

ANNUAL REPORT



2024



பிரதேச வளர்ச்சி வங்கி
பிரதேச அபிவிருத்தி வங்கி
Regional Development Bank

Self Reliant Community :
Banking on Sustainable Growth





“ Self-Reliant Community: Banking on sustainable growth ”

At RDB Bank, we believe that true national development begins from within our communities. Their strength, resilience, and aspirations are the driving forces behind economic and social transformation. Hence, we are committed to empower communities across the country through inclusive, sustainable, and community-focused initiatives. By investing in people and their potential, we aim to build a stronger, more prosperous Sri Lanka.

Our efforts are focused on fostering inclusive and sustainable economic growth by uplifting rural livelihoods. We serve deprived communities, including areas with no access to traditional banking services. RDB promotes entrepreneurship and expands access to financial services tailored to meet the needs of rural communities. This year alone, we initiated a program to support 15,000 new entrepreneurs in launching their new business ideas to life through tailored financial solutions, including traditional offerings such as agricultural loans, microfinancing, and non-traditional offerings such as tailor-made financial literacy programs. With a strong emphasis on improving financial literacy, we are helping to build a more empowered and resilient entrepreneurial community. These targeted initiatives are designed to address the unique challenges faced by rural populations.

Rather than reshaping villages into urban areas, RDB's approach is to support the development of the rural communities, preserving local identity, traditions, and values while helping them grow in ways that are meaningful and self-driven.

RDB Bank maintains strong, long-lasting relationships with the communities it serves. By understanding their day-to-day challenges, we continue to offer fair, inclusive, and responsible banking practices. Our goal is to create real opportunities for farmers, small business owners, and families to build better futures.

Through this close connection with rural Sri Lanka, RDB ensures that no one is left behind. Every village we serve becomes a part of a shared journey, contributing to a more resilient, inclusive, and prosperous nation.

“From the fields of hard work to the fruits of progress —RDB walks alongside, every step of the way.”

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VISION

To be the trusted development
financing partner to the nation



MISSION

To provide financial and
affiliated services to
enterprises and entrepreneurs
whilst promoting inclusive
development



பிரதேச வுருத்தி வங்கி
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Regional Development Bank



ABOUT US

The beginning of Pradeshiya Sanwardana Bank formerly known as the Regional Development Bank (RDB) goes back to the year 1985, when district level banks under the category of Regional Rural Development Banks were established in terms of the Regional Rural Development Banks Act No. 15 of 1985.

Subsequently, in 1997, under the Regional Development Banks Act No. 06 of 1997, seventeen Regional Rural Development Banks were amalgamated into six provincial development banks; Rajarata, Ruhuna, Wayamba, Kandurata, Uva and Sabaragamuwa Development Banks.

With the introduction of the Pradeshiya Sanwardana Bank Act No. 41 of 2008 these six banks were merged into one national entity as Pradeshiya Sanwardana Bank as known as Regional Development Bank on 1st May 2010, with the long-term objective of improving the living standards of the rural masses by providing them with accessible and affordable financial services that, in turn would contribute to uplift the rural economy.

Originally based on the 'barefoot banking concept', the bank strives to provide innovative, simple and effective financial instruments (mainly deposit mobilization and lending) to those at the middle and bottom of the income pyramid. The bank is keen on empowering its customers in the micro, small and medium-scale industries, women entrepreneurs as well as those in the agriculture, livestock, fisheries and other small industries, all of which in turn would contribute towards the country's economic development. The bank has also taken steps to inculcate the savings habit amongst the rural people providing higher returns on savings and fixed deposits, while also encouraging school children and minors to save.

Our Journey / Milestones



Total Assets Growth

690%

From LKR 41 Bn to LKR 324 Bn



Total Deposits Growth

693%

From LKR 32 Bn to LKR 254 Bn



Total loan and Advances Growth

716%

From LKR 30 Bn to LKR 245 Bn



Operating Profit Growth

1,568%

From LKR 371 Mn to LKR 6,189 Mn



Total Equity Growth

500%

From LKR 3 Bn to LKR 18 Bn



HISTORY OF RDB

1985

Established 17 Regional Rural Development Banks.

1997

Established 6 Provincial Development Banks.

2010

Established one national level entity as Pradeshiya Sanwardana Bank.

2018

Acquired Lankaputhra Development Bank.

FROM MAY 2010 TO DECEMBER 2024

- Total Deposit of RDB has increased by LKR 221 Bn from LKR 32,350 Mn to LKR 253,664 Mn
- Total Loans and Advances of RDB has increased by LKR 214 Bn from LKR 30,311 Mn to LKR 244,788 Mn
- Total Asset of RDB has increased by LKR 283 Bn from LKR 41,018 Mn to LKR 323,831 Mn

THE STORY OF TRIUMPH AFTER MERGING SIX PROVINCIAL DEVELOPMENT BANKS AS ONE NATIONAL LEVEL DEVELOPMENT BANK

Results achieved by Provincial Development Banks (ie. Rajarata, Ruhuna, Wayamba, Kandurata, Uva and Sabaragamuwa Development Banks) during the twenty four years period from 1985 to 2009, have drastically improved, during the fourteen + years period (2010-2024) after establishing Regional Development Bank (RDB) in 2010 merging all previous provincial development banks.

As of today, RDB proudly serves a growing base of over six million loyal account holders through a strategically positioned network of 272 branches nationwide. Our operations are powered by a committed workforce of more than 2,600 highly skilled permanent professionals. This strong foundation enables us to deliver comprehensive financial solutions tailored to the needs of local entrepreneurs. By equipping them with the tools and support necessary for growth, RDB plays a vital role in fostering inclusive economic development and driving the long-term socio-economic prosperity of our nation.

LANKAPAY TECHNNOVATION AWARDS 2024.

RDB has been awarded the Gold winner of the Best LankaPay Card Implementer of the Year and the Gold winner of the Best Common ATM Enabler of the Year - Category C at the Technnovation Awards 2024 organized by LankaPay (Pvt) Ltd, held in Colombo on 20th March 2024



**THE GLOBAL ECONOMICS
MAGAZINE**
The Global Economics Award 2024
Outstanding Contribution for the
Development of MSME 2024

SUPPORTIVE SERVICES TO OUR CUSTOMERS

WESTERN UNION WITH NDB

Money transfers through Western Union (WU) is an easier and speedier way to transfer funds with total security from any foreign destination to our country and customers are able to collect them through all branches of the RDB which are widely located in rural and semi-urban areas.

LANKA MONEY TRANSFER (LMT) WITH DFCC

Lanka Money Transfer remits money directly and instantly to customer bank account with no downtime. Lanka Money Transfer has a wide international network consisting of over 275 locations and this service is available at 272 RDB branches island wide.

COMMON ELECTRONIC FUND TRANSFER SWITCH (CEFTS)

CEFTS allows customers to perform domestic interbank fund transfers in real-time at their convenience.

SRI LANKA INTERBANK PAYMENT SYSTEM (SLIPS)

SLIPS provides the opportunity to transfer funds in the local clearing network in Sri Lanka in a safe and secure manner.

