117,040	78,893	500,000	42.40	21,200	21,488
Ceylon Grain Elevators PLC	250,000	189.50	47,375	18,156	250,000	158.50	39,625	18,156
Kotagala Plantations PLC	302,625	8.90	2,693	9,172	302,625	6.20	1,876	9,172
Lanka Milk Foods (CWE) PLC	2,500,000	46.80	117,000	28,933	275,000	228.75	62,906	31,720
Lion Brewery Ceylon PLC	50,000	1,185.25	59,263	32,256	50,000	920.25	46,013	32,256
Melstacorp PLC	245,960	123.00	30,253	9,814	245,960	84.30	20,734	9,814
Pelwatte Sugar Industries PLC	12,300	0.10	1	351	12,300	0.10	1	351
Subtotal			373,625	177,575			192,355	122,957
Health Care Equipment and Services								
Ceylon Hospitals PLC	131,728	115.00	15,149	13,974	131,728	120.00	15,807	13,974
Ceylon Hospitals PLC (Non-voting)	64,918	99.90	6,485	4,766	64,918	104.00	6,751	4,766
Subtotal			21,634	18,740			22,558	18,740
Insurance								
Ceylinco Holdings PLC	95,500	1,374.25	131,241	99,372	–	–	–	–
HNB Assurance PLC	613,000	80.10	49,101	35,031	413,000	56.60	23,376	22,493
Subtotal			180,342	134,403			23,376	22,493
Materials								
Chevron Lubricants Lanka PLC	639,880	160.00	102,381	61,341	450,000	90.30	40,635	43,311
CIC Holdings PLC (Non-voting)	408,100	67.00	27,343	7,391	408,100	42.50	17,344	7,391
Dipped Products PLC	250,000	54.50	13,625	8,661	–	–	–	–
Ex-pack Corrugated Cartons PLC	2,227,285	16.30	36,305	31,878	977,000	12.40	12,115	14,070
Haycarb PLC	205,630	85.30	17,540	3,055	205,630	64.30	13,222	3,055
JAT Holdings PLC	1,000,000	25.00	25,000	22,999	1,000,000	15.30	15,300	22,999
Subtotal			222,194	135,325			98,616	90,826
Real Estate								
Overseas Reality Ceylon PLC	183,320	24.50	4,491	2,717	183,320	15.00	2,750	2,717
Subtotal			4,491	2,717			2,750	2,717
Retailing								
Singer (Sri Lanka) PLC	370,911	26.00	9,644	5,676	–	–	–	–
Subtotal			9,644	5,676			–	–

Sector/Name of the Company	As at December 31, 2024				As at December 31, 2023			
	Number of shares	Market price Rs.	Market value Rs. '000	Cost of the investment Rs. '000	Number of shares	Market price Rs.	Market value Rs. '000	Cost of the investment Rs. '000
Telecommunication Services								
Dialog Axiata PLC	4,515,672	11.70	52,833	40,273	3,515,672	9.00	31,641	31,299
Subtotal			52,833	40,273			31,641	31,299
Transportation								
Digital Mobility Solutions Lanka PLC	1,400,000	67.50	94,500	60,077	–	–	–	–
Expolanka PLC	–	–	–	–	70,000	143.25	10,028	19,039
Subtotal			94,500	60,077			10,028	19,039
Utilities								
LVL Energy Fund PLC	648,100	6.60	4,277	6,481	648,100	5.50	3,565	6,481
Subtotal			4,277	6,481			3,565	6,481
Total			3,936,178	1,343,691			2,555,173	809,562
Mark to market gains/(losses)				2,592,487				1,745,611
Market value of equity securities				3,936,178				2,555,173

32.3 Industry/Sector composition of equity securities – Group and Bank

Industry/Sector	As at December 31, 2024			As at December 31, 2023		
	Market value Rs. '000	Cost of the investment Rs. '000	%	Market value Rs. '000	Cost of the investment Rs. '000	%
Application Software	18,555	29,080	0.47	17,490	29,080	0.68
Automobiles and Components	25,509	23,425	0.65	4,509	5,836	0.18
Banks	454,352	224,691	11.54	208,151	168,122	8.15
Capital Goods	264,977	206,035	6.73	134,232	143,317	5.25
Consumer Durables and Apparel	61,301	51,065	1.56	36,300	43,459	1.42
Consumer Services	16,789	16,894	0.43	9,066	10,098	0.35
Diversified Financials	2,030,439	145,430	51.58	1,699,633	53,530	66.53
Energy	25,150	24,236	0.65	–	–	–
Food and Staples Retailing	75,566	41,568	1.92	60,903	41,568	2.38
Food, Beverage and Tobacco	373,625	177,575	9.49	192,355	122,957	7.53
Health Care Equipment and Services	21,634	18,740	0.55	22,558	18,740	0.88
Insurance	180,342	134,403	4.58	23,376	22,493	0.91
Materials	222,194	135,325	5.64	98,616	90,826	3.86
Real Estate	4,491	2,717	0.11	2,750	2,717	0.11
Retailing	9,644	5,676	0.25	–	–	–
Telecommunication Services	52,833	40,273	1.34	31,641	31,299	1.24
Transportation	94,500	60,077	2.40	10,028	19,039	0.39
Utilities	4,277	6,481	0.11	3,565	6,481	0.14
Subtotal	3,936,178	1,343,691	100.00	2,555,173	809,562	100.00
Mark to market gains/(losses)		2,592,487			1,745,611	
Market value of equity securities	3,936,178	3,936,178	100.00	2,555,173	2,555,173	100.00

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33 Financial assets at amortised cost – loans and advances to other customers

ACCOUNTING POLICY

Financial assets at amortised cost – loans and advances to other customers includes, Loans and Advances and Lease Receivables of the Group.

As per SLFRS 9, "Loans and advances to other customers" are assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows and the contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

When the Group is the lessor in a lease agreement that transfers substantially all risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease. Amounts receivable under finance leases, net of initial rentals received, unearned lease income and provision for impairment, are classified as lease receivable and are presented within "Loans and advances to other customers" in the Statement of Financial Position.

After initial measurement, "Loans and advances to other customers" are subsequently measured at gross carrying amount using the EIR, less provision for impairment, except when the Group designates loans and advances at fair value through profit or loss. EIR is calculated by taking into account any discount or premium on acquisition and fees and costs. The amortisation is included in "Interest Income", while the losses arising from impairment are recognised in "Impairment charges and other losses" in the Income Statement.

			GROUP		BANK	
As at December 31,	Note	Page No.	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Gross loans and advances			1,525,506,779	1,295,751,342	1,486,900,686	1,265,559,303
Stage 1			1,259,615,069	1,015,636,098	1,231,157,066	993,758,010
Stage 2			134,044,765	132,979,271	128,005,669	128,237,702
Stage 3 (*)			131,846,945	147,135,973	127,737,951	143,563,591
Less: Provision for impairment	33.2 (a) & 33.2 (b)	360 & 361	104,502,608	90,885,745	102,376,026	89,199,332
Stage 1			6,368,507	9,009,921	6,198,064	8,800,339
Stage 2			11,795,090	17,421,283	11,454,464	17,182,146
Stage 3			86,339,011	64,454,541	84,723,498	63,216,847
Net loans and advances			1,421,004,171	1,204,865,597	1,384,524,660	1,176,359,971

(*) As at December 31, 2024, gross loans and advances in Stage 3 include Rs. 556.765 Mn. (2023 – Rs. 778.335 Mn.) granted against guarantees issued by the Government of Sri Lanka.

The maturity analysis of loans and advances to other customers is given in Note 60 on pages 416 and 417.

33.1 Analysis of financial assets at amortised cost – loans and advances to other customers

33.1 (a) By product

			GROUP		BANK	
As at December 31,	Note	Page No.	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Loans and advances						
Overdrafts			171,722,493	135,295,906	166,321,168	131,267,553
Trade finance			131,694,714	101,998,810	129,234,189	100,495,388
Lease/hire purchase receivable	33.3	361	58,483,268	39,627,566	53,343,220	36,256,975
Credit cards			21,548,269	19,257,828	21,310,018	19,057,662
Pawning			44,408,251	35,143,437	43,306,982	34,904,612
Staff loans			14,344,707	13,321,724	14,291,800	13,278,472
Housing loans			79,712,094	72,779,167	79,712,094	72,779,167
Personal loans			41,490,995	36,511,348	39,547,494	35,566,423
Term loans						
Short term			299,609,844	286,073,725	295,547,277	285,715,817
Long term			597,105,117	506,554,402	578,899,417	487,049,805
Bills of exchange			65,387,027	49,187,429	65,387,027	49,187,429
Total			1,525,506,779	1,295,751,342	1,486,900,686	1,265,559,303

33.1 (b) By currency

As at December 31,	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Sri Lankan Rupee	1,093,621,178	908,086,436	1,079,777,264	898,690,696
United States Dollar	275,634,756	217,448,978	262,580,796	207,292,040
Great Britain Pound	1,563,647	1,935,191	1,563,647	1,935,191
Euro	21,619,397	12,038,291	21,619,397	12,038,291
Australian Dollar	164,304	491,803	164,304	491,803
Japanese Yen	708,232	127,191	708,232	127,191
Bangladesh Taka	120,091,044	144,979,596	120,091,044	144,979,596
Maldivian Rufiyaa	11,145,079	9,927,955	–	–
Others	959,142	715,901	396,002	4,495
Total	1,525,506,779	1,295,751,342	1,486,900,686	1,265,559,303

33.1 (c) By industry

As at December 31,	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Agriculture and fishing	139,309,461	121,093,824	138,871,028	120,681,798
Arts, entertainment and recreation	1,642,340	1,192,572	1,642,340	1,192,572
Construction	139,651,029	100,658,478	139,375,483	99,727,960
Consumption and other	148,001,361	123,229,861	139,164,538	120,115,560
Education	4,824,409	4,064,599	4,696,421	3,962,932
Financial services	87,978,132	78,227,478	89,338,244	80,423,403
Healthcare, social services and support services	39,290,666	24,769,514	38,551,901	21,947,478
Information technology and communication services	18,740,560	18,777,066	18,740,560	18,777,066
Infrastructure development	42,401,391	32,803,179	42,401,391	32,800,754
Lending to overseas entities	257,589,147	237,656,660	232,826,968	216,860,361
Manufacturing	240,908,607	187,172,742	240,558,712	186,910,130
Professional, scientific, and technical activities	13,997,029	23,788,744	12,926,324	23,788,744
Tourism	59,195,389	51,229,866	58,553,181	50,728,931
Transport and storage	27,962,124	28,037,856	27,572,410	27,714,157
Wholesale and retail trade	304,015,134	263,048,903	301,681,185	259,927,457
Total	1,525,506,779	1,295,751,342	1,486,900,686	1,265,559,303

33.2 Movement in provision for impairment during the year

33.2 (a) Group

	Note	Page No.	Stage 1 2024 Rs. '000	Stage 1 2023 Rs. '000	Stage 2 2024 Rs. '000	Stage 2 2023 Rs. '000	Stage 3 2024 Rs. '000	Stage 3 2023 Rs. '000	Total 2024 Rs. '000	Total 2023 Rs. '000
Balance as at January 01,			9,009,921	14,799,919	17,421,283	28,559,919	64,454,541	47,317,850	90,885,745	90,677,688
Charge/(reversal) to the Income Statement	18.1	340	(2,344,783)	(5,278,093)	(5,373,860)	(10,782,914)	30,972,999	22,224,852	23,254,356	6,163,845
Net write-off during the year			–	–	–	–	(3,500,721)	(136,623)	(3,500,721)	(136,623)
Exchange rate variance on foreign currency provisions			(296,631)	(511,905)	(252,333)	(355,722)	(1,907,764)	(1,535,544)	(2,456,728)	(2,403,171)
Interest accrued on impaired loans and advances	13.1	331	–	–	–	–	(3,242,151)	(3,512,986)	(3,242,151)	(3,512,986)
Other movements			–	–	–	–	(437,893)	147,446	(437,893)	147,446
Transfers to non-distributable capital reserve (*)			–	–	–	–	–	(50,454)	–	(50,454)
Balance as at December 31,			6,368,507	9,009,921	11,795,090	17,421,283	86,339,011	64,454,541	104,502,608	90,885,745

(*) According to the Maldives Monetary Authority (MMA) guidelines on loan loss provisioning (CN-BSD/2018/8), the shortfall in impairment provided in accordance with SLFRS 9 as compared to the MMA provision base (MMA Prudential Regulation 2015/R-168: Regulation on Asset Classification, Provisioning and Suspense of Interest) was transferred to the statutory reserves as a non-distributable capital reserve.

33.2 (b) Bank

	Note	Page No.	Stage 1 2024 Rs. '000	Stage 1 2023 Rs. '000	Stage 2 2024 Rs. '000	Stage 2 2023 Rs. '000	Stage 3 2024 Rs. '000	Stage 3 2023 Rs. '000	Total 2024 Rs. '000	Total 2023 Rs. '000
Balance as at January 01,			8,800,339	14,598,587	17,182,146	28,248,676	63,216,847	46,377,401	89,199,332	89,224,664
Charge/(reversal) to the Income Statement	18.2	340	(2,314,729)	(5,303,991)	(5,484,152)	(10,715,219)	30,615,177	21,708,929	22,816,296	5,689,719
Net write-off during the year			–	–	–	–	(3,500,567)	69,927	(3,500,567)	69,927
Exchange rate variance on foreign currency provisions			(287,546)	(494,257)	(243,530)	(351,311)	(1,873,534)	(1,526,233)	(2,404,610)	(2,371,801)
Interest accrued on impaired loans and advances	13.1	331	–	–	–	–	(3,094,422)	(3,369,908)	(3,094,422)	(3,369,908)
Other movements			–	–	–	–	(640,003)	(43,269)	(640,003)	(43,269)
Balance as at December 31,			6,198,064	8,800,339	11,454,464	17,182,146	84,723,498	63,216,847	102,376,026	89,199,332

33.3 Lease/hire purchase receivable

As at December 31,	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Gross lease/hire purchase receivable	33.3 (a) & 33.3 (b)	361 & 362	58,483,268	39,627,566	53,343,220	36,256,975
Within one year			21,713,666	16,789,497	19,776,242	15,300,600
From one to five years			36,526,702	22,613,393	33,324,078	20,731,699
After five years			242,900	224,676	242,900	224,676
Less: Provision for impairment	33.3 (c) (i) & 33.3 (c) (ii)	362	1,587,509	1,815,689	1,213,120	1,471,514
Stage 1			179,033	186,581	123,254	121,879
Stage 2			269,519	558,225	190,647	463,256
Stage 3			1,138,957	1,070,883	899,219	886,379
Net lease/hire purchase receivable			56,895,759	37,811,877	52,130,100	34,785,461

33.3 (a) Lease/hire purchase receivable – Group

As at December 31,	Within one year 2024 Rs. '000	Within one year 2023 Rs. '000	One to five years 2024 Rs. '000	One to five years 2023 Rs. '000	After five years 2024 Rs. '000	After five years 2023 Rs. '000	Total 2024 Rs. '000	Total 2023 Rs. '000
Total lease/hire purchase receivable	26,814,534	21,330,058	41,875,771	27,384,495	249,409	229,181	68,939,714	48,943,734
Less: Unearned lease/hire purchase income	5,100,868	4,540,561	5,349,069	4,771,102	6,509	4,505	10,456,446	9,316,168
Gross lease/hire purchase receivable	21,713,666	16,789,497	36,526,702	22,613,393	242,900	224,676	58,483,268	39,627,566
Less: Provision for impairment	1,054,004	1,167,406	527,675	646,147	5,830	2,136	1,587,509	1,815,689
Stage 1	64,724	74,329	112,189	111,700	2,120	552	179,033	186,581
Stage 2	108,670	275,460	160,025	282,059	824	706	269,519	558,225
Stage 3	880,610	817,617	255,461	252,388	2,886	878	1,138,957	1,070,883
Net lease/hire purchase receivable	20,659,662	15,622,091	35,999,027	21,967,246	237,070	222,540	56,895,759	37,811,877

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33.3 (b) Lease/hire purchase receivable – Bank

As at December 31,	Within one year 2024 Rs. '000	Within one year 2023 Rs. '000	One to five years 2024 Rs. '000	One to five years 2023 Rs. '000	After five years 2024 Rs. '000	After five years 2023 Rs. '000	Total 2024 Rs. '000	Total 2023 Rs. '000
Total lease/hire purchase receivable	23,944,919	19,235,395	37,554,017	24,745,387	249,409	229,181	61,748,345	44,209,963
Less: Unearned lease/hire purchase income	4,168,677	3,934,795	4,229,939	4,013,688	6,509	4,505	8,405,125	7,952,988
Gross lease/hire purchase receivable	19,776,242	15,300,600	33,324,078	20,731,699	242,900	224,676	53,343,220	36,256,975
Less: Provision for impairment	912,963	1,016,709	294,327	452,669	5,830	2,136	1,213,120	1,471,514
Stage 1	43,711	45,999	77,423	75,328	2,120	552	123,254	121,879
Stage 2	78,957	233,878	110,866	228,672	824	706	190,647	463,256
Stage 3	790,295	736,832	106,038	148,669	2,886	878	899,219	886,379
Net lease/hire purchase receivable	18,863,279	14,283,891	33,029,751	20,279,030	237,070	222,540	52,130,100	34,785,461

33.3 (c) Movement in provision for impairment during the year

33.3 (c) (i) Group

	Stage 1 2024 Rs. '000	Stage 1 2023 Rs. '000	Stage 2 2024 Rs. '000	Stage 2 2023 Rs. '000	Stage 3 2024 Rs. '000	Stage 3 2023 Rs. '000	Total 2024 Rs. '000	Total 2023 Rs. '000
Balance as at January 01,	186,581	307,395	558,225	859,465	1,070,883	744,838	1,815,689	1,911,698
Charge/(reversal) to the Income Statement	(6,508)	(119,594)	(287,845)	(300,803)	214,036	354,114	(80,317)	(66,283)
Net write-off during the year	–	–	–	–	(138,944)	(21,277)	(138,944)	(21,277)
Exchange rate variance on foreign currency provisions	(1,040)	(1,220)	(861)	(437)	(3,066)	(1,630)	(4,967)	(3,287)
Interest accrued on impaired loans and advances	–	–	–	–	(3,952)	(5,162)	(3,952)	(5,162)
Balance as at December 31,	179,033	186,581	269,519	558,225	1,138,957	1,070,883	1,587,509	1,815,689

33.3 (c) (ii) Bank

	Stage 1 2024 Rs. '000	Stage 1 2023 Rs. '000	Stage 2 2024 Rs. '000	Stage 2 2023 Rs. '000	Stage 3 2024 Rs. '000	Stage 3 2023 Rs. '000	Total 2024 Rs. '000	Total 2023 Rs. '000
Balance as at January 01,	121,879	302,763	463,256	809,886	886,379	648,043	1,471,514	1,760,692
Charge/(reversal) to the Income Statement	2,415	(179,664)	(271,748)	(346,193)	158,802	244,065	(110,531)	(281,792)
Net write-off during the year	–	–	–	–	(138,944)	1,063	(138,944)	1,063
Exchange rate variance on foreign currency provisions	(1,040)	(1,220)	(861)	(437)	(3,066)	(1,630)	(4,967)	(3,287)
Interest accrued on impaired loans and advances	–	–	–	–	(3,952)	(5,162)	(3,952)	(5,162)
Balance as at December 31,	123,254	121,879	190,647	463,256	899,219	886,379	1,213,120	1,471,514

34 Financial assets at amortised cost – debt and other financial instruments

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ACCOUNTING POLICY

As per SLFRS 9, financial assets are measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, these assets are subsequently measured at amortised cost (gross carrying amount using the EIR, less provision for impairment). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in "Interest Income" while the losses arising from impairment are recognised in "impairment charges for loans and other losses" in the Income Statement.

As at December 31,	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Government Securities – Sri Lanka (***)			637,668,561	714,453,957	637,501,204	714,312,593
Treasury Bills			167,357	141,364	–	–
Treasury Bonds (*) (**)			562,344,083	529,848,008	562,344,083	529,848,008
USD Step-Up Bond (**)			58,209,958	–	58,209,958	–
PDI Bond (**)			16,947,163	–	16,947,163	–
SLISBs (*) (**)			–	184,464,585	–	184,464,585
Government Securities – Bangladesh			22,351,764	24,115,000	22,351,764	24,115,000
Treasury Bills			7,498,001	17,493,893	7,498,001	17,493,893
Treasury Bonds			14,853,763	6,621,107	14,853,763	6,621,107
Government Securities – Maldives			34,113,965	35,298,099	–	–
Treasury Bills			33,059,373	35,298,099	–	–
Treasury Bonds			1,054,592	–	–	–
Other instruments			9,382,231	7,400,966	9,382,231	7,400,966
Debentures	34.3	364	5,988,377	6,193,024	5,988,377	6,193,024
Trust certificates	34.4	365	3,392,846	1,205,551	3,392,846	1,205,551
Corporate investments in Bangladesh	34.5	365	1,008	2,391	1,008	2,391
Less: Provision for impairment	34.1(a) & 34.1(b)	363 & 364	1,765,234	96,112,485	1,525,508	96,088,151
Total			701,751,287	685,155,537	667,709,691	649,740,408

(*) The Bank reclassified bulk of its Treasury Bond Portfolio, majority of Sri Lanka Development Bond (SLDB) portfolio and entire SLISBs portfolio to amortised cost from Fair Value Through Other Comprehensive Income (FVOCI) category during the year 2022. Refer Note 35.1 on page 366.

As part of Domestic Debt Optimisation (DDO) program implemented by the Government of Sri Lanka during 2023, the Bank's SLDBs were converted to Treasury bonds with a face value of Rs. 14.496 Bn., denominated in LKR. The attributable Day 1 Loss arose from the SLDB conversion was within the range of 3% to 5%. The range differential was due to the sensitivity of the assumptions considered for the known changes of liquidity risk or interest rate risks at the rate of 15% and 20% respectively. Accordingly, the applicable modification loss of approximately Rs. 0.741Mn. (prior to adjusting for ECL), was recognised in the interest income for the year ended December 31, 2023.

(**) With the implementation of debt restructuring programme, SLISBs have been exchanged to a combination of USD Step-Up Bond, PDI Bond and Local LKR Bonds during the year 2024 as disclosed in Note 16.1 on pages 334 to 337.

(***) In accordance with the Banking Act Direction No. 14 of 2021 – "Classification, Recognition and Measurement of Financial Assets Other than Credit Facilities in Licensed Banks", the Bank classified USD Step-Up bond with an LKR settlement option under Stage 1 and PDI Bond denominated in USD under Stage 2 as at December 31, 2024. Further, Treasury bills & bonds denominated in local currency are classified under Stage 1.

The maturity analysis of financial assets at amortised cost-debt and other financial instruments is given in Note 60 on pages 416 and 417.

34.1 Movement in provision for impairment during the year

34.1 (a) Group

	Note	Page No.	Stage 1 2024 Rs. '000	Stage 1 2023 Rs. '000	Stage 2 2024 Rs. '000	Stage 2 2023 Rs. '000	Stage 3 2024 Rs. '000	Stage 3 2023 Rs. '000	Total 2024 Rs. '000	Total 2023 Rs. '000
Balance as at January 01,			38,032	236,544	95,921,583	70,530,764	152,870	152,870	96,112,485	70,920,178
Charge/(reversal) to the Income Statement	18.1	340	226,709	(172,536)	(87,214,522)	33,830,090	–	–	(86,987,813)	33,657,554
Exchange rate variance on foreign currency provisions			(8,151)	(25,976)	(7,351,287)	(8,439,271)	–	–	(7,359,438)	(8,465,247)
Balance as at December 31,			256,590	38,032	1,355,774	95,921,583	152,870	152,870	1,765,234	96,112,485

34.1 (b) Bank

	Note	Page No.	Stage 1 2024 Rs. '000	Stage 1 2023 Rs. '000	Stage 2 2024 Rs. '000	Stage 2 2023 Rs. '000	Stage 3 2024 Rs. '000	Stage 3 2023 Rs. '000	Total 2024 Rs. '000	Total 2023 Rs. '000
Balance as at January 01,			13,698	1,407	95,921,583	70,530,764	152,870	152,870	96,088,151	70,685,041
Charge/(reversal) to the Income Statement	18.2	340	3,166	12,291	(87,214,522)	33,830,090	–	–	(87,211,356)	33,842,381
Exchange rate variance on foreign currency provisions			–	–	(7,351,287)	(8,439,271)	–	–	(7,351,287)	(8,439,271)
Balance as at December 31,			16,864	13,698	1,355,774	95,921,583	152,870	152,870	1,525,508	96,088,151

34.2 Government securities – by currency

As at December 31,	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Government Securities – Sri Lanka Rupee	562,511,440	529,989,372	562,344,083	529,848,008
Treasury Bills	167,357	141,364	–	–
Treasury Bonds	562,344,083	529,848,008	562,344,083	529,848,008
Government Securities – United States Dollar	82,876,803	184,464,585	75,157,121	184,464,585
Treasury Bills	7,719,682	–	–	–
USD Step-Up Bond	58,209,958	–	58,209,958	–
PDI Bond	16,947,163	–	16,947,163	–
SLISBs	–	184,464,585	–	184,464,585
Government Securities – Bangladesh Taka	22,351,764	24,115,000	22,351,764	24,115,000
Treasury Bills	7,498,001	17,493,893	7,498,001	17,493,893
Treasury Bonds	14,853,763	6,621,107	14,853,763	6,621,107
Government Securities – Maldivian Rufiyaa	26,394,283	35,298,099	–	–
Treasury Bills	25,339,691	35,298,099	–	–
Treasury Bonds	1,054,592	–	–	–
Sub Total	694,134,290	773,867,056	659,852,968	738,427,593

34.3 Debentures

As at December 31,	GROUP 2024 Number of debentures	GROUP 2024 Gross carrying value Rs. '000	GROUP 2023 Number of debentures	GROUP 2023 Gross carrying value Rs. '000	BANK 2024 Number of debentures	BANK 2024 Gross carrying value Rs. '000	BANK 2023 Number of debentures	BANK 2023 Gross carrying value Rs. '000
Asia Asset Finance PLC	5,000,000	502,493	–	–	5,000,000	502,493	–	–
Bogawantalawa Tea Estate PLC	–	–	919,100	80,317	–	–	919,100	80,317
Ceylon Electricity Board	50,000,000	5,333,014	50,000,000	5,333,014	50,000,000	5,333,014	50,000,000	5,333,014
MTD Walkers PLC	1,528,701	152,870	1,528,701	152,870	1,528,701	152,870	1,528,701	152,870
People's Leasing & Finance PLC	–	–	6,070,000	626,823	–	–	6,070,000	626,823
Subtotal		5,988,377		6,193,024		5,988,377		6,193,024

34.4 Trust certificates

As at December 31,	GROUP 2024 Gross carrying value Rs. '000	GROUP 2023 Gross carrying value Rs. '000	BANK 2024 Gross carrying value Rs. '000	BANK 2023 Gross carrying value Rs. '000
Vallibel Finance PLC	886,583	1,205,551	886,583	1,205,551
Windscape Mannar (Pvt) Ltd.	2,506,263	–	2,506,263	–
Subtotal	3,392,846	1,205,551	3,392,846	1,205,551

34.5 Corporate investments in Bangladesh

As at December 31,	GROUP 2024 Gross carrying value Rs. '000	GROUP 2023 Gross carrying value Rs. '000	BANK 2024 Gross carrying value Rs. '000	BANK 2023 Gross carrying value Rs. '000
Prize bonds	1,008	2,391	1,008	2,391
Subtotal	1,008	2,391	1,008	2,391

35 Financial assets measured at fair value through other comprehensive income

ACCOUNTING POLICY

As per SLFRS 9, this comprises debt instruments measured at FVOCI and equity instruments designated at FVOCI.

Debt instruments at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income, and foreign exchange gains and losses, ECL and reversals are recognised in profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments held for strategic purpose, 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 instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in profit or loss in "Net other operating income" when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

As at December 31,	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Government securities			301,882,131	287,536,621	300,250,236	286,826,782
Government securities	35.1	366	301,882,131	287,536,621	300,250,236	286,826,782
Equity securities	35.2 (a) & 35.2 (b)	366 & 367	1,336,264	196,351	1,333,906	196,227
Quoted shares			333,699	137,086	333,699	137,086
Unquoted shares			1,002,565	59,265	1,000,207	59,141
Total			303,218,395	287,732,972	301,584,142	287,023,009

The maturity analysis of financial assets measured at fair value through other comprehensive income is given in Note 60 on pages 416 and 417.

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35.1 Government securities

	GROUP		BANK	
As at December 31,	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Government Securities – Sri Lanka Rupee	252,317,623	255,573,839	250,685,728	254,864,000
Treasury Bills (**)	183,757,547	186,265,311	182,125,652	185,555,472
Treasury Bonds (*) (**)	68,560,076	69,308,528	68,560,076	69,308,528
Government Securities – United States Dollar	49,564,508	31,962,782	49,564,508	31,962,782
US Treasury Bills	49,564,508	31,962,782	49,564,508	31,962,782
Sub total	301,882,131	287,536,621	300,250,236	286,826,782

(*) The Bank reclassified bulk of its Treasury Bond portfolio amounting to Rs. 197.075 Bn., majority of Sri Lanka Development Bond (SLDB) portfolio amounting to Rs. 55.473 Bn., (USD 152.189 Mn.) and entire SLISBs portfolio amounting to Rs. 39.596 Bn., (USD 108.631 Mn.) from Fair Value Through Other Comprehensive Income (FVOCI) category to Amortised Cost category, with effect from April 01, 2022, in line with the guidelines issued by the CA Sri Lanka in the form of a Statement of Alternative Treatment (SoAT) on Reclassification of Debt Portfolio due to unprecedented changes in the macro-economic conditions. The fair value of the debt portfolio reclassified on April 01, 2022, and remaining as at December 31, 2024 amounted to Rs. 72.620 Bn., and the cumulative fair value loss thereon amounted to Rs. 2.014 Bn., (Net of tax Rs. 1.410 Bn.).

(**) Treasury Bills and Bonds denominated in local currency, issued by the Government of Sri Lanka, are classified under Stage 1 in line with Banking Act Direction No. 14 of 2021 – Classification, Recognition and Measurement of Financial Assets Other than Credit Facilities in Licensed Banks.

35.2 Equity securities

35.2 (a) Equity securities – As at December 31, 2024

	GROUP				BANK			
Sector/Name of the Company	Number of shares	Market price Rs.	Market value Rs. '000	Cost of investment Rs. '000	Number of shares	Market price Rs.	Market value Rs. '000	Cost of investment Rs. '000
Quoted shares:								
Materials								
Alumex PLC	1,428,400	14.80	21,140	9,999	1,428,400	14.80	21,140	9,999
Subtotal			21,140	9,999			21,140	9,999
Retailing								
RIL Property PLC	24,610,964	12.70	312,559	196,888	24,610,964	12.70	312,559	196,888
Subtotal			312,559	196,888			312,559	196,888
Total – quoted shares			333,699	206,887			333,699	206,887
Unquoted shares:								
Other financial services								
Central Depository of Bangladesh Ltd.	3,427,083	BDT 40.31	338,717	23,089	3,427,083	BDT 40.31	338,717	23,089
Credit Information Bureau of Sri Lanka	4,500	23,580.00	106,110	564	4,400	23,580.00	103,752	440
LankaPay (Pvt) Limited	1,000,000	282.67	282,670	10,000	1,000,000	282.67	282,670	10,000
Lanka Financial Services Bureau Limited	500,000	0.10	50	5,000	500,000	0.10	50	5,000
Lanka Ratings Agency Limited	689,590	12.50	8,620	8,620	689,590	12.50	8,620	8,620
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	47	EUR 8040.00	115,253	7,259	47	EUR 8040.00	115,253	7,259
National Credit Guarantee Institution Limited	15,114,475	10.00	151,145	151,145	15,114,475	10.00	151,145	151,145
Total – unquoted shares			1,002,565	205,677			1,000,207	205,553
Total equity securities			1,336,264	412,564			1,333,906	412,440

35.2 (b) Equity securities – As at December 31, 2023

	GROUP				BANK			
Sector/Name of the Company	Number of shares	Market price Rs.	Market value Rs. '000	Cost of investment Rs. '000	Number of shares	Market price Rs.	Market value Rs. '000	Cost of investment Rs. '000
Quoted shares:								
Materials								
Alumex PLC	1,428,400	8.10	11,570	9,999	1,428,400	8.10	11,570	9,999
Subtotal			11,570	9,999			11,570	9,999
Retailing								
RIL Property PLC	24,610,964	5.10	125,516	196,888	24,610,964	5.10	125,516	196,888
Subtotal			125,516	196,888			125,516	196,888
Total – quoted shares			137,086	206,887			137,086	206,887
Unquoted shares:								
Other financial services								
Central Depository of Bangladesh Ltd.	3,427,083	BDT 2.75	27,821	27,821	3,427,083	BDT 2.75	27,821	27,821
Credit Information Bureau of Sri Lanka	4,500	100.00	564	564	4,400	100.00	440	440
LankaPay (Pvt) Limited	1,000,000	10.00	10,000	10,000	1,000,000	10.00	10,000	10,000
Lanka Financial Services Bureau Limited	500,000	10.00	5,000	5,000	500,000	10.00	5,000	5,000
Lanka Ratings Agency Limited	689,590	12.50	8,620	8,620	689,590	12.50	8,620	8,620
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	47	EUR 841.90	7,259	7,259	47	EUR 841.90	7,259	7,259
National Credit Guarantee Institution Limited	101	10.00	1	1	101	10.00	1	1
Total – unquoted shares			59,265	59,265			59,141	59,141
Total equity securities			196,351	266,152			196,227	266,028

36 Investments in subsidiaries

ACCOUNTING POLICY

Subsidiaries are investees controlled by the Group. The Group "controls" an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The cost of an acquisition is measured at fair value of the consideration, including contingent consideration. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Subsequent to the initial measurement, the Bank continues to recognise the investments in subsidiaries at cost.

The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date when control ceases.

The Financial Statements of all subsidiaries in the Group have a common financial year which ends on December 31, except for CBC Myanmar Microfinance Company Limited, whose financial year ends on March 31.

The reason for using a different reporting date by CBC Myanmar Microfinance Company Limited is due to requirements imposed by the Financial Regulatory Department of Myanmar.

The Financial Statements of the Bank's subsidiaries are prepared using consistent material accounting policies.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions, income and expenses are eliminated in full.

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Parent (the Bank) in the form of cash dividend or repayment of loans and advances.

All subsidiaries of the Bank have been incorporated in Sri Lanka except for Commercial Bank of Maldives Private Limited and CBC Myanmar Microfinance Company Limited which were incorporated in Republic of Maldives and Myanmar respectively.

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As at December 31,	Note	Page No.	Holding %	GROUP 2024 Cost Rs. '000	GROUP 2024 Market value/ Directors' valuation Rs. '000	GROUP 2023 Cost Rs. '000	GROUP 2023 Market value/ Directors' valuation Rs. '000	BANK 2024 Cost Rs. '000	BANK 2024 Market value/ Directors' valuation Rs. '000	BANK 2023 Cost Rs. '000	BANK 2023 Market value/ Directors' valuation Rs. '000
Local subsidiaries:											
Quoted:											
Commercial Development Company PLC			90	–	–	–	–	261,198	1,522,800	261,198	1,206,900
(10,800,000 Ordinary Shares)									(@ Rs. 141)		(@ Rs. 111.75)
(10,800,000 Ordinary Shares as at December 31, 2023)											
Unquoted:											
CBC Tech Solutions Limited			100	–	–	–	–	5,000	5,000	5,000	5,000
(500,001 Ordinary Shares)											
(500,001 Ordinary Shares as at December 31, 2023)											
Commercial Insurance Brokers (Pvt) Ltd.			60	–	–	–	–	375,000	375,000	375,000	375,000
(359,999 Ordinary Shares)											
(359,999 Ordinary Shares as at December 31, 2023)											
CBC Finance Ltd.			100	–	–	–	–	3,791,046	3,791,046	3,791,046	3,791,046
(221,793,834 Ordinary Shares)											
(221,793,834 Ordinary Shares as at December 31, 2023)											
Foreign subsidiaries:											
Unquoted:											
Commex Sri Lanka S.R.L. (*) (incorporated in Italy)			100	–	–	–	–	–	–	370,633	327,855
(300,000 Ordinary Shares)											
(300,000 Ordinary Shares as at December 31, 2023)											
Commercial Bank of Maldives Private Limited			55	–	–	–	–	984,707	984,707	984,707	984,707
(104,500 Ordinary Shares)											
(104,500 Ordinary Shares as at December 31, 2023)											
CBC Myanmar Microfinance Co. Limited			100	–	–	–	–	391,478	391,478	391,478	391,478
(2,420,000 Ordinary Shares)											
(2,420,000 Ordinary Shares as at December 31, 2023)											
Gross total				–	–	–	–	5,808,429	7,070,031	6,179,062	7,081,986
Provision for impairment (*)	36.1	368						–	–	(370,633)	–
Net total				–	–	–	–	5,808,429	7,070,031	5,808,429	7,081,986

(*) As disclosed in the Annual Report for the year ended December 31, 2022, the Bank initiated the voluntary liquidation process of the Commex Sri Lanka S.R.L in 2022 and the process was completed during the year 2024. Accordingly, the investment was Write-off against the provision as detailed in Note 36.1 below.

36.1 Movement in provision for impairment o/a subsidiaries during the year

	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Balance as at January 01,	–	–	370,633	370,633
Write-off during the year	–	–	(370,633)	–
Balance as at December 31,	–	–	–	370,633

37 Investment in associate

ACCOUNTING POLICY

Associates are those entities in which the Group has significant influence, but not control, over the variable returns through its power over the investee. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost, in terms of Sri Lanka Accounting Standards – LKAS 28 on "Investments in Associates and Joint Ventures". The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The Consolidated Financial Statements include the Group's share of the income and expenses and equity movements of equity-accounted investees, after adjustments to align the Accounting Policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Accordingly, under the Equity Method, Investments in associates are carried at cost plus post-acquisition changes in the Group's share of net assets of the associates and are reported as a separate line item in the Statement of Financial Position. The Income Statement reflects the Group's share of the results of operations of the associates. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in Equity through OCI. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in associate.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equal the share of losses not recognised previously.

The Group discontinues the use of the Equity Method from the date that it ceases to have significant influence over an associate and accounts for such investments in accordance with the Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments".

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

After application of the Equity Method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognises the loss under "Share of profit/(loss) of Associate" in the Income Statement.

In the separate Financial Statements, Investment in associates are accounted at cost.

As at December 31,	Incorporation and operation	Ownership interest %	Number of shares	2024 Cost Rs. '000	2024 Carrying value Rs. '000	2023 Cost Rs. '000	2023 Carrying value Rs. '000
Unquoted:							
Equity Investments Lanka Ltd.	Sri Lanka	22.92	4,110,938	44,331	58,791	44,331	59,004
Total				44,331	58,791	44,331	59,004

37.1 Reconciliation of summarised financial information

Reconciliation of the summarised financial information to the carrying amount of the interest in the associate recognised in the Consolidated Financial Statements is as follows:

	Note	Page No.	Equity Investments Lanka Ltd. 2024 Rs. '000	Equity Investments Lanka Ltd. 2023 Rs. '000
Cost of investments			44,331	44,331
Add: Share of profit applicable to the Group				
Investment in associate – As at January 01,			14,673	10,971
Total comprehensive income	37.2 (a)	370	(213)	3,702
Share of profit/(loss) of associate, net of tax			(460)	3,495
Share of other comprehensive Income/(expense) of associate, net of tax			247	207
Dividend received			–	–
Balance as at December 31,			58,791	59,004

37.2 Summarised financial information in respect of the associate is set out below:

37.2 (a) Summarised Income Statement

For the year ended December 31,	Equity Investments Lanka Ltd. 2024 Rs. '000	2023 Rs. '000
Revenue	30,198	55,198
Expenses	(32,207)	(39,948)
Income tax	–	–
Profit/(loss) from continuing operations, net of tax	(2,009)	15,250
Group's share of profit/(loss) from continuing operations, net of tax	(460)	3,495
Other Comprehensive Income/(expense), net of tax	1,078	905
Group's share of Other Comprehensive Income/(expense) from continuing operations, net of tax	247	207
Share of results of equity accounted investee recognised in Income Statement and Statement of Profit or Loss and Other Comprehensive Income	(213)	3,702

37.2 (b) Summarised Statement of Financial Position

As at December 31,	Equity Investments Lanka Ltd. 2024 Rs. '000	2023 Rs. '000
Non-current assets	229,934	242,540
Current assets	28,154	23,451
Non-current liabilities	(858)	(3,223)
Current liabilities	(724)	(5,335)
Net assets	256,506	257,433
Group's share of net assets	58,791	59,004
Carrying amount of interest in associate	58,791	59,004

The Group recognises the share of net assets of the associate under the Equity Method to arrive at the Directors' valuation.

The maturity analysis of investment in associate is given in Note 60 on pages 416 and 417.

38 Property, plant and equipment and right-of-use assets

ACCOUNTING POLICY

The Group applies the requirements of the Sri Lanka Accounting Standard – LKAS 16 on "Property, plant and equipment" in accounting for its owned assets which are held for and used in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

Basis of recognition

Property, plant and equipment is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and cost of the asset can be reliably measured.

Basis of measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding the costs of day-to-day servicing) as explained below. 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 and capitalised borrowing costs. Purchased software which is integral to the functionality of the related equipment is capitalised as part of computer equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

- **Cost model**

  The Group applies the Cost Model to all property, plant and equipment except freehold land and freehold and leasehold buildings. These are recorded at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

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- **Revaluation model**

The Group applies the revaluation model for the entire class of freehold land, freehold and leasehold buildings for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation. Freehold land, freehold and leasehold buildings of the Group are revalued by independent professional valuers every three years or more frequently if the fair values are substantially different from carrying amounts, to ensure that the carrying amounts do not differ from the fair values as at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised in Revaluation Reserve in Equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to the income statement. In this circumstance, the increase is recognised as income only to the extent of the amounts written down previously. Any decrease in the carrying amount is recognised as an expense in the income statement or charged to Revaluation Reserve in Equity through OCI, only to the extent of any credit balance existing in the Revaluation Reserve in respect of that asset. Any balance remaining in the Revaluation Reserve in respect of an asset, is transferred directly to Retained Earnings on retirement or disposal of the asset.

The Group revalued its freehold land, freehold and leasehold buildings as at December 31, 2023. Methods and significant assumptions including unobservable market inputs employed in estimating the fair value are given in Note 38.5 (b) and Note 38.5 (c).

The Bank carried out a revaluation of its freehold land, freehold and leasehold buildings as at December 31, 2023 as required by Section 7.1 (b) of the Direction No. 01 of 2014 on "Valuation of Immovable Property of Licensed Commercial Banks" issued by the CBSL and recognised the revaluation gains/(losses) in the Financial Statements.

The next revaluation exercise on the freehold land, freehold and leasehold buildings will be carried out on or before December 31, 2026.

Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset), is recognised in "Net other operating income" in profit or loss in the year the asset is derecognised.

When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised as required by Sri Lanka Accounting Standard – LKAS 16 on "Property, plant and equipment".

Capital work-in-progress

These are expenses of capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. These are stated in the Statement of Financial Position at cost less any accumulated impairment losses. Capital work-in-progress is transferred to the relevant asset when
it is in the location and condition necessary for it to be capable of operating in the manner intended by Management (i.e., available for use).

Right-of-use assets

Right-of-use assets are presented together with property, plant and equipment in the Statement of Financial Position.

38.1 Group – 2024

	Note	Page No.	Freehold land Rs. '000	Freehold buildings Rs. '000	Leasehold buildings Rs. '000	Computer equipment Rs. '000	Motor vehicles Rs.'000	Office equipment, furniture and fixtures Rs. '000	Capital work-in-progress Rs. '000	Right-of-use assets Rs. '000	Total 2024 Rs. '000	Total 2023 Rs. '000
Cost/valuation												
Balance as at January 01,			10,540,889	6,473,030	1,378,626	11,078,118	610,152	9,202,982	191,483	11,154,967	50,630,247	47,202,075
Additions/transfers during the year			–	3,201	–	2,177,182	14,985	1,090,795	111,654	2,273,587	5,671,404	3,486,471
Transfer of accumulated depreciation on assets revalued			–	–	–	–	–	–	–	–	–	(895,599)
Surplus on revaluation of property			–	–	–	–	–	–	–	–	–	1,871,175
Revaluation loss in excess of cumulative reserve	21	342	–	–	–	–	–	–	–	–	–	(40,273)
Disposals during the year			–	–	–	(370,329)	(51,292)	(150,752)	–	–	(572,373)	(334,434)
Exchange rate variance			–	–	–	(110,643)	(21,519)	(173,400)	–	(265,501)	(571,063)	(615,728)
Transfers/adjustments			–	298,456	–	(20)	–	(615)	(298,456)	–	(635)	(43,440)
Balance as at December 31,			10,540,889	6,774,687	1,378,626	12,774,308	552,326	9,969,010	4,681	13,163,053	55,157,580	50,630,247

	Note	Page No.	Freehold land Rs. '000	Freehold buildings Rs. '000	Leasehold buildings Rs. '000	Computer equipment Rs. '000	Motor vehicles Rs.'000	Office equipment, furniture and fixtures Rs. '000	Capital work-in-progress Rs. '000	Right-of-use assets Rs. '000	Total 2024 Rs. '000	Total 2023 Rs. '000
Accumulated depreciation and impairment losses												
Balance as at January 01,			–	–	30,961	7,470,085	506,782	7,322,867	–	6,302,306	21,633,001	19,755,468
Charge for the year	20	341	–	206,535	37,703	1,284,073	31,695	645,499	–	1,415,409	3,620,914	3,371,245
Impairment loss			–	–	–	–	–	–	–	–	–	–
Transfer of accumulated depreciation on assets revalued			–	–	–	–	–	–	–	–	–	(895,599)
Disposals during the year			–	–	–	(369,530)	(28,117)	(148,170)	–	–	(545,817)	(322,261)
Exchange rate variance			–	–	–	(69,633)	(21,197)	(129,561)	–	–	(220,391)	(263,959)
Transfers/adjustments			–	–	–	(20)	–	(517)	–	–	(537)	(11,893)
Balance as at December 31,			–	206,535	68,664	8,314,975	489,163	7,690,118	–	7,717,715	24,487,170	21,633,001
Net book value as at December 31, 2024			10,540,889	6,568,152	1,309,962	4,459,333	63,163	2,278,892	4,681	5,445,338	30,670,410	–
Net book value as at December 31, 2023			10,540,889	6,473,030	1,347,665	3,608,033	103,370	1,880,115	191,483	4,852,661	–	28,997,246

38.2 Group – 2023

	Note	Page No.	Freehold land Rs. '000	Freehold buildings Rs. '000	Leasehold buildings Rs. '000	Computer equipment Rs. '000	Motor vehicles Rs. '000	Office equipment, furniture and fixtures Rs. '000	Capital work-in-progress Rs. '000	Right-of-use assets Rs. '000	Total 2023 Rs. '000	Total 2022 Rs. '000
Cost/valuation												
Balance as at January 01,			9,387,336	6,697,277	1,179,686	9,830,666	659,931	8,474,977	167,285	10,804,917	47,202,075	41,078,725
Additions/transfers during the year			94,183	30,756	–	1,521,455	5,549	1,049,062	125,117	660,349	3,486,471	4,748,991
Transfer of accumulated depreciation on assets revalued			–	(791,779)	(103,820)	–	–	–	–	–	(895,599)	–
Surplus on revaluation of property			1,080,520	487,895	302,760	–	–	–	–	–	1,871,175	–
Revaluation loss in excess of cumulative reserve	21	342	(11,184)	(29,089)	–	–	–	–	–	–	(40,273)	–
Disposals during the year			(9,966)	–	–	(176,679)	(26,994)	(120,795)	–	–	(334,434)	(281,155)
Exchange rate variance			–	–	–	(97,316)	(28,334)	(179,779)	–	(310,299)	(615,728)	1,656,960
Transfers/adjustments			–	77,970	–	(8)	–	(20,483)	(100,919)	–	(43,440)	(1,446)
Balance as at December 31,			10,540,889	6,473,030	1,378,626	11,078,118	610,152	9,202,982	191,483	11,154,967	50,630,247	47,202,075

	Note	Page No.	Freehold land Rs. '000	Freehold buildings Rs. '000	Leasehold buildings Rs. '000	Computer equipment Rs. '000	Motor vehicles Rs.'000	Office equipment, furniture and fixtures Rs. '000	Capital work-in-progress Rs. '000	Right-of-use assets Rs. '000	Total 2023 Rs. '000	Total 2022 Rs. '000
Accumulated depreciation and impairment losses												
Balance as at January 01,			–	526,694	95,682	6,629,984	502,392	7,058,867	–	4,941,849	19,755,468	16,334,091
Charge for the year	20	341	–	265,085	39,099	1,093,048	57,520	556,036	–	1,360,457	3,371,245	3,131,250
Impairment loss			–	–	–	–	–	–	–	–	–	–
Transfer of accumulated depreciation on assets revalued			–	(791,779)	(103,820)	–	–	–	–	–	(895,599)	–
Disposals during the year			–	–	–	(175,846)	(26,836)	(119,579)	–	–	(322,261)	(253,417)
Exchange rate variance			–	–	–	(77,063)	(26,294)	(160,602)	–	–	(263,959)	543,541
Transfers/adjustments			–	–	–	(38)	–	(11,855)	–	–	(11,893)	3
Balance as at December 31,			–	–	30,961	7,470,085	506,782	7,322,867	–	6,302,306	21,633,001	19,755,468
Net book value as at December 31, 2023			10,540,889	6,473,030	1,347,665	3,608,033	103,370	1,880,115	191,483	4,852,661	28,997,246	–
Net book value as at December 31, 2022			9,387,336	6,170,583	1,084,004	3,200,682	157,539	1,416,110	167,285	5,863,068	–	27,446,607

The carrying amount of Group's revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation/amortisation is as follows:

As at December 31,	2024			2023		
	Cost Rs. '000	Accumulated depreciation Rs. '000	Net book value Rs. '000	Cost Rs. '000	Accumulated depreciation Rs. '000	Net book value Rs. '000
Class of asset						
Freehold land	1,285,403	–	1,285,403	1,285,403	–	1,285,403
Freehold buildings	2,982,534	821,969	2,160,565	2,680,881	758,209	1,922,672
Leasehold buildings	341,196	331,561	9,635	341,196	326,806	14,390
Total	4,609,133	1,153,530	3,455,603	4,307,480	1,085,015	3,222,465

38.3 Bank – 2024

	Note	Page No.	Freehold land Rs. '000	Freehold buildings Rs. '000	Leasehold buildings Rs. '000	Computer equipment Rs. '000	Motor vehicles Rs.'000	Office equipment, furniture and fixtures Rs. '000	Capital work-in-progress Rs. '000	Right-of-use assets Rs. '000	Total 2024 Rs. '000	Total 2023 Rs. '000
Cost/valuation												
Balance as at January 01,			9,851,470	6,217,971	100,037	10,820,030	226,056	8,683,749	187,197	11,627,818	47,714,328	44,833,449
Additions/transfers during the year			–	3,201	–	2,122,071	14,985	991,580	111,654	1,990,046	5,233,537	3,264,794
Transfer of accumulated depreciation on assets revalued			–	–	–	–	–	–	–	–	–	(773,092)
Surplus on revaluation of property			–	–	–	–	–	–	–	–	–	1,445,959
Revaluation loss in excess of cumulative reserve	21	342	–	–	–	–	–	–	–	–	–	(40,273)
Disposals during the year			–	–	–	(370,158)	–	(127,499)	–	–	(497,657)	(304,546)
Exchange rate variance			–	–	–	(99,698)	(21,197)	(124,764)	–	(239,853)	(485,512)	(692,258)
Transfers/adjustments			–	298,456	–	–	–	(122)	(298,456)	–	(122)	(19,705)
Balance as at December 31,			9,851,470	6,519,628	100,037	12,472,245	219,844	9,422,944	395	13,378,011	51,964,574	47,714,328

	Note	Page No.	Freehold land Rs. '000	Freehold buildings Rs. '000	Leasehold buildings Rs. '000	Computer equipment Rs. '000	Motor vehicles Rs.'000	Office equipment, furniture and fixtures Rs. '000	Capital work-in-progress Rs. '000	Right-of-use assets Rs. '000	Total 2024 Rs. '000	Total 2023 Rs. '000
Accumulated depreciation and impairment losses												
Balance as at January 01,			–	–	30,961	7,326,564	218,848	7,022,326	–	6,857,727	21,456,426	19,407,997
Charge for the year	20	341	–	199,178	2,187	1,246,587	2,977	592,239	–	1,539,983	3,583,151	3,355,917
Impairment loss			–	–	–	–	–	–	–	–	–	–
Transfer of accumulated depreciation on assets revalued			–	–	–	–	–	–	–	–	–	(773,092)
Disposals during the year			–	–	–	(369,411)	–	(125,179)	–	–	(494,590)	(292,621)
Exchange rate variance			–	–	–	(61,505)	(20,976)	(98,556)	–	–	(181,037)	(230,852)
Transfers/adjustments			–	–	–	–	–	(24)	–	–	(24)	(10,923)
Balance as at December 31,			–	199,178	33,148	8,142,235	200,849	7,390,806	–	8,397,710	24,363,926	21,456,426
Net book value as at December 31, 2024			9,851,470	6,320,450	66,889	4,330,010	18,995	2,032,138	395	4,980,301	27,600,648	–
Net book value as at December 31, 2023			9,851,470	6,217,971	69,076	3,493,466	7,208	1,661,423	187,197	4,770,091	–	26,257,902

38.4 Bank – 2023

	Note	Page No.	Freehold land Rs. '000	Freehold buildings Rs. '000	Leasehold buildings Rs. '000	Computer equipment Rs. '000	Motor vehicles Rs. '000	Office equipment, furniture and fixtures Rs. '000	Capital work-in-progress Rs. '000	Right-of-use assets Rs. '000	**Total 2023 Rs. '000**	Total 2022 Rs. '000
Cost/valuation												
Balance as at January 01,			8,774,704	6,502,620	100,037	9,633,237	249,866	8,098,224	109,307	11,365,454	44,833,449	39,130,126
Additions/transfers during the year			94,183	28,079	–	1,450,410	4,083	874,946	125,117	687,976	3,264,794	4,566,388
Transfer of accumulated depreciation on assets revalued			–	(773,092)	–	–	–	–	–	–	(773,092)	–
Surplus on revaluation of property			1,003,733	442,226	–	–	–	–	–	–	1,445,959	–
Revaluation loss in excess of cumulative reserve	21	342	(11,184)	(29,089)	–	–	–	–	–	–	(40,273)	–
Disposals during the year			(9,966)	–	–	(175,335)	–	(119,245)	–	–	(304,546)	(211,915)
Exchange rate variance			–	–	–	(88,282)	(27,893)	(150,471)	–	(425,612)	(692,258)	1,350,296
Transfers/adjustments			–	47,227	–	–	–	(19,705)	(47,227)	–	(19,705)	(1,446)
Balance as at December 31,			9,851,470	6,217,971	100,037	10,820,030	226,056	8,683,749	187,197	11,627,818	47,714,328	44,833,449
Accumulated depreciation and impairment losses												
Balance as at January 01,			–	513,842	28,031	6,505,517	233,915	6,760,679	–	5,366,013	19,407,997	16,054,659
Charge for the year	20	341	–	259,250	2,930	1,065,250	11,031	525,742	–	1,491,714	3,355,917	3,142,819
Impairment loss			–	–	–	–	–	–	–	–	–	–
Transfer of accumulated depreciation on assets revalued			–	(773,092)	–	–	–	–	–	–	(773,092)	–
Disposals during the year			–	–	–	(174,592)	–	(118,029)	–	–	(292,621)	(210,651)
Exchange rate variance			–	–	–	(69,611)	(26,098)	(135,143)	–	–	(230,852)	421,167
Transfers/adjustments			–	–	–	–	–	(10,923)	–	–	(10,923)	3
Balance as at December 31,			–	–	30,961	7,326,564	218,848	7,022,326	–	6,857,727	21,456,426	19,407,997
Net book value as at December 31, 2023			9,851,470	6,217,971	69,076	3,493,466	7,208	1,661,423	187,197	4,770,091	26,257,902	–
Net book value as at December 31, 2022			8,774,704	5,988,778	72,006	3,127,720	15,951	1,337,545	109,307	5,999,441	–	25,425,452

The carrying amount of Bank's revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation/amortisation is as follows:

As at December 31,	2024			2023		
	Cost Rs. '000	Accumulated depreciation Rs. '000	Net book value Rs. '000	Cost Rs. '000	Accumulated depreciation Rs. '000	Net book value Rs. '000
Class of asset						
Freehold land	1,051,387	–	1,051,387	1,051,387	–	1,051,387
Freehold buildings	2,838,281	772,888	2,065,393	2,536,623	711,437	1,825,186
Leasehold buildings	98,138	88,503	9,635	98,138	83,748	14,390
Total	3,987,806	861,391	3,126,415	3,686,148	795,185	2,890,963

The maturity analysis of property, plant and equipment is given in Note 60 on pages 416 and 417.

38.5 (a) Information on freehold land and buildings of the Bank and the Group – Extents and locations

[As required by the Rule No. 7.6 (viii) of the "Continuing Listing Requirements" of the Colombo Stock Exchange]

Location	Number of buildings	Extent (perches)	Buildings (square feet)	Revalued amounts land Rs. '000	Revalued amounts buildings Rs. '000	Net book value/ revalued amounts Rs. '000	Net book value before revaluation Rs. '000
Holiday Bungalow – Bandarawela, Ambatenne Estate, Diyatalawa Road, Bandarawela	1	423	5,649	98,700	18,800	116,560	106,974
Holiday Bungalow – Haputale, No. 23, Lily Avenue, Welimada Road, Haputale	1	258	5,722	56,700	25,300	80,735	72,140
Managing Director's Bungalow, No. 27, Queens Road, Colombo 3	1	64	5,616	1,249,950	40,050	1,287,997	1,185,000
Branch Buildings							
Battaramulla – No. 213, Kaduwela Road, Battaramulla	1	14	19,084	52,500	98,526	147,742	126,769
Battaramulla – No. 213, Kaduwela Road, Battaramulla	–	13	Bare Land	49,950	–	49,950	50,000
Borella – No. 92, D S Senanayake Mawatha, Borella, Colombo 08	1	16	21,100	312,600	241,400	541,295	466,070
Chilaw – No. 44, Colombo Road, Chilaw	1	35	9,420	123,515	51,485	173,680	149,572
City Office – No. 98, York Street, Colombo 01	1	–	29,993	–	453,196	433,492	521,739
Duplication Road – Nos. 405, 407, R A De Mel Mawatha, Colombo 03	1	20	6,169	209,000	21,000	229,300	388,789
Galewela – No. 49/57, Matale Road, Galewela	1	99	5,947	49,500	28,500	77,287	55,233
Galle Main Street – No. 130, Main Street, Galle	1	7	3,675	67,500	12,800	79,589	68,979
Galle Fort – No. 22, Church Street, Fort, Galle	1	40	15,103	282,150	128,350	407,031	358,619
Gampaha – No. 51, Queen Mary's Road, Gampaha	1	33	4,775	118,440	11,560	129,229	114,221
Hikkaduwa – No. 217, Galle Road, Hikkaduwa	1	37	7,518	48,300	44,300	91,018	72,936
Ja-Ela – No. 140, Negombo Road, Ja-Ela	1	13	7,468	48,000	42,000	88,600	70,188
Jaffna – No. 474, Hospital Road, Jaffna	1	78	52,035	566,588	756,412	1,302,666	901,811
Kandy – No. 120, Kotugodella Veediya, Kandy	1	45	44,500	507,000	303,000	802,425	763,857
Karapitiya – No. 89, Hirimbura Cross Road, Karapitiya	1	37	4,266	82,935	29,865	112,053	91,462
Kegalle – No. 186, Main Street, Kegalle	1	85	9,582	174,000	6,336	462,622	178,836
Keyzer Street – No. 32, Keyzer Street, Colombo 11	1	7	6,100	123,000	29,000	151,275	129,909
Kollupitiya – No. 285, Galle Road, Colombo 03	1	17	16,254	335,000	90,000	420,263	362,319
Kotahena – No. 198, George R De Silva Mawatha, Kotahena, Colombo 13	1	28	29,544	362,000	208,000	565,840	454,750
Kurunegala – No. 4, Suratissa Mawatha, Kurunegala	1	50	10,096	266,000	54,000	318,650	296,804
Maharagama – No. 154, High Level Road, Maharagama	1	16	8,046	131,360	68,400	197,806	180,898
Matale – No. 70, King Street, Matale	1	51	8,596	210,600	64,400	272,700	259,500
Matara – No. 18, Station Road, Matara	1	38	8,137	78,850	48,250	125,492	97,409
Minuwangoda – No. 9, Siriwardena Mawatha, Minuwangoda	1	25	5,550	80,000	22,000	101,000	84,362
Narahenpita – No. 201, Kirula Road, Narahenpita, Colombo 05	1	22	11,193	332,000	118,000	447,050	381,318

Location	Number of buildings	Extent (perches)	Buildings (square feet)	Revalued amounts land Rs. '000	Revalued amounts buildings Rs. '000	Net book value/ revalued amounts Rs. '000	Net book value before revaluation Rs. '000
Narammala – No. 55, Negombo Road, Narammala	1	41	8,600	82,140	92,860	172,679	137,693
Negombo – Nos. 24, 26, Fernando Avenue, Negombo	1	37	10,719	180,000	58,000	235,100	200,682
Nugegoda – No. 100, Stanley Thilakaratne Mawatha, Nugegoda	1	39	7,223	507,000	57,800	561,910	584,318
Nuwara Eliya – No. 36/3, Buddha Jayanthi Mawatha, Nuwara Eliya	1	42	10,184	191,000	74,000	262,533	256,120
Panchikawatte - No.240, Panchikawatte Road, Colombo 10	1	10	4,340	126,450	18,550	144,073	97,465
Panadura – No. 375, Galle Road, Panadura	1	12	6,168	30,750	40,092	69,506	64,828
Peliyagoda Warehouse – No. 37, New Nuge Road, Peliyagoda	1	–	20,835	–	116,035	121,227	98,600
Pettah – No. 180/1/31, People's Park Shopping Complex, Colombo 11	1	–	3,147	–	98,000	93,100	69,091
Pettah-Stores – No. 180/1/24, People's Park Shopping Complex, Colombo 11	1	–	225	–	9,000	8,438	5,617
Pettah – Main Street – No. 280, Main Street, Pettah, Colombo 11	1	20	19,791	580,000	295,000	867,625	806,415
Trincomalee – No. 420, Court Road, Trincomalee	1	100	11,031	145,492	102,504	245,436	276,259
Union Place – No. 1, Union Place, Colombo 02	1	30	63,385	1,046,500	1,325,500	2,338,863	2,006,957
Wellawatte – No. 343, Galle Road, Colombo 06	1	45	51,225	863,000	867,700	1,709,007	1,958,024
Wennappuwa – Nos. 262, 264, Colombo Road, Wennappuwa	1	36	9,226	83,000	48,000	129,076	111,222
Total – Bank	41			9,851,470	6,217,971	16,171,920	14,663,755
Subsidiaries							
Commercial Development Company PLC							
Tangalle – No. 148, Matara Road, Tangalle	1	49	4,284	97,519	26,309	123,249	104,474
Negombo – No. 18, Fernando Avenue, Negombo	–	19	–	105,000	–	105,000	93,902
Commercial Insurance Brokers (Private) Limited.							
Colombo – No. 347, Dr. Colvin R De Silva Mawatha, Colombo 02	1	19	9,532	394,000	72,050	463,276	401,215
CBC Finance Limited.							
Kandy – No. 182, Katugastota Road, Kandy	1	3	3,714	21,300	29,700	50,241	50,074
Kandy – No. 187, Katugastota Road, Kandy	1	12	10,892	71,600	127,000	195,355	172,357
Total – Group	45			10,540,889	6,473,030	17,109,041	15,485,777

38.5 (b) Information on freehold land and buildings of the Bank and Group – Valuations

[As required by the Rule No. 7.6 (viii) of the "Continuing Listing Requirements" of the Colombo Stock Exchange]

Date of valuation: December 31, 2023

Name of professional valuer/ location and address	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain/(loss) recognised on	
			Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000
H M N Herath								
Borella No. 92, D S Senanayake Mawatha, Colombo 08	Market comparable method		246,000	220,070	312,600	241,400	66,600	21,330
	• Price per perch for land	Rs. 20,000,000 p.p.						
	• Price per square foot for building	Rs. 7,500 p.sq.ft. to Rs. 18,000 p.sq.ft.						
	• Depreciation rate	20%						
Chilaw No. 44, Colombo Road, Chilaw	Investment method		114,693	34,879	123,515	51,485	8,822	–
	• Gross monthly rental	Rs. 1,000,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18.18						
City Office No.98, York Street, Colombo 01	Investment method		–	521,739	–	453,196	–	(68,543)
	• Gross monthly rental	Rs. 5,516,478.67 p.m.						
	• Years purchase (Present value of 1 unit per period)	14.13						

Name of professional valuer/ location and address	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain/(loss) recognised on	
			Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000
Gampaha No. 51, Queen Mary's Road, Gampaha	Investment method		105,280	8,941	118,440	11,560	13,160	2,619
	• Price per perch for excess land	Rs. 3,600,000 p.p.						
	• Gross monthly rental	Rs. 500,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18.18						
Managing Director's Bungalow No.27, Queens Road, Colombo 03	Market comparable method		1,150,000	35,000	1,249,950	40,050	99,950	5,050
	• Price per perch for land	Rs. 19,500,000 p.p.						
	• Price per square foot for building	Rs. 7,500 p.sq.ft. to Rs. 12,000 p.sq.ft.						
	• Depreciation rate	35%						
Minuwangoda No. 9, Siriwardena Mawatha, Minuwangoda	Investment method		71,250	13,112	80,000	22,000	8,750	8,888
	• Price per perch for excess land	Rs. 3,200,000 p.p.						
	• Gross monthly rental	Rs. 475,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18.18						
Panchikawatte No. 240, Panchikawatte Road, Colombo 10	Investment method		94,183	3,282	126,450	18,550	32,267	15,268
	• Gross monthly rental	Rs. 600,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	20						
Peliyagoda Warehouse No. 37, New Nuge Road, Peliyagoda	Investment method		–	98,600	–	116,035	–	17,435
	• Gross monthly rental	Rs. 2,672,531.08 p.m.						
	• Years purchase (Present value of 1 unit per period)	15.07						
P B Kalugalagedara								
Keyzer Street No. 32, Keyzer Street, Colombo 11	Investment method		109,000	20,909	123,000	29,000	14,000	8,091
	• Gross monthly rental	Rs. 1,070,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18.18						
Kollupitiya No. 285, Galle Road, Colombo 03	Investment method		299,000	63,319	335,000	90,000	36,000	26,681
	• Gross monthly rental	Rs. 3,000,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18.18						
Kotahena No. 198, George R De Silva Mawatha, Kotahena, Colombo 13	Investment method		279,000	175,750	362,000	208,000	83,000	32,250
	• Gross monthly rental	Rs. 3,306,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18.18						
R S Wijesuriya								
Battaramulla No. 213, Kaduwela Road, Battaramulla	Market comparable method		52,500	74,269	52,500	98,526	–	24,257
	• Price per perch for land	Rs. 3,750,000 p.p.						
	• Price per square foot for building	Rs. 1,500 p.sq.ft. to Rs.7,500 p.sq.ft.						
Battaramulla No. 213, Kaduwela Road, Battaramulla	Market comparable method		50,000	–	49,950	–	–	–
	• Price per perch for land	Rs. 3,750,000 p.p.						
Panadura No. 375, Galle Road, Panadura	Market comparable method		30,750	34,078	30,750	40,092	–	6,014
	• Price per perch for land	Rs. 2,500,000 p.p.						
	• Price per square foot for building	Rs. 6,500 p.sq.ft.						

Name of professional valuer/ location and address	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain/(loss) recognised on	
			Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000
Sarath G Fernando								
Holiday Bungalow – Bandarawela Ambatenne Estate, Diyatalawa Road, Bandarawela	Market comparable method		90,800	16,174	98,700	18,800	7,900	2,626
	• Price per perch for land	Rs. 100,000 to Rs. 295,000 p.p.						
	• Price per square foot for building	Rs. 6,250 to Rs. 6,750 p.sq.ft.						
	• Depreciation rate	50%						
Holiday Bungalow – Haputale No. 23, Lilly Avenue, Welimada Road, Haputale	Market comparable method		51,400	20,740	56,700	25,300	5,300	4,560
	• Price per perch for land	Rs. 275,000 p.p.						
	• Price per square foot for building	Rs. 4,250 to Rs. 8,500 p.sq.ft.						
	• Depreciation rate	45% & 50%						
Kandy No. 120, Kotugodella Veediya, Kandy	Investment method		521,000	242,857	507,000	303,000	(14,000)	60,143
	• Gross monthly rental	Rs. 5,000,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18						
Kegalle No. 186, Main Street, Kegalle	Investment method		172,500	6,336	174,000	6,336	1,500	–
	• Gross monthly rental	Rs. 1,500,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	20						
Matale No. 70, Kings Street, Matale	Investment method		201,000	58,500	210,600	64,400	9,600	5,900
	• Gross monthly rental	Rs. 1,500,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18						
Nuwara Eliya No. 36/3, Buddha Jayanthi Mawatha, Nuwara Eliya	Investment method		187,000	69,120	191,000	74,000	4,000	4,880
	• Gross monthly rental	Rs. 1,447,500 p.m.						
	• Years purchase (Present value of 1 unit per period)	18						
Sunil Fernando Associates Pvt Ltd.								
Galle Fort No. 22, Church Street, Fort, Galle	Market comparable method		262,015	96,604	282,150	128,350	20,135	29,110
	• Price per perch for land	Rs. 7,000,000 p.p.						
	• Price per square foot for building	Rs. 8,500 p.sq.ft.						
Galle Main Street No.130, Main Street, Galle	Market comparable method		60,750	8,229	67,500	12,800	6,750	4,571
	• Price per perch for land	Rs. 10,000,000 p.p.						
	• Price per square foot for building	Rs. 2,500 to Rs. 4,500 p.sq.ft.						
Hikkaduwa No. 217, Galle Road, Hikkaduwa	Market comparable method		43,470	29,466	48,300	44,300	4,830	14,834
	• Price per perch for land	Rs. 1,000,000 to Rs. 1,500,000 p.p.						
	• Price per square foot for building	Rs. 4,500 to Rs. 6,500 p.sq.ft.						
Karapitiya No. 89, Hirimbura Cross Road, Karapitiya	Market comparable method		73,720	17,742	82,935	29,865	–	12,123
	• Price per perch for land	Rs. 2,250,000 p.p.						
	• Price per square foot for building	Rs. 7,000 p.sq.ft.						
Maharagama No. 154, High Level Road, Maharagama	Market comparable method		123,034	57,864	131,360	68,400	8,326	10,536
	• Price per perch for land	Rs. 8,000,000 p.p.						
	• Price per square foot for building	Rs. 8,500 p.sq.ft.						