UTILITY BILL SERVICE WITH SRI LANKA TELECOM, CEYLON ELECTRICITY BOARD (CEB), NATIONAL WATER SUPPLY AND DRAINAGE BOARD (NWSDB).

RDB facilitates to pay utility bills under one roof. Accordingly, customers can easily pay their electricity bills, water bills and telecommunication bills through RDB branches & our Door to Door Agent Service as well.

RDB DIGITAL SERVICE

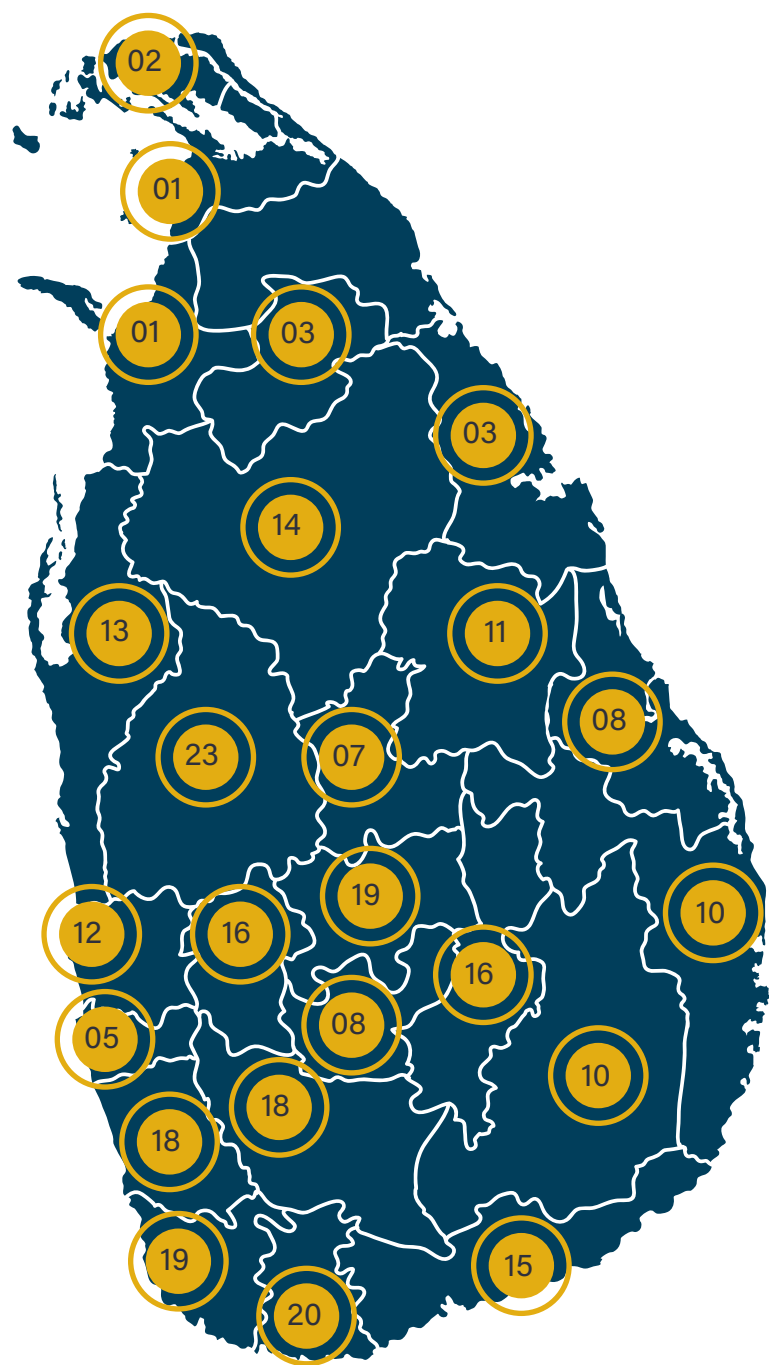
RDB commenced ATM operations in 2015 and has currently issued over 350,000 VISA and JCB debit cards to our customers. We provide services and facilitate cash withdrawals through 51 ATMs located islandwide and a Smart Centers located in Welioya and Padavi Parakramapura, and plan to launch 6 CRM machines in urban areas in conjunction with the 40th anniversary. Both JCB and VISA debit cards offer the ability to be presented for local purchases to enhance customer convenience and satisfaction.

RDB operates door-to-door banking through 500 Business Promotion Assistants islandwide, who have facilitated over 150,000 daily business visits through a digital application.

Under the national digitization process, RDB operates with over 6,000 QR merchants across the island to accept Lanka QR payments.

Furthermore, RDB facilitates online transactions such as fund transfers, bill payments and QR payments through JUSTPAY enabled payment apps.

RDB Branch Network



District	No. of Branches
Kurunegala	23
Puttlam	13
Kegalle	16
Rathnapura	18
Galle	19
Matara	20
Hambantota	15
Ampara	10
Batticaloa	8
Trincomalee	3
Kandy	19
Matale	7
Nuwara Eliya	8
Anuradhapura	14
Polonnaruwa	11
Kilinochchi	1
Jaffna	2
Mannar	1
Vavuniya	3
Gampaha	12
Colombo	5
Kaluthara	18
Badulla	16
Monaragala	10

FINANCIAL HIGHLIGHTS

	2024 LKR.000	2023 LKR.000	Change %
Operating Results for the Year			
Gross Income	39,552,223	47,586,935	-16.88%
Operating profit before taxes	6,188,576	3,508,267	76.40%
Taxation	4,913,127	2,644,749	85.77%
Profit after tax	1,275,449	863,518	47.70%
Profit Attributable to shareholders	522,422	1,339,594	-61.00%

Assets & liabilities			
Customer Deposits	253,664,002	226,079,615	12.20%
Loans & receivables	244,788,394	213,962,635	14.41%
Total Assets	323,831,355	299,717,438	8.05%
Total Liabilities	305,443,211	281,851,716	8.37%
Shareholder's Fund	18,388,144	17,865,722	2.92%

Income and Profitability			
Net Interest Margin (%)	6.27%	5.79%	0.48%
Return on Assets (before Tax) (%)	1.03%	0.40%	0.63%
Return on Equity (%)	7.04%	5.07%	1.97%
Cost to Income Ratio(%)	84.36%	88.08%	-3.72%

Assets Quality			
Impaired Loans (Stage 3) to Total Loans Ratio(%)	6.25%	8.80%	-2.55%
Impairment (Stage 3) to Stage 3 Loans, Ratio (%)	41.88%	36.03%	5.85%

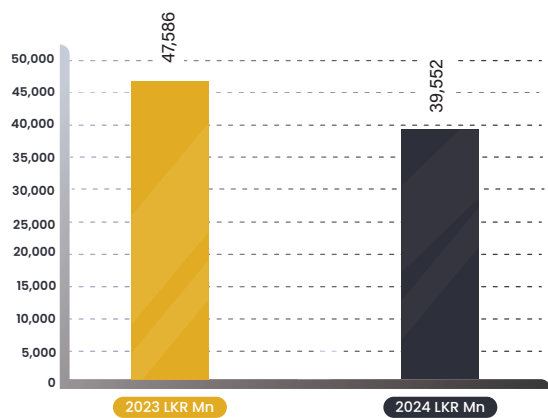
REGULATORY CAPITAL ADEQUACY RATIOS

Capital Adequacy Ratio (As Per BASEL III)	2024 (%)	Minimum Requirement	2023 (%)	Minimum Requirement
Common Equity Tier 1 Capital (%)	9.51%	7.0%	10.09%	7.0%
Tier 1 Capital Ratio (%)	9.51%	8.5%	10.09%	8.5%
Total Capital Ratio (%)	15.52%	12.5%	17.28%	12.5%

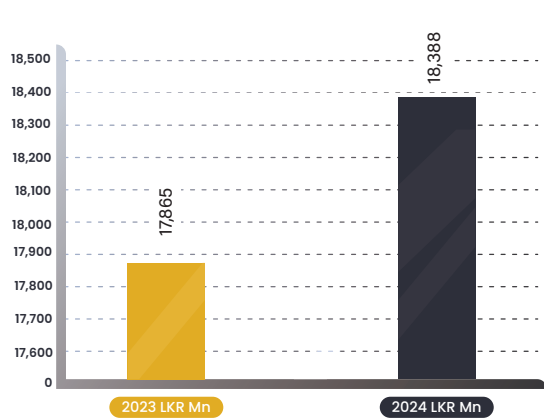
REGULATORY LIQUIDITY REQUIREMENT

Liquidity Coverage Ratio (%)	2024 (%)	Minimum Requirement	2023 (%)	Minimum Requirement
Rupee (%)	402.00%	100.00%	976.00%	100.00%
All Currency (%)	402.00%	100.00%	976.00%	100.00%
Net Stable Funding Ratio (%)	152.00%	100.00%	174.00%	100.00%

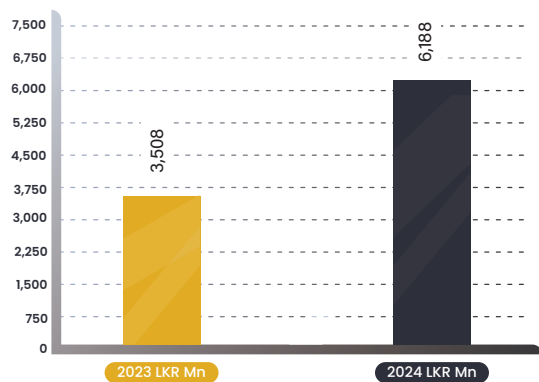
GROSS INCOME



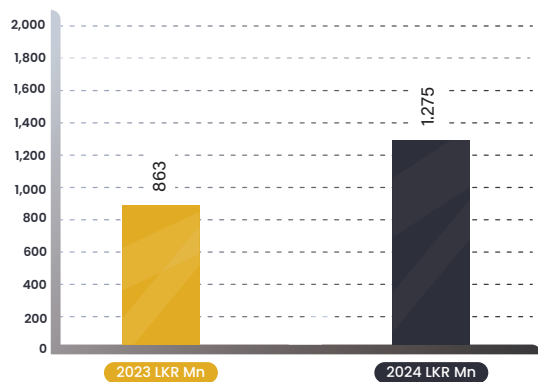
SHAREHOLDER'S FUND



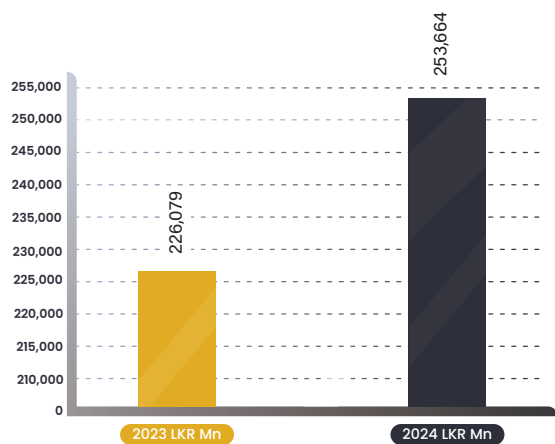
OPERATING PROFIT BEFORE TAXES



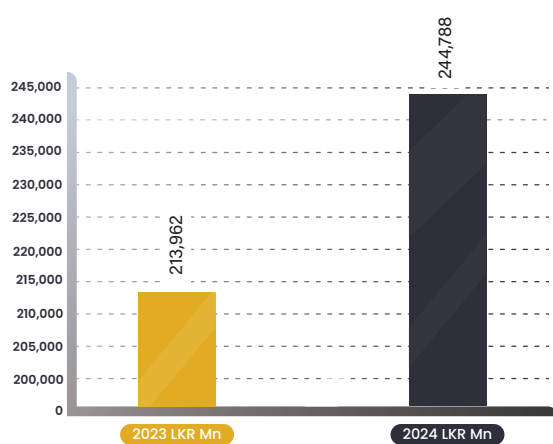
PROFIT AFTER TAX



CUSTOMER DEPOSITS



LOANS AND RECEIVABLES



Chairman's Message



REFLECTING ON A YEAR OF RESILIENCE AND GROWTH

As we reflect on 2024, we can be proud of the resilience and dedication demonstrated by the entire RDB Bank team. Despite a complex macroeconomic environment, we remained steadfast in our mission to uplift rural communities and support small-scale entrepreneurs. Our key achievements include significant growth in development lending, particularly in agriculture and MSME sectors, and the strategic expansion of our digital services to enhance accessibility to all Sri Lankans.

FINANCIAL PERFORMANCE AND STRATEGIC DISCIPLINE

The Bank delivered a strong financial performance in 2024, a testament to our discipline and operational resilience. Our operating profit before taxes saw a remarkable growth, increasing by 76.4% to LKR 6,189 million. Profit after tax also grew healthily by 47.7% to LKR 1,275 million. The deposit base grew by 12.2% and the loan book by 14.4%, with total assets reaching LKR 323,831 million. This growth was achieved while navigating high poverty levels and a subdued credit demand environment, underscoring our critical role in the nation's economic fabric.

DEEPENING OUR DEVELOPMENT MANDATE

Our commitment to the core development mandate was unwavering. We introduced flexible loan restructuring options and expanded credit facilities to support micro and small enterprises through difficult times. Our focus on financial inclusion, digital transformation, prudent risk management and initiatives like the Diri Abhimani program continued to empower women entrepreneurs, embodying our commitment to inclusive growth.

STRATEGIC PARTNERSHIPS FOR BROADER IMPACT

Partnerships remained key to our strategy to amplify our impact; Continued collaboration with the Asian Development Bank (ADB) was instrumental in providing crucial funding and technical assistance to channel resources to women-led businesses and SMEs. Furthermore, active participation in forums organized by the

Central Bank's Regional Development Department allowed us to work alongside regulators to promote financial literacy and inclusion at the grassroots level, ensuring a unified approach to national recovery.

BRAND BUILDING AND COMMUNITY TRUST

In 2024, we placed significant emphasis on strengthening the RDB brand as a trusted and people-centered institution. We launched refreshed communication strategies and highlighted the success stories of our customers—the farmers, the women entrepreneurs, and the small business owners—who are the torch bearers of Sri Lanka's journey towards economic resurgence. Through our CSR programs, mobile banking units, and financial literacy workshops, we have reinforced our identity not just as a bank, but as a committed development partner entrenched in every community we serve.