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Name of professional valuer/ location and address	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain/(loss) recognised on	
			Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000
Matara No. 18, Station Road, Matara	Market comparable method		69,465	27,944	78,850	48,250	9,385	20,306
	• Price per perch for land	Rs. 1,500,000to Rs. 2,500,000 p.p.						
	• Price per square foot for building	Rs. 4,500to Rs. 6,500 p.sq.ft.						
Nugegoda No. 100, Stanley Thilakaratne Mawatha, Nugegoda	Market comparable method		485,000	99,318	507,000	57,800	22,000	(41,518)
	• Price per perch for land	Rs. 13,000,000 p.p.						
	• Price per square foot for building	Rs. 8,000 p.sq.ft.						
Trincomalee No. 420, Court Road, Trincomalee	Market comparable method		125,424	150,835	145,492	102,504	20,068	–
	• Price per perch for land	Rs. 1,450,000 p.p.						
	• Price per square foot for building	Rs. 5,500 p.sq.ft. to Rs. 10,000 p.sq.ft.						
Wellawatte No. 343, Galle Road, Colombo 6	Market comparable method		818,000	1,140,024	863,000	867,700	45,000	(272,324)
	• Price per perch for land	Rs. 19,000,000 p.p.						
	• Price per square foot for building	Rs. 10,000 p.sq.ft. to Rs. 18,500 p.sq.ft.						
S Suresh								
Jaffna No. 474, Hospital Road, Jaffna	Market comparable method		429,825	471,986	566,588	756,412	136,763	284,426
	• Price per perch for land	Rs. 7,250,000 p.p.						
	• Price per square foot for building	Rs. 14,500 p.sq.ft. to Rs. 14,550 p.sq.ft.						
W D P Rupananda								
Duplication Road Nos. 405, 407, R A De Mel Mawatha, Colombo 03	Investment method		370,000	18,789	209,000	21,000	(140,651)	2,211
	• Gross monthly rental	Rs. 1,400,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18.18						
Ja-Ela No. 140, Negombo Road, Ja-Ela	Investment method		43,000	27,188	48,000	42,000	5,000	14,812
	• Gross monthly rental	Rs. 550,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18.18						
Narahenpita No. 201, Kirula Road, Narahenpita, Colombo 05	Market comparable method		263,000	118,318	332,000	118,000	69,000	(318)
	• Price per perch for land	Rs. 15,000,000 p.p.						
	• Price per square foot for building	Rs. 15,000 p.sq.ft.						
	• Depreciation rate	30%						
Negombo Nos. 24, 26, Fernando Avenue, Negombo	Investment method		167,000	33,682	180,000	58,000	13,000	24,318
	• Gross monthly rental	Rs. 1,300,000 p.m.						
	• Gross monthly rental quarters	Rs. 100,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18.18 & 28.57						
Pettah No. 180/1/31, People's Park Shopping Complex, Colombo 11	Investment method		–	69,091	–	98,000	–	28,909
	• Gross monthly rental	Rs. 675,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18.18						
Pettah-Main Street No. 280, Main Street, Pettah, Colombo 11	Investment method		530,000	276,415	580,000	295,000	50,000	18,585
	• Gross monthly rental	Rs. 5,400,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18.18						

Name of professional valuer/ location and address	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain/(loss) recognised on	
			Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000
Pettah-Stores No. 180/1/24, People's Park Shopping Complex, Colombo 11	Investment method		–	5,617	–	9,000	–	3,383
	• Gross monthly rental	Rs. 70,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	16.67						
Union Place No.1, Union Place, Colombo 02	Investment method		720,000	1,286,957	1,046,500	1,325,500	326,500	38,543
	• Gross monthly rental	Rs. 14,500,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18.18						
Wennappuwa Nos. 262, 264, Colombo Road, Wennappuwa	Investment method		81,000	30,222	83,000	48,000	2,000	17,778
	• Gross monthly rental Branch	Rs. 650,000 p.m.						
	• Gross monthly rental quarters	Rs. 100,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	18.18						
W S Pemaratne								
Galewela No. 49/57, Matale Road, Galewela	Market comparable method		39,600	15,633	49,500	28,500	9,900	12,867
	• Price per perch for land	Rs. 500,000 p.p.						
	• Price per square foot for building	Rs. 3,000 to Rs. 7,000 p.sq.ft.						
	• Depreciation rate	20% and 30%						
Kurunegala No. 4, Suratissa Mawatha, Kurunegala	Investment method		257,390	39,414	266,000	54,000	8,610	14,586
	• Price per perch for excess land	Rs. 4,250,000 p.p.						
	• Gross monthly rental	Rs. 1,000,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	23.53						
Narammala No. 55, Negombo Road, Narammala	Investment method		71,872	65,821	82,140	92,860	10,268	27,039
	• Price per perch for excess land	Rs. 1,000,000 p.p.						
	• Gross monthly rental	Rs. 650,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	23.53						
Total – Bank			8,858,921	5,804,834	9,851,470	6,217,971	1,003,733	442,226
Subsidiaries								
Commercial Development Company PLC								
G M Gamage **Tangalle** No. 48, Matara Road, Tangalle	Investment method		80,000	24,474	97,519	26,309	17,519	1,835
	• Gross monthly rental	Rs. 350,000 p.m.						
	• Years purchase (Present value of 1 unit per period)	16.66						
G H A P K Fernando **Negombo** No. 18, Fernando Avenue, Negombo	Market comparable method		93,902	–	105,000	–	11,098	–
	• Price per perch for land	Rs. 5,670,000 p.p.						
Commercial Insurance Brokers (Private) Limited								
G J Sumanasena **Colombo** No. 347, Dr. Colvin R De Silva Mawatha, Colombo 02	Market comparable method		355,000	46,215	394,000	72,050	39,000	25,835
	• Price per perch for land	Rs. 20,500,000 p.p.						
	• Price per square foot for building	Rs. 10,500 p.sq.ft.						
	• Depreciation rate	30%						

Name of professional valuer/ location and address	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain/(loss) recognised on	
			Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000
CBC Finance Limited								
Sarath G Fernando **Kandy** No. 182, Katugastota Road, Kandy	Market comparable method		18,100	31,974	21,300	29,700	3,200	(2,274)
	• Price per perch for land	Rs. 6,500,000 p.p.						
	• Price per square foot for building	Rs. 10,000 p.sq.ft.						
	• Depreciation rate	20%						
Kandy No. 187, Katugastota Road, Kandy	Market comparable method		65,630	106,727	71,600	127,000	5,970	20,273
	• Price per perch for land	Rs. 6,000,000 p.p.						
	• Price per square foot for building	Rs. 13,700 p.sq.ft.						
	• Depreciation rate	15%						
Total – Group			9,471,553	6,014,224	10,540,889	6,473,030	1,080,520	487,895

p.p. – per perch *p.sq.ft. – per square foot* *p.m. – per month* *p.a. – per annum*

38.5 (c) Valuation techniques and sensitivity of the fair value measurement of the freehold land and buildings of the Bank and Group

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below:

Valuation technique	Significant unobservable valuation inputs (ranges of each property are given in the table above)	Sensitivity of the fair value measurement to inputs
Market comparable method This method considers the selling price of a similar property within a reasonably recent 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 appropriate adjustments for differences in size, nature, location and condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for land Price per square foot for building Depreciation rate for building	Estimated fair value would increase/(decrease) if; – Price per perch for land would increase/(decrease) – Price per square foot for building would increase/(decrease) – Depreciation rate for building would (decrease)/increase
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.	Gross Annual Rentals Years purchase (Present value of 1 unit per period)	Estimated fair value would increase/(decrease) if; – Gross Annual Rentals would increase/(decrease) – Years purchase would increase/(decrease)

38.6 Title restriction on property, plant and equipment

There were no restrictions existed on the title of the property, plant and equipment of the Group/Bank as at the reporting date.

38.7 Property, plant and equipment pledged as security for liabilities – Bank

There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date.

38.8 Compensation from third parties for items of property, plant and equipment – Bank

The compensation received/receivable from third parties for items of property, plant and equipment that were impaired, lost or given up for the reporting periods are as follows:

For the year ended December 31,	2024 Rs. '000	2023 Rs. '000
Total claims lodged	11,086	17,926
Total claims received	(9,339)	(14,486)
Total claims rejected	–	–
Total claims receivable	1,747	3,440

38.9 Fully-depreciated property, plant and equipment – Bank

The cost of fully-depreciated property, plant and equipment of the Bank which are still in use is as follows:

As at December 31,	2024 Rs. '000	2023 Rs. '000
Computer equipment	4,203,765	4,023,296
Office equipment, furniture and fixtures	5,148,291	4,681,903
Motor vehicles	93,568	92,852

38.10 Temporarily idle property, plant and equipment – Bank

Following property, plant and equipment of the Bank were temporarily idle (until the assets are issued to the business units):

As at December 31,	2024 Rs. '000	2023 Rs. '000
Computer equipment	295,605	574,737
Office equipment, furniture and fixtures	255,156	219,744

38.11 Property, plant and equipment retired from active use – Bank

Following property, plant and equipment of the Bank were retired from active use:

As at December 31,		2024 Rs. '000	2023 Rs. '000
Computer equipment	Cost	559,277	531,529
	Depreciation	537,641	516,491
	NBV	21,636	15,038
Office equipment, furniture and fixtures	Cost	173,880	211,090
	Depreciation	169,589	204,980
	NBV	4,291	6,110

38.12 Borrowing costs

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2024 (2023 – Nil).

39 Investment properties

ACCOUNTING POLICY

Investment Properties are those which are held either to earn rental income or for capital appreciation or for both.

An investment property is recognised, if it is probable that future economic benefits that are associated with the investment property will flow to the Group and cost of the investment property can be reliably measured.

The Group recognises the investment properties at its fair value.

When a portion of the property is held to earn rentals or for capital appreciation and another portion is held for use in the production or supply of goods or services or for administrative purposes, the Group accounts for the portions separately if these portions could be sold separately (or leased out separately under a finance lease). If the portions could not be sold separately, the entire property is treated as investment property, only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the net other operating income.

	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Cost/valuation						
Balance as at January 01,			597,825	80,350	–	–
Additions resulting from acquisitions			154,800	498,545	–	–
Disposals during the year			(12,225)	–	–	–
Fair value gains	17	337	3,500	18,930	–	–
Balance as at December 31,			743,900	597,825	–	–

The maturity analysis of investment properties is given in Note 60 on pages 416 and 417.

There were no capitalised borrowing cost related to the acquisition of investment properties during the year 2024 (2023 – Nil).

39.1 (a) Information on investment properties of the Group – Extents and Locations

[As required by the Rule No. 7.6 (viii) of the "Continuing Listing Requirements" of the Colombo Stock Exchange]

Location	Number of buildings	Extent (Perches)	Buildings (Square feet)	Fair value of the investment property – Land Rs. '000	Fair value of the investment property – Building Rs. '000	Carrying value of the investment property before fair valuation – Land Rs. '000	Carrying value of the investment property before fair valuation - Building Rs. '000
Commercial Insurance Brokers (Private) Ltd							
No. 347, Dr. Colvin R De Silva Mawatha, Colombo 2	1	–	8,616	–	63,000	–	58,950
C B C Finance Ltd							
Lot 04, Plan No: 1652, Bulumulla, Kiribathkumbura	–	19	Bare Land	5,600	–	6,350	–
Lot 01, Plan No: 1366, Alapalawala, Handessa, Peradeniya	–	312	Bare Land	18,700	–	21,850	–
Lot 8247, Plan No: 7790 C / 5367, Suranimala Place, Pamankada, Thimbirigasyaya	3	–	5,280	–	119,500	–	109,000
Lots 5112 and 5113, Plan No: 224, No 122/37, High level road ,Kirulapone	–	23	Bare Land	142,000	–	144,000	–
Lots 01, Plan No: 896, Yatiwawala, Katugastota, Kandy	–	272	Bare Land	94,300	–	98,250	–
Lot 01, Plan No: 496, Polwatta, Mawanella	1	99	12,550	7,387	19,413	7,387	21,613
Lot 02, Plan No: 2648, Ballapana Pathabage, Galigamuwa	–	105	Bare Land	94,800	–	94,800	–
Lot 02, Plan No: 678, Iriyagama, Gangapalatha, Yatinuwara, Kandy	–	12	Bare Land	7,200	–	7,200	–
Lot No B, Plan No: 1085,Katukoliha, Hikkaduwa	1	49	1,164	17,150	1,750	15,925	275
Lot 11, Plan No: 2099, Mary Mount, Kandy Road, Kurunegala	1	14	3,590	11,475	16,125	12,150	18,150
Lot 57, Plan No: 426,No - 40, Main Street, Pathana Bazar, Kotagala, Nuwara Eliya	1	9	2,942	3,825	5,675	2,825	5,675
Lot 1, 2 & 3 Plan No: 183-2013, Dewpahala, Kuruwita, Rathnapura	–	3,992	Bare Land	47,000	–	47,000	–
Lot 1, Plan No: 7183, Gorakagahawatta, Udahamulla Village, Maharagama	–	9	Bare Land	17,000	–	17,000	–
Lot 2, Plan No: 1801, 1st Lane, Ramahera Mawatha, Kaduwela	–	55	Bare Land	31,000	–	31,000	–
Lot 1 A, Plan No: 3867, Perakumba Road, Kadawatha Road, Nedimala, Dehiwala	–	7	Bare Land	21,000	–	21,000	–
Total	8			518,437	225,463	526,737	213,663

39.1 (b) Information on investment properties of the Group – Valuations

[As required by the Rule No. 7.6 (viii) of the "Continuing Listing Requirements" of the Colombo Stock Exchange]

Date of valuation: December 31, 2024

Name of Professional Valuer/ Location & Address	Method of valuation and significant unobservable inputs	Range of estimates for unobservable inputs	Carrying value of the investment property before fair valuation		Fair value of the investment property		Fair value gains/(losses) recognised in Income Statement	
			Land Rs. '000	Building Rs. '000	Land Rs. '000	Building Rs. '000	Land Rs. '000	Building Rs. '000
Commercial Insurance Brokers Private Ltd								
G J Sumanasena No 347, Dr. Colvin R De Silva Mawatha, Colombo 02	Market comparable method • Price per square foot for building	Rs. 11,500 p.sq.ft.	–	58,950	–	63,000	–	4,050
	• Depreciation rate	30%						
C B C Finance Ltd.								
S A S Fernando Lot 04, Plan No: 1652, Bulumulla, Kiribathkumbura	Market comparable method • Price per perch for land	Rs. 300,000 p.p	6,350	–	5,600	–	(750)	–
Lot 01, Plan No: 1366, Alapalawala, Handessa, Peradeniya	Market comparable method • Price per perch for land	Rs. 60,000 p.p.	21,850	–	18,700	–	(3,150)	–
Lot 8247, Plan No: 7790 C/5367, Suranimala Place, Pamankada, Thimbirigasyaya	Investment method • Gross monthly rental	Rs. 175,000 p.m.	–	109,000	–	119,500	–	10,500
	• Years purchase	24.10						
Lots 01, Plan No: 896, Yatiwawala, Katugastota, Kandy	Market comparable method • Price per perch for land	Rs. 346,678 p.p.	98,250	–	94,300	–	(3,950)	–
Lot No B, Plan No: 1085, Katukoliha, Hikkaduwa	Market comparable method • Price per perch for land	Rs. 350,000 p.p.	15,925	275	17,150	1,750	1,225	1,475
	• Price per square foot for building	Rs. 1,500 p.sq.ft.						
Lot 11, Plan No: 2099, Mary Mount, Kandy Road, Kurunegala	Market comparable method • Price per perch for land	Rs. 850,000 p.p.	12,150	18,150	11,475	16,125	(675)	(2,025)
	• Price per square foot for building	Rs. 4,500 p.sq.ft.						
Lot 2, Plan No: 1801, 1st Lane, Ramahera Mawatha, Kaduwela	Market comparable method • Price per perch for land	Rs. 550,000 p.p.	31,000	–	31,000	–	–	–
Lot 1 A, Plan No: 3867, Perakumba Road, Kadawatha Road, Nedimala, Dehiwala	Market comparable method • Price per perch for land	Rs. 3,000,000 p.p.	21,000	–	21,000	–	–	–
D S Premasiri Lot 01, Plan No: 496, Polwatta, Mawanella	Market comparable method • Price per perch for land	Rs. 75,000 p.p.	7,387	21,613	7,387	19,413	–	(2,200)
	• Price per square foot for building	Rs. 1,547 p.sq.ft.						
	• Depreciation rate	26%						
Lot 02, Plan No: 2648, Ballapana Pathabage, Galigamuwa	Market comparable method • Price per perch for land	Rs. 900,000 p.p.	94,800	–	94,800	–	–	–
Lot 02, Plan No: 678, Iriyagama, Gangapalatha, Yatinuwara, Kandy	Market comparable method • Price per perch for land	Rs. 600,000 p.p.	7,200	–	7,200	–	–	–
Lot 57, Plan No: 426,No - 40, Main Street, Pathana Bazar, Kotagala, Nuwara Eliya	Market comparable method • Price per perch for land	Rs. 450,000 p.p.	2,825	5,675	3,825	5,675	1,000	–
	• Price per square foot for building	Rs. 2,942 p.sq.ft.						
	• Depreciation rate	35%						
Lot 1, Plan No: 7183, Gorakagahawatta, Udahamulla Village, Maharagama	Market comparable method • Price per perch for land	Rs. 1,850,000 p.p.	17,000	–	17,000	–	–	–
L Dasanayake Lots 5112 and 5113, Plan No: 224, No. 122/37, High level road, Kirulapone	Market comparable method • Price per perch for land	Rs. 6,250,000 p.p.	144,000	–	142,000	–	(2,000)	–
G M Gamini Senevirathne Lot 1, 2 & 3 Plan No: 183-2013, Dewpahala, Kuruwita, Rathnapura	Market comparable method • Price per perch for land	Rs. 11,774 p.p.	47,000	–	47,000	–	–	–
Total			526,737	213,663	518,437	225,463	(8,300)	11,800

p.p. – per perch *p.sq.ft. – per square foot* *p.m. – per month* *p.a. – per annum*

39.1 (c) Valuation techniques and sensitivity of the fair value measurement of the investment properties of the Group

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below:

Valuation technique	Significant unobservable valuation inputs (ranges of each property are given in the table above)	Sensitivity of the fair value measurement to inputs
Market comparable method This method considers the selling price of a similar property within a reasonably recent 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 appropriate adjustments for differences in size, nature, location and condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for land Price per square foot for building Depreciation rate for building	Estimated fair value would increase/(decrease) if; – Price per perch of land would increase/(decrease) – Price per square foot for building would increase/(decrease) – Depreciation rate for building would (decrease)/increase
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.	Gross Annual Rentals Years purchase (Present value of 1 unit per period)	Estimated fair value would increase/(decrease) if; – Gross Annual Rentals would increase/(decrease) – Years purchase would increase/(decrease)

40 Intangible assets

ACCOUNTING POLICY

The Group's intangible assets include the value of acquired goodwill, trademarks, and computer software.

Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard – LKAS 38 on "Intangible Assets".

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, these assets are stated in the Statement of Financial Position at cost, less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Useful economic lives, amortisation and impairment

The useful economic lives of intangible assets are assessed to be either finite or indefinite. Useful economic lives, amortisation and impairment of finite and indefinite intangible assets are described below:

- **Intangible assets with finite lives and amortisation**

Intangible assets with finite lives are amortised over the useful economic lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates, which require prospective application. The amortisation expense on intangible assets with finite lives is expensed as incurred.

- **Goodwill**

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

- **Computer software**

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally-developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally-developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

- **Research and development costs**

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- The asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.
- The ability to use the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

As at the reporting date, the Group does not have development costs capitalised as an internally-generated intangible asset.

			GROUP		BANK	
As at December 31,	Note	Page No.	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Computer software	40.1	386	3,760,314	3,065,305	3,700,909	2,999,383
Software under development	40.2	386	552,444	778,952	520,222	737,121
Goodwill arising on business combination			445,147	445,147	–	–
Total			4,757,905	4,289,404	4,221,131	3,736,504

40.1 Computer software

			GROUP		BANK	
	Note	Page No.	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Cost						
Balance as at January 01,			6,888,378	4,912,819	6,452,830	4,444,723
Additions during the year			884,855	697,671	873,868	683,908
Exchange rate variance			(81,423)	(92,557)	(40,242)	(46,246)
Transfers/adjustments			909,596	1,370,445	894,268	1,370,445
Balance as at December 31,			8,601,406	6,888,378	8,180,724	6,452,830
Accumulated amortisation and impairment losses						
Balance as at January 01,			3,823,073	2,928,574	3,453,447	2,557,083
Amortisation for the year	20	341	1,116,289	964,395	1,086,580	927,649
Exchange rate variance			(67,865)	(69,896)	(29,807)	(31,285)
Transfers/adjustments			(30,405)	–	(30,405)	–
Balance as at December 31,			4,841,092	3,823,073	4,479,815	3,453,447
Net book value as at December 31,			3,760,314	3,065,305	3,700,909	2,999,383

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40.2 Software under development

	GROUP		BANK	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Cost				
Balance as at January 01,	778,952	1,683,808	737,121	1,675,480
Additions during the year	761,559	445,312	751,726	432,086
Exchange rate variance	(3,229)	(2,673)	–	–
Transfers/adjustments	(984,838)	(1,347,495)	(968,625)	(1,370,445)
Balance as at December 31,	552,444	778,952	520,222	737,121

There were no restrictions on the title of the intangible assets of the Group as at the reporting date. Further, there were no items pledged as securities for liabilities. There were no capitalised borrowing costs related to the acquisition of intangible assets during the year 2024 (2023 – Nil).

The maturity analysis of intangible assets is given in Note 60 on pages 416 and 417.

41 Deferred tax assets and liabilities

ACCOUNTING POLICY

There is no legally enforceable right to set off deferred tax assets against the deferred tax liabilities if it does not relates to the same taxable entity or the same taxation authority.

	GROUP		BANK	
As at December 31,	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Recognised under deferred tax assets	12,563,217	34,511,410	12,085,844	34,076,526
Recognised under deferred tax liabilities	511,000	514,207	–	–
Net deferred tax assets	12,052,217	33,997,203	12,085,844	34,076,526

41.1 Summary of net deferred tax assets

			GROUP				BANK			
			2024		2023		2024		2023	
	Note	Page No.	Temporary difference Rs. '000	Tax effect Rs. '000	Temporary difference Rs. '000	Tax effect Rs. '000	Temporary difference Rs. '000	Tax effect Rs. '000	Temporary difference Rs. '000	Tax effect Rs. '000
Balance as at January 01,			112,997,645	33,997,203	100,588,000	30,290,090	113,208,812	34,076,526	100,521,816	30,301,203
Impact on origination and reversal of temporary differences to Income Statement	23	343	(76,046,943)	(21,769,544)	16,757,653	5,131,760	(76,277,700)	(21,828,943)	16,717,703	5,089,842
Impact on origination and reversal of temporary differences to Statement of Profit or Loss and Other Comprehensive Income			425,945	(157,094)	(4,280,138)	(1,282,335)	423,418	(143,391)	(3,962,837)	(1,188,851)
Impact on origination and reversal of temporary differences to Retained Earnings on expired ESOP			(61,160)	(18,348)	(67,870)	(20,361)	(61,160)	(18,348)	(67,870)	(20,361)
Exchange rate variance			–	–	–	(121,951)	–	–	–	(105,307)
Balance as at December 31,			37,315,487	12,052,217	112,997,645	33,997,203	37,293,370	12,085,844	113,208,812	34,076,526

41.2 Reconciliation of net deferred tax assets – Group

	Statement of financial position		Profit or loss		Other comprehensive income	
As at/For the year ended December 31,	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Deferred tax assets on:						
Post employment benefit obligation	656,094	531,203	(6,238)	(88,030)	131,129	53,525
Unrealised losses on financial assets measured at fair value through other comprehensive income	(881,511)	(877,287)	–	–	(4,224)	(821,993)
Provision for impairment charges	17,215,396	39,480,950	(21,996,999)	4,864,015	(268,555)	–
Right-of-use assets	702,730	211,786	516,476	59,981	(25,532)	–
Equity-settled share-based payments	12,483	29,880	951	5,082	–	–
Hedging reserve	–	–	–	–	–	15,666
Brought forward losses	48,268	76,774	(26,181)	71,343	(2,325)	–
Short-term employee benefit obligation	132,511	20,396	117,122	2,296	(5,007)	–
	17,885,971	39,473,702	(21,394,869)	4,914,687	(174,514)	(752,802)

As at/For the year ended December 31,	Statement of financial position 2024 Rs. '000	2023 Rs. '000	Profit or loss 2024 Rs. '000	2023 Rs. '000	Other comprehensive income 2024 Rs. '000	2023 Rs. '000
Deferred tax liabilities on:						
Accelerated depreciation for tax purposes – Property, plant and equipment	739,752	699,627	(33,274)	(125,749)	(6,851)	–
Accelerated depreciation for tax purposes – Leased assets	593,150	240,220	(377,201)	161,497	24,271	–
Revaluation surplus on freehold buildings	1,810,897	1,846,697	35,800	59,374	–	(218,534)
Revaluation surplus on freehold land	2,689,955	2,689,955	–	–	–	(310,999)
Effect of exchange rate variance	–	–	–	121,951	–	–
	5,833,754	5,476,499	(374,675)	217,073	17,420	(529,533)
Deferred tax effect on profit or loss and other comprehensive income for the year			(21,769,544)	5,131,760	(157,094)	(1,282,335)
Net deferred tax asset as at December 31,	12,052,217	33,997,203				

41.3 Reconciliation of net deferred tax assets – Bank

As at/For the year ended December 31,	Statement of financial position 2024 Rs. '000	2023 Rs. '000	Profit or loss 2024 Rs. '000	2023 Rs. '000	Other comprehensive income 2024 Rs. '000	2023 Rs. '000
Deferred tax assets on:						
Post employment benefit obligation	596,034	480,150	(14,319)	(102,610)	130,203	48,572
Unrealised losses on financial assets measured at fair value through other comprehensive income	(880,368)	(877,191)	–	–	(3,177)	(819,301)
Provision for impairment charges	16,882,190	39,103,794	(21,955,949)	4,931,774	(265,655)	–
Right-of-use assets	646,934	208,389	464,077	56,705	(25,532)	–
Equity-settled share-based payments	12,483	29,880	951	5,082	–	–
Hedging reserve	–	–	–	–	–	15,666
	17,257,273	38,945,022	(21,505,240)	4,890,951	(164,161)	(755,063)
Deferred tax liabilities on:						
Accelerated depreciation for tax purposes – Property, plant and equipment	653,600	614,717	(35,382)	(120,922)	(3,501)	–
Accelerated depreciation for tax purposes – Leased assets	539,341	239,251	(324,361)	153,994	24,271	–
Revaluation surplus on freehold buildings	1,327,999	1,364,039	36,040	60,512	–	(134,125)
Revaluation surplus on freehold land	2,650,489	2,650,489	–	–	–	(299,663)
Effect of exchange rate variance	–	–	–	105,307	–	–
	5,171,429	4,868,496	(323,703)	198,891	20,770	(433,788)
Deferred tax effect on profit or loss and other comprehensive income for the year			(21,828,943)	5,089,842	(143,391)	(1,188,851)
Net deferred tax asset as at December 31,	12,085,844	34,076,526				

The maturity analysis of deferred tax assets given in Note 60 on pages 416 and 417.

42 Other assets

As at December 31,	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Deposits and prepayments			440,256	487,668	361,884	425,990
Receivables from Special Incentive Schemes			6,239,621	12,501,879	6,239,621	12,501,879
Clearing account balance			8,084,049	10,183,750	8,084,049	10,183,750
Unamortised cost on staff loans (Day 1 difference)			8,368,702	8,675,472	8,368,702	8,675,472
Other accounts (*)			7,720,399	5,887,382	7,634,686	5,687,357
Total			30,853,027	37,736,151	30,688,942	37,474,448
Less: Provision for impairment	42.1	389	935,789	–	935,789	–
Net other assets			29,917,238	37,736,151	29,753,153	37,474,448

(*) This includes balances from card related settlement accounts, advanced payment to vendors, etc.

42.1 Movement in provision for impairment during the year (**)

	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Balance as at January 01,			–	–	–	–
Charge to the Income Statement	18.1 & 18.2	340	935,789	–	935,789	–
Balance as at December 31,			935,789	–	935,789	–

(**) The impairment provision was recognised against receivable from Special Incentive Schemes.

The maturity analysis of other assets is given in Note 60 on pages 416 and 417.

43 Due to banks

ACCOUNTING POLICY

These represent call money borrowings, credit balances in Nostro Accounts and borrowings from banks. Subsequent to initial recognition, these are measured at amortised cost using the EIR method. Interest paid/payable on these borrowings is recognised in profit or loss.

As at December 31,	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Borrowings	25,221,532	29,309,898	21,151,720	28,635,681
Local currency borrowings	4,700,577	2,772,347	3,010,521	2,209,675
Foreign currency borrowings	20,520,955	26,537,551	18,141,199	26,426,006
Securities sold under repurchase (Repo) agreements (*)	155,032	18,638,680	155,032	18,638,680
Total	25,376,564	47,948,578	21,306,752	47,274,361

(*) Securities sold under repurchase (Repo) agreements are shown on the face of the Statement of Financial Position except for the Repos with banks.

The maturity analysis of due to banks is given in Note 60 on pages 416 and 417.

44 Derivative financial liabilities

ACCOUNTING POLICY

Derivative financial liabilities – Held for trading

Derivative financial liabilities are classified as held for trading. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

Derivatives embedded in financial liabilities are treated separately and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, a separate instrument with the same terms as embedded derivative would meet the definition of derivative and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the profit or loss.

Derivatives are recorded at fair value with corresponding gains or losses are recognised in net gains/(losses) on trading in the Income Statement.

	GROUP		BANK	
As at December 31,	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Derivative financial liabilities – Held for trading				
Foreign currency derivatives	835,749	2,276,842	835,749	2,276,842
Currency swaps	394,036	1,429,366	394,036	1,429,366
Forward contracts	437,278	838,315	437,278	838,315
Spot contracts	4,435	9,161	4,435	9,161
Interest rate swaps – LKR	1,748	42,367	1,748	42,367
Total	837,497	2,319,209	837,497	2,319,209

The maturity analysis of derivative financial liabilities is given in Note 60 on page 416 and 417.

45 Financial liabilities at amortised cost – Due to depositors

ACCOUNTING POLICY

These include non-interest-bearing deposits, savings deposits, term deposits, deposits payable at call, and certificates of deposit.

Subsequent to initial recognition deposits are measured at amortised cost using the EIR method, except where the Group designates liabilities at fair value through profit or loss. Interest paid/payable on these deposits is recognised in "Interest expense" in the Income Statement.

	GROUP		BANK	
As at December 31,	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Local currency deposits	1,606,542,824	1,404,577,982	1,597,943,432	1,399,573,092
Current account balances	100,681,091	92,053,878	100,685,322	92,063,554
Savings deposits	509,740,670	435,697,870	510,084,756	435,725,565
Time deposits	996,117,562	876,822,733	987,169,853	871,780,472
Other deposits	3,501	3,501	3,501	3,501
Foreign currency deposits	699,536,597	743,328,876	638,623,368	685,473,057
Current account balances	110,298,683	159,055,408	89,893,902	136,361,340
Savings deposits	162,203,389	166,727,769	150,691,611	153,857,828
Time deposits	427,034,525	417,545,699	398,037,855	395,253,889
Total	2,306,079,421	2,147,906,858	2,236,566,800	2,085,046,149

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45.1 Analysis of due to customers/deposits from customers

	GROUP		BANK	
As at December 31,	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
(a) By product				
Current account balances	210,979,774	251,109,286	190,579,224	228,424,894
Savings deposits	671,944,059	602,425,639	660,776,367	589,583,393
Time deposits	1,423,152,087	1,294,368,432	1,385,207,708	1,267,034,361
Other deposits	3,501	3,501	3,501	3,501
Total	2,306,079,421	2,147,906,858	2,236,566,800	2,085,046,149

	GROUP		BANK	
As at December 31,	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
(b) By currency				
Sri Lankan Rupee	1,606,201,435	1,404,535,683	1,597,602,043	1,399,530,793
United States Dollar	429,732,638	454,243,693	401,722,001	420,515,552
Great Britain Pound	15,696,474	16,814,212	15,693,747	16,811,421
Euro	13,761,020	14,009,899	13,626,007	13,950,664
Australian Dollar	8,182,053	9,636,783	8,182,053	9,636,783
Bangladesh Taka	196,932,799	221,409,648	196,932,799	221,409,648
Maldivian Rufiyaa	32,708,584	23,998,388	–	–
Other currencies	2,864,418	3,258,552	2,808,150	3,191,288
Total	2,306,079,421	2,147,906,858	2,236,566,800	2,085,046,149
(c) By institution/customers				
Deposits from banks	13,186,809	11,719,617	13,915,197	12,483,346
Deposits from finance companies	17,432,826	18,215,113	17,207,535	17,789,739
Deposits from other customers	2,275,459,786	2,117,972,128	2,205,444,068	2,054,773,064
Total	2,306,079,421	2,147,906,858	2,236,566,800	2,085,046,149

The maturity analysis of financial liabilities at amortised cost – due to depositors is given in Note 60 on pages 416 and 417.

46 Financial liabilities at amortised cost – other borrowings

	GROUP		BANK	
As at December 31,	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Refinance borrowings	14,273,156	12,756,021	14,273,156	12,756,021
Total	14,273,156	12,756,021	14,273,156	12,756,021

The maturity analysis of financial liabilities at amortised cost – other borrowings is given in Note 60 on pages 416 and 417.

47 Current tax liabilities

	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Balance as at January 01,			15,256,244	24,916,074	14,951,984	24,475,319
Provision for the year			20,281,459	17,671,951	19,561,899	16,972,949
Under/(Over) provision	23	343	70,942	(512,850)	70,265	(463,909)
Self assessment payments			(20,193,005)	(25,270,440)	(19,558,649)	(24,526,988)
Withholding tax/other credits			(54,320)	(97,015)	(54,320)	(97,015)
Exchange rate variance			(1,858,654)	(1,451,476)	(1,825,482)	(1,408,372)
Balance as at December 31,			13,502,666	15,256,244	13,145,697	14,951,984

The maturity analysis of current tax liabilities is given in Note 60 on pages 416 and 417.

48 Other liabilities

ACCOUNTING POLICY

Other liabilities include provisions made on fees and expenses, gratuity/pensions, leave encashment, lease liability, impairment provision in respect of off-balance sheet credit exposures and other provisions. These liabilities are recorded at amounts expected to be payable as at the reporting date.

As at December 31,	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Accrued expenditure			6,286,551	5,026,165	6,112,603	4,774,438
Cheques sent on clearing			8,084,049	10,183,750	8,084,049	10,183,750
Lease liability	48.1	393	6,057,074	5,314,995	5,587,477	5,251,889
Provision for gratuity payable	48.2(a)	394	200,191	170,176	–	–
Provision for unfunded pension scheme	48.3(b)	395	259,547	241,497	259,547	241,497
Provision for leave encashment	48.4(b)	396	1,727,249	1,359,003	1,727,249	1,359,003
Pension fund – Defined benefit plan	48.5.1 (d)	397	92,869	16,289	92,869	16,289
W&OP fund – Defined benefit plan	48.5.2 (d)	399	28,362	5,649	28,362	5,649
Payable on oil hedging transactions			475,199	525,882	475,199	525,882
Impairment provision in respect of off-balance sheet credit exposures	57.3 (a) & 57.3 (b)	414	4,527,472	6,086,765	4,519,693	6,082,760
Other payables			31,685,429	27,336,131	31,177,729	26,609,320
Total			59,423,992	56,266,302	58,064,777	55,050,477

The maturity analysis of other liabilities is given in Note 60 on pages 416 and 417.

48.1 Lease liability

	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Balance as at January 01,			5,314,995	6,339,970	5,251,889	6,490,763
Additions during the year			2,088,595	429,583	1,833,443	315,760
Accretion of interest	13.2	331	557,510	438,045	549,105	457,440
Payments			(1,562,734)	(1,373,157)	(1,737,366)	(1,532,374)
Exchange rate variance			(341,292)	(519,446)	(309,594)	(479,700)
Balance as at December 31,			6,057,074	5,314,995	5,587,477	5,251,889

The Bank determines the IBRs by evaluating its funding from various sources and making appropriate adjustments to account for the lease terms. Accordingly, the Bank applied IBRs ranging from 9% to 12% for Sri Lankan operations (from 13% to 19% in 2023) and 11% to 12% for Bangladesh operations (from 8% to 11% in 2023) when recognising lease liability.

48.1 (a) Sensitivity analysis on lease liability

The following table illustrates the impact arising from the possible changes in the incremental borrowing rate on the lease liability of the Bank as at December 31, 2024.

Variable	BANK Sensitivity effect on Statement of Financial Position (Lease liability) Rs. '000	BANK Sensitivity effect on Income Statement (Interest expense) Rs. '000
1% increase in incremental borrowing rate	(115,181)	27,741
1% decrease in incremental borrowing rate	121,425	(29,599)

48.1 (b) Undiscounted cash flow

The following table illustrates the maturity analysis of the lease liability of the Bank on the basis of undiscounted cash flows.

As at December 31,	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Less than one year	1,390,431	1,491,069
Between one to five years	4,888,342	4,299,274
Over five years	1,482,434	969,778
Total	7,761,207	6,760,121

48.2 Provision for gratuity payable

An actuarial valuation of the retirement gratuity payable was carried out as at December 31, 2024 by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries. The valuation method used by the actuaries to value the liability is the Projected Unit Credit (PUC) Method, the method recommended by the Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

48.2 (a) Movement in the provision for gratuity payable (*)

	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Balance as at January 01,			170,176	464,557	–	340,068
Expense recognised in the Income Statement	48.2 (b)	394	41,915	38,757	–	–
Amount paid during the year			(14,987)	(349,653)	–	(340,068)
Actuarial (gains)/losses recognised in other comprehensive income			3,087	16,515	–	–
Balance as at December 31,			200,191	170,176	–	–

(*) The Bank converted the gratuity liability of its Sri Lankan Operations which was a DBP into a DCPF during the year 2020. Please refer Note 7.8.2.4 on page 326. Similarly, the gratuity liability of the Bangladesh Operations of the Bank transferred in to separate fund namely "Bangladesh Employees' Gratuity Fund" which is independently administered by a Board of Trustees, who shall be appointed by the Bank, during the year 2021. Please refer Note 48.5.3 on page 399.

48.2 (b) Expense recognised in the Income Statement – Gratuity

For the year ended December 31,	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Interest cost	22,406	22,408	–	–
Current service cost	19,509	16,349	–	–
Total	41,915	38,757	–	–

48.2 (c) Sensitivity analysis on actuarial valuation – Gratuity

The following table illustrates the impact arising from the possible changes in the discount rate and salary escalation rates on the gratuity valuation of the Group and the Bank as at December 31, 2024.

Variable	GROUP Sensitivity effect on Statement of Financial Position (Benefit obligation) Rs. '000
1% increase in discount rate	(13,849)
1% decrease in discount rate	15,698
1% increase in salary	16,049
1% decrease in salary	(14,393)

48.3 Provision for unfunded pension scheme

An actuarial valuation of the unfunded pension liability was carried out as at December 31, 2024 by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional actuaries. The valuation method used by the actuary to value the liability is the Projected Unit Credit (PUC) Method, the method recommended by the Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

48.3 (a) Actuarial assumptions

Type of assumption	Criteria	Description
Demographic	Mortality – in service	A 1967-70 Mortality table issued by the Institute of Actuaries
	After retirement	A (90) Annuities table (Males & Females) issued by the Institute of Actuaries
	Staff turnover	The staff turnover rate at an age represents the probability of an active employee leaving within one year of that age due to reasons other than death, ill health and normal retirement. Staff turnover rates used in this valuation have been determined based on the staff turnover statistics of the Bank.
	Disability	Assumptions similar to those used in other comparable schemes for disability were used as the data required to do a "scheme specific" study was not available. Disability rates used in this valuation: 10.00% of Mortality table
	Normal retirement age	55 to 60 years as opted by employees.
Financial	Rate of discount	In the absence of a deep market in long term bonds in Sri Lanka, a long term interest rate of 11.00% p.a. (2023 – 13.00% p.a.) has been used to discount future liabilities considering anticipated long term rate of inflation.
	Salary increases	A salary increment of 10.00% p.a. (2023 – 12.00% p.a.) has been used in respect of the active employees.
	Post retirement pension increase rate	There is no agreed rate of increase even though the pension payments are subject to periodic increases, and increases are granted solely at the discretion of the Bank. Therefore, no specific rate of increase was assumed for this valuation.

48.3 (b) Movement in the provision for unfunded pension scheme

			GROUP		BANK	
	Note	Page No.	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Balance as at January 01,			241,497	197,277	241,497	197,277
Expense recognised in the Income Statement	48.3 (c)	395	31,395	35,510	31,395	35,510
Amount paid during the year			(60,551)	(54,728)	(60,551)	(54,728)
Actuarial (gains)/losses recognised in other comprehensive income			47,206	63,438	47,206	63,438
Balance as at December 31,			259,547	241,497	259,547	241,497

48.3 (c) Expense recognised in the Income Statement – Unfunded pension scheme

	GROUP		BANK	
For the year ended December 31,	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Interest cost	31,395	35,510	31,395	35,510
Total	31,395	35,510	31,395	35,510

48.3 (d) Sensitivity analysis on actuarial valuation – Unfunded pension scheme

The following table illustrates the impact arising from the possible changes in the discount rates and salary escalation rates on the unfunded pension scheme of the Bank as at December 31, 2024.

	GROUP	BANK
Variable	Sensitivity effect on Statement of Financial Position (Benefit obligation) Rs. '000	Sensitivity effect on Statement of Financial Position (Benefit obligation) Rs. '000
1% increase in discount rate	(9,916)	(9,916)
1% decrease in discount rate	10,761	10,761

48.4 Provision for leave encashment

An actuarial valuation of the leave encashment liability was carried out as at December 31, 2024 by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional actuaries. The valuation method used by the actuaries to value the liability is the Projected Unit Credit (PUC) Method, the method recommended by the Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

48.4 (a) Actuarial assumptions

Type of assumption	Criteria	Description
Demographic	Mortality – in service	A 1967-70 Mortality table issued by the Institute of Actuaries
	Staff turnover	The probability of a member withdrawing from the scheme within a year of ages between 20 to 55 years.
	Disability	Disability rates used in this valuation: 10.00% of Mortality table
Financial	Rate of discount	In the absence of a deep market in long term bonds in Sri Lanka, a long term interest rate of 11.00% p.a. (2023 – 13.00% p.a.) has been used to discount future liabilities considering anticipated long term rate of inflation.
	Salary increases	A salary increment of 10.00% p.a. (2023 – 12.00% p.a.) has been used in respect of the active employees.

48.4 (b) Movement in the provision for leave encashment

			GROUP		BANK	
	Note	Page No.	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Balance as at January 01,			1,359,003	1,243,285	1,359,003	1,243,285
Expense recognised in the Income Statement	48.4 (c)	396	176,670	223,791	176,670	223,791
Amount paid during the year			(195,233)	(206,539)	(195,233)	(206,539)
Actuarial (gains)/losses recognised in other comprehensive income			386,809	98,466	386,809	98,466
Balance as at December 31,			1,727,249	1,359,003	1,727,249	1,359,003

48.4 (c) Expense recognised in the Income Statement – Leave encashment

	GROUP		BANK	
For the year ended December 31,	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Interest cost	176,670	223,791	176,670	223,791
Total	176,670	223,791	176,670	223,791

48.4 (d) Sensitivity analysis on actuarial valuation – Leave encashment

The following table illustrates the impact arising from the possible changes in the discount rates and salary escalation rates on leave encashment liability valuation of the Bank as at December 31, 2024.

	GROUP	BANK
Variable	Sensitivity effect on Statement of Financial Position (Benefit obligation) Rs. '000	Sensitivity effect on Statement of Financial Position (Benefit obligation) Rs. '000
1% increase in discount rate	(79,624)	(79,624)
1% decrease in discount rate	87,413	87,413
1% increase in salary	89,700	89,700
1% decrease in salary	(83,086)	(83,086)

48.5 Employee retirement benefit

48.5.1 Pension fund – Defined benefit plan

An actuarial valuation of the Retirement Pension Fund was carried out as at December 31, 2024 by Mr M Poopalanathan, AIA, of Messrs Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries. The valuation method used by the actuaries to value the fund is the Projected Unit Credit (PUC) Method, the method recommended by the Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

The assets of the fund, which are independently administered by the Trustees as per the provisions of the Trust Deed are held separately from those of the Bank.

48.5.1 (a) Actuarial assumptions

Type of assumption	Criteria	Description
Demographic	Mortality – in service	A 1967-70 Mortality table issued by the Institute of Actuaries
	After retirement	A (90) Annuities table (Males & Females) issued by the Institute of Actuaries
	Staff turnover	The staff turnover rate at an age represents the probability of an active employee leaving within one year of that age due to reasons other than death, ill health and normal retirement. Staff turnover rates used in this valuation have been determined based on the staff turnover statistics of the Bank.
	Disability	Assumptions similar to those used in other comparable schemes for disability were used as the data required to do a "scheme specific" study was not available. Disability rates used in this valuation: 10.00% of Mortality table
	Normal retirement age	55 to 60 years as opted by employees.
Financial	Rate of discount	In the absence of a deep market in long term bonds in Sri Lanka, a long term interest rate of 11.00% p.a. (2023 – 13.00% p.a.) has been used to discount future liabilities considering anticipated long term rate of inflation.
	Salary increases	A salary increment of 10.00% p.a. (2023 – 12.00% p.a.) has been used in respect of the active employees.
	Post-retirement pension increase rate	There is no agreed rate of increase even though the pension payments are subject to periodic increases, and increases are granted solely at the discretion of the Bank. Therefore, no specific rate of increase was assumed for this valuation.

48.5.1 (b) Movement in the present value of defined benefit obligation – Bank

	2024 Rs. '000	2023 Rs. '000
Balance as at January 01,	253,646	199,918
Interest cost	32,974	35,985
Current service cost	4,759	2,918
Benefits paid during the year	(28,770)	(28,158)
Actuarial (gains)/losses	56,279	42,983
Balance as at December 31,	318,888	253,646

48.5.1 (c) Movement in the fair value of plan assets – Bank

	2024 Rs. '000	2023 Rs. '000
Fair value as at January 01,	237,357	240,138
Expected return on plan assets	30,856	43,225
Contribution paid into plan	20,219	3,051
Benefits paid by the plan	(28,770)	(28,158)
Actuarial gains/(losses) on plan assets	(33,643)	(20,899)
Fair value as at December 31,	226,019	237,357

48.5.1 (d) Liability recognised in the Statement of Financial Position

As at December 31,	Note	Page No.	2024 Rs. '000	2023 Rs. '000
Present value of defined benefit obligations	48.5.1 (b)	397	318,888	253,646
Fair value of plan assets	48.5.1 (c)	397	(226,019)	(237,357)
Net liability recognised under other liabilities			92,869	16,289

48.5.1 (e) Plan assets consist of the following:

As at December 31,	2024 Rs. '000	2023 Rs. '000
Deposits held with the Bank	226,019	237,357
Total	226,019	237,357

48.5.1 (f) Sensitivity analysis on actuarial valuation – Pension fund

The following table illustrates the impact arising from the possible changes in the discount rates and salary escalation rates on the pension fund scheme of the Bank as at December 31, 2024.

	GROUP	BANK
Variable	Sensitivity effect on Statement of Financial Position (Benefit obligation) Rs. '000	Sensitivity effect on Statement of Financial Position (Benefit obligation) Rs. '000
1% increase in discount rate	(23,072)	(23,072)
1% decrease in discount rate	26,355	26,355
1% increase in salary	10,124	10,124
1% decrease in salary	(9,533)	(9,533)

48.5.2 W&OP Fund – Defined benefit plan

An actuarial valuation of the Retirement Pension W&OP Fund was carried out as at December 31, 2024 by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional actuaries. The valuation method used by the actuaries to value the fund is the Projected Unit Credit (PUC) Method, the method recommended by the Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

The assets of the fund, which are independently administered by the Trustees as per the provisions of the Trust Deed are held separately from those of the Bank.

48.5.2 (a) Actuarial assumptions

Type of assumption	Criteria	Description
Demographic	Mortality – in service	A 1967-70 Mortality table issued by the Institute of Actuaries
	After retirement	A (90) Annuities table (Males & Females) issued by the Institute of Actuaries
	Staff turnover	The staff turnover rate at an age represents the probability of an active employee leaving within one year of that age due to reasons other than death, ill health and normal retirement Staff turnover rates used in this valuation have been determined based on the staff turnover statistics of the Bank
	Disability	Assumptions similar to those used in other comparable schemes for disability were used as the data required to do a "scheme specific" study was not available Disability rates used in this valuation: 10.00% of Mortality table
	Normal retirement age	55 to 60 years as opted by employees.
Financial	Rate of discount	In the absence of a deep market in long term bonds in Sri Lanka, a long term interest rate of 11.00% p.a. (2023 – 13.00% p.a.) has been used to discount future liabilities considering anticipated long term rate of inflation
	Salary increases	A salary increment of 10.00% p.a. (2023 – 12.00% p.a.) has been used in respect of the active employees
	Post-retirement pension increase rate	There is no agreed rate of increase even though the pension payments are subject to periodic increases, and increases are granted solely at the discretion of the Bank. Therefore, no specific rate of increase was assumed for this valuation

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48.5.2 (b) Movement in the present value of defined benefit obligation – Bank

	2024 Rs. '000	2023 Rs. '000
Balance as at January 01,	83,728	60,277
Interest cost	10,884	10,849
Current service cost	399	196
Benefits paid during the year	(10,184)	(9,561)
Actuarial (gains)/losses	19,308	21,967
Balance as at December 31,	104,135	83,728

48.5.2 (c) Movement in the fair value of plan assets

	2024 Rs. '000	2023 Rs. '000
Fair value as at January 01,	78,079	81,789
Expected return on plan assets	10,150	14,722
Contribution paid into plan	6,006	279
Benefits paid by the plan	(10,184)	(9,561)
Actuarial gains/(losses) on plan assets	(8,278)	(9,150)
Fair value as at December 31,	75,773	78,079

48.5.2 (d) Liability recognised in the Statement of Financial Position

As at December 31,	Note	Page No.	2024 Rs. '000	2023 Rs. '000
Present value of defined benefit obligations	48.5.2 (b)	398	104,135	83,728
Fair value of plan assets	48.5.2 (c)	399	(75,773)	(78,079)
Net liability recognised under other liabilities			28,362	5,649

48.5.2 (e) Plan assets consist of the following:

As at December 31,	2024 Rs. '000	2023 Rs. '000
Deposits held with the Bank	75,773	78,079
Total	75,773	78,079

48.5.2 (f) Sensitivity analysis on actuarial valuation – W&OP Fund

The following table illustrates the impact arising from the possible changes in the discount rates and salary escalation rates on the W&OP fund scheme of the Bank as at December 31, 2024.

	GROUP	BANK
Variable	Sensitivity effect on Statement of Financial Position (Benefit obligation) Rs. '000	Sensitivity effect on Statement of Financial Position (Benefit obligation) Rs. '000
1% increase in discount rate	(7,745)	(7,745)
1% decrease in discount rate	9,017	9,017
1% increase in salary	899	899
1% decrease in salary	(852)	(852)

48.5.3 Gratuity Fund Bangladesh Operations – Defined Benefit Plan

An actuarial valuation of the retirement gratuity payable was carried out as at December 31, 2024 by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries. The valuation method used by the actuaries to value the liability is the Projected Unit Credit (PUC) Method, the method recommended by the Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

The assets of the fund, which are independently administered by the Trustees as per the provisions of the Trust Deed are held separately from those of the Bank.

48.5.3 (a) Actuarial assumptions

Type of assumption	Criteria	Description
Demographic	Mortality – in service	A 1967-70 Mortality table issued by the Institute of Actuaries
	Staff turnover	The staff turnover rate at an age represents the probability of an employee leaving within one year of that age due to reasons other than death, ill health and normal retirement. Staff turnover rates used in this valuation have been determined based on the staff turnover statistics of the Bangladesh Operations of the Bank.
	Normal retirement age	59 Years
	Average future working lifetime	15 Years
Financial	Rate of discount	In the absence of long term high quality corporate bonds or government bonds with the term that matches liabilities, a long term interest rate of 11.00% p.a. (2023 – 10.00% p.a.) has been used to discount future liabilities considering anticipated long term rate of inflation.
	Salary increases	A salary increment of 13.00% p.a. (2023 – 12.00% p.a.) has been used in respect of the active employees.

48.5.3 (b) Movement in the present value of defined benefit obligation – Bank

	2024 Rs. '000	2023 Rs. '000
Balance as at January 01,	850,811	865,917
Interest cost	74,848	58,343
Current service cost	75,640	77,379
Benefits paid during the year	(38,178)	(5,484)
Actuarial (gains)/losses	(17,543)	17,434
Exchange rate variance	(150,093)	(162,778)
Balance as at December 31,	795,485	850,811

48.5.3 (c) Movement in the fair value of plan assets

	2024 Rs. '000	2023 Rs. '000
Fair value as at January 01,	850,811	865,917
Expected return on plan assets	74,848	58,343
Contribution paid into plan	73,456	108,578
Benefits paid by the plan	(38,178)	(5,484)
Actuarial gains/(losses) on plan assets	(15,359)	(13,765)
Exchange rate variance	(150,093)	(162,778)
Fair value as at December 31,	795,485	850,811

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48.5.3 (d) Liability recognised in the Statement of Financial Position

As at December 31,	Note	Page No.	2024 Rs. '000	2023 Rs. '000
Present value of defined benefit obligations	48.5.3 (b)	400	795,485	850,811
Fair value of plan assets	48.5.3 (c)	400	(795,485)	(850,811)
Net liability recognised under other liabilities			–	–

48.5.3 (e) Plan assets consist of the following:

As at December 31,	2024 Rs. '000	2023 Rs. '000
Deposits held with the Bank	86,452	428,254
Investments in government securities	709,033	422,557
Total	795,485	850,811

48.5.3 (f) Sensitivity analysis on actuarial valuation - Gratuity Fund Bangladesh Operations

The following table illustrates the impact arising from the possible changes in the discount rates and salary escalation rates on the gratuity fund Bangladesh operations of the Bank as at December 31, 2024.

	GROUP	BANK
Variable	Sensitivity effect on Statement of Financial Position (Benefit obligation) Rs. '000	Sensitivity effect on Statement of Financial Position (Benefit obligation) Rs. '000
1% increase in discount rate	(80,691)	(80,691)
1% decrease in discount rate	94,285	94,285
1% increase in salary	95,114	95,114
1% decrease in salary	(82,873)	(82,873)

48.5.4 Defined Contribution Plans

48.5.4 (a) Defined Contribution Plan – Pension Fund 2006

During 2006, the Bank restructured its pension scheme which was a Defined Benefit Plan (DBP) to a Defined Contribution Plan (DCP). This restructured plan was offered on a voluntary basis to the eligible employees of the Bank. The scheme provided for lump sum payments instead of commuted/monthly pension to the eligible employees at the point of their separation, in return for surrendering their pension rights. The lump sum offered consisted of a past service package and future service package. The cost to be incurred on account of the past service package in excess of the funds available in the pension fund was borne by the Bank in 2006.

The future service package includes monthly contributions to be made by the Bank for the employees who accepted the offer, to be made during their remaining period of service, at predetermined contribution rates to be applied on their salaries, estimated to increase for this purpose at 10.00% p.a. In addition, interest to be earned on the assets of the DCP is also allocated to the employees who joined the restructured scheme.

48.5.4 (b) Defined Contribution Plan – Pension Fund 2020

The Bank converted its gratuity scheme of Sri Lankan operations, which was a Defined Benefit Plan (DBP), to a Defined Contribution Plan (DCP) during the year 2020. Refer Note 7.8.2.4 for further details on page 326.

49 Due to subsidiaries

	GROUP		BANK	
As at December 31,	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Local subsidiaries				
Commercial Development Company PLC	–	–	10,961	2,063
CBC Tech Solutions Limited	–	–	134,833	315,158
CBC Finance Limited	–	–	–	–
Commercial Insurance Brokers (Private) Limited	–	–	–	–
Subtotal	–	–	145,794	317,221
Foreign subsidiaries				
Commex Sri Lanka S.R.L. – Italy (Liquidated in 2024)	–	–	–	–
Commercial Bank of Maldives Private Limited	–	–	–	–
CBC Myanmar Microfinance Company Limited	–	–	–	–
Subtotal	–	–	–	–
Total	–	–	145,794	317,221

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50 Subordinated liabilities

ACCOUNTING POLICY

These represent the funds borrowed by the Group for long-term funding requirements. Subsequent to initial recognition these are measured at their amortised cost using the EIR method, except where the Group designates them at fair value through profit or loss. Interest paid/payable is recognised in profit or loss.

	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Balance as at January 01,			35,878,920	59,797,760	35,878,920	59,797,760
Amount borrowed during the year			20,000,000	12,000,000	20,000,000	12,000,000
Repayments/redemptions during the year			–	(32,393,840)	–	(32,393,840)
Subtotal			55,878,920	39,403,920	55,878,920	39,403,920
Exchange rate variance			–	(3,525,000)	–	(3,525,000)
Balance as at December 31, (before adjusting for amortised interest and transaction cost)	50.1 & 50.2	402 & 403	55,878,920	35,878,920	55,878,920	35,878,920
Net effect of amortised interest payable			1,828,757	604,019	1,828,757	604,019
Adjusted balance as at December 31,			57,707,677	36,482,939	57,707,677	36,482,939

50.1 Categories of subordinated liabilities as at December 31, 2024 – Group and Bank

Categories	Interest payable frequency	Allotment date	Maturity date	Coupon rate %	Effective annual yield %	Interest rate of comparable Government Security %	Market value Highest	Market value Lowest	Market value Period end	Other Ratios as at date of last trade Interest yield %	Other Ratios as at date of last trade Yield to Maturity %	Group/Bank Rs. '000
Fixed Rate Debentures												
Issued in 2016												
2016/2026 – Type B – Public/Listed	Biannually	09.03.2016	08.03.2026	11.25	11.57	13.60	Not traded during the period			N/A	N/A	1,749,090
2016/2026 – Type B – Public/Listed	Biannually	28.10.2016	27.10.2026	12.25	12.63	13.65	Not traded during the period			N/A	N/A	1,928,200
Issued in 2018												
2018/2028 – Type B – Public/Listed	Biannually	23.07.2018	22.07.2028	12.50	12.89	13.85	Not traded during the period			N/A	N/A	1,606,160
Issued in 2021												
2021/2026 – Type A – Public/Listed	Biannually	21.09.2021	20.09.2026	9.00	9.20	13.65	Not traded during the period			N/A	N/A	4,237,470
2021/2028 – Type B – Public/Listed	Biannually	21.09.2021	20.09.2028	9.50	9.73	13.70	Not traded during the period			N/A	N/A	4,358,000
Issued in 2022												
2022/2027 – Type A – Public/Listed	Biannually	12.12.2022	11.12.2027	28.00	29.96	13.55	142	100	142(*)	29.96	13.73	6,724,680
2022/2029 – Type B – Public/Listed	Biannually	12.12.2022	11.12.2029	27.00	28.82	13.45	156	156	156(**)	28.82	13.66	3,263,820
2022/2032 – Type C – Public/Listed	Biannually	12.12.2022	11.12.2032	22.00	23.21	13.70	Not traded during the period			N/A	N/A	11,500
Issued in 2023												
2023/2028 – Type A – Public/Listed	Biannually	20.12.2023	19.12.2028	14.50	15.03	14.05	Not traded during the period			N/A	N/A	2,132,400
2023/2028 – Type B – Public/Listed	Annually	20.12.2023	19.12.2028	15.00	15.00	14.05	Not traded during the period			N/A	N/A	7,558,090
2023/2030 – Type C – Public/Listed	Biannually	20.12.2023	19.12.2030	13.75	14.22	13.35	Not traded during the period			N/A	N/A	32,980
2023/2030 – Type D – Public/Listed	Annually	20.12.2023	19.12.2030	14.25	14.25	13.35	Not traded during the period			N/A	N/A	817,760
2023/2033 – Type E – Public/Listed	Biannually	20.12.2023	19.12.2033	13.50	13.96	12.95	Not traded during the period			N/A	N/A	30,840
2023/2033 – Type F – Public/Listed	Annually	20.12.2023	19.12.2033	14.00	14.00	12.95	120	120	120(***)	14.00	10.86	1,427,930
Issued in 2024												
2024/2029 – Type A – Public/Listed	Biannually	10.07.2024	09.07.2029	12.60	13.00	12.70	Not traded during the period			N/A	N/A	1,427,250
2024/2029 – Type B – Public/Listed	Annually	10.07.2024	09.07.2029	13.00	13.00	12.70	Not traded during the period			N/A	N/A	12,455,160
2024/2031 – Type C – Public/Listed	Biannually	10.07.2024	09.07.2031	12.85	13.26	12.85	Not traded during the period			N/A	N/A	139,670
2024/2031 – Type D – Public/Listed	Annually	10.07.2024	09.07.2031	13.25	13.25	12.85	Not traded during the period			N/A	N/A	368,890
2024/2034 – Type E – Public/Listed	Biannually	10.07.2024	09.07.2034	13.00	13.42	13.25	Not traded during the period			N/A	N/A	73,040
2024/2034 – Type F – Public/Listed	Annually	10.07.2024	09.07.2034	13.50	13.50	13.25	Not traded during the period			N/A	N/A	5,535,990
Total												55,878,920

(*) Last traded date – April 04, 2024 (**) Last traded date – January 24, 2024 (***) Last traded date – March 27, 2024

50.2 Categories of subordinated liabilities as at December 31, 2023 – Group and Bank

Categories	Interest payable frequency	Allotment date	Maturity date	Coupon Rate/ Interest rate %	Effective annual yield %	Interest rate of comparable Government Security %	Market value – Highest	Market value – Lowest	Market value – Period end	Other Ratios as at date of last trade – Interest yield %	Other Ratios as at date of last trade – Yield to Maturity %	Group/Bank Rs. '000
Fixed Rate Debentures												
Issued in 2016												
2016/2026 – Type B – Public/Listed	Biannually	09.03.2016	08.03.2026	11.25	11.57	13.60	Not traded during the period			N/A	N/A	1,749,090
2016/2026 – Type B – Public/Listed	Biannually	28.10.2016	27.10.2026	12.25	12.63	13.65	Not traded during the period			N/A	N/A	1,928,200
Issued in 2018												
2018/2028 – Type B – Public/Listed	Biannually	23.07.2018	22.07.2028	12.50	12.89	13.85	Not traded during the period			N/A	N/A	1,606,160
Issued in 2021												
2021/2026 – Type A – Public/Listed	Biannually	21.09.2021	20.09.2026	9.00	9.20	13.65	Not traded during the period			N/A	N/A	4,237,470
2021/2028 – Type B – Public/Listed	Biannually	21.09.2021	20.09.2028	9.50	9.73	13.70	Not traded during the period			N/A	N/A	4,358,000
Issued in 2022												
2022/2027 – Type A – Public/Listed	Biannually	12.12.2022	11.12.2027	28.00	29.96	13.55	100	100	100(*)	28.00	28.00	6,724,680
2022/2029 – Type B – Public/Listed	Biannually	12.12.2022	11.12.2029	27.00	28.82	13.45	Not traded during the period			N/A	N/A	3,263,820
2022/2032 – Type C – Public/Listed	Biannually	12.12.2022	11.12.2032	22.00	23.21	13.70	Not traded during the period			N/A	N/A	11,500
Issued in 2023												
2023/2028 – Type A – Public/Listed	Biannually	20.12.2023	19.12.2028	14.50	15.03	14.05	Not traded during the period			N/A	N/A	2,132,400
2023/2028 – Type B – Public/Listed	Annually	20.12.2023	19.12.2028	15.00	15.00	14.05	Not traded during the period			N/A	N/A	7,558,090
2023/2030 – Type C – Public/Listed	Biannually	20.12.2023	19.12.2030	13.75	14.22	13.35	Not traded during the period			N/A	N/A	32,980
2023/2030 – Type D – Public/Listed	Annually	20.12.2023	19.12.2030	14.25	14.25	13.35	Not traded during the period			N/A	N/A	817,760
2023/2033 – Type E – Public/Listed	Biannually	20.12.2023	19.12.2033	13.50	13.96	12.95	Not traded during the period			N/A	N/A	30,840
2023/2033 – Type F – Public/Listed	Annually	20.12.2023	19.12.2033	14.00	14.00	12.95	Not traded during the period			N/A	N/A	1,427,930
Total												35,878,920

(*) Last traded date - February 14, 2023

50.3 Subordinated liabilities by maturity

	GROUP		BANK	
As at December 31,	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Payable within one year	–	–	–	–
Payable after one year	55,878,920	35,878,920	55,878,920	35,878,920
Total	55,878,920	35,878,920	55,878,920	35,878,920

In the event of the winding-up of the issuer, the above liabilities would be subordinated to the claims of depositors and all other creditors of the issuer. The Bank has not had any defaults of principal, interest or other breaches with respect to its subordinated liabilities during the year ended December 31, 2024.

The maturity analysis of subordinated liabilities is given in Note 60 on pages 416 to 417.

51 Stated capital

ACCOUNTING POLICY

Ordinary shares in the Bank are recognised at the amount paid per ordinary share net of directly attributable issue cost.

	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Balance as at January 01,			62,948,003	58,149,621	62,948,003	58,149,621
Issue of ordinary voting shares under employee share option plans			272,475	51,740	272,475	51,740
Transfer from employee share option reserve	55.5	411	19,017	4,491	19,017	4,491
Issue of ordinary shares as part of the final dividend satisfied in the form of issue and allotment of new shares			2,234,044	4,742,151	2,234,044	4,742,151
Ordinary voting shares			2,102,131	4,464,679	2,102,131	4,464,679
Ordinary non-voting shares			131,913	277,472	131,913	277,472
Rights issue of ordinary voting shares (*)			21,450,064	–	21,450,064	–
Rights issue of ordinary non-voting shares (*)			1,093,491	–	1,093,491	–
Balance as at December 31,			88,017,094	62,948,003	88,017,094	62,948,003

(*) The Bank raised Rs. 22.54 Bn., via a rights issue in August 2024. The quantum of funds raised through the above rights issue was utilised to achieve the objectives as stated in the Circular to the Shareholders. The following table indicates the details of utilisation of funds raised through the above rights issue.

Objective Number	Objective	Amount allocated	Proposed date of utilisation (as per Circular to the Shareholders)	Amount allocated from proceeds (A)	% of total proceeds	Amount utilised (B)	% of utilised against allocation (B/A)	Clarification if not utilised including where the funds are invested
1	Improve the Capital Adequacy Ratio by increasing Tier I Capital base thus strengthening the Total Capital	Rs. 22.54 Bn.	Subsequent to the allotment of shares	Rs. 22.54 Bn.	100	Rs. 22.54 Bn.	100	N/A
2	Finance the expansion of the loan portfolio		Within 12 months from the date of allotment					

51.1 Movement in number of shares

	Number of ordinary voting shares 2024	Number of ordinary voting shares 2023	Number of ordinary non-voting shares 2024	Number of ordinary non-voting shares 2023	Total 2024	Total 2023
Balance as at January 01,	1,236,525,395	1,167,236,442	77,595,733	72,541,605	1,314,121,128	1,239,778,047
Issue of ordinary voting shares under the employee share option plans	3,130,714	601,578	–	–	3,130,714	601,578
Issue of ordinary shares as part of the final dividend satisfied in the form of issue and allotment of new shares	23,202,324	68,687,375	1,642,749	5,054,128	24,845,073	73,741,503
Rights issue of ordinary shares	252,353,693	–	15,847,696	–	268,201,389	–
Balance as at December 31,	1,515,212,126	1,236,525,395	95,086,178	77,595,733	1,610,298,304	1,314,121,128

The shares of Commercial Bank of Ceylon PLC are quoted on the Colombo Stock Exchange. The non-voting ordinary shares of the Bank, rank *pari passu* in respect of all rights with the ordinary voting shares of the Bank except voting rights on Resolutions passed at General Meetings.

The holders of ordinary shares are entitled to receive dividends declared from time to time and holders of voting ordinary shares are entitled to one vote per share at General Meetings of the Bank.

The Bank has offered employee share option plans. Refer Note 52 on page 405.

52 Share-based payment

52.1 Description of the Share-based Payment Arrangement

As at the reporting date, the Group had the following equity settled share-based payment arrangement which was granted after January 01, 2012, the effective date of the Accounting Standard SLFRS 2 on "Share-based Payment".

Employee Share Option Plan – 2019 (ESOP – 2019)

The Bank obtained the approval of the shareholders at an Extraordinary General Meeting held on January 30, 2020, to introduce an Employee Share Option Plan for the benefit of all Executive Officers in Grade 1A and above by creating up to 2% of the ordinary voting shares at the rate of 0.5% shares in the first two years and 1% share in the last year over a period of three to five years, upon the Bank achieving specified performance conditions. The performance conditions include minimum performance targets over the budget and over the industry peers and the service conditions include the fulfilment of the minimum service period at vesting dates of each tranche.

Key terms and conditions related to the offer are detailed below:

Tranches	Tranche I	Tranche II	Tranche III
Percentage of issue of new voting shares (Maximum)	0.50%	0.50%	1.00%
Date granted	January 30, 2020	January 30, 2020	January 30, 2020
Exercise price (Rs.): Before/after the Rights Issue (*)	91.65	85.13	87.39 / 84.21 (*)
Exercisable between	July 01, 2020 to June 30, 2023	October 01, 2020 to September 30, 2023	October 01, 2021 to September 30, 2024
Date of vesting	June 30, 2020	September 30, 2020	September 30, 2021
Vesting conditions	6 Months of service up to the vesting date and the fulfilment of performance conditions stated above for the Financial Year 2018	6 Months of service up to the vesting date and the fulfilment of performance conditions stated above for the Financial Year 2019	6 Months of service up to the vesting date and the fulfilment of performance conditions stated above for the Financial Year 2020
Number of options vested on the date of vesting			
Options granted to key management personnel	89,187	99,010	206,866
Options granted to other executive officers	4,716,598	4,706,872	10,996,130
Total options vested on the date of vesting	4,805,785	4,805,882	11,202,996
Additional number of options vested consequent to the rights issue	N/A	N/A	344,730
Number of options cancelled/expired due to non-acceptance	(4,732,275)	(4,043,478)	(8,900,543)
Number of options exercised up to December 31, 2024	(73,510)	(762,404)	(2,647,183)
Number of options to be exercised as at December 31, 2024	–	–	–

All options are to be settled by physical delivery of ordinary voting shares of the Bank. There are neither cash settlement alternatives nor the Bank has a past practise of cash settlement for these types of options.

The exercise price of each tranche is computed based on a volume-weighted average market price of the Bank's ordinary (voting) shares, during the period of thirty (30) market days, six months prior to the date of vesting.

(*) With the conclusion of the rights issue of the Bank in August 2024 as detailed in Note 51 on page 404, the exercise price & the number of unexercised options under the employee share option scheme were adjusted.

52.2 Measurement of fair value

As required by SLFRS 2 on "Share-based Payment", the fair value of the ESOP 2019 was estimated at the grant date using the Binomial Valuation Model taking into consideration various terms and conditions upon which the share options are granted.

The inputs used in measurement of fair value at the grant date of ESOP 2019 were as follows:

Description of the valuation input/ Tranches	Tranche I	Tranche II	Tranche III
Expected dividend rate (%)	4.31	4.31	4.31
Risk free rate (%)	8.22	8.22	8.22
Probability of share price increase/(decrease) (%)	55.00/(45.00)	55.00/(45.00)	55.00/(45.00)
Size of annual increase/(reduction) of share price (%)	19.00/(12.00)	19.00/(12.00)	19.00/(12.00)
Original expected exercise price (Rs.)	100.22	100.74	101.45

The Probability of price movements of the CBC share price has been arrived at taking into consideration share price movement of CBC shares during the period 2009 to 2019. Abnormal fluctuations in the prices of the share has been omitted when arriving at the average price movements during the said period.

52.3 Reconciliation of outstanding share options

The number and weighted-average exercise prices of share options are as follows:

Tranches	Tranche I		Tranche II		Tranche III	
Exercise price (Rs.): Before/after Rights Issue (*)	91.65		85.13		87.39/84.21(*)	
Year	**2024**	2023	**2024**	2023	**2024**	2023
Number of voting shares as at January 01,	–	4,732,275	–	4,410,885	10,963,078	11,197,249
Additional number of options vested consequent to the rights issue	–	–	–	–	344,730	–
Number of options exercised during the year	–	–	–	(367,407)	(2,407,265)	(234,171)
Number of options cancelled/expired due to non-acceptance	–	(4,732,275)	–	(4,043,478)	(8,900,543)	–
Number of voting shares to be exercised as at December 31,	–	–	–	–	–	10,963,078

(*) With the conclusion of the rights issue of the Bank in August 2024 as detailed in Note 51 on page 404 the exercise price & the number of unexercised options under the employee share option scheme were adjusted.

Employee Share Option Plan – 2023 (ESOP – 2023)

The Bank obtained the approval of the shareholders at an Extraordinary General Meeting held on October 06, 2023, to introduce an Employee Share Option Plan (ESOP) for the benefit of all Executive Officers in Grade 1A and above by creating up to 3% of the ordinary voting shares at the rate of 0.5% shares in the first tranche, 1% shares in the second tranche and 1.5% shares in the third tranche over a period of three to five years, upon the Bank achieving specified performance conditions. The performance conditions include minimum performance targets over the budget and over the industry peers and the service conditions include the fulfilment of the minimum service period at vesting dates of each tranche.

Key terms and conditions related to the offer are detailed below:

Tranches	Tranche I	Tranche II (**)	Tranche III
Percentage of issue of new voting shares (Maximum)	0.50%	1.00%	1.50%
Date granted	October 06, 2023	October 06, 2023	October 06, 2023
Exercise price (Rs.): Before/after the Rights Issue (*)	90.73/87.42 (*)	N/A	To be Decided
Exercisable between	April 01, 2024 to March 31, 2027	October 01, 2024 to September 30, 2027	October 01, 2025 to September 30, 2028
Date of vesting	March 31,2024	September 30,2024	September 30,2025
Vesting conditions	6 Months of service up to the vesting date and the fulfilment of performance conditions stated above for the Financial Year 2022	6 Months of service up to the vesting date and the fulfilment of performance conditions stated above for the Financial Year 2023	6 Months of service up to the vesting date and the fulfilment of performance conditions stated above for the Financial Year 2024
Number of options vested on the date of vesting			
Options granted to key management personnel	105,819	N/A	–
Options granted to other executive officers	5,892,411	N/A	–
Total options vested on the date of vesting	5,998,230	N/A	–
Additional number of options vested consequent to the rights issue	218,217	N/A	–
Number of options cancelled/expired due to non-acceptance	–	N/A	–
Number of options exercised up to December 31, 2024	(723,449)	N/A	–
Number of options to be exercised as at December 31, 2024	5,492,998	N/A	–

All options are to be settled by physical delivery of ordinary voting shares of the Bank. There are neither cash settlement alternatives nor the Bank has a past practise of cash settlement for these types of options.