NAVIGATING CHALLENGES AND LESSONS LEARNED

The year presented significant challenges, including elevated non-performing loans, constrained capital buffers, and the lingering effects of the nation's debt restructuring. These hurdles taught us invaluable lessons in agility, risk management, and the critical importance of maintaining strong capital adequacy. They have shaped a more resilient and adaptable institution, better prepared to withstand economic shocks and serve as a stable pillar for our customers.

DIGITAL TRANSFORMATION AND FUTURE READINESS

We made significant strides in our digital journey, recognizing that technology is key to reaching the underserved. The continued rollout of digital tools is breaking down barriers and bringing modern banking convenience to rural customers. Furthermore, we have invested in our most valuable asset—our people—through upskilling and leadership programs to ensure we are prepared for the future.

As we look ahead, we remain focused on strengthening our digital infrastructure, expanding green financing initiatives, and deepening our outreach to empower communities across the island. Together, we are building a resilient and prosperous future for Sri Lanka.

ACKNOWLEDGMENT

I would like to express my sincere gratitude to our valued customers for their continued trust. Your loyalty and confidence in our services are the foundation of everything we do. Whether you are a long term customer or just joined our journey, your trust empowers us to innovate, improve, and deliver excellence every day. We are deeply grateful for your belief in our mission and your role in shaping our growth.

Great shout out to our stakeholders for their unwavering support, your steadfast backing; whether through investment, advocacy, or strategic collaboration you have been instrumental in helping us navigate challenges and seize opportunities. Your support goes beyond financial contributions; it reflects a shared vision and commitment to long-term success. We are honored to have you as partners in this journey.

The Board of Directors for their strategic guidance and vision; your leadership and foresight have provided the compass by which we steer our organization. Through thoughtful governance, bold decision-making, and a clear vision for the future, you have helped us stay aligned with our values while adapting to a dynamic landscape.

On behalf of the Board, I would like to extend our heartfelt appreciation to the governor and the officials of the Central Bank of Sri Lanka and the Asian Development Bank (ADB) for their regulatory guidance and unwavering support. Their role as pillars of stability has been instrumental in navigating the bank through challenging times, and we remain deeply grateful for their continued leadership.

Also, I strongly acknowledge the steadfast dedication of the entire RDB team from front-line staff to senior leadership—your resilience, creativity, and tireless effort are the heartbeat of our organization. You bring our mission to life through your daily actions, and your passion fuels our progress. It is your dedication that transforms challenges into achievements and ideas into impact. Your commitment, hard work, and passion are the driving forces behind our collective success.

Moving forward, we reaffirm our mission to uplift underserved communities with a strong commitment to sustainability. United in purpose, we will continue to grow, deliver greater benefits, and enhance livelihoods in every corner of the nation.



Lasantha Fernando

Chairman

General Manager's/CEO's Review



NAVIGATING CHALLENGES WITH PURPOSE AND INNOVATION

The year 2024 was defined by our ability to navigate ongoing economic difficulties while aggressively advancing our development goals. We confronted a weak macroeconomic environment and financial sector instabilities head-on, but through focused initiatives and strategic partnerships, we delivered tangible results for our customers and the nation.

KEY ACHIEVEMENTS IN EMPOWERING COMMUNITIES

Our achievements were rooted in targeted action. As a key partner in the government's Agriculture Modernization Program, we disbursed Rs. 650 million in interest-free loans, benefiting approximately 14,000 farm households. We expanded our "barefoot banking" model through 272 branches and launched dedicated units—the Entrepreneur Development Unit and Business Revival Unit—with a goal of financing 15,000 new MSMEs. These efforts reinforced our foundational commitment to rural entrepreneurship and economic recovery.

DIGITAL ADVANCEMENT AND FINANCIAL INCLUSION

Digital transformation remained a central pillar of our strategy. The successful introduction of the RDB Visa Debit Card and RDB QR payment system marked significant milestones in bringing digital financial tools to rural Sri Lanka. We complemented this technology with financial literacy campaigns, empowering new users with the knowledge to bank safely and confidently. These initiatives earned us recognition, including the Gold Award for Best LankaPay Card Implementer, validating our progress.

THE HUMAN TOUCH IN A DIGITAL AGE: A BALANCE OF TECH AND HUMANITY

Behind every digital transaction and loan approval is the unwavering commitment of our team. In 2024, our Business Promotion Assistants, the “Door to Door,” remained the lifeblood of our operation. They traversed difficult terrain, bringing banking services directly to doorsteps and farmlands, ensuring that no one was left behind. This human connection, this trust built in person, is the soul of our digital revolution. It is what transforms a mobile app from a piece of technology into a tool for empowerment, guided by a familiar and trusted face.

CULTIVATING TOMORROW'S LEADERS: SEEDS OF SUSTAINABILITY

Our vision extends beyond immediate financial support to sowing the seeds for a sustainable future. This year, we began integrating Environmental, Social, and Governance (ESG) principles into our core. We are developing green financing products for climate-resilient agriculture and renewable energy, ensuring our growth today does not come at the expense of tomorrow. By aligning our goals with the UN Sustainable Development Goals, we are committed to building a legacy of responsible banking that nurtures both our people and our planet.

FOCUS ON WOMEN AND STARTUP ENTREPRENEURS

Building on our strong partnership with the Asian Development Bank, we significantly enhanced our support for women-led enterprises. We increased loan limits and provided credit guarantees to make financing more accessible. Furthermore, we launched targeted programs to fund first-time entrepreneurs, offering not just affordable capital but also essential mentorship and training to ensure their success.

OPERATIONAL EXCELLENCE THROUGH TECHNOLOGY

The implementation of our Loan Origination System (LOS) and Collection Management System (CMS) revolutionized our internal processes. These systems have streamlined loan approvals, enhanced risk management, and, most importantly, facilitated faster, more transparent service for our customers, strengthening their trust in us.

STRATEGIC PRIORITIES FOR THE FUTURE

Looking ahead, our strategy is clear. We will strengthen our digital infrastructure, expand our green and climate-smart financing offerings, and deepen our outreach to the most underserved areas. We will continue to upskill our workforce and integrate sustainability across all our operations. Our vision is to be more than a bank; we are a dedicated development partner, committed to unlocking the potential of every Sri Lankan and driving inclusive, sustainable economic growth.

ACKNOWLEDGMENT

I wish to thank our customers for their resilience and loyalty, which inspire us daily. My appreciation also goes to the Chairman and the Board of Directors for their strategic guidance, and to every member of the RDB team for their exceptional commitment and hard work. Together with our partners, we are confident in our ability to meet the future with innovation, integrity, and an unwavering focus on our development mission.



D.M.T.S Kumara
General Manager/ CEO
(Covering up of Duties)



“ Self-Reliant Community :
Banking on Sustainable Growth ”



Stewardship



Standing Left to Right

Mrs. Rohini Madurawala, Mrs. Ramani Wijeratne, Mr. P. A. Wijerathne.