The exercise price of each tranche is computed based on a volume-weighted average market price of the Bank's ordinary (voting) shares, during the period of thirty (30) market days, six months prior to the date of vesting.

(*) With the conclusion of the rights issue of the Bank in August 2024 as detailed in Note 51 on page 404, the exercise price & the number of unexercised options under the employee share option scheme were adjusted.

(**) Employees were not eligible to qualify for the tranche 2, due to not fulfilling the vesting conditions.

52.4 Measurement of fair value

As required by SLFRS 2 on "Share-based Payment", the fair value of the ESOP – 2023 was estimated at the grant date using the Binomial Valuation Model taking into consideration various terms and conditions upon which the share options are granted.

The inputs used in measurement of fair value at the grant date of ESOP – 2023 were as follows:

Description of the valuation input/ Tranches	Tranche I	Tranche II	Tranche III
Expected dividend rate (%)	6.21	6.21	6.21
Risk free rate (%)	10.00	10.00	10.00
Probability of share price increase/(decrease) (%)	50.00/(50.00)	50.00/(50.00)	50.00/(50.00)
Size of annual increase/(reduction) of share price (%)	17.51/(14.67)	17.51/(14.67)	17.51/(14.67)
Original expected exercise price (Rs.)	85.61	85.61	79.47

An equal probability (of 50%) was assumed for the probability of the upward and downward movements for each year. The percentage change in share price movement have been arrived at by considering the degree of upward/downward share price movements during the time period from 2013 to 2022.

52.5 Reconciliation of Outstanding Share Options

The number and weighted-average exercise prices of share options are as follows:

Tranches	Tranche I	Tranche II (**)	Tranche III
Exercise price (Rs.): Before/after Rights Issue	90.73/87.42 (*)	N/A	To be Decided
Number of voting shares vested as at January 01, 2024	–	–	–
Granted during the year	5,998,230	N/A	–
Additional number of options vested consequent to the rights issue	218,217	N/A	–
Number of options exercised during the year	(723,449)	N/A	–
Number of options cancelled/expired due to non-acceptance	–	–	–
Number of voting shares to be exercised as at December 31, 2024	5,492,998	N/A	–

(*) With the conclusion of the rights issue of the Bank in August 2024 as detailed in Note 51 on page 404, the exercise price & the number of unexercised options under the employee share option scheme were adjusted.

(**) Employees were not eligible to qualify for the tranche II, due to not fulfilling the vesting conditions.

52.6 Expense recognised in Income Statement

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. Accordingly, the expense in the Income Statement represents the movement in cumulative expense recognised as at the beginning and end of that reporting period and is recognised in equity-settled share based payment expense under personnel expense. [Refer Note 19 on page 341].

52.7 Factual findings report from Auditors on ESOP schemes

The Bank has obtained a factual findings report from the external auditors that the above ESOP schemes have been implemented in accordance with the requirements of the Section 5.6 of the Listing Rules of the CSE and the Special Resolutions passed at the General Meetings at which the schemes were approved by the shareholders.

53 Statutory reserves

ACCOUNTING POLICY

Several statutory and voluntary reserves are maintained by the Group in order to meet various legal and operational requirements. The details of these reserves including the nature and purpose of maintaining them are given in Notes 53, 54 and 55 on pages 408 to 412.

			GROUP		BANK	
As at December 31,	Note	Page No.	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Statutory reserve fund	53.1	408	16,469,686	13,586,534	15,079,581	12,375,906
Total			16,469,686	13,586,534	15,079,581	12,375,906

53.1 Statutory reserve fund

	GROUP		BANK	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Balance as at January 01,	13,586,534	12,079,670	12,375,906	11,352,858
Transfers made during the year	3,026,661	1,852,259	2,703,675	1,023,048
Statutory reserve attributable to non-controlling interest	(143,509)	(373,145)	–	–
Transfers to non-distributable capital reserve	–	27,750	–	–
Balance as at December 31,	16,469,686	13,586,534	15,079,581	12,375,906

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The statutory reserve fund of the Bank is maintained as per the requirements under Section 20 (1) of the Banking Act No. 30 of 1988. Accordingly, the fund is built up by allocating a sum equivalent to not less than 5% of the profit after tax, but before declaring any dividend or any profits that are transferred elsewhere until the reserve is equal to 50% of the Bank's stated capital and thereafter a further sum equivalent to 2% of such profit until the amount of the said reserve fund is equal to the stated capital of the Bank.

The balance in the statutory reserve fund of the Bank will be used only for the purposes specified in the Section 20 (2) of the Banking Act No. 30 of 1988.

54 Retained earnings

	GROUP		BANK	
	2024 Rs. '000	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
Balance as at January 01,	9,943,003	6,790,304	8,558,385	5,592,121
Total comprehensive income	54,651,635	20,863,640	53,654,370	20,221,432
Profit for the year	55,073,240	21,114,675	54,073,504	20,460,962
Other comprehensive income, net of tax	(421,605)	(251,035)	(419,134)	(239,530)
Dividends paid	(8,541,930)	(5,579,001)	(8,541,930)	(5,579,001)
Unclaimed dividend absorbed/(dividend paid) in respect of previous years	22,800	20,528	22,476	20,235
Transfer of cost o/a of expired ESOP Shares (net of tax)	42,808	47,510	42,808	47,510
Revaluation surplus transferred to retained earnings upon the disposal of freehold land	–	9,136	–	9,136
Transfers to other reserves	(38,584,646)	(12,209,114)	(38,405,169)	(11,753,048)
Balance as at December 31,	17,533,670	9,943,003	15,330,940	8,558,385

55 Other reserves

55. (a) Current year – 2024

			GROUP			BANK		
	Note	Page No.	**Balance as at January 01, Rs. '000**	**Movement/ Transfers Rs. '000**	**Balance as at December 31, Rs. '000**	**Balance as at January 01, Rs. '000**	**Movement/ Transfers Rs. '000**	**Balance as at December 31, Rs. '000**
Revaluation reserve	55.1	410	11,502,088	–	11,502,088	10,399,577	–	10,399,577
General reserve	55.2	410	110,730,003	26,970,000	137,700,003	110,730,003	26,970,000	137,700,003
Fair value reserve	55.3	410	1,964,013	1,037,272	3,001,285	1,963,995	1,032,353	2,996,348
Foreign currency translation reserve	55.4	411	9,697,463	(11,564,950)	(1,867,487)	7,855,533	(10,890,433)	(3,034,900)
Employee share option reserve	55.5	411	99,600	(57,991)	41,609	99,600	(57,991)	41,609
Special reserve	55.7	412	–	8,731,494	8,731,494	–	8,731,494	8,731,494
Total			133,993,167	25,115,825	159,108,992	131,048,708	25,785,423	156,834,131

55. (b) Previous year – 2023

			GROUP			BANK		
	Note	Page No.	Balance as at January 01, Rs. '000	Movement/ Transfers Rs. '000	Balance as at December 31, Rs. '000	Balance as at January 01, Rs. '000	Movement/ Transfers Rs. '000	Balance as at December 31, Rs. '000
Revaluation reserve	55.1	410	10,214,244	1,287,844	11,502,088	9,396,542	1,003,035	10,399,577
General reserve	55.2	410	100,000,003	10,730,000	110,730,003	100,000,003	10,730,000	110,730,003
Fair value reserve	55.3	410	72,270	1,891,743	1,964,013	78,743	1,885,252	1,963,995
Foreign currency translation reserve	55.4	411	21,371,971	(11,674,508)	9,697,463	18,941,705	(11,086,172)	7,855,533
Employee share option reserve	55.5	411	150,529	(50,929)	99,600	150,529	(50,929)	99,600
Hedging reserve	55.6	411	36,554	(36,554)	–	36,554	(36,554)	–
Total			131,845,571	2,147,596	133,993,167	128,604,076	2,444,632	131,048,708

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55.1 Revaluation reserve

ACCOUNTING POLICY

The revaluation reserve relates to revaluation of freehold land and freehold and leasehold buildings and represents the fair value changes of the land and buildings, as at the date of revaluation.

	GROUP		BANK	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Balance as at January 01,	11,502,088	10,214,244	10,399,577	9,396,542
Surplus on revaluation of freehold land and building	–	1,811,920	–	1,445,959
Deferred tax effect on revaluation surplus on freehold land and buildings	–	(529,534)	–	(433,788)
Revaluation surplus transferred to retained earnings upon the disposal of freehold land	–	(9,136)	–	(9,136)
Deferred tax effect on revaluation surplus on freehold land and buildings attributable to Non-Controlling Interest	–	14,594	–	–
Balance as at December 31,	11,502,088	11,502,088	10,399,577	10,399,577

55.2 General reserve

ACCOUNTING POLICY

The Bank transfers the surplus profit, after payment of interim dividend and after retaining sufficient profits to pay final dividends proposed, from the retained earnings account to the General Reserve account. The purpose of setting up the General Reserve is to meet potential future unknown liabilities.

	GROUP		BANK	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Balance as at January 01,	110,730,003	100,000,003	110,730,003	100,000,003
Transfers during the year	26,970,000	10,730,000	26,970,000	10,730,000
Balance as at December 31,	137,700,003	110,730,003	137,700,003	110,730,003

55.3 Fair value reserve

ACCOUNTING POLICY

The fair value reserve comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income until such investments are derecognised or impaired.

	GROUP		BANK	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Balance as at January 01,	1,964,013	72,270	1,963,995	78,743
Net fair value gains/(losses) on remeasuring financial assets at fair value through other comprehensive income	1,037,025	1,891,536	1,032,353	1,885,252
Share of other comprehensive income/(expense) of associate, net of tax	247	207	–	–
Balance as at December 31,	3,001,285	1,964,013	2,996,348	1,963,995

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55.4 Foreign currency translation reserve

ACCOUNTING POLICY

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the Financial Statements of foreign operations.

As at the reporting date, the assets and liabilities of the Bank's Bangladesh Operation and the foreign subsidiaries of the Bank were translated into the presentation currency (Sri Lankan Rupee) at the exchange rate ruling at the reporting date and the Statement of Profit or Loss and Other Comprehensive Income was translated at the average exchange rate for the period. The exchange differences arising on the translation of these Financial Statements are taken to foreign currency translation reserve through other comprehensive income.

	GROUP		BANK	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Balance as at January 01,	9,697,463	21,371,971	7,855,533	18,941,705
Net unrealised gains/(losses) arising from translating the Financial Statements of foreign operations	(11,971,874)	(12,116,058)	(10,890,433)	(11,086,172)
Foreign Currency Translation Reserve attributable to non-controlling Interest	406,924	441,550	–	–
Balance as at December 31,	(1,867,487)	9,697,463	(3,034,900)	7,855,533

55.5 Employee share option reserve

ACCOUNTING POLICY

The employee share option reserve is used to recognise the value of equity-settled share-based payments to be provided to employees, including Key Management Personnel, as part of their remuneration.

			GROUP		BANK	
	Note	Page No.	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Balance as at January 01,			99,600	150,529	99,600	150,529
Share-based payments expense during the year	19	341	22,180	21,433	22,180	21,433
Transfers to stated capital	51	404	(19,017)	(4,491)	(19,017)	(4,491)
Transfer to retained earnings on expired ESOP			(61,154)	(67,871)	(61,154)	(67,871)
Balance as at December 31,			41,609	99,600	41,609	99,600

55.6 Hedging reserve

ACCOUNTING POLICY

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedge cash flows affect profit or loss.

	GROUP		BANK	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Balance as at January 01,	–	36,554	–	36,554
Net gains/(losses) that arose during the year, net of tax	–	(36,554)	–	(36,554)
Balance as at December 31,	–	–	–	–

55.7 Special reserve

ACCOUNTING POLICY

In accordance with the letter issued by the CBSL dated February 13, 2025, a 15% regulatory capital charge was transferred to a Special Reserve from retained earnings. This charge is applicable to the carrying value of the foreign currency denominated Sovereign Bonds with an LKR option. The transfer to the special reserve will remain in effect for a period of six months, commencing from December 31, 2024.

	GROUP		BANK	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Balance as at January 01,	–	–	–	–
Transfers made during the year	8,731,494	–	8,731,494	–
Balance as at December 31,	8,731,494	–	8,731,494	–

56 Non-controlling interest

ACCOUNTING POLICY

Non-Controlling Interest (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Accordingly, the Bank has non-controlling interest in three subsidiaries namely, Commercial Development Company PLC (NCI of 10%), Commercial Insurance Brokers (Private) Limited (NCI of 40%) and Commercial Bank of Maldives Private Limited (NCI of 45%) as at the reporting date as follows:

	2024 Rs. '000	2023 Rs. '000
Balance as at January 01,	4,503,786	4,107,408
Profit for the year	613,172	784,985
Other comprehensive income, net of tax	(406,614)	(396,944)
Transfers to non-distributable capital reserve	–	22,704
Dividends paid for the year	(20,400)	(14,400)
Unclaimed dividend absorbed/(dividend paid) in respect of previous years	36	33
Balance as at December 31,	4,689,980	4,503,786

NCI details of each subsidiary is not disclosed separately, as those are not material to the Group.

57 Contingent liabilities and commitments

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 benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 on "Provisions, Contingent Liabilities and Contingent Assets".

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees including performance bonds, documentary credits/letters of credit and other undrawn commitments to lend. Performance bonds are issued for the purposes of guaranteeing the due performance of the contract awarded. Documentary credits/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. Guarantees and standby letters of credit carry a similar credit risk to loans.

In the normal course of business, the Bank makes various irrevocable commitments and incurs certain contingent liabilities with legal recourse to its customers. Further, these contingencies include nominal amounts of forward exchange contracts and currency swaps/ currency options.

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

Even though these obligations may not be recognised on the Statement of Financial Position, they may contain credit risk and are therefore part of the overall risk of the Group.

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As at December 31,	Note	Page No.	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Contingencies			547,517,061	508,328,327	546,358,852	507,169,205
Guarantees			90,881,601	58,118,644	89,948,697	58,102,936
Performance bonds			50,356,218	39,500,953	50,275,438	38,529,672
Documentary credits			81,342,967	66,399,708	81,328,161	66,399,708
Other contingencies	57.1	413	324,936,275	344,309,022	324,806,556	344,136,889
Commitments			203,359,899	167,448,189	197,606,048	161,706,573
Undrawn commitments on direct advances			201,703,538	162,801,934	196,131,437	157,205,333
Capital commitments	57.2	413	1,656,361	4,646,255	1,474,611	4,501,240
Total			750,876,960	675,776,516	743,964,900	668,875,778

57.1 Other contingencies

As at December 31,	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Forward exchange contracts:	130,066,965	112,070,903	130,066,965	112,070,903
Forward exchange sales	79,260,699	73,833,211	79,260,699	73,833,211
Forward exchange purchases	50,806,266	38,237,692	50,806,266	38,237,692
Currency swaps/currency options :	88,366,609	111,296,151	88,366,609	111,296,151
Currency swaps	88,366,609	111,296,151	88,366,609	111,296,151
Others:	106,502,701	120,941,968	106,372,982	120,769,835
Acceptances	34,509,905	29,930,600	34,509,905	29,930,600
Bills for collection	70,213,226	88,877,229	70,083,507	88,705,096
Bullion on consignment	31,501	27,770	31,501	27,770
Other contingencies	1,748,069	2,106,369	1,748,069	2,106,369
Subtotal	324,936,275	344,309,022	324,806,556	344,136,889

57.2 Capital commitments

The Group has commitments for acquisition of property, plant and equipment and intangible assets incidental to the ordinary course of business which have been approved by the Board of Directors, the details of which are as follows:

As at December 31,	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Commitments in relation to property, plant and equipment	716,789	1,036,662	535,039	891,647
Approved and contracted for	390,789	898,662	209,039	753,647
Approved but not contracted for	326,000	138,000	326,000	138,000
Commitments in relation to intangible assets	939,572	3,609,593	939,572	3,609,593
Approved and contracted for	861,454	3,609,593	861,454	3,609,593
Approved but not contracted for	78,118	–	78,118	–
Subtotal	1,656,361	4,646,255	1,474,611	4,501,240

57.3 Movement in provision for impairment during the year

57.3 (a) Group

	Note	Page No.	Stage 1 2024 Rs. '000	Stage 1 2023 Rs. '000	Stage 2 2024 Rs. '000	Stage 2 2023 Rs. '000	Stage 3 2024 Rs. '000	Stage 3 2023 Rs. '000	Total 2024 Rs. '000	Total 2023 Rs. '000
Balance as at January 01,			2,605,485	3,857,396	915,546	1,605,681	2,565,734	2,449,385	6,086,765	7,912,462
Charge/(write back) to the Income Statement	18.1	340	(573,063)	(1,103,146)	(194,861)	(664,771)	851,611	116,349	83,687	(1,651,568)
Net write-off during the year			–	–	–	–	(1,435,659)	–	(1,435,659)	–
Exchange rate variance on foreign currency provisions			(51,670)	(148,765)	(71,373)	(25,364)	(84,278)	–	(207,321)	(174,129)
Balance as at December 31,			1,980,752	2,605,485	649,312	915,546	1,897,408	2,565,734	4,527,472	6,086,765

57.3 (b) Bank

	Note	Page No.	Stage 1 2024 Rs. '000	Stage 1 2023 Rs. '000	Stage 2 2024 Rs. '000	Stage 2 2023 Rs. '000	Stage 3 2024 Rs. '000	Stage 3 2023 Rs. '000	Total 2024 Rs. '000	Total 2023 Rs. '000
Balance as at January 01,			2,601,480	3,832,621	915,546	1,605,681	2,565,734	2,449,385	6,082,760	7,887,687
Charge/(write back) to the Income Statement	18.2	340	(577,336)	(1,085,126)	(194,861)	(664,771)	851,611	116,349	79,414	(1,633,548)
Net write-off during the year			–	–	–	–	(1,435,659)	–	(1,435,659)	–
Exchange rate variance on foreign currency provisions			(51,171)	(146,015)	(71,373)	(25,364)	(84,278)	–	(206,822)	(171,379)
Balance as at December 31,			1,972,973	2,601,480	649,312	915,546	1,897,408	2,565,734	4,519,693	6,082,760

57.4 Tax Assessments Outstanding

The Bank is contesting on tax assessments raised by the Inland Revenue Department (IRD) for certain direct taxes, at the Tax Appeals Commission and the Court of Appeal. However, contention of assessments were in relation to tax positions consistently applied by the Bank for a longer tenure, which had been previously accepted by the IRD.

Based on the above and professional advice sought by the Bank, it is reasonably estimated that the outcome of the appeals will not have a material impact to the Financial Statements.

57.5 Contingent liabilities and commitments of subsidiaries and the associate

57.5 (a) Contingent liabilities and commitments of subsidiaries

Contingent liabilities and commitments of the subsidiary, Commercial Bank of Maldives Private Limited, have been included in the Consolidated Financial Statements of the Group while other subsidiaries of the Group do not have any contingencies or commitments as at the reporting date.

57.5 (b) Contingent liabilities and commitments of the associate

The associate of the Group, namely, Equity Investments Lanka (Private) Limited does not have any contingencies as at the reporting date. (As at December 31, 2023 – Nil)

58 Net assets value per ordinary share

			GROUP		BANK	
As at December 31,	Note	Page No.	2024	2023	2024	2023
Amounts used as the numerator:						
Total equity attributable to equity holders of the Bank (Rs. '000)			281,129,442	220,470,707	275,261,746	214,931,002
Number of ordinary shares used as the denominator:						
Total number of shares	51.1	404	1,610,298,304	1,314,121,128	1,610,298,304	1,314,121,128
Net assets value per share (Rs.)			174.58	167.77	170.94	163.55

59 Litigation against the Bank

Litigation is a common occurrence in the banking industry due to the nature of the business. The Bank has an established protocol for dealing with such legal claims. In respect of pending legal claims where the Bank had already made provisions for possible losses in its Financial Statements or has a realisable security to cover the damages, then such legal claims are not included below as the Bank does not expect cash outflows from such claims. However, further provisions are made to the Financial Statements, if necessary, on the adverse effects of legal claims based on professional advice obtained on the certainty of the outcome and based on a reasonable estimate.

All legal cases against the Bank have been tabled at the meetings of the Board Integrated Risk Management Committee and the progress has been discussed. Accordingly, set out below are the unresolved legal claims against the Bank as at December 31, 2024, for which adjustments to the Financial Statements have not been made due to the uncertainty of its outcome. In addition, there are cases filed against the Bank which have not been listed below since the impact of the same is considered immaterial to the Bank's operations.

Plaintiff	Nature of the case	Courts and Case No.	Value of the Action ('000)	Description of the case	Present status
Customer	Recovery of money	Commercial High Court 52/2020 (Formerly District Court of Colombo DMR 2855/18)	Rs. 55,000	Court action has been initiated by the Plaintiff to claim 10% of the sale price deposited at a property auction held by the Bank, since the Plaintiff failed to deposit the balance 90% within 30 days of the auction.	Decree and Notice of Decree Filed to be Served on the Plaintiff.
Customer	Recovery of money	Commercial High Court CHC/771/19/MR	Rs. 60,000	The Plaintiff has filed this action seeking an order to prevent the Bank who is the first Defendant from paying and/or disbursing funds on the five Bank Guarantees favouring the Beneficiary who is the second Defendant.	Trial on March 14, 2025.
Customer	Recovery of money	District Court of Colombo 01423/2020/DMR	US$ 250	Action has been instituted to recover a sum of US$ 250,000/- or equivalent in Sri Lankan Rupees together with legal interest thereon as damages due to a Guarantee which the Plaintiff could not claim from Surety.	Trial on March 04, 2025.
Customer	Recovery of money	Joint District Judge, Dhaka Money suite No. 52 of 2010	BDT 35,328	The Plaintiff has filed the action to recover a sum of BDT 35,327,548.67 alleging that a sum of BDT 30,060,690/- was withdrawn by producing 13 cheques from the plaintiff's account. Plaintiff claimed that the cheques were illegal with forged signatures.	Next date is not fixed yet.

60 Maturity analysis

Group

(i) Remaining contractual period to maturity as at the date of Statement of Financial Position of the assets employed by the Group is detailed below:

	Up to 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	More than 5 years Rs. '000	Total as at 31.12.2024 Rs. '000	Total as at 31.12.2023 Rs. '000
Interest earning assets							
Financial assets							
Cash and cash equivalents	104,727	55,365	–	–	–	160,092	26,206,737
Balances with Central Banks	18,814,810	–	–	–	–	18,814,810	30,793,174
Placements with banks	93,560,525	7,398,128	–	–	146,288	101,104,941	81,506,653
Securities purchased under resale agreements	28,655,962	–	–	–	–	28,655,962	31,148,729
Derivative financial assets	–	–	–	–	–	–	–
Financial assets recognised through profit or loss – measured at fair value	87,741,168	–	–	–	–	87,741,168	26,894,481
Financial assets at amortised cost – loans and advances to other customers	494,081,190	416,095,528	302,994,309	133,030,987	74,802,157	1,421,004,171	1,204,865,597
Financial assets at amortised cost – debt and other financial instruments	52,075,557	97,948,862	229,043,666	181,619,303	141,063,899	701,751,287	685,155,537
Financial assets measured at fair value through other comprehensive income	109,755,068	136,224,026	41,906,125	12,345,181	1,651,733	301,882,133	287,536,621
Total interest earning assets as at 31.12.2024	884,789,007	657,721,909	573,944,100	326,995,471	217,664,077	2,661,114,564	
Total interest earning assets as at 31.12.2023	888,210,834	564,130,407	452,210,967	293,859,509	175,695,812		2,374,107,529
Non–interest earning assets							
Financial assets							
Cash and cash equivalents	89,455,367	–	–	–	–	89,455,367	133,494,770
Balances with Central Banks	23,524,430	11,435,617	1,750,549	464,168	–	37,174,764	31,840,329
Placements with banks	–	–	–	–	–	–	–
Securities purchased under resale agreements	–	–	–	–	–	–	–
Derivative financial assets	1,153,894	138,266	2,972,111	–	–	4,264,271	7,226,484
Financial assets recognised through profit or loss – measured at fair value	3,936,178	–	–	–	–	3,936,178	2,555,172
Financial assets at amortised cost – loans and advances to other customers	–	–	–	–	–	–	–
Financial assets at amortised cost – debt and other financial instruments	–	–	–	–	–	–	–
Financial assets measured at fair value through other comprehensive income	–	–	–	1,333,904	2,358	1,336,262	196,351
Non-financial assets							
Investment in associate	–	–	–	–	58,791	58,791	59,004
Property, plant and equipment and right–of–use assets	–	–	–	–	30,670,410	30,670,410	28,997,246
Investment properties	–	–	–	–	743,900	743,900	597,825
Intangible assets	–	–	–	–	4,757,905	4,757,905	4,289,404
Deferred tax assets	–	–	12,563,217	–	–	12,563,217	34,511,410
Other assets	15,949,580	296,603	6,539,127	784,851	6,347,077	29,917,238	37,736,151
Total non-interest earning assets as at 31.12.2024	134,019,449	11,870,486	23,825,004	2,582,923	42,580,441	214,878,303	
Total non-interest earning assets as at 31.12.2023	178,245,785	7,888,974	53,269,332	1,609,613	40,490,442		281,504,146
Total assets – as at 31.12.2024	1,018,808,456	669,592,395	597,769,104	329,578,394	260,244,518	2,875,992,867	
Total assets – as at 31.12.2023	1,066,456,619	572,019,381	505,480,299	295,469,122	216,186,254		2,655,611,675
Percentage – as at 31.12.2024 (*)	35.43	23.28	20.78	11.46	9.05	100.00	
Percentage – as at 31.12.2023 (*)	40.16	21.54	19.03	11.13	8.14		100.00

(*) Total assets of each maturity bucket as a percentage of total assets employed by the Group.

(ii) Remaining contractual period to maturity as at the date of Statement of Financial Position of the liabilities and equity employed by the Group is detailed below:

	Up to 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	More than 5 years Rs. '000	Total as at 31.12.2024 Rs. '000	Total as at 31.12.2023 Rs. '000
Interest-bearing liabilities							
Financial liabilities							
Due to banks	4,348,310	2,350,312	4,806,825	1,073	–	11,506,520	36,680,319
Derivative financial liabilities	–	–	–	–	–	–	–
Securities sold under repurchase agreements	91,800,552	20,655,105	5,815	–	–	112,461,472	111,186,824
Financial liabilities at amortised cost – due to depositors	1,357,219,061	632,885,142	86,447,028	18,548,416	–	2,095,099,647	1,896,797,572
Financial liabilities at amortised cost – other borrowings	942,032	5,503,525	2,598,949	1,449,402	3,779,248	14,273,156	12,756,021
Subordinated liabilities	468,939	1,359,818	14,639,440	32,800,880	8,438,600	57,707,677	36,482,939
Total interest – bearing liabilities as at 31.12.2024	1,454,778,894	662,753,902	108,498,057	52,799,771	12,217,848	2,291,048,472	
Total Interest – bearing liabilities as at 31.12.2023	1,325,327,969	624,994,937	58,206,019	76,844,285	8,530,465		2,093,903,675
Non-interest bearing liabilities							
Financial liabilities							
Due to banks	13,870,044	–	–	–	–	13,870,044	11,268,259
Derivative financial liabilities	647,557	189,940	–	–	–	837,497	2,319,209
Securities sold under repurchase agreements	–	–	–	–	–	–	–
Financial liabilities at amortised cost – due to depositors	210,979,774	–	–	–	–	210,979,774	251,109,286
Financial liabilities at amortised cost – other borrowings	–	–	–	–	–	–	–
Subordinated liabilities	–	–	–	–	–	–	–
Non-financial liabilities							
Current tax liabilities	3,375,666	10,127,000	–	–	–	13,502,666	15,256,244
Deferred tax liabilities	–	–	511,000	–	–	511,000	514,207
Other liabilities	52,607,127	1,435,573	2,207,293	1,480,178	1,693,821	59,423,992	56,266,302
Equity							
Stated capital	–	–	–	–	88,017,094	88,017,094	62,948,003
Statutory reserves	–	–	–	–	16,469,686	16,469,686	13,586,534
Retained earnings	–	–	–	–	17,533,670	17,533,670	9,943,003
Other reserves	–	–	–	–	159,108,992	159,108,992	133,993,167
Non-controlling interest	–	–	–	–	4,689,980	4,689,980	4,503,786
Total non-interest bearing liabilities as at 31.12.2024	281,480,168	11,752,513	2,718,293	1,480,178	287,513,243	584,944,395	
Total non-interest bearing liabilities as at 31.12.2023	308,937,019	14,022,772	4,008,196	2,101,470	232,638,543		561,708,000
Total liabilities and equity – as at 31.12.2024	1,736,259,062	674,506,415	111,216,350	54,279,949	299,731,091	2,875,992,867	
Total liabilities and equity – as at 31.12.2023	1,634,264,988	639,017,709	62,214,215	78,945,755	241,169,008		2,655,611,675
Percentage – as at 31.12.2024 (*)	60.37	23.45	3.87	1.89	10.42	100.00	
Percentage – as at 31.12.2023 (*)	61.55	24.06	2.34	2.97	9.08		100.00

(*) Total liabilities and equity of each maturity bucket as a percentage of total liabilities and equity employed by the Group.

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61 Operating segments

ACCOUNTING POLICY

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Corporate Management Team headed by the Managing Director/Chief Executive Officer (being the chief operating decision-maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

The Group has five strategic divisions (operating segments) which are reportable segments, namely:

- Personal Banking
- Corporate Banking
- International Operations
- Dealing/Treasury
- NBFI, Real Estate & Services

Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the Consolidated Financial Statements. Income taxes are reported at the group level and are not allocated to operating segments.

The following table presents the income, profit and asset and liability information of the group's strategic business divisions for the year ended December 31, 2024 and comparative figures for the year ended December 31, 2023.

For the year ended December 31,	Personal banking 2024 Rs. '000	Personal banking 2023 Rs. '000	Corporate banking 2024 Rs. '000	Corporate banking 2023 Rs. '000
Net interest income	48,020,289	40,715,044	18,497,433	21,868,573
Foreign exchange profit	590,262	603,669	414,104	(459,982)
Net fees and commission income	13,462,773	11,801,597	6,062,781	7,094,059
Other income	772,833	531,809	798,384	305,685
Total operating income	62,846,157	53,652,119	25,772,702	28,808,335
Impairment (charges)/reversal and other losses	(7,808,768)	702,201	5,427,844	(9,629,282)
Net operating income	55,037,389	54,354,320	31,200,546	19,179,053
Segment result	23,497,494	22,334,766	23,230,485	16,561,241
Profit from operations				
Share of profit / (loss) of associate (net of tax)				
Income tax expense				
Non-controlling interest				
Net profit for the year, attributable to equity holders of the parent				

As at December 31,	Personal banking 2024 Rs. '000	Personal banking 2023 Rs. '000	Corporate banking 2024 Rs. '000	Corporate banking 2023 Rs. '000
Other information				
Segment assets	690,082,936	716,363,522	561,359,536	472,431,439
Investment in associate	–	–	–	–
Total assets	690,082,936	716,363,522	561,359,536	472,431,439
Segment liabilities	1,735,976,289	1,534,359,229	420,002,037	415,820,007
Total liabilities	1,735,976,289	1,534,359,229	420,002,037	415,820,007

For the year ended December 31,	Personal banking 2024 Rs. '000	Personal banking 2023 Rs. '000	Corporate banking 2024 Rs. '000	Corporate banking 2023 Rs. '000
Information on cash flows				
Cash flows from operating activities				
Cash flows from investing activities				
Cash flows from financing activities				
Capital expenditure –				
Property, plant and equipment				
Investment properties				
Intangible assets				
Net cash flow generated during the year				

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International operations		Dealing/treasury		NBFI, Real Estate & Services		Unallocated/eliminations		Total/consolidated	
2024 Rs. '000	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
25,112,999	19,719,837	17,361,868	(8,944,700)	1,048,491	754,737	8,093,604	12,301,868	118,134,684	86,415,359
9,294,675	11,887,763	(770,482)	(118,696)	1,149	(1,959)	(6,118,233)	(6,929,205)	3,411,475	4,981,590
2,827,986	2,575,972	6,510	24,220	489,346	289,629	796,782	601,842	23,646,178	22,387,319
183,257	98,445	(40,649,037)	6,820,723	1,992,586	1,610,481	(1,231,324)	(1,081,611)	(38,133,301)	8,285,532
37,418,917	34,282,017	(24,051,141)	(2,218,453)	3,531,572	2,652,888	1,540,829	4,892,894	107,059,036	122,069,800
(7,998,457)	(239,398)	72,914,330	(29,248,778)	(240,135)	(479,813)	–	–	62,294,814	(38,895,070)
29,420,460	34,042,619	48,863,189	(31,467,231)	3,291,437	2,173,075	1,540,829	4,892,894	169,353,850	83,174,730
21,723,492	26,654,301	39,898,003	(32,236,861)	639,464	300,192	(11,180,121)	309,867	97,808,817	33,923,506
								97,808,817	33,923,506
								(460)	3,495
								(42,121,945)	(12,027,341)
								(613,172)	(784,985)
								55,073,240	21,114,675

International operations		Dealing/treasury		NBFI, Real Estate & Services		Unallocated/eliminations		Total/consolidated	
2024 Rs. '000	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
432,485,580	449,873,087	1,183,389,818	968,515,924	21,098,534	16,483,645	(12,482,328)	31,885,054	2,875,934,076	2,655,552,671
–	–	–	–	–	–	58,791	59,004	58,791	59,004
432,485,580	449,873,087	1,183,389,818	968,515,924	21,098,534	16,483,645	(12,423,537)	31,944,058	2,875,992,867	2,655,611,675
357,483,056	347,292,128	110,375,915	147,371,883	14,801,101	10,474,784	(48,464,953)	(24,680,849)	2,590,173,445	2,430,637,182
357,483,056	347,292,128	110,375,915	147,371,883	14,801,101	10,474,784	(48,464,953)	(24,680,849)	2,590,173,445	2,430,637,182

International operations		Dealing/treasury		NBFI, Real Estate & Services		Unallocated/eliminations		Total/consolidated	
2024 Rs. '000	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000	**2024 Rs. '000**	2023 Rs. '000
								(92,347,097)	40,658,265
								(1,503,630)	1,061,999
								28,750,610	(29,191,441)
								(3,355,322)	(2,792,901)
								9,000	–
								(1,646,414)	(1,142,983)
								(70,092,853)	8,592,939

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62 Related party disclosures

ACCOUNTING POLICY

The Bank carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard – LKAS 24 "Related Party Disclosures", other than, transactions that the Key Management Personnel (KMP) have availed under schemes uniformly applicable to all staff at concessionary rates.

62.1 Parent and ultimate controlling party

The Bank does not have an identifiable parent of its own.

62.2 Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard – LKAS 24 on "Related Party Disclosures", KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

KMP of the Bank

The Board of Directors of the Bank (including Executive and Non-Executive Directors) has been identified as KMP of the Bank.

KMP of the Group

As the Bank is the ultimate parent of the subsidiaries listed out in Note 1.3 on page 307, the Board of Directors of the Bank has the authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly. Accordingly, the Board of Directors of the Bank is also KMP of the Group. Therefore, officers who are only Directors of the subsidiaries and not of the Bank have been classified as KMP only for that respective subsidiary.

62.2.1 Compensation to KMP

	GROUP		BANK	
For the year ended December 31,	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Short-term employment benefits (*)	282,509	251,468	271,453	240,801
Post-employment benefits	13,122	9,926	13,122	9,926
Terminal benefits	30,563	–	30,563	–
Total	326,194	261,394	315,138	250,727

(*) Include non-cash benefits

62.2.2 Transactions, arrangements and agreements involving KMP and their Close Family Members (CFM)

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the Bank. They may include KMP's domestic partner and children, children of the KMP's domestic partner and dependents of the KMP or the KMP's domestic partner. CFM too have been identified as Related Parties of the Group/Bank.

62.2.2.1 Statement of Financial Position – Bank

	Year-end balance		Annual average balance	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Assets				
Financial assets at amortised cost – Loans and advances	5,196	5,446	7,348	4,130
Total	5,196	5,446	7,348	4,130
Liabilities				
Securities sold under repurchase agreements	–	–	12,887	100
Financial liabilities at amortised cost – due to depositors	599,113	312,336	448,248	351,562
Subordinated liabilities	49,250	49,250	49,250	20,762
Total	648,363	361,586	510,385	372,424

62.2.2.2 Commitments and contingencies – Bank

	Year-end balance		Annual average balance	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Undrawn facilities	242,222	241,782	239,746	205,885
Total	242,222	241,782	239,746	205,885

62.2.2.3 Direct and indirect accommodation – Bank

	Year-end balance	
	2024	2023
Direct and indirect accommodation as a percentage of the Bank's regulatory capital	0.09	0.12

No impairment losses have been recorded against balances outstanding with KMP and CFM.

62.2.2.4 Income Statement – Bank

For the year ended December 31,	Note	Page No.	2024 Rs. '000	2023 Rs. '000
Interest income			890	414
Interest expense			66,251	68,295
Compensation to KMP	62.2.1	420	315,138	250,727

62.2.2.5 Share-based transactions of KMP and CFM

	Year-end balance	
	2024	2023
Number of ordinary shares held by KMP and CFM	1,172,357	912,069
Dividends paid (in Rs. '000)	5,082	2,880

	ESOP 2023		ESOP 2019	
As at the year end	2024	2023	2024	2023
Number of cumulative exercisable options under the Employee Share Option Plan (ESOP)				
Tranche I	109,818 (*)	–	–	–
Tranche II	–	–	–	–
Tranche III	–	–	–	80,070

(*) After rights issue as mentioned in the Note 52. (Before rights issue - 105,819)

62.2.3 Transactions, arrangements and agreements involving entities which are controlled, and/or jointly controlled by the KMP or their CFM

No significant transactions during the year.

62.3 Transactions with Group entities

The Group entities include the subsidiaries and the associate of the Bank.

62.3.1 Transactions with subsidiaries

62.3.1.1 Statement of Financial Position

	Year-end balance		Annual average balance	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Assets				
Financial assets at amortised cost – Loans and advances	1,373,385	2,215,689	1,632,862	1,305,045
Other assets	139,228	111,230	125,229	101,856
Total	1,512,613	2,326,919	1,758,091	1,406,901
Liabilities				
Securities sold under repurchase agreements	8,920	11,692	21,452	15,846
Financial liabilities at amortised cost – due to depositors	1,793,376	1,373,174	1,411,880	1,458,084
Other liabilities	145,794	317,221	231,508	204,695
Total	1,948,090	1,702,087	1,664,840	1,678,625

62.3.1.2 Commitments and contingencies

	Year-end balance		Annual average balance	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Undrawn facilities	1,272,370	424,579	1,169,234	421,384
Total	1,272,370	424,579	1,169,234	421,384

62.3.1.3 Direct and indirect accommodation

	Year-end balance	
	2024	2023
Direct and indirect accommodation as a percentage of the Bank's Regulatory Capital	0.98	1.32

62.3.1.4 Income Statement

For the year ended December 31,	2024 Rs. '000	2023 Rs. '000
Interest income	173,594	208,380
Interest expense	68,744	141,529
Other income	233,460	237,629
Other expenses	1,434,414	1,269,596
Dividend income	93,600	384,601

62.3.1.5 Other transactions

For the year ended December 31,	2024	2023
Payments made to CBC Tech Solutions Ltd. in relation to purchase of computer hardware and software (Rs. '000)	520,892	292,150
Number of ordinary shares of the Bank held by the subsidiaries as at the year-end	–	–
Dividend paid (Rs. '000)	–	–

62.3.1.6 Inter-company transactions carried out by other entities in the Group

Details of transactions of CBC Finance Limited with Commercial Development Company PLC (CDC) and CBC Tech Solutions Limited.

Subsidiary Company	Nature of the transaction	Year-end balance 2024 Rs. '000	Year-end balance 2023 Rs. '000	Annual average balance 2024 Rs. '000	Annual average balance 2023 Rs. '000
CBC Finance Limited	**Transactions with CDC PLC**				
	As at December 31, Term deposits	977,022	700,322	887,869	517,143
	For the year ended December 31, Interest expense	107,140	106,007	–	–
	Transactions with CBC Tech Solutions Limited				
	As at December 31, Term deposits	254,017	238,331	243,855	136,755
	For the year ended December 31, Interest expense	31,943	37,295	–	–

62.3.2 Transactions with the associate

62.3.2.1 Statement of Financial Position

	Year-end balance 2024 Rs. '000	Year-end balance 2023 Rs. '000	Annual average balance 2024 Rs. '000	Annual average balance 2023 Rs. '000
Assets				
Financial assets at amortised cost – Loans and advances	–	–	–	–
Total	–	–	–	–
Liabilities				
Financial liabilities at amortised cost – Due to depositors	1,373	1,046	1,278	2,752
Total	1,373	1,046	1,278	2,752

62.3.2.2 Commitments and contingencies

	Year-end balance 2024 Rs. '000	Year-end balance 2023 Rs. '000	Annual average balance 2024 Rs. '000	Annual average balance 2023 Rs. '000
Undrawn facilities	–	–	–	–
Total	–	–	–	–

62.3.2.3 Income Statement

For the year ended December 31,	2024 Rs. '000	2023 Rs. '000
Interest income	–	–
Interest expense	64	121
Other income	–	–
Other expenses	–	–

62.3.2.4 Other transactions

	2024	2023
Number of ordinary shares of the Bank held by the associate as at the year-end	5,000	2,200
Dividend paid (Rs. '000)	28	–

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62.4 Transactions with other related entities

Other related entities include significant investors (either entities or individuals) that have control, joint control or significant influence, post-employment benefit plans for the Bank's employees and the CSR Trust Fund.

62.4.1 Transactions with the post-employment benefit plans for the employees of the Bank

62.4.1.1 Statement of Financial Position

	Year-end balance		Annual average balance	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Assets				
Financial assets at amortised cost – Loans and advances	–	–	–	–
Total	–	–	–	–
Liabilities				
Securities sold under repurchase agreements	–	–	–	3,524,250
Financial liabilities at amortised cost – Due to depositors	3,233,447	2,788,349	2,980,633	9,113,242
Total	3,233,447	2,788,349	2,980,633	12,637,492

62.4.1.2 Income Statement

For the year ended December 31,	2024 Rs. '000	2023 Rs. '000
Interest income	–	–
Interest expense	573,394	4,088,954
Contribution made/taxes paid by the Bank	2,287,556	1,957,777

62.4.2 Transactions with the CSR Trust Fund

62.4.2.1 Statement of Financial Position

	Year-end balance		Annual average balance	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Assets				
Financial assets at amortised cost – Loans and advances	–	–	–	–
Total	–	–	–	–
Liabilities				
Securities sold under repurchase agreements	–	–	–	–
Financial liabilities at amortised cost – Due to depositors	15,291	23,634	18,698	13,365
Total	15,291	23,634	18,698	13,365

62.4.2.2 Income Statement

For the year ended December 31,	2024 Rs. '000	2023 Rs. '000
Interest income	–	–
Interest expense	1,356	1,499
Contribution made by the Bank	200,000	100,000

62.5 Recurrent related party transactions

There are no recurrent related party transactions which in aggregate exceeds more than 10% of the gross revenue of the Bank.

62.6 Non-recurrent related party transactions

There are no non-recurrent related party transactions which exceeds 10% of equity or 5% of total assets, whichever is lower.

63 Non-cash items included in profit or loss and other comprehensive income

For the year ended December 31,	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Depreciation of property, plant and equipment and right-of-use assets	3,620,914	3,371,245	3,583,151	3,355,917
Amortisation of intangible assets	1,116,289	964,395	1,086,580	927,649
Impairment charges/(reversal) and other losses	(62,482,842)	38,183,932	(63,390,150)	37,912,601
Intangible assets written-off	43,952	–	43,952	–
Fair value (gains)/losses on investment properties	(3,500)	(18,930)	–	–
Loss on revaluation of land & buildings	–	40,273	–	40,273
Accretion of interest on lease liability	557,510	438,045	549,105	457,440
Contributions to defined benefit plans – Unfunded schemes	73,310	74,267	31,395	35,510
Provision made o/a of leave encashment	176,670	223,791	176,670	223,791
Equity-settled share-based payments	22,180	21,433	22,180	21,433
Amortised interest payable o/a subordinated liabilities	–	3,053	–	3,053
Mark to market (gains)/losses on other financial instruments at fair value through profit or loss	(1,181,589)	(1,604,992)	(1,181,589)	(1,604,992)
Mark to market (gains)/losses on derivative financial instruments	(40,619)	(466,818)	(40,619)	(466,818)
Effect of exchange rate variances on property, plant and equipment and right-of-use assets	350,672	351,769	304,475	461,406
Effect of exchange rate variances on intangible assets	16,787	25,334	10,435	14,961
Effect of exchange rate variances on subordinated liabilities	–	(3,525,000)	–	(3,525,000)
Net effect of exchange rate variances on net deferred tax assets	283,999	121,951	270,417	105,307
Net effect of exchange rate variances on income tax liability	(1,858,654)	(1,451,476)	(1,825,482)	(1,408,372)
Net effect of exchange rate variances on lease liability	(341,292)	(519,446)	(309,594)	(479,700)
Grossed up withholding tax credits	(54,320)	(97,015)	(54,320)	(97,015)
Total	(59,700,533)	36,135,811	(60,723,394)	35,977,444

64 Change in operating assets

For the year ended December 31,	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Net (increase)/decrease in derivative financial instruments	2,962,213	1,066,387	2,962,213	1,066,387
Net (increase)/decrease in balances with central banks	6,515,916	15,963,617	7,115,416	13,675,997
Net (increase)/decrease in placements with banks	(19,707,523)	14,564,912	(17,952,060)	14,543,562
Net (increase)/decrease in securities purchased under resale agreements	2,492,767	(29,631,421)	2,492,767	(29,631,421)
Net (increase)/decrease in other financial assets recognised through profit or loss	(61,046,104)	(2,971,604)	(61,046,104)	(2,971,604)
Net (increase)/decrease in loans and receivables to customers	(239,570,930)	(56,035,461)	(230,980,986)	(51,607,110)
Net (increase)/decrease in financial assets measured at fair value through other comprehensive income	(14,293,030)	(166,367,186)	(13,374,459)	(167,262,216)
Net (increase)/decrease in financial assets at amortised cost – debt and other financial instruments	71,747,654	41,775,145	70,597,664	41,290,512
Net (increase)/decrease in other assets	6,883,124	3,075,060	6,785,506	3,224,720
Total	(244,015,913)	(178,560,551)	(233,400,043)	(177,671,173)

65 Change in operating liabilities

For the year ended December 31,	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Net increase/(decrease) in due to banks	(22,572,014)	(17,022,592)	(25,967,609)	(17,855,700)
Net increase/(decrease) in derivative financial instruments	(1,441,093)	(94,640)	(1,441,093)	(94,640)
Net increase/(decrease) in securities sold under repurchase agreements	1,274,648	13,460,389	1,271,876	13,472,081
Net increase/(decrease) in deposits from customers	158,195,519	170,186,654	151,543,607	170,710,112
Net increase/(decrease) in other borrowings	1,517,135	(3,394,335)	1,517,135	(3,394,335)
Net increase/(decrease) in other liabilities	1,795,716	18,795,201	2,097,138	18,123,271
Net increase/(decrease) in due to subsidiaries	–	–	(171,427)	201,737
Total	138,769,911	181,930,677	128,849,627	181,162,526

66 Financial risk review

This note presents information about the Bank's exposure to financial risks and the Bank's management of capital.

Introduction

As a financial intermediary, the Bank is exposed to various types of risks including credit, market, liquidity and operational risks which are inherent in the Bank's activities. Managing these risks is critical for the sustainability of the Bank which plays a pivotal role in all activities of the Bank. Risk management function strives to identify potential risks in advance, analyse them and take precautionary steps to mitigate the impact of risk whilst optimising through risk adjusted returns within the risk appetite of the Bank.

Risk management framework

The overall responsibility and oversight of the risk management framework of the Bank is vested with the Board of Directors (BOD). The Board Integrated Risk Management Committee (BIRMC), a mandatory subcommittee set up by the Board, in turn is entrusted with the development of the Bank's Risk Management Policies and monitoring of due compliance of same through the Executive Integrated Risk Management Committee (EIRMC).

The Risk Management Policies spell out the risk appetite of the Bank and has incorporated risk exposure limits and controls to monitor and adherence to the limits in force. These Policies and Systems are reviewed regularly to reflect the changing market dynamics in light of the products and services offered.

The Bank strives to inculcate a risk management culture through continuous training, work ethics and standards.

Refer Note 3.2 on page 313 for more information on the risk management framework of the Bank.

Integrated Risk Management Department (IRMD)

Business Units are the risk owners and have the primary responsibility for managing risk stemming from these activities. The IRMD acts as the second line of defence in managing the risk. The IRMD through Chief Risk Officer reports to the BIRMC thus ensuring its independence.

Risk measurement and reporting

The Bank uses robust risk measurement techniques in line with industry best practices. The Bank also carries out stress testing on regular basis which is a key aspect of the Internal Capital Adequacy Assessment Process (ICAAP). The risk management framework of the Bank provides an insight on the impact of extreme, but plausible scenarios on the Bank's risk profile. The results of the stress testing are reported to the EIRMC and then to the BIRMC on a periodic basis.

The Bank establishes policies, and sets limits and thresholds within the risk appetite of the Bank. These limits reflect the business strategy and market environment which the Bank as well as the level of risk that the Bank is willing to accept (risk appetite). The monitoring and control mechanism therefore, is based on risk appetite of the Bank.

66.1 Credit risk

The financial loss resulting from a borrower or counterparty to a financial instrument failing or delaying to meet its contractual obligations is referred to as credit risk. It arises principally from the loans and advances to banks and other customers, investments in debt securities and other financial instruments. In addition to the credit risk from direct funding exposure (i.e. on balance sheet exposure), indirect liabilities such as Letters of Credit, Guarantees etc. also would expose the Bank to credit risk.

The Bank ensures stringent credit risk management practices to manage overall elements of credit risk exposures (such as individual obligor default risk, country and sector concentration risks etc.).

66.1.1 Credit quality analysis

66.1.1 (a) Maximum exposure to credit risk by risk rating

The following tables set out information about the credit quality of financial assets measured at amortised cost, debt instruments measured at FVOCI and contingent liabilities and commitments.

As at December 31, 2024	Note	Page No.	Carrying amount	Not subject to ECL	Subject to		
					12-month ECL (Stage 1)	Lifetime ECL – not credit impaired (Stage 2)	Lifetime ECL – credit impaired (Stage 3)
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents							
Risk free Investments			49,202,117	49,202,117	–	–	–
Rating 0-4: Investment grade			37,485,610	–	37,485,610	–	–
Rating 5-6: Moderate risk			108,383	–	108,383	–	–
Rating 7-8: High risk			–	–	–	–	–
Rating 9: Extreme risk			59,376	–	59,376	–	–
Gross carrying amount			86,855,486	49,202,117	37,653,369	–	–
Less: Provision for impairment			7,195	–	7,195	–	–
Net carrying amount	28	352	86,848,291	49,202,117	37,646,174	–	–
Placements with Central Bank and other Banks							
Risk free Investments (Excluding Statutory Reserve)			5,601,154	5,601,154	–	–	–
Rating 0-4: Investment grade			98,447,771	–	98,447,771	–	–
Rating 5-6: Moderate risk			890,199	–	890,199	–	–
Rating 7-8: High risk			–	–	–	–	–
Rating 9: Extreme risk			–	–	–	–	–
Gross carrying amount			104,939,124	5,601,154	99,337,970	–	–
Less: Provision for impairment			37,667	–	37,667	–	–
Net carrying amount	29 & 30	353 & 354	104,901,457	5,601,154	99,300,303	–	–

As at December 31, 2024	Note	Page No.	Carrying amount Rs. '000	Not subject to ECL Rs. '000	Subject to 12-month ECL (Stage 1) Rs. '000	Subject to Lifetime ECL – not credit impaired (Stage 2) Rs. '000	Subject to Lifetime ECL – credit impaired (Stage 3) Rs. '000
Financial assets at amortised cost – Loans and advances to other customers							
Government Securities (Risk free investments)			–	–	–	–	–
Rating 0-4: Investment grade (*)			1,023,546,113	–	949,692,859	68,597,868	5,255,386
Rating 5-6: Moderate risk			335,052,717	–	260,123,407	50,545,461	24,383,849
Rating 7-8: High risk			51,093,614	–	21,169,792	8,738,452	21,185,370
Rating 9: Extreme risk			77,208,242	–	171,008	123,888	76,913,346
Gross carrying amount			1,486,900,686	–	1,231,157,066	128,005,669	127,737,951
Less: Provision for impairment			102,376,026	–	6,198,064	11,454,464	84,723,498
Net carrying amount	33	359	1,384,524,660	–	1,224,959,002	116,551,205	43,014,453
Financial assets at amortised cost – Debt and other financial instruments							
Government Securities (Risk free investments)			642,905,805	642,905,805	–	–	–
Rating 0-4: Investment grade			1,390,085	–	1,390,085	–	–
Rating 5-6: Moderate risk			24,786,439	–	7,839,276	16,947,163	–
Rating 7-8: High risk			–	–	–	–	–
Rating 9: Extreme risk			152,870	–	–	–	152,870
Gross carrying amount			669,235,199	642,905,805	9,229,361	16,947,163	152,870
Less: Provision for impairment			1,525,508	–	16,864	1,355,774	152,870
Net carrying amount	34	362	667,709,691	642,905,805	9,212,497	15,591,389	–
Financial assets measured at fair value through other comprehensive income							
Government Securities (Risk free investments)			300,250,236	300,250,236	–	–	–
Rating 0-4: Investment grade			1,333,906	1,333,906	–	–	–
Rating 5-6: Moderate risk			–	–	–	–	–
Rating 7-8: High risk			–	–	–	–	–
Rating 9: Extreme risk			–	–	–	–	–
Gross carrying amount			301,584,142	301,584,142	–	–	–
Less: Provision for impairment			–	–	–	–	–
Net carrying amount	35	365	301,584,142	301,584,142	–	–	–
Off-balance sheet (**)							
Contingent liabilities and commitments							
(i) Lending commitments							
Grade 0-6: Investment grade to moderate risk			195,326,955	–	191,746,236	3,506,532	74,187
Grade 7-9: High risk to extreme risk			804,482	–	279,340	77,093	448,049
Gross carrying amount			196,131,437	–	192,025,576	3,583,625	522,236
(ii) **Contingencies**							
Grade 0-6: Investment grade to moderate risk			545,894,882	290,296,652	255,162,224	260,309	175,697
Grade 7-9: High risk to extreme risk			463,970	–	–	–	463,970
Gross carrying amount			546,358,852	290,296,652	255,162,224	260,309	639,667
Total contingent liabilities and commitments	57	412	742,490,289	290,296,652	447,187,800	3,843,934	1,161,903
Provision for impairment	57.3 (b)	414	4,519,693	–	1,972,973	649,312	1,897,408

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As at December 31, 2023	Note	Page No.	Carrying amount	Not subject to ECL	Subject to 12-month ECL (Stage 1)	Subject to Lifetime ECL – not credit impaired (Stage 2)	Subject to Lifetime ECL – credit impaired (Stage 3)
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents							
Risk free Investments			53,483,401	53,483,401	–	–	–
Rating 0-4: Investment grade			103,673,572	–	103,673,572	–	–
Rating 5-6: Moderate risk			676,899	–	676,899	–	–
Rating 7-8: High risk			–	–	–	–	–
Rating 9: Extreme risk			–	–	–	–	–
Gross carrying amount			157,833,872	53,483,401	104,350,471	–	–
Less: Provision for impairment			14,585	–	14,585	–	–
Net carrying amount	28	352	157,819,287	53,483,401	104,335,886	–	–
Placements with Central Bank and other Banks							
Risk free Investments (Excluding Statutory Reserve)			4,903,453	4,903,453	–	–	–
Rating 0-4: Investment grade			81,386,092	–	81,386,092	–	–
Rating 5-6: Moderate risk			–	–	–	–	–
Rating 7-8: High risk			–	–	–	–	–
Rating 9: Extreme risk			–	–	–	–	–
Gross carrying amount			86,289,545	4,903,453	81,386,092	–	–
Less: Provision for impairment			41,396	–	41,396	–	–
Net carrying amount	29 & 30	353 & 354	86,248,149	4,903,453	81,344,696	–	–
Financial assets at amortised cost – Loans and advances to other customers							
Government Securities (Risk free investments)			–	–	–	–	–
Rating 0-4: Investment grade (*)			892,541,692	–	813,649,547	63,856,481	15,035,664
Rating 5-6: Moderate risk			261,246,029	–	175,437,915	48,503,984	37,304,130
Rating 7-8: High risk			54,775,052	–	4,597,857	15,841,589	34,335,606
Rating 9: Extreme risk			56,996,530	–	72,691	35,648	56,888,191
Gross carrying amount			1,265,559,303	–	993,758,010	128,237,702	143,563,591
Less: Provision for impairment			89,199,332	–	8,800,339	17,182,146	63,216,847
Net carrying amount	33	359	1,176,359,971	–	984,957,671	111,055,556	80,346,744
Financial assets at amortised cost – Debt and other financial instruments							
Government Securities (Risk free investments)			553,963,008	553,963,008	–	–	–
Rating 0-4: Investment grade			7,248,096	–	7,248,096	–	–
Rating 5-6: Moderate risk			184,464,585	–	–	184,464,585	–
Rating 7-8: High risk			–	–	–	–	–
Rating 9: Extreme risk			152,870	–	–	–	152,870
Gross carrying amount			745,828,559	553,963,008	7,248,096	184,464,585	152,870
Less: Provision for impairment			96,088,151	–	13,698	95,921,583	152,870
Net carrying amount	34	362	649,740,408	553,963,008	7,234,398	88,543,002	–

As at December 31, 2023	Note	Page No.	Carrying amount	Not subject to ECL	Subject to		
					12-month ECL (Stage 1)	Lifetime ECL – not credit impaired (Stage 2)	Lifetime ECL – credit impaired (Stage 3)
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value through other comprehensive income							
Government Securities (Risk free investments)			286,826,782	286,826,782	–	–	–
Rating 0-4: Investment grade			196,227	196,227	–	–	–
Rating 5-6: Moderate risk			–	–	–	–	–
Rating 7-8: High risk			–	–	–	–	–
Rating 9: Extreme risk			–	–	–	–	–
Gross carrying amount			287,023,009	287,023,009	–	–	–
Less: Provision for impairment			–	–	–	–	–
Net carrying amount	35	365	287,023,009	287,023,009	–	–	–
Off-balance sheet (**)							
Contingent liabilities and commitments							
(i) Lending commitments							
Grade 0-6: Investment grade to moderate risk			157,205,333	–	154,273,236	2,611,066	321,031
Grade 7-9: High risk to extreme risk			–	–	–	–	–
Gross carrying amount			157,205,333	–	154,273,236	2,611,066	321,031
(ii) Contingencies							
Grade 0-6: Investment grade to moderate risk			506,262,715	314,206,289	190,601,643	–	1,454,783
Grade 7-9: High risk to extreme risk			906,490	–	–	–	906,490
Gross carrying amount			507,169,205	314,206,289	190,601,643	–	2,361,273
Total contingent liabilities and commitments	57	412	664,374,538	314,206,289	344,874,879	2,611,066	2,682,304
Provision for impairment	57.3 (b)	414	6,082,760	–	2,601,480	915,546	2,565,734

(*) Investment grade also include Cash and Gold.

(**) Amounts reported above does not include capital commitments by the Bank disclosed in the Note 57 on "Contingent Liabilities and Commitments" on pages 412 to 414.

Financial assets at amortised cost – Loans and advances to other customers and contingent liabilities and commitments categorised based on Bank's internal risk rating and other financial assets are categorised based on external credit rating of respective counterparties.

66.1.1 (b) Credit exposure movement – ECL stage-wise

The following tables show reconciliations from the opening to closing balance of the gross carrying amounts by class of financial instrument.

	Carrying amount	Not subject to ECL	Subject to 12-month ECL (Stage 1)	Subject to Lifetime ECL not credit impaired (Stage 2)	Subject to Lifetime ECL credit impaired (Stage 3)
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents					
Gross carrying amount as at January 01, 2024	157,833,872	53,483,401	104,350,471	–	–
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
New assets originated or purchased	42,011,815	–	42,011,815	–	–
Financial assets derecognised or repaid (excluding write-offs)	(107,764,982)	(3,414,511)	(104,350,471)	–	–
Foreign exchange adjustments	(5,225,219)	(866,773)	(4,358,446)	–	–
As at December 31, 2024	86,855,486	49,202,117	37,653,369	–	–
Placements with Central Bank and other Banks					
Gross carrying amount as at January 01, 2024	86,289,545	4,903,453	81,386,092	–	–
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
New assets originated or purchased	108,276,779	5,601,154	102,675,625	–	–
Financial assets derecognised or repaid (excluding write-offs)	(79,371,712)	(4,903,453)	(74,468,259)	–	–
Foreign exchange adjustments	(10,255,488)	–	(10,255,488)	–	–
As at December 31, 2024	104,939,124	5,601,154	99,337,970	–	–
Financial assets at amortised cost – Loans and advances to other customers					
Gross carrying amount as at January 01, 2024	1,265,559,303	–	993,758,010	128,237,702	143,563,591
Transfer to Stage 1	–	–	26,981,445	(24,427,546)	(2,553,899)
Transfer to Stage 2	–	–	(37,265,456)	40,261,962	(2,996,506)
Transfer to Stage 3	–	–	(3,181,008)	(12,154,834)	15,335,842
New assets originated or purchased	953,641,686	–	870,034,755	68,843,257	14,763,674
Financial assets derecognised or repaid (excluding write-offs)	(683,683,562)	–	(575,959,570)	(69,596,694)	(38,127,298)
Write-offs (*)	(6,574,081)	–	–	–	(6,574,081)
Foreign exchange adjustments	(50,820,679)	–	(43,211,110)	(3,705,190)	(3,904,379)
Changes to contractual cash flows due to modifications not resulting in derecognition	8,778,019	–	–	547,012	8,231,007
As at December 31, 2024	1,486,900,686	–	1,231,157,066	128,005,669	127,737,951

	Carrying amount	Not subject to ECL	Subject to 12-month ECL (Stage 1)	Subject to Lifetime ECL not credit impaired (Stage 2)	Subject to Lifetime ECL credit impaired (Stage 3)
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets at amortised cost – Debt and other financial instruments					
Gross carrying amount as at January 01, 2024	745,828,559	553,963,008	7,248,096	184,464,585	152,870
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
Transfer to not subject to ECL	–	106,971,830	–	(106,971,830)	–
New assets originated or purchased	179,057,692	168,713,484	3,008,757	7,335,451	–
Financial assets derecognised or repaid (excluding write-offs)	(188,337,665)	(182,746,504)	(1,027,144)	(4,564,017)	–
Derecognition loss on restructuring of SLISBs transfer to Income statement	(45,107,533)	–	–	(45,107,533)	–
Foreign exchange adjustments	(22,205,854)	(3,996,013)	(348)	(18,209,493)	–
As at December 31, 2024	669,235,199	642,905,805	9,229,361	16,947,163	152,870
Financial assets measured at fair value through other comprehensive income					
Gross carrying amount as at January 01, 2024	287,023,009	287,023,009	–	–	–
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
New assets originated or purchased	280,943,319	280,943,319	–	–	–
Financial assets derecognised or repaid (excluding write-offs)	(264,392,685)	(264,392,685)	–	–	–
Foreign exchange adjustments	(3,086,435)	(3,086,435)	–	–	–
Change in fair value due to remeasurement	1,096,934	1,096,934	–	–	–
As at December 31, 2024	301,584,142	301,584,142	–	–	–
Contingent liabilities and commitments					
Gross carrying amount as at January 01, 2024	664,374,538	314,206,289	344,874,879	2,611,066	2,682,304
Transfer to Stage 1	–	–	1,442,002	(1,395,188)	(46,814)
Transfer to Stage 2	–	–	(1,876,171)	1,876,265	(94)
Transfer to Stage 3	–	–	(14,911)	(5,002)	19,913
Net change in new assets originated or purchased/Financial assets derecognised or repaid (excluding write-offs)	79,551,410	(23,909,637)	102,762,001	756,793	(57,747)
Write-offs	(1,435,659)	–	–	–	(1,435,659)
As at December 31, 2024	742,490,289	290,296,652	447,187,800	3,843,934	1,161,903

(*) Due to enforcement activities, loans and advances amounting to Rs. 266.708 Mn. was written off during the year.

	Carrying amount	Not subject to ECL	Subject to 12-month ECL (Stage 1)	Subject to Lifetime ECL not credit impaired (Stage 2)	Subject to Lifetime ECL credit impaired (Stage 3)
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents					
Gross carrying amount as at January 01, 2023	149,407,301	47,104,381	102,302,920	–	–
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
New assets originated or purchased	33,385,999	7,300,447	26,085,552	–	–
Financial assets derecognised or repaid (excluding write-offs)	(16,557,741)	–	(16,557,741)	–	–
Foreign exchange adjustments	(8,401,687)	(921,427)	(7,480,260)	–	–
As at December 31, 2023	157,833,872	53,483,401	104,350,471	–	–
Placements with Central Bank and other Banks					
Gross carrying amount as at January 01, 2023	95,933,756	–	95,933,756	–	–
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
New assets originated or purchased	96,243,281	4,903,453	91,339,828	–	–
Financial assets derecognised or repaid (excluding write-offs)	(95,470,816)	–	(95,470,816)	–	–
Foreign exchange adjustments	(10,416,676)	–	(10,416,676)	–	–
As at December 31, 2023	86,289,545	4,903,453	81,386,092	–	–
Financial assets at amortised cost – Loans and advances to other customers					
Gross carrying amount as at January 01, 2023	1,219,667,243	–	931,509,687	173,418,701	114,738,855
Transfer to Stage 1	–	–	35,205,930	(34,139,806)	(1,066,124)
Transfer to Stage 2	–	–	(39,142,250)	41,575,419	(2,433,169)
Transfer to Stage 3	–	–	(8,799,730)	(34,568,281)	43,368,011
New assets originated or purchased	664,959,319	–	611,064,692	43,197,911	10,696,716
Financial assets derecognised or repaid (excluding write-offs)	(594,782,140)	–	(494,795,481)	(72,016,924)	(27,969,735)
Write-offs (*)	(1,547,840)	–	–	–	(1,547,840)
Foreign exchange adjustments	(58,403,621)	–	(49,894,872)	(4,205,628)	(4,303,121)
Changes to contractual cash flows due to modifications not resulting in derecognition	35,666,342	–	8,610,034	14,976,310	12,079,998
As at December 31, 2023	1,265,559,303	–	993,758,010	128,237,702	143,563,591
Financial assets at amortised cost – Debt and other financial instruments					
Gross carrying amount as at January 01, 2023	796,620,340	564,355,883	7,642,694	224,468,893	152,870
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
New assets originated or purchased	106,360,917	95,775,935	2,400	10,582,582	–
Financial assets derecognised or repaid (excluding write-offs)	(125,466,025)	(97,489,436)	(396,463)	(27,580,126)	–
Foreign exchange adjustments	(31,686,673)	(8,679,374)	(535)	(23,006,764)	–
As at December 31, 2023	745,828,559	553,963,008	7,248,096	184,464,585	152,870

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	Carrying amount	Not subject to ECL	Subject to 12-month ECL (Stage 1)	Subject to Lifetime ECL not credit impaired (Stage 2)	Subject to Lifetime ECL credit impaired (Stage 3)
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value through other comprehensive income					
Gross carrying amount as at January 01, 2023	117,056,240	117,056,240	–	–	–
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
New assets originated or purchased	283,412,010	283,412,010	–	–	–
Financial assets derecognised or repaid (excluding write-offs)	(116,143,119)	(116,143,119)	–	–	–
Foreign exchange adjustments	(6,227)	(6,227)	–	–	–
Change in fair value due to remeasurement	2,704,105	2,704,105	–	–	–
As at December 31, 2023	287,023,009	287,023,009	–	–	–
Contingent liabilities and commitments					
Gross carrying amount as at January 01, 2023	547,300,641	198,809,096	340,148,555	5,940,437	2,402,553
Transfer to Stage 1	–	–	4,650,403	(4,650,362)	(41)
Transfer to Stage 2	–	–	(1,268,282)	1,275,456	(7,174)
Transfer to Stage 3	–	–	(67,724)	(122,474)	190,198
Net change in new assets originated or purchased/Financial assets derecognised or repaid (excluding write-offs)	117,073,897	115,397,193	1,411,927	168,009	96,768
As at December 31, 2023	664,374,538	314,206,289	344,874,879	2,611,066	2,682,304

(*) Due to enforcement activities, loans and advances amounting to Rs. 23.643 Mn. was written off during the year.

The provision for impairment (ECL) movement of financial assets, contingent liabilities and commitments is given in Note 66.1.1 (c) on pages 435 to 438.

66.1.1 (c) Provision for impairment (ECL) movement

The following tables show reconciliations from the opening to closing balance of the provision for impairment by class of financial instrument.

	Note	Page No.	12-month ECL (Stage 1) Rs. '000	Lifetime ECL not credit impaired (Stage 2) Rs. '000	Lifetime ECL – credit impaired (Stage 3) Rs. '000	Total Rs. '000
Cash and cash equivalents						
Provision for impairment (ECL) as at January 01, 2024			14,585	–	–	14,585
Transfer to Stage 1			–	–	–	–
Transfer to Stage 2			–	–	–	–
Transfer to Stage 3			–	–	–	–
Net remeasurement of impairment			9,828	–	–	9,828
New assets originated or purchased			52	–	–	52
Financial assets derecognised or repaid (excluding write-offs)			(16,626)	–	–	(16,626)
Foreign exchange adjustments			(644)	–	–	(644)
As at December 31, 2024	28.1	352	7,195	–	–	7,195
Placements with Central Bank and other Banks						
Provision for impairment (ECL) as at January 01, 2024			41,396	–	–	41,396
Transfer to Stage 1			–	–	–	–
Transfer to Stage 2			–	–	–	–
Transfer to Stage 3			–	–	–	–
Net remeasurement of impairment			–	–	–	–
New assets originated or purchased			37,668	–	–	37,668
Financial assets derecognised or repaid (excluding write-offs)			(41,215)	–	–	(41,215)
Foreign exchange adjustments			(182)	–	–	(182)
As at December 31, 2024	30.1	354	37,667	–	–	37,667
Financial assets at amortised cost – Loans and advances to other customers						
Provision for impairment (ECL) as at January 01, 2024			8,800,339	17,182,146	63,216,847	89,199,332
Transfer to Stage 1			5,093,692	(4,256,766)	(836,926)	–
Transfer to Stage 2			(701,331)	1,490,739	(789,408)	–
Transfer to Stage 3			(60,206)	(1,903,256)	1,963,462	–
Net remeasurement of impairment			(7,172,599)	(66,763)	28,413,821	21,174,459
New assets originated or purchased			3,423,751	6,330,029	9,240,234	18,994,014
Financial assets derecognised or repaid (excluding write-offs)			(2,898,036)	(7,145,240)	(13,542,239)	(23,585,515)
Write-offs and recoveries			–	–	(3,500,567)	(3,500,567)
Foreign exchange adjustments			(287,546)	(243,530)	(1,873,534)	(2,404,610)
Unwinding of discount			–	–	(3,094,422)	(3,094,422)
Other movements			–	–	(640,003)	(640,003)
Changes to contractual cash flows due to modifications not resulting in derecognition			–	67,105	6,166,233	6,233,338
As at December 31, 2024	33.2 (b)	361	6,198,064	11,454,464	84,723,498	102,376,026

	Note	Page No.	12-month ECL (Stage 1) Rs. '000	Lifetime ECL not credit impaired (Stage 2) Rs. '000	Lifetime ECL – credit impaired (Stage 3) Rs. '000	Total Rs. '000
Financial assets at amortised cost – Debt and other financial instruments						
Provision for impairment (ECL) as at January 01, 2024			13,698	95,921,583	152,870	96,088,151
Transfer to Stage 1			–	–	–	–
Transfer to Stage 2			–	–	–	–
Transfer to Stage 3			–	–	–	–
Net remeasurement of impairment			(1,787)	1,391,923	–	1,390,136
New assets originated or purchased			5,145	–	–	5,145
Financial assets derecognised or repaid (excluding write-offs)			(192)	–	–	(192)
Write-offs			–	–	–	–
Reversal of impairment provision on restructuring of SLISBs			–	(88,606,445)	–	(88,606,445)
Changes in models and inputs used for ECL			–	–	–	–
Foreign exchange adjustments			–	(7,351,287)	–	(7,351,287)
As at December 31, 2024	34.1 (b)	364	16,864	1,355,774	152,870	1,525,508
Contingent liabilities and commitments						
Provision for impairment (ECL) as at January 01, 2024			2,601,480	915,546	2,565,734	6,082,760
Transfer to Stage 1			195,108	(163,231)	(31,877)	–
Transfer to Stage 2			(78,234)	78,245	(11)	–
Transfer to Stage 3			(200)	(754)	954	–
Net remeasurement of impairment			(129,513)	220,999	115,541	207,027
New assets originated or purchased			1,036,394	231,997	1,393,916	2,662,307
Financial assets derecognised or repaid (excluding write-offs)			(1,600,891)	(562,117)	(626,912)	(2,789,920)
Write-offs			–	–	(1,435,659)	(1,435,659)
Foreign exchange adjustments			(51,171)	(71,373)	(84,278)	(206,822)
As at December 31, 2024	57.3 (b)	414	1,972,973	649,312	1,897,408	4,519,693

	Note	Page No.	12-month ECL (Stage 1) Rs. '000	Lifetime ECL – not credit impaired (Stage 2) Rs. '000	Lifetime ECL – credit impaired (Stage 3) Rs. '000	Total Rs. '000
Cash and cash equivalents						
Provision for impairment (ECL) as at January 01, 2023			13,690	–	–	13,690
Transfer to Stage 1			–	–	–	–
Transfer to Stage 2			–	–	–	–
Transfer to Stage 3			–	–	–	–
Net remeasurement of impairment			11,162	–	–	11,162
New assets originated or purchased			851	–	–	851
Financial assets derecognised or repaid (excluding write-offs)			(9,351)	–	–	(9,351)
Foreign exchange adjustments			(1,767)	–	–	(1,767)
As at December 31, 2023	28.1	352	14,585	–	–	14,585
Placements with Central Bank and other Banks						
Provision for impairment (ECL) as at January 01, 2023			34,111	–	–	34,111
Transfer to Stage 1			–	–	–	–
Transfer to Stage 2			–	–	–	–
Transfer to Stage 3			–	–	–	–
New assets originated or purchased			41,396	–	–	41,396
Financial assets derecognised or repaid (excluding write-offs)			(30,009)	–	–	(30,009)
Foreign exchange adjustments			(4,102)	–	–	(4,102)
As at December 31, 2023	30.1	354	41,396	–	–	41,396
Financial assets at amortised cost – Loans and advances to other customers						
Provision for impairment (ECL) as at January 01, 2023			14,598,587	28,248,676	46,377,401	89,224,664
Transfer to Stage 1			5,766,056	(5,386,117)	(379,939)	–
Transfer to Stage 2			(1,657,684)	2,655,767	(998,083)	–
Transfer to Stage 3			(624,552)	(6,728,316)	7,352,868	–
Net remeasurement of impairment			(7,136,372)	3,029,924	35,057,737	30,951,289
New assets originated or purchased			3,675,716	3,137,717	3,219,619	10,033,052
Financial assets derecognised or repaid (excluding write-offs)			(5,399,869)	(9,994,666)	(26,860,631)	(42,255,166)
Write-offs and recoveries			–	–	69,927	69,927
Foreign exchange adjustments			(494,257)	(351,311)	(1,526,233)	(2,371,801)
Unwinding of discount			–	–	(3,369,908)	(3,369,908)
Other movements			–	–	(43,269)	(43,269)
Changes to contractual cash flows due to modifications not resulting in derecognition			72,714	2,570,472	4,317,358	6,960,544
As at December 31, 2023	33.2 (b)	361	8,800,339	17,182,146	63,216,847	89,199,332

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	Note	Page No.	12-month ECL (Stage 1) Rs. '000	Lifetime ECL – not credit impaired (Stage 2) Rs. '000	Lifetime ECL – credit impaired (Stage 3) Rs. '000	Total Rs. '000
Financial assets at amortised cost – Debt and other financial instruments						
Provision for impairment (ECL) as at January 01, 2023			1,407	70,530,764	152,870	70,685,041
Transfer to Stage 1			–	–	–	–
Transfer to Stage 2			–	–	–	–
Transfer to Stage 3			–	–	–	–
Net remeasurement of impairment			12,427	29,763,036	–	29,775,463
New assets originated or purchased			–	5,499,124	–	5,499,124
Financial assets derecognised or repaid (excluding write-offs)			(136)	–	–	(136)
Foreign exchange adjustments			–	(8,439,271)	–	(8,439,271)
Reclassification adjustment			–	(1,432,070)	–	(1,432,070)
As at December 31, 2023	34.1 (b)	364	13,698	95,921,583	152,870	96,088,151
Contingent liabilities and commitments						
Provision for impairment (ECL) as at January 01, 2023			3,832,621	1,605,681	2,449,385	7,887,687
Transfer to Stage 1			503,936	(500,860)	(3,076)	–
Transfer to Stage 2			(48,693)	48,968	(275)	–
Transfer to Stage 3			(721)	(8,860)	9,581	–
Net remeasurement of impairment			(636,785)	817,609	41,354	222,178
New assets originated or purchased			1,695,666	484,602	174,145	2,354,413
Financial assets derecognised or repaid (excluding write-offs)			(2,598,529)	(1,506,230)	(105,380)	(4,210,139)
Foreign exchange adjustments			(146,015)	(25,364)	–	(171,379)
As at December 31, 2023	57.3 (b)	414	2,601,480	915,546	2,565,734	6,082,760

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66.1.1 (d) Financial assets recognised through profit or loss measured at fair value

Fair value through profit or loss investments in debt and equity securities

The table below sets out the credit quality of debt and equity securities classified through profit or loss measured at fair value. Debt instruments include investments made by the Bank in Government securities of Sri Lanka and Bangladesh. The analysis of equity securities is based on Fitch Rating Nomenclature or Equivalent Ratings, where applicable.

	Note	Page No.	2024 Rs. '000	2023 Rs. '000
Debt Instruments at FVTPL				
Government Securities – Sri Lanka				
Treasury bills			–	–
Treasury bonds			2,082,562	4,216,063
Government Securities – Bangladesh				
Treasury bills			78,506,332	22,678,417
Treasury bonds			7,152,274	–
Subtotal – Debt Instruments at FVTPL	32.1	355	87,741,168	26,894,480
Equity Securities at FVTPL				
Rated AAA			281,736	150,989
Rated AA+ to AA-			1,851,000	15,300
Rated A+ to A			679,698	1,922,697
Rated BBB+ to CCC			45,752	8,463
Unrated			1,077,992	457,724
Subtotal – Equity Securities at FVTPL	32.2	356	3,936,178	2,555,173
Total	32	355	91,677,346	29,449,653

Credit exposure arising from derivative transactions

Credit risk arising from derivative financial instruments at any time is limited to those with positive fair values, as reported in the Statement of Financial Position. With gross settled derivatives, the Bank is also exposed to a settlement risk, being the risk that the counterparty failing to deliver the value.

The tables below show analysis of credit exposures arising from derivative financial assets and liabilities:

As at December 31, 2024	Derivative type							
	Forward		SWAPS		Spot		Total	
	Notional amount Rs. '000	Fair value Rs. '000	Notional amount Rs. '000	Fair value Rs. '000	Notional amount Rs. '000	Fair value Rs. '000	Notional amount Rs. '000	Fair value Rs. '000
Derivative financial assets (Note 1)	37,224,641	483,255	91,677,150	3,777,948	4,646,699	3,068	133,548,490	4,264,271
Derivative financial liabilities (Note 2)	38,971,782	(437,278)	42,516,216	(395,784)	3,397,086	(4,435)	84,885,084	(837,497)
Note 1								
Derivative financial assets by counterparty type								
Banks	15,227,177	43,560	91,677,150	3,777,948	4,564,659	3,055	111,468,986	3,824,563
Other customers	21,997,464	439,695	–	–	82,040	13	22,079,504	439,708
Total	37,224,641	483,255	91,677,150	3,777,948	4,646,699	3,068	133,548,490	4,264,271
Note 2								
Derivative financial liabilities by counterparty type								
Banks	25,578,792	(82,922)	42,516,216	(394,036)	3,397,086	(4,435)	71,492,094	(481,393)
Other customers	13,392,990	(354,356)	–	(1,748)	–	–	13,392,990	(356,104)
Total	38,971,782	(437,278)	42,516,216	(395,784)	3,397,086	(4,435)	84,885,084	(837,497)

As at December 31, 2023	Derivative type							
	Forward		SWAPS		Spot		Total	
	Notional amount Rs. '000	Fair value Rs. '000	Notional amount Rs. '000	Fair value Rs. '000	Notional amount Rs. '000	Fair value Rs. '000	Notional amount Rs. '000	Fair value Rs. '000
Derivative financial assets (Note 1)	57,311,565	1,840,608	53,978,930	5,380,997	5,796,233	4,879	117,086,728	7,226,484
Derivative financial liabilities (Note 2)	42,779,384	(838,315)	72,398,424	(1,471,733)	6,072,529	(9,161)	121,250,337	(2,319,209)
Note 1								
Derivative financial assets by counterparty type								
With Banks	11,374,690	117,957	53,492,555	5,371,533	5,796,233	3,390	70,663,478	5,492,880
Other customers	45,936,875	1,722,651	486,375	9,464	–	1,489	46,423,250	1,733,604
Total	57,311,565	1,840,608	53,978,930	5,380,997	5,796,233	4,879	117,086,728	7,226,484
Note 2								
Derivative financial liabilities by counterparty type								
With Banks	3,891,000	(43,457)	71,148,424	(1,420,213)	6,072,529	(4,356)	81,111,953	(1,468,026)
Other customers	38,888,384	(794,858)	1,250,000	(51,520)	–	(4,805)	40,138,384	(851,183)
Total	42,779,384	(838,315)	72,398,424	(1,471,733)	6,072,529	(9,161)	121,250,337	(2,319,209)

66.1.2 Credit-impaired financial assets

Reconciliation of changes in the net carrying amount of lifetime ECL credit impaired (Stage 3) loans and advances as detailed below:

	2024 Rs. '000	2023 Rs. '000
Stage 3 loans and advances to other customers as at January 01,	80,346,744	68,361,454
Newly classified as impaired loans and advances during the year	14,960,977	39,885,302
Net change in already impaired loans and advances during the year	(28,206,008)	(10,827,227)
Net payment, write-off and recoveries and other movements during the year	(24,087,260)	(17,072,785)
Impaired loans and advances to customers as at December 31,	43,014,453	80,346,744

Refer Note 18 for methodology of impairment assessment, on "Impairment charges on loans and advances to other customers" on pages 337 to 340.

Details of provision for impairment for loans and advances to other customers, are detailed in Note 33 on page 359.

Set out below is an analysis of the gross and net carrying amounts of life time ECL credit impaired (Stage 3) loans and advances to other customers by risk rating.

As at December 31,	2024		2023	
	Gross carrying amount Rs. '000	Net carrying amount Rs. '000	Gross carrying amount Rs. '000	Net carrying amount Rs. '000
Rating 0-4: Investment grade	5,255,386	2,695,784	15,035,664	10,165,762
Rating 5-6: Moderate risk	24,383,849	10,577,858	37,304,130	25,057,434
Rating 7-8: High risk	21,185,370	4,932,931	34,335,606	19,713,569
Rating 9: Extreme risk	76,913,346	24,807,880	56,888,191	25,409,979
Total	127,737,951	43,014,453	143,563,591	80,346,744

66.1.3 Sensitivity of impairment provision on financial assets

The Bank has estimated the impairment provision on loans and advances to other customers, off balance sheet credit facilities and FCY denominated Government securities as at December 31, 2024, subject to various assumptions. The changes to such assumptions may lead to changes in the impairment provision recorded in the Statement of Financial Position.

The following table demonstrates the sensitivity of the impairment provision on loans and advances to other customers, off balance sheet credit facilities and FCY denominated Government securities of the Bank as at December 31, 2024, to a feasible change in impairment parameters.

Impairment parameters	Sensitivity effect on Statement of Financial Position [Increase/(decrease) in impairment provision]				Sensitivity effect on Income Statement
	Stage 1	Stage 2	Stage 3	Total	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sensitivity of impairment provision on loans and advances to other customers and off balance sheet credit facilities					
1% increase in Marginal PD add on factor across all age buckets	61,153	67,665	–	128,818	(128,818)
1% decrease in Marginal PD add on factor across all age buckets	(61,153)	(67,665)	–	(128,818)	128,818
5% increase in LGD	1,147,299	1,188,525	2,087,403	4,423,227	(4,423,227)
5% decrease in LGD (*)	(897,723)	(1,180,937)	(2,075,689)	(4,154,349)	4,154,349
Probability weighted forward looking macro economic indicators (**)					
– Base case 10% increase, worst case 5% decrease and best case 5% decrease	(42,513)	(34,033)	–	(76,546)	76,546
– Base case 10% decrease, worst case 5% increase and best case 5% increase	42,513	34,033	–	76,546	(76,546)
Sensitivity of impairment provision on foreign currency denominated Government securities (***)					
2% increase in loss rate (****)	N/A	338,943	N/A	338,943	(338,943)
2% decrease in loss rate (****)	N/A	(338,943)	N/A	(338,943)	338,943

(*) LGD decrease is capped at 0%, if applicable.
(**) Please refer Note 18 for explanation on forward looking Macro Economic Indicators.
(***) USD Step Up Bonds have been excluded from the impairment
*(****) Loss rate = PD*EFA*LGD*

66.1.4 Collateral arrangements

66.1.4 (a) Collateral accepted as security for assets

The Bank takes collateral where it is considered necessary to support both on and off balance sheet transactions. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral taken, if deemed necessary, is based on management's credit evaluation of the counterparty. The Bank obtains a variety of collateral types primarily to cover the credit risk, including cash and cash equivalents, treasury guarantees, gold, motor vehicles, immovable properties, quoted and unquoted shares, inventories etc.

66.1.4 (b) Loan to value ratio of residential mortgage lending

The table below stratifies eligible credit exposures by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral, which is used for the computation of Capital Adequacy Ratios. The value of the collateral for residential mortgage loan is based on the forced sale value determined by professional valuers.

As at December 31,	2024		2023	
	Rs. '000	Composition (%)	Rs. '000	Composition (%)
LTV ratio				
Less than 50%	22,293,111	31.03	19,593,510	31.29
51% – 70%	18,853,564	26.24	15,856,388	25.33
71% – 90%	19,560,129	27.23	16,215,557	25.90
91% – 100%	1,245,467	1.73	1,285,407	2.05
More than 100% (*)	9,885,119	13.77	9,658,981	15.43
Total	71,837,390	100.00	62,609,843	100.00

(*) LTV ratio of more than 100% has been arisen due to subsequent disbursements made to the borrower after the initial valuation of the property (the denominator).

The total amount mentioned above does not tally to the total of residential mortgage lending by the Bank, as some of the residential mortgage lending are not eligible to apply preferential risk weight used in the calculation of Capital Adequacy Ratio.

Assets obtained by taking the possession of collaterals

Repossession of collaterals is resorted to in extreme situations where action is necessitated to recover the dues. The repossessed assets are disposed, in an orderly and a transparent manner and the proceeds are used to reduce or recover the outstanding claims and the amounts recovered in excess of the dues are refunded to the customers.

66.1.5 Concentration of credit risk

By setting various concentration limits under different criteria within the established risk appetite framework (i.e. single borrower/group, industry sectors, product,

66.1.5 (a) Industry-wise distribution

As at December 31, 2024	Agriculture and fishing Rs. '000	Manufacturing Rs. '000	Tourism Rs. '000	Transportation and storage Rs. '000	Construction Rs. '000
Financial assets					
Cash and cash equivalents	–	–	–	–	–
Balances with central banks	–	–	–	–	–
Placements with banks	–	–	–	–	–
Securities purchased under resale agreements	–	–	–	–	–
Derivative financial assets	4,476	116,443	–	–	–
Financial assets recognised through profit or loss – Measured at fair value	–	548,241	156,177	94,500	21,741
Government securities	–	–	–	–	–
Quoted equity securities	–	548,241	156,177	94,500	21,741
Financial assets at AC – Loans and advances to other customers (*)	129,364,428	219,325,409	45,217,832	25,808,243	131,395,706
Financial assets at AC – Debt and other financial instruments	–	5,321,640	–	–	–
Government securities	–	–	–	–	–
Other securities	–	5,321,640	–	–	–
Financial assets measured at fair value through other comprehensive income	–	21,140	–	–	312,558
Government securities	–	–	–	–	–
Equity securities	–	21,140	–	–	312,558
Total	129,368,904	225,332,873	45,374,009	25,902,743	131,730,005

As at December 31, 2023	Agriculture and fishing Rs. '000	Manufacturing Rs. '000	Tourism Rs. '000	Transportation and storage Rs. '000	Construction Rs. '000
Financial assets					
Cash and cash equivalents	–	–	–	–	–
Balances with central banks	–	–	–	–	–
Placements with banks	–	–	–	–	–
Securities purchased under resale agreements	–	–	–	–	–
Derivative financial assets	9,206	52,083	–	–	–
Financial assets recognised through profit or loss – Measured at fair value	–	318,814	61,667	10,028	12,900
Government securities	–	–	–	–	–
Quoted equity securities	–	318,814	61,667	10,028	12,900
Financial assets at AC – Loans and advances to other customers (*)	112,936,178	170,043,776	37,013,526	24,626,078	91,104,573
Financial assets at AC – Debt and other financial instruments	–	5,320,043	–	–	–
Government securities	–	–	–	–	–
Other securities	–	5,320,043	–	–	–
Financial assets measured at fair value through other comprehensive income	–	11,570	–	–	125,516
Government securities	–	–	–	–	–
Equity securities	–	11,570	–	–	125,516
Total	112,945,384	175,746,286	37,075,193	24,636,106	91,242,989

(*) Loans and advances to other customers referred above do not agree with the Note 33.1 (c) on page 360 due to impairment provisions.

counterparty and country limits etc.), the Bank ensures that an acceptable level of risk diversification is maintained on an ongoing basis. These limits are continuously monitored and periodically reviewed by the Credit Policy Committee (CPC), EIRMC and BIRMC to capture the developments in the market, political and economic environment both locally and globally to strengthen the dynamic portfolio management practices and to provide an early warning on possible credit concentrations.

The maximum exposure to credit risk in respect of each item of financial assets in the Statement of Financial Position as at the reporting date, as per the industry sector and by geographical region of financial assets is given below.

Infrastructure development Rs. '000	**Wholesale and retail trade Rs. '000**	**Information technology and communication services Rs. '000**	**Financial services Rs. '000**	**Professional, scientific and technical activities Rs. '000**	**Arts, entertainment and recreation Rs. '000**	**Education Rs. '000**	**Healthcare, social services and support services Rs. '000**	**Consumption and other Rs. '000**	**Lending to overseas entities Rs. '000**	**Total Rs. '000**
–	–	–	86,848,291	–	–	–	–	–	–	86,848,291
–	–	–	45,702,086	–	–	–	–	–	–	45,702,086
–	–	–	99,300,303	–	–	–	–	–	–	99,300,303
–	–	–	28,655,962	–	–	–	–	–	–	28,655,962
58,095	20,838	61,347	3,985,283	–	–	–	58	17,731	–	4,264,271
–	254,982	71,388	90,406,302	–	–	–	124,015	–	–	91,677,346
–	–	–	87,741,168	–	–	–	–	–	–	87,741,168
–	254,982	71,388	2,665,134	–	–	–	124,015	–	–	3,936,178
39,377,184	276,883,794	17,600,604	87,537,784	12,088,593	1,601,253	4,405,183	36,439,502	135,241,644	222,237,501	1,384,524,660
2,501,149	–	–	659,886,902	–	–	–	–	–	–	667,709,691
–	–	–	658,497,195	–	–	–	–	–	–	658,497,195
2,501,149	–	–	1,389,707	–	–	–	–	–	–	9,212,496
–	–	–	301,241,824	8,620	–	–	–	–	–	301,584,142
–	–	–	300,250,236	–	–	–	–	–	–	300,250,236
–	–	–	991,588	8,620	–	–	–	–	–	1,333,906
41,936,428	277,159,614	17,733,339	1,403,564,737	12,097,213	1,601,253	4,405,183	36,563,575	135,259,375	222,237,501	2,710,266,752

Infrastructure development Rs. '000	Wholesale and retail trade Rs. '000	Information technology and communication services Rs. '000	Financial services Rs. '000	Professional, scientific and technical activities Rs. '000	Arts, entertainment and recreation Rs. '000	Education Rs. '000	Healthcare, social services and support services Rs. '000	Consumption and other Rs. '000	Lending to overseas entities Rs. '000	Total Rs. '000
–	–	–	157,819,287	–	–	–	–	–	–	157,819,287
–	–	–	52,817,502	–	–	–	–	–	–	52,817,502
–	–	–	81,344,696	–	–	–	–	–	–	81,344,696
–	–	–	31,148,729	–	–	–	–	–	–	31,148,729
–	3,971	168,958	6,964,606	–	–	–	1,774	25,886	–	7,226,484
–	108,279	49,131	28,825,640	–	–	–	63,194	–	–	29,449,653
–	–	–	26,894,480	–	–	–	–	–	–	26,894,480
–	108,279	49,131	1,931,160	–	–	–	63,194	–	–	2,555,173
28,284,378	239,437,721	17,916,337	77,555,826	22,901,344	1,069,275	3,694,754	21,044,216	115,241,743	213,490,246	1,176,359,971
–	80,282	–	644,340,083	–	–	–	–	–	–	649,740,408
–	–	–	642,506,010	–	–	–	–	–	–	642,506,010
–	80,282	–	1,834,073	–	–	–	–	–	–	7,234,398
–	–	–	286,877,303	8,620	–	–	–	–	–	287,023,009
–	–	–	286,826,782	–	–	–	–	–	–	286,826,782
–	–	–	50,521	8,620	–	–	–	–	–	196,227
28,284,378	239,630,253	18,134,426	1,367,693,672	22,909,964	1,069,275	3,694,754	21,109,184	115,267,629	213,490,246	2,472,929,739

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66.1.5 (b) Geographical distribution of loans and advances

The Western Province has recorded a higher percentage of lending based on geographical distribution of the Bank's lending portfolio. It has accounted for 76% (approximately) of total advances portfolio of the Bank (excluding Bangladesh operations) as at December 31, 2024. Although, Western Province is attracted with highest credit concentration, we believe that a sizable portion of these lending has been utilised to facilitate industries scattered around the country. For example, most of the large corporates which have island-wide operations are being accommodated by the Bank's branches and corporate banking division located in the Western Province thereby reflecting a fairly diversified geographical concentration as given below.

As at December 31, 2024

Country/province	Loans and advances by product											
	Overdraft Rs. '000	Trade finance Rs. '000	Lease receivables Rs. '000	Credit cards Rs. '000	Pawning Rs. '000	Staff loans Rs. '000	Housing loans Rs. '000	Personal loans Rs. '000	Long-term loans Rs. '000	Short-term loans Rs. '000	Bills of exchange Rs. '000	Total Rs. '000
Sri Lanka												
Central	20,237,497	597,940	2,765,825	295,603	1,583,972	8,171	4,353,111	1,889,001	21,796,704	2,816,556	61,935	56,406,315
Eastern	1,323,542	982,883	2,310,847	140,808	2,112,689	3,376	1,118,068	1,091,056	5,666,947	328,173	–	15,078,389
North Central	904,069	174,516	2,350,939	83,525	835,694	705	967,844	1,449,384	10,792,119	1,144,897	–	18,703,692
Northern	6,572,945	2,498,295	4,091,689	414,531	2,914,590	7,365	4,094,065	2,620,667	18,558,881	3,930,380	–	45,703,408
North Western	2,604,371	43,660	4,293,308	224,291	15,030,452	7,102	1,879,114	1,578,840	11,258,773	673,901	–	37,593,812
Sabaragamuwa	5,577,227	683,365	3,319,508	273,129	1,118,562	5,067	3,237,894	1,514,171	14,654,001	3,486,988	–	33,869,912
Southern	7,373,223	5,664,860	5,301,503	457,793	3,821,901	11,458	6,386,737	3,547,087	25,354,406	7,717,052	108,338	65,744,358
Uva	1,407,953	–	1,284,095	121,824	473,246	2,852	1,640,743	934,575	7,125,194	543,464	–	13,533,946
Western	97,708,315	97,380,186	25,629,041	17,966,822	15,366,204	13,777,868	52,057,548	22,450,214	377,064,409	190,559,024	11,009,529	920,969,160
Bangladesh	14,145,238	12,225,845	783,345	294,960	–	418,537	1,440,289	370,914	17,546,250	76,281,517	53,414,773	176,921,668
Net Loans and advances	157,854,380	120,251,550	52,130,100	20,273,286	43,257,310	14,242,501	77,175,413	37,445,909	509,817,684	287,481,952	64,594,575	1,384,524,660

As at December 31, 2023

Country/province	Loans and advances by product											
	Overdrafts Rs. '000	Trade finance Rs. '000	Lease receivables Rs. '000	Credit cards Rs. '000	Pawning Rs. '000	Staff loans Rs. '000	Housing loans Rs. '000	Personal loans Rs. '000	Long-term loans Rs. '000	Short-term loans Rs. '000	Bills of exchange Rs. '000	Total Rs. '000
Sri Lanka												
Central	11,394,342	498,590	1,744,549	81,665	1,414,400	4,596	4,205,179	1,844,641	20,150,480	2,561,462	63,102	43,963,006
Eastern	1,010,877	288,677	1,605,541	13,256	1,584,837	2,896	953,557	994,433	4,292,289	276,294	–	11,022,657
North Central	777,539	59,153	1,790,687	17,063	670,320	688	785,900	1,605,512	7,745,883	639,907	–	14,092,652
Northern	5,870,778	203,510	2,768,344	57,651	2,402,932	7,552	3,744,929	2,462,316	14,229,292	2,985,902	–	34,733,206
North Western	2,342,421	121,222	2,607,277	21,752	12,405,281	7,538	1,434,506	1,362,420	6,519,014	379,518	–	27,200,949
Sabaragamuwa	5,153,478	439,024	2,041,730	36,339	868,482	6,777	2,936,127	1,363,930	12,877,924	1,558,543	–	27,282,354
Southern	5,457,265	2,663,598	3,481,732	84,818	3,214,542	10,823	5,451,821	3,021,224	16,689,198	4,924,271	122,151	45,121,443
Uva	918,143	–	958,577	15,878	388,951	3,227	1,597,162	804,224	5,955,598	269,911	–	10,911,671
Western	74,340,552	79,898,502	16,471,133	17,089,454	11,914,454	12,729,585	47,625,028	19,181,243	311,724,285	169,899,331	10,752,750	771,626,317
Bangladesh	16,109,634	8,527,250	1,315,889	278,207	–	451,043	1,842,870	473,706	27,457,624	96,270,628	37,678,865	190,405,716
Net Loans and advances	123,375,029	92,699,526	34,785,459	17,696,083	34,864,199	13,224,725	70,577,079	33,113,649	427,641,587	279,765,767	48,616,868	1,176,359,971

Please refer Note 33 on pages 359 to 362 for the gross carrying amount of the loans and advances to other customers.

66.2 Liquidity risk

Liquidity risk arises because of the possibility that the Bank might not be able to meet on or off-balance sheet contractual financial obligations on its payments or not receiving what is due to the Bank when they fall due, without incurring unacceptable losses. The principal objective in liquidity risk management is to assess the need for funds to meet such obligations, make sure receipt of funds when they are due and to ensure the availability of adequate funding to fulfill those needs at the appropriate time, under both normal and stressed conditions.

Therefore, the Bank continuously analyses and monitors its liquidity profile, maintains adequate levels of high quality liquid assets, ensures access to diverse funding sources and has contingency funding agreements with peer banks to meet any unforeseen liquidity requirements. Exposures, and ratios against tolerance limits as well as stressed scenarios are regularly monitored in order to identify the Bank's liquidity position and potential funding requirements.

Assets and Liability Management Committee (ALCO)

ALCO chaired by the Managing Director, has representatives from Treasury, Corporate Banking, Personal Banking, Risk and Finance Departments. The Committee meets fortnightly or more frequently to monitor and manage the assets and liabilities of the Bank and also the overall liquidity position to keep the Bank's liquidity at healthy levels, whilst satisfying the regulatory requirements.

66.2.1 Exposure to liquidity risk

In accordance with the Banking Act Directions No. 01 of 2024 – "Statutory Liquidity Ratios of Licensed Banks", Statutory Liquid Assets Ratio (SLAR) has been discontinued with effect from June 13, 2024.

The Bank uses the key ratios given below for managing liquidity risk:

		Minimum requirement 2024 %	Minimum requirement 2023 %	2024 %	2023 %
Liquidity Coverage Ratio (LCR)* This ratio determines the ability of the Bank to withstand adverse shocks (i.e. sudden withdrawal of a significant portion of deposits) by holding high quality liquid assets in a 30 day time span.	Rupee Liquidity Requirement	100.00	100.00	529.20	491.61
	All-Currency Liquidity Requirement	100.00	100.00	454.36	516.27
Net Stable Funding Ratio (NSFR)* This ratio measures the availability of Stable Funds against the Required Funds of the Bank. NSFR, requires banks to maintain a stable funding profile by creating additional incentives to fund their activities with more stable sources of funding on an ongoing basis, over a longer time horizon.		100.00	100.00	187.29	193.70

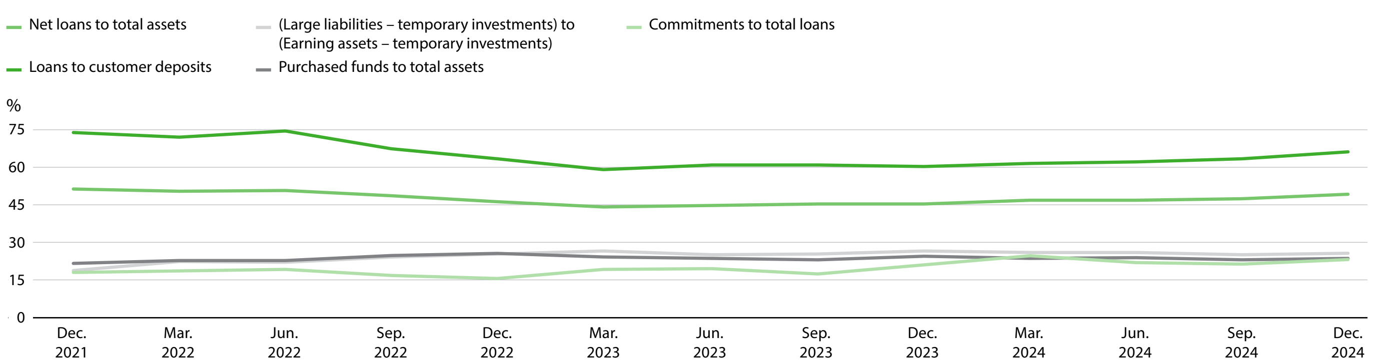
**Details of LCR and NSFR are given in Disclosure 04 and 05 under Basel III disclosures under Pillar III on page 493.*

Details of the reported Rupee Liquidity Requirement & All-Currency Liquidity Requirement as at reporting dates are as follows:

	Rupee Liquidity Requirement 2024 %	Rupee Liquidity Requirement 2023 %	All-Currency Liquidity Requirement 2024 %	All-Currency Liquidity Requirement 2023 %
As at December 31,	529.20	491.61	454.36	516.27
Average for the period	492.03	451.68	421.74	401.25
Maximum for the period	534.46	556.15	551.43	627.23
Minimum for the period	430.98	379.00	304.71	278.10

The graph below depicts the trends in liquidity ratios of the Bank calculated on a quarterly basis during the period from December 2021 to December 2024:

Liquidity Ratios Graph – 80



66.2.2 Maturity analysis of financial assets, financial liabilities, contingent liabilities and commitments

66.2.2 (a) Remaining contractual period to maturity of financial assets and liabilities – Bank

(i) Remaining contractual period to maturity of the assets employed by the Bank as at the date of Statement of Financial Position is detailed below:

As at December 31,	Up to 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	More than 5 years Rs. '000	Total as at December 31, 2024 Rs. '000	Total as at December 31, 2023 Rs. '000
Interest earning financial assets:							
Cash and cash equivalents	74,963	–	–	–	–	74,963	26,124,341
Balances with central banks	13,667,352	–	–	–	–	13,667,352	29,531,500
Placements with banks	91,898,858	7,401,445	–	–	–	99,300,303	81,344,696
Securities purchased under resale agreements	28,655,962	–	–	–	–	28,655,962	31,148,729
Financial assets recognised through profit or loss – Measured at fair value	87,741,168	–	–	–	–	87,741,168	26,894,481
Financial assets at amortised cost – Loans and advances to other customers	482,321,762	410,735,630	296,851,792	126,186,947	68,428,529	1,384,524,660	1,176,359,971
Financial assets at amortised cost – Debt and other financial instruments	28,220,556	88,335,550	228,470,383	181,619,303	141,063,899	667,709,691	649,740,408
Financial assets measured at fair value through other comprehensive income	109,755,071	134,592,128	41,906,125	12,345,181	1,651,733	300,250,238	286,826,782
Total interest earning assets as at December 31, 2024	842,335,692	641,064,753	567,228,300	320,151,431	211,144,161	2,581,924,337	
Total interest earning assets as at December 31, 2023	849,541,376	553,949,572	447,361,798	286,460,642	170,657,520		2,307,970,908
Non-interest earning financial assets:							
Cash and cash equivalents	86,773,328	–	–	–	–	86,773,328	131,694,946
Balances with central banks	18,384,400	11,435,617	1,750,549	464,168	–	32,034,734	23,286,002
Derivative financial assets	1,153,894	138,266	2,972,111	–	–	4,264,271	7,226,484
Financial assets recognised through profit or loss – Measured at fair value	3,936,178	–	–	–	–	3,936,178	2,555,172
Financial assets measured at fair value through other comprehensive income	–	–	–	1,333,904	–	1,333,904	196,227
Non-financial assets							
Investments in subsidiaries	–	–	–	–	5,808,429	5,808,429	5,808,429
Investments in associates	–	–	–	–	44,331	44,331	44,331
Property, plant and equipment and right-of-use assets	–	–	–	–	27,600,648	27,600,648	26,257,902
Intangible assets	–	–	–	–	4,221,131	4,221,131	3,736,504
Deferred tax assets	–	–	12,085,844	–	–	12,085,844	34,076,526
Other assets	15,785,495	296,603	6,539,127	784,851	6,347,077	29,753,153	37,474,448
Total Non-interest earning assets as at December 31, 2024	126,033,295	11,870,486	23,347,631	2,582,923	44,021,616	207,855,951	
Total Non-interest earning assets as at December 31, 2023	167,629,931	7,888,974	52,834,448	1,609,489	42,394,129		272,356,971
Total assets – As at December 31, 2024	968,368,987	652,935,239	590,575,931	322,734,354	255,165,777	2,789,780,288	
Total assets – As at December 31, 2023	1,017,171,307	561,838,546	500,196,246	288,070,131	213,051,649		2,580,327,879
Percentage – As at December 31, 2024 (*)	34.71	23.40	21.17	11.57	9.15	100.00	
Percentage – As at December 31, 2023 (*)	39.43	21.77	19.38	11.16	8.26		100.00

(*) Total assets of each maturity bucket as a percentage of total assets employed by the Bank.

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(ii) Remaining contractual period to maturity of the liabilities and share holders' funds employed by the bank as at the date of Statement of Financial Position is detailed below:

As at December 31,	Up to 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	More than 5 years Rs. '000	Total as at December 31, 2024 Rs. '000	Total as at December 31, 2023 Rs. '000
Interest-bearing financial liabilities:							
Due to banks	3,165,554	–	4,271,154	–	–	7,436,708	36,117,646
Securities sold under repurchase agreements	91,809,472	20,655,105	5,815	–	–	112,470,392	111,198,516
Financial liabilities at amortised cost – Due to depositors	1,327,706,471	618,162,043	82,682,359	17,436,703	–	2,045,987,576	1,856,621,254
Financial liabilities at amortised cost – Other borrowings	942,032	5,503,525	2,598,949	1,449,402	3,779,248	14,273,156	12,756,021
Subordinated liabilities	468,939	1,359,818	14,639,440	32,800,880	8,438,600	57,707,677	36,482,939
Total interest-bearing liabilities as at December 31, 2024	1,424,092,468	645,680,491	104,197,717	51,686,985	12,217,848	2,237,875,509	
Total Interest-bearing liabilities as at December 31, 2023	1,297,849,759	615,017,453	56,346,864	75,431,835	8,530,465		2,053,176,376
Non-interest bearing financial liabilities:							
Due to banks	13,870,044	–	–	–	–	13,870,044	11,156,715
Derivative financial liabilities	647,557	189,940	–	–	–	837,497	2,319,209
Financial liabilities at amortised cost – Due to depositors	190,579,224	–	–	–	–	190,579,224	228,424,895
Financial liabilities at amortised cost – Other borrowings	–	–	–	–	–	–	–
Subordinated liabilities	–	–	–	–	–	–	–
Non-financial liabilities							
Current tax liabilities	3,286,424	9,859,273	–	–	–	13,145,697	14,951,984
Other liabilities	51,247,912	1,435,573	2,207,293	1,480,178	1,693,821	58,064,777	55,050,477
Due to subsidiaries	145,794	–	–	–	–	145,794	317,221
Equity							
Stated capital	–	–	–	–	88,017,094	88,017,094	62,948,003
Statutory reserves	–	–	–	–	15,079,581	15,079,581	12,375,906
Retained earnings	–	–	–	–	15,330,940	15,330,940	8,558,385
Other reserves	–	–	–	–	156,834,131	156,834,131	131,048,708
Total non-interest bearing liabilities and equity as at December 31, 2024	259,776,955	11,484,786	2,207,293	1,480,178	276,955,567	551,904,779	
Total non-Interest bearing liabilities and equity as at December 31, 2023	285,398,015	13,794,577	3,262,389	2,101,470	222,595,052		527,151,503
Total liabilities and equity – as at December 31, 2024	1,683,869,423	657,165,277	106,405,010	53,167,163	289,173,415	2,789,780,288	
Total liabilities and equity – as at December 31, 2023	1,583,247,774	628,812,030	59,609,253	77,533,305	231,125,517		2,580,327,879
Percentage – as at December 31, 2024 (*)	60.35	23.56	3.81	1.91	10.37	100.00	
Percentage – as at December 31, 2023 (*)	61.36	24.37	2.31	3.00	8.96		100.00

(*) Total liabilities and equity of each maturity bucket as a percentage of total liabilities and equity employed by the Bank.

66.2.2 (b) Remaining contractual maturities of contingencies and commitments

The tables below illustrate the remaining maturity of the contingencies and commitments based on the contractual expiry dates.

As at December 31, 2024	Up to 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	More than 5 years Rs. '000	Total Rs. '000
Contingencies						
Documentary credit	61,562,642	19,765,519	–	–	–	81,328,161
Guarantees	68,462,620	49,014,511	21,276,737	1,468,860	1,407	140,224,135
Acceptances	23,142,902	11,245,672	121,331	–	–	34,509,905
Forward and SWAP contracts	193,558,210	14,620,364	10,255,000	–	–	218,433,574
Bills of collection	68,477,863	1,605,644	–	–	–	70,083,507
Other contingencies	1,779,570	–	–	–	–	1,779,570
Total Contingencies	416,983,807	96,251,710	31,653,068	1,468,860	1,407	546,358,852
Commitments						
Undrawn commitments on direct advances	196,131,437	–	–	–	–	196,131,437
Capital commitments	1,474,611	–	–	–	–	1,474,611
Total Commitments	197,606,048	–	–	–	–	197,606,048
Total Contingent liabilities and commitments	614,589,855	96,251,710	31,653,068	1,468,860	1,407	743,964,900

As at December 31, 2023	Up to 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	More than 5 years Rs. '000	Total Rs. '000
Contingencies						
Documentary credit	52,985,241	13,311,873	102,594	–	–	66,399,708
Guarantees	47,098,335	37,908,136	11,103,556	522,559	22	96,632,608
Acceptances	24,277,890	5,305,568	347,142	–	–	29,930,600
Forward and SWAP contracts	188,146,957	23,287,730	11,932,367	–	–	223,367,054
Bills of collection	86,642,687	2,062,409	–	–	–	88,705,096
Other contingencies	2,134,139	–	–	–	–	2,134,139
Total Contingencies	401,285,249	81,875,716	23,485,659	522,559	22	507,169,205
Commitments						
Undrawn commitments on direct advances	157,205,333	–	–	–	–	157,205,333
Capital commitments	4,501,240	–	–	–	–	4,501,240
Total Commitments	161,706,573	–	–	–	–	161,706,573
Total Contingent liabilities and commitments	562,991,822	81,875,716	23,485,659	522,559	22	668,875,778

66.2.2 (c) Non-derivative financial assets and financial liabilities expected to be recovered or settled after 12 months from the reporting date

The table below sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled after 12 months from the reporting date:

As at December 31,	2024 Rs. '000	2023 Rs. '000
Financial assets		
Non-derivative financial assets		
Balances with central banks	2,214,717	1,034,175
Financial assets at amortised cost – Loans and advances to other customers	491,467,268	382,427,884
Financial assets at amortised cost – Debt and other financial instruments	551,153,585	457,675,291
Financial assets measured at fair value through other comprehensive income	57,236,943	64,573,012
Total	1,102,072,513	905,710,362
Financial liabilities		
Non-derivative financial liabilities		
Securities sold under repurchase agreements	5,815	–
Financial liabilities at amortised cost – Due to depositors	100,119,062	85,690,098
Financial liabilities at amortised cost – Other borrowings	7,827,599	5,963,886
Subordinated liabilities	55,878,920	35,878,919
Total	163,831,396	127,532,903

66.2.2 (d) Undiscounted Cash Flow of financial assets and financial liabilities – Bank

The following table shows the expected undiscounted cash flows for financial assets and financial liabilities at December 31, 2024:

As at December 31, 2024	Up to 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	More than 5 years Rs. '000	Total Rs. '000
Financial assets						
Cash and cash equivalents	86,848,291	–	–	–	–	86,848,291
Balances with central banks	32,051,789	11,435,617	1,750,549	464,168	–	45,702,123
Placements with banks	92,205,136	7,491,050	–	–	–	99,696,186
Securities purchased under resale agreements	29,298,401	–	–	–	–	29,298,401
Derivative financial assets	1,153,894	138,266	2,972,111	–	–	4,264,271
Financial assets recognised through profit or loss – Measured at fair value	93,386,373	–	–	–	–	93,386,373
Financial assets at amortised cost – Loans and advances to other customers	510,360,261	465,773,733	372,797,987	153,440,022	94,420,778	1,596,792,781
Financial assets at amortised cost – Debt and other financial instruments	46,344,389	135,550,465	318,575,375	227,702,424	238,387,278	966,559,931
Financial assets measured at fair value through other comprehensive income	119,573,393	140,762,648	45,128,124	12,417,324	774,445	318,655,934
Total financial assets	1,011,221,927	761,151,779	741,224,146	394,023,938	333,582,501	3,241,204,291
Financial liabilities						
Due to banks	17,045,461	–	4,481,729	–	–	21,527,190
Derivative financial liabilities	647,557	189,940	–	–	–	837,497
Securities sold under repurchase agreements	92,403,643	21,903,571	6,496	–	–	114,313,710
Financial liabilities at amortised cost – Due to depositors	1,524,437,493	643,609,664	106,951,821	24,508,483	–	2,299,507,461
Financial liabilities at amortised cost – Other borrowings	954,791	6,240,684	3,831,458	2,194,505	4,099,418	17,320,856
Subordinated liabilities	689,311	7,830,003	30,878,185	42,517,657	13,297,290	95,212,446
Total financial liabilities	1,636,178,256	679,773,862	146,149,689	69,220,645	17,396,708	2,548,719,160

As at December 31, 2023	Up to 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	More than 5 years Rs. '000	Total Rs. '000
Financial assets						
Cash and cash equivalents	157,819,626	–	–	–	–	157,819,626
Balances with central banks	44,454,181	7,329,226	473,746	560,429	–	52,817,582
Placements with banks	81,510,893	–	–	–	–	81,510,893
Securities purchased under resale agreements	32,620,858	–	–	–	–	32,620,858
Derivative financial assets	2,049,107	254,635	4,922,742	–	–	7,226,484
Financial assets recognised through profit or loss – Measured at fair value	22,610,449	4,581,451	1,298,100	–	–	28,490,000
Financial assets at amortised cost – Loans and advances to other customers	524,737,947	359,399,750	306,436,276	117,628,556	73,891,506	1,382,094,035
Financial assets at amortised cost – Debt and other financial instruments	54,005,517	176,961,305	262,827,930	187,111,159	244,909,395	925,815,306
Financial assets measured at fair value through other comprehensive income	136,931,776	99,856,353	34,779,089	48,205,712	3,554,623	323,327,553
Total financial assets	1,056,740,354	648,382,720	610,737,883	353,505,856	322,355,524	2,991,722,337
Financial liabilities						
Due to banks	34,664,877	–	5,406,869	7,369,392	–	47,441,138
Derivative financial liabilities	1,795,301	281,024	242,884	–	–	2,319,209
Securities sold under repurchase agreements	115,752,462	16,509,611	–	–	–	132,262,073
Financial liabilities at amortised cost – Due to depositors	1,424,290,715	618,394,423	50,816,629	66,724,346	26,069	2,160,252,182
Financial liabilities at amortised cost – Other borrowings	1,694,808	5,607,974	1,414,621	3,114,459	3,334,306	15,166,168
Subordinated liabilities	593,316	5,362,161	19,759,123	30,806,915	7,741,041	64,262,556
Total financial liabilities	1,578,791,479	646,155,193	77,640,126	108,015,112	11,101,416	2,421,703,326

66.2.3 Liquidity reserves

The table below sets out the components of the Bank's liquidity reserves:

As at December 31,	2024		2023	
	Carrying amount Rs. '000	Fair value Rs. '000	Carrying amount Rs. '000	Fair value Rs. '000
Balances with central banks	45,702,086	45,702,086	52,817,502	52,817,502
Balances with other banks	37,653,369	37,653,369	104,350,471	104,350,471
Coins and notes held	49,202,117	49,202,117	53,483,401	53,483,401
Unencumbered debt securities issued by sovereigns	963,874,910	993,645,687	955,056,281	802,630,045
Total	1,096,432,482	1,126,203,259	1,165,707,655	1,013,281,419

66.2.4 Financial assets available to support future funding

The table below sets out the availability of the Bank's financial assets to support future funding.

As at December 31, 2024			Encumbered		Unencumbered		
	Note	Page No.	Pledged as collateral Rs. '000	Other Rs. '000	Available as collateral Rs. '000	Other Rs. '000	Total Rs. '000
Cash and cash equivalents	28	352	–	–	86,848,291	–	86,848,291
Balances with central banks	29	353	–	27,549,604	18,152,482	–	45,702,086
Placements with banks	30	354	–	–	99,300,303	–	99,300,303
Securities purchased under resale agreements			–	–	28,655,962	–	28,655,962
Derivative financial assets	31	354	–	–	4,264,271	–	4,264,271
Financial assets recognised through profit or loss – Measured at fair value	32	355	–	–	91,677,346	–	91,677,346
Financial assets at amortised cost – Loans and advances to other customers	33	359	–	–	1,384,524,660	–	1,384,524,660
Financial assets at amortised cost – Debt and other financial instruments (*)	34	362	105,782,476	–	561,927,215	–	667,709,691
Financial assets measured at fair value through other comprehensive income (*)	35	365	17,132,962	–	284,451,180	–	301,584,142
Total			122,915,438	27,549,604	2,559,801,710	–	2,710,266,752

As at December 31, 2023			Encumbered		Unencumbered		
	Note	Page No.	Pledged as collateral Rs. '000	Other Rs. '000	Available as collateral Rs. '000	Other Rs. '000	Total Rs. '000
Cash and cash equivalents	28	352	–	–	157,819,287	–	157,819,287
Balances with central banks	29	353	–	24,280,621	28,536,881	–	52,817,502
Placements with banks	30	354	–	–	81,344,696	–	81,344,696
Securities purchased under resale agreements			–	–	31,148,729	–	31,148,729
Derivative financial assets	31	354	–	–	7,226,484	–	7,226,484
Financial assets recognised through profit or loss – Measured at fair value	32	355	–	–	29,449,653	–	29,449,653
Financial assets at amortised cost – Loans and advances to other customers	33	359	–	–	1,176,359,971	–	1,176,359,971
Financial assets at amortised cost – Debt and other financial instruments (*)	34	362	149,945,824	–	499,794,584	–	649,740,408
Financial assets measured at fair value through other comprehensive income (*)	35	365	8,143,934	–	278,879,075	–	287,023,009
Total			158,089,758	24,280,621	2,290,559,360	–	2,472,929,739

(*) Market value of securities pledged as collateral is considered as encumbered.

66.3 Market risk

Market risk is the risk of losses on or off-balance sheet positions arising out of movements in prices affecting foreign exchange exposures, interest rate instruments, equity/debt instruments and commodity exposures. The Bank monitors market risk in both trading and non-trading portfolios on an ongoing basis.

66.3.1 Exposure to market risk – Trading and non-trading portfolio

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios:

As at December 31, 2024			Market risk measurement		
	Note	Page No.	Carrying amount Rs. '000	Trading portfolios Rs. '000	Non-trading portfolios Rs. '000
Assets subject to market risk					
Cash and cash equivalents (*)	28	352	43,251,429	–	43,251,429
Balances with central banks (*)	29	353	25,974,954	–	25,974,954
Placements with banks	30	354	99,300,303	–	99,300,303
Securities purchased under resale agreements			28,655,962	–	28,655,962
Derivative financial assets	31	354	4,264,271	4,264,271	–
Financial assets recognised through profit or loss – Measured at fair value	32	355	91,677,346	91,677,346	–
Financial assets at amortised cost – Loans and advances to other customers	33	359	1,384,524,660	–	1,384,524,660
Financial assets at amortised cost – Debt and other financial instruments	34	362	667,709,691	–	667,709,691
Financial assets measured at fair value through other comprehensive income	35	365	301,584,142	–	301,584,142
Total			2,646,942,758	95,941,617	2,551,001,141
Liabilities subject to market risk					
Due to banks	43	389	21,306,752	–	21,306,752
Derivative financial liabilities	44	390	837,497	837,497	–
Securities sold under repurchase agreements			112,470,392	–	112,470,392
Financial liabilities at amortised cost – Due to depositors (*)	45	390	2,135,881,478	–	2,135,881,478
Financial liabilities at amortised cost – Other borrowings	46	391	14,273,156	–	14,273,156
Subordinated liabilities	50	402	57,707,677	–	57,707,677
Total			2,342,476,952	837,497	2,341,639,455

As at December 31, 2023			Market risk measurement		
	Note	Page No.	Carrying amount Rs. '000	Trading portfolios Rs. '000	Non-trading portfolios Rs. '000
Assets subject to market risk					
Cash and cash equivalents (*)	28	352	110,991,157	–	110,991,157
Balances with central banks (*)	29	353	42,877,842	–	42,877,842
Placements with banks	30	354	81,344,696	–	81,344,696
Securities purchased under resale agreements			31,148,729	–	31,148,729
Derivative financial assets	31	354	7,226,484	7,226,484	–
Financial assets recognised through profit or loss – Measured at fair value	32	355	29,449,653	29,449,653	–
Financial assets at amortised cost – Loans and advances to other customers	33	359	1,176,359,971	–	1,176,359,971
Financial assets at amortised cost – Debt and other financial instruments	34	362	649,740,408	–	649,740,408
Financial assets measured at fair value through other comprehensive income	35	365	287,023,009	–	287,023,009
Total			2,416,161,949	36,676,137	2,379,485,812
Liabilities subject to market risk					
Due to banks	43	389	47,274,361	–	47,274,361
Derivative financial liabilities	44	390	2,319,209	2,319,209	–
Securities sold under repurchase agreements			111,198,516	–	111,198,516
Financial liabilities at amortised cost – Due to depositors (*)	45	390	1,992,982,595	–	1,992,982,595
Financial liabilities at amortised cost – Other borrowings	46	391	12,756,021	–	12,756,021
Subordinated liabilities	50	402	36,482,939	–	36,482,939
Total			2,203,013,641	2,319,209	2,200,694,432

(*) This excludes coins and notes held in local currency, balances with Central Bank of Sri Lanka and local currency current account balances which is not subjected to market risk.

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66.3.2 Exposure to interest rate risk – Sensitivity analysis

66.3.2 (a) Exposure to interest rate risk – Non-trading portfolio

The possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments and hence expose the Bank to fluctuations of Net interest income (NII) give rise to interest rate risk. The Bank's policy is to continuously monitor portfolios and adopt hedging strategies to ensure that interest rate risk is maintained within prudent levels.

The tables below analyse the Bank's interest rate risk exposure on financial assets and financial liabilities. The Bank's assets and liabilities are included at carrying amounts and categorised by the earlier of contractual re-pricing or maturity dates.

As at December 31, 2024	Up to 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	More than 5 years Rs. '000	Non-sensitive Rs. '000	Total Rs. '000
Financial assets							
Cash and cash equivalents	74,963	–	–	–	–	86,773,328	86,848,291
Balances with central banks	13,667,352	–	–	–	–	32,034,734	45,702,086
Placements with banks	91,898,858	7,401,445	–	–	–	–	99,300,303
Securities purchased under resale agreements	28,655,962	–	–	–	–	–	28,655,962
Financial assets at amortised cost – Loans and advances to other customers	552,044,906	208,415,890	230,823,640	215,393,336	139,197,089	38,649,799	1,384,524,660
Financial assets at amortised cost – Debt and other financial instruments	28,180,270	87,517,079	228,967,665	181,011,997	142,032,680	–	667,709,691
Financial assets measured at fair value through other comprehensive income	110,039,477	134,592,287	41,787,722	12,190,545	1,640,207	1,333,904	301,584,142
Total financial assets	824,561,788	437,926,701	501,579,027	408,595,878	282,869,976	158,791,765	2,614,325,135
Financial liabilities							
Due to banks	3,165,554	–	4,271,154	–	–	13,870,044	21,306,752
Securities sold under repurchase agreements	91,809,472	20,655,105	5,815	–	–	–	112,470,392
Financial liabilities at amortised cost – Due to depositors	1,327,706,471	618,162,043	82,682,359	17,436,703	–	190,579,224	2,236,566,800
Financial liabilities at amortised cost – Other borrowings	942,032	5,503,525	2,598,949	1,449,402	3,779,248	–	14,273,156
Subordinated liabilities	–	–	15,118,547	33,874,359	8,714,771	–	57,707,677
Total financial liabilities	1,423,623,529	644,320,673	104,676,824	52,760,464	12,494,019	204,449,268	2,442,324,777
Interest rate sensitivity gap	(599,061,741)	(206,393,972)	396,902,203	355,835,414	270,375,957	(45,657,503)	172,000,358
Cumulative Gap	(599,061,741)	(805,455,713)	(408,553,510)	(52,718,096)	217,657,861	172,000,358	

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As at December 31, 2023	Up to 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 years Rs. '000	3 to 5 years Rs. '000	More than 5 years Rs. '000	Non-sensitive Rs. '000	Total Rs. '000
Financial assets							
Cash and cash equivalents	26,124,341	–	–	–	–	131,694,946	157,819,287
Balances with central banks	29,531,500	–	–	–	–	23,286,002	52,817,502
Placements with banks	81,344,696	–	–	–	–	–	81,344,696
Securities purchased under resale agreements	31,148,729	–	–	–	–	–	31,148,729
Financial assets at amortised cost – Loans and advances to other customers	529,861,260	150,207,698	171,084,201	169,063,682	101,778,869	54,364,261	1,176,359,971
Financial assets at amortised cost – Debt and other financial instruments	50,956,349	141,108,768	187,246,173	152,429,069	118,000,049	–	649,740,408
Financial assets measured at fair value through other comprehensive income	116,613,847	105,836,150	21,788,019	39,382,215	3,206,551	196,227	287,023,009
Total financial assets	865,580,722	397,152,616	380,118,393	360,874,966	222,985,469	209,541,436	2,436,253,602
Financial liabilities							
Due to banks	23,341,385	–	5,406,869	7,369,392	–	11,156,715	47,274,361
Securities sold under repurchase agreements	95,828,021	15,370,495	–	–	–	–	111,198,516
Financial liabilities at amortised cost – Due to depositors	1,176,627,812	594,303,344	42,451,070	43,239,028	–	228,424,895	2,085,046,149
Financial liabilities at amortised cost – Other borrowings	1,682,866	5,109,269	574,165	2,444,086	2,945,635	–	12,756,021
Subordinated liabilities	–	–	8,048,004	22,756,085	5,678,850	–	36,482,939
Total financial liabilities	1,297,480,084	614,783,108	56,480,108	75,808,591	8,624,485	239,581,610	2,292,757,986
Interest rate sensitivity gap	(431,899,362)	(217,630,492)	323,638,285	285,066,375	214,360,984	(30,040,174)	143,495,616
Cumulative Gap	(431,899,362)	(649,529,854)	(325,891,569)	(40,825,194)	173,535,790	143,495,616	

66.3.2 (b) Exposure to interest rate risk – Non-trading portfolio

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and financial liabilities to various interest rate scenarios.

Interest rate shocks

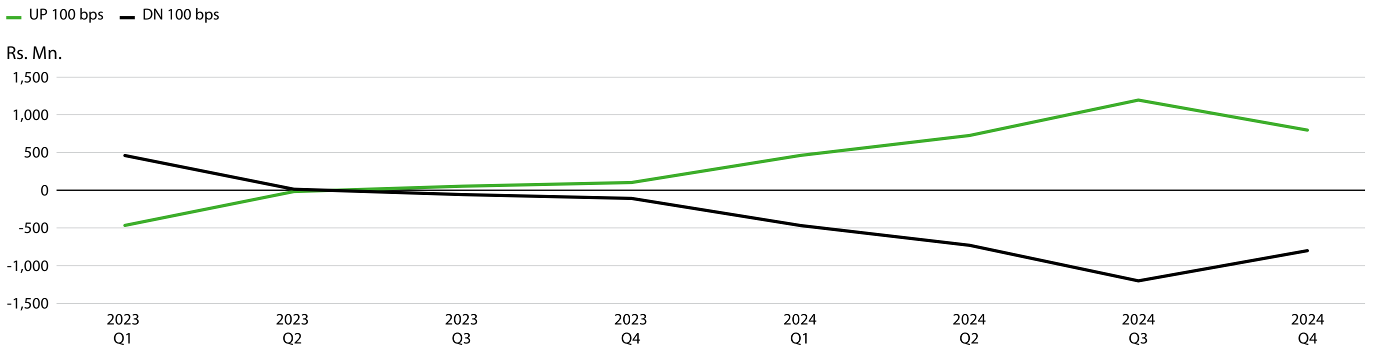
The following table demonstrates the sensitivity of the Bank's Income Statement (net impact) due to change in interest rates by 100 bps on rupee denominated assets and liabilities and 25 bps on FCY denominated assets and liabilities with all other variables held constant as at the reporting date.

Sensitivity of projected net interest income

Net Interest Income (NII)	2024		2023	
	Parallel increase Rs. '000	Parallel decrease Rs. '000	Parallel increase Rs. '000	Parallel decrease Rs. '000
As at December 31,	805,254	(806,045)	100,792	(101,013)
Average for the period	830,956	(831,385)	(18,795)	16,928
Maximum for the period	1,461,243	(1,461,840)	276,499	(276,604)
Minimum for the period	152,547	(152,674)	(576,068)	557,037

The impact of changes in interest rates on NII is measured applying interest rate shocks on static balance sheet. In line with the industry practices, interest rate shocks of 100 bps is applied on LKR denominated assets and liabilities and 25 bps is applied on FCY denominated assets and liabilities. The potential impact on the Bank's profitability due to changes in rupee and foreign currency interest rates is evaluated to ensure that the volatilities are prudently managed within the internal tolerance limits.

Impact of a rate shock on the net interest income Graph – 81



66.3.3 Exposure to currency risk – Non-trading portfolio

Currency risk arises as a result of fluctuations in the value of a financial instrument due to changes in foreign exchange rates. The Bank has established limits on position by currency and these positions are monitored on a daily basis.

The table below indicates the currencies to which the Bank had significant exposures as at December 31, 2024 and December 31, 2023 and the exposure as a percentage of the total capital funds:

Foreign exchange position as at December 31, 2024 – Sri Lankan operation

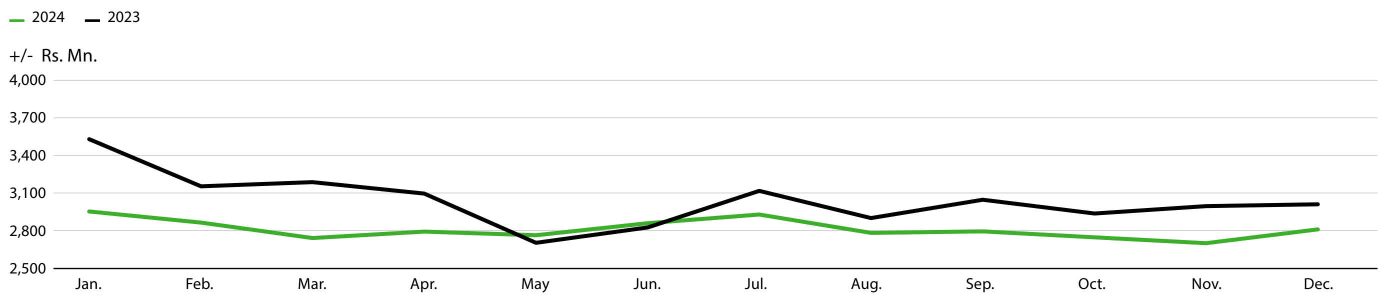
Currency	Spot			Forward			Net open position	Net position in other exchange contracts	Overall exposure in respective foreign currency	Overall exposure in Rs.
	Assets	Liabilities	Net	Assets	Liabilities	Net				
	2	3	4=2-3	5	6	7=5-6	8	9	10=4+7+8	11
	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000
United States Dollar	28,473	11,514	16,959	4,113	693	3,420	(15,164)	–	5,215	1,528,032
Great Britain Pound	110	40	70	–	–	–	(44)	–	26	9,738
Euro	1,356	416	940	–	1,000	(1,000)	148	–	88	26,961
Japanese Yen	3,145	13,321	(10,176)	30,000	5,000	25,000	(13,525)	–	1,299	2,434
Indian Rupee	2,722	2,052	670	–	–	–	19,686	–	20,356	69,731
Australian Dollar	151	281	(130)	50	–	50	97	–	17	3,248
Canadian Dollar	126	162	(36)	–	–	–	70	–	34	6,897
Other currencies in USD	423	146	277	471	711	(240)	451	–	488	143,175
Total exposure						USD	(14,360)	USD	6,110	1,790,216
Total capital funds (capital base) as per the audited Basel III computation – Bank										285,627,033
Total exposure as a percentage of total capital funds (%)										0.63

Foreign exchange position as at December 31, 2023 – Sri Lankan operation

Currency	Spot			Forward			Net open position	Net position in other exchange contracts	Overall exposure in respective foreign currency	Overall exposure in Rs.
	Assets	Liabilities	Net	Assets	Liabilities	Net				
	2	3	4=2-3	5	6	7=5-6	8	9	10=4+7+8	11
	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000
United States Dollar	14,981	10,776	4,205	1,788	2,163	(375)	(2,170)	–	1,660	537,965
Great Britain Pound	209	63	146	–	175	(175)	44	–	15	6,449
Euro	480	230	250	822	1,125	(303)	108	–	55	19,974
Japanese Yen	1,049	10,832	(9,783)	9,000	–	9,000	1,037	–	254	582
Australian Dollar	162	451	(289)	400	80	320	(7)	–	24	5,399
Canadian Dollar	21	29	(8)	–	–	–	46	–	38	9,340
Other currencies in USD	291	453	(162)	–	272	(272)	662	–	228	73,854
Total exposure						USD	(977)	USD	2,328	755,015
Total capital funds (capital base) as per the audited Basel III computation – Bank										207,684,979
Total exposure as a percentage of total capital funds (%)										0.36

The Bank regularly carries out sensitivity analysis on Net Open Position (NOP) including off-shore retained earnings, to assess the exposure to Foreign Exchange (FX) Risk due to possible changes in the USD/LKR exchange rate . An appropriate shock based on historical USD/LKR exchange rate is applied on the NOP which is measured against the Board approved threshold limits.

Sensitivity of Fx Position – Impact of 5% change in Exchange Rate (Sri Lankan Operation) Graph – 82



66.3.4 Exposure to equity price risk

Equity price risk arises as a result of any change in market prices and volatilities of individual equities. The Bank conducts mark-to-market calculations on a daily, quarterly and on a need basis to identify the impact due to changes in equity prices.

The table below summarises the impact (both to Income Statement and to equity) due to a change of 10% on equity prices.

	2024			2023		
	Financial assets recognised through profit or loss Rs. '000	Financial assets at fair value through other comprehensive income Rs. '000	Total Rs. '000	Financial assets recognised through profit or loss Rs. '000	Financial assets at fair value through other comprehensive income Rs. '000	Total Rs. '000
Market value of equity securities as at December 31,	3,936,178	333,699	4,269,877	2,555,173	137,086	2,692,259
Stress Level	**Impact on Income Statement**	**Impact on OCI**	**Impact on Equity**	Impact on Income Statement	Impact on OCI	Impact on Equity
Shock of 10% on equity prices (upward)	393,618	33,370	426,988	255,517	13,709	269,226
Shock of 10% on equity prices (downward)	(393,618)	(33,370)	(426,988)	(255,517)	(13,709)	(269,226)

66.4 Operational risk

Operational Risk arises due to inadequate or failed internal processes, people and systems or from external events. Operational Risk events which include legal and regulatory implications could lead to financial and reputational losses to the Bank.

The operational risk management framework of the Bank has been defined under the Board approved operational risk management policy. Operational risk is managed by establishing an appropriate internal control system that requires a mechanism for segregation of related responsibilities within the Bank, and a detailed testing and verification of the Bank's overall operational systems, and achieving a full harmony between internal and external systems and establishing a fully independent backup facility for business continuity planning.

66.5 Capital management and Pillar III disclosures as per Basel III

Objective

The Bank is required to manage its capital, taking into account the need to meet the regulatory requirements as well as the current and future business needs, stakeholder expectations and available options for raising capital.

66.5.1 Regulatory capital

Capital Adequacy Ratio (CAR) is calculated based on the CBSL directions stemming from Basel III accord. These guidelines require the Bank to maintain a CAR not less than 10.00% with minimum Tier 1 capital with buffers in relation to total risk weighted assets and a minimum total CAR with buffers of 14.00% in relation to total risk weighted assets.

As at December 31,	2024 Rs. '000	2023 Rs. '000
Common Equity Tier 1 (CET1) capital after adjustments	223,991,979	156,847,378
Total Common Equity Tier 1 (CET1) capital	243,568,568	198,223,532
Equity capital (stated capital)/assigned capital	88,017,094	62,948,003
Reserve fund	15,079,582	12,375,906
Published retained earnings/(accumulated retained losses)	2,768,834	2,250,494
Published accumulated other comprehensive income (OCI)	(38,552)	9,819,529
General and other disclosed reserves	137,741,610	110,829,600
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	19,576,589	41,376,154
Goodwill (net)	–	–
Other intangible assets (net)	4,221,131	3,736,504
Revaluation losses of property, plant and equipment	–	–
Significant investments in the capital of financial institutions where the Bank owns more than 10% of the issued ordinary share capital of the entity	3,269,615	3,563,126
Deferred tax assets (net)	12,085,843	34,076,524
Additional Tier 1 (AT1) capital after adjustments	–	–
Total Additional Tier 1 (AT1) 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 (Specify)	–	–
Tier 2 capital after adjustments	61,635,054	50,837,601
Total Tier 2 capital	61,635,054	50,837,601
Qualifying Tier 2 capital instruments	44,536,817	30,893,843
Revaluation gains	5,172,941	4,245,025
Eligible impairment	11,925,296	15,698,733
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 (specify)	–	–
CET1 capital	223,991,979	156,847,378
Total Tier 1 capital	223,991,979	156,847,378
Total capital	285,627,033	207,684,979

66.5.2 Capital allocation

The Management monitors the capital adequacy ratio on a regular basis and ensure that it operates within the internal limit set by the Bank. The allocation of capital between specific operations and activities, to a large extent, driven by optimisation of return on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements, but in some cases the regulatory requirements do not fully reflect the varying degree of risks associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required level by the regulator.

66.5.3 Pillar III disclosures as per Basel III

Disclosures under these requirements mainly include the regulatory capital requirements and liquidity, risk weighted assets, discussion on adequacy to meet current and future capital requirements of banks and linkages between financial statements and regulatory exposures. It is required to disclose the templates specified by the Central Bank of Sri Lanka as per Basel III – Minimum disclosure requirements with effect from July 01, 2017. Refer Annex 2 on pages 491 to 503.

67 Repurchase and reverse repurchase transactions in scripless treasury bonds and scripless treasury bills

The following additional information on repurchase and reverse repurchase transactions are disclosed as required by the "Registered Stock and Securities Ordinance and Local Treasury Bills Ordinance Direction No. 01 of 2019", issued by the Central Bank of Sri Lanka (CBSL).

67.1 Value of securities allocated for repurchase transactions

	BANK	
As at December 31,	2024 Rs. '000	2023 Rs. '000
Market value of securities allocated for repurchase transactions	127,889,028	158,089,757
Market value of securities received for reverse repurchase transactions	4,260,628	–

67.2 Haircuts for repurchase and reverse repurchase transactions

Minimum haircuts applicable for each maturity bucket as at December 31, 2024 are given below.

	Minimum haircut (%)	
Remaining term to maturity of the eligible security	Repurchase transactions	Reverse repurchase transactions
Up to 1 year	4	4
More than 1 year and up to 3 years	6	6
More than 3 years and up to 5 years	8	8
More than 5 years and up to 8 years	10	10
More than 8 years	12	12

67.3 Penalties imposed on the Bank for non-compliance

No penalties have been imposed on the Bank for non compliance with the above mentioned Direction No. 01 of 2019 issued by the CBSL during the years ended December 31, 2024 & 2023.

68 Events after the reporting period

No circumstances have arisen since the reporting date which would require adjustments or disclosure in the Financial Statements other than disclosed below.

First and final Dividend for 2024

The Board of Directors of the Bank has recommended the payment of a first and final dividend of Rs. 9.50 per share to be paid and satisfied in the form of Rs. 7.50 per share in cash (a regular cash dividend of Rs. 5.50 per share and a special cash dividend of Rs. 2.00 per share) and Rs. 2.00 per share in the form of issue and allotment of new shares for both voting and non-voting ordinary shareholders' of the Bank for the year ended December 31, 2024, subject to the applicable WHT as disclosed in Note 9.3.1 on page 329.

The above first and final dividend recommended by the Board of Directors is to be approved at the forthcoming Annual General Meeting to be held on March 28, 2025 and in accordance with provisions of LKAS 10, the first and final dividend referred to above has not been recognised as a liability as at the year end as disclosed in Note 7.7 on page 325.

69 Changes to Comparative information

No circumstances have arisen which require material amendments to the comparative information presented (refer Note 2.11) in the Financial Statements.

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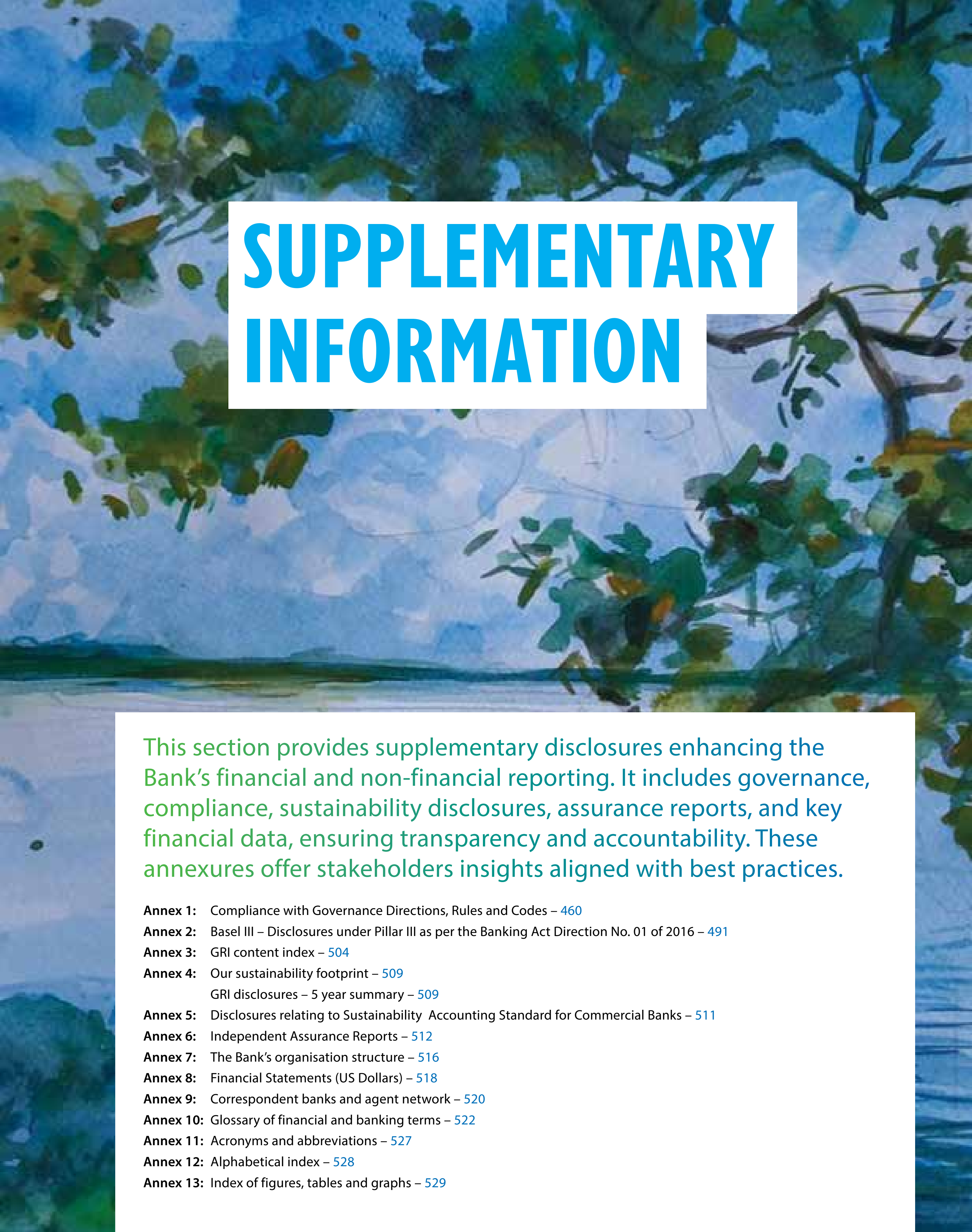

SUPPLEMENTARY INFORMATION

This section provides supplementary disclosures enhancing the Bank's financial and non-financial reporting. It includes governance, compliance, sustainability disclosures, assurance reports, and key financial data, ensuring transparency and accountability. These annexures offer stakeholders insights aligned with best practices.