Standing Left to Right

Mr. Lasantha Fernando, Mr. Sujith Perera, Mr. W. Ranaweera, Mr. Kumara Bandara.

Board of Directors

Mr. Lasantha Fernando

Chairman (Date of appointed 04/10/2024)

Mr. Fernando, a career banker with over 35 years of industry experience having previously served at the Hatton National Bank PLC Sri Lanka, as a Deputy General Manager, Development Banking, with the role encompassing SME, Micro Finance, Rural & Agri. finance, developed strategic plans, closely monitoring the performance and motivating team members to consistently exceed performance targets.

As DGM Recoveries at HNB, adopted a "Hands on" approach working closely with the regions, managers, field and branch staff, leading, directing and motivating them to achieve goals and expectations. A stint at Lakshmi Bank, Kathmandu, Nepal as Deputy General Manager on Secondment from HNB under a Technical service agreement between the two banks. He also served in the board of the Banks subsidiary Sithma Development (Pvt) Ltd. and Associate, Splendor Media (Pvt) Ltd. Post retirement under took short term assignments for Asian Development Bank (ADB), Vision Fund Lanka & Sejaya micro Credit Ltd. in the areas of SME & micro finance respectively. He served as an independent director in a Non – executive capacity at Richard Pieris Finance Ltd., also as chairman of the Board Audit Committee and Chairman of the Board Integrated Risk Committee.

He has been in general retail and corporate banking in various capacities gathering experience in many areas of activity, ranging from credit, credit administration, branch bank management and Head office credit functions. Also a Branch Manager in several branches in rural, semi urban and urban areas. Also instrumental in creating linkages and market opportunities for micro entrepreneurs using the bank's network of clients and also assisting in the gradual enhancement in the capacity of enterprises to reach SME and even corporate status.

He holds a Diploma in Bank Management, is a Fellow of the Institute of Bankers (FIB) and a Master of Business Administration (MBA) University of Colombo. He is a distinguished old boy of both St. Thomas College, Mount Lavinia and Royal College, Colombo.

Mrs. Ramani Wijeratne

Independent / Non-Executive Director (Date of appointed 15/10/2024)

With over 25 years of experience in senior management roles across leading financial institutions, including Commercial Banking, Licensed Specialized Banking and Non-Banking Finance Companies, Mrs. Ramani Wijeratne possesses a wealth of expertise in strategic leadership, financial management and organizational growth.

Mrs. Wijeratne holds a BSc Special Honors degree from the University of Kelaniya, complemented by extensive training in Strategic Management, Financial Management and Marketing. She has also earned several diplomas from the Institute of Bankers of Sri Lanka.

Additionally she has participated in numerous professional development programmes, both locally and internationally, which have equipped her with a deep understanding of the best practices in management and leadership.

In recognition of her experience and leadership capabilities, Mrs. Ramani Wijeratne was appointed as an Independent / Non- Executive Director to the Board of Directors of PSB also known as RDB on 15.10.2024.

Mrs. Rohini Madurawala

Independent / Non-Executive Director (Date of appointed 09/12/2024)

Mrs. Rohini Madurawala has over 35 years of experience in banking at People's Bank in Sri Lanka. Her career includes roles in Domestic and International Banking, managing branches, international trade, credit and credit risk management, and internal audit.

She has served as Branch Manager, Assistant Regional Manager, Chief Manager of Trade Services at Corporate Banking Division and Domestic Credit department of head office, and Assistant General Manager, overseeing Credit Risk Management, Internal Audit, and Branch Operations.

Mrs. Madurawala holds a Bachelor of Commerce (Special) from Ruhuna University and a Postgraduate Diploma in Commerce from Kelaniya University. She is an associate member of the Institute of Bankers of Sri Lanka and has obtained the Risk in Financial Services qualification from the Chartered Institute for Securities & Investments, UK. She has contributed to policy development and served on various committees in the bank. Additionally, she has attended many professional development programs both locally and internationally during her career.

Mr. P. A. Wijerathne

Independent / Non-Executive Director (Date of appointed 09/12/2024)

Presently, Mr. Wijerathne serves as the Senior Independent Director of LOLC Finance Plc since 2017. Mr. Wijerathne has over twenty five years of experience in Accounting, Financial reporting, Investment of internal funds, Foreign loan disbursements and repayments, Auditing, Public debt management and Administration as an ex Officio of the Central Bank of Sri Lanka.

He has joined CBSL in 1991 and has worked in the Finance, Public Debt Management and Internal Audit departments till his retirement in year 2016. Before joining the Central Bank of Sri Lanka, he has served at Auditor General Department, Sri Lanka Institute of Development Administration and Agrarian Research and Training Institute.

Mr. W. Ranaweera

Independent / Non-Executive Director

(Date of appointed 15/01/2025)

(Former Director of Central Bank of Sri Lanka)

Mr. Ranaweera possesses over 25 years of experience in the licensing, regulation and supervision of non-bank financial institutions. He has also been extensively involved in the implementation of development loan schemes operated by the Central Bank of Sri Lanka (CBSL), targeting key sectors such as agriculture, dairy farming and small and medium enterprises (SMEs).

Mr. Ranaweera joined the Central Bank of Sri Lanka in 1991 and served in several key departments, including the Supervision of Non-Bank Financial Institutions, Bank Supervision, Regional Development and Regional Office Management, until his retirement in 2020. Prior to his tenure at CBSL, he held positions at the Bank of Ceylon and the Department of Inland Revenue.

He holds a Bachelor of Arts (Special) degree from the University of Sri Jayewardenepura (1982), a Postgraduate Diploma in Business and Financial Administration from the Institute of Chartered Accountants of Sri Lanka (1995) and a Master of Economics from Vanderbilt University, USA (2001).

Additionally, he has participated various training programs, seminars, workshops and knowledge-sharing initiatives both locally and internationally. These focused on areas such as central banking, bank supervision and regulation, development banking, anti-money laundering, microfinance etc.

Mr. Sujith Perera

Independent / Non-Executive Director

(Date of appointed 19/02/2025)

Mr. Sujith Perera has over 25 years of experience in IT infrastructure and information security management, enterprise IT strategy rollouts, leading digital transformations enabled by technology, IT outsourcing and cost optimization, achieving IT driven business growth for many leading organizations in Sri Lanka and delivering services to global telecoms around the world. He holds a MSc.(Hons) in Electronics Engineering from State University of Lvivska Polytechnica, Ukraine (1996), and is a Project Management professional certified in PRINCE2 certification, ITIL Foundation certified, certified Lead Auditor / Implementer for ISO 27001 and 22301 and TL 9000.

Mr. Sujith Perera received his education at Royal College Colombo, where he achieved many special mentions, in academics, and both extra and co-curricular activities.

Mr. Kumara Bandara

Independent / Non-Executive Director

(Date of appointed 04/12/2024)

Mr. Kumara Bandara is an Associate Member of the Institute of Chartered Accountants of Sri Lanka (ACA), an Associate Member of the Sri Lanka Institute of Taxation (ATII), and a Fellow Member of the Institute of Certified Forensic and Fraud Auditors (IFA). He holds a Master of Business Administration (MBA) from the University of Wayamba, Sri Lanka, and a Bachelor of Science (Special) Degree in Business Administration from the University of Sri Jayewardenepura, Sri Lanka. He is also a Passed Finalist of the Institute of Chartered Corporate Secretaries of Sri Lanka (ACCS). Additionally, he serves as a Director of the Shrama Wasana Fund, Ministry of Labour, and as a Director of the Skill Development Fund of the Ministry of Education and Higher Education.

With over 25 years of professional experience, Mr. Kumara Bandara has served on several key professional committees and currently holds the position of President of the Institute of Certified Forensic and Fraud Auditors. He has also held leadership roles such as Chairman and Managing Director in several corporate and professional Companies.

He has gained extensive expertise in advisory services including system design, investigations, preparation of procedure manuals, feasibility studies, due diligence, business valuation, internal audits, costing, taxation, and corporate secretarial services.

Mr. Bandara's experience includes leading audit and assurance engagements across a broad spectrum of entities such as private limited liability companies, proprietorships, partnerships, not-for-profit organizations, clubs, and associations. In addition to his professional work, he has contributed significantly to education, serving as a Senior Lecturer in Costing, Business Administration, Taxation, and Financial Accounting at a leading private educational institution in Sri Lanka for over ten years.



Mr. E A D Janitha Priyashantha
General Manager/CEO
(Acting)

Mr. Priyashantha is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and an Associate Member of Institute of Bankers of Sri Lanka and certified member of the Institute of Chartered Management Accountants Australia and holds a B. Com Special Degree with a Second Upper Division from the University of Kelaniya.

He possesses more than 36 years of experience in Banking, Finance and Auditing in People's Bank and Public Sector Institutions. Mr. Priyashantha joined the Regional Development Bank in June 2022 as Chief Internal Auditor. He was appointed as General Manager/CEO (Acting) since 6th of June 2024.

(Retired on 26th May 2025)

Mr. P S Edirisuriya
Chief Finance Officer

Mr. Edirisuriya graduated from the University of Sri Jayewardenepura with a Bachelor of Science Special degree in Business Administration in 1992 and possess a Master of Business Administration Degree from the University of Colombo. Mr. Edirisuriya is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

Mr. Edirisuriya counts over 33 years of experience in the fields of Auditing, Accounting, Taxation Management consultancy, Banking and Finance at leading institutions including Ernst & young - Colombo, National Development Bank and Seylan Bank.

He joined RDB in January 2017. Prior to his appointment as Chief Finance Officer at RDB he has held the positions of Chief Finance Officer, Compliance Officer and Acting General Manager/CEO at Lankaputhra Development Bank. He also held the position of General Manager/CEO (Coverup duties) at RDB from September 2022 to May 2024 in addition to the position of Chief Finance Officer.

Mr. D M T S Kumara
Head of Business Operations

Mr. Kumara successfully completed the Special Degree in Bachelor of Science (Business Administration) from University of Sri Jayawardhanepura. He holds Master of Arts from University of Kelaniya. Also passed Intermediate Examination from Institute of Bankers of Sri Lanka.

Mr. Kumara has over 33 years of experience in Banking Industry. He joined the Bank (previously Polonnaruwa Regional Rural Development Bank/RRDB) in the year 1991 and served at the levels of Banking Assistant, Manager, Senior Manager, Chief Manager, Assistant General Manager and also as a Regional General Manager in Uva and North Western Provinces.

(Appointed to cover-up the duties and responsibilities of General Manager / CEO from 27th May 2025 in addition to the position of Head of Business Operations)



Mr. D K S Serasinghe

Chief Human Resources Officer

Mr. Sanjeewa Serasinghe, has more than 25 years' experience in the field of HR since 1999, joined Regional Development Bank in January 2021. He holds a B.Sc. Special Degree in Human Resources Management from the University of Sri Jayewardenepura and Master of Science in Management from the same university. He has successfully completed the fellowship Programme in Human Resources Management through Total Quality Management in Tokyo, Japan. Mr. Serasinghe started his career in corporate and middle management positions in public and private sector organizations. In 2014/2015 he has worked as Deputy General Manager- HRD of National Savings Bank.

Mr. B G W Athula Kumara

Deputy General Manager – Credit, Special Projects and Policy Implementation (Acting)

He holds a Bachelor of Science (Special) Degree in Public Administration from the University of Sri Jayewardenepura and a Master of Arts (Economics) from the University of Kelaniya. Additionally, he has successfully completed the Diploma in Banking and Finance from the Institute of Bankers of Sri Lanka (IBSL).

Mr. Athula has over 33 years of experience in the banking industry. He joined the Bank in 1991, when it was known as the Polonnaruwa Regional Rural Development Bank (RRDB), and has since served in various capacities, including Manager, Senior Manager, Chief Manager, Assistant General Manager, and Regional General Manager in the Eastern, Uva, and Western Provinces.

Dr. G M B C De Silva

Deputy General Manager – Business Revival & Recovery (Acting)

Dr. G.M.B.C.De Silva holds a commerce degree from University of Sri Jayewardenepura and a Master of Business Administration from the University of Wayamba, Sri Lanka and a DBA (Doctor of Business Administration) from the IIC University of Technology, Cambodia. Dr. Silva possesses a Diploma in Banking Institute in 1996 and is a Fellow Member of the Institute of Bankers of Sri Lanka. He has successfully completed the Micro Finance course conducted by the Colombo University of Sri Lanka.

He has joined the Bank (Previously Kegalle RRDB) in year 1987 and served Sabaragamuwa Development Bank and RDB at the levels of Banking Assistant, Manager, Senior Manager, Chief Manager, Assistant General Manager & Regional General Manager in Uva Province. He has over 37 years of experience in the Banking Sector.

Dr. A S K B Rathnayake

Chief Information Officer (Acting)

Dr. Ajantha Rathnayake is an accomplished IT professional with over 33 years of experience both locally and internationally. He has been serving the Regional Development Bank (RDB) since February 2015.

Dr. Rathnayake holds a B.Sc. in Management Information Systems (MIS) from the National University of Ireland, a Master of Business Administration (MBA) from Leeds Metropolitan University in England, and a Ph.D. from Aldersgate College, Philippines. He is also a member of the British Computer Society and Computer Society of Sri Lanka.

Regional General Managers



Mr. M M S Ananda

Regional General Manager - Zonal I (North Central & Eastern Province)

Associate Membership of Institute of Bankers of Sri Lanka (AIB)



Mr. P H Wijethilaka

Regional General Manager - Sabaragamuwa Province

MBA National School of Business Management (NSBM)
B.Sc (State Mgt.& Valuation) Degree - University of Sri Jayewardenepura

Associate Membership of Institute of Bankers of Sri Lanka (AIB)



Mr. K C D Dharmapriya

Regional General Manager - Central Province

BA Degree - University of Peradeniya
Senior Associate Member of Institute of Bankers of Sri Lanka



Mr. C L C Muthubanda

Regional General Manager - North Western Province

B.Sc. Business Administration (Special) Degree - University of Sri Jayewardenepura
Fellow Membership of Institute of Bankers of Sri Lanka (FIB)



Mr. K B Wijerathna

Actg. Regional General Manager- Uva Province

B.Sc. Business Management (Special) Degree - University of Rajarata

Associate Membership of Institute of Bankers of Sri Lanka (AIB)

Intermediate Examination - The Institute of Chartered Accountants of Sri Lanka



Mr. R M D S P Mahanama

Actg. Regional General Manager - Southern Province

PGDip. In Business Administration - University of Peradeniya

Associate Membership of Institute of Bankers of Sri Lanka (AIB)

Associate Member of The Institute of Marketing



Mrs. H M N M Herath

Actg. Regional General Manager – Western Province

B.Sc. - Business Administration (Special) Degree - University of Sri Jayewardenepura

Master of Business Administration - University of Wayamba.