Annex 1: Compliance with Governance Directions, Rules and Codes

Annex 1.1: Compliance with Banking Act Direction

The Banking Act Direction No. 11 of 2007 and subsequent amendments thereto on Corporate Governance for Licensed Commercial Banks in Sri Lanka issued by the Central Bank of Sri Lanka (the Direction)

Section	Principle, compliance, and implementation	Complied
3 (1)	**Responsibilities of the Board**	
3 (1) (i)	**The Board has strengthened the security and the soundness of the Bank in the following manner:**	
a.	**Setting strategic objectives and corporate values** The Bank's strategic objectives and corporate values are determined by the Board as set out on pages 72 to 151 and pages 192 to 213. These are communicated to all levels of employees through structured meetings and reinforced monthly at team meetings which review performance vis-à-vis strategic goals. The corporate values are included in the Code of Conduct and Business Ethics which is communicated to all employees via hard copy and Bank's intranet, through orientation programmes and reinforced at meetings.	✓
b.	**Approving overall business strategy including risk policy and management** The Board provided direction and guidance for preparation of the five year Corporate Strategic Plan from 2025-2029 which was approved by the Board after discussing related issues in detail with the Corporate Management. It is aligned to the overall Risk Strategy of the Bank through involvement of the Independent Risk Management Committee. The risk appetite of the Bank is embedded throughout the corporate plan in allocation of capital, adoption of risk matrix to measure the risk levels and in defining key performance indicators which include both quantitative and qualitative criteria. Additionally, governance and compliance are embedded into the Bank's Risk Management Policy Framework and included in the strategic goals. The Bank's Strategic Plan for 2025-2029 was approved on December 20, 2024 by the Board at a special Board meeting with the presence of all the members of Corporate Management.	✓
c.	**Risk management** The BIRMC is tasked with approving the Bank's Risk Policy, defining the risk appetite, identifying principal risks, setting governance structures and implementing systems to measure, monitor and manage the principal risks. *"Risk Governance and Management"* on pages 254 to 284 and the "Report of the BIRMC" on pages 218 to 220 provide further insights on risk management policies and processes of the Bank.	✓
d.	**Communication with all stakeholders** The Board has approved and implemented the following communication policies with stakeholders:	
	• **Shareholders** – The Policy on Relations with Shareholders and Investors of the Bank explicitly provides for effective and timely communication to shareholders of material matters and performance. Interim Financial Statements are made available to shareholders within 45 days for the first three quarters and within 60 days for the last quarter from the end of the relevant quarter and a press release is issued providing a review of the Bank's performance on a quarterly basis. Performance of the Bank is set out in the Annual Report of the Bank which is circulated to shareholders 15 working days prior to the Annual General Meeting (AGM). The AGM is the key forum for contact with shareholders and the Bank has a history of well attended AGMs where shareholders take an active role in exercising their rights. Details of attendance of the shareholders at AGMs during the past five years is given in the Table 46 on page 209. The AGM 2024 was held in the form of a physical meeting. Additionally, the "Investors" page on the Bank's website contains the Interim Financial Statements and Annual Reports together with key disclosures on risk management. The Bank also provides information to equity analysts to facilitate high quality information in research reports which are made available to investors by stockbrokers. • **Customers** – Customers include, *inter alia,* depositors and borrowers. The Bank's Financial Consumer Protection Policy which also includes the Customer Complaint Handling Policy has been disseminated to all customer contact points in all three languages. This document outlines the policy set out by the Bank to handle customer complaints, provides contact numbers to reach the Bank as well as the Financial Ombudsman. There is a 24-hour trilingual customer hotline set up for this purpose and reports are reviewed by both the EIRMC and BIRMC. • **Staff** – Employees and representatives of the trade unions are given unrestricted access to the Management to discuss their concerns. The Deputy General Manager – Human Resource Management coordinates communication between the Board and the employees.	✓

Section	Principle, compliance, and implementation	Complied
e.	**Internal control system and management information systems** The Board is assisted in this regard by the BAC who reviews the adequacy and the integrity of the Bank's internal control system and management information system. The BAC has reviewed reports from the Internal Audit Department and the External Auditors in carrying out this function and also reviewed management responses on same, during the year.	✓
f.	**Key Management Personnel (KMP)** KMP are defined in the Sri Lanka Accounting Standard – LKAS 24 on "Related Party Disclosures", as the persons who significantly influence policy, direct activities and exercise control over business activities, operations and risk management. All appointments of designated KMP are recommended by the BNGC and approved by the Board. For financial reporting purposes, the Board of Directors of the Bank (including Executive and Non-Executive Directors) is considered as KMP of the Bank. Further, for corporate governance reporting and monitoring purposes, the Bank has also included all members of the Corporate Management into the category of KMP.	✓
g.	**Define areas of authority and key responsibilities for Directors and KMP** The Board Charter sets out the matters specifically reserved for Board, defining the areas of authority and key responsibilities of the Board of Directors. Areas of authority and key responsibilities for members of the Corporate Management are stated in the job descriptions of each member.	✓
h.	**Oversight of affairs of the Bank by KMP** The Board reviews the performance of the Bank vis-à-vis the strategic plan and receives reports from its Committees on financial reporting, internal control, risk management, changes in KMP and other relevant matters delegated to the Committees. Additionally, other KMP make regular presentations to the Board on matters under their purview and are also called in by the Board to explain matters relating to their areas.	✓
i.	**Assess effectiveness of own governance practices** Completed Board evaluation forms were received from all Board Members for 2024 for review and the responses were discussed at a BNGC meeting and at a subsequent Board meeting. Matters of concern noted are followed-up and improved upon during the year to continuously improve the governance practices of the Bank.	✓
j.	**Succession plan for KMP** There is a formal succession plan in place with named successors for KMP together with development plans to ensure their readiness.	✓
k.	**Regular meetings with KMP** Progress towards corporate objectives is a regular agenda item for the Board and members of the Corporate Management are regularly involved in the Board level discussions on the same. Additionally, they make key agenda items or are called in for discussions at the meetings of the Board and presentations on its Committees on policy and other matters relating to their areas on a regular basis.	✓
l.	**Regulatory environment and maintaining an effective relationship with regulator** Directors are briefed about regulatory developments at Board meetings by the KMP to facilitate effective discharge of their responsibilities. Members of the BAC and the BIRMC are also briefed on regulatory developments at their meetings by the Heads of Internal Audit, Risk, and Compliance. Board Members attend the Director Forums arranged by the CBSL as well.	✓
m.	**Appointment of the External Auditors** The policy of rotation of auditors of the Bank was, once in every five years, in keeping with the principles of good corporate governance. At the end of the five-year period, quotations are called from suitable audit firms, prior to the recommendation of new auditors as per the rotation policy. In addition, External Auditors submit a statement annually confirming their independence as required by Section 163 (3) of the Companies Act No. 07 of 2007 (as amended) in connection with external audit. Messrs Ernst & Young (former external auditor of the Bank) completed six consecutive years of external audit with the audit of the Financial Statements for year ended December 31, 2023. Although the Bank used to rotate the external auditor every five years, as per the previous policy, Messrs Ernst & Young was retained as the external auditor of the Bank for an additional year, considering the fact that the CBSL deployed Messrs KPMG (the present external auditor) to conduct an Asset Quality Review on the Banking Sector in the country in year 2023. Accordingly, at the AGM held on March 28, 2024, Messrs KPMG was appointed as the external auditor and the Directors were authorised to fix their remuneration as approved by the shareholders. However, the policy of rotation of auditors was updated to, change the auditors of the Bank once in every six years and also to change the engagement partner once in every three years, in line with the requirements of the Banking (Amendment) Act No. 24 of 2024.	✓

Section	Principle, compliance, and implementation	Complied
3 (1) (ii)	**Appointment of Chairman and CEO and defining and approving their functions and responsibilities** Positions of the Chairman and the Managing Director/Chief Executive Officer (CEO) are separated in the Board Charter to maintain a balance of power. Further, functions and responsibilities of the Chairman and the CEO are defined and approved in line with Section 3 (5) of the Direction as further explained on pages 464 and 465	✓
3 (1) (iii)	**Regular Board meetings** Board meetings are held each month on a regular basis and special meetings are scheduled as and when the need arises, at which Directors present at the meetings actively participate in deliberating matters set before the Board. Attendance at Board meetings is given on pages 198 and 199 together with the number of meetings of the Board. The Bank has minimised obtaining approval via circular resolutions and it is carried out only on an exceptional basis and such resolutions are ratified by the Board at the next meeting.	✓
3 (1) (iv)	**Arrangements for Directors to include proposals in the agenda** Notice of Meeting is circulated two weeks prior to the meeting and Directors may submit proposals for inclusion in the agenda on discussion with the Chairman on matters relating to the business of the Bank.	✓
3 (1) (v)	**Notice of Meetings** Notice of Meetings, together with the agenda and Board papers for the Board meetings are circulated to the Directors seven days prior to the meeting providing Directors adequate time to attend and submit any urgent proposals.	✓
3 (1) (vi)	**Directors' attendance** The Directors are apprised of their attendance in accordance with the Direction. Details of the Directors' attendance are set out on page 199. No Director has been absent from three consecutive meetings.	✓
3 (1) (vii)	**Appointment and setting responsibilities of the Company Secretary** The Board appoints and sets responsibilities of the Company Secretary in accordance with the Companies Act, Banking Act Directions, and the Articles of Association of the Bank under advisement of the BNGC. Refer "*Role of Company Secretary*" on page 205 for further details.	✓
3 (1) (viii)	**Directors' access to advice and services of the Company Secretary** All Board Members have full access, to the advice and services of the Company Secretary to ensure that proper Board procedures are followed and all applicable rules and regulations are complied with.	✓
3 (1) (ix)	**Maintenance of Board minutes** Company Secretary maintains the minutes of the Board meetings and circulates same to all Board Members after review by the CEO and the Chairman. The minutes are reviewed and approved at the next Board meeting after incorporating any amendments/inclusions proposed by other Directors. Additionally, the Directors have access to past Board papers and minutes through a secure electronic link.	✓
3 (1) (x)	**Maintaining minutes with sufficient details to serve as a reference for regulators and supervisory authorities** The minutes of the meetings include: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent; (d) the testimonies and confirmations of relevant executives with regard to the Board's strategies and policies and adherence to relevant laws and regulations; (e) matters regarding the risks to which the Bank is exposed and an overview of the risk management measures including reports of the BIRMC; (f) the decisions and Board resolutions including reports and minutes of all Board Committees; and (g) the actions to be taken by the KMP.	✓
3 (1) (xi)	**Directors' ability to seek independent professional advice** Directors can obtain independent professional advice, as and when necessary, in discharging their responsibilities according to a procedure approved by the Board. This function is coordinated by the Company Secretary.	✓

Section	Principle, compliance, and implementation	Complied
3 (1) (xii)	**Dealing with conflicts of interest** The Directors make declarations of their interests at appointment, annually and whenever there is a change in same. A quarterly report is sent to the Board on possible areas of conflict (if any). Directors withdraw from the meeting, abstain from participating in the discussions, voicing their opinion or approving, in situations where there is a conflict of interest. Additionally, such Director's presence is disregarded in counting the quorum in such instances. Key appointments of the Directors in other entities are indicated in their profiles appearing on pages 38 to 45 and *"Directors' Interest in Contracts with the Bank"* as disclosed on pages 252 and 253.	✓
3 (1) (xiii)	**Formal schedule of matters reserved for Board decision** The Board has put in place systems and controls to facilitate the effective discharge of Board functions. Pre set agenda of meetings ensures the direction and control of the Bank are firmly under Board's control and authority in line with regulatory codes, guidelines and international best practice.	✓
3 (1) (xiv)	**Inform Central Bank on probable solvency issues** The Bank is solvent and no situations have arisen to challenge its solvency. A Board approved procedure is in place 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.	✓
3 (1) (xv)	**Capital adequacy** The Board monitors capital adequacy and other prudential measures to ensure compliance with regulatory requirements, and the Bank's defined risk appetite. The Bank is in compliance with the minimum capital adequacy requirements. Refer Annex: 2 Basel III- Disclosures under Pillar 3 as per Banking Act Direction No. 01 of 2016 on pages 491 to 503.	✓
3 (1) (xvi)	**Publish Corporate Governance Report in this Annual Report** Annual Corporate Governance Report of the Bank is set out on pages 192 to 213 of this Annual Report.	✓
3 (1)(xvii)	**Self-assessment of Directors** The Bank has adopted a system of self-assessment, to be undertaken by each Director, annually. Each member of the Board carried out a self-assessment of his/her own effectiveness as an individual as well as the effectiveness of the Board as a whole. Further, each Director carries out an assessment of "fitness and propriety" to serve as a Director.	✓
3 (2)	**Board Composition**	
3 (2) (i)	**Number of Directors** As per the Direction and Articles of Association of the Bank the number of Directors should not be less than seven and not more than thirteen. The Bank's Board comprised of Twelve Directors as at December 31, 2024.	✓
3 (2) (ii)	**Period of service of a Director** The period of service of a Director is limited to nine years excluding the Executive Directors as per the Direction issued to Licensed Commercial Banks. Details of their tenures of service are given on page 199.	✓
3 (2) (iii)	**Board balance** There are two Executive Directors and ten NEDs which is compliant with the requirement to limit the number of Executive Directors to one-third of the total.	✓
3 (2) (iv)	**Independent NEDs** The Board has ten Independent Directors which is well above the regulatory requirement to have at least one third of the total number of Directors, to be INEDs to satisfy the criteria for determining independence.	✓
3 (2) (v)	**Alternate Directors appointed to represent an Independent Director** There are no Alternate Directors on the Board of the Bank.	✓
3 (2) (vi)	**Criteria for Non-Executive Directors** NEDs are persons with proven track records and necessary skills and experience to bring independent judgement to bear on issues of strategy, performance and resources. Directors nominate names of eminent professionals or academics from various disciplines to the BNGC who peruse the profiles and recommend suitable candidates to the Board.	✓

Section	Principle, compliance, and implementation	Complied
3 (2) (vii)	**More than half the quorum to comprise Non-Executive Directors** This requirement is strictly observed and it is noteworthy that the majority of the Board are NEDs.	✓
3 (2) (viii)	**Identify Independent Non-Executive Directors in communications and disclose categories of Directors in this Annual Report** The Independent NEDs are expressly identified as required in all corporate communications that disclose the names of Directors of the Bank. The composition of the Board, by category of Directors, including the names of Executive and Non-Executive Directors and Independent and Non-Independent Directors are given on page 199.	✓
3 (2) (ix)	**Formal and transparent procedure for appointments to the Board** The Board has established a BNGC, Terms of Reference of which comply with the specimen given in the Code of Best Practice on Corporate Governance. The Board has also developed a succession plan together with the BNGC to ensure the orderly succession of appointments to the Board.	✓
3 (2) (x)	**Election of Directors filling casual vacancies** All Directors appointed to the Board are subject to election by shareholders at the first AGM after their appointment. Refer pages 238 to 245 of the "*Statement of Compliance*"	✓
3 (2) (xi)	**Communication of reasons for removal or resignation of Director** Resignations of Directors and the reasons are promptly informed to the regulatory authorities and shareholders together with a statement confirming any matters that need to be brought to the attention of shareholders.	✓
3 (2) (xii)	**Prohibition of Directors or employees of a Bank becoming a Director of another bank** The Board and the BNGC take into account this requirement in their deliberations when considering appointments of Directors. None of the Directors are directors or employees of any other bank registered in Sri Lanka. Ms Lee, Director of the Bank, is also on the Board of Directors of DBS Group Holdings Ltd., Singapore and DBS Bank Ltd., Singapore. The CBSL has communicated that it has no objection to the said appointment.	✓
3 (3)	**Criteria to assess fitness and propriety of Directors**	
3 (3) (i)	**Age of Director should not exceed 70** There are no Directors who are over 70 years of age.	✓
3 (3) (ii)	**Directors should not be Directors of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the Bank.** No Director holds directorships in excess of 20 companies/entities/institutions inclusive of subsidiaries or the associate of the Bank.	✓
3 (4)	**Management functions delegated by the Board**	
3 (4)(i)	**Directors shall carefully study and clearly understand the delegation arrangements.**	✓
3 (4) (ii)	**Extent of delegation should not hinder the Board's ability to discharge its functions**	✓
3 (4) (iii)	**Review delegation arrangements periodically to ensure relevance to operations of the Bank** The Board reviews and approves the delegation arrangements of the Bank annually and ensures that the extent of delegation addresses the business needs of the Bank whilst enabling the Board to discharge their functions effectively. Consequently, the Board takes time to study and understand the delegation arrangements as referred to in the Section 3 (4) (i) and (ii) above.	✓
3 (5)	**The Chairman and Chief Executive Officer**	
3 (5) (i)	**Separation of roles** There is a clear separation of duties between the roles of the Chairman and the CEO, thereby preventing unfettered powers for decision-making being vested with one person.	✓
3 (5) (ii)	**A Non-Executive Independent Director as the Chairman or if not independent, designation of an Independent Director as the Senior Director** The Chairman is an Independent Non-Executive Director.	✓
3 (5) (iii)	**Disclosure of identity of Chairman and CEO and any relationships with the Board Members** The identity of the Chairman and the CEO are disclosed in the Annual Report on pages 40 and 41 on "*Board of Directors and Profiles*". The Board is aware that there are no relationships whatsoever, including financial, business, family, any other material/relevant relationship between the Chairman and the CEO. Similarly, no relationships prevail among the other members of the Board.	✓

Section	Principle, compliance, and implementation	Complied
3 (5) (iv)	**Chairman to provide leadership to the Board** Board approved list of functions and responsibilities of the Chairman includes, "Providing leadership to the Board" as a responsibility of the Chairman. The Board's Annual Assessment Form includes an area to measure the "Effectiveness of the Chairman in facilitating the effective discharge of Board functions". All key and appropriate issues are discussed by the Board on a timely basis.	✓
3 (5) (v)	**Responsibility for agenda lies with the Chairman but may be delegated to the Company Secretary** The Company Secretary draws up the agenda for the meetings in consultation with the Chairman.	✓
3 (5) (vi)	**Ensure that Directors are properly briefed and provided adequate information** The Chairman ensures that the Board is sufficiently briefed and informed regarding the matters arising at Board meetings. The following procedures ensure that: (a) Circulation of Board papers including minutes of the previous meeting, seven days prior to meeting (b) Clarification of matters by KMP when required	✓
3 (5) (vii)	**Encourage active participation by all Directors and lead in acting in the interests of the Bank** This requirement is addressed in the list of functions and responsibilities of the Chairman approved by the Board.	✓
3 (5) (viii)	**Encourage participation of Non-Executive Directors and relationships between Non-Executive and Executive Directors** Ten members of the Board are NEDs which creates a conducive environment for active participation by the NEDs. Additionally, NEDs chair the Committees of the Board providing further opportunity for active participation.	✓
3 (5) (ix)	**Refrain from direct supervision of KMP and executive duties** The Chairman does not get involved in the supervision of KMP or any other executive duties.	✓
3 (5) (x)	**Ensure effective communication with shareholders** The Bank historically has active shareholder participation at the AGM. At the AGM the shareholders are given the opportunity to take up matters for which clarification is needed. These matters are adequately clarified by the Chairman and/or CEO and/or any other officer. The AGM 2024 was held in the form of a physical meeting. The shareholder participation at AGMs is given on page 209 of the "*Annual Corporate Governance Report*".	✓
3 (5) (xi)	**CEO functions as the apex executive in charge of the day-to-day operations** The day-to-day operations of the Bank have been delegated to the CEO by the Board of Directors.	✓
3 (6)	**Board appointed committees**	
3 (6) (i)	**Establishing Board Committees, their functions and reporting** The Board has established ten committees of which six are mandatory with the remainder appointed to meet the business needs of the Bank. Refer "Governance Structure" on page 197. All the Board Committees of the Bank have its own written Terms of Reference. Each committee has a Secretary to arrange the meetings and maintain minutes, records, etc., under the supervision of the Chairman of the Committee. The Reports of the Board Committees are given on pages 214 to 237. The Chairpersons of the Committees are available at the AGM to clarify any matters that may be referred to them by the Chairman.	✓
3 (6) (ii)	**Board Audit Committee (BAC)**	✓
a.	**Chairman of the Committee shall be an Independent Non-Executive Director who possesses qualifications and experience in accountancy and/or audit** Chairman of the Committee is an Independent Non-Executive Director with qualifications and experience in accountancy. His profile is given on page 40.	
b.	**Committee to comprise solely of Non-Executive Directors** All members of the BAC are Independent Non-Executive Directors.	✓

Section	Principle, compliance, and implementation	Complied
c.	**Board Audit Committee functions** In accordance with the Terms of Reference, the BAC has made the following recommendations: (i) the appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes; (ii) the implementation of the Central Bank Guidelines issued to Auditors from time to time; (iii) the application of the relevant Accounting Standards; and (iv) the service period, audit fee and any resignation or dismissal of the Auditor. The BAC 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.	✓
d.	**Review and monitor External Auditor's independence and objectivity and the effectiveness of the audit processes** The Board has adopted a Policy of rotation of Auditors, as explained in detail under section 3(1)(i)m on "*Appointment of the External Auditors*".	✓
e.	**Provision of non-audit services by External Auditor** The Bank had developed a comprehensive Board Approved Policy on engagement of External Auditor for Non Audit services. Following action is taken prior to the assignment of non-audit services to External Auditors by the Bank: (i) Considered whether the skills and experience of the audit firm make it a suitable provider of non-audit services (ii) If the Management is of the view that the independence is likely to be impaired with the assignment of any non-audit services to External Auditors, no assignment will be made to obtain such services. (iii) Further, relevant information is obtained from External Auditors to ensure that their independence is not impaired, as a result of providing any non-audit services. (iv) Pre approval of the BAC and the approval of the Board is obtained prior to engagement of the External Auditor for Non Audit services as per the Policy.	✓
f.	**Determines scope of audit** The Committee discussed the Audit Plan, nature and scope of the audit with External Auditors to ensure that it includes: (i) an assessment of the Bank's compliance with the relevant Directions in relation to corporate governance and the management's internal controls over financial reporting; and (ii) the preparation of Financial Statements for external purposes in accordance with relevant accounting principles and reporting obligations. (iii) the co-ordination between the audit firms, when more than one audit firm is involved within the Group.	✓
g.	**Review financial information of the Bank** The BAC reviews the financial information of the Bank, in order to monitor the integrity of the Quarterly/Annual Financial Statements, quarterly reports prepared for disclosure, Annual Report and the significant financial reporting judgements contained therein. The review focuses on the following: (i) major judgemental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) compliance with relevant Accounting Standards and other legal requirements. The BAC makes their recommendations to the Board on the above on a quarterly basis.	✓
h.	**Discussions with External Auditor on interim and final audits** The BAC discusses issues, problems and reservations arising from the interim and final audits with the External Auditor. The Committee met on two occasions with the External Auditor, without the presence of executive staff of the Bank.	✓
i.	**Review of management letter and Bank's response** The BAC has reviewed the External Auditor's Management Letter and the Management's response thereto.	✓

Section	Principle, compliance, and implementation	Complied
j.	**Review of internal audit function** The Annual Audit Plan prepared by the Internal Audit Department is submitted to the BAC for approval. This Plan covers the scope, functions and resource requirements relating to the Audit Plan and has the necessary authority to carry out its work. The services of four audit firms have been obtained to assist the Internal Audit Department to carry out the audit function. Prior approval of the BAC has been obtained in this regard. The Committee reviewed the reports submitted by Internal Audit Department and ensures that appropriate action is taken on the recommendations. The Deputy General Manager – Management Audit (DGM-MA), who leads the Internal Audit Department, reports directly to the BAC and his performance appraisal is reviewed by the BAC. The BAC is to recommend any appointment, terminations/resignations of the head, senior internal audit staff members and outsourced service providers to the internal audit function. The above processes ensure that audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care. Ensure that the Committee is appraised of resignations of senior staff members of the internal audit department including the DGM – MA and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning.	✓
k.	**Internal investigations** The committee shall consider the major findings of internal investigations and management's responses thereto.	✓
l.	**Attendees at Board Audit Committee meeting** The Chief Financial Officer, DGM-MA and a representative of the External Auditors normally attend meetings. Other Board Members and Managing Director/CEO may also attend meetings upon the invitation of the Committee. The Committee met with the External Auditors without the Executive Directors being present on two occasions during the year. Refer the "*Report of the BAC*" given on pages 214 to 217.	✓
m.	**Explicit authority, resources and access to information** The Terms of Reference for the BAC includes: (i) explicit authority to investigate into 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. Refer the "*Report of the BAC*" on pages 214 to 217.	✓
n.	**Regular meetings** The BAC had scheduled regular quarterly meetings and additional meetings were scheduled when required. Accordingly, the Committee met 08 times during the year. Members of the BAC are served with due notice of issues to be discussed and the conclusions in discharging its duties and responsibilities are recorded in the minutes of the meetings maintained by the Secretary of the BAC.	✓
o.	**Disclosure in Annual Report** The "*Report of the BAC*" on pages 214 to 217 includes the following: (i) details of the activities of the BAC; (ii) the number of BAC meetings held in the year; and (iii) details of attendance of each member at such meetings.	✓
p.	**Maintain minutes of meetings** DGM-MA serves as the Secretary for the BAC and maintains minutes of the Committee meetings.	✓
q.	**Whistle-blowing policy and relationship with External Auditor** The Bank has a whistle-blowing policy which has been reviewed and approved by the BAC and the Board of Directors. Board's responsibility towards encouraging communication on any non-compliance and unethical practices are addressed in the Board Charter.	

Section	Principle, compliance, and implementation	Complied
	A process is in place and arrangements are in effect to conduct a fair and independent investigation and appropriate follow-up action regarding any concerns raised by the employees of the Bank, in relation to possible improprieties in financial reporting, internal controls or other matters. The BAC is the key representative body for overseeing the Bank's relations with the External Auditor and meets the External Auditor on a regular basis to discharge this function.	✓
3 (6) (iii)	**Board Human Resources and Remuneration Committee (BHRRC)** **Charter of the Committee** The BHRRC is responsible for: (a) determining the remuneration policy relating to Directors, CEO and KMP; (b) setting goals and targets for the Directors, CEO and KMP; and (c) evaluating performance of the CEO and KMP against agreed targets and goals and determining the basis for revising remuneration, benefits and other payments of performance-based incentives. (d) The CEO attends all meetings of the Committee, except when matters relating to the CEO are being discussed. Refer the "*Report of the BHRRC*" on pages 224 to 225.	✓
3 (6) (iv) **a.**	**Board Nominations and Governance Committee (BNGC)** **Appointment of Directors, CEO and KMP** The Committee has developed and implemented a procedure to appoint new Directors, CEO and the members of the Corporate Management of the Bank. The Committee has also developed a proactive process for planning and assessment of candidates for the succession of Executive and Non-Executive Directors, CEO and KMP appointments within the Bank, its Subsidiaries, and the Associate (the Group). The Committee also oversee appointment and composition of the Sharia Supervisory Board (SSB or Sharia Board) of the Bank's Islamic Banking Unit (IBU). The Committee was chaired by the Chairman of the Bank from April 22, 2024, to September 30, 2024. Ms J Lee was appointed as the Chairperson of the Committee effective from October 01, 2024. The Committee comprises three other independent Non-Executive Directors (NEDs). The CEO may be present at meetings by invitation. Refer the "*Report of the BNGC*" on pages 221 to 223.	✓
b.	**Re-election of Directors** The Committee makes recommendations regarding the re-election of current Directors, considering the performance and contribution made by the Director concerned towards the overall discharge of the Board's responsibilities also considering the requirements of the Articles of Association. Refer the "Statement of Compliance" given on pages 238 to 245.	✓
c.	**Eligibility criteria for appointments to key managerial positions including CEO** The Committee sets the eligibility criteria to be considered, including qualifications, experience and key attributes, for appointment or promotion to key managerial positions including the position of the CEO. The Committee considers the applicable statutes and guidelines in setting the criteria.	✓
d.	**Fit and proper persons** The Committee obtains annual declarations from Directors, CEO and COO to ensure that they are fit and proper persons to hold office as specified in the criteria given in the Section 3 (3) of this Direction and as set out in the statutes. Further, the BNGC obtains declarations from other KMP to ensure that they too are fit and proper persons to hold office as specified in the said Direction, at the time of their appointment or consequent to any changes in their designation.	✓
e.	**Succession plan and new expertise** The Committee has developed a succession plan for the Directors and KMP. The need for new expertise may be identified by the Board or its Committees and brought to the attention of the BNGC who will take appropriate action.	✓
f.	**Committee to be chaired by an independent Director** The Committee was chaired by an Independent Non-Executive Director.	✓
3 (6) (v) **a.**	**Board Integrated Risk Management Committee (BIRMC)** **Composition of BIRMC** The Committee comprises NEDs, the Managing Director/CEO and the Chief Risk Officer (CRO) who serves as a Non-Board Member. Other KMP supervising credit, market, liquidity, operational, and strategic risks are invited to attend the meetings on a regular basis.	✓

Section	Principle, compliance, and implementation	Complied
b.	**Risk assessment** The Committee has approved the policies on Credit Risk Management, Market Risk Management and Operational Risk Management, which provide a framework for management and assessment of risks. Further, Internal Capital Adequacy Assessment Process is being reviewed by the Committee annually. Accordingly, monthly information on pre-established risk indicators is reviewed by the Committee in discharging its responsibilities as per the Terms of Reference. Refer the "Report of the BIRMC" on pages 218 to 220.	✓
c.	**Review of management level committees on risk** The Committee shall review the adequacy and effectiveness of all management level Committees such as Credit Policy Committee, Asset and Liability Management Committee (ALCO), Executive Integrated Risk Management Committee (EIRMC) etc., to assess their adequacy and effectiveness in addressing specific risks and managing them within the quantitative and qualitative risk limits specified by the Board of Directors. These limits are set out in the Risk Appetite Statement of the Bank and are reviewed by the Board on a regular basis.	✓
d.	**Corrective action to mitigate risks exceeding prudential levels** Actual exposure levels under each risk category are monitored against the tolerance levels when preparation of "Risk Profile Dashboard" of the Bank, which is circulated among members of the BIRMC monthly and discussed in detail at quarterly meetings. The Committee takes prompt corrective action to mitigate the effects of specific risks in case, such risks are at levels beyond the prudent levels decided by the Committee on the basis of the Bank's policies and regulatory and supervisory requirements.	✓
e.	**Frequency of meetings** The Committee meets quarterly and schedules additional meetings when required. The agenda covers matters assessing all aspects of risk management including updated business continuity plans. The Committee met 05 times during 2024.	✓
f.	**Actions against officers responsible for failure to identify specific risks or implement corrective action** The Committee refers such matters, if any, to the Human Resources Department for necessary action with observations and suggestions.	✓
g.	**Risk Assessment Report to the Board** A comprehensive report of the meeting is submitted to the Board after each Committee meeting, by the Secretary of the Committee for their information, views, concurrence or specific directions.	✓
h.	**Compliance function** A compliance function has been established to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. This function is headed by a dedicated Compliance Officer who reports to the BAC and the BIRMC. The Compliance Officer submits a Positive Assurance Certificate on Compliance with mandatory banking and other statutory requirements on a quarterly basis to BAC and BIRMC.	✓
3 (7)	**Board Related Party Transactions Review Committee (BRPTRC)**	
3 (7) (i)	**Avoid conflict of interest** The BRPTRC oversees the processes relating to this subject and its Report is given on pages 226 and 227. All members of the Board are required to make declarations of the positions held with related parties at the time of appointment and annually thereafter. In the event of any change (during the year), the Directors are required to make a further declaration to the Company Secretary. Directors refrain from participating at relevant sessions, in which lending to related entities Note 62 to the Financial Statements on "*Related Party Disclosures*" on pages 420 to 424 are discussed to avoid any kind of influence and conflict of interest. Transactions carried out with related parties as defined by the Sri Lanka Accounting Standard – LKAS 24 on "Related Party Disclosures", in the normal course of business, are disclosed in Note 62 to the Financial Statements on "*Related Party Disclosures*" on pages 420 to 424 Directors' interest in contracts, which do not fall into the definition of related party transactions as per LKAS 24, are reported separately in the Annual Report, excluded from Notes to Financial Statements. Refer pages 252 and 253 for more details.	✓
3 (7) (ii)	**Related party transactions covered by the Direction** The Related Party Transactions Policy approved by the Board, covers the following transactions: (a) The grant of any type of accommodation, as defined in the Monetary Board's Directions on maximum amount of accommodation; (b) The creation of any liabilities of the Bank in the form of deposits, borrowings and investments; (c) The provision of any services of a financial or non-financial nature to the Bank or received from the Bank; (d) The creation or maintenance of reporting lines and information flows between the Bank and any related parties, which may lead to sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties.	✓

Section	Principle, compliance, and implementation	Complied
3 (7) (iii)	**Prohibited transactions** The Bank's Related Party Transactions Policy prohibits transactions, which would grant related parties more favourable treatment than that accorded to other customers. These include the following: (a) Granting of "total net accommodation" to related parties, exceeding a prescribed percentage of the Bank's regulatory capital; (b) Charging of a lower rate of interest than the Bank's best lending rate or paying more than the Bank's deposit rate for a comparable transaction with an unrelated comparable counterparty; (c) Providing of preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/commissions, that extend beyond the terms granted in the normal course of business undertaken with unrelated parties; (d) Providing services to or receiving services from a related party without an evaluation procedure; (e) Maintaining reporting lines and information flows that may lead to sharing potentially proprietary, confidential or otherwise sensitive information with related parties, except as required for the performance of legitimate duties and functions.	✓
3 (7) (iv)	**Granting accommodation to a Director or close relation of a Director** A procedure is in place for granting accommodation to Directors or to a close relation/Close Family Member (CFM) of Directors. Such accommodation requires approval at a meeting of the Board of Directors, by not less than two-third of the number of Directors, other than the Director concerned, voting in favour of such accommodation or through circulation of papers, which require approval by all. The terms and conditions of the facility include a proviso that it will be secured by such security, as may from time to time be determined by the Monetary Board as well. Refer section on "Conflicts of Interest" on page 198 for more details.	✓
3 (7) (v)	**Accommodations granted to persons, concerns of persons, or close relations of persons, who subsequently are appointed as Directors of the Bank** The Company Secretary obtains declarations/affidavits from all Directors prior to their appointment and they are requested to declare any further transactions. Employees of the Bank are aware of the requirement to obtain necessary security, as defined by the Monetary Board, if the need arises. Processes for compliance with this regulation is also monitored by the Compliance Unit.	✓
3 (7) (vi)	**Favourable treatment or accommodation to bank employees or their close relations** No favourable treatment/accommodation is provided to Bank employees, other than staff benefits. Employees of the Bank are informed through operational circulars, to refrain from granting favourable treatment to other employees or their close relations or to any concern in which an employee or close relation has a substantial interest.	✓
3 (7) (vii)	**Remittance of accommodation subject to Monetary Board approval** No such situation has arisen during the year.	✓
3 (8)	**Disclosures**	
3 (8) (i)	**Publish Annual and Quarterly Financial Statements** Annual Audited Financial Statements and Interim Financial Statements of the Bank were prepared and published during 2024 in the 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** Disclosures on the compliance with the applicable accounting standards and regulatory requirements in preparation of the Annual Audited Financial Statements, have been made in the "*Statement of Directors' Responsibility for Financial Reporting" and "Managing Director/Chief Executive Officer's and Chief Financial Officer's Statement of Responsibility"*. Refer pages 246 to 247 and 251.	
b.	**Report by the Board on the Bank's internal control mechanism** The Annual Report includes the reports 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. Please refer the following statements for more details. Annual Report of the Board of Directors on pages 4 and 5. Statement of Compliance on pages 238 to 245. Statement of Directors' Responsibility for Financial Reporting on pages 246 and 247. Directors' Statement on Internal Control over Financial Reporting and Risk Management on pages 248 and 249.	✓

Section	Principle, compliance, and implementation	Complied
c.	**External Auditors Assurance Report on the Effectiveness of the Internal Control Mechanism** The Bank has obtained an assurance report on the Effectiveness of Internal Controls over financial reporting, which is published on page 250.	✓
d.	**Details of Directors, including names, fitness and propriety, transactions with the Bank and the total of fees/remuneration paid by the Bank** Profiles of Board Members are given on pages 38 to 45. Directors' Interests in Contracts with the Bank on pages 252 and 253. Details of transactions with the Bank are given in Note 62 to the Financial Statements on pages 420 to 424. Details of remuneration paid by the Bank are given in Note 21 to the Financial Statements on page 342.	✓
e.	**Total accommodation granted to each category of related party and as a percentage of the Bank's regulatory capital** The net accommodation granted to each category of related party as a percentage of the Bank's Regulatory Capital are given below: Direct and indirect accommodation to related parties as at December 31, 2024.	✓

	Category of related party	Rs. Mn.	%
a	Subsidiary companies of the Bank	2,646	0.93
b	Associate of the Bank	–	–
c	Directors of the Bank*	6	0.00
d	Members of the Corporate Management of the Bank	429	0.15
e	Close relations of the Bank's Directors	232	0.08
f	Close relations of the members of the Corporate Management	22	0.01
g	Shareholder owning a material interest in the Bank	–	–
h	Entities in which Directors/KMP or their close relations have a substantial interest	3,473	1.22

** Include both NEDs and EDs*

Section	Principle, compliance, and implementation	Complied
f.	**Aggregate values of remuneration to and transactions with Directors and members of the Corporate Management**	✓

Category	Rs. Mn.
Remuneration paid for the year ended December 31, 2024	1,112
Accommodation granted – as at December 31, 2024	444
Deposits – as at December 31, 2024	834
Securities sold under repurchase agreements – as at December 31, 2024	13
Investments in debentures – as at December 31, 2024	45

Section	Principle, compliance, and implementation	Complied
g.	**External Auditors Certification of Compliance with the Direction** The factual findings report has been issued by the External Auditors on the level of compliance with the requirements of these regulations. The findings presented in their report addressed to the Board did not identify any inconsistencies.	✓
h.	**Report confirming compliance with prudential requirements, regulations, laws, and internal controls** The Statement of *Directors' Responsibility for Financial Reporting on pages 246 and 247, "Directors' statement on Internal Control over Financial Reporting and Risk Management"* on pages 248 and 249 and item 35 of the *"Statement of Compliance"* on page 244, clearly sets out details regarding compliance with prudential requirements, regulations, laws, and internal controls.	✓
i.	**Non-compliance Report** There were no supervisory concerns on lapses in the Bank's Risk Management Systems or non-compliance with the Direction that have been pointed out by the Director of the Bank Supervision Department of the CBSL and therefore, there is no disclosure in this regard.	✓
3 (9)	**Transitional and other general provisions** The Bank has complied with the transitional provisions, where applicable.	✓

Annex 1.2: Compliance with Code of Best Practice on Corporate Governance

Compliance with the Code of Best Practice on Corporate Governance 2023 (the Code) issued by The Institute of Chartered Accountants of Sri Lanka

Code ref.	Compliance and implementation	Complied
A.	**Directors**	
A.1	**The Board** The Board of Commercial Bank comprises twelve eminent professionals drawn from multiple fields and ten out of them are Non-Executive Directors (NEDs). They bring diverse perspectives and independent judgement to deliberate on matters set before the Board. Directors are elected by shareholders at the AGMs with the exception of the Managing Director (MD)/Chief Executive Officer (CEO) and the Chief Operating Officer (COO) who are appointed by the Board and remain as Executive Directors (EDs) until retirement, resignation or termination of such appointment. Casual vacancies are filled by the Board based on the recommendations of the Board Nominations and Governance Committee (BNGC) as provided for in the Articles of Association. The Board is assisted by the Company Secretary.	✓
A.1.1	**Regular meetings** The Board meets on a monthly basis and each Board Committee also has its own schedule of meetings as set out in the respective Committee reports. The regularity of Board meetings and the structure and process of submitting information have been agreed to and documented by the Board. Attendance at meetings is summarised in Figure 45 on page 199. Information required to be reported to the Board under this Section is reported on a regular basis.	✓
A.1.2	**Role and responsibilities of the Board** The roles and responsibilities of the Board are set out in the Board Charter as summarised on page 203.	✓
A.1.3	**Act in accordance with laws** The Board has an approved working procedure in place to facilitate compliance with the relevant laws, CBSL Directions and guidelines and international best practice with regard to the operations of the Bank. This includes provision to obtain independent professional advice as and when necessary by any Director coordinated through the Company Secretary.	✓
A.1.4	**Access to advice and services of Company Secretary** All Directors are able to obtain the advice and services of the Company Secretary. The appointment and removal of the Company Secretary is a matter involving the whole Board under the advisement of the BNGC, as it is a Key Management Position. The Bank has obtained appropriate insurance coverage as recommended by the BNGC for the Board of Directors and the Members of the Corporate Management. Refer Section on *"Role of the Company Secretary"* on page 205 for further details on role of the Company Secretary.	✓
A.1.5	**Independent judgement** The Board comprises of senior professionals who are luminaries in their respective fields and use their independent judgement in discharging their duties and responsibilities on matters of strategy, performance, resource allocation, risk management, compliance, and standards of business conduct. The composition of the Board ensures that there is a sufficient balance of power and contribution by all Directors which minimises the tendency for one or a few members of the Board to dominate the Board processes or decision-making.	✓
A.1.6	**Dedicate adequate time and effort to matters of the Board and the Company** Board meetings and Board Committee meetings are scheduled well in advance and the relevant papers are circulated a week prior to the meeting using electronic means to ensure that Directors have sufficient time to review the same and call for additional information or clarifications, if required. While there is provision to circulate papers closer to the meeting in exceptional circumstances, this is generally discouraged. Members of the Corporate Management Team and external experts make presentations to the Board on the business environment, regulatory changes, operations, and other developments on a regular basis to enhance the knowledge of the Board on matters relevant to the Bank's operations. The NEDs dedicate approximately eighty-four days per annum for the affairs of the Bank and those Directors who are also on the BAC and the BIRMC dedicate a further ten days each for the affairs of the Bank.	✓
A.1.7	If necessary in the best interest of the Bank, one-third of the Directors can call for a resolution to be presented to the Board.	✓
A.1.8	**Board induction and training** Refer Section on *"Induction and Training of Directors"* on page 206.	✓

Code ref.	Compliance and implementation	Complied
A.2	**Separating the business of the Board from the executive responsibilities for management of the Company** The positions of the Chairman and the CEO have been separated in line with best practice in order to maintain a balance of power and authority. The Chairman is an Independent Non-Executive Director whilst the CEO is an Executive Director appointed by the Board. The roles of the Chairman and the CEO are clearly defined in the approved Board paper and the Board Charter.	✓
A.3	**Chairman's role in preserving good corporate governance** The Chairman provides leadership to the Board, preserving order and facilitating the effective discharge of duties of the Board and is responsible for ensuring the effective participation of all Directors and maintaining open lines of communication with KMP, acting as a sound Board on strategic and operational matters. The agenda for Board meetings is developed by the Chairman in consultation with the Directors, the CEO, and the Company Secretary, taking into consideration matters relating to strategy, performance, resource allocation, risk management, and compliance. Sufficiently detailed information on matters included in the agenda is provided to the Directors on time. Both Executive Directors and NEDs ensure the balance of power on the Board, for the benefit of the Bank, by effectively participating in decision making. All Directors have been made aware of their duties and responsibilities and the Board and Committee structures. All Directors are encouraged to seek information necessary to discuss matters on the agenda. Views expressed by Directors on issues under consideration are recorded in the minutes.	✓
A.4	**Availability of financial acumen and knowledge to offer guidance on matters of finance** The Chairman of the BAC who is a NED is a Fellow Member of the CA Sri Lanka ensuring a sufficiency of financial acumen within the Board on matters of finance. Additionally, EDs and a NED are professionals with vast experience on matters of finance.	✓
A.5	**Board balance** The Chairman is an Independent Non-Executive Director. The Board comprises of ten NEDs and two EDs facilitating an appropriate balance within the Board. NEDs are independent of management and free of business dealings that may interfere with the exercise of their unfettered and independent judgement. They submit annual declarations to this effect which are evaluated to ensure compliance with the criteria for determining independence in line with the requirements of the applicable regulations and this Code. There are no Alternate Directors appointed to represent the Directors of the Bank.	✓
A.6	**Provision of appropriate and timely information** Board Members receive information regarding matters set before the Board a week prior to the meetings. The Chairman ensures that all Directors are properly briefed on same by requiring the presence of members of the Corporate Management when deemed necessary. Management also makes presentations on regular agenda items to the Board and its Committees. Additionally, the Directors have access to members of the Corporate Management to seek clarifications or additional information on matters presented to the Board. Directors who are unable to attend a meeting is updated on proceedings through formally documented minutes, which are also discussed at the next meeting to ensure follow-up and proper recording. Minutes of a meeting is ordinarily provided to Directors at least within two weeks after the meeting date.	✓
A.7	**Appointments to the Board and re-election** Refer Section on *"Appointments and retirements/resignations of Directors"* given on page 206 and Report of the BNGC on pages 221 to 223.	✓
A.8	**All Directors should submit themselves for re-election at regular intervals** Refer Section on *"Re-election/election of Directors"* on page 206. In the event of resignation of a Director prior to completion of his/her appointed term, such resignation including reasons for decision shall be communicated in writing.	✓
A.9	**Appraisal of Board and Board Committee performance** Refer Section on *"Board and Board Committee evaluations"* on page 208.	✓
A.10	**Annual Report to disclose specified information regarding Directors** **Information specified in the Code with regard to Directors is disclosed within this Annual Report as follows:** Refer pages 38 to 45 for the Profiles including qualifications, expertise, material business interests and key appointments. Refer pages 252 and 253 for details on Directors' Interest in contracts with the Bank. Refer Note 21 to the Financial Statements on page 342 for the details on Remuneration paid to Directors. Refer Note 62 to the Financial Statements on Related Party Disclosures on pages 420 to 424. Refer page 199 and pages 214 to 237 Membership of committees and attendance at Board meetings and Committee meetings.	✓
A.11	**Appraisal of the CEO** Refer section on *"Appraisal of the Chief Executive Officer"* on page 208.	✓

Code ref.	Compliance and implementation	Complied
B.	**Directors' remuneration**	
B.1	**Remuneration procedure** Refer section on *"Directors' and Executive remuneration"* on page 207 and Report of the BHRRC on pages 224 and 225.	✓
B.2	**Remuneration Committee and Level and make-up of remuneration** Refer section on *"Components of remuneration"* on page 207.	✓
B.3	**Disclosures related to remuneration in Annual Report** Refer section on *"Directors' and Executive remuneration"* on page 207. Refer Note 21 to the Financial Statements on page 342 for the details on Remuneration paid to Directors. Refer pages 224 and 225 for the Report of the BHRRC. Refer Note 62.2.1 to the Financial Statements on page 420 for the details on Compensation to KMP.	✓
C.	**Relations with shareholders**	
C.1	**Constructive use of the AGM and conduct of other General Meetings** The AGM provides a forum for all shareholders to participate in decision-making matters reserved for the shareholders which typically include proposals to adopt the Annual Report and Accounts, election and re-election of Directors and Auditors and other matters requiring special resolutions as defined in the Articles of Association or the Companies Act No. 07 of 2007 (as amended). Separate resolutions are proposed for each material issue. The Chairman ensures the presence of the Chairmen of the BAC, BHRRC, BNGC and BRPTRC to respond to any questions that may be directed to them. Notice of the AGM is circulated together with the Annual Report and Accounts which includes information relating to any other resolutions that may be set before the shareholders at the AGM fifteen working days in advance. The Bank ensures that all valid proxy appointments received for the AGM are counted and properly recorded. A summary of the procedures governing voting at General Meetings is included under "*Shareholder engagement and voting*" section on page 208 of this Annual Report. Where a vote is required on a show of hands, the Bank will ensure that information required under the Code will be made available at the meeting and be published in the website within a month from the date of the AGM.	✓
C.2	**Communication with shareholders** The Policy on Relations with Shareholders and Investors sets out multiple channels of communication for engaging with shareholders. Channels include investor section of the website at http://www.combank.lk/investors, press releases and notices in English, Sinhala and Tamil newspapers and required disclosures to the CSE which are published on the CSE website. The Bank's website provides information on risk management, debenture issues, economy and financial markets in addition to the financial information. The Interim Financial Statements are published in English, Sinhala and Tamil newspapers within stipulated deadlines. Every effort is made to ensure that the Annual Report provides a balanced review of the Bank's performance. The principal forum for shareholders is the AGM, while matters can also be raised through the Company Secretary. The Company Secretary keeps the Board apprised of issues raised by the shareholders to ensure that they are addressed in an appropriate manner in keeping with the corporate values of the Bank. Matters raised in writing are responded to in writing by the Company Secretary.	✓
C.3	**Disclosure of major and material transactions** The Policy on Relations with Shareholders and Investors addresses the need to disclose major and material transactions to shareholders as required by the rules and regulations of the SEC and the CSE and the Bank has in place a defined process to comply with the requirements. There were no transactions which would materially alter the Bank's or Group's net assets nor any major related party transactions apart from those disclosed as follows: • Refer page 208 for details on "*Shareholder engagement and voting*". • Refer pages 238 to 245 for the "*Statement of Compliance*". • Refer Note 62 to the Financial Statements on Related Party Disclosures on pages 420 to 424.	✓
D.	**Accountability and audit**	
D.1	**Present a balanced and understandable assessment of the Company's financial position, performance, business model, governance, structure, risk management, internal controls, and challenges, opportunities and prospects** All efforts are taken to ensure that the Annual Report presents a balanced review of the Bank's financial position, performance, Business Model, Governance, Structure, Risk Management, Internal Controls, and Challenges, Opportunities and Prospects combining narrative and visual elements to facilitate readability and comprehension. Due care has been exercised to ensure that all statutory requirements are compiled within the Annual Report and the issue of interim communications on financial performance which are reviewed by the BAC and recommended prior to publication. The following disclosures as required by the Code are included in this Report:	

Code ref.	Compliance and implementation	Complied
	• Management Discussion and Analysis – Refer pages 83 to 151. • Risk Management and Governance – Refer pages 254 to 284. • Annual Report of the Board of Directors – Refer pages 04 and 05. • Statement of Compliance – Refer pages 238 to 245. • Statement of Directors' Responsibility for Financial Reporting – Refer pages 246 and 247 • Directors' Statement on Internal Control over Financial Reporting and Risk Management – Refer pages 248 and 249 • Managing Director/Chief Executive Officer's and Chief Financial Officer's Statement of Responsibility on page 251. • Independent Auditor's Report on page 250. • Related Party Transactions disclosed in Note 62 to the Financial Statements on pages 420 to 424 and the process in place is described in the Report of the BRPTRC on pages 226 and 227. In the unlikely event of the net assets of the Company falling below 50% of Shareholders' Funds, the Board will summon an Extraordinary General Meeting (EGM) to notify the shareholders of the position and to explain the remedial action being taken. The Annual Report clearly explains how net assets have increased during the year in the Financial Review on pages 152 to 158.	✓
D.2	**Process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets** The Board is responsible for determining the risk appetite for achieving the strategic objectives and formulates and implements appropriate processes for risk management and internal control systems to safeguard shareholder investments and assets of the Bank. The BIRMC assists the Board in discharge of its duties with regard to risk management and the BAC assists the Board in the discharge of its duties in relation to internal control which in turn is supported by the Inspection Department. Their responsibilities are summarised in the respective Committee Reports and have been formulated with reference to the requirements of the Code and the Direction on Corporate Governance and the Bank's business needs. The BIRMC is supported by the Integrated Risk Management function of the Bank and a comprehensive report of how the Bank manages risk is given in the Section on "Risk Governance & Management" on pages 254 to 284 , the Report of the BIRMC on pages 218 and 220 and Statement of Directors' Responsibility for Financial Reporting – Refer pages 246 and 247.	✓
D.3	**Board Audit Committee (BAC)** The BAC comprises of 5 independent NEDs and a summary of its responsibilities and activities are given in the Report of the BAC as appearing on pages 214 to 217. It is supported by the Internal Audit function of the Bank reporting directly to the BAC. As a consequence of ensuring adherence to Banking Act Directions No. 05 of 2024 on Corporate Governance for Licensed Banks, Mr P Y S Perera was appointed to chair the Committee with effect from January 01, 2025. Mr P Y S Perera is a Fellow member of the Institute of Charted Accountants of Sri Lanka and the Chartered Institute of Management Accountants, UK. The Committee was previously chaired by Mr R Senanayake, who held the position from September 25, 2020 up to December 31, 2024. Mr R Senanayake remains a member of the Committee. He is also a Fellow member of CA Sri Lanka. Additionally, the Committee has appointed Mr W N I C Fernando, FCA, and FCMA, as a Consultant to the Committee, who is invited to the meetings. Refer Report of the BAC on page 215 for the purpose, duties and responsibilities. The Board also obtains assurance from its External Auditors on the effectiveness of internal controls on financial reporting which is given on page 250.	✓
D.4	**Board Integrated Risk Management Committee (BIRMC)** The BIRMC was established in compliance with the Section 3(6) of the Direction No. 11 of 2007, to assist the Board in overseeing the risk management framework of the Bank. It particularly assists the Board oversight of determining risk appetite, identification and classification of risks, reviewing risk management outcomes and mitigation actions, process to manage ESG risks etc. The Committee comprises of 5 NEDs and 1 ED (Managing Director/Chief Executive Officer). As a consequence of ensuring adherence to Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks, Mr R Senanayake was appointed to chair the Committee with effect from January 01, 2025. The Committee was previously chaired by Mr J Lee, who held the position from March 10, 2022 to December 31, 2024. The CFO who is also the Secretary to the Committee attend all meetings. CIO and other heads of Strategic Business Units participate for meetings by invitation. A summary of role, responsibilities and activities of the Committee are given in the report of the BIRMC on pages 218 and 220.	✓
D.5	**Board Related Party Transactions Review Committee (BRPTRC)** The BRPTRC comprises of 3 Independent NEDs. The two EDs also attend the meetings by invitation. A summary of responsibilities and activities are given in the report of the BRPTRC on pages 226 and 227. The Bank has a Board-approved Related Party Transactions Policy in place which addresses requirements under this section.	
D.6	**Code of Ethics** The Bank has an internally-developed Code of Business Conduct and Ethics which is applicable to Directors, other KMP, and all other employees. The Bank also has Board approved policy applicable to dealing in shares of the Bank which are fully compliant with the Listing Rules of the CSE.	✓
	The Code of Conduct of the Bank is in compliance with the requirements of the Schedule N of the Code on "Code of Business Conduct and Ethics" which encompasses conflict of interest, bribery and corruption, entertainment and gifts, accurate accounting and record-keeping, fair and transparent procurement practices, corporate opportunities, confidentiality, fair dealing, protection and proper use of Company assets including information assets, sexual harassment, discrimination and abuse, compliance with laws, rules and regulations (including insider trading laws) and encouraging the reporting of any illegal, fraudulent, or unethical behaviour. Further, the Bank has a well-established whistle-blower process in order to deal with complaints received from various stakeholders in relation to non-compliance with the Bank's code of business conduct and ethics. Refer sections on "Code of Business Conduct & Ethics" and "Whistleblowing" on pages 210 and 211.	✓

Code ref.	Compliance and implementation	Complied
D.7	**Corporate governance disclosures** The Annual Corporate Governance Report from pages 192 to 213 comply with the disclosure requirements of the Code.	✓
E. & F.	**Institutional Investors and Other Investors Shareholder Voting** The Bank has 16,966 ordinary voting shareholders as at end 2024, of which 728 are institutional shareholders. The Bank has regular dialogue with the large institutional shareholders and any concerns of these institutional shareholders expressed at the meetings is communicated to the Board as a whole. All shareholders are encouraged to exercise their voting powers at the AGM. The Bank facilitates the analysis of its securities by encouraging both foreign and local analysts covering the Bank with structured meetings where they are able to obtain information and explanations required for evaluating the current and future performance of the Bank, sector and country. Additionally, the investor relations section on the Bank's website has key information required by shareholders and analysts. The Interactive Annual Report also has a tab where investors can provide feedback and request for specified information. All prospectuses include a clause which require all prospective investors in shares and debentures of the Bank to seek independent professional advice before investing.	✓
G.	**Internet of things and cyber security** Refer section on *"Internet of things and cyber security"* on page 211.	✓
H.	**Sustainability: ESG Risks and Opportunities** **Sustainability: ESG related risks and opportunities** The Board considers Sustainability/ESG-related risks and opportunities in the Bank's business model, short and medium term planning and in its long-term strategy that could reasonably be expected to affect the Bank's prospects. The Board and the KMP engage with and consider the views of its stakeholders to better understand and manage the Bank's Sustainability/ESG-related risks and opportunities and have integrated sustainability/ESG related policies and practices into Bank's strategy, business model, governance and risk management. The Annual Report contains information, which enables investors and other stakeholders to assess how ESG risks and opportunities are recognised, managed, measured and reported as described under following sections of the Annual Report. • Engaging with our stakeholders on pages 62 to 65 and Material Matters on pages 66 to 71. • Business model for sustainable value creation on pages 72 to 77. • Management Discussion and Analysis on pages 83 to 151. • Risk governance and management on pages 254 to 284. This Annual Report has been prepared in accordance with International <IR> Framework, GRI Guidelines, " A Preparer's Guide to Integrated Corporate Reporting", "Handbook on Integrated Corporate Reporting" and "Guideline on Non-financial Reporting" published by CA Sri Lanka.	✓
I.	**Establishment and Maintenance of Policies**	
I.1	Policies relating to governance are maintained by the Bank and details relating to implementation of such policies are hosted in the website. A list of such policies and the web reference is given below; • Matters relating to the Board of Directors • Board Committees • Corporate Governance, Nominations and Re-election • Remuneration • Internal Code of Business conduct and ethics for all Directors and employees, including policies on trading in the Bank's Listed Securities • Risk Management and Internal Controls • Relations with Shareholders and Investors • Environmental, Social and Governance Sustainability • Control and Management of Company Assets and Shareholder Investments • Corporate Disclosures • Whistleblowing • Anti-Bribery and Corruption	✓
I.2	The Bank has established and maintain a formal policy governing matters relating to the Board of Directors. The policy should *inter alia* address Board balance, diversity, frequency of meetings, maximum number of directors, number of meetings a Director should attend etc.	✓

Annex 1.3: Compliance with Section 9 of the Listing Rules issued by the Colombo Stock Exchange

Section	Principle, compliance and implementation	Complied
9.1.3	Statement confirming the extent of compliance with the Corporate Governance Rules	✓
9.2.1	The Bank shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Bank, on its website. (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	✓
9.2.2	Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted.	Not Applicable
9.2.3	(i) List of policies in place as per Section 9.2.1, with reference to website (ii) Any changes to policies adopted	✓
9.2.4	The Bank has a process in place to make available policies referred in Section 9.2.1 above, to shareholders upon a written request being made for any such Policy.	✓
9.3.1	The Bank shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. The said Board committees at minimum shall include; (a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (To perform Audit and Risk Functions) (d) Related Party Transactions Review Committee. The Board has established ten committees including six mandatory committees of which two separate committees have been established to perform Audit and Risk Functions. Refer Figure 44 on "*Governance Structure*" on page 197. Pursuant to the provisions of the Banking Act Directions No.01 of 2023 dated February 02, 2023 issued by the Central Bank of Sri Lanka (CBSL), all licensed banks are, *inter alia*, mandatorily obliged to establish a board level subcommittee to operate during the years 2023 and 2024, entrusting the responsibility of evaluating and approving, non-essential and / or non-urgent expenditure and / or capital expenditure to be incurred by the bank, if any. Accordingly, the Bank being legally obliged established a Board Capital Expenditure Review Committee to ensure compliance with the provisions of the said Direction.	✓
9.3.2	The Bank shall comply with the composition, responsibilities and disclosures required in respect of the above Board Committees as set out in these Rules. Refer Sections 9.11, 9.12, 9.13 & 9.14 below.	✓
9.3.3	The Chairperson of the Board of Directors of the Bank shall not be the Chairperson of the Board Committees referred to in Section 9.3.1 above.	✓

Section	Principle, compliance and implementation	Complied
9.4.1	The Bank shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Bank. The Bank shall provide copies of the same at the request of the Exchange and/or the SEC. (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	✓
9.4.2	(a) The policy on effective communication and relations with shareholders and investors. The Bank has a Board approved Policy on Relations with Shareholders and Investors. (b) The contact person for such communication Refer Inner back cover. (c) The policy on relations with shareholders and investors on the process to make all Directors aware of major issues and concerns of shareholders. The Bank has a Board approved Policy on Relations with Shareholders and Investors.	✓
9.5.1	The Bank shall establish and maintain a formal policy governing matters relating to the Board of Directors. The policy shall include the contents specified under Section 9.5.1 of the Listing Rules. The Bank has a Board approved Policy on the matters relating to the Board of Directors.	✓
9.5.2	Policy on matters relating to the Board of Directors. Confirmation on compliance with the requirements of the Policy on matters relating to the Board of Directors. If non-complied reasons for the same with proposed remedial action. The Bank has a Board approved Policy on the matters relating to the Board of Directors.	✓
9.6.1	The Chairperson of the Bank shall be a Non-Executive Director and the positions of the Chairperson and CEO shall not be held by the same individual, unless otherwise a SID is appointed in terms of Rule 9.6.3 below. Refer page 199 for Figure – 45 on "Composition of the Board and Attendance".	✓
9.6.2	Where the Chairperson of a Listed Entity is an Executive Director and/or the positions of the Chairperson and CEO are held by the same individual, such entity shall make a Market Announcement within a period of one (1) month from the date of implementation of these Rules, or an Immediate Market Announcement if such date of appointment and/or combination of the said roles falls subsequent to the implementation of these Rules. Not applicable since there is a clear separation of duties between the roles of the Chairman and CEO.	Not Applicable
9.6.3	Report of Senior Independent Director (SID) demonstrating the effectiveness of duties. Not applicable since there is a clear separation of duties between the roles of the Chairman and CEO. Therefore, the requirement for the Bank to appoint a Senior Independent Director (SID) does not arise.	Not Applicable
9.6.4	Rationale for appointing SID Not applicable since there is a clear separation of duties between the roles of the Chairman and CEO. Therefore, the requirement for the Bank to appoint a Senior Independent Director (SID) does not arise.	Not Applicable
9.7.1	The Bank shall take necessary steps to ensure that their Directors and the CEO are, at all times, fit and proper persons as required in terms of these Rules: In evaluating fitness and propriety of the persons referred in these Rules, the Bank shall utilise the 'Fit and Proper Assessment Criteria' set out in Section 9.7.3 below.	✓
9.7.2	The Bank shall ensure that persons recommended by the Nominations and Governance Committee as Directors are fit and proper as required in terms of these Rules before such nominations are placed before the shareholders' meeting or appointments are made.	✓
9.7.3	A Director or the CEO of the Bank shall not be considered 'fit and proper' if she or he does not possess the fit and proper assessment criteria specified under "Honesty, Integrity and Reputation", "Competence and Capability" and "Financial Soundness" in Section 9.7.3 (a), (b) and (c) respectively.	

Section	Principle, compliance and implementation	Complied
9.7.4	The Bank shall obtain declarations from their Directors and CEO on an annual basis confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out in Section 9.7.3 during the financial year concerned and satisfies the said criteria as at the date of such confirmation.	✓
9.7.5	(a) Statement on Directors and CEO satisfying Fit and Proper Assessment Criteria (b) Any non-compliance/s and remedial action taken Profile of the Board of Members are given on pages 38 to 45. Item 08 of the Statement of Compliance given on page 238	✓
9.8.1	The Board of Directors of the Bank, at a minimum, consist of five (05) Directors. The Board of Directors of the Bank consist of twelve (12) Directors. Profile of the Board of Members are given on pages 38 to 45.	✓
9.8.2	Minimum Number of Independent Directors (a) The Board of Directors of the Bank shall include at least two (2) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Listed Entity at any given time, whichever is higher. The Board has ten (10) independent directors, which is well above the above requirement. Refer Figure – 45 on "Composition of the Board and Attendance" on page 199. (b) Any change occurring to this ratio shall be rectified within ninety (90) days from the change. There was no change to this ratio during the year.	✓
9.8.3	A Director shall not be considered independent if he/she does not fulfil the criteria defining under Section 9.8.3 of the Listing Rules. All the independent directors of the Bank fulfil the criteria defining independence under Section 9.8.3 of the Listing Rules.	✓
9.8.5	Process in place for the determination of 'Independence' of the Directors (a) Each Director to submit a signed and dated declaration annually of his or her independence or non-independence (b) Names of Directors determined to be 'independent' Refer Figure – 45 on "Composition of the Board and Attendance" on page 199. (c) Immediate market announcement to be made if the Board determines that the independence of an Independent Director has been impaired.	✓ ✓ ✓ Not Applicable
9.9	Requirements to be complied in relation to "Alternate Directors". There are no Alternate Directors on the Board of the Bank.	Not Applicable
9.10.1	The Bank shall disclose its policy on the maximum number of directorships it's Board Members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Entity shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 above. As per the Terms of Reference of the Board Nominations and Governance Committee, which is in compliance with the requirements of the Banking Act Direction No. 11 of 2007, the maximum number of directorships its Board Members permitted to hold is twenty.	✓
9.10.2	The Bank shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the brief resume of such Director, his/her capacity of directorship; and, Statement by the Entity indicating whether such appointment has been reviewed by the Nominations and Governance Committee of the Bank.	✓
9.10.3	The Bank shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Section 9.3 above containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.	✓

Section	Principle, compliance and implementation	Complied
9.10.4	Directors details • name, qualifications and brief profile • nature of his/her expertise in relevant functional areas • whether either the Director or Close Family Members has any material business relationships with other Directors • whether Executive, Non-Executive and/or Independent Director • total number and names of companies in Sri Lanka in which the Director concerned serves as a Director and/or KMP stating whether listed or unlisted, whether functions as Executive or Non-Executive (If the directorships are within the Group names need not be disclosed) • number of Board meetings attended • names of Board Committees in which the Director serves as Chairperson or a member • Attendance of Board Committee meetings Profile of the Board Members are given on pages 38 to 45. Composition of the Board and attendance on page 199.	✓
	Terms of Reference and powers of SID	Not Applicable
9.11	**Board Nominations and Governance Committee (BNGC)**	
9.11.1	Bank shall have a BNGC that conforms to the requirements set out in Rule 9.11 of these Rules. The Bank has a BNGC that conforms with the requirements set out in Section 9.11.	✓
9.11.2	The Bank shall establish and maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board through the BNGC. Refer Report of the BNGC on pages 221 to 223.	✓
9.11.3	The BNGC shall have a written Terms of Reference clearly defining the scope, authority, duties and matters pertaining to the quorum of meetings Refer Report of the BNGC on pages 221 to 223.	✓
9.11.4	Composition of the BNGC (1) The members of the BNGC shall; (a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. (b) not comprise of Executive Directors of the Listed Entity. (2) An Independent Director shall be appointed as the Chairperson of the BNGC by the Board of Directors. (3) The Chairperson and the members of the BNGC shall be identified in the Annual Report of the Listed Entity. Refer the Composition of the BNGC given on page 221.	✓
9.11.5	The functions of the BNGC Refer the Report of the BNGC on pages 221 to 223.	✓
9.11.6	BNGC Report • Names of chairperson and members with nature of directorship • Date of appointment to the committee. • Availability of documented policy and processes when nominating Directors. • Requirement of re-election at regular intervals at least once in 3 years • Board diversity. • Effective implementation of policies and processes relating to appointment and reappointment of Directors. • Details of directors re-appointed. • Performance of periodic evaluation of board. • Process adopted to inform independent directors of major issues. • Induction/orientation programs for new directors on corporate governance, Listing Rules, securities market regulations or negative statement.	

Section	Principle, compliance and implementation	Complied
	• Annual update for all directors on corporate governance, Listing Rules, securities market regulations or negative statement. • Compliance with independence criteria. • Statement on compliance with corporate governance rules, if non-compliant reasons and remedial actions. Refer the Report of the Board Nominations and Governance Committee on pages 221 to 223.	✓
9.12	**Board Human Resources and Remuneration Committee (BHRRC)**	
9.12.3	BHRRC The BHRRC shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration. Refer "Directors' and Executive remuneration" on page 207 and Report of the BHRRC given on pages 224 and 225.	✓
9.12.4	Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired. Refer "Directors' and Executive remuneration" on page 207 and Report of the BHRRC given on pages 224 and 225.	✓
9.12.5	BHRRC shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings. Refer the Report of the BHRRC on pages 224 and 225.	✓
9.12.6	Composition of the BHRRC (1) The members of the BHRRC shall; (a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. (b) not comprise of Executive Directors of the Listed Entity. (2) An Independent Director shall be appointed as the Chairperson of the BHRRC by the Board of Directors. Refer the Report of the BHRRC on pages 224 and 225.	✓
9.12.7	The functions of the BHRRC Refer the Report of the BHRRC on pages 224 and 225.	✓
9.12.8	BHRRC Report – Names of chairperson and members with nature of directorship – Statement regarding the Remuneration Policy – The aggregate remuneration of the Executive and Non-Executive Directors. Refer the Report of the BHRRC on pages 224 and 225. Refer Note 62 to the Financial Statements on pages 420 to 424 on "Related Party Disclosure"	
9.13	**Board Audit Committee (BAC)**	
9.13.1	Perform Audit and Risk functions specified in Section 9.13.4 of the Listing Rules. The Audit functions of the Section 9.13.4 are performed by the BAC while a separate Committee, BIRMC has been formed to perform the Risk functions.	✓
9.13.2	The BAC shall have a written terms of reference clearly defining its scope, authority and duties. The BAC has a written terms of reference clearly defining its scope, authority and duties. Refer Report of the BAC on pages 214 to 217.	✓

Section	Principle, compliance and implementation	Complied
9.13.3	(1) The members of the BAC shall; (a) comprise of a minimum of three (03) directors of the Listed Entity, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent Directors. (b) not comprise of Executive Directors of the Listed Entity. (2) The quorum for a meeting of the BAC shall require that the majority of those in attendance to be independent directors. (3) The BAC may meet as often as required provided that the BAC compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market. (4) An Independent Director shall be appointed as the Chairperson of the BAC by the Board of Directors. (5) Unless otherwise determined by the BAC, the CEO and the Chief Financial Officer (CFO) of the Listed Entity shall attend the BAC meetings by invitation. Provided however where the Listed Entity maintains a separate Risk Committee, the CEO shall attend the Risk Committee meetings by invitation. (6) The Chairperson of the BAC shall be a Member of a recognized professional accounting body. Provided however, this Rule shall not be applicable in respect of Risk Committees where a Listed Entity maintains a separate Risk Committee and Audit Committee. Refer the Report of the BAC on pages 214 to 217.	✓
9.13.4	The functions of the BAC Refer the Report of the BAC on pages 214 to 217.	✓
9.13.5	Disclosures in the Annual Report (1) The Bank shall prepare an BAC Report which shall be included in the Annual Report (2) The BAC Report shall contain disclosures set out in Section 9.13.5 Refer the Report of the BAC on pages 214 to 217.	✓
9.14	**Board Related Party Transactions Review Committee (BRPTRC)**	
9.14.1	The Bank shall have a BRPTRC that conforms to the requirements set out in Section 9.14. The BRPTRC of the Bank conforms to the requirements of the Section 9.14 as given below.	✓
9.14.2	Composition of the BRPTRC The BRPTRC shall comprise of a minimum of three (03) Directors of the Listed Entity, out of which two (02) members shall be Independent Directors of the Listed Entity. It may also include executive directors, at the option of the Listed Entity. An Independent Director shall be appointed as the Chairperson of the Committee. The BRPTRC of the Bank comprises of four (4) Independent NEDs. The two EDs also attend the meetings by invitation. The Chairman of the BRPTRC is an Independent NED.	✓
9.14.3	Functions of the BRPTRC as set out in Section 9.14.3. Refer the Report of the BRPTRC on pages 226 and 227.	✓
9.14.4	General Requirements (1) The BRPTRC shall meet at least once a calendar quarter. It shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors. (2) The members of the BRPTRC should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions, and where necessary, should obtain appropriate professional and expert advice from an appropriately qualified person. (3) Where necessary, the Committee shall request the Board of Directors to approve the Related Party Transactions which are under review by the Committee. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction. (4) If a Director of the Listed Entity has a material personal interest in a matter being considered at a Board Meeting to approve a Related Party Transaction as required in Rule 9.14.4(3), such Director shall not: (a) be present while the matter is being considered at the meeting; and, (b) vote on the matter Refer the Report of the BRPTRC on pages 226 and 227.	✓

Section	Principle, compliance and implementation	Complied
9.14.5	Review of Related Party Transactions by the BRPTRC Refer the Report of the BRPTRC on pages 226 and 227.	✓
9.14.6	Shareholder approval The Bank shall obtain shareholder approval by way of a Special Resolution for the Related Party Transactions as set out in Section 9.14.6. The RPTs policy of the Bank provides for obtaining shareholder approval by way of a Special Resolution for non-recurrent and recurrent RPTs identified in this Section. There were no RPTs during the year which required Shareholder approval as set out in Section 9.14.6.	✓
9.14.7	The Bank shall make an immediate Market Announcement to the Exchange for RPTs as set out in Section 9.14.7 (a) and (b). The RPTs policy of the Bank provides for making an immediate Market Announcement to the Exchange for RPTs identified in this Section. There were no RPTs during the year which required immediate Market Announcement as set out in Section 9.14.7.	✓
9.14.8 (1)	Related Party Disclosures Non-recurrent RPT exceeding 10% of the Equity or 5% of the Total Assets, whichever is lower (in the specified format) Refer Note 62 to the Financial Statements on pages 420 to 424 on "Related Party Disclosure"	✓
9.14.8 (2)	Recurrent RPT exceeding 10% of the gross revenue/income Refer Note 62 to the Financial Statements on pages 420 to 424 on "Related Party Disclosure"	✓
9.14.8 (3)	Related Party Transactions Review Committee Report – Names of the Directors comprising the Committee – Statement that the Committee has reviewed RPTs and communicated comments/observations to the Board – Policies and procedures adopted by the Committee Refer the Report of the BRPTRC on pages 226 and 227.	✓
9.14.8 (4)	Affirmative declaration by the Board of Directors on compliance with RPT Rules or negative statement to that effect. Refer the Annual Report of the Board of Directors on pages 04 and 05.	✓
9.14.9	Acquisition and disposal of assets from/ to Related Parties Except for transactions set out in Section 9.14.10, the Bank shall ensure that neither the Bank nor any of its subsidiaries, acquires a substantial asset from, or disposes of a substantial asset to, any Related Party of the Entity without obtaining the approval of the shareholders of the Entity by way of a Special Resolution. During the year, there were no acquisition/disposal of substantial assets from/to Related Parties.	✓
9.16	Additional disclosures by Board of Directors Declaration on following; • All material interests in contracts involving in the Bank and have refrained from voting on matters in which they were materially interested • Review of the internal controls covering financial, operational and compliance controls and risk management and obtained reasonable assurance of their effectiveness and successful adherence, and, if unable to make any of these declarations an explanation on why it is unable to do so; • Made themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions; • Disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations. Refer item 35 of the Statement of Compliance given on page 244.	✓

Annex 1.4: Disclosure Requirements in Annual Financial Statements as required by the CBSL

Disclosure requirements under the prescribed format issued by the Central Bank of Sri Lanka for preparation, presentation and publication of Annual Audited Financial Statements of Licensed Banks via the Circular No.05 of 2024 dated December 31, 2024

Disclosure requirements	Description	Page No/s.
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.	*Notes to the Financial Statements:* Note 26 – Classification of financial assets and financial liabilities	347 and 348
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.	*Material Accounting Policies:* Note 7.1.3.5.2 Financial assets designated at FVTPL Note 7.1.4.1.2 Financial liabilities designated at FVTPL	 320 320
(ii) Reclassifications of financial instruments from one category to another.	*Material Accounting Policies:* Note 7.1.6 – Reclassification of financial assets and liabilities	 322
(iii) Information about financial assets pledged as collateral and about financial or non-financial assets held as collateral.	*Notes to the Financial Statements:* Note 66.1.4 – Collateral arrangements	 441
(iv) Reconciliation of the impairment allowance account for credit losses by class of financial assets.	*Notes to the Financial Statements:* Movement in provision for impairment during the year for each classes of assets are given in the following Notes Note 28.1 – Cash and cash equivalents Note 29.1 – Balances with Central Banks Note 30.1 – Placements with banks Notes 33.2 and 33.3 (c) – Financial assets at amortised cost – Loans and advances to other customers and Lease/hire purchase receivable Note 34.1 – Financial assets at amortised cost – Debt and other financial instruments	 352 353 354 360 & 362 363
(v) Information about compound financial instruments with multiple embedded derivatives.	*Material Accounting Policies:* Note 7.1.5.5 Embedded derivatives The Bank does not have compound financial instruments with multiple embedded derivatives	 322
(vi) Breaches of terms of loan agreements.	None	–
1.2 Statement of Comprehensive Income		
1.2.1 Disclosures on items of income, expense, gains, and losses.	*Notes to the Financial Statements:* Notes 12 – 23 to the Financial Statements	 330 to 344
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 and loss.	*Notes to the Financial Statements:* Note 13 – Net interest income	 330 to 332
(ii) Fee income and expense.	*Notes to the Financial Statements:* Note 14 – Net fee and commission income	 332 & 333
(iii) Amount of impairment losses by class of financial assets.	*Notes to the Financial Statements:* Note 18 – Impairment charges/(reversal) and other losses	 337 to 340
(iv) Interest income on impaired financial assets.	*Notes to the Financial Statements:* Note 13.1 – Interest income	 331

Disclosure requirements	Description	Page No/s.
1.3 Other disclosures		
1.3.1 Accounting policies for financial instruments.	*Material Accounting Policies:* Note 7.1 – Financial instruments – Initial recognition, classification and subsequent measurement	318
1.3.2 Information on financial liabilities designated at FVTPL. (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	*Material Accounting Policies:* Note 7.1.4.1.2 Financial liabilities designated at FVTPL	320
(ii) Detailed description, if the effects of changes in a liability's credit risk are presented in profit or loss.	*Material Accounting Policies:* Note 7.1.4.1.2 Financial liabilities designated at FVTPL	320
1.3.3 Investments in equity instruments designated at FVOCI (i) Details of equity instruments that have been designated at FVOCI and the reasons for the designation.	*Notes to the Financial Statements:* Note 35 – Financial assets measured at fair value through other comprehensive income	365
(ii) Fair value of each investment at the reporting date.	*Notes to the Financial Statements:* Note 35.2 – Equity securities	366
(iii) Dividends recognised during the period, separately for investments derecognised during the reporting period and those held at the reporting date.	*Notes to the Financial Statements:* Note 17 – Net other operating income	337
(iv) Transfer of cumulative gain or loss within equity during the period and the reasons for those transfers.	Statement of Profit or Loss and Other Comprehensive Income and Statement of Changes in Equity.	296 & 298 to 305
(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 – the cumulative gain or loss on disposal	Statement of Profit or Loss and Other Comprehensive Income and Statement of Changes in Equity. There were no equity instruments disposal during the years 2024 and 2023.	296 & 298 to 305
1.3.4 Reclassification of financial assets (i) For all reclassifications of financial assets in the current or previous reporting period – date of reclassification – detailed explanation of the change in the business model and a qualitative description of its effect on the financial statements – the amount reclassified into and out of each category	*Material Accounting Policies:* Note 7.1.6 Reclassification of financial assets and liabilities. During the years 2024 & 2023, the Bank did not reclassify financial assets.	322
(ii) For reclassifications from FVTPL to amortised cost or FVOCI – the effective interest rate (EIR) determined on the date of reclassification – the interest revenue recognised	During the years 2024 & 2023, the Bank did not reclassify financial instruments from FVTPL to amortised cost or FVOCI.	–
(iii) For reclassifications from FVOCI to amortised cost, or from FVTPL to amortised cost or FVOCI – the fair value of the financial assets at the reporting date – 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.	During the years 2024 & 2023, the Bank did not reclassify financial assets from FVOCI to amortised cost or FVTPL to amortised cost or FVOCI.	–

Disclosure requirements	Description	Page No/s.
1.3.5 Information on hedge accounting	*Material Accounting Policies:*	
	Note 7.1.5 – Derivatives held for risk management purposes and hedge accounting	321
1.3.6 Information about the fair values of each class of financial asset and financial liability, along with:		
(i) Comparable carrying amounts.	*Notes to the Financial Statements:*	
	Note 27.1 – Assets and liabilities measured at fair value and fair value hierarchy	349 & 350
	Note 27.3 – Financial instruments not measured at fair value and fair value hierarchy	350
(ii) Description of how fair value was determined.	*Material Accounting Policies:*	
	Note 4 – Fair value measurement	316
	Notes to the Financial Statements:	
	Note 27 – Fair value measurement	348 to 352
(iii) The level of inputs used in determining fair value.	*Notes to the Financial Statements:*	
	Note 27.3 – Financial instruments not measured at fair value and fair value hierarchy	350
	Note 27.4 – Valuation techniques and inputs in measuring fair values	352
	Note 38.5 (b) – Information on freehold land and buildings of the Bank and the Group – Valuations.	376
	Note 38.5 (c) – Valuation techniques and sensitivity of the fair value measurement of the freehold land and buildings of the Bank and Group	381
(iv) a. Reconciliations of movements between levels of fair value measurement hierarchy.	There were no movements between levels of fair value hierarchy during the year under review.	–
b. Additional disclosures for financial instruments that fair value is determined using level 3 inputs.	*Notes to the Financial Statements:*	
	Note 27.2 – Level 3 Fair value measurement	350
(v) Information if fair value cannot be reliably measured.	None	–
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	*Material Accounting Policies:*	
	Note 3 – Financial Risk Management	312 to 316
	Notes to the Financial Statements:	
	Note 66 – Financial Risk Review	426 to 457
2.1.2 Management's objectives, policies and processes for managing those risks.	*Material Accounting Policies:*	
	Note 3 – Financial Risk Management	312 to 316
	Refer the Section on "Risk Governance and Management" for comprehensive disclosure of Management's objectives, policies and processes.	254 to 284
2.1.3 Changes from the prior period.	There were no major policy changes during the year under review.	–
2.2 Quantitative disclosures		
2.2.1 Summary of quantitative data about exposure to each risk at the reporting date.	*Notes to the Financial Statements:*	
	Note 66 – Financial Risk Review	426 to 457
2.2.2 Disclosures about credit risk, liquidity risk, market risk, operational risk, interest rate risk and how these risks are managed.		
(i) Credit risk		
(a) 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.	*Notes to the Financial Statements:*	
	Note 66.1.1 – Credit Quality Analysis	427
	Note 66.1.4 – Collateral arrangements	441

Disclosure requirements	Description	Page No/s.
(b) 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.	*Notes to the Financial Statements:*	
	Note 66.1.1 – Credit Quality Analysis	427
	Note 18 – Impairment charges/(reversal) and other losses – Section on "Collateral valuation".	337 to 340
	Note 66.1.4 – Collateral arrangements	441
	Material Accounting Policies:	
	Note 7.1.12 – Identification and measurement of impairment of financial assets	323
(c) Information about collateral or other credit enhancements obtained or called.	*Notes to the Financial Statements:*	
	Note 66.1.4 – Collateral arrangements	441
(d) Credit risk management (CRM) practices		
– Information about CRM practices and how they relate to the recognition and measurement Expected Credit Losses (ECL), including the methods, assumptions and information used to measure ECL	*Material Accounting Policies:*	
	Note 2.12.6 – Impairment losses on financial assets	310
	Note 7.1.12 – Identification and measurement of impairment of financial assets	323
	Notes to the Financial Statements:	
	Note 18 – Impairment charges/(reversal) and other losses	337 to 340
– Quantitative and qualitative information to evaluate the amounts in the Financial Statements arising from ECL, including changes and the reasons for those changes	*Material Accounting Policies:*	
	Note 7.1.12 – Identification and measurement of impairment of financial assets	323
	Notes to the Financial Statements:	
	Note 18 – Impairment charges/(reversal) and other losses	337 to 340
	Note 66.1.1 – Credit Quality Analysis	427
– How the Bank determines whether the credit risk of financial instruments has increased significantly since initial recognition, including whether and how financial instruments are considered to have low credit risk, including the classes of financial instruments to which the low credit risk exception has been applied; and the presumption that financial assets with contractual payments more than 30 days past due (DPD) have a significant increase in credit risk (SICR) has been rebutted	*Material Accounting Policies:*	
	Note 7.1.12.2 – Significant increase in credit risk	323
– The Bank's definitions of default for different financial instruments, including the reasons for selecting those definitions	*Material Accounting Policies:*	
	Note 7.1.12.3 – Definition of default and credit impaired assets	324
– How instruments are grouped if ECL are measured on a collective basis	*Material Accounting Policies:*	
	Note 7.1.12.5 Grouping financial assets measured on collective basis	324
	Notes to the Financial Statements:	
	Note 18 – Impairment charges/(reversal) and other losses	337 to 340
– How the Bank determines that financial assets are credit-impaired	*Material Accounting Policies:*	
	Note 7.1.12.3 – Definition of default and credit impaired assets	324
– The Bank's write-off policy, including the indicators that there is no reasonable expectation of recovery	*Notes to the Financial Statements:*	
	Note 18 – Impairment charges/(reversal) and other losses – "Write-off of financial assets"	337 to 340
– How the modification requirements have been applied, including how the bank determines whether the credit risk of a financial asset that has been modified subject to a lifetime ECL allowance has been improved to the extent that the loss allowance reverts to being measured at an amount equal to 12-month ECL and monitors the extent to which the loss allowance on those assets subsequently reverts to being measured at an amount equal to lifetime ECL	*Material Accounting Policies:*	
	Note 7.1.8 – Modification of financial assets and financial liabilities	323
	Notes to the Financial Statements:	
	Note 66.1.1 (b) Credit exposure movement – ECL stage-wise	431
	Note 66.1.1 (c) Provision for impairment (ECL) movement	435

Disclosure requirements	Description	Page No/s.
(e) ECL calculations		
– Basis of the inputs, assumptions and the estimation techniques used when – estimating 12 month and lifetime ECL – determining whether the credit risk of financial instruments has increased significantly since initial recognition; and – determining whether the financial assets are credit-impaired	*Material Accounting Policies:* Note 2.12.6 – Impairment losses on financial assets *Notes to the Financial Statements:* Note 7.1.12 – Identification and measurement of impairment of financial assets	310 323
– How forward-looking information has been incorporated into the determination of ECL, including the use of macro-economic information; and	*Notes to the Financial Statements:* Note 18 – Impairment charges/(reversal) and other losses – "*Forward-looking information*"	337 to 340
– Changes in estimation techniques or significant assumptions made during the reporting period and the reasons for those changes.	*Material Accounting Policies:* Note 2.12.6 – Impairment losses on financial assets	310
(f) Amounts arising from ECL		
– Reconciliation for each class of financial instrument of the opening balance to the closing balance of the impairment loss allowance – Explain the reasons for changes in the loss allowances in the reconciliation	*Notes to the Financial Statements:* • Movement in provision for impairment during the year for each classes of assets are given in Notes 28.1 – Cash and cash equivalents, 29.1 - Balances with Central Banks, 30.1 – Placements with banks, 33.2 and 33.3 (c) – Financial assets at amortised cost – Loans and advances to other customers, 34.1 – Financial assets at amortised cost – Debt and other financial instruments Note 66.1.1 (c) Provision for impairment (ECL) movement	352 353 354 360 and 361 362 363 435
(g) Collateral		
– Amount that best represents the bank's maximum exposure to credit risk at the reporting date, without taking into account of any collateral held or other credit enhancements; – Narrative description of collateral held as security and other credit enhancements, (except for lease receivables), including; – discussion on the nature and quality of the collaterals held; – explanation on any significant changes in quality as a result of a deterioration of changes in the bank's collaterals policies during the reporting period; – information about the financial instruments for which the bank has not recognised a loss allowance because of the collateral; – quantitative information about the collateral held as security and other credit enhancements; – information about the fair value of the collateral and other credit enhancements, or to quantify the exact value of the collateral that was included in the calculation of ECL	*Notes to the Financial Statements:* Note 66.1 – Credit risk	427
(h) Written-off assets – contractual amount outstanding of financial assets written off during the reporting period that are still subject to enforcement activity.	*Notes to the Financial Statements:* Note 33.2 – Movement in provision for impairment during the year Note 17 – Net other operating income	360 and 361 337

Disclosure requirements	Description	Page No/s.
(i) Pillar III disclosures of the Banking Act Directions No. 01 of 2016 on Capital requirements under Basel III for Licensed Banks.	*Notes to the Financial Statements:* Note 66.5 – Capital management and Pillar III disclosures as per Basel III	456 and 457
(ii) Liquidity risk	*Notes to the Financial Statements:*	
(a) A maturity analysis of financial assets and liabilities.	Note 60 – Maturity Analysis – Group	416 and 417
	Note 66.2.2 – Maturity analysis of financial assets and financial liabilities and contingent liabilities and commitments	446 to 450
(b) Description of approach to risk management.	*Material Accounting Policies:*	
	Note 3 – Financial Risk Management	312 to 316
	Refer the Section on "Risk Governance and Management"	254 to 284
(c) Pillar III disclosures of the Banking Act Directions No. 01 of 2016 on Capital requirements under Basel III for Licensed Banks.	Annex 2 – Basel III – Disclosures under pillar III as per Banking Act Direction No. 01 of 2016	491 to 503
(iii) Market risk	*Notes to the Financial Statements:*	
(a) A sensitivity analysis of each type of market risk to which the Bank is exposed.	Note 66.3.2 – Exposure to interest rate risk – sensitivity analysis	453 to 455
(b) Additional information, if the sensitivity analysis is not representative of the Bank's risk exposure.	*Notes to the Financial Statements:* Note 66.3.3 – Exposure to currency risk – Non-trading portfolio	455 and 456
(c) Pillar III disclosures of the Banking Act Directions No. 01 of 2016 on Capital requirements under Basel III for Licensed Banks.	Annex 2 – Basel III – Disclosures under pillar III as per Banking Act Direction No. 01 of 2016	491 to 503
(iv) Operational risk Pillar III disclosures of the Banking Act Directions No. 01 of 2016 on Capital requirements under Basel III for Licensed Banks.	Annex 2 – Basel III – Disclosures under pillar III as per Banking Act Direction No. 01 of 2016	491 to 503
(v) Equity risk in the banking book		
(a) Qualitative Disclosures	*Notes to the Financial Statements:*	
– Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons	Note 32 – Financial assets recognised through profit or loss – measured at fair value	355 to 358
	Note 35 – Financial assets measured at fair value through other comprehensive income	365 to 367
– Discussion of important policies covering the valuation and accounting of equity holdings in the banking book	Note 66.3.4 – Exposure to equity price risk	456
(b) Quantitative Disclosures	*Notes to the Financial Statements:*	
– 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	Note 32 – Financial assets recognised through profit or loss – measured at fair value	355 to 358
	Note 35 – Financial assets measured at fair value through other comprehensive income	365 to 367
– The types and nature of investments	*Material Accounting Policies:*	
	Note 7.1.3.4 – Financial assets measured at FVOCI	320
	Note 7.1.3.5 – Financial assets measured at FVTPL	320
	Notes to the Financial Statements:	
	Note 32 – Financial assets recognised through profit or loss – measured at fair value	355 to 358
	Note 35 – Financial assets measured at fair value through other comprehensive income	365 to 367
– The cumulative realised gains/(losses) arising from sales and liquidations in the reporting period	Statement of Profit or Loss and Other Comprehensive Income	296
	Notes to the Financial Statements:	
	Note 15 – Net gains/(losses) from trading	334

Disclosure requirements	Description	Page No/s.
(vi) Interest rate risk in the banking book (a) Qualitative Disclosures Nature of interest rate risk in the banking book (IRRBB) and key assumptions.	*Notes to the Financial Statements:* Note 66.3.2 – Exposure to Interest Rate Risk – Sensitivity analysis Refer the Section on "Risk Governance and Management"	 453 to 455 254 to 284
(b) Quantitative disclosures – The increase/(decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to the management's method for measuring IRRBB, broken down by currency (as relevant)	*Notes to the Financial Statements:* Note 66.3.2 – Exposure to Interest Rate Risk – Sensitivity analysis Refer the Section on "Risk Governance and Management"	 453 to 455 254 to 284
2.2.3 Information on concentrations of risk.	*Notes to the Financial Statements:* Note 66.1.5 – Concentration of credit risk	 442 to 444
3. Other disclosures **3.1 Capital** **3.1.1 Capital structure** **(i) 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.	*Notes to the Financial Statements:* Note 66.5 – Capital Management and Pillar III disclosures as per Basel III	 456 and 457
(ii) Quantitative disclosure (a) The amount of Tier 1 capital, with separate disclosure of: Stated capital/common stock Reserves Non-controlling interests in the equity of subsidiaries 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	*Notes to the Financial Statements:* Note 66.5 – Capital Management and Pillar III disclosures as per Basel III Refer the Section on "Risk Governance and Management"	 456 and 457 254 to 284
3.1.2 Capital adequacy **(i) Qualitative disclosures** A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities.	*Notes to the Financial Statements:* Note 66.5 – Capital Management and Pillar III disclosures as per Basel III Refer the Section on "Risk Governance and Management"	 456 and 457 254 to 284
(ii) Quantitative disclosures (a) Capital requirements for credit risk, market risk, and operational risk (b) Total and Tier 1 capital ratio	*Notes to the Financial Statements:* Note 66.5 – Capital Management and Pillar III disclosures as per Basel III Refer the Section on "Risk Governance and Management"	 456 and 457 254 to 284

Annex 2: Basel III – Disclosures under Pillar III as per the Banking Act Direction No. 01 of 2016

Disclosure 1

Key regulatory ratios – Capital and liquidity

	GROUP		BANK	
As at December 31,	2024	2023	2024	2023
Regulatory capital (Rs. '000)				
Common equity	234,946,503	166,649,326	223,991,979	156,847,378
Tier 1 capital	234,946,503	166,649,326	223,991,979	156,847,378
Total capital	296,922,313	218,423,196	285,627,033	207,684,979
Regulatory capital ratios (%)				
Common Equity Tier 1 capital ratio (Minimum requirement – 8.50%)	13.968	11.513	14.227	11.442
Tier 1 capital ratio (Minimum requirement – 10.00%)	13.968	11.513	14.227	11.442
Total capital ratio (Minimum requirement – 14.00%)	17.653	15.090	18.142	15.151
Leverage ratio (Minimum requirement – 3%)	6.94	5.29	6.79	5.10
Regulatory liquidity				
Total Stock of High Quality Liquid Assets (Rs. '000)			898,246,022	760,373,663
Liquidity coverage ratio – Rupee (Minimum requirement : 100%) (%)			529.20	491.61
Liquidity coverage ratio – All currency (Minimum requirement : 100%) (%)			454.36	516.27
Net stable funding ratio (Minimum requirement : 100%) (%)			187.29	193.70

Disclosure 2

Basel III computation of capital ratios

	GROUP		BANK	
As at December 31,	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Common Equity Tier 1 (CET1) capital after adjustments	234,946,503	166,649,326	223,991,979	156,847,378
Total Common Equity Tier 1 (CET1) capital	251,756,623	204,935,930	243,568,568	198,223,532
Equity capital (stated capital)/assigned capital	88,017,094	62,948,003	88,017,094	62,948,003
Reserve fund	16,469,686	13,586,534	15,079,582	12,375,906
Published retained earnings/(accumulated retained losses)	4,912,773	3,576,101	2,768,834	2,250,494
Published accumulated other comprehensive Income (OCI)	1,133,795	11,661,476	(38,552)	9,819,529
General and other disclosed reserves	137,741,610	110,829,600	137,741,610	110,829,600
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	3,481,665	2,334,216	–	–

	GROUP		BANK	
As at December 31,	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Total adjustments to CET 1 capital	16,810,120	38,286,604	19,576,589	41,376,154
Goodwill (net)	445,147	445,147	–	–
Intangible assets (net)	4,312,756	3,844,254	4,221,131	3,736,504
Revaluation losses of property, plant and equipment	–	–	–	–
Significant investments in the capital of financial institutions where the bank owns more than 10% of the issued ordinary share capital of the entity	–	–	3,269,615	3,563,126
Deferred tax assets (net)	12,052,217	33,997,203	12,085,843	34,076,524
Additional Tier 1 (AT1) capital after adjustments	–	–	–	–
Total additional Tier 1 (AT 1) 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	–	–	–	–
Reciprocal cross holdings in AT 1 capital instruments	–	–	–	–
Investments in the capital of banking and financial institutions where the Bank does not own more than 10% of the issued ordinary share capital of the entity	–	–	–	–
Significant investments in the capital of banking and financial institutions where the bank own more than 10% of the issued ordinary share capital of the entity	–	–	–	–
Regulatory adjustments applied to AT1 due to insufficient Tier 2 capital to cover adjustments	–	–	–	–
Tier 2 capital after adjustments	61,975,810	51,773,870	61,635,054	50,837,601
Total Tier 2 capital	61,975,810	51,773,870	61,635,054	50,837,601
Qualifying Tier 2 capital instruments	44,536,817	30,893,843	44,536,817	30,893,843
Revaluation gains	5,172,941	4,245,025	5,172,941	4,245,025
Eligible impairment	12,266,052	16,635,002	11,925,296	15,698,733
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	234,946,503	166,649,326	223,991,979	156,847,378
Total Tier 1 capital	234,946,503	166,649,326	223,991,979	156,847,378
Total capital	296,922,313	218,423,196	285,627,033	207,684,979
Total Risk-Weighted Amount (RWA)	1,682,005,762	1,447,512,263	1,574,422,917	1,370,781,562
Risk-weighted amount for credit risk	1,492,194,560	1,330,800,123	1,387,338,967	1,255,898,647
Risk-weighted amount for market risk	104,976,721	35,042,071	104,883,229	35,024,836
Risk-weighted amount for operational risk	84,834,481	81,670,069	82,200,721	79,858,079
CET1 capital ratio (including capital conservation buffer, countercyclical capital buffer & surcharge on D-SIBs) (%)	13.968	11.513	14.227	11.442
Of which: Capital Conservation Buffer (%)	2.500	2.500	2.500	2.500
Of which: Countercyclical Buffer (%)	–	–	–	–
Of which: Capital Surcharge on D-SIBs (%)	1.500	1.500	1.500	1.500
Total Tier 1 capital ratio (%)	13.968	11.513	14.227	11.442
Total capital ratio (including capital conservation buffer, countercyclical capital buffer & surcharge on D-SIBs (%)	17.653	15.090	18.142	15.151
Of which: Capital Conservation Buffer (%)	2.500	2.500	2.500	2.500
Of which: Countercyclical Buffer (%)	–	–	–	–
Of which: Capital Surcharge on D-SIBs (%)	1.500	1.500	1.500	1.500

Disclosure 3
Leverage ratio

As at December 31,	GROUP 2024 Rs. '000	GROUP 2023 Rs. '000	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Tier 1 capital	234,946,503	166,649,326	223,991,979	156,847,378
Total exposures	3,386,553,765	3,152,965,394	3,298,097,216	3,073,624,948
On-balance sheet items (excluding derivatives and securities financing transactions, but including collateral)	2,823,157,761	2,576,134,591	2,734,178,713	2,497,761,245
Derivative exposures	315,230,352	334,113,106	315,230,352	334,113,106
Securities financing transaction exposures	112,178,004	151,689,691	113,574,397	151,689,691
Other off-balance sheet exposures	135,987,648	91,028,006	135,113,754	90,060,906
Basel III leverage ratio (Minimum requirement - 3%) (%)	6.94	5.29	6.79	5.10

Disclosure 4
Liquidity coverage ratio (LCR) – All Currency

As at December 31,	2024 Total unweighted value Rs. '000	2024 Total weighted value Rs. '000	2023 Total unweighted value Rs. '000	2023 Total weighted value Rs. '000
Total stock of High Quality Liquid Assets (HQLA)	910,208,767	898,246,022	770,542,166	760,373,663
Total adjusted level 1 assets	840,715,102	840,715,102	722,696,096	722,696,096
Level 1 assets	834,622,332	834,622,332	704,528,042	704,528,042
Total adjusted level 2A assets	73,801,348	62,731,146	65,253,025	55,465,071
Level 2A assets	73,801,348	62,731,146	65,253,025	55,465,071
Total adjusted level 2B assets	1,785,087	892,544	761,099	380,550
Level 2B assets	1,785,087	892,544	761,099	380,550
Total cash outflows	2,669,746,703	479,790,581	2,449,592,965	479,455,036
Deposits	1,642,443,925	164,244,392	1,469,116,533	146,911,654
Unsecured wholesale funding	619,016,220	279,379,191	643,914,363	289,926,471
Secured funding transaction	–	–	–	–
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	380,104,262	7,984,702	300,966,514	7,021,356
Additional requirements	28,182,296	28,182,296	35,595,555	35,595,555
Total cash inflows	397,144,685	282,093,675	496,833,149	332,174,095
Maturing secured lending transactions backed by collateral	156,875,959	154,057,111	152,142,219	150,857,303
Committed facilities	–	–	–	–
Other inflows by counterparty which are maturing within 30 calendar days	194,054,012	123,718,383	255,940,175	176,047,187
Operational deposits	37,578,353	–	78,211,545	–
Other cash inflows	8,636,361	4,318,181	10,539,210	5,269,605
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/ Total Net Cash Outflows over the Next 30 Calendar Days)*100 (Minimum requirement – 100%)		454.36		516.27

Disclosure 5
Net stable funding ratio (NSFR)

As at December 31,	BANK 2024 Rs. '000	BANK 2023 Rs. '000
Total available stable funding (ASF)	2,122,713,417	1,933,461,907
Total required stable funding (RSF)	1,133,370,760	998,198,064
Required stable funding – On balance sheet assets	1,125,454,695	992,172,206
Required stable funding – Off balance sheet items	7,916,065	6,025,858
NSFR (Minimum requirement – 100%) (%)	187.29	193.70

Disclosure 6

Main features of regulatory capital instruments

Description of the Capital Instrument	Stated Capital	Without Non-viability Conversion		
Issuer	Commercial Bank	Commercial Bank	Commercial Bank	Commercial Bank
Unique identifier (e.g., ISIN or Bloomberg Identifier for Private Placement)	N/A	N/A	N/A	N/A
Governing law(s) of the instrument	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka
Original date of issuance	N/A	March 9, 2016	October 28, 2016	July 23, 2018
Par value of instrument		Rs. 100/-	Rs. 100/-	Rs. 100/-
Perpetual or dated	Perpetual	Dated	Dated	Dated
Original maturity date, if applicable	N/A	Type B – March 8, 2026	Type B – October 27, 2026	Type B – July 22, 2028
Amount recognised in Regulatory Capital (in Rs. '000 as at the Reporting Date)	88,017,094	Type B – 437,272	Type B – 771,280	Type B – 1,204,620
Accounting classification (equity/liability)	Equity	Liability	Liability	Liability
Issuer call subject to prior supervisory approval				
Optional call date, contingent call dates and redemption amount (Rs. '000)	N/A	N/A	N/A	N/A
Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
Coupons/Dividends				
Fixed or floating dividend/coupon	N/A	Fixed	Fixed	Fixed
Coupon rate and any related index		Type B – 11.25% p.a.	Type B – 12.25% p.a.	Type B – 12.50% p.a.
Non-cumulative or cumulative	Non-Cumulative	Cumulative	Cumulative	Cumulative
Convertible or non-convertible				
If convertible, Conversion Trigger (s)	N/A	Not Convertible	Not Convertible	*
If convertible, fully or partially	N/A	N/A	N/A	Fully
If convertible, mandatory or optional	N/A	N/A	N/A	**
If convertible, conversion rate	N/A	N/A	N/A	***

(*) A "Trigger Event" is determined by and at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka (i.e. conversion of the said Debentures upon occurrence of the Trigger Event will be effected by the Bank solely upon being instructed by the Monetary Board of the Central Bank of Sri Lanka), and is defined in the Banking Act Directions No. 1 of 2016 of Web Based Return Code 20.2.3.1.1.1.(10) (iii) (a&b) as a point/event being the earlier of:

(a) "A decision that a write-down, without which the Bank would become non-viable, is necessary, as determined by the Monetary Board, OR

(b) The decision to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the Monetary Board."

(**) Optional. At the discretion of the monetary board of the Central Bank of Sri Lanka upon occurrence of trigger points as detailed above.

(***) The price based on the simple average of the daily Volume Weighted Average Price (VWAP) of an ordinary voting share of the Bank during the three (03) months period, immediately preceding the date of the Trigger Event.

Basel III Compliant – Tier 2 Capital Instruments (Listed, Rated, Unsecured, Subordinated, Redeemable Debentures) With a Non-viability Conversion			
Commercial Bank	Commercial Bank	Commercial Bank	Commercial Bank
N/A	N/A	N/A	N/A
Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka
September 21, 2021	December 12, 2022	December 20, 2023	July 10, 2024
Rs. 100/-	Rs. 100/-	Rs. 100/-	Rs. 100/-
Dated	Dated	Dated	Dated
Type A – September 20, 2026 Type B – September 20, 2028	Type A – December 11, 2027 Type B – December 11, 2029 Type C – December 11, 2032	Type A – December 19, 2028 Type B – December 19, 2028 Type C – December 19, 2030 Type D – December 19, 2030 Type E – December 19, 2033 Type F – December 19, 2033	Type A – July 09, 2029 Type B – July 09, 2029 Type C – July 09, 2031 Type D – July 09, 2031 Type E – July 09, 2034 Type F – July 09, 2034
Type A – 1,483,115 Type B – 3,268,500	Type A – 4,034,808 Type B – 3,263,820 Type C – 11,500	Type A – 1,705,920 Type B – 6,046,472 Type C – 32,980 Type D – 817,760 Type E – 30,840 Type F – 1,427,930	Type A – 1,427,250 Type B – 12,455,160 Type C – 139,670 Type D – 368,890 Type E – 73,040 Type F – 5,535,990
Liability	Liability	Liability	Liability
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
Fixed	Fixed	Fixed	Fixed
Type A – 9.00% p.a. Type B – 9.50% p.a.	Type A – 28.00% p.a. Type B – 27.00% p.a. Type C – 22.00% p.a.	Type A – 14.50% p.a. Type B – 15.00% p.a. Type C – 13.75% p.a. Type D – 14.25% p.a. Type E – 13.50% p.a. Type F – 14.00% p.a.	Type A – 12.60% p.a. Type B – 13.00% p.a. Type C – 12.85% p.a. Type D – 13.25% p.a. Type E – 13.00% p.a. Type F – 13.50% p.a.
Cumulative	Cumulative	Cumulative	Cumulative
*	*	*	*
Fully	Fully	Fully	Fully
**	**	**	**
***	***	***	***

Disclosure 7

Summary discussion on adequacy/meeting current and future capital requirements

The Bank prepares the Corporate Plan and Budget for a period of 5 years which is rolled over every year and contains the forecast for key ratios mentioned under Basel III accord including the Capital Adequacy Ratios (CARs).

As part of the budgeting process the CARs are computed based on the movements in risk-weighted assets underlying the budgeted expansion of assets, including business volumes. The Bank has set up an internal threshold on minimum CARs and ensures that appropriate measures are taken to maintain the CARs above the said threshold in preparing the Budget. The Budget also captures the capital augmentation plan covering both internal and external capital sources. The Bank has a well established monitoring mechanism to periodically monitor the level of achievement against pre-determined targets to take timely corrective action in case of significant deviations. Based on this process the Bank proactively raised both Tier I and Tier II capital to ensure the Bank's capital ratios remained well above the internally set thresholds, assuming the projected growth in risk weighted assets over the next few years.

In monitoring the progress of the planned capital optimisation initiatives and to take periodical corrective action to improve the capital position of the Bank, the Bank has created the Basel Committee, a working group, which meets on a quarterly basis to deliberate the progress of initiatives and take decision on corrective action. The Committee is chaired by the Managing Director/CEO of the Bank.

Additionally, the Bank has a dynamic ICAAP process with rigorous stress testing embodied in addition to taking into consideration the qualitative aspects such as reputational and strategic risks. The ICAAP process also computes the concentration risk ensuring that the Bank has a well-diversified assets portfolio which is not overly exposed to any individual counterparty or sector. In addition ICAAP process also captures the residual risk to assess the amount of risk that remains after controls are accounted for. This process also proactively identifies the possible gaps in CARs in advance, allowing the Bank to take calculated decisions to optimise utilisation of capital.

Methods of improving the CARs are being evaluated on an ongoing basis and in extreme situations, the Bank will deliberate on strategically curtailing the expansion of risk weighted assets. However, prior to taking such decisions, the Bank will assess the impact on the internally developed thresholds of minimum CARs resulting from the short-term asset expansion plans. The Bank is committed to maintaining the internal CAR thresholds.

A comprehensive analysis of "Strengthening funding and liquidity management with ALCO oversight" given on page 88.

Disclosure 8

Credit risk under standardised approach

Credit risk exposures and credit risk mitigation (CRM) effects

	GROUP					
As at December 31, 2024	Exposures before credit conversion factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA density (%)	
	On-balance sheet amount (a) Rs. '000	Off-balance sheet amount (b) Rs. '000	On-balance sheet amount (c) Rs. '000	Off-balance sheet amount (d) Rs. '000	RWA (e) Rs. '000	RWA density {e/c+d} (%)
Claims on Central Government and Central Bank of Sri Lanka	926,191,781	24,905,000	926,191,781	805,750	14,760,270	1.59
Claims on foreign sovereigns and their central banks	161,605,795	–	161,605,795	–	134,122,152	82.99
Claims on Public Sector Entities (PSEs)	25,253,483	–	25,253,483	–	23,187,812	91.82
Claims on Official Entities and Multilateral Development Banks (MDBs)	–	–	–	–	–	–
Claims on banks exposures	153,652,159	172,187,702	153,652,159	10,804,041	61,407,501	37.34
Claims on financial institutions	31,299,311	–	31,299,311	–	16,534,427	52.83
Claims on corporates	762,201,242	491,977,040	704,996,198	94,608,100	771,318,668	96.46
Retail claims	484,819,558	46,503,662	418,850,830	20,043,261	321,089,437	73.16
Claims secured by residential property	89,624,758	–	89,624,758	–	49,643,395	55.39
Claims secured by commercial real estate	–	–	–	–	–	–
Non-performing assets (NPAs)	44,318,252	–	44,318,252	–	50,974,484	115.02
Higher-risk categories	–	–	–	–	–	–
Cash items and other assets	106,120,207	–	106,120,207	–	49,156,414	46.32
Total	2,785,086,546	735,573,404	2,661,912,774	126,261,152	1,492,194,560	53.52

Credit risk exposures and credit risk mitigation (CRM) effects (Contd.)

BANK						
As at December 31, 2024	Exposures before credit conversion factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA density (%)	
	On-balance sheet amount (a) Rs. '000	Off-balance sheet amount (b) Rs. '000	On-balance s heet amount (c) Rs. '000	Off-Balance Sheet Amount (d) Rs. '000	RWA (e) Rs. '000	RWA density {e/(c+d)} (%)
Claims on Central Government and Central Bank of Sri Lanka	924,392,529	24,905,000	924,392,529	805,750	14,760,270	1.60
Claims on foreign sovereigns and their central banks	117,444,066	–	117,444,066	–	67,879,558	57.80
Claims on public sector entities (PSEs)	25,253,483	–	25,253,483	–	23,187,812	91.82
Claims on Official Entities and Multilateral Development Banks (MDBs)	–	–	–	–	–	–
Claims on banks exposures	150,452,826	172,187,702	150,452,826	10,804,041	58,214,396	36.10
Claims on financial institutions	32,648,967	–	32,648,967	–	17,209,255	52.71
Claims on corporates	726,981,272	491,084,811	670,984,001	93,734,206	736,432,577	96.30
Retail claims	483,718,288	46,503,662	417,749,560	20,043,261	320,870,802	73.29
Claims secured by residential property	89,624,758	–	89,624,758	–	49,643,395	55.39
Claims secured by commercial real estate	–	–	–	–	–	–
Non-performing assets (NPAs)	41,876,226	–	41,876,226	–	47,536,828	113.52
Higher-risk categories	2,272,616	–	2,272,616	–	5,681,540	250.00
Cash items and other assets	101,513,854	–	101,513,854	–	45,922,534	45.24
Total	2,696,178,885	734,681,175	2,574,212,886	125,387,258	1,387,338,967	51.39

Disclosure 9

Credit risk under standardised approach

Exposures by asset classes and risk weights (Post CCF and CRM)

GROUP										
As at December 31, 2024	0% Rs. '000	20% Rs. '000	35% Rs. '000	50% Rs. '000	60% Rs. '000	75% Rs. '000	100% Rs. '000	150% Rs. '000	>150% Rs. '000	Total credit exposures amount Rs. '000
Claims on Central Government and Central Bank of Sri Lanka	853,196,183	73,801,348	–	–	–	–	–	–	–	926,997,531
Claims on Foreign Sovereigns and their central banks	49,564,508	–	–	–	–	–	67,879,558	44,161,729	–	161,605,795
Claims on Public Sector Entities (PSEs)	–	–	–	4,131,342	–	–	21,122,141	–	–	25,253,483
Claims on Official Entities and Multilateral Development Banks (MDBs)	–	–	–	–	–	–	–	–	–	–
Claims on banks exposures	–	98,708,045	–	48,220,686	–	–	17,471,310	56,159	–	164,456,200
Claims on financial institutions	–	–	–	29,529,769	–	–	1,769,542	–	–	31,299,311
Claims on corporates	–	18,204,605	–	27,445,668	–	–	753,952,249	1,776	–	799,604,298
Retail claims	28,380,693	15,896,935	–	–	91,866,037	159,839,992	142,910,434	–	–	438,894,091
Claims secured by residential property	–	–	61,509,790	–	–	–	28,114,968	–	–	89,624,758
Claims secured by commercial real estate	–	–	–	–	–	–	–	–	–	–
Non-performing assets (NPAs)	–	–	–	54,200	–	–	30,897,389	13,366,663	–	44,318,252
Higher-risk categories	–	–	–	–	–	–	–	–	–	–
Cash items and other assets	50,183,587	8,475,257	–	–	–	–	47,461,363	–	–	106,120,207
Total	981,324,971	215,086,190	61,509,790	109,381,665	91,866,037	159,839,992	1,111,578,954	57,586,327	–	2,788,173,926

Exposures by asset classes and risk weights (post CCF and CRM) (Contd.)

	BANK									
As at December 31, 2024	0% Rs. '000	20% Rs. '000	35% Rs. '000	50% Rs. '000	60% Rs. '000	75% Rs. '000	100% Rs. '000	150% Rs. '000	>150% Rs. '000	Total credit exposures amount Rs. '000
Claims on Central Government and Central Bank of Sri Lanka	851,396,931	73,801,348	–	–	–	–	–	–	–	925,198,279
Claims on foreign sovereigns and their central banks	49,564,508	–	–	–	–	–	67,879,558	–	–	117,444,066
Claims on Public Sector Entities (PSEs)	–	–	–	4,131,342	–	–	21,122,141	–	–	25,253,483
Claims on Official Entities and Multilateral Development Banks (MDBs)	–	–	–	–	–	–	–	–	–	–
Claims on banks exposures	–	98,700,260	–	48,220,686	–	–	14,279,762	56,159	–	161,256,867
Claims on financial institutions	–	–	–	30,879,425	–	–	1,769,542	–	–	32,648,967
Claims on corporates	–	18,204,605	–	27,445,668	–	–	719,066,158	1,776	–	764,718,207
Retail claims	28,372,596	14,803,762	–	–	91,866,037	159,839,992	142,910,434	–	–	437,792,821
Claims secured by residential property	–	–	61,509,790	–	–	–	28,114,968	–	–	89,624,758
Claims secured by commercial real estate	–	–	–	–	–	–	–	–	–	–
Non-performing assets (NPAs)	–	–	–	54,200	–	–	30,446,622	11,375,404	–	41,876,226
Higher-risk categories	–	–	–	–	–	–	–	–	2,272,616	2,272,616
Cash items and other assets	48,811,114	8,475,257	–	–	–	–	44,227,483	–	–	101,513,854
Total	978,145,149	213,985,232	61,509,790	110,731,321	91,866,037	159,839,992	1,069,816,668	11,433,339	2,272,616	2,699,600,144

Disclosure 10

Market risk under standardised measurement method

	GROUP		BANK	
As at December 31,	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
(a) Capital charge for interest rate risk	12,689,418	3,466,433	12,689,418	3,466,433
General interest rate risk	696,843	291,455	696,843	291,455
(i) Net long or short position	696,843	291,455	696,843	291,455
(ii) Horizontal disallowance	–	–	–	–
(iii) Vertical disallowance	–	–	–	–
(iv) Options	–	–	–	–
Specific interest rate risk	11,992,575	3,174,978	11,992,575	3,174,978
(b) Capital charge for equity	1,060,990	698,085	1,060,990	698,085
(i) General equity risk	551,065	357,724	551,065	357,724
(ii) Specific equity risk	509,925	340,361	509,925	340,361
(c) Capital charge for foreign exchange and gold	946,333	741,372	933,244	738,959
(d) Capital charge for market risk [(a) + (b) + (c)]	14,696,741	4,905,890	14,683,652	4,903,477
Total risk-weighted amount for Market Risk [(d)*100/Minimum total CAR]	104,976,721	35,042,071	104,883,229	35,024,836

Disclosure 11

Operational risk under the Alternative Standardised Approach (ASA) – Group

As at December 31,			2024			2023		
			Gross income			Gross income		
	Capital charge factor	Fixed factor	1st year Rs. '000	2nd year Rs. '000	3rd year Rs. '000	1st year Rs. '000	2nd year Rs. '000	3rd year Rs. '000
Corporate finance	18%		173,645	450,187	200,112	285,894	385,666	910,506
Trading and sales	18%		(16,756,412)	(13,578,729)	12,851,992	18,704,206	(8,868,815)	(9,297,481)
Payment and settlement	18%		1,110,697	1,396,515	1,474,716	1,575,958	1,140,451	1,521,134
Agency services	15%		–	–	–	–	–	–
Asset management	12%		–	–	–	–	–	–
Retail brokerage	12%		–	–	–	–	–	–
Sub total (a)			(15,472,070)	(11,732,027)	14,526,820	20,566,058	(7,342,698)	(6,865,841)
Retail banking (loans and advances)	12%	0.035	588,196,576	574,202,213	707,222,764	550,644,113	604,715,367	593,447,143
Commercial banking (loans and advances)	15%	0.035	1,509,866,445	1,623,035,579	1,660,096,497	1,220,373,745	1,531,114,412	1,677,950,039
Sub total (b)			2,098,063,021	2,197,237,792	2,367,319,261	1,771,017,858	2,135,829,779	2,271,397,182
Total (a) + (b)			2,082,590,951	2,185,505,765	2,381,846,081	1,791,583,916	2,128,487,081	2,264,531,341
Capital charge for operational risk			10,397,225	10,932,586	14,300,671	12,421,557	10,578,156	11,301,716
Average capital charge (c)					11,876,827			11,433,810
RWA for operational risk [(c)*100/Minimum total CAR]					84,834,481			81,670,069

Operational risk under the Alternative Standardised Approach (ASA) – Bank

As at December 31,			2024			2023		
			Gross income			Gross income		
	Capital charge factor	Fixed factor	1st year Rs. '000	2nd year Rs. '000	3rd year Rs. '000	1st year Rs. '000	2nd year Rs. '000	3rd year Rs. '000
Corporate finance	18%		173,645	450,187	200,112	285,894	385,666	910,506
Trading and sales	18%		(17,249,910)	(13,897,891)	12,020,846	18,457,281	(9,362,315)	(9,616,643)
Payment and settlement	18%		1,110,697	1,396,515	1,474,716	1,575,958	1,140,451	1,521,134
Agency services	15%		–	–	–	–	–	–
Asset management	12%		–	–	–	–	–	–
Retail brokerage	12%		–	–	–	–	–	–
Sub total (a)			(15,965,568)	(12,051,189)	13,695,674	20,319,133	(7,836,198)	(7,185,003)
Retail banking (loans and advances)	12%	0.035	579,990,934	563,499,521	692,883,629	542,594,578	596,509,725	583,448,471
Commercial banking (loans and advances)	15%	0.035	1,459,568,655	1,568,322,273	1,609,501,772	1,199,495,133	1,480,967,025	1,633,485,970
Sub total (b)			2,039,559,589	2,131,821,794	2,302,385,401	1,742,089,711	2,077,476,750	2,216,934,441
Total (a) + (b)			2,023,594,021	2,119,770,605	2,316,081,075	1,762,408,844	2,069,640,552	2,209,749,438
Capital charge for operational risk			10,098,697	10,600,390	13,825,216	12,233,690	10,280,418	11,026,285
Average capital charge (c)					11,508,101			11,180,131
RWA for operational risk [(c)*100/Minimum total CAR]					82,200,721			79,858,079

Disclosure 12

Differences between accounting and regulatory scopes and mapping of financial statement categories with regulatory risk categories – Bank

As at December 31, 2024	a	b	c	d	e
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory reporting	Subject to credit risk framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets	2,789,780,288	2,789,780,288	2,696,178,885	91,677,346	19,576,590
Cash and cash equivalents	86,848,291	86,848,291	86,848,291	–	–
Balances with Central Banks	45,702,086	45,702,086	45,702,086	–	–
Placements with banks	99,300,303	99,300,303	99,300,303	–	–
Securities purchased under re-sale agreements	28,655,962	28,655,962	28,655,962	–	–
Derivative financial assets	4,264,271	4,264,271	4,264,271	–	–
Financial assets recognised through profit or loss – Measured at fair value	91,677,346	91,677,346	–	91,677,346	–
Financial assets at amortised cost – Loans and advances to other customers	1,384,524,660	1,384,524,660	1,402,177,186	–	–
Financial assets at amortised cost – Debt and other financial instruments	667,709,691	667,709,691	667,709,691	–	–
Financial assets measured at fair value through other comprehensive income	301,584,142	301,584,142	301,584,142	–	–
Investments in subsidiaries	5,808,429	5,808,429	2,538,814	–	3,269,615
Investment in associate	44,331	44,331	44,331	–	–
Property, plant and equipment and right-of-use assets	27,600,648	27,600,648	27,600,648	–	–
Intangible assets	4,221,131	4,221,131	–	–	4,221,131
Deferred tax assets	12,085,844	12,085,844	–	–	12,085,844
Other assets	29,753,153	29,753,153	29,753,153	–	–
Liabilities	2,514,518,542	2,514,518,542	–	–	–
Due to banks	21,306,752	21,306,752	–	–	–
Derivative financial liabilities	837,497	837,497	–	–	–
Securities sold under repurchase agreements	112,470,392	112,470,392	–	–	–
Financial liabilities at amortised cost – Due to depositors	2,236,566,800	2,236,566,800	–	–	–
Financial liabilities at amortised cost – Other borrowings	14,273,156	14,273,156	–	–	–
Current tax liabilities	13,145,697	13,145,697	–	–	–
Deferred tax liabilities	–	–	–	–	–
Other liabilities	58,064,777	58,064,777	–	–	–
Due to subsidiaries	145,794	145,794	–	–	–
Subordinated liabilities	57,707,677	57,707,677	–	–	–
Off-balance sheet liabilities	743,964,900	743,964,900	734,681,175	–	–
Guarantees	89,948,697	89,948,697	83,919,152	–	–
Performance bonds	50,275,438	50,275,438	50,275,438	–	–
Letter of credit	81,328,161	81,328,161	81,328,161	–	–
Other contingent items	324,806,556	324,806,556	323,026,987	–	–
Undrawn loan commitments	196,131,437	196,131,437	196,131,437	–	–
Other commitments	1,474,611	1,474,611	–	–	–

Differences between accounting and regulatory scopes and mapping of financial statement categories with regulatory risk categories – Bank (Contd.)

As at December 31, 2024	a	b	c	d	e
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory reporting	Subject to credit risk framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Shareholders' equity	275,261,746	275,261,746	–	–	–
Equity capital (stated capital)/assigned capital: Of which amount eligible for CET1	88,017,094	88,017,094	–	–	–
Of which amount eligible for AT1	–	–	–	–	–
Retained earnings	15,330,940	15,330,940	–	–	–
Accumulated other comprehensive income	2,996,347	2,996,347	–	–	–
Other reserves	168,917,365	168,917,365	–	–	–

There were no differences between accounting and regulatory scopes.

Disclosure 13

Bank Risk Management Approach

Effective risk management is at the core of the Bank's value creation model as it accepts risks in the normal course of business. Significant resources are devoted to this critical function to ensure that it is well articulated, communicated and understood by all employees of the Bank as it is a shared responsibility. It is a dynamic and disciplined function increasing in sophistication and subject to stringent oversight by regulators and other stakeholders. The overarching objectives are to ensure that risks accepted are in line with the Bank's risk appetite and strategic priorities and that there is an appropriate trade-off between risk and reward enabling delivery of value to key stakeholders." The risk governance structure, responsibilities throughout the Bank, risk management framework, objectives, strategies, policy framework, risk appetite and tolerance limits for key risk types, and the overall risk management approach of the Bank are discussed in the section on "Risk Governance and Management" on pages 254 to 284.

Disclosure 14

Risk management related to key risk exposures

The quantitative disclosures relating to key risk areas such as credit, market, liquidity, operational, Environmental, Social, and Governance are presented and discussed in the Section on "Risk Governance and Management" on pages 254 to 284 and in Note 66 of the Financial Statements on Financial Risk Review on pages 426 to 457.

D-SIB Assessment Exercise (As per the CBSL Direction No. 10 of 2019)

	GROUP	
	2024 Rs. '000	2023 Rs. '000
Size indicator		
Section 1 – Total exposures		
Total exposures measure	3,386,553,765	3,152,965,394
Interconnectedness indicators		
Section 2 – intra-financial system assets		
a. Funds deposited with or lent to other financial institutions (including unused portion of committed lines extended) (i + ii)	186,868,683	205,576,695
(i) Funds deposited	153,652,159	187,063,339
(ii) Lending	33,216,524	18,513,356
b. Holdings of securities issued by other financial institutions	1,389,076	1,832,374
c. Net positive current exposure of securities financing transactions (SFTs) with other financial institutions	2,276,806	1,401,357
d. Over-the-counter (OTC) derivatives with other financial institutions that have a net positive mark to market value	4,908,173	6,562,195
Intra-financial system assets (a + b + c + d)	195,442,738	215,372,621
Section 3 – Intra-financial system liabilities		
a. Funds deposited by or borrowed from other financial institutions (including unused portion of committed lines obtained)	72,404,515	88,227,496
(i) Funds deposited	40,504,902	36,812,391
(ii) Borrowings	31,899,613	51,415,105
b. Net negative current exposure of securities financing transactions with other financial institutions	–	(11,863)
c. Over-the-counter derivatives with other financial institutions that have a net negative mark to market value	908,662	2,218,087
Intra-financial system liabilities (a + b + c)	73,313,177	90,433,720
Section 4 – Securities outstanding		
Securities outstanding	55,878,920	35,878,920
Substitutability/Financial institution infrastructure indicators		
Section 5 – Payments made in the reporting year (excluding intragroup payments)		
Payments activity	15,616,748,069	14,815,154,461

	GROUP	
	2024 Rs. '000	2023 Rs. '000
Section 6 – Assets under custody		
Assets under custody	11,093,388	7,437,330
Section 7 – Underwritten transactions in debt and equity markets		
Underwriting activity	-	–
Section 8 – Trading volume		
a. Number of shares or securities ('000)	17,222	2,637
b. Value of transactions	852,985	277,043
Complexity indicators		
Section 9 – Notional Amount of Over-the-Counter (OTC) Derivatives	218,933,574	224,617,055
OTC derivatives		
Section 10 – Level 2 assets	75,586,435	66,014,124
Level 2 assets		
Section 11 – Financial assets measured at FVOCI & FVTPL		
a. debt instruments	389,623,299	314,431,101
b. equity securities	5,272,442	2,751,524
c. derivatives	4,264,271	7,226,484
Financial assets measured at FVOCI & FVTPL (a+b+c)	399,160,012	324,409,109
Section 12 – Cross-jurisdictional liabilities		
Cross-jurisdictional liabilities (excluding derivatives and intragroup liabilities)	169,211,581	191,078,219
Section 13 – Cross-jurisdictional claims		
Cross-jurisdictional claims (excluding derivatives and intragroup claims)	229,242,134	172,645,435

Annex 3: GRI content index

Statement of use: Commercial Bank of Ceylon PLC has reported in accordance with the GRI Standards for the period January 1, 2024 to December 31, 2024.

GRI 1 used: GRI 1: Foundation 2021

GRI Standard/ Other source	Disclosure	Location		Omission		
		Page No.	Report commentary title	Requirement(s) omitted	Reason	Explanation
General disclosures						
GRI 2: General Disclosures 2021	2-1 Organisational details	Inner Back Cover	Corporate Information			
		13	About Commercial Bank of Ceylon PLC			
	2-2 Entities included in the organisation's sustainability reporting	9	Introducing our 56th Annual Report – "Defining report boundary"			
	2-3 Reporting period, frequency and contact point	6	Introducing our 56th Annual Report – "Our reporting journey"			
		12	Introducing our 56th Annual Report – "Your opinion matters"			
	2-4 Restatements of information	9	Introducing our 56th Annual Report – 'Defining report boundary'			
	2-5 External assurance	4 – 5	Annual Report of the Board of Directors – "Integrated reporting and strategic focus", "Board's Responsibility" , "External Assurances Obtained"			
		9	Introducing our 56th Annual Report – "Crafted with clarity"			
		512 – 515	Annex 6 – Independent Assurance Reports			
	2-6 Activities, value chain and other business relationships	13	About Commercial Bank of Ceylon PLC			
		72	Business Model for Sustainable Value Creation			
		136	Sustainable Supply Chain			
	2-7 Employees	131	Table 17: Employees by Type and Gender (As at December 31, 2024)			
	2-8 Workers who are not employees	131	Table 17: Employees by Type and Gender (As at December 31, 2024)			
	2-9 Governance structure and composition (a) Governance structure (b) List of Board Committees (c) Composition of the Board	192 – 199	Annual Corporate Governance report			
	2-10 Nomination and selection of the highest governance body	206	Appointments and retirements/ resignations of Directors (Principle A.7)			
		206	Re-election/election of Directors (Principles A.8 and A.9.3)			
		221 – 223	Report of the Board Nominations and Governance Committee			
	2-11 Chair of the highest governance body	205	Segregation of roles of Chairman and Chief Executive Officer (Principles A.2 and A.3)			
	2-12 Role of the highest governance body in overseeing the management of impacts	192 – 193	Annual Corporate Governance Report			
		203 – 204	Roles, responsibilities, and powers of the Board (Principles A.1.2 to A.1.7) & Board's role in risk management (Principle D.2 and D.4)			
		205	Segregation of roles of Chairman and Chief Executive Officer (Principles A.2 and A.3)			
		208	Shareholder engagement and voting (Principles C.1, C.2, E, and F)			

GRI Standard/ Other source	Disclosure	Location		Omission		
		Page No.	Report commentary title	Requirement(s) omitted	Reason	Explanation
	2-13 Delegation of responsibility for managing impacts	516 – 517	The Bank's Organisation Structure			
		193	How we govern (Principles D.6 and D.7)			
		197	Figure 44 Governance structure			
		200 – 203	Executive Management Committee and Management Committees			
	2-14 Role of the highest governance body in sustainability reporting	73	ESG and organisational oversight			
		66	Integrating material matters into strategy and governance			
		72	Bank's Sustainability Framework			
		202	Executive Sustainability Committee (ESC)			
		203 – 204	Roles, responsibilities, and powers of the Board (Principles A.1.2 to A.1.7) and Board's role in risk management (Principles D.2 and D.4)			
	2-15 Conflicts of interest	198	Conflicts of interest (Principles A.5.5 and A.10.1)			
		226 – 227	Report of the Board Related Party Transactions Review Committee			
		252 – 253	Directors' Interest in Contracts with the Bank			
		420 – 424	Note 62 – Related party disclosures			
	2-16 Communication of critical concerns	196	Board process (Principles A.1.3, A.1.4, A.1.6, A.1.7, A.3.1 and A.6)			
		198	Board meetings (Principle A.1.1 and A.10.1)			
		211	Whistleblowing (Principle D.6.4)			
	2-17 Collective knowledge of the highest governance body	196	Diversity and inclusion (Principle A.10.1)			
		199	Board of Directors' industry/ background experience			
		206	Induction and training of Directors (Principle A.1.8)			
	2-18 Evaluation of the performance of the highest governance body	208	Board and Board Committee evaluations (Principle A.9)			
	2-19 Remuneration policies	207	Directors' and Executive remuneration (Principles A.10, B.1 and B.3)			
		224 – 225	Report of the Board Human Resources and Remuneration Committee			
	2-20 Process to determine remuneration	207	Remuneration Committee (Principle B.2)			
		224 – 225	Report of the Board Human Resources and Remuneration Committee			
	2-21 Annual total compensation ratio			2-21	Confidentiality constraints	Industry does not disclose this information due to confidentiality reasons.
	2-22 Statement on sustainable development strategy	33	Message from Chairman "Sustainability: a core principle in value creation"			
	2-23 Policy commitments	4 – 5	Annual Report of the Board of Directors			
		6	Introducing our 56th Annual Report – "Our reporting journey"			
		120 – 136	Responsible Organisation			
		137 – 151	Community Engagement			
		261	Policies, procedures, and limits			
		262	Risk management tools			

GRI Standard/ Other source	Disclosure	Location		Omission		
		Page No.	Report commentary title	Requirement(s) omitted	Reason	Explanation
	2-24 Embedding policy commitments	120 – 136	Responsible Organisation			
		137 – 151	Community Engagement			
		261	Policies, procedures, and limits			
		262	Risk management tools			
	2-25 Processes to remediate negative impacts	66	Integrating material matters into strategy and governance			
		211	Code of Ethics, Whistleblowing, Anti-bribery and Anti-corruption and Group Conduct Risk Management Policy Framework			
		254	Risk Governance and Management – Key objectives of risk oversight			
	2-26 Mechanisms for seeking advice and raising concerns	211	Whistleblowing (Principle D.6.4)			
		460	Annex 1.1: 3 (1) (i) (d) Compliance with Banking Act Direction – Communication with all stakeholders			
	2-27 Compliance with laws and regulations	4	Annual Report of the Board of Directors			
	2-28 Membership associations	72	Bank's Sustainability Framework			
	2-29 Approach to stakeholder engagement	62 – 65	Engaging with Our Stakeholders			
	2-30 Collective bargaining agreements	135	Job security and collective bargaining			
Material topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	66 – 71	Material Matters			
	3-2 List of material topics	68 – 71	Material Matters – holistic view			
	3-3 Management of material topics	68 – 71	Material Matters – holistic view			
Economic performance						
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	509 – 510	Annex 4: Our Sustainability Footprint			
	201-2 Financial implications and other risks and opportunities due to climate change	123	Climate Position Statement of Commercial Bank of Ceylon PLC			
	201-3 Defined benefit plan obligations and other retirement plans	395	Note 48.3 to the Financial Statements – Provision for unfunded pension scheme			
		396 – 401	Note 48.5 to the Financial Statements – Employee retirement benefit			
	201-4 Financial assistance received from Government	The Bank did not receive financial assistance from the Government during the year under review				
Indirect economic impacts						
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	137 – 151	Community Engagement			
	203-2 Significant indirect economic impacts	105	Financial Inclusion:Impact and vision for SMEs			
Anti-corruption						
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	129	Anti-bribery and Anti-corruption			
		281	Bribery and corruption – related risks			
	205-2 Communication and training about anti-corruption policies and procedures	129	Anti-bribery and Anti-corruption			
		211	Anti-bribery and Anti-corruption (Principle D.6.1)			
	205-3 Confirmed incidents of corruption and actions taken	The Bank did not come across incidents of corruption during the year 2024				

GRI Standard/ Other source	Disclosure	Location		Omission		
		Page No.	Report commentary title	Requirement(s) omitted	Reason	Explanation
Anti-competitive behaviour						
GRI 206: Anti-competitive Behaviour 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	415	There were no legal proceedings relating to anti-competitive behaviour, anti-trust, and monopoly practices during the year 2024. Note 59 to the Financial Statements-Litigations against the Bank			
Tax						
GRI 207: Tax 2019	207-1 Approach to tax	329	9. Material Accounting Policies – Taxes and Levies			
	207-2 Tax governance, control, and risk management	329	9. Material Accounting Policies – Taxes and Levies			
	207-3 Stakeholder engagement and management of concerns related to tax	64 – 65	Figure 13 – Mode and Frequency of Stakeholder Engagement			
	207-4 Country-by-country reporting	329	9. Material Accounting Policies – Taxes and Levies			
Energy						
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	509 – 510	Annex 4: Our Sustainability Footprint			
	302-2 Energy consumption outside of the organisation			302-2	Not applicable	Due to the nature of the operations of the Bank
	302-3 Energy intensity			302-3	Not applicable	Due to the nature of the operations of the Bank
	302-4 Reduction of energy consumption	509 – 510	Annex 4: Our Sustainability Footprint			
	302-5 Reductions in energy requirements of products and services			302-5	Not applicable	Due to the nature of the operations of the Bank
Emissions						
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	509 – 510	Annex 4: Our Sustainability Footprint			
	305-2 Energy indirect (Scope 2) GHG emissions	509 – 510	Annex 4: Our Sustainability Footprint			
	305-3 Other indirect (Scope 3) GHG emissions			305-3	Not applicable	Due to the nature of the operations of the Bank
	305-4 GHG emissions intensity			305-4	Not applicable	Due to the nature of the operations of the Bank
	305-5 Reduction of GHG emissions			305-5	Not applicable	Due to the nature of the operations of the Bank
	305-6 Emissions of ozone-depleting substances (ODS)			305-6	Not applicable	Due to the nature of the operations of the Bank
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions			305-7	Not applicable	Due to the nature of the operations of the Bank
Employment						
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	509 – 510	Annex 4: Our Sustainability Footprint			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	325 – 327	Note 7.8 Employee benefits			
	401-3 Parental leave	509 – 510	Annex 4: Our Sustainability Footprint			

GRI Standard/ Other source	Disclosure	Location		Omission		
		Page No.	Report commentary title	Requirement(s) omitted	Reason	Explanation
Occupational health and safety						
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	134	Workplace morale & well-being			
	403-2 Hazard identification, risk assessment, and incident investigation	126	Safety preparedness			
	403-3 Occupational health services			403-3	Not applicable	
	403-4 Worker participation, consultation, and communication on occupational health and safety			403-4	Not applicable	
	403-5 Worker training on occupational health and safety			403-5	Not applicable	
	403-6 Promotion of worker health	126	Safety preparedness			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships			403-7	Not applicable	
	403-8 Workers covered by an occupational health and safety management system			403-8	Not applicable	
	403-9 Work-related injuries	There has been no injuries during the year				
	403-10 Work-related ill health			403-10	Not applicable	
Training and education						
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	509 – 510	Annex 4: Our Sustainability Footprint			
	404-2 Programmes for upgrading employee skills and transition assistance programmes	126	Safety preparedness			
	404-3 Percentage of employees receiving regular performance and career development reviews	509 – 510	Annex 4: Our Sustainability Footprint			
Diversity and equal opportunity						
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	130	Diversity, Equity, and Inclusion			
		199	Figure – 45 Composition of Board and attendance (as at December 31, 2024)			
		509 – 510	Annex 4: Our Sustainability Footprint			
	405-2 Ratio of basic salary and remuneration of women to men	509 – 510	Annex 4: Our Sustainability Footprint			
Customer privacy						
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	The Bank did not come across any complaint that had resulted in a reputational damage or significant financial loss during the year under review.				

Non-GRI disclosures	Instability and lack of policy consistency	55 – 61	Operating environment and Outlook
	Economic slowdown	55 – 61	Operating environment and Outlook
	Directed lending	105	Financial Inclusion: Impact and vision for SMEs
	Higher regulatory capital	157	Financial Review – Capital
	Envisaged upturn in private sector credit and improvement in asset quality	55 – 61	Operating environment and Outlook
	Changing customer expectations	93	Crafting a customer-centric future

Annex 4: Our sustainability footprint

GRI disclosures – 5 year summary

Disclosure		Unit of Measure	2024	2023	2022	2021	2020
201–1	Direct economic value:						
	– Generated	Rs. Mn.	267,332*	335,770	275,444	160,886	149,711
	– Distributed to:		285,492	280,943	183,028	118,366	116,450
	– Depositors		155,038	209,515	136,583	65,832	72,759
	– Employees		26,931	21,972	19,113	16,321	14,564
	– Business partners		27,968	23,905	12,782	12,762	9,636
	– Government		61,646	16,575	8,844	14,361	11,808
	– Shareholders		13,688	8,542	5,579	8,957	7,586
	– Community		221	434	127	133	97
	Retained		(18,160)	54,827	92,416	42,520	33,261
302–1	Energy consumption within the organisation	Gigajoules	48,129	46,971	38,416	42,906	45,045
302–4	Reduction of energy consumption	Gigajoules	(1,158)	8,555	4,490	2,139	5,251
305–1	Direct (Scope 1) GHG emissions	CO_2 Tonnes.	Pending	868	1,880	1,203	1,079
305–2	Energy indirect (Scope 2) GHG emissions	CO_2 Tonnes.	Pending	5,586	6,496	7,144	8,413

Disclosure		2024 Nos.	2024 %	2023 Nos.	2023 %	2022 Nos.	2022 %	2021 Nos.	2021 %	2020 Nos.	2020 %
401–1	New employee hires	Nos.	%	Nos.	%	Nos.	%	Nos.	%	Nos.	%
	Female	379	7.29	314	6.04	107	2.09	82	1.62	41	0.81
	– 18–30 years	355	6.97	296	5.69	104	2.03	78	1.54	41	0.81
	– 31–50 years	21	0.41	15	0.29	3	0.06	4	0.08	–	–
	– Above 50 years	3	0.06	3	0.06	–	–	–	–	–	–
	Male	321	6.30	275	5.29	262	5.11	144	2.84	117	2.31
	– 18–30 years	283	5.56	247	4.75	228	4.45	125	2.46	106	2.09
	– 31–50 years	36	0.71	27	0.52	28	0.55	16	0.32	11	0.22
	– Above 50 years	2	0.04	1	0.02	6	0.12	3	0.06	–	–
	Total	700	13.75	589	11.32	369	7.20	226	4.46	158	3.12
	Attrition										
	Female	136	2.67	120	2.31	92	1.80	54	1.07	52	1.03
	– 18–30 years	63	1.24	50	0.96	39	0.76	21	0.41	12	0.24
	– 31–50 years	44	0.86	55	1.06	34	0.66	9	0.18	9	0.18
	– Above 50 years	29	0.57	15	0.29	19	0.37	24	0.48	31	0.61
	Male	304	5.97	394	7.58	220	4.29	115	2.27	111	2.19
	– 18–30 years	102	2.00	142	2.73	90	1.76	52	1.03	51	1.01
	– 31–50 years	165	3.24	222	4.27	98	1.91	37	0.73	32	0.63
	– Above 50 years	37	0.73	30	0.58	32	0.62	26	0.51	28	0.55
	Total	440	8.64	514	9.88	312	6.09	169	3.34	163	3.22

** The reduction in Direct Economic Value Generated for the year ended December 31, 2024 was due to derecognition loss on restructuring of SLISBs amounting to Rs.45.108 Bn.*

Disclosure		Unit of Measure	2024	2023	2022	2021	2020
401–3	Parental leave						
	– Entitled to leave	Nos.	1,653	1,322	1,133	1,196	1,185
	– Availed for leave	Nos.	28	36	49	50	69
	– Due to return	Nos.	32	39	54	59	73
	– Return to work	Nos.	32	38	54	59	73
	– Still employed	Nos.	33	45	56	70	61
	– Return ratio	%	100.00	97.44	100.00	100.00	100.00
	– Retained ratio	%	86.84	83.33	94.92	95.89	95.31
404–1	Average training hours	Hours					
	Female		7	9	26	2	2
	– Corporate Management		5	4	18	3	1
	– Executive Officers		5	8	15	5	2
	– Executive Assistants & Allied Grades		5	5	28	3	1
	– Banking and Graduate Trainees		12	20	50	10	8
	Male		7	9	29	3	7
	– Corporate Management		9	6	17	7	6
	– Executive Officers		5	8	19	5	6
	– Executive Assistants and Allied Grades		4	6	36	3	5
	– Banking and Graduate Trainees		10	15	50	8	28
404–3	Percentage of employees receiving performance and career development reviews	%					
	– Female		100.00	100.00	100.00	100.00	100.00
	– Male		100.00	100.00	100.00	100.00	100.00
405–1	Diversity and equal opportunity	%					
	Gender						
	– Female		30.27	27.11	23.76	23.68	23.43
	– Male		69.73	72.89	76.24	76.32	76.57
	Age group						
	– 18-30 years		39.57	35.90	32.65	33.12	34.86
	– 31-50 years		50.74	53.91	57.82	58.44	57.37
	– Above 50 years		9.69	10.19	9.53	8.44	7.77
405–2	Remuneration ratio women to men	Male: Female					
	– Corporate Management		1:0.81	1:0.77	1:0.75	1:0.70	1:0.75
	– Executive Officers		1:1.01	1:1.05	1:1.04	1:1.06	1:1.05
	– Executive Assistants & Allied Grades		1:0.99	1:1.04	1:1.08	1:1.08	1:1.10
	– Banking and Graduate Trainees		1:0.97	1:0.99	1:0.99	1:0.98	1:1.00
	– Office Assistants and Other		1:1.45	1:0.93	1:1.19	1:0.84	1:0.79
418–1	Substantiated complaints	The Bank did not come across any complaint that had resulted in a reputational damage or significant financial loss.					