Fellow Member of The Institute of Chartered Accountants of Sri Lanka

Fellow Member of The Association of Accounting Technicians of Sri Lanka

Associate Membership of Institute of Bankers of Sri Lanka (AIB)

Fellow Member - Institute of Certified Management Accountants of Sri Lanka (CMA)

Diploma in Treasury and Risk Management at IBSL

Assistant General Managers/ Head of Divisions



Mr. W P M K Dasantha

Assistant General Manager – Engineering & Administration

B.Sc. (Engineering.) - Honours - University of Moratuwa
PGDip. in Technology (Construction Management)- Open University of Sri Lanka

MBA - PIM (University of Sri Jayewardenepura)
Corporate Member and Chartered Engineer of Institution of Engineers (SL)

International Professional Engineer (Sri Lanka)
Chartered Member of the Chartered Institute of Logistic & Transport (UK)

Chartered Professional Engineer and Member of Engineers Australia

Member of Chartered Management Institute (UK)

Member of Institute of Chartered Professional Managers of SL

Associate Member of Society of Structural Engineer (SL)



Mrs. A R R Piyasekara

Chief Legal Officer/Assistant General Manager-Legal
Attorney-at-Law

Registered Company Secretary

Notary Public & Commissioner for Oaths

Master of Laws (LLM) - University of Colombo

Master of Science (MSc) - University of Moratuwa

Post Graduate Diploma in Labor Studies (PgDLS) - University of Colombo

Bachelor of Law (LLB-Special) - University of Colombo

Diploma in Compliance - Institute of Bankers of Sri Lanka

Diploma in Corporate Banking - Institute of Bankers of Sri Lanka

Chartered Member (CMILT) - Chartered Institute of Logistics & Transportation of SL

Life Membership - Association of Professional Bankers (APB) in Sri Lanka



Mr. E.P. Ranjith Kumara

Assistant General Manager - Internal Audit

B. Com (Special) Degree - University of Kelaniya

IABF - Institute of Bankers of Sri Lanka



Mr. H M P A G U Bandara

Assistant General Manager – Credit Administration

Associate Membership of Institute of Bankers of Sri Lanka (AIB)

PGDip. in Management - University of Rajarata



Mrs. R M T Rajapaksha

Board Secretary
 Bachelor LLB - University of Colombo
 PGD-HR University of Colombo
 Attorney at Law
 Notary Public
 Company Secretary
 Diploma in English, Aquinas College, Colombo
 Certificate in English, University of Colombo
 Certificate on the "International Human Rights Training Program" in Canada organized by the Canadian Human Rights Foundation
 Certificate on the training of the "Implementation of Human Rights Treaty Bodies recommendations at National Level" in Geneva organized by the Office of the United Nations High Commissioner for Human Rights
 Certificate on the participation of "Asia-Pacific Regional Workshop on Women's Economic, Social and Cultural Rights" in Philippines organized by the Commission on Human Rights of Philippines



Mr. D S P C Handunhewa

Assistant General Manager - Operations
 Diploma in Micro Finance - Institute of Bankers of Sri Lanka
 CBF - Institute of Bankers of Sri Lanka



Mr. W K G Karunaratne

Assistant General Manager – Risk Management
 B. Sc. Business Administration (Special) Degree - USJP
 PGD (HRM) – UOC
 Associate Membership of Institute of Bankers of Sri Lanka (AIB)



Mr. P S T Ranathunga

Assistant General Manager - Credit
 BA Degree - University of Colombo
 MA University of Sri Jayewardenepura
 Diploma in Micro Finance - IBSL



Mr. M D G Karunarathna

Assistant General Manager - IT (Applications)
 B.Sc. Degree - University of Kelaniya
 Post Graduate Executive Diploma in Bank Management - IBSL
 Professional Membership of British Computer Society (MBCS)
 Associate Membership of Institute of Bankers of Sri Lanka (AIB)



Mrs. S G G Lakshmi

Assistant General Manager - Finance

B.Sc. - Business Administration (Special) Degree - University of Sri Jayewardenepura

PGEXDip. in Bank Management - IBSL

Associate Membership of Institute of Bankers of Sri Lanka (AIB)

Licentiate Level Examination - The Institute of Chartered Accountants of Sri Lanka



Mr. K D H A De Silva

Assistant General Manager - Recovery

Higher National Diploma in Accountancy

DBF - Institute of Bankers of Sri Lanka

PGEXDip. in Bank Management - IBSL

MBA - Asia e University, Malaysia

National Certificate in Draftsmanship - Technical College - Sri Lanka

Fellow Membership of Institute of Bankers of Sri Lanka (FIB)



Mrs. P E D S Perera

Assistant General Manager - Human Resources Development & Services

Associate Membership of Institute of Bankers of Sri Lanka (AIB)

Post Graduate Executive Diploma in Bank Management - IBSL



Mr. B W M A N W Kumarasiri

Assistant General Manager - Investigation

B. Com (Special) Degree - University of Colombo

CGAP Trainer & Consultant

Diploma in Credit Management - Sri Lanka Institute of Credit Management



Mr. L.A.R. Fernando

Assistant General Manager - Marketing

BA Degree - University of Sri Jayewardenepura

Master in Human Resource Management - University of Colombo

Master of Arts (MASS Communication)- University of Kelaniya

Diploma in Writer-ship & Communication - University of Sri Jayewardenepura

Associate Membership of Institute of Bankers of Sri Lanka (AIB)



Mrs. E M P C K Ekanayaka

Assistant General Manager - Compliance

Master of Business Finance Degree - University of Kelaniya

Associate Membership of Institute of Bankers of Sri Lanka (AIB)

Post Graduate Diploma in Bank Management - IBSL



Mr. S D A S Sandanayaka

Assistant General Manager - Human Resources Management

Associate Membership of Institute of Bankers of Sri Lanka (AIB)

Diploma in Human Resource Management - NYSCO



Mrs. D K R J Jayasinghe

Assistant General Manager - Recovery

B. Com Special Degree - University of Colombo

The Associateship - IBSL

Diploma in SME Finance - IBSL



Mr. D B D S Chandraprema

Assistant General Manager - IT Operations & Infrastructure

Master of Business Administration

Executive Master of Science (Information Security)

Bachelor of Science (Information Technology)

Post Graduate Diploma (BCS)

ITIL



Mr. Wishva Wickramaarachchi

Assistant General Manager - Fund Management

BSc (Economics & Management) double degree - University of London (London School of Economics)

MBA - Harriot Watt University (Edinburgh Business School) in Scotland

Fellow Membership of The Institute of Chartered Management Accountants (UK)

Fellow Member of the Institute of Credit Management in Sri Lanka

Post Graduate Diploma in Business and Finance Administration - Institute of Chartered Accountants (Sri Lanka)

Diploma in Treasury & Risk Management - IBSL

Diploma in Taxation - Chartered Institute of Taxation in Sri Lanka.