Annex 5: Disclosures relating to Sustainability Accounting Standard for Commercial Banks

Standard used: Industry Standard | Version 2023-12

Topic	Accounting Metric	Code	Disclosure	Page No.
Data Security	Description of approach to identifying and addressing data security risks	FN-CB-230a.2	Internet of things and cyber security	211
			Data security and privacy	212
			Strengthening Data Governance	256
Financial Inclusion and Capacity Building	(1) Number and (2) amount of loans outstanding that qualify for programmes designed to promote small business and community development	FN-CB-240a.1	Graph – 17: Composition of loans granted by the Bank to SME Sector	104
	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	FN-CB-240a.4	Figure – 27: Financial Inclusion and Skill Development Programmes	109
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	Description of approach to incorporation of environmental, social and governance (ESG) factors in credit analysis	FN-CB-410a.2	Responsible Financing	87 – 101
			Environmental and social management System	275
			Group Social and Environmental Policy	72
			Social and Environmental Risk	275
Financed Emissions	Gross exposure for each industry by asset class	FN-CB-410b.2	The Bank signed a Memorandum of Understanding (MOU) with Partnership for Carbon Accounting Financials (PCAF) and is in the process of calculating financed emissions.	96
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, antitrust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	FN-CB-510a.1	Review of operational risk	273
			Graph – 56: Composition of losses – 2024	273
			Graph – 57: Losses by number of events	273
			Graph – 58: Losses by number of value	274
	Description of whistleblower policies and procedures	FN-CB-510a.2	Code of Business Conduct and Ethics (principle D.6)	210
			Whistleblower's charter	211

Annex 6: Independent Assurance Reports

Annex 6.1: Independent Practitioner's Assurance Report to the Board of Directors of Commercial Bank of Ceylon PLC on the Sustainability Indicators Presented in the Integrated Annual Report for the year ended December 31, 2024

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Independent Assurance Report to the Directors of Commercial Bank of Ceylon PLC

We have been engaged by the Directors of Commercial Bank of Ceylon PLC ("the Bank") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended December 31, 2024. The Sustainability Indicators are included in the Commercial Bank of Ceylon PLC Integrated Annual Report for the year ended December 31, 2024 (the "Report").

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Reasonable Assurance Sustainability Indicators	Integrated Annual Report Page
Financial Highlights	24

The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
Non-financial Highlights	25 – 26
Information provided on following	
Sustainable banking – creating enduring value for all stakeholders	84 to 119
Responsible organisation – fostering ethical governance and sustainable practices	120 to 136
Community engagement – empowering lives and creating shared value	137 to 151

Our conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Reasonable Assurance Sustainability Indicators

In our opinion, in all material respects, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended December 31, 2024, in all material respects, has been prepared and presented by the management of Commercial Bank of Ceylon PLC in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards.

Limited Assurance Sustainability Indicators

Based on the evidence we obtained from the assurance procedures performed, as described below we are not aware of any material misstatements that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended December 31, 2024, have not in all material respects, been prepared and presented by the management of Commercial Bank of Ceylon PLC in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards.

Management's Responsibility

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards.

These responsibilities include establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Bank complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

Our responsibility

Our responsibility is to express a reasonable assurance conclusion on the Bank's preparation and presentation of the Reasonable Assurance Sustainability Indicators and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators included in the Report, as defined above.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics for professional Accountants issued by CA Sri Lanka (Code of Ethics).

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

Our firm applies Sri Lanka Standard on Quality Control (SLSQC) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reasonable assurance over Reasonable Assurance Sustainability Indicators

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal controls relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Bank's internal controls over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the criteria, being the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards, used by the Bank in preparing and presenting the Reasonable Assurance Sustainability Indicators within the Report, obtaining an understanding of the compilation of the financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Bank, and re-computation of the calculations of the Reasonable Assurance Sustainability Indicators.

Limited assurance on the Sustainability Indicators

Our limited assurance engagement on the Limited Assurance Sustainability Indicators consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Indicators, and applying analytical and other procedures, as appropriate. These procedures included:

- interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- enquiries of management to gain an understanding of the Bank's processes for determining material issues for the Bank's key stakeholder groups;
- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;
- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Bank;
- reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.

Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Bank for the purpose of assisting the Directors in determining whether the Bank's Reasonable and Limited Assurance Sustainability Indicators are prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards and for no other purpose or in any other context.

Restriction of use of our report

This report has been prepared for the Directors of Commercial Bank of Ceylon PLC for the purpose of providing an assurance conclusion on the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators included in the Commercial Bank of Ceylon PLC Integrated Annual Report for the year ended December 31, 2024 and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of Commercial Bank of Ceylon PLC, or for any other purpose than that for which it was prepared.

kpmg

Chartered Accountants

March 04, 2025

Colombo

Annex 6.2: Independent Practitioner’s Assurance Report to the Board of Directors of Commercial Bank of Ceylon PLC on the Integrated Annual Report for the year ended December 31, 2024

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Independent Limited Assurance Report to the Directors Of Commercial Bank of Ceylon PLC

We have been engaged by the Directors of Commercial Bank of Ceylon (“the Bank”) to provide limited assurance in respect of the Integrated Report for the year ended Commercial Bank of Ceylon (the "Integrated Report"). The criteria used as a basis of reporting is the content elements of the IFRS Foundation's International <IR> Framework as disclosed in this Integrated Report.

Basis for Conclusion

We conducted our work in accordance with the Sri Lankan Standard on Assurance Engagements SLSAE 3000 (Standard). In accordance with the Standard, we have:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that we are not aware of any material misstatements in the Bank’s Integrated Report, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness; and
- Ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

Our Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

We have not been engaged to provide an assurance conclusion on the fitness for purpose or the operating effectiveness of the Bank’s strategy or how the Bank creates value, including the governance, strategic management and other key business processes. The procedures we have performed in relation to the Bank’s strategy and how the Bank creates value are outlined below.

Limited Assurance Integrated Report

Based on the evidence we obtained from the assurance procedures performed, as described below, we are not aware of any material misstatements causes us to believe that the Integrated Report, as defined above, for the year ended December 31, 2024, has not in all material respects, been prepared in accordance with the Content Elements of the IFRS Foundation's International <IR> Framework.

Board of Directors and Management's responsibility

The Board of Directors and Management are responsible for:

- Determining that the criteria is appropriate to meet the needs of intended users, being the Bank’s members and any other intended users.
- Preparing and presenting of the Report in accordance with the criteria set out in the IFRS Foundation's International <IR> Framework. This includes disclosing the criteria, including any significant inherent limitations.
- Ensuring the Bank’s strategy is well presented in the Bank’s Integrated Report and reflects how the Bank creates value as they operate in practice
- Identifying stakeholders and stakeholder requirements;
- Identifying material issues and reflecting those in the Bank’s Integrated Report; and
- Preparation and fair presentation of the Integrated reporting information; Design and implementation of internal controls that the Bank determines necessary to enable the preparation and presentation of the Integrated Report that is free from material misstatement, whether due to fraud or error.
- Informing us of any known and/or contentious issues relating to the Integrated Report.
- Preventing and detecting of fraud and for identifying and ensuring that the Bank complies with laws and regulations applicable to its activities;
- Process to ensure that the Bank personnel involved with the preparation and presentation of the integrated reporting information are properly trained, systems are properly updated and that any changes in reporting is relevant to the integrated report information encompass all significant business units. This responsibility also includes informing us of any changes in the Bank’s operations.
- The responsibility also includes informing changes in the Bank’s Operations since the date of our most recent assurance report on the Integrated reporting information.

Our responsibility

Our responsibility is to perform an external assurance engagement in relation to the Integrated Report and to issue an assurance report that includes our conclusions.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain limited assurance about whether the Integrated Report is free from material misstatement.

Our firm applies Sri Lanka Standard on Quality Management (SLSQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Limited assurance on the Integrated Report

Our limited assurance engagement on the Integrated Report consisted of making enquiries, primarily of persons responsible for the preparation of the Integrated Report, and applying analytical and other procedures, as appropriate. These procedures included:

1. Interviews with executives, senior management and relevant staff to understand the internal controls, governance structure and reporting process relevant to the Report;
2. Reviewing of the relevant internal policies and procedures developed by the Bank, including those relevant to determining what matters most to the Bank's stakeholders, how the Bank creates value, the Bank's external environment, strategy, governance and reporting.
3. Reviewing the description of the Bank's strategy and how the Bank creates value in the Report and enquiring of management as to whether the description accurately reflects their understanding;
4. Assessing of the suitability and application of the Content Elements of the IFRS Foundation's International <IR> Framework in the Report;
5. Assessing of the alignment between the Bank's strategy, the disclosures on how the Bank creates value and what matters most to the Bank's stakeholders.
6. Reviewing Board minutes to ensure consistency with the content of the Report.
7. Reviewing the Report in its entirety to ensure it is consistent with our overall knowledge obtained during the assurance engagement.
8. Obtaining a letter of representation from management dated March 04, 2025 on the content of the Bank's Integrated Report.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Integrated Report.

Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Bank.

Limitations of our review

The Integrated Report includes prospective information. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the Integrated Report.

Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Bank for the purpose of assisting the Directors in determining whether the Bank's Integrated Report is prepared in accordance with the IFRS Foundation's International <IR> Framework and for no other purpose or in any other context.

Restriction of use of our report

This report has been prepared for the Bank for the purpose of providing an assurance conclusion on the Integrated Report and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Bank, or for any other purpose than that for which it was prepared.

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Bank, for any purpose or in any other context. Any party other than the Bank who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Bank for our work, for this independent assurance report, or for the conclusions we have reached.

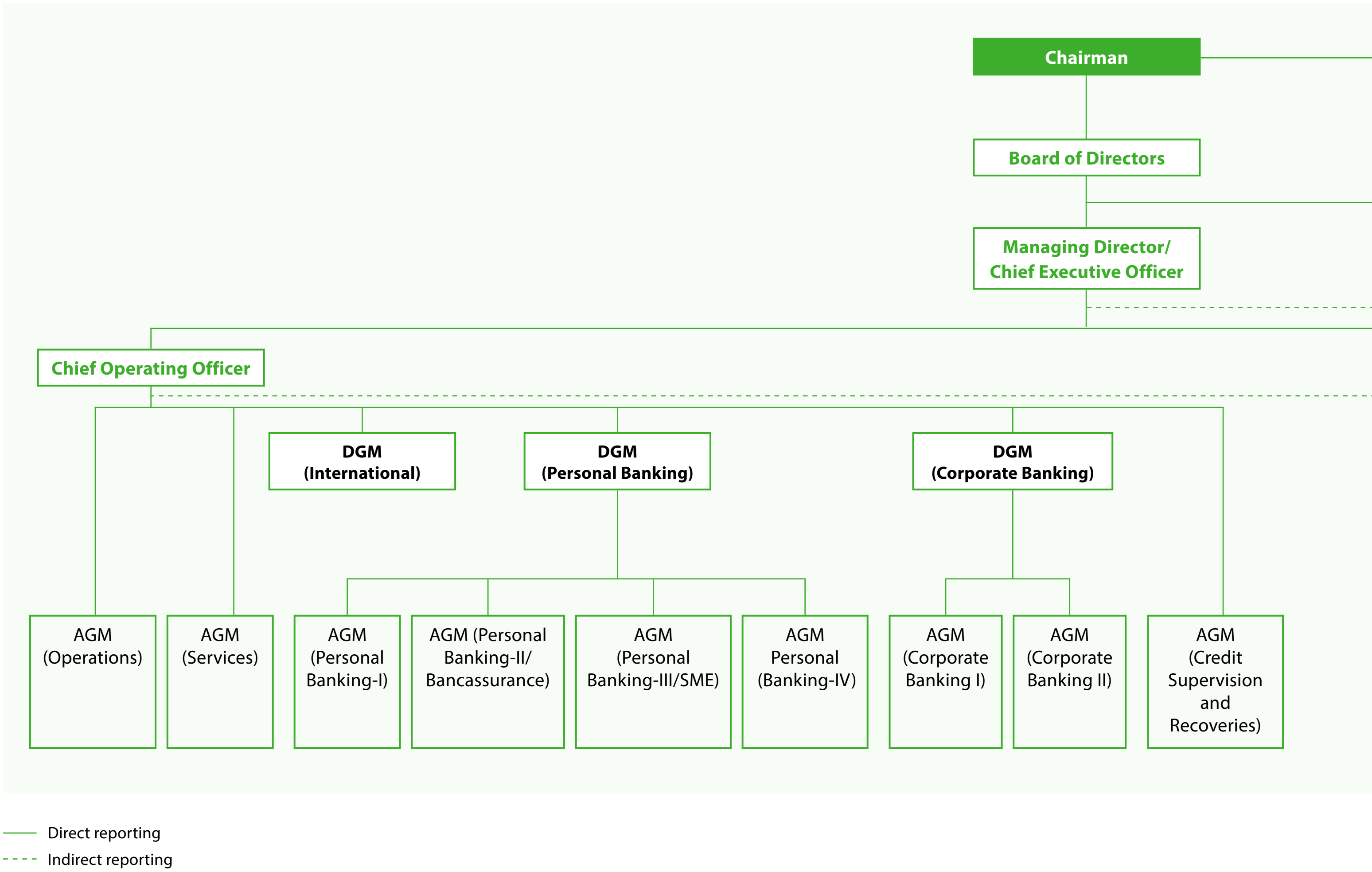
kpmg

Chartered Accountants

March 04, 2025

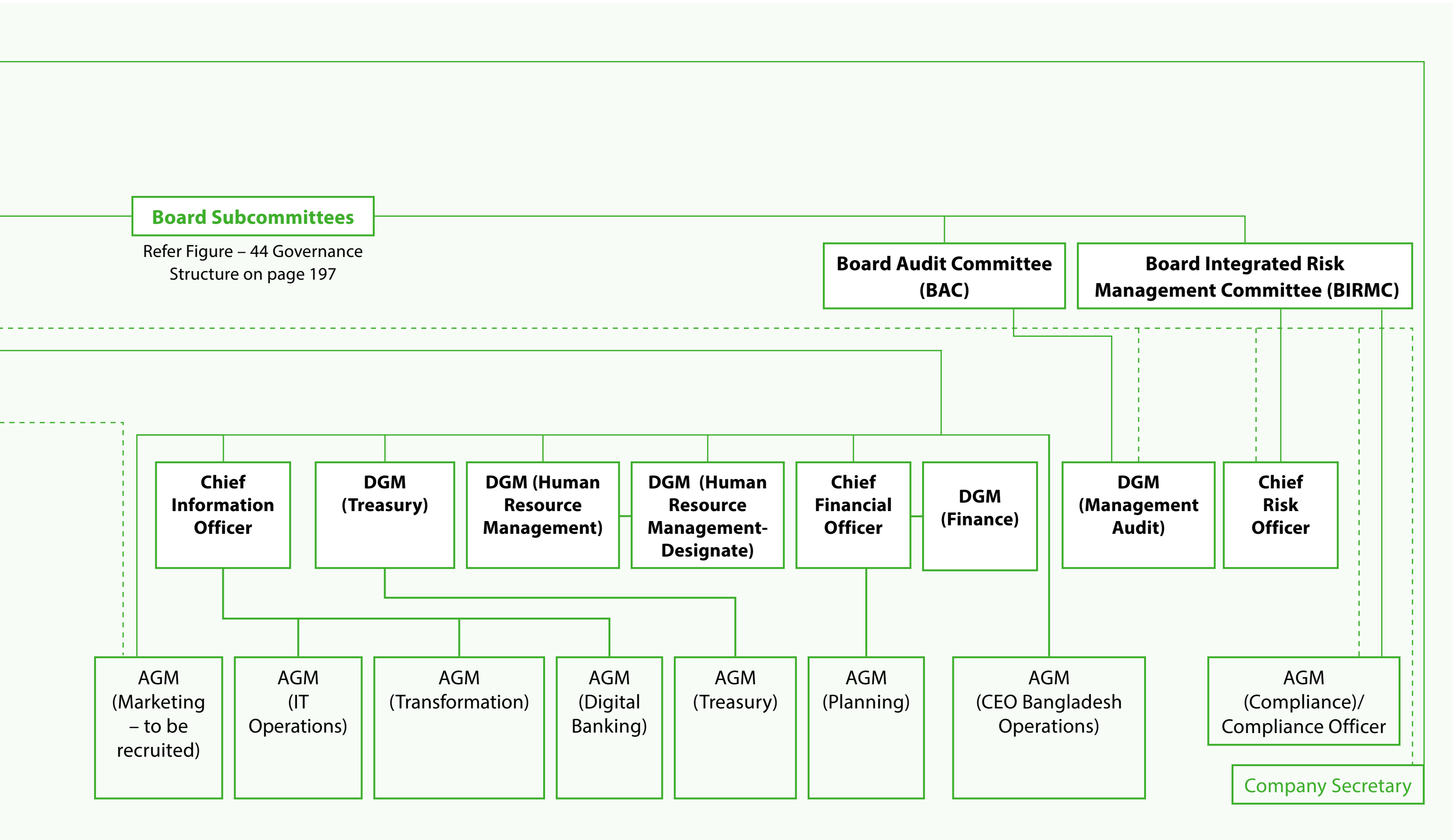
Colombo

Annex 7: The Bank's organisation structure



DGM – Deputy General Manager, AGM – Assistant General Manager

All Chief Executive Officers of subsidiaries report to the Managing Director/Chief Executive Officer


Board Subcommittees
Refer Figure – 44 Governance Structure on page 197
Board Audit Committee (BAC)
Board Integrated Risk Management Committee (BIRMC)
Chief Information Officer
DGM (Treasury)
DGM (Human Resource Management)
DGM (Human Resource Management-Designate)
Chief Financial Officer
DGM (Finance)
DGM (Management Audit)
Chief Risk Officer
AGM (Marketing – to be recruited)
AGM (IT Operations)
AGM (Transformation)
AGM (Digital Banking)
AGM (Treasury)
AGM (Planning)
AGM (CEO Bangladesh Operations)
AGM (Compliance)/ Compliance Officer
Company Secretary

Annex 8: Financial statements (US Dollars)

Income Statement

	GROUP			BANK		
For the year ended December 31,	2024 USD '000	2023 USD '000	Change %	2024 USD '000	2023 USD '000	Change %
Gross income	938,485	1,165,754	(19.50)	912,395	1,145,973	(20.38)
Interest income	939,308	1,015,856	(7.54)	920,124	998,697	(7.87)
Less: Interest expense	536,118	720,923	(25.63)	529,140	715,068	(26.00)
Net interest income	403,190	294,933	36.71	390,984	283,629	37.85
Fee and commission income	117,681	104,618	12.49	113,468	101,379	11.92
Less: Fee and commission expense	36,977	28,211	31.07	36,576	27,802	31.56
Net fee and commission income	80,704	76,407	5.62	76,892	73,577	4.51
Net gains/(losses) from trading	(7,512)	(42,599)	82.37	(7,512)	(42,599)	82.37
Net gains/(losses) from derecognition of financial assets	(139,989)	17,270	(910.58)	(139,989)	17,270	(910.57)
Financial assets measured at fair value through other comprehensive income	13,961	17,270	(19.16)	13,961	17,270	(19.16)
Derecognition loss on restructuring of SLISBs	(153,950)	–	(100.00)	(153,950)	–	(100.00)
Net other operating income	28,997	70,609	(58.93)	26,304	71,226	(63.07)
Other operating income	(118,504)	45,280	(361.71)	(121,197)	45,897	(364.06)
Total operating income	365,390	416,620	(12.30)	346,679	403,103	(14.00)
Less: Impairment charges/(reversal) and other losses	(212,610)	132,748	(260.16)	(215,751)	131,822	(263.67)
Net operating income	578,000	283,872	103.61	562,430	271,281	107.32
Less: Expenses						
Personnel expenses	95,247	77,850	22.35	91,856	74,938	22.58
Depreciation and amortisation	16,168	14,797	9.27	15,938	14,620	9.02
Other operating expenses	65,507	58,512	11.95	61,672	55,986	10.16
Total operating expenses	176,922	151,159	17.04	169,466	145,544	16.44
Operating profit before taxes on financial services	401,078	132,713	202.21	392,964	125,737	212.52
Less: Taxes on financial services	67,258	16,933	297.20	66,907	16,933	295.13
Operating profit after taxes on financial services	333,820	115,780	188.32	326,057	108,804	199.66
Share of profit/(loss) of associate, net of tax	(2)	12	(113.17)	–	–	–
Profit before tax	333,818	115,792	188.29	326,057	108,804	199.66
Less: Income tax expense	143,761	41,049	250.22	141,505	38,973	263.08
Profit for the year	190,057	74,743	154.28	184,552	69,831	164.27
Profit attributable to:						
Equity holders of the Bank	187,964	72,064	160.83	184,552	69,831	164.27
Non-controlling interest	2,093	2,679	(21.88)	–	–	–
Profit for the year	190,057	74,743	154.28	184,552	69,831	164.27
Earnings per share						
Basic earnings per ordinary share (USD)	0.13	0.05	150.10	0.13	0.05	153.46
Diluted earnings per ordinary share (USD)	0.13	0.05	149.87	0.13	0.05	153.29

US Dollar Accounts

The Income Statement and the Statement of Financial Position given on pages 518 and 519 are solely for the convenience of stakeholders.

Statement of Financial Position

	GROUP			BANK		
As at December 31,	2024 USD '000	2023 USD '000	Change %	2024 USD '000	2023 USD '000	Change %
Assets						
Cash and cash equivalents	305,855	545,056	(43.89)	296,411	538,632	(44.97)
Balances with Central Banks	191,091	213,766	(10.61)	155,980	180,265	(13.47)
Placements with banks	345,068	278,180	24.04	338,909	277,627	22.07
Securities purchased under resale agreements	97,802	106,310	(8.00)	97,802	106,310	(8.00)
Derivative financial assets	14,554	24,664	(40.99)	14,554	24,664	(40.99)
Financial assets recognised through profit or loss Measured at fair value	312,892	100,511	211.30	312,892	100,511	211.30
Financial assets at amortised cost – loans and advances to other customers	4,849,844	4,112,169	17.94	4,725,340	4,014,880	17.70
Financial assets at amortised cost – debt and other financial instruments	2,395,056	2,338,415	2.42	2,278,873	2,217,544	2.77
Financial assets measured at fair value through other comprehensive income	1,034,875	982,024	5.38	1,029,297	979,601	5.07
Investments in subsidiaries	–	–	–	19,824	19,824	–
Investment in associate	201	201	–	151	151	–
Property, plant and equipment and right–of–use assets	104,677	98,967	5.77	94,200	89,617	5.11
Investment properties	2,539	2,040	24.43	–	–	–
Intangible assets	16,239	14,640	10.92	14,407	12,753	12.97
Deferred tax assets	42,878	117,786	(63.60)	41,249	116,302	(64.53)
Other assets	102,107	128,792	(20.72)	101,547	127,899	(20.60)
Total assets	9,815,678	9,063,521	8.30	9,521,436	8,806,580	8.12
Liabilities						
Due to banks	86,609	163,647	(47.08)	72,719	161,346	(54.93)
Derivative financial liabilities	2,858	7,915	(63.89)	2,858	7,915	(63.89)
Securities sold under repurchase agreements	383,828	379,477	1.15	383,858	379,517	1.14
Financial liabilities at amortised cost – due to depositors	7,870,578	7,330,740	7.36	7,633,334	7,116,198	7.27
Financial liabilities at amortised cost – other borrowings	48,714	43,536	11.89	48,714	43,536	11.89
Current tax liabilities	46,084	52,069	(11.49)	44,866	51,031	(12.08)
Deferred tax liabilities	1,744	1,755	(0.63)	–	–	–
Other liabilities	202,814	192,036	5.61	198,174	187,885	5.48
Due to subsidiaries	–	–	–	498	1,083	(54.04)
Subordinated liabilities	196,955	124,515	58.18	196,955	124,515	58.18
Total liabilities	8,840,184	8,295,690	6.56	8,581,976	8,073,026	6.30
Equity						
Stated capital	300,400	214,840	39.82	300,400	214,840	39.82
Statutory reserves	56,211	46,370	21.22	51,466	42,239	21.84
Retained earnings	54,347	33,935	60.15	46,829	29,210	60.32
Other reserves	548,529	457,315	19.95	540,765	447,265	20.90
Total equity attributable to equity holders of the Bank	959,487	752,460	27.51	939,460	733,554	28.07
Non–controlling interest	16,007	15,371	4.14	–	–	–
Total equity	975,494	767,831	27.05	939,460	733,554	28.07
Total liabilities and equity	9,815,678	9,063,521	8.30	9,521,436	8,806,580	8.12
Contingent liabilities and commitments	2,562,720	2,306,404	11.11	2,539,129	2,282,852	11.23
Net assets value per ordinary share (USD)	0.60	0.57	4.06	0.58	0.56	4.52

An exchange rate of 1 USD equals 293 LKR for both the years, has been used to facilitate comparison.

Annex 9: Correspondent banks and agent network

01. Canada

Bank of Montreal (CAD)
Toronto
BIC: BOFMCAM2
A/C: 31441044203 and 31441044190*

02. United States of America

Bank of America NT and SA (USD)
San Francisco
BIC: BOFAUS6S
A/C: 6290890098

Citi Bank (USD)
New York
BIC: CITIUS33
A/C: 36141446 and 36241316*

Deutsche Bank Trust Company Americas (USD)
New York
BIC: BKTRUS33
A/C: 4034566

JP Morgan Chase Bank (USD)
New York
BIC: CHASUS33
A/C: 400808625

Standard Chartered Bank (USD)
New York
BIC: SCBLUS33
A/C: 3582052360001, 3582052360002 and 3582052637001*

Wells Fargo Bank N.A. (USD)
New York
BIC: PNBPUS3NNYC
A/C: 2000191002407 and 2000193003365*

03. France

Crédit Agricole SA (EUR)
Paris
BIC: AGRIFRPP
A/C: 20533624000*

04. United Kingdom

Bank of Ceylon (UK) Limited (GBP)
London
BIC: BCEYGB2L
A/C: 88001377

Standard Chartered Bank (GBP)
London
BIC: SCBLGB2L
A/C: 1804813401, 01270435801* and 01271474401*

05. Norway

Den Norske Bank (NOK)
Oslo
BIC: DNBANOKK
A/C: 7002.02.04808

06. Sweden

Skandinaviska Enskilda Banken (SEK)
Stockholm
BIC: ESSESESS
A/C: 52018529803

07. Denmark

Nordea Bank Denmark A/S (DKK)
Copenhagen
BIC: NDEADKKK
A/C: 5000408909

08. Germany

Commerz Bank AG (EUR)
Frankfurt
BIC: COBADEFF
A/C: 400872103701 and 400871436200*

Landesbank Baden – Wuerttemberg (EUR)
Stuttgart
BIC: SOLADEST
A/C: 2808451

Standard Chartered Bank (EUR)
Frankfurt
BIC: SCBLDEF
A/C: 18109406,18149205 and 018112204*

Unicredit Bank AG (Hypo Vereins Bank)(EUR)
Munich
BIC: HYVEDEMM
A/C: 69101429

09. Luxembourg

Clearstream Banking S/A
Luxembourg
BIC: CEDELULL
A/C: 52511-USD and 52511-EUR

10. Switzerland

UBS AG (CHF)
Zurich
BIC: UBSWCHZH
A/C: 0230000008540805000OW

11. Italy

Banca Intesa BCI (EUR)
Milan
BIC: BCITITMM
A/C: 100100003820

Banco Popolare Society Coperation (EUR)
Verona
BIC: BAPPIT22
A/C: 400000082

Unicredito Italiano SPA (EUR)
Rome
BIC: UNCRITMM
A/C: 0995 4268

12. United Arab Emirates

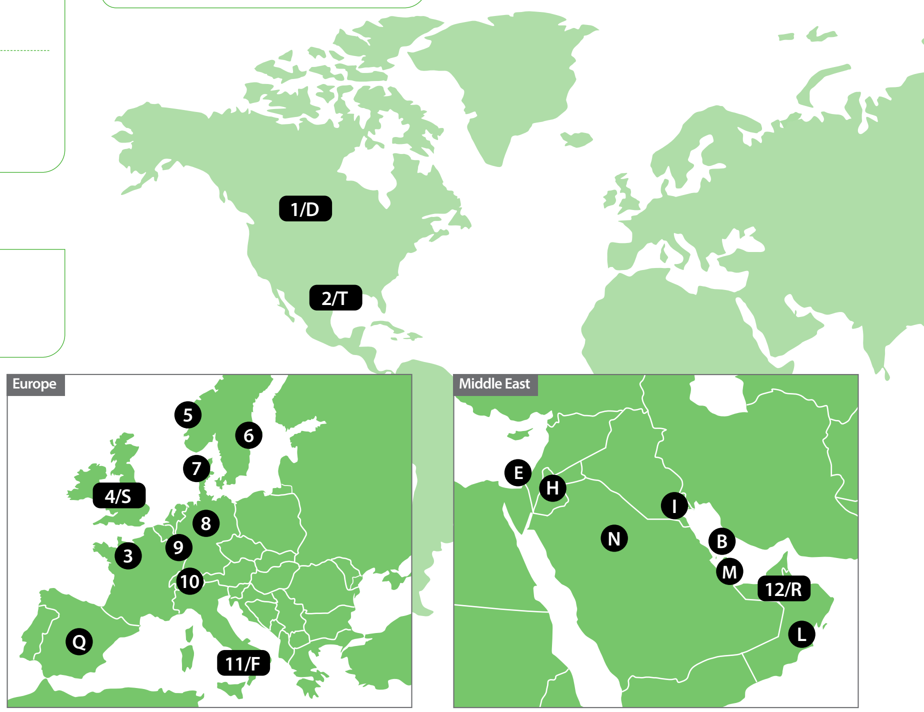
Mashreq Bank (AED)
Dubai
BIC: BOMLAEAD
A/C: AE270330000010195511268

13. India

ICICI Bank Ltd. (INR)
Mumbai
BIC: ICICINBB
A/C: 039305075029

Indian Bank (INR)
Chennai
BIC: IDIBINBBTSY
A/C: 07395219691

Standard Chartered Bank (INR)
Mumbai
BIC: SCBLINBB
A/C: 22205671264



14. Sri Lanka

Bank of China Colombo Ltd (CNY)
Colombo
BIC: BKCHLKLXXXX
A/C: 100002800004204

15. Singapore

Citibank NA
BIC: CITISGSG
A/C: (USD) 851122001,
(EUR) 851122028 and (GBP) 851122036

Oversea – Chinese Banking Corp Ltd.
BIC: OCBCSGSG
A/C: (USD) 503212862301,
(SGD) 695703165001

Standard Chartered Bank (SGD)
BIC: SCBLSGSG
A/C: 109344561 and 102318735*

16. China

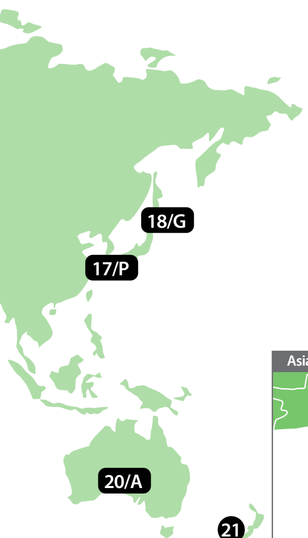
Standard Chartered Bank (CNY)
Shanghai
BIC: SCBLCNSX
A/C: 501510533540

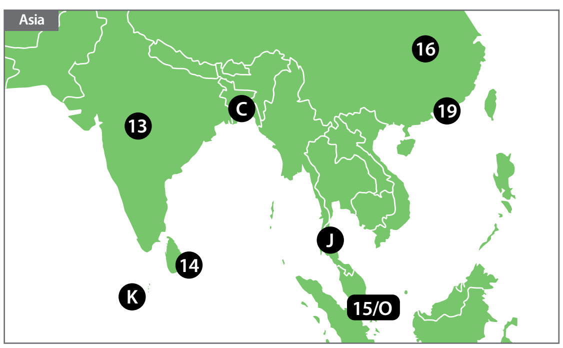
17. Korea

Kookmin Bank (USD)
Seoul
BIC: CZNBKRSE
A/C: 7598USD010 and 7618USD013*

KEB Hana Bank
Seoul
BIC: KOEXKRSE
A/C: 0963THR051080010

Woori Bank (USD)
Seoul
BIC: HVBKKRSE
A/C: W1027001US





18. Japan

Mufg Bank (JPY)
Tokyo
BIC: BOTKJPJT
A/C: 653-0461318*

Standard Chartered Bank (JPY)
Tokyo
BIC: SCBLJPJT
A/C: 2168531110

Sumitomo Mitsui Banking Corporation (JPY)
Tokyo
BIC: SMBCJPJT
A/C: 4395

19. Hong Kong

Standard Chartered Bank
BIC: SCBLHKHH
A/C: (HKD) 41109468048,
(HKD) 44709419107* and
(CNY) 44709448344

20. Australia

ANZ Banking Group Ltd (AUD)
Melbourne
BIC : ANZBAU3M
A/C: 944306AUD00001

21. New Zealand

ANZ Bank New Zealand Ltd (NZD)
New Zealand
BIC : ANZBNZ22
A/C : 944306NZD00001

A. Australia

Ceylon Exch. Pvt Ltd
Direct Forex
Harbour & Hills Financial Services
Lanka Currency Converter Pty Ltd

B. Bahrain

Nat. Finance & Exch. Co. WLL
NEC B.S.C.(C)

C. Bangladesh

Commercial Bank of Ceylon PLC

D. Canada

Remitbee Incorporated

E. Israel

AMT Financial Services Ltd.
S T B Union Ltd.
Unigiros Ltd.

F. Italy

National Exch. Co.

G. Japan

Japan Money Express Co. Ltd.

H. Jordan

Al Nasir Establishment for Exch.
Al Alami Exch. Co.
Alawneh Exch. Co.
Hekmat Nawras & Partners Exch. Co.
Kalil Al Rahman Exch. Co.
Swiss Exch. Co. LLC

I. Kuwait

Al Ansari Exch.
Al Muzaini Exch. Co.
Al Sultan Exch. Co. WLL
Almulla Int'l Exch. Co. WLL
Aman Exch. Co. WLL
Bahrain Exch. Co. WLL
City Int Exch. Co. WLL
Joy Alukkas Exch. Co. WLL
Kuwait Bahrain Intl Exch.
Lulu Exch. Co. WLL
Kuwait Asian Int'l Exch.
National Exch. Co.
National Money Exch. Co.
UAE Exch. Centre

J. Malaysia

Moneymatch SDN BHD
Tranglo SDN BHD

K. Maldives

Commercial Bank of Maldives Private Limited

L. Oman

Al Jadeed Exch. LLC
Bank Muscat SAOG
Global Money Exch. Co. LLC
Joyalukkas Exch. LLC
Laxmidas Tharia Ved Exch. Co.
Lulu Exch. Co. LLC
Modern Exch. Co. LLC
Purshottam Kanji Exch. Co. LLC
Unimoni Exch. LLC
Wasel Exch. SAOC

M. Qatar

Al Dar For Exch. Works
Al Mana Exch. WLL
Al Mirqab Exch. Co. WLL
Al Sadd Exch. Co. WLL
Al Zaman Exch. WLL
Alfardan Exch. Co.
Arabian Exch. Co. WLL
City Exch. Co. WLL
Doha Bank
Doha Exch.
Eastern Exch. Establishment
Gulf Exch. Co.
Islamic Exch..Co.WLL
Lulu Exch. Co. WLL
Trust Exch. Co. WLL
Travelex Qatar Co.

N. Saudi Arabia

Alrajhi Banking & Investment Corporation
Arab National Bank
Bank Albilad
The National Commercial Bank
The Saudi British Bank

O. Singapore

Ample Transfers Pte. Ltd.
Lulu Money Singapore Pte. Ltd.

P. South Korea

Finshot Inc.
Gmoney Trans Co. Ltd.
Global Money Express Co. Ltd.

Q. Spain

Trans Fast Financial Services

R. United Arab Emirates

Al Ahalia Money Exch. Bureau
Al Ansari Exch. Est.
Al Dahab Exch.
Al Fardan Exch. LLC
Al Faud Exch.
Al Ghurair Exch. LLP
Al Ghurair Int'l Exch.
Al Razouki Int'l Exch. Co.
Al Rostamani Int'l Exch.
City Exch. LLC
Delma Exch.
Deniba Int'l Exch.
Federal Exch.
G C C Exch.
Index Exch.
Joyalukkas Exch.
L M Exch. LLC
Lari Exch.
Lulu Int'l Exch. LLC
Orient Exch. Co. LLC
SAAD Exch.
Universal Exch. Centre
Wall Street Exch. Centre
Worldwide Cash Express Ltd.

S. United Kingdom

iFAST Global Bank Ltd.
GCC Exch. UK Ltd.
Global Exch. Ltd.
LCC Trans-Sending Ltd.
Visa Payments Ltd.

T. USA

Dandelion Payments Inc.
Payoneer Inc.

Global Partner

JSC MFI Intelexpress
Mastercard Transaction Services (US) LLC
Moneygram Int'l
Placid NK Corporation
Prabhu Group Inc.
Royal Exch. (USA) Inc.
Western Union

e-Exchange Agent Network

* Accounts of Bangladesh Operations.

Annex 10: Glossary of financial and banking terms

A

Acceptances
Promise to pay created when the drawee of a time draft stamps or writes the word '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.

Amortisation
The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Accrual Basis
Recognition of the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalent.

Actuarial Gain/Loss
Gain or loss arising from the difference between estimates and actual experience in an entity's pension plan.

Associate
An entity over which the investor has significant influence.

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 method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or uncollectability.

Average Weighted Deposit Rate (AWDR)
AWDR is calculated by the Central Bank monthly based on the weighted average of all outstanding interest bearing deposits of commercial banks and the corresponding interest rates.

Average Weighted Prime Lending Rate (AWPLR)
AWPLR is calculated by the Central Bank weekly based on commercial banks' lending rates offered to their prime customers during the week.

B

Basel III
The Basel Committee on Banking Supervision (BCBS) issued the Basel III rules text, which presents the details of strengthened global regulatory standards on bank capital adequacy and liquidity.

Basis Point (BP)
One hundredth of a percentage point (0.01 per cent); 100 basis points is 1 percentage point. Used in quoting movements in interest rates or yields on securities.

Bills Sent 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.

Business Continuity Plan
A document that consists of the critical information an organisation needs to continue operating during an unplanned event. The BCP should state the essential functions of the business, identify which systems and processes must be sustained, and detail how to maintain them. It should take into account any possible business disruption.

Business Model Assessment
Business model assessment is carried out as the first step of the financial assets classification process. Business model refers to how an entity manages its financial assets in order to generate cash flows. It is determined at a level that reflects how groups of financial assets are managed rather than at an instrument level. SLFRS 9 identifies three types of business models: "hold to collect", "hold to collect and sell" and "other". In order to determine the business model, it is necessary to understand the objectives of each business model. An entity would need to consider all relevant information including, for example, how business performance is reported to the entity's key management personnel and how managers of the business are compensated.

C

Capital Adequacy Ratio
The percentage of risk-adjusted assets supported by capital as defined under the framework of risk-based capital standards developed by the Bank for International Settlements (BIS) and as modified by the CBSL to suit local requirements.

Correspondent Bank
A bank in a foreign country that offers banking facilities to the customers of a bank in another country.

Commitments
Credit facilities approved but not yet utilised by the clients as at the reporting date.

Cost/Income Ratio
Operating expenses excluding impairment charge for loans and other losses as a percentage of total operating income.

Credit Risk Mitigation
A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantee and credit protection.

Cost of credit risk on loans and advances
This ratio is expressed as the impairment charges on loans and advances over gross loans and advances.

Capital Conservation Buffer
Designed to ensure that banks build up buffers of capital outside any periods of stress and to avoid breaches of minimum capital requirements.

Cash Generating Unit (CGU)
The smallest group of assets that independently generates cash flow and the cash flow is largely independent of the cash flows generated by other assets.

Contingencies
A condition or situation, the ultimate outcome of which will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Credit Rating
An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

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.

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. Cash Generating Unit (CGU) The smallest group of assets that independently

generates cash flow and the cash flow is largely independent of the cash flows generated by other assets.

Collectively Assessed Loan Impairment Provisions

Also known as portfolio impairment provisions. Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses that have been incurred but have not yet been identified at the reporting date.

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.

Credit Risk

Risk of financial loss to the Bank, if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the loans and advances to customers and other banks and investment in debt securities.

Control

Control is the power over an investee, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its powers over the investee to affect the amount of the investor's returns.

D

Deferred Taxation

Sum set aside in the Financial Statements for taxation that may become payable/ receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

Delinquency

A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as "Arrears".

De-minimis

Features that could impact the cash flows of a financial asset by a de minimise amount both on a period by period basis and cumulatively.

Density ratio

Risk-weighted assets expressed as a percentage of total exposure.

Derecognition

Removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Domestic Systemically Important Banks (D-SIBs)

Systemically Important Banks (SIBs) are perceived as banks that are "Too Big To Fail". D-SIBs are critical for the uninterrupted availability of essential banking services to the country's real economy even during crisis. The CBSL has designated LCBs with total assets equal to or greater than Rs. 500 Bn. as D-SIBs.

Derivatives

A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (e.g. interest rate) that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

E

Earnings per Ordinary Share (EPS)

The profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

Effective Interest Rate (EIR)

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 (ETR)

Provision for taxation excluding deferred tax expressed as a percentage of the profit before taxation.

Equity Instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities.

Exposure at Default (EAD)

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 & interest and expected drawdowns of committed facilities.

ESOP (Employee Share Ownership Plan)

A method of giving employees shares in the business for which they work.

Equity Method

This is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss and other comprehensive income of the investor include the investor's share of the profit or loss and other comprehensive income of the investee.

Expected Credit Losses (ECLs)

ECL approach is the loan loss impairment method under SLFRS 9 on "Financial Instruments". ECLs are the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). ECL measurements are unbiased and are determined by evaluating a range of possible outcomes.

Embedded Derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand- alone derivative.

F

Fair Value

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.

Financial Instrument

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial Assets

Any assets that is cash, equity instrument of another entity, a contractual right to receive cash or contractual right to receive another financial asset from another entity.

Financial Liabilities

A contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Finance Lease
A lease in which the lessee acquires all financial benefits and risks attaching to ownership of the asset under lease.

Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)
All financial assets other than those classified at Amortised Cost or FVOCI are classified as measured at FVTPL. These are held for trading or managed and their performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Forward Exchange Contract
Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

Financial Assets Measured at Amortised Cost
A financial asset is measured at amortised cost if the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)
FVOCI include debt and equity instruments measured at fair value through other comprehensive income. A debt instrument is measured at FVOCI, if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Equity investments may be irrevocably classified as FVOCI when they meet the definition of Equity under LKAS 32 Financial Instruments: Presentation, and are not held for trading.

Financial Intermediation Margin
Used to measure the robustness of financial intermediation process, it is gross income expressed as a percentage of average total assets.

G

Group
A parent and all its subsidiaries.

Gross Dividend
The portion of profits distributed to the shareholders including the tax withheld.

Gearing in terms of on balance sheet assets
This ratio is calculated as total assets over the total equity attributable to equity holders of the Bank as at the reporting date.

Guarantees
Three party agreement involving a promise by one party (the guarantor) to fulfil the obligations of a person owing a debt if that person fails to perform.

Gearing in terms of risk weighted assets
This ratio is calculated as total capital over the total risk weighted assets as per the Capital Adequacy Computation under Basel III.

Global Reporting Initiatives (GRI)
The GRI is an international independent standards organisation that helps businesses, governments and other organisations to understand and communicate their impacts on issues such as climate change, human rights and corruption. GRI promotes sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

H

Hedging
A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements (interest rate, foreign exchange rate, commodity prices, etc.).

High Quality Liquid Assets (HQLA)
Assets that are unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible. These include, for example, cash and claims on central governments and central banks.

Historical Cost
Historical cost is the original nominal value of an economic item.

I

Impaired Loans
Loans where the Group does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

Interest Cover
A ratio showing the number of times interest charges is covered by earnings before interest and tax.

Interest Spread
Represents the difference between the average interest rate earned on interest earning assets and the average interest rate paid on interest-bearing liabilities.

Impaired Loans (Stage 3) Ratio (%)
This ratio shall be calculated by dividing impaired loans (Stage 3) net of Stage 3 impairment, by total loans. (Including undrown amounts.)

Impairment
This occurs when recoverable amount of an asset is less than its carrying amount.

Intangible Asset
An intangible asset is an identifiable nonmonetary asset without physical substance.

Impairment Charge/(Reversal)
An increase/(decrease) of the difference between the carrying value of an asset and the sum of discounted future cash flows generating from the same asset compared to the previous reporting date.

Impairment (Stage 3) to Stage 3 Loans Ratio (%)
This ratio shall be calculated by dividing impairment charge (Stage 3), by Stage 3 loans. With respect to computation of above ratios, impaired loans (Stage 3) and total loans shall include total outstanding amount of on-balance sheet credit facilities and their respective undrawn amounts.

Impairment Allowances
Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio).

Interest Rate SWAP
An agreement between two parties (known as counterparties) where one stream of future interest payments is exchanged for another stream of future interest payments based on a specified principal amount.

Investment Properties
Property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative services; or sale in the ordinary course of business.

K

Knowledge Capital
Knowledge capital is the intangible value of an organisation made up of its knowledge, relationships, learned techniques, procedures, and innovations. In other words, knowledge capital is the full body of knowledge an organisation possesses.

Key Performance Indicators (KPIs)
A set of quantifiable measurements used to gauge a company's overall long-term performance. KPIs specifically help determine a company's strategic, financial, and operational achievements, especially compared to those of other businesses within the same sector.

Key Management Personnel (KMP)
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

L

Leverage Ratio
A leverage ratio is any one of several financial measurements that look at how much capital comes in the form of debt (loans) or assesses the ability of a company to meet its financial obligations.

Loss given default (LGD)
LGD is the percentage of an exposure that a lender expects to lose in the event of obligor default.

Lessee's incremental borrowing rate (IBR)
The rate of interest that a lessee 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 right-of-use asset in a similar economic environment.

Liquidity Coverage Ratio – LCR
Refers to highly liquid assets held by Banks to meet short-term obligations. The ratio represents a generic stress scenario that aims to anticipate market-wide shocks.

Lifetime Expected Credit Losses (LTECL)
Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. According to SLFRS 9 on "Financial instruments", the ECL allowance should be based on LTECL unless there has been no significant increase in credit risk since origination.

Loan-to-value ratio (LTV)
The LTV ratio is a mathematical expression which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The LTV ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

M

Market Capitalisation
The value of an entity obtained by multiplying the number of ordinary shares in issue by its market value as at a date.

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.

Market Risk Premium
The market risk premium is the difference between the expected return on a market portfolio and the risk-free rate. The market risk premium is equal to the slope of the security market line (SML), a graphical representation of the capital asset pricing model (CAPM).

N

Non-Controlling Interest (NCI)
Equity in a Subsidiary not attributable, directly or indirectly, to a parent.

Nostro Account
A bank account held in a foreign country by a domestic bank, denominated in the currency of that country. Nostro accounts are used to facilitate the settlement of foreign exchange trade transactions.

Net Interest Margin (NIM)
The margin is expressed as net interest income divided by average interest earning assets.

Net Assets Value per Share (NAV)
Shareholders' funds excluding preference shares, if any, divided by the number of ordinary shares in issue.

Net Interest Income (NII)
The difference between the amount a bank earns on assets such as loans and securities and the amount it pays on liabilities such as deposits, refinance funds and interbank borrowings.

Net Stable Funding Ratio (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.

O

Open Credit Exposure Ratio
Total net non-performing loans and advances expressed as a percentage of regulatory capital base.

Operational Risk
This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Off-balance Sheet Transactions
Transactions that are not recognised as assets or liabilities in the Statement of Financial Position, which give rise to the commitment and contingencies in future.

P

Price to Book Value
Market price of a share divided by the net assets value of a share.

Provision Cover
Total provisions for loan losses expressed as a percentage of net non-performing loans and advances before discounting for provisions on non-performing loans and advances.

Price Earnings Ratio (P/E Ratio)
Market price of a share divided by the earnings per share.

Probability of Default (PD)
PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.

Projected Unit Credit Method (PUC)
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. (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method).

Prudence Inclusion of a degree of caution in the exercise of judgment 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.

R

Related Parties

One party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specified date and price.

Right-of-Use Asset (RUA)

An asset that represents a lessee's right to use an underlying asset for the lease term.

Related Party Transaction (RPT)

RPT is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Return on Average Assets (ROA)

Profit after tax expressed as a percentage of the average assets.

Return on Average Equity (ROE)

Net profit attributable to owners expressed as a percentage of average ordinary shareholders' equity.

Reverse Repurchase Agreement

Transaction involving the purchase of securities by a bank or a dealer and resale back to the seller at a future date at a specified price.

Risk-Weighted Assets

The sum total of assets as per the Statement of Financial Position and the credit equivalent of assets that are not on the Statement of Financial Position multiplied by the relevant risk-weighting factors.

Risk Appetite

It can be described as an organisation's risk capacity, or the maximum amount of residual risk it will accept after controls and other measures have been put in place.

S

Segment Reporting

Disclosure of the Bank's assets, income and other information, broken down by activity and geographical area.

Subsidiary

An entity that is controlled by another entity.

Shareholders' Funds

Total of issued and fully paid share capital and revenue reserves.

Significant Increase in Credit Risk (SICR)

According to SLFRS 9, an entity should assess whether the risk of default on a financial instrument has increased significantly since initial recognition. The assessment should consider reasonable and supportable information that is relevant and available without undue cost or effort. There is a rebuttable presumption in the Standard that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Substance over Form

The consideration that the accounting treatment and presentation of Financial Statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

SPPI Test

Solely payments of Principal and Interest Test (SPPI) is carried out as the second step of the classification process. "Principal" is defined as the fair value of the financial asset at initial recognition and may change due to repayments of principal or amortisation of the premium or discount.

"Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding. If a financial asset passes the SPPI test, then it will either be classified at amortised cost if the "hold to collect" business model test is met, or at Fair Value Through Other Comprehensive Income (FVOCI) if the hold to collect and sell" business model test is met. If a financial asset fails the SPPI test it must be classified at Fair Value Through Profit or Loss (FVTPL) in its entirety.

T

Tier 1 Capital (Common Equity Tier 1 – CET 1)

Common Equity Tier 1 (CET1) is a component of Tier 1 capital that consists mostly of Stated Capital. It is a capital measure that was introduced as a precautionary measure to protect the economy from a financial crisis.

Tier 1 Capital (Additional Tier 1 Capital – AT 1)

Additional Tier 1 Capital (AT1) is a component of Tier 1 capital that comprises securities that are subordinated to most subordinated debt, which have no maturity, and their dividend can be cancelled at any time.

Tier 2 Capital

Capital representing revaluation reserves, general provisions and other capital instruments, which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

Twelve Month Expected Credit Losses (12 Month ECL)

The portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

U

Unit Trust

An undertaking formed to invest in securities under the terms of a trust deed.

Useful Life

The period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

Unsystematic Risk

Unsystematic risk is unique to a specific company or industry. Also known as "non-systematic risk", "specific risk", "diversifiable risk" or "residual risk", in the context of an investment portfolio, unsystematic risk can be reduced through diversification.

Y

Yield to Maturity (YTM)

Discount rate at which the present value of future cash flows would equal the security's current price.

Yield Curve

A yield curve is a line that plots yields (interest rates) of bonds having equal credit quality but differing maturity dates. The slope of the yield curve gives an idea of future interest rate changes and economic activity. There are three main types of yield curve shapes: normal (upward sloping curve), inverted (downward sloping curve) and flat.

Annex 11: Acronyms and abbreviations

AC	Amortised Cost
AGM	Annual General Meeting
ALCO	Assets and Liabilities Committee
AMA	Advanced Measurement Approaches
AML	Anti-Money Laundering
ASPI	All Share Price Index
BAC	Board Audit Committee
BCBS	Basel Committee on Banking Supervision
BCC	Board Credit Committee
BCERC	Board Capital Expenditure Review Committee
BCMSC	Business Continuity Management Steering Committee
BCP	Business Continuity Plan
BHRRC	Board Human Resources & Remuneration Committee
BIA	Basic Indicator Approach
BIC	Board Investment Committee
BIRMC	Board Integrated Risk Management Committee
BIS	Bank for International Settlements
BNGC	Board Nominations and Governance Committee
BRPTRC	Board Related Party Transactions Review Committee
BSDC	Board Strategy Development Committee
BTC	Board Technology Committee
CAR	Capital Adequacy Ratio
CASA	Current Accounts and Savings Accounts
CBSL	Central Bank of Sri Lanka
CCB	Capital Conservation Buffer
CCR	Counterparty Credit Risk
CDS	Central Depository System
CET 1	Common Equity Tier 1
CFM	Close Family Members
CPC	Credit Policy Committee
CRAB	Credit Rating Agency of Bangladesh
CRM	Credit Risk Mitigation
CSE	Colombo Stock Exchange
CCF	Credit Conversion Factor
DBU	Domestic Banking Unit
DDO	Domestic Debt Optimisation
DPD	Days Past Due
DRP	Disaster Recovery Plan
D-SIB	Domestic Systemically Important Bank
EAD	Exposure at Default
EAR	Earnings at Risk
ECL	Expected Credit Loss
ECMN	Executive Committee on Monitoring NPA
EGM	Extraordinary General Meeting
EHRSC	Executive Human Resources Steering Committee
EIC	Executive Investment Committee
EIR	Effective Interest Rate
EIRMC	Executive Integrated Risk Management Committee
ESC	Executive Sustainability Committee
ESDC	Executive Strategy Development Committee
ESOP	Employee Share Option Plan
EVE	Economic Value of Equity
FIS	Fixed Income Securities
FVOCI	Financial assets measured at Fair Value through Other Comprehensive Income
FVTPL	Financial assets measured at Fair Value through Profit or Loss
FX	Foreign Exchange
GDP	Gross Domestic Product
GRI	Global Reporting Initiatives
HQLA	High Quality Liquid Assets
IBR	Incremental Borrowing Rate
ICAAP	Internal Capital Adequacy Assessment Process
ICASL	Institute of Chartered Accountants of Sri Lanka
IIRC	International Integrated Reporting Council
IMF	International Monetary Fund
IRMD	Integrated Risk Management Department
IRR	Interest Rate Risk
IRRBB	Interest Rate Risk in Banking Books
ISC	Information Security Council
ISIN	International Securities Identification Number
ISO	International Standard Organisation
ISMS	Information Security Management System
ITSC	IT Steering Committee
KPIs	Key Performance Indicators
KRIs	Key Risk Indicators
KIRIs	Key IT Risk Indicators
KMP	Key Management Personnel
KORIs	Key Operational Risk Indicators
LCB	Licensed Commercial Bank
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LSB	Licensed Specialised Bank
LTECL	Life Time Expected Credit Loss
LTV	Loan to Value Ratio
MATs	Management Action Triggers
MRMU	Market Risk Management Unit
MSME	Micro Small and Medium Enterprises
NCI	Non-Controlling Interest
NII	Net Interest Income
NIM	Net Interest Margin
NOP	Net Open Position
NPA	Non-Performing Assets
NPCF	Non-Performing Credit Facilities
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
PAT	Profit After Tax
PBT	Profit Before Tax
PD	Probability of Default
PDI	Past Due Interest
PER	Price Earnings Ratio
POCI	Purchased or Originated Credit Impaired (Financial Assets)
RAS	Risk Appetite Statement
RCPSC	Recovery Plan Steering Committee
RCSA	Risk Control Self Assessment
ROA	Return on Assets
ROCE	Return on Capital Employed
ROE	Return on Equity
RPT	Related Party Transactions
RSA	Rate Sensitive Assets
RSL	Rate Sensitive Liabilities
RWA	Risk Weighted Assets
ROUA	Right of Use Asset
SA	Standardised Approach
SEC	Securities and Exchange Commission of Sri Lanka
SEMS	Social and Environmental Management System
SICR	Significant Increase in Credit Risk
SLAR	Statutory Liquid Assets Ratio
SLDB	Sri Lanka Development Bond
SLFRS	Sri Lanka Financial Reporting Standards
SME	Small and Medium Enterprise
SOFP	Statement of Financial Position
SPPI	Solely Payment of Principal and Interest
SLISB	Sri Lanka International Sovereign Bond
UNGC	United Nations Global Compact
WSME	Women, Small and Medium Enterprises
VaR	Value at Risk
YoY	Year-on-Year
12mECL	12 months Expected Credit Loss

Annex 12: Alphabetical index

Annex 13: Index of figures, tables and graphs

Figures

Tables

Graphs

Graphs

Notice of Meeting – 56th Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fifty-Sixth (56th) Annual General Meeting ('AGM') of the Commercial Bank of Ceylon PLC (the 'Company') will be held on Friday, March 28, 2025 at 2.30 p.m. at the Galadari Hotel, "Grand Ballroom", No. 64, Lotus Road, Colombo 01, for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company, the Statement of Compliance and the Financial Statements for the year ended December 31, 2024 together with the Report of the Auditors thereon.
2. To declare a first and final dividend as recommended by the Board of Directors and to consider and if thought fit, to pass the following resolutions:

   (i) Declaration of a first and final dividend and approval of its method of satisfaction [Dividend Resolution No. 1]: To consider and if thought fit to pass the following resolution by way of an Ordinary Resolution. [To be passed only by the ordinary (voting) shareholders].

THAT a first and final dividend of Rs. 9.50 per issued and fully paid ordinary (voting) and (non-voting) share constituting a total sum of Rs. 15,301,154,793.50 (subject to applicable government taxes) based on the issued ordinary (voting) and (non-voting) shares as at February 27, 2025 [subject however to necessary amendments being made to such amount to include the dividends pertaining to the options that may be exercised by employees under the Commercial Bank of Ceylon PLC (the "Company") Employee Share Option Plan (ESOP) schemes] be and is hereby declared for the financial year ended December 31, 2024 on the issued and fully paid ordinary (voting) and (non-voting) shares of the Company;

THAT the shareholders entitled to such dividend would be those shareholders [both ordinary (voting) and (non-voting)], whose names have been duly registered in the Shareholders' Register maintained by the Registrars of the Company [i.e. SSP Corporate Services (Pvt) Ltd., No. 101, Inner Flower Road, Colombo 03] and also those shareholders whose names appear on the Central Depository Systems (Pvt) Ltd. ('CDS') as at end of trading on the Record Date [i.e. the second (2nd) market day from and excluding the date of the meeting] (the "Entitled Shareholders");

THAT subject to the shareholders (a) waiving their pre-emptive rights to new share issues; and (b) approving the proposed allotment and issue of new ordinary (voting) and (non-voting) shares by passing the resolutions set out in Items 2(ii) and 2(iii) below, the declared first and final dividend of Rs. 9.50 per issued and fully paid ordinary (voting) and (non-voting) share be distributed and satisfied partly, by the payment of cash and partly, by the allotment and issue of new ordinary (voting) and (non-voting) shares (the 'distribution scheme') based on the share prices of ordinary (voting) and (non-voting) shares as at February 27, 2025 to the Entitled Shareholders in the manner following:

- The payment in cash of Rs. 7.50 per issued and fully paid ordinary (voting) and (non-voting) share, inclusive of:
  (i) a regular cash dividend of Rs. 5.50 per issued and fully paid ordinary (voting) and (non-voting) share (subject to applicable government taxes); and
  (ii) a special cash dividend of Rs.2.00 per issued and fully paid ordinary (voting) and (non-voting) share (subject to applicable government taxes);

AND

- The allotment and issue of new ordinary (voting) and (non-voting) shares in satisfaction of the balance of Rs. 2.00 per share dividend entitlement (subject to applicable government taxes).

THAT accordingly and subject to the approval of the shareholders being obtained in the manner aforementioned, the implementation of the said distribution scheme shall be as follows:

(a) By way of a cash distribution, inclusive of a regular cash dividend and a special cash dividend:

A cash distribution of a sum of Rs. 11,366,712,712.50 (subject however to necessary amendments being made to such amount to include the dividend payable on the options that may be exercised by the employees under the Company's ESOP schemes) shall be made to the Entitled Shareholders of ordinary (voting) shares; and a sum of Rs. 713,146,335.00 shall be made to the Entitled Shareholders of the ordinary (non-voting) shares, on the basis as aforesaid of Rs. 7.50 per ordinary (voting) and (non-voting) share, respectively (subject to applicable government taxes);

AND

(b) By way of the allotment and issue of new shares:

The balance sum of:

– Rs. 2,576,454,846.00 (subject however to necessary amendments being made to such amount to include the dividend payable on the options that may be exercised by employees under the Company's ESOP schemes) to which the ordinary (voting) shareholders are entitled (subject to applicable government taxes); and

– Rs. 161,646,526.25 to which the ordinary (non-voting) shareholders are entitled (subject to applicable government taxes), shall be satisfied by the allotment and issue of new ordinary (voting) and (non-voting) shares to the Entitled Shareholders of the ordinary (voting) and (non-voting) shares, respectively, on the basis of the following ratios:

- 01 new fully paid ordinary (voting) share for every 85.8823541245 existing issued and fully paid ordinary (voting) shares calculated on the basis of the market value of the ordinary (voting) shares as at end of trading on February 27, 2025; and
- 01 new fully paid ordinary (non-voting) share for every 75.7352830371 existing issued and fully paid ordinary (non-voting) shares calculated on the basis of the market value of the ordinary (non-voting) shares as at end of trading on February 27, 2025.

THAT the ordinary (voting) and (non-voting) residual share fractions, respectively, arising in pursuance of the aforementioned allotment and issue of new ordinary (voting) and (non-voting) shares after applying the formulas referred to in the sub heading 'Residual fractions of shares' in the 'Circular to the shareholders on the first and final dividend for 2024' dated March 05, 2025 be aggregated and the ordinary (voting) and (non-voting) shares, respectively, arising consequent to such aggregation be allotted to Trustees to be nominated by the Board of Directors of the Company, and that the Trustees so nominated and appointed be permitted to hold the said shares in trust until such shares are sold by the Trustees on the trading floor of the Colombo Stock Exchange, and that the net sale proceeds thereof be donated to a charity or charities approved by the Board of Directors of the Company;

THAT the new shares to be issued in pursuance of the said distribution scheme constituting a total issue of 17,646,951 new ordinary (voting) shares, based on the issued and fully paid ordinary (voting) shares as at February 27, 2025, (subject however to the necessary amendments being made to such number to include the dividend on the options that may be exercised by the employees under the Company's ESOP schemes) and 1,255,507 new ordinary (non-voting) shares based on the issued and fully paid ordinary (non-voting) shares as at February 27, 2025 shall, immediately consequent to due allotment thereof to the Entitled Shareholders shall rank equal and *pari passu* in all respects with the existing issued and fully paid ordinary (voting) shares and the existing issued and fully paid ordinary (non-voting) shares of the Company, respectively, including the entitlement to participate in any dividend that may be declared after the date of allotment thereof and shall be listed on the Colombo Stock Exchange;

THAT the new ordinary (voting) and (non-voting) shares to be so allotted and issued shall not be eligible for the payment of the dividend declared hereby and which dividend shall accordingly be payable only on the 1,515,561,695 existing issued and fully paid ordinary (voting) shares as at February 27, 2025 (subject to amendments thereto to include the shares arising on the options that may be exercised by the employees under the Company's ESOP schemes) and 95,086,178 existing issued and fully paid ordinary (non-voting) shares as at February 27, 2025.

(ii) Waiver of Pre-emption Rights (Dividend Resolution No. 2):

Subject to the passing of the Ordinary Resolution set out in Dividend Resolution No.1 above, to consider and if thought fit to pass the following Resolution by way of an Ordinary Resolution [To be passed by a separate vote of the ordinary (voting) shareholders and of the ordinary (non-voting) shareholders, respectively]:

THAT the pre-emptive right to a new issue of shares provided for by Article 9A of the Articles of Association of Commercial Bank of Ceylon PLC (the 'Company'), be and is hereby waived in respect of the following proposed issue of new shares to be effected by the Company for purposes of satisfying the first and final dividend for the year ended December 31, 2024:

"The allotment and issue of 17,646,951 new ordinary (voting) shares (subject however to the necessary amendments being made to such number to include the dividend on the options that may be exercised by the employees under the Company's ESOP schemes), and 1,255,507 new ordinary (non-voting) shares credited as fully paid to Entitled Shareholders and which new shares shall rank equal and *pari passu* with the existing issued and fully paid ordinary (voting) and (non-voting) shares of the Company including the right to participate in any dividend which may be declared after the date of allotment of such shares".

(iii) Approval of an issue of ordinary (voting) and (non-voting) shares (Dividend Resolution No. 3):

Subject to the passing of the Ordinary Resolution set out in Dividend Resolution No. 1 above, to consider and if thought fit to pass the following resolution by way of a Special Resolution [To be passed by a separate vote of the ordinary (voting) shareholders and of the ordinary (non-voting) shareholders, respectively]:

THAT the proposed allotment and issue of 17,646,951 new ordinary (voting) shares [subject however to the necessary amendments being made to such number to include the dividend on the options that may be exercised by the employees under the Commercial Bank of Ceylon PLC (the 'Company') ESOP schemes] and 1,255,507 new ordinary (non-voting) shares credited as fully paid to Entitled Shareholders and which new shares shall rank equal and *pari passu* with the existing issued and fully paid ordinary (voting) and (non-voting) shares, respectively, of the Company including the right to participate in any dividend which may be declared after the date of allotment of such shares be and is hereby approved in pursuance of Section 99 of the Companies Act No. 07 of 2007 (as amended) and Article 10 of the Articles of Association of the Company; and

THAT accordingly the Company's management be and is hereby authorised to take all requisite statutory and procedural formalities in order to give effect to the aforesaid proposed issue of new ordinary (voting) and (non-voting) shares of the Company.

3. To re-elect/elect the following Directors who, in terms of the Company's Articles of Association, retire by rotation or otherwise as given below:
   (i) To re-elect Mr L D Niyangoda who retires by rotation in terms of Article 86 of the Articles of Association.
   (ii) To re-elect Ms D L T S Wijewardena who retires by rotation in terms of Article 86 of the Articles of Association.
   (iii) To elect Mr P Y S Perera who was appointed to the Board in terms of Article 92 of the Articles of Association.
4. (i) To re-appoint Messrs KPMG, Chartered Accountants, as recommended by the Board of Directors as the Company's Auditors for the financial year ending December 31, 2025; and
   (ii) To authorise the Board of Directors to determine the remuneration of the Auditors for the financial year ending December 31, 2025.
5. To authorise the Board of Directors to determine donations for the year 2025.

By Order of the Board of

Commercial Bank of Ceylon PLC,

R A P Rajapaksha

Company Secretary

March 05, 2025

Colombo

Notes:

(i) A duly registered and entitled holder of the Company's ordinary (voting) shares is entitled to attend, speak and vote at the AGM and is entitled to appoint a proxyholder to attend, speak, and vote in his/her stead.

(ii) A duly registered and entitled holder of the Company's ordinary (non-voting) shares is entitled only to attend and speak at the AGM and to vote only on the resolutions set out in items 2(ii) and 2(iii) of the Notice of Meeting. Such a shareholder is entitled to appoint a proxyholder to attend, and speak on his/her behalf and to vote only on the resolutions set out in items 2(ii) and 2(iii) of the Notice of Meeting.

(iii) A proxyholder need not be a shareholder of the Company.

(iv) A Form of Proxy is sent along with this Report.

(v) The Form of Proxy completed legibly should be forwarded to the Company, by facsimile on 011 233 2317 or email to companysecretary@combank.net or by post to Company Secretary, Commercial Bank of Ceylon PLC, 'Commercial House', No. 21, Sir Razik Fareed Mawatha, Colombo 01, not later than forty-eight (48) hours before the time appointed for the holding of the AGM.

Circular to the Shareholders on the First and Final Dividend for 2024

Dear Shareholder/s,

First and Final Dividend for the Year Ended December 31, 2024 to be Satisfied by the Allotment and Issue of New Shares.

The Board of Directors of the Commercial Bank of Ceylon PLC (the "Company"), is pleased to inform its Shareholders that, a first and final dividend distribution of Rs. 9.50 per each existing issued and fully paid ordinary (voting) and (non-voting) share has been recommended for the financial year ended December 31, 2024 for due declaration by the Shareholders at the Annual General Meeting ('AGM') to be held on Friday, March 28, 2025 (the date of the AGM) at 2.30 p.m. at the Galadari Hotel, 'Grand Ballroom', No. 64, Lotus Road, Colombo 01 and such dividend so declared will be paid out of the profits of the Company per the Audited Financial Statements for the financial year ended December 31, 2024, which would be subject to applicable government taxes.

The Board of Directors is confident that, the Company will be able to satisfy the solvency test set out in Section 57 of the Companies Act No. 07 of 2007 (as amended) ['CA 2007'] immediately post-payment of such dividend. A Certificate of Solvency has been provided by the Company's Auditors, Messrs KPMG, Chartered Accountants.

Subject to obtaining the approval of the Shareholders, the said dividend will be satisfied in accordance with a distribution scheme whereby:

(i) A cash distribution of Rs. 11,366,712,712.50 (subject to applicable government taxes) shall be made to the Entitled Shareholders of ordinary (voting) shares, inclusive of a regular cash dividend of Rs. 5.50 and a special* cash dividend of Rs. 2.00 per share. Additionally, a sum Rs. 713,146,335.00 (subject to applicable government taxes) shall be made to the Entitled Shareholders of ordinary (non-voting) shares, inclusive of a regular cash dividend of Rs. 5.50 and a special* cash dividend of Rs. 2.00 per share. The total dividend distribution to the Entitled Shareholders as of February 27, 2025, amounts to Rs. 12,079,859,047.50 (subject to applicable government taxes); and

**The special cash dividend is attributed to non-recurring profits recognised during the year.*

(ii) New ordinary (voting) and (non-voting) shares will be allotted and issued, in satisfaction of the remaining dividend entitlement, constituting a total sum of Rs. 3,221,295,746.00 (subject to applicable government taxes) based on the issued and fully paid ordinary (voting) and (non-voting) shares of the Company as at February 27, 2025 (subject however to necessary amendments being made to such sum to accommodate the dividend payable on the options that may be exercised by employees under the Company's ESOP schemes).

Accordingly, and in pursuance of the aforesaid distribution scheme, the Company proposes to issue:

(a) 17,646,951 number of new ordinary (voting) shares, calculated based on the issued and fully paid ordinary (voting) shares as at February 27, 2025 [subject however to necessary amendments being made to such number to include the dividend on the options that may be exercised by employees under the Company's ESOP schemes], and on the basis of their market value (closing price) as at end of trading on February 27, 2025; and

(b) 1,255,507 number of new ordinary (non-voting) shares calculated based on the issued and fully paid ordinary (non-voting) shares as at February 27, 2025 and on the basis of their market value (closing price) as at end of trading on February 27, 2025.

An announcement will be made by the Company three market days prior to the date of the AGM on the final number of ordinary (voting) and (non-voting) shares to be issued in satisfaction of the said dividend.

The said shares shall be issued in the following ratios to the Entitled Shareholders of the Company as defined below:

(a) 01 new fully-paid ordinary (voting) share for every 85.8823541245 existing issued and fully-paid ordinary (voting) shares calculated on the basis of the market value of the ordinary (voting) shares as at end of trading on February 27, 2025; and

(b) 01 new fully-paid ordinary (non-voting) share for every 75.7352830371 existing issued and fully-paid ordinary (non-voting) shares calculated on the basis of the market value of the ordinary (non-voting) shares as at end of trading on February 27, 2025.

The above share ratio is based on a value of Rs.146.00 per ordinary (voting) share and Rs. 128.75 per ordinary (non-voting) share (subject to applicable government taxes) as at end of trading on February 27, 2025. The Board of Directors is satisfied that the aforementioned values which constitute the consideration for which the new shares are to be allotted and issued is fair and reasonable to the Company and to all its existing Shareholders.

Entitled Shareholders

Shareholders entitled to participate in the said dividend are those who are duly registered in the Company's Share Register and also those shareholders whose names appear on the Central Depository Systems (Pvt) Ltd. ("CDS") as at end of trading on the Record Date [i.e. the second (2nd) market day from and excluding the date of the meeting] (the "Entitled Shareholders").

In calculating the number of shares held by a shareholder as at the relevant date for the proposed allotment and issue of new shares, the shareholding of the shareholder as appearing in the CDS and the Shareholders' Register maintained by the Registrars of the Company [i.e. SSP Corporate Services (Pvt) Ltd, No. 101, Inner Flower Road, Colombo 03] will not be aggregated. However, if a shareholder holds shares with multiple stockbrokers, the shares held with multiple stockbrokers will be aggregated for calculation purposes, and the shares arising as a result of the proposed issue and allotment of new shares will be uploaded proportionately to the respective CDS accounts held with each broker. The Company has obtained the approval in principle of the Colombo Stock Exchange ('CSE') for the proposed allotment and issue of new shares.

Residual Fractions of Shares

The residual fractions arising from the aforementioned allotment and issue of new ordinary (voting) and (non-voting) shares, respectively, will be aggregated and the shares arising consequent thereto will, subject to receiving the approval of the Shareholders therefore, be allotted to Trustees to be nominated by the Board of Directors. The Trustees so nominated, will hold the said shares in trust until such shares are sold by the Trustees on the trading floor of the CSE. The net sale proceeds arising there from shall, subject to receiving the approval of the Shareholders therefore, be distributed to a charity/charities approved by the Board of Directors. The sale of such shares will be effected by the Company within a reasonable period of time, following the date on which the approval of the Shareholders has been obtained in this regard.

Residual fractions of ordinary (voting) and (non-voting) shares above-mentioned shall mean the above-mentioned fractions arising after applying the following formulas, respectively:

For voting shareholders –

$$\frac{\text{Number of shares held by a shareholder as at end of trading on the Record Date X 1}}{85.8823541245}$$

For non-voting shareholders –

$$\frac{\text{Number of shares held by a shareholder as at end of trading on the Record Date X 1}}{75.7352830371}$$

Status of the New Shares

The new ordinary (voting) and (non-voting) shares to be so issued, immediately consequent to due allotment thereof to the Entitled Shareholders, shall rank equal and *pari passu* in all respects with the existing issued and fully paid ordinary (voting) and (non-voting) shares, respectively, of the Company.

Listing Approval

An application has been made to the CSE for listing the new ordinary (voting) and (non-voting) shares on the official list of the CSE. This application has been approved 'in principle' by the CSE.

Shareholder Approvals

The proposed method of satisfying the above mentioned first and final dividend is subject to Shareholders granting approval therefore by passing the resolutions set out in the attached Notice of Meeting pertaining to the following matters:

- Authorisation to satisfy the first and final dividend by an allotment and issue of new shares:

Article 124 of the Company's Articles of Association provides, in effect, that, subject to the provisions of CA 2007, the Board is empowered to pay a dividend or otherwise make a distribution in whole or in part by the distribution of specific assets and in particular of paid up shares. In pursuance of principles of transparency, the Board seeks the authorisation of Shareholders for the satisfaction of the first and final dividend by the issue of new ordinary (voting) and (non-voting) shares in the manner set out above. The relevant ordinary resolution to be passed by the Shareholders in this regard is set out in item 2(i) of the attached Notice of Meeting.

- Waiver of pre-emption rights to new share issues [Article 9A]:

In terms of Article 9A of the Company's Articles of Association, any issue of shares beyond 500,000 shares must be first offered to the Shareholders in proportion to their holding at the time of the offer, unless otherwise authorised by an ordinary resolution of the Company.

As mentioned previously, the first and final dividend is proposed to be satisfied, by the allotment and issue of new ordinary (voting) and (non-voting) shares in the manner set out above and on the above-mentioned application of the above-mentioned share proportion. The said allotment and issue of new shares would accordingly be in excess of 500,000 shares. As such, the authorisation of Shareholders is sought under and in terms of the above-mentioned Article 9A for the waiver by Shareholders of their pre-emption rights to the new shares to be issued exceeding 500,000 ordinary (voting) and (non-voting) shares. The relevant ordinary resolution to be passed by the Shareholders in this regard is set out in item 2(ii) of the attached Notice of Meeting.

- Alteration of Shareholder Rights [Section 99 of the CA 2007 and Article 10 of the Articles of Association]:

The Company is required, in compliance with the above provisions, to seek Shareholder approval by way of a special resolution for the proposed method of satisfaction of the first and final dividend by an allotment and issue of new ordinary (voting) and (non-voting) shares in the manner set out above. The relevant special resolution to be passed by the Shareholders in this regard is set out in item 2(iii) of the attached Notice of Meeting.

Confirmation of Compliance

The Board of Directors hereby confirms that the allotment and issue of new shares is in compliance with the Articles of Association of the Company, the Listing Rules of the CSE and the provisions of the CA 2007.

Allotment of the New Shares

The Board of Directors emphasises that the aforementioned allotment and issue of new shares is in satisfaction of the first and final dividend for the year ended December 31, 2024 and shall be dependent on and subject to the Shareholders passing the requisite resolutions.

Uploading of Shares in to CDS Accounts

In the event that the requisite resolution declaring the dividend (including its manner of satisfaction thereof) by way of the issue and allotment of new shares is passed by the Shareholders, the accounts of the Shareholders whose shares are deposited in the CDS would be directly uploaded with the new shares to the extent that such Shareholder has become entitled thereto.

The shares would be uploaded within five (05) market days from and excluding the Record Date. If a Shareholder holds multiple CDS accounts, the total entitlement will be directly deposited to the respective CDS accounts proportionately. Pursuant to a Direction issued by the Securities and Exchange Commission of Sri Lanka ("SEC") pertaining to the de-materialisation of listed securities, the Shareholders who hold shares in scrip form (i.e. Share Certificates) as per the Share Register maintained by the Registrars of the Company, will not be issued Share Certificates for the new shares allotted and issued in their favour. Such Shareholders are accordingly requested to open an account with the CDS and to deposit their Share Certificates in the CDS prior to the date of the AGM of the Company. This will enable the Company to deposit the new shares directly into the Shareholder's CDS Account.

If a Shareholder fails to deposit his/her existing ordinary (voting) and/or (non-voting) shares in the CDS prior to the date of the AGM, such Shareholder's entitlement of new ordinary (voting) and/or (non-voting) shares will be deposited by the Company after such Shareholder has opened a CDS Account and has informed the Company's Registrars in writing of his/her CDS account number. Until such CDS account is opened by a Shareholder as aforementioned, the new ordinary (voting) and (non-voting) shares that are allotted in his/her favour will be registered in such shareholder's account in the Share Register maintained by the Registrars of the Company. Consequent to the opening of the CDS account by such Shareholder, the new shares will be credited to such CDS account. Direct uploads pertaining to written requests received from Shareholders to deposit such shares will be done on a weekly basis.

Annual General Meeting ("AGM")

Attached hereto is the Annual Report comprising the Notice convening the AGM for March 28, 2025 and setting out in item 2 thereof, the relevant resolution to be passed by the Shareholders in the above regard.

Form of Proxy

Shareholders who are unable to attend the AGM in person are entitled to appoint a proxy to attend and speak and also vote on their behalf, depending on their voting rights. If you wish to appoint such a proxy, kindly complete and return the enclosed Form of Proxy (in accordance with instructions specified therein) to the Company by facsimile on 011 233 2317 or email to companysecretary@combank.net or by post to Company Secretary, Commercial Bank of Ceylon PLC, "Commercial House", No. 21, Sir Razik Fareed Mawatha, Colombo 01, not later than forty-eight (48) hours before the time appointed for the holding of the AGM.

Yours faithfully,

By Order of the Board of

Commercial Bank of Ceylon PLC,

R A P Rajapaksha
Company Secretary

March 05, 2025

Colombo

Notice of Meeting – Extraordinary General Meeting

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Commercial Bank of Ceylon PLC ("the Bank") will be held immediately after the conclusion of the Annual General Meeting ("AGM") which has been convened for March 28, 2025 at 2.30pm at the Galadari Hotel, "Grand Ballroom", No. 64, Lotus Road, Colombo 01 for the following purposes:

1. To consider and if thought fit to pass the following resolution by way of a Special Resolution pertaining to the approval of the proposed issue of Debentures in terms of Rule 2.2.1.m. of the Listing Rules of Colombo Stock Exchange (To be passed by the Ordinary Voting Shareholders):

   THAT the Board of Directors (the "Board") of Commercial Bank of Ceylon PLC (the "Bank") be and is hereby authorised:

   i. To issue and allot up to One Hundred and Fifty Million (150,000,000) fully paid, Basel III Compliant – Tier 2 Listed Rated Unsecured Subordinated Redeemable Green Bonds ("Bonds") with a Non-Viability Conversion feature at such interest rates as may be determined by the Board at the time of issue at a par value of Rs. 100/- each for tenures of 5 years, 7 years and 10 years and that Ordinary Voting Shares of the Bank be issued to the holders of such Bonds to the extent of the amounts due and payable on such Bonds (i.e. capital sum paid on the Bonds plus interest accrued and unpaid) in the event the Governing Board of the Central Bank of Sri Lanka determines that a Trigger Event which warrants the conversion of Bonds to Ordinary Voting Shares as defined in the Circular to Shareholders dated March 05, 2025 pertaining to the proposed issue of Bonds has occurred; and

   ii. To issue upon the occurrence of a Trigger Event, Ordinary Voting Shares to the holders of the Basel III compliant Green Bonds at the Conversion Price with such price being determined based on the simple average of the daily Volume Weighted Average Price of an Ordinary Voting Share of the Bank as published by the Colombo Stock Exchange during the three (03) month period immediately preceding such Trigger Event;

   iii. To issue upon the occurrence of a Trigger Event such Ordinary Voting Shares to the holders of the Bonds on the aforesaid basis in lieu of the amounts due and payable on the relevant Bonds (i.e. capital sum paid on the Bonds plus outstanding interest) without such Shares being offered in the first instance to the then existing Ordinary Voting Shareholders of the Bank *pari passu* to their shareholding subject to regulatory approvals from, namely, the Central Bank of Sri Lanka and the Colombo Stock Exchange. Such Ordinary Voting Shares arising from the Non-Viability Conversion will be listed on the Colombo Stock Exchange.

2. Subject to the passing of the Special Resolution set out under Resolution No.1 above, to consider and if thought fit to pass the following resolution by way of an Ordinary Resolution pertaining to the waiver of pre-emptive rights (To be passed by the Ordinary Voting Shareholders):

   THAT the pre-emptive right to a new issue of Shares provided for by Article 9 A of the Articles of Association of Commercial Bank of Ceylon PLC (the "Bank"), be and is hereby waived in respect of the relevant number of Ordinary Voting Shares to be issued by the Bank to the holders of the said fully paid, Basel III Compliant - Tier 2 Listed Rated Unsecured Subordinated Redeemable Green Bonds ("Bonds") with a Non-Viability Conversion feature, to the extent of the amounts due and payable on such Bonds (i.e. capital sum paid on the Bonds plus outstanding interest) in the event the Governing Board of the Central Bank of Sri Lanka determines that a Trigger Event which warrants the conversion of Bonds to Ordinary Voting Shares as defined in the Circular to Shareholders dated March 05, 2025 pertaining to the proposed issue of Bonds has occurred, which Shares shall be issued at the Conversion Price determined based on the simple average of the daily Volume Weighted Average Price of an Ordinary Voting Share of the Bank as published by the Colombo Stock Exchange during the three (03) month period immediately preceding such Trigger Event.

3. Subject to the passing of the Special Resolution set out under Resolution No.1 above, to consider and if thought fit to pass the following resolution by way of a Special Resolution by both the Ordinary Voting Shareholders as well as the Ordinary Non-Voting Shareholders in order to obtain approval for the issuance of Ordinary Voting Shares in pursuance of Article 10 of the Articles of Association of the Bank and Section 99 of the Companies Act No.07 of 2007 (as amended):

   THAT the prospective allotment and issue of new Ordinary Voting Shares by Commercial Bank of Ceylon PLC (the 'Bank') to the holders of the said fully paid, Basel III Compliant – Tier 2 Listed Rated Unsecured Subordinated Redeemable Green Bonds ("Bonds") with a Non-Viability Conversion feature, to the extent of the amounts due and payable on such Bonds (i.e. capital sum paid on the Bonds plus outstanding interest) which will be effected in the event the Governing Board of the Central Bank of Sri Lanka determines that a Trigger Event which warrants the conversion of Bonds to Ordinary Voting Shares as defined in the Circular to Shareholders dated March 05, 2025 pertaining to the proposed issue of Bonds has occurred, which Shares shall be issued at the Conversion Price and credited to the holders of the Bonds as fully paid Ordinary Voting Shares which shall rank equal and *pari passu* with the then existing issued and fully paid Ordinary Voting Shares of the Bank including the right to participate in any dividend which may be declared after the date of allotment of such Shares be and is hereby approved in pursuance of Section 99 of the Companies Act No. 07 of 2007 (as amended) and Article 10 of the Articles of Association of the Bank.

By order of the Board of
Commercial Bank of Ceylon PLC

R A P Rajapaksha
Company Secretary

Colombo

March 05, 2025

Circular to Shareholders Pertaining to the Proposed Issue of BASEL III Compliant Green Bonds

THIS DOCUMENT IS OF VALUE – If you are in any doubt as to the action you should take, you should consult your stockbroker or other professional adviser immediately.

Dear Shareholder/s,

The Commercial Bank of Ceylon PLC (the “Bank”) made a profit of Rs. 54, 074 Mn. (Group Rs. 55,686 Mn., as per the Audited financial statements) for the year ended December 31, 2024. Total shareholders’ funds improved to Rs. 275,262 Mn. (Group Rs. 285,819 Mn., as per the Audited Financial Statements) as of December 31, 2024 from Rs. 214,931 Mn. (Group Rs. 224,974 Mn., as per the audited financial statements) as of December 31, 2023. Figures shown herein are extracted from published Financial Statements.

The Board of Directors of the Bank, having identified the need to strengthen the Tier 2 Capital of the Bank as per Basel III requirements and in order to facilitate expansion of the Green Lending Portfolio, pursuant to a resolution, adopted on January 30, 2025, decided to initiate, and also to recommend to shareholders,

AN ISSUE OF BASEL III COMPLIANT – TIER 2 LISTED RATED UNSECURED SUBORDINATED REDEEMABLE 5 YEAR, 7 YEAR AND 10 YEAR GREEN BONDS WITH A NON-VIABILITY CONVERSION TO ORDINARY VOTING SHARES TO BE ISSUED BY THE BANK, SOLELY IF INSTRUCTED TO DO SO BY THE GOVERNING BOARD OF THE CENTRAL BANK OF SRI LANKA ON OCCURRENCE OF A TRIGGER EVENT.

The proposed issue is to raise a sum of Rupees Ten Billion (Rs. 10,000,000,000/-) through the issuance of up to One Hundred Million (100,000,000) Basel III Compliant - Tier 2 Listed Rated Unsecured Subordinated Redeemable Green Bonds with a Non-Viability Conversion feature, each with a par value of Rs. 100/-, with an option to raise up to a further Rupees Five Billion (Rs. 5,000,000,000/-) through the issuance of up to a further Fifty Million (50,000,000) Green Bonds, each with a par value of Rs. 100/- in the event of an over-subscription of the initial issue (hereinafter collectively called the “Green Bonds” or “Bond Issue”). Based on the asset value referred to in Section 6 hereof, the proposed issue does not constitute a major transaction for the Bank as defined in Section 185 of the Companies Act No. 07 of 2007 (as amended).

The proposed Green Bonds will be redeemed after 5 years, 7 years and 10 years from the date of allotment of such Bonds and the principal sum and accrued interest (if any) payable on the redemption of such Green Bonds will be paid not later than three (03) market days from the date of redemption, unless a Trigger Event occurs as described in this circular.

The proposed issue of Green Bonds is subject to the approval of the Colombo Stock Exchange and the Central Bank of Sri Lanka and are to be issued under rules and regulations promulgated by the Colombo Stock Exchange and the Central Bank of Sri Lanka, including guidelines issued in relation to Basel III compliance in the Banking Act Directions No. 1 of 2016 issued by the Central Bank of Sri Lanka as may be amended from time to time.

The Bank is in the process of obtaining an expected Rating from Fitch Ratings Lanka Limited for the proposed Bond Issue. The final rating for the proposed Bond Issue with a convertibility feature in compliance with Basel III requirements will be issued by Fitch Ratings Lanka Limited. Issuance of this rating will be subject to the adoption of a Special Resolution by the Shareholders of the Bank, at the Extraordinary General Meeting (EGM) that is being convened, and receipt of approval of the Central Bank of Sri Lanka (CBSL). The final Rating Report will be incorporated in the Green Bond Prospectus.

1. OBJECTIVES OF THE PROPOSED BOND ISSUE

The Bank expects to use the funds raised through the Green Bonds to strengthen Tier 2 capital of the Bank and to expand the Green Lending portfolio of the Bank by extending new green lending facilities and refinancing of eligible green projects with a look-back period of no longer than three years from the date of allotment of the Green Bonds. Out of the proceeds from the Green Bond Issue, the Bank will allocate up to a maximum of 50% of the funds for refinancing of eligible green projects.

Funds raised through this Bond Issue are expected to improve the Capital Adequacy of the Bank. The medium to long term duration of the Bonds and the subordinated nature of the instrument issued in compliance with Basel III requirements will enable the Bank to strengthen the Tier 2 Capital Base as per Basel III requirements. Approval will be obtained from the Central Bank of Sri Lanka to include the Basel III compliant Green Bonds under Tier 2 capital.

Since the Green Bonds proposed to be issued are of a medium to long term nature, being of tenures of 5, 7 and 10 years, the raising of funds through Green Bonds can be expected to reduce the mismatch between medium to long term Green Loans which are funded by short-term liabilities.

The Bank intends to use the proceeds of the Bond Issue exclusively for financing or re-financing green projects as defined in the Sustainable Bond Framework of the Bank [which is in line with the Principles issued by the International Capital Markets Association with regard to Green and Blue Bonds (ICMA)], and thereby expand the Bank’s Green Lending portfolio in the ordinary course of business over a period of twelve (12) months. Considering the Bank’s current Green Lending activities, there are sufficient projects which qualify as green projects as defined in the Sustainable Bond Framework of the Bank. The Bank’s average monthly rupee disbursements of the Green Lending Portfolio for the three months ended December 31, 2024 stood at Rs. 28.62 Bn. Therefore, it is unlikely that the Bank would not be able to lend the Bond proceeds within a period of twelve (12) months.

The Bank as at date of this circular has not recognised related parties for the lending of the Bond proceeds and therefore plans to disburse the Bond proceeds in the ordinary course of business. However, in the event the Bank lends funds raised through this Bond Issue to related parties, the Bank will comply with the requirements stipulated under Section 9 of the Colombo Stock Exchange (CSE) Listing Rules (as applicable). Further, in the event these Bonds are allotted to related parties, the Bank shall comply with all applicable laws/ regulations in this regard.

Current Capital Adequacy Status

The Bank is in compliance with the Basel III requirements as at December 31, 2024.

Current CAR* position of the Bank as at 31.12.2024 (as per the unaudited financial statements)		18.142%
Minimum CAR requirement to be maintained as at 31.12.2024 as per the Banking Act Directions No. 01 of 2016		14.000%
Expected CAR position, subsequent to the Basel III compliant Green Bond Issue	As at 31.12.2024 with Rs. 10 Bn.	18.777%
	As at 31.12.2024 with Rs. 15 Bn.	19.094%

**CAR = Capital Adequacy Ratio*

The minimum Capital Adequacy requirements under Basel III are as follows:

Components of Capital	Banking Act Directions No. 01 of 2016
Common Equity Tier 1 Capital with Buffers (CCB** & Surcharge on D-SIB***)	8.500%
Total Tier 1 Capital with Buffers (CCB & Surcharge on D-SIB)	10.000%
Total Capital Ratio (Tier 1 + Tier 2) with Buffers (CCB & Surcharge on D-SIB)	14.000%

*** CCB = Capital Conservation Buffer*
**** D-SIB = Domestic Systemically Important Banks*

Bank is in compliance with the Basel III minimum Capital Adequacy requirement as at December 31, 2024.

Further the Bank has decided to raise additional capital in order to accommodate future growth. As such, the subordinated funds raised through this Bond Issue in compliance with requirements under Basel III, are expected to further improve the Capital Adequacy Ratio of the Bank by increasing its Tier 2 Capital base thus strengthening its Total Eligible Capital as per Basel III requirements.

2. PROPOSED ISSUANCE OF BASEL III COMPLIANT GREEN BONDS

Regulatory aspects regarding Basel III compliant Subordinated Green Bonds.

As per Banking Act Directions No. 1 of 2016 issued by the Central Bank of Sri Lanka, subordinated debt issued by licensed commercial banks needs to be compliant with Basel III requirements effective from July 1, 2017 in order to qualify as Tier 2 Capital. According to Basel III guidelines, all subordinated debt issuance should have either a conversion feature allowing conversion to equity or a write-down feature. The Bank is therefore of the view that a Non-Viability Conversion feature should be included in the proposed Bonds, and that such conversion, if applicable, should be to Ordinary Voting Shares of the Bank upon occurrence of a Trigger Event.

The conversion of Bonds to Ordinary Voting Shares will be in accordance with the applicable laws and regulations of Sri Lanka and the new shares will, subject to the approval of the Colombo Stock Exchange, be listed and will be subject to the instructions of the Central Bank of Sri Lanka with regard to application of the Single Holder Limit at the time of conversion of the Bonds in to Ordinary Voting Shares of the Bank.

Regulatory aspects regarding Green Bonds

- The utilisation of the Tier 2 Green Bond Proceeds shall be restricted to the Green Lending activities.
- As per the current Listing Requirements related to Sustainable Bonds, the Bank should adhere to at least one of the following International Sustainable Bond Standards,
  - Principles issued by the International Capital Markets Association with regard to Green and Blue Bonds (ICMA)
  - The European Green Bond Standard (EUGBS)
  - Climate Bonds Initiative Standards (CBI Standards)

The Bank's Sustainable Bond Framework adheres to ICMA principles.

- Further, the Bank shall appoint an Independent External Verifier to provide the following.
  - **Pre issuance – External Verification**
    As per the CSE Listing Rule 2.2.1 (l) (c), the Bank is required to obtain an independent Assurance Statement on its Sustainable Bond Framework from an Independent External Verifier prior to the issue. The Bank is currently in the process of obtaining an independent Assurance Statement from an Independent External Verifier to comply with the said Listing Rule of the CSE.
  - In addition, the Bank has already obtained a Second Party Opinion (SPO) for the Sustainable Bond Framework. Therefore, in a situation where the prevailing CSE Listing Rules at that time recognise SPO as an external verification, the Bank will be in a position to proceed with the Green Bond Issue without obtaining a pre issuance independent Assurance Statement.
  - **Post Issuance – Periodic External Verifications**

    Following the successful issuance of the Green Bond, the Bank is required to obtain external verifications on the periodic post issuance reports in connection with the Green Bond such as allocation reports and impact reports.

The issue of Green Bonds is governed under Sustainable Bond Framework of the Bank that adheres to the ICMA principles.

Note – As per the Banking Directions Act No 01 of 2016, the investors of the Basel III compliant Green Bonds have no rights to accelerate the repayment of future scheduled payments (either coupon or principal), except in bankruptcy and liquidation of the bank. Therefore, CSE Listing Rule 7.12.3 A II (d) (payment of maturity proceeds to dissenting bondholders) or any other Rule which could accelerate the repayment of future scheduled payments or any other Sustainable Bond features (or Green Bond features, depending on the prevailing terminology in the CSE

Listing Rules at such point of time) that are non-consistent with CBSL requirements that are specific to Basel III compliant debentures shall not be applicable to these Basel III compliant Green Bonds.

3. BENEFITS FOR THE BANK AND ITS SHAREHOLDERS THROUGH ISSUING BASEL III COMPLIANT GREEN BONDS

(a) Issuance of Basel III compliant Green Bonds will improve the capital adequacy ratios of the Bank.

(b) The funds raised through the proposed Green Bond Issue being of a medium to long-term nature will reduce maturity mismatches in the assets and liabilities portfolios of the Bank.

(c) Issuance of Basel III compliant Green Bond will raise funds for expansion of the Green Lending portfolio.

(d) Upon the occurrence of a Trigger Event, any outstanding balance of these Green Bonds including the total par value of the Green Bonds and Green Bond interest accrued and unpaid as at that date will be converted to Ordinary Voting Shares of the Bank. As a result, the Non-Viability Conversion has the effect of acting as a buffer by reducing outstanding claims from liability holders (Green Bond holders) in the event of an occurrence of a Trigger Event.

(e) Voting rights of the then existing Ordinary Voting Shareholders are not altered as long as the Non-Viability Conversion Bonds are not converted into Voting Shares of the Bank, and to the extent that a Trigger Event does not occur, the issuance of these Green Bonds is a suitable instrument to improve capital adequacy and fund growth without resorting to a new issue of equity.

(f) Expand the Green Lending portfolio and will support the Bank's efforts on sustainable initiatives while strengthening the brand image with regards to the same aspect.

4. ISSUANCE OF BASEL III COMPLIANT GREEN BONDS

In order for the Bonds to be recognised as Tier 2 Capital of the Bank under Basel III as described in the Banking Act Directions No. 1 of 2016 issued by the Central Bank of Sri Lanka, the Bonds are required to have the following minimum features:

- Issued and fully paid in cash
- Listed on a recognised stock exchange
- Redeemable
- Subordinated to the claims of depositors and general creditors
- Unsecured and not covered by a guarantee or any other arrangement that legally or economically enhances the seniority of the claim above the depositors and general creditors of the Bank.
- Issued with the prior approval from the Central Bank of Sri Lanka for inclusion in Tier 2 Capital
- A minimum tenure of 5 years
- Rated by an acceptable Rating Agency
- Have a feature through which, in the event that the Central Bank of Sri Lanka determining that it is appropriate and in the best interest of the Bank and therefore so directs the Bank to convert the Bonds into Ordinary Voting Shares of the Bank such that through issuance of these new Ordinary Voting Shares the new shares issued will cover the total outstanding under the Bonds (resulting from the "Trigger Event" referred to in this circular).
- The investors in the Bonds have no rights to accelerate the repayment of future scheduled coupons, except in bankruptcy and liquidation of the Bank.
- Neither the Bank nor a banking group over which the Bank exercises control or significant influence can have purchased the instrument and the Bank cannot directly or indirectly have funded the purchase of the instrument.

In order for the Bonds to be recognised as Green Bonds, the proceeds shall be used exclusively for financing or re-financing green projects that generate climate and other environmental benefits (i.e., must be utilised for the Bank's Green Lending activities). Therefore, unlike a conventional Tier 2 Bond, proceeds raised through the Green Bond cannot be utilised for other lending portfolios.

The Bank may consider allotting up to seventy-five per centum (75%) of the issue value on a preferential basis to identified Qualified Investors of strategic importance.

5. ELIGIBLE INVESTORS FOR BASEL III COMPLIANT GREEN BONDS

Investment and trading in Basel III compliant Green Bonds will be limited to Qualified Investors, as per Colombo Stock Exchange Listing Rule No. 2.2.1 (n) and as defined in the Definitions section of the Listing Rules as "Qualified Investor".

A Qualified Investor for the purpose of determining eligibility to invest in issuances of Basel III compliant Green Bonds shall be:

- A commercial bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act No. 30 of 1988 (as amended)
- A specialised bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act No. 30 of 1988 (as amended)
- A mutual fund, a pension fund, Employee Provident Fund or any other similar pooled fund
- A venture capital fund/company and private equity company
- A finance company licensed by the Central Bank of Sri Lanka in terms of the Finance Business Act No. 42 of 2011 (as amended)
- A company licensed by the Central Bank of Sri Lanka to carry on finance leasing business under the Finance Leasing Act No. 56 of 2000 (as amended)
- A company licensed by the Insurance Board of Sri Lanka to carry on insurance business in terms of the Regulation of Insurance Industry Act No. 43 of 2000 (as amended)
- A corporate (listed or unlisted) which does not fall under the above categories and is incorporated under the Companies Act No. 07 of 2007 (as amended)
- An investment trust or investment company
- A non-resident institutional investor
- An individual with an initial investment of Rs. 5,000,000/-

6. SPECIFIC RISKS CONSIDERING THE OBJECTIVES OF THE ISSUE

Since the proposed total Green Bond Issue is to raise up to Rs. 15 Bn. which is a relatively small amount as compared to the overall assets of Rs. 2,789.78 Bn. and liabilities of Rs. 2,514.52 Bn. of the Bank as at December 31, 2024 (as per the audited financial statements), there is no specific risk factor that may lead to non-achievement of the objectives as per the stipulated timelines, since the reliance on the Green Bond proceeds for asset growth is marginal. However, an adjustment in asset growth and in maturity mismatch reduction may result to the extent that capital adequacy is not improved due to an under-subscription of the issue.

Until full disbursement of the Bond proceeds, the funds raised through the Bond Issue will be invested in Short Term Securities. Such investments in Short Term Securities are expected to generate an average return of 7.5% p.a. at current market rates. In the event the funds are not utilised for the Objective of the issue, Bonds shall cease to be recognised as Green Bonds as per Rule 7.12.3 (A) (II) (f) of the CSE Listing Rules. As per the Banking Directions Act No 01 of 2016, the investors of the Basel III compliant Green Bonds have no rights to accelerate the repayment of future scheduled payments (either coupon or principal), except in bankruptcy and liquidation of the Bank. Therefore, CSE Listing Rule 7.12.3 A (II) (d) (payment of maturity proceeds to dissenting bondholders) or any other Rule which could accelerate the repayment of future scheduled payments shall not be applicable to these Basel III compliant Green Bonds.

In the event the proposed Bond Issue is under-subscribed, the Bank may have to adjust asset growth to comply with Basel III requirements. However, under-subscription is not envisaged since there has been reasonable demand for recent Bond Issues of the Bank. No further Shareholder approval will be needed in the event the proposed Bond Issue is not fully subscribed for or if the timelines stated above are amended as thought fit by the Bank.

7. CONTINUING DISCLOSURE REQUIREMENTS

The Bank undertakes to disclose the progress of the utilisation of the proceeds of the proposed Bond Issue in the Annual Report/s and future interim Financial Statements until funds raised through the proposed Bond Issue are fully utilised. The format of the relevant disclosures to be made shall be disclosed in the Prospectus.

Reporting requirements as per the Bank's Sustainable Bond Framework

Allocation reporting

The Bank intends to make and keep readily available sustainable bond reporting after a year from the issuance, to be renewed annually until full allocation. Bank intends to report the allocation of the sustainable bond proceeds to the sustainable loan portfolio, at least at the category level and on an aggregated basis for all the Bank's sustainable bonds and also impact created by sustainable bond proceeds. The Bank will publish a Green/Sustainable bond report on Bank's website and the Bank may aim at aligning the timing of Sustainable Bond report/information with other investor directed publications such as Annual Report.

The Green Bond report will include (but not limited to) the following:

(a) The amount of net proceeds allocated to each green project/social project either individually or by category, subject to confidentiality consideration.

(b) Expected impact metrics, where feasible

(c) The outstanding amount of net proceeds to be allocated to eligible green projects/ social project at the end of the reporting period

(d) Types of temporary investment instruments for the balance of unallocated proceeds

Impact reporting

Wherever applicable for impact reporting, this framework will be guided by the ICMA handbook on "Harmonised Framework for Impact Reporting". An indicative list of impact indicators is depicted below:

Potential impact metrics

Project Category	Example
Renewable Energy	Annual GHG emissions reduced/avoided in tonnes of CO_2 equivalent
Clean Transportation	Annual GHG emissions reduced/avoided in tonnes of CO_2 equivalent Number of low carbon emission vehicles deployed
Green Buildings	Number of buildings funded Levels of certifications by buildings funded
Environmental Infrastructure and Services	Number of water treatment services funded Number of transportation systems funded
Assistance for housing needs	Number of units funded
Essential Services	Number of healthcare facilities funded Number of education institutions funded

The Bank shall comply with the applicable reporting requirements of the CSE Listing Rules, namely the CSE Listing Rule 7.6 (xviii) and 7.12.3 A (I).

8. TERMS AND METHOD OF CONVERSION

Occurrence of "Trigger Event"

A "Trigger Event" is determined by and at the sole discretion of the Governing Board of the Central Bank of Sri Lanka (i.e. conversion of the said Bonds upon occurrence of the Trigger Event will be effected by the Bank solely upon being instructed by the Governing Board of the Central Bank of Sri Lanka), and is defined in the Banking Act Directions No. 1 of 2016 of Web Based Return Code 20.2.3.1.1.1(10) (iii) (a & b) as a point/ event being the earlier of:

(A) "A decision that a write-down, without which the Bank would become non-viable, is necessary, as determined by the Governing Board of the Central Bank of Sri Lanka.

(B) The decision to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by the Governing Board of the Central Bank of Sri Lanka"

The Banking Act Directions No. 1 of 2016 dated December 29, 2016, on the web based returns specify in index reference 20.2.3.1.1.1.(10) (i) that, for such Bonds to be qualified as Tier 2 Capital (under Basel III guidelines) they should have a convertibility clause which enables the Bonds to be converted to Ordinary Shares on the occurrence of a Trigger Event. Furthermore, the Bank is of the view that any conversion of debt to equity upon conversion should have the same rights and privileges of the then existing Ordinary Voting Shareholders (ranking equal and *pari passu* with the then existing Ordinary Voting Shares) and hence consider it appropriate to effect conversion of the proposed Bonds to Ordinary Voting Shares.

The Bank on receipt of a Trigger Event notification from the Governing Board of the Central Bank of Sri Lanka will immediately make a market announcement of such notification and thereafter announce the "price" and "dates" (such as the Trigger Event date and the date of allotment) pertaining to the pending conversion of Bonds to Ordinary Voting Shares.

Conversion Ratio

Upon the occurrence of the Trigger Event, the Bank shall be required and entitled to issue and allot within twenty (20) days, Ordinary Voting Shares of the Bank ranking equal and *pari passu* with the then existing Ordinary Voting Shares, to the Bond holders up to the outstanding balance of such Bonds, including the total par value of the Bonds and the Bond interest accrued and unpaid. This will be at a conversion price which will be based on the simple average of daily Volume Weighted Average Price of Ordinary Voting Shares of the Bank as published by the Colombo Stock Exchange, during the three (3) month period, immediately preceding the date of the Trigger Event. The Central Depository System (CDS) upload pertaining to Ordinary Voting Shares will be completed within ten (10) market days from the date of allotment of such Ordinary Voting Shares. In the event if any Bond holder being entitled to a fractional allotment of an Ordinary Voting Share on such issuance and allotment, the Bank shall settle the resulting sums in cash, based on the conversion price within fourteen (14) market days from the date of allotment of the said Ordinary Voting Shares.

Conversion and Trigger

The Bank has decided to use the simple average of the daily Volume Weighted Average Price (VWAP) as indicated above due to its practicality and equitability to all shareholders as a pricing formula for conversion. This formula takes into account the market price over a three (03) month period preceding the date of the Trigger Event thereby lessening the impact of short-term price volatility and the volume impact in pricing. Due to the formula being applied using publicly available data published by the Colombo Stock Exchange, there is a high degree of transparency that results from the adoption of this method.

Ordinary Voting Shares arising from the Non-Viability Conversion will be listed on the Colombo Stock Exchange.

If there is an issuance of Ordinary Voting Shares to the Bond holders upon the occurrence of the Trigger Event, a Bond holder would cease to be a Bond holder and would become a Shareholder of the Bank to the extent of such issuance and will rank equal and *pari passu* with the then existing Ordinary Voting Shareholders with Voting rights after the allotment of new shares to such Shareholders (being the previous Bond holders) and will rank superior to the Ordinary Non-Voting Shareholders in respect of the voting rights attaching to the shares issued upon conversion.

Subsequent to the Bond holders becoming Shareholders of the Bank, due to the occurrence of the Trigger Event and the resultant conversion, they would be entitled to exercise such rights as are exercisable by the other Shareholders of the Bank holding Ordinary Voting Shares. Once the conversion of Bonds is concluded, the Bonds will cease to exist.

Dilution of Shareholding upon a Conversion of Bonds

In the event of conversion to Ordinary Voting Shares, there would be a dilution of the then existing shareholding percentage held by the then existing Shareholders. However, the extent of the dilution will be dependent on several factors that cannot be determined at this point, as indicated below:

The number of shares to be issued resulting from such a conversion will be determined by the "Conversion Price" at the "Trigger Point" as detailed below.

There will be a dilution impact on the shareholdings of the existing Shareholders.

- If the simple average of the daily Volume Weighted Average Price (VWAP) at the point of conversion is low compared to the prevailing share price, it would result in the allocation of a comparatively higher number of Ordinary Voting Shares by the Bank to the Bond holders, which will dilute the shareholding of existing Shareholders.
- If the simple average of daily Volume Weighted Average Price (VWAP) at the point of conversion is high compared to the prevailing share price, it would result in the allocation of a comparatively lower number of Ordinary Voting Shares by the Bank, which will dilute the shareholding of existing Shareholders to a lesser extent than in the former instance described above.
- In order to avoid dilution of the shareholding of the then existing Shareholders due to a conversion, in the event of there being a likelihood of the occurrence of the Trigger Event, prior to conversion of the said Bonds into Ordinary Voting Shares, the then existing Shareholders will be first called upon to infuse additional share capital and if such infusion is not forthcoming, the proposed Green Bond (i.e. Tier 2 Capital) will get converted in to Ordinary Voting Shares of the Bank upon the determination of the "Non-Viability" point by the Governing Board of the Central Bank of Sri Lanka and upon instructions being issued to the Bank in this regard.
- The extent of dilution of the then existing Shareholders will have to be determined by reference to the number of shares that are in issue at the time of such a conversion. The number of shares that are in issue at the time of a conversion can vary during the tenure of the Bonds due to the issuance of new shares by way of scrip dividends, rights issues, capitalisation of reserves, Employee Share Option Plan schemes and/or any other relevant corporate action.

Pre-emptive Subscription Rights

Waiver of pre-emptive rights

In keeping with the Central Bank regulation, it is the Bank's intention to obtain Shareholder approval for the issuance of Ordinary Voting Shares [which may be required to be issued due to the Governing Board of the Central Bank of Sri Lanka instructing the Bank to exercise the convertible feature attached to these Bonds (the occurrence of the "Trigger Event")] and to waive the pre-emptive rights of the existing Ordinary Voting Shareholders.

Non-occurrence of a Trigger Event

In the event of a non-occurrence of a Trigger Event these Bonds will be redeemed after 5, 7 and 10 years from the date of allotment of such Bonds and the principal sum and unpaid and accrued interest (if any) payable on the redemption of Bonds will be paid not later than Three (03) Market Days from the date of redemption, unless otherwise a Trigger Event occurs.

9. REASON FOR CONVENING AN EXTRAORDINARY GENERAL MEETING

As per rule No. 2.2.1.m of the Listing Rules of the Colombo Stock Exchange, the Bank is required to obtain the approval of the Shareholders in respect of the proposed Bond Issue by way of a Special Resolution.

It will also be necessary to obtain a waiver of the pre-emptive right to a new issue of shares as prescribed by Article 9 A of the Articles of Association of the Bank by means of a duly passed Ordinary Resolution, in respect of the allotment and issue of new Ordinary Voting Shares by the Bank to the holders of the said Bonds in the case of a Trigger Event which warrants such a conversion of Bonds to Ordinary Voting Shares.

Furthermore, it will also be necessary, in compliance with Section 99 of the Companies Act No. 07 of 2007 (as amended) and Article 10 of the Articles of Association of the Bank, to obtain, by means of a duly passed Special Resolution, approval of the Shareholders in respect of the proposed share issue which may arise pursuant to the conversion of Bonds in the case of a Trigger Event, which may in turn affect the rights attached to the Bank's existing Ordinary Voting and Non-Voting Shares.

Therefore, an Extraordinary General Meeting of the Bank is being convened in accordance with the Notice of Meeting attached hereto, for the purpose of passing the Resolutions set out therein.

Shareholders who are unable to participate at the meeting are entitled to appoint a proxy to participate at the said meeting and speak and also vote on their behalf, depending on their voting rights. If you wish to appoint such a proxy, kindly complete and return the enclosed Form of Proxy (in accordance with instructions specified therein) to the Bank by facsimile on 011 233 2317 or email to companysecretary@combank.net or by post to Company Secretary, Commercial Bank of Ceylon PLC, "Commercial House", No. 21, Sir Razik Fareed Mawatha, Colombo 01, not later than forty-eight (48) hours before the time appointed for the holding of the EGM.

By order of the Board of

Commercial Bank of Ceylon PLC

R A P Rajapaksha
Company Secretary

Colombo

March 05, 2025

Form of Proxy (Voting Shareholders) – Annual General Meeting (AGM)

I/We .... of ....

.... being a shareholder/s of Commercial Bank of Ceylon PLC hereby appoint

.... (NIC No. ....) of .... whom failing:

Mr Sharhan Muhseen	whom failing
Mr Raja Senanayake	whom failing
Mr Sanath Chandima Udayakumara Manatunge	whom failing
Mr Lakshman Dushyantha Niyangoda	whom failing
Ms Nawalage Therese Manouri Shiromal Cooray	whom failing
Ms Judy Lee	whom failing
Ms Dehiwala Liyanage Thushara Samanthi Wijewardena	whom failing
Dr Sivakumar Selliah	whom failing
Mr Sellathurai Prabagar	whom failing
Mr Diyalanthonige Nimal Lucias Fernando	whom failing
Mr Palitha Mendis Kumarasinghe	whom failing
Mr Pathiranage Yohan Srineth Perera	

as my/our Proxyholder to represent me/us and to speak at the Meeting and to vote on a show of hands or on a poll on my/our behalf as indicated below (and strictly in relation to the matters set out hereunder) at the Fifty-Sixth (56th) Annual General Meeting (AGM) of Commercial Bank of Ceylon PLC which is scheduled to be held on Friday, March 28, 2025 at 2.30 p.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof. I/We the undersigned hereby authorise my/our Proxy to vote on my/our behalf in accordance with the preference as indicated below. (Please indicate your preference with a "✓" in the relevant box.)

	For	Against
1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company, the Statement of Compliance and the Financial Statements for the year ended December 31, 2024 together with the Report of the Auditors thereon.		
2. To declare a dividend as recommended by the Directors and to consider and if thought fit, to pass the following resolutions set out in the attached Notice of Meeting:		
i. Declaration of a first and final dividend and approval of its method of satisfaction (Dividend Resolution No. 1)		
ii. Waiver of pre-emption rights (Dividend Resolution No. 2)		
iii. Approval of an issue of ordinary (voting) and (non-voting) shares (Dividend Resolution No. 3)		
3. To re-elect/elect the following Directors who, in terms of the Company's Articles of Association, are retiring by rotation or otherwise as given below:		
i. To re-elect Mr L D Niyangoda who retires by rotation in terms of Article 86 of the Articles of Association.		
ii. To re-elect Ms D L T S Wijewardena who retires by rotation in terms of Article 86 of the Articles of Association.		
iii. To elect Mr P Y S Perera who was appointed to the Board in terms of Article 92 of the Articles of Association.		
4. (i) To re-appoint Messrs KPMG, Chartered Accountants as recommended by the Board of Directors, as Auditors to the Company for the Financial Year ending December 31, 2025.		
(ii) To authorise the Board of Directors to determine the remuneration of the Auditors for the Financial Year ending December 31, 2025.		
5. To authorise the Board of Directors to determine donations for the year 2025.		

Signed on this ....day of .... Two Thousand and Twenty Five.

....	....	....
Folio Number	Signature/s of shareholder/s	NIC/PP/Co. Reg. No. of shareholder/s

Notes:

Instructions as to completion of this Form of Proxy are given below.

(i) As regards voting on the Resolutions indicated in the Form of Proxy, if no words are struck out or there is in the view of the Proxyholder doubt (by reason of the way in which the instructions in the Form of Proxy have been stated by the Shareholder) as to the way in which the Proxyholder should vote, the Proxyholder will vote as he/she thinks fit.

(ii) If the Form of Proxy is signed by an attorney, the relative Power of Attorney (POA) should accompany the completed Form of Proxy for registration in the event such POA has not already been registered with the Company.

(iii) If the Shareholder is a company or a corporate body, the Form of Proxy should be executed under its common seal or in such other manner as provided for in its constitutional documents, if any, or be signed by its attorney or by an officer on behalf of the company/corporate body, in accordance with its Articles of Association/Statute.

(iv) Every alteration or addition to the Form of Proxy must be duly authenticated by the full signature of the shareholder signing the Form of Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.

(v) The use of the word 'Member/s' herein is a reference to "Shareholder/s".

Instructions as to completion of Form of Proxy

(a) Article 68 of the Articles of Association of the Company provides that: 'An instrument appointing a proxy shall be in writing, and

(i) In the case of an individual shall be signed by the appointor or by his attorney; or in the case of a corporation shall be either under the common seal or signed by its attorney or by an officer authorised to do so on behalf of the corporation. The Company may, but shall not be bound to require evidence of the authority of any such attorney or officer.

(ii) A proxy need not be a member of the Company'.

(b) In terms of Article 63 of the Articles of Association of the Company:

"In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the name stands in the Register of members in respect of the joint holding".

(c) The full name and address of the proxyholder and of the shareholder appointing the proxyholder should be entered legibly in the Form of Proxy.

(d) The duly completed Form of Proxy should be deposited at the Registered Office of Commercial Bank of Ceylon PLC, "Commercial House", No. 21, Sir Razik Fareed Mawatha, Colombo 01, Sri Lanka or by facsimile on 011 233 2317 or email to companysecretary@combank.net, not later than forty-eight (48) hours before the time appointed for the holding of the meeting.

(e) Articles 57 to 60 of the Articles of Association of the Company, dealing with voting are quoted below, for information of Shareholders:

'**57. Method of voting**

At any General Meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

(i) The Chairman of the meeting; or

(ii) Not less than five persons present in person or by attorney or representative or by proxy and entitled to vote; or

(iii) A member or members present in person or by attorney or representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting.

A demand for a poll may be withdrawn. Unless a poll be demanded (and the demand be not withdrawn), a declaration by the Chairman of the meeting that a resolution has been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution.

58. How a poll is to be taken

If a poll is duly demanded (and the demand be not withdrawn), it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The Chairman may (and if so requested shall), appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of taking and declaring the result of the poll.

59. Chairman's casting vote

In the case of an equality of votes, whether on a show of hands or poll, the Chairman of the Meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.

60. Time for taking a poll

A poll demanded on the election of a Chairman of the meeting or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the meeting) and place as the Chairman may direct. No notice need be given of a poll not taken immediately.'

REQUEST TO SHAREHOLDERS

SHAREHOLDERS ARE KINDLY REQUESTED TO INDICATE THE 'FOLIO NUMBER' APPEARING IN THE ADDRESS LABEL (PASTED ON THE ENVELOPE) IN THE SPACE PROVIDED FOR 'FOLIO NUMBER' IN THE FORM OF PROXY. THIS IS FOR THE CONVENIENCE OF THE REGISTRARS. PLEASE NOTE THAT NON-INDICATION OF THE 'FOLIO NUMBER' WILL NOT INVALIDATE THE FORM OF PROXY, UNDER ANY CIRCUMSTANCES.

Form of Proxy (Non-Voting Shareholders) – Annual General Meeting (AGM)

/We .... of...

.... being a shareholder/s of Commercial Bank of Ceylon PLC hereby appoint

.... (NIC No. ....) of ....

.... whom failing:

Mr Sharhan Muhseen	whom failing
Mr Raja Senanayake	whom failing
Mr Sanath Chandima Udayakumara Manatunge	whom failing
Mr Lakshman Dushyantha Niyangoda	whom failing
Ms Nawalage Therese Manouri Shiromal Cooray	whom failing
Ms Judy Lee	whom failing
Ms Dehiwala Liyanage Thushara Samanthi Wijewardena	whom failing
Dr Sivakumar Selliah	whom failing
Mr Sellathurai Prabagar	whom failing
Mr Diyalanthonige Nimal Lucias Fernando	whom failing
Mr Palitha Mendis Kumarasinghe	whom failing
Mr Pathiranage Yohan Srineth Perera	

as my/our Proxyholder to represent me/us and to speak at the meeting and to vote on a show of hands or on a poll on my/our behalf as indicated below (and strictly in relation to the matters set out hereunder) at the Fifty-Sixth (56th) Annual General Meeting (AGM) of Commercial Bank of Ceylon PLC which is scheduled to be held on Friday, March 28, 2025 at 2.30 p.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof. I/We the undersigned hereby authorise my/our Proxy to vote on my/our behalf in accordance with the preference as indicated below. (Please indicate your preference with a "✓" in the relevant box.)

Item in the Notice of Meeting	For	Against
2 To declare a dividend as recommended by the Directors and to consider and if thought fit, to pass the following resolutions set out in the attached Notice of Meeting:		
(ii) Waiver of pre-emption rights (Dividend Resolution No. 2)		
(iii) Approval of an issue of ordinary (voting) and (non-voting) shares (Dividend Resolution No. 3)		

Signed on this .... day of .... Two Thousand and Twenty Five.

....	....	....
Folio Number	Signature/s of shareholder/s	NIC/PP/Co. Reg. No. of shareholder/s

Notes:

Instructions as to completion of this Form of Proxy are given below.

(i) Shareholders of non-voting shares are entitled only to attend and speak at the meeting and to vote only in respect of the Resolutions set out in items 2 (ii) and 2 (iii) of the Notice of Meeting. As regards voting on the said two (02) Resolutions indicated in the Form of Proxy, if no words are struck out or there is in the view of the Proxyholder doubt (by reason of the way in which the instructions in the Form of Proxy have been stated by the Shareholder) as to the way in which the Proxyholder should vote, the Proxyholder will vote as he/she thinks fit.

(ii) If the Form of Proxy is signed by an attorney, the relative Power of Attorney (POA) should accompany the completed Form of Proxy for registration in the event such POA has not already been registered with the Company.

(iii) If the Shareholder is a company or a corporate body, the Form of Proxy should be executed under its common seal or in such other manner as provided for in its constitutional documents, if any, or be, signed by its attorney or by an officer on behalf of the company/corporate body in accordance with its Articles of Association/Statute.

(iv) Every alteration or addition to the Form of Proxy must be duly authenticated by the full signature of the Shareholder signing the Form of Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.

(v) The use of the word "Member/s" herein is a reference to "Shareholder/s".

Instructions as to completion of Form of Proxy

(a) Article 68 of the Articles of Association of the Company provides that: "An instrument appointing a proxy shall be in writing, and

(i) In the case of an individual shall be signed by the appointer or by his attorney; or in the case of a corporation shall be either under the common seal or signed by its attorney or by an officer authorised to do so on behalf of the corporation. The Company may, but shall not be bound to require evidence of the authority of any such attorney or officer.

(ii) A proxy need not be a member of the Company".

(b) In terms of Article 63 of the Articles of Association of the Company:

'In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the name stands in the Register of members in respect of the joint holding'.

(c) The full name and address of the proxyholder and of the shareholder appointing the proxyholder should be entered legibly in the Form of Proxy.

(d) The duly completed Form of Proxy should be deposited at the Registered Office of Commercial Bank of Ceylon PLC, "Commercial House", No. 21, Sir Razik Fareed Mawatha, Colombo 01, Sri Lanka or by facsimile on 011 233 2317 or email to companysecretary@combank.net, not later than forty-eight (48) hours before the time appointed for the holding of the meeting.

(e) Articles 57 to 60 of the Articles of Association of the Company, dealing with voting are quoted below, for information of Shareholders:

'**57. Method of voting**

At any General Meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

(i) The Chairman of the meeting; or

(ii) Not less than five persons present in person or by attorney or representative or by proxy and entitled to vote; or

(iii) A member or members present in person or by attorney or representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting.

A demand for a poll may be withdrawn. Unless a poll be demanded (and the demand be not withdrawn), a declaration by the Chairman of the meeting that a resolution has been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution.

58. How a poll is to be taken

If a poll is duly demanded (and the demand be not withdrawn), it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The Chairman may (and if so requested shall), appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of taking and declaring the result of the poll.

59. Chairman's casting vote

In the case of an equality of votes, whether on a show of hands or poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.

60. Time for taking a poll

A poll demanded on the election of a Chairman of the meeting or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the meeting) and place as the Chairman may direct. No notice need be given of a poll not taken immediately.'

REQUEST TO SHAREHOLDERS

SHAREHOLDERS ARE KINDLY REQUESTED TO INDICATE THE 'FOLIO NUMBER' APPEARING IN THE ADDRESS LABEL (PASTED ON THE ENVELOPE) IN THE SPACE PROVIDED FOR 'FOLIO NUMBER' IN THE FORM OF PROXY. THIS IS FOR THE CONVENIENCE OF THE REGISTRARS. PLEASE NOTE THAT NON-INDICATION OF THE 'FOLIO NUMBER' WILL NOT INVALIDATE THE FORM OF PROXY, UNDER ANY CIRCUMSTANCES.

Form of Proxy (Voting Shareholders) – Extraordinary General Meeting (EGM)

I/We .... of ....

.... being a shareholder/s of Commercial Bank of Ceylon PLC (the "Bank") hereby appoint

.... (NIC No. ....) of .... whom failing:

Mr Sharhan Muhseen	whom failing
Mr Sanath Chandima Udayakumara Manatunge	whom failing
Mr Lakshman Dushyantha Niyangoda	whom failing
Ms Nawalage Therese Manouri Shiromal Cooray	whom failing
Ms Judy Lee	whom failing
Mr Raja Senanayake	whom failing
Ms Dehiwala Liyanage Thushara Samanthi Wijewardena	whom failing
Dr Sivakumar Selliah	whom failing
Mr Sellathurai Prabagar	whom failing
Mr Diyalanthonige Nimal Lucias Fernando	whom failing
Mr Palitha Mendis Kumarasinghe	whom failing
Mr Pathiranage Yohan Srineth Perera	

as my/our Proxyholder to represent me/us and to speak at the Meeting and to vote on a show of hands or on a poll on my/our behalf as indicated below (and strictly in relation to the matter set out hereunder) at the Extraordinary General Meeting (EGM) of Commercial Bank of Ceylon PLC, which will be held immediately after the conclusion of the Annual General Meeting (AGM) convened for Friday, March 28, 2025 at 2.30 p.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof. I/We the undersigned hereby authorise my/our Proxy to vote on my/our behalf in accordance with the preference as indicated below. (Please indicate your preference with a "✓" in the relevant box.)

Item in the Notice of Meeting	For	Against
To consider and if thought fit to pass the following resolutions set out in the attached Notice of Meeting:		
1. **Resolution No. 1** – Approve the proposed issue of Basel III compliant Green Bonds in terms of Rule 2.2.1.(m) of the Listing Rules of Colombo Stock Exchange	☐	☐
2. **Resolution No. 2** – Waiver of pre-emption rights relating to Basel III compliant Green Bonds Issue 2025	☐	☐
3. **Resolution No. 3** – Approve the issue of Ordinary Voting Shares to the holders of Basel III compliant Green Bonds to the extent of the amounts due and payable on such Bonds in the event the Governing Board of the Central Bank of Sri Lanka determines that a Trigger Event as defined in the Circular to Shareholders pertaining to the proposed issue of Basel III compliant Green Bonds has occurred	☐	☐

Signed on this .... day of .... Two Thousand and Twenty Five.

....	....	....
Folio Number	Signature/s of shareholder/s	NIC/PP/Co. Reg. No. of shareholder/s

Note that instructions as to completion of this Form of Proxy are given overleaf.

Notes:

(i) With regard to voting on the Resolutions indicated in the Form of Proxy, if no words are struck out or there is in the view of the Proxyholder doubt (by reason of the way in which the instructions in the Form of Proxy have been stated by the Shareholder) as to the way in which the Proxyholder should vote, the Proxyholder will vote as he/she thinks fit.

(ii) If the Form of Proxy is signed by an attorney, the relative Power of Attorney (POA) should accompany the completed Form of Proxy for registration in the event such POA has not already been registered with the Bank.

(iii) If the Shareholder is a company or a corporate body, the Form of Proxy should be executed under its common seal or in such other manner as provided for in its Constitutional Documents, if any, or be signed by its attorney or by an officer on behalf of the company/corporate body, in accordance with its Articles of Association/Statute.

(iv) Every alteration or addition to the Form of Proxy must be duly authenticated by the full signature of the Shareholder signing the Form of Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.

(v) The use of the word "Member/s" herein is a reference to "Shareholder/s".

Instructions as to completion of Form of Proxy

(a) Article 68 of the Articles of Association of the Bank provides that: "An instrument appointing a proxy shall be in writing, and

(i) In the case of an individual shall be signed by the appointor or by his attorney; or in the case of a corporation shall be either under the common seal or signed by its attorney or by an officer authorised to do so on behalf of the corporation. The Bank may, but shall not be bound to require evidence of the authority of any such attorney or officer.

(ii) A proxy need not be a member of the Bank".

(b) In terms of Article 63 of the Articles of Association of the Bank:

"In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the name stands in the Register of Members in respect of the joint holding".

(c) The full name and address of the Proxy holder and of the Shareholder appointing the Proxyholder should be entered legibly in the Form of Proxy

(d) The duly completed Form of Proxy should be deposited at the Registered Office of Commercial Bank of Ceylon PLC 'Commercial House', No. 21, Sir Razik Fareed Mawatha, Colombo 01, Sri Lanka or by facsimile on 0112332317 or email to companysecretary@combank.net, not later than forty-eight (48) hours before the time appointed for the holding of the meeting.

(e) Articles 57 to 60 of the Articles of Association of the Bank, dealing with voting are quoted below, for information of the Shareholders:

'**57. Method of voting**

At any General Meeting, a resolution put to the vote of the Meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

(i) The Chairman of the meeting; or

(ii) Not less than five persons present in person or by attorney or representative or by proxy and entitled to vote; or

(iii) A member or members present in person or by attorney or representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting.

A demand for a poll may be withdrawn. Unless a poll be demanded (and the demand be not withdrawn), a declaration by the Chairman of the meeting that a resolution has been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution.

58. How a poll is to be taken

If a poll is duly demanded (and the demand be not withdrawn), it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman of the Meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The Chairman may (and if so requested shall), appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of taking and declaring the result of the poll.

59. Chairman's casting vote

In the case of an equality of votes, whether on a show of hands or poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.

60. Time for taking a poll

A poll demanded on the election of a Chairman of the meeting or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the meeting) and place as the Chairman may direct. No notice need be given of a poll not taken immediately.'

REQUEST TO SHAREHOLDERS

SHAREHOLDERS ARE KINDLY REQUESTED TO INDICATE THE 'FOLIO NUMBER' APPEARING IN THE ADDRESS LABEL (PASTED ON THE ENVELOPE) IN THE SPACE PROVIDED FOR 'FOLIO NUMBER' IN THE FORM OF PROXY. THIS IS FOR THE CONVENIENCE OF THE REGISTRARS. PLEASE NOTE THAT NON-INDICATION OF THE 'FOLIO NUMBER' WILL NOT INVALIDATE THE FORM OF PROXY, UNDER ANY CIRCUMSTANCES.

Form of Proxy (Non-Voting Shareholders) – Extraordinary General Meeting (EGM)

I/We .... of ....

.... being a shareholder/s of Commercial Bank of Ceylon PLC (the 'Bank') hereby appoint

.... (NIC No. ....) of .... whom failing:

Mr Sharhan Muhseen	whom failing
Mr Sanath Chandima Udayakumara Manatunge	whom failing
Mr Lakshman Dushyantha Niyangoda	whom failing
Ms Nawalage Therese Manouri Shiromal Cooray	whom failing
Ms Judy Lee	whom failing
Mr Raja Senanayake	whom failing
Ms Dehiwala Liyanage Thushara Samanthi Wijewardena	whom failing
Dr Sivakumar Selliah	whom failing
Mr Sellathurai Prabagar	whom failing
Mr Diyalanthonige Nimal Lucias Fernando	whom failing
Mr Palitha Mendis Kumarasinghe	whom failing
Mr Pathiranage Yohan Srineth Perera	

as my/our Proxyholder to represent me/us and to speak at the Meeting and to vote on a show of hands or on a poll on my/our behalf as indicated below (and strictly in relation to the matter set out hereunder) at the Extraordinary General Meeting (EGM) of Commercial Bank of Ceylon PLC, which will be held immediately after the conclusion of the Annual General Meeting (AGM) convened for Friday, March 28, 2025 at 2.30 p.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof. I/We the undersigned hereby authorise my/our Proxy to vote on my/our behalf in accordance with

the preference as indicated below. (Please indicate your preference with a "✓" in the relevant box.)

Item in the Notice of Meeting	For	Against
To consider and if thought fit to pass the following resolution set out in the attached Notice of Meeting:		
3. **Resolution No. 3** – Approval of an issue of Ordinary Voting Shares to the holders of Basel III compliant Green Bonds to the extent of the amounts due and payable on such Basel III compliant Green Bonds in the event the Governing Board of the Central Bank of Sri Lanka determines that a Trigger Event as defined in the Circular to Shareholders pertaining to the proposed issue of Basel III compliant Green Bonds has occurred		

Signed on this .... day of .... Two Thousand and Twenty Five.

....	....	....
Folio Number shareholder/s	Signature/s of shareholder/s	NIC/PP/Co. Reg. No. of

Note that instructions as to completion of this Form of Proxy are given overleaf.

Notes:

(i). Shareholders of non-voting shares are entitled only to attend and speak at the meeting and to vote only in respect of the Resolution set out in item 3 of the Notice of Meeting.

(ii). As regards voting on the Resolution indicated in the Form of Proxy, if no words are struck out or there is, in the view of the Proxyholder doubt (by reason of the way in which the instructions in the Form of Proxy have been stated by the Shareholder) as to the way in which the Proxyholder should vote, the Proxyholder will vote as he/she thinks fit.

(iii). If the Form of Proxy is signed by an attorney, the relative Power of Attorney (POA) should accompany the completed Form of Proxy for registration in the event such POA has not already been registered with the Bank.

(iv). If the Shareholder is a company or a corporate body, the Form of Proxy should be executed under its common seal or in such other manner as provided for in its Constitutional Documents, if any, or be signed by its attorney or by an officer on behalf of the company/corporate body, in accordance with its Articles of Association/Statute.

(v). Every alteration or addition to the Form of Proxy must be duly authenticated by the full signature of the Shareholder signing the Form of Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.

(vi). The use of the word 'Member/s' herein is a reference to 'Shareholder/s'.

Instructions as to completion of Form of Proxy

(a) Article 68 of the Articles of Association of the Bank provides that: 'An instrument appointing a proxy shall be in writing, and

(i) In the case of an individual shall be signed by the appointor or by his attorney; or in the case of a corporation shall be either under the common seal or signed by its attorney or by an officer authorised to do so on behalf of the corporation. The Bank may, but shall not be bound to require evidence of the authority of any such attorney or officer.

(ii) A proxy need not be a member of the Bank'.

(b) In terms of Article 63 of the Articles of Association of the Bank:

'In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the name stands in the Register of members in respect of the joint holding'.

(c) The full name and address of the proxyholder and of the shareholder appointing the proxyholder should be entered legibly in the Form of Proxy.

(d) The duly completed Form of Proxy should be deposited at the Registered Office of Commercial Bank of Ceylon PLC, "Commercial House", No. 21, Sir Razik Fareed Mawatha, Colombo 01, Sri Lanka or by facsimile on 011 233 2317 or email to companysecretary@combank.net, not later than forty-eight (48) hours before the time appointed for the holding of the meeting.

(e) Articles 57 to 60 of the Articles of Association of the Bank, dealing with voting are quoted below, for information of Shareholders:

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(iii) A member or members present in person or by attorney or representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting.

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No notice need be given of a poll not taken immediately.'

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Stakeholder Feedback Form

Dear Reader,

Your opinion matters. Please share your views with us.

WHICH STAKEHOLDER GROUPS DO YOU BELONG TO? (You may tick more than one)

- ☐ Shareholder
- ☐ Customer
- ☐ Community
- ☐ Public Authority
- ☐ Investor
- ☐ Employee
- ☐ Student
- ☐ Regulatory Body
- ☐ Journalist
- ☐ Supplier
- ☐ Analyst
- ☐ NGO
- ☐ Service Provider
- ☐ Special Interest Group
- ☐ Other

DOES THE REPORT ADDRESS ISSUES OF GREATEST INTEREST TO YOU?

- ☐ Comprehensively
- ☐ Partially
- ☐ Not at all

RATE YOUR OVERALL IMPRESSION OF THIS REPORT IN TERMS OF:

	Excellent	Good	Fair	Poor
Informative	☐	☐	☐	☐
Transparent	☐	☐	☐	☐
Trustworthy	☐	☐	☐	☐
Comprehensive	☐	☐	☐	☐
User friendly	☐	☐	☐	☐
Design and layout	☐	☐	☐	☐
Style of language	☐	☐	☐	☐
Overall rating	☐	☐	☐	☐

PLEASE IDENTIFY ANY ADDITIONAL MATTERS THAT YOU THINK SHOULD BE REPORTED ON:

....

....

....

....

DO YOU HAVE ANY ADDITIONAL COMMENTS ON THE REPORT – OR ON BANK'S PERFORMANCE IN GENERAL?

....

....

....

....

To request information or submit a comment/query to the Bank, please provide the following details and return this page to –

The Company Secretary
Commercial Bank of Ceylon PLC
"Commercial House"
No. 21, Sir Razik Fareed Mawatha
P.O. Box 856
Colombo 01
Sri Lanka

Name : ....

Permanent Mailing Address : ....

....

Contact Details

- Tel : Country Code : .... Area Code : .... Direct Number : .... Mobile Number : ....
- Fax : ....
- Email : ....

Name of Company (If applicable) : ....

Designation (If applicable) : ....

Company address (If applicable) : ....

Please tick (✓) the appropriate box

	Yes	No
Would you like to receive soft copies of the Commercial Bank's Interim Financial Reports via email?	☐	☐
Would you like to receive news and press releases of Commercial Bank via email?	☐	☐
Would you like to receive any news on our products/services?	☐	☐

QR Based
Stakeholder Feedback Form

Corporate information

General

Name of Company

Commercial Bank of Ceylon PLC

Company Registration Number

PQ 116

Legal Form

A public limited liability Company incorporated in Sri Lanka on June 25, 1969 under the Companies Ordinance No. 51 of 1938 and quoted in the Colombo Stock Exchange in March 1970.

The Company was re-registered under the Companies Act No. 07 of 2007. Commercial Bank of Ceylon PLC is a Licensed Commercial Bank under the Banking Act No. 30 of 1988.

Accounting Year-end

December 31

Tax Payer Identification Number (TIN)

124006007

Registered Office

"Commercial House"
No. 21, Sir Razik Fareed Mawatha,
P.O. Box 856,
Colombo 01, Sri Lanka.
Telephone (General):
+94 11 248 6000-5 (5 lines), 448 6000, 748 6000, 548 6000
SWIFT Code – Sri Lanka: CCEYLKLX
SWIFT Code – Bangladesh: CCEYBDDH
E-mail: info@combank.net
Web: https://www.combank.lk

Head Office

"Commercial House",
No. 21, Sir Razik Fareed Mawatha,
P.O. Box 856, Colombo 01,
Sri Lanka.

Stock Exchange Listing

The Ordinary Shares and the Unsecured Subordinated Redeemable Debentures of the Bank are listed on the Colombo Stock Exchange.

Compliance Officer

Mrs R M C K Siyambalagastenne

Information Centre

Telephone: +94 11 235 3333, 735 3333

Credit Ratings

Sri Lanka Operation

- National Long-term rating: AA-(lka)/ Outlook Stable by Fitch Ratings Lanka Limited in January 2025.
- Basel III Subordinated Debentures: "A (lka)" by Fitch Ratings Lanka Limited in January 2025.

Bangladesh Operation

- AAA was re-affirmed by Credit Rating Information & Services Limited in June 2024.

Professional Expertise

Lawyers

Messrs Julius & Creasy,
No. 371, R A de Mel Mawatha,
Colombo 03,
Sri Lanka.

Auditors

Messrs KPMG,
Chartered Accountants,
No. 32A,
Sir Mohammed Macan Markar Mawatha,
P. O. Box 186, Colombo 03,
Sri Lanka.

Registrars

Messrs S S P Corporate Services (Pvt) Ltd.,
No. 101, Inner Flower Road,
Colombo 03, Sri Lanka.
Telephone: +94 11 257 3894, 257 6871
Facsimile: 257 3609
E-mail: sspsec@sltnet.lk
(Kindly direct any queries about the administration of the shareholding to the above Company)

Subsidiaries and Associate

Local Subsidiaries

Commercial Development Company PLC
CBC Tech Solutions Limited
CBC Finance Limited
Commercial Insurance Brokers (Pvt) Limited

Foreign Subsidiaries

Commercial Bank of Maldives Private Limited
CBC Myanmar Microfinance Company Limited

Associate

Equity Investments Lanka Limited

Board of Directors and Board Committees

Board of Directors

Mr S Muhseen – *Chairman*
Mr R Senanayake – *Deputy Chairman*
Mr S C U Manatunge – *Managing Director/Chief Executive Officer*
Mr L D Niyangoda
Ms N T M S Cooray
Ms J Lee
Ms D L T S Wijewardena
Dr S Selliah
Mr S Prabagar – *Director/Chief Operating Officer*
Mr D N L Fernando
Mr P M Kumarasinghe
Mr P Y S Perera *(appointed w.e.f. October 02, 2024)*

Company Secretary

Mr R A P Rajapaksha

Mandatory Board Committees

Board Audit Committee

Mr P Y S Perera – *Chairman*
Mr R Senanayake
Mr L D Niyangoda
Ms N T M S Cooray
Mr P M Kumarasinghe
Mr S C U Manatunge – *(By invitation)*
Mr S Prabagar – *(By invitation)*)

Board Integrated Risk Management Committee

Mr R Senanayake – *Chairman*
Mr S C U Manatunge
Ms J Lee
Ms D L T S Wijewardena
Mr D N L Fernando
Mr P Y S Perera
Mr S Prabagar – *(By invitation)*

Board Nominations and Governance Committee

Ms J Lee – *Chairperson*
Mr S Muhseen
Mr R Senanayake
Dr S Selliah
Mr S C U Manatunge *(By Invitation)*

Board Human Resources and Remuneration Committee

Dr S Selliah – *Chairman*
Mr S Muhseen
Mr R Senanayake
Ms J Lee
Mr S C U Manatunge *(By Invitation)*

Board Related Party Transactions Review Committee

Mr P M Kumarasinghe – *Chairman*
Mr L D Niyangoda
Ms D L T S Wijewardena
Mr P Y S Perera
Mr S C U Manatunge *(By Invitation)*
Mr S Prabagar *(By Invitation)*

Board Capital Expenditure Review Committee

Mr D N L Fernando – *Chairman*
Mr R Senanayake
Ms N T M S Cooray
Dr S Selliah
Mr S C U Manatunge – *(By invitation)*
Mr S Prabagar – *(By invitation)*

Voluntary Board Committees

Board Credit Committee

Mr S Muhseen – *Chairman*
Ms N T M S Cooray
Mr D N L Fernando
Mr P M Kumarasinghe
Mr S C U Manatunge
Mr S Prabagar

Board Investment Committee

Dr S Selliah – *Chairman*
Mr S Muhseen
Ms J Lee
Mr S C U Manatunge
Ms N T M S Cooray
Mr S Prabagar

Board Technology Committee

Ms D L T S Wijewardena – *Chairperson*
Mr S C U Manatunge
Mr S Prabagar
Mr P M Kumarasinghe
Mr D N L Fernando

Board Strategy Development Committee

Mr S Muhseen – *Chairman*
Mr R Senanayake
Mr S C U Manatunge
Mr L D Niyangoda
Ms N T M S Cooray
Ms J Lee
Dr S Selliah

FATCA GIIN Number

GIIN 3TU322.00000.LE.144 (for CBC-CMB)

GIIN 3TU322.00000.BR.050 (for CBC Dhaka)

For Investor Relations and clarifications on this Report please write to:
Chief Financial Officer
Commercial Bank of Ceylon PLC,
"Commercial House",
No. 21, Sir Razik Fareed Mawatha,
P.O. Box: 856, Colombo 01, Sri Lanka.
Telephone: +94 11 248 6550
Email: email@combank.net

Minimise waste by informing the Commercial Bank Company Secretary to update the mailing list if you are receiving more than one copy of the Annual Report of the Bank.

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