Certificate course in Taxation - AAT Sri Lanka



Mr. W. G. Ranathunga

Assistant General Manager- Central Loan Origination System

Master of Business Studies- National School of Business Management (NSBM)

Postgraduate Diploma in HR Management- National School of Business Management (NSBM)

Diploma in Micro Finance- Institute of Bankers of Sri Lanka

Diploma in Human Resource Management- National Institute of Labor Studies (NISL)

Associate Membership of Institute of Bankers of Sri Lanka (AIB)



Mr. W U S Abeysinghe

Assistant General Manager - Sabaragamuwa Province
B.Sc. - Public Administration (Special) Degree - University of Sri Jayewardenepura



Mr. K J Dharmapriya

Assistant General Manager - Zonal I (North Central & Eastern Province)
Bachelor of Business Administration (Econ) - University of Rajarata
Associate Membership of Institute of Bankers of Sri Lanka (AIB)



Major General Jagath Pakshaweera

Chief Security Officer
RSP, VSV, USP (Rtd)

“ Self-Reliant Community :
Banking on Sustainable Growth ”



**Management Discussion
& Analysis**

Financial Review

As a financial institution dedicated to Development Banking, the Regional Development Bank (RDB) is continuing to play a vital role in the upliftment of social and economic development activities in the country. The Bank has been in the forefront of most development programs in the Island, playing a vital role as a financier. RDB has now emerged as a unique Financial Institution for Regional Development in the Island, serving the sectors of the economy, where most financial institutions are reluctant to actively participate in this sensitive and sophisticated arena. Our key asset is our customer base of over six million, spread throughout the country, including both the North and East. The development of the country and its people are the focus of the Bank. So, the Bank is committed to empowering them and thereby developing the Nation through its island-wide branch network of 272 branches.

RDB’s Quarterly Financial Performance

RDB’s quarterly financial performance has improved slightly during the year 2024.

Item	2024 - LKR.000				2023 - LKR .000
	31-Dec	30-Sep	30-Jun	31-Mar	31 - Dec
Net operating Income	21,419,386	13,714,166	8,739,772	4,120,999	15,724,850
Profit Before Tax	3,209,877	663,417	492,327	(231,094)	1,183,421
Profit /(Loss) After Tax	1,275,449	(143,837)	95,673	(261,260)	863,517
Loans & Receivables	244,788,393	226,868,042	216,971,508	214,904,870	213,962,635
Customer Deposits	253,664,001	241,506,267	233,916,064	229,922,194	226,079,615
Total Assets	323,831,354	310,210,098	302,093,612	303,575,330	299,717,438
Shareholder’s Fund	18,388,143	17,721,886	17,961,396	18,097,344	17,865,722

Income

The total income of the Bank slightly decreased by 16.88% to LKR. 39.55 Bn from LKR. 47.58 Bn. The Bank achieved a total income higher than the previous financial year even in the challenging economic condition in the country.

Composition of Total Income

Item	2024 LKR. 000	2023 LKR. 000	Change
Interest Income	37,922,124	46,232,791	-17.98%
Fee and Commission Income	1,951,331	1,572,076	24.12%
Other Operating Income	(321,234)	(217,933)	47.40%
Total Income	39,552,222	47,586,935	-16.88%

Profitability

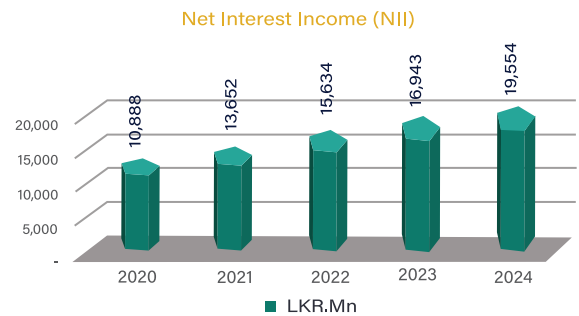
Profits after Tax (PAT) of the Bank have increased slightly by 47.70% compared to the previous year. In the year 2024, operating profit increased to LKR. 6,188 Mn, which is 76.40% more than the operating profit of LKR. 3,508 Mn recorded in 2023. Return on Assets (ROA) before tax was recorded as 1.03% that stood at 0.40% in 2023. Also, the Bank reached total assets of LKR. 323.83 Bn as of 31 December 2024 which recorded 8.05% growth over the previous year.

Profitability Over the Budget

Item	Actual LKR. 000	Budgeted LKR. 000	Change
Gross Income	39,552,222	49,185,112	-19.58%
Operating Profits	6,188,576	5,748,835	7.65%
Profit after Tax	1,275,449	1,290,127	-1.14%

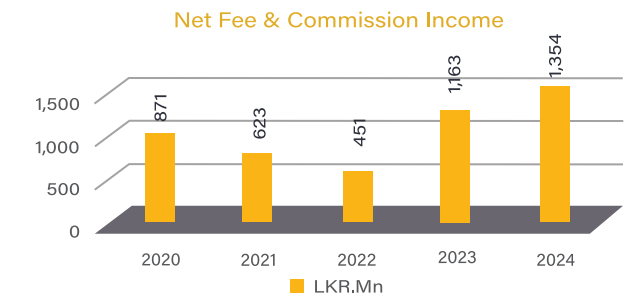
Net Interest Income (NII)

Net interest income increased by 15.41% in the financial year of 2024, and it increased from LKR. 16,943 Mn to LKR. 19,554 Mn.



Net Fee and Commission Income

During the financial year 2024, Net Fee and Commission Income increased by 16.42%. It increased to LKR.1,354 Mn compared to the results of LKR.1,163 Mn in financial year of 2023.



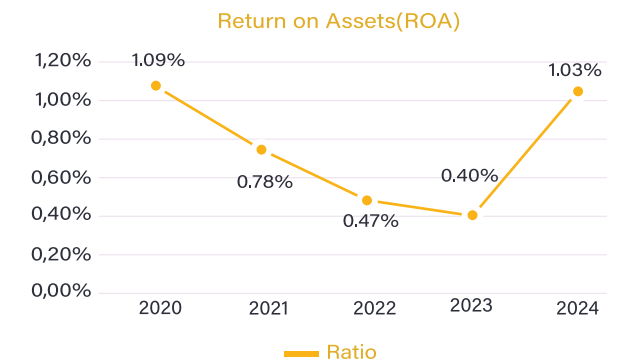
Taxation

Item	2024 LKR.000	2023 LKR.000	Change
VAT on Financial Services	2,617,138	2,066,232	26.7%
Social Security Contribution Levy	361,560	258,613	39.8%
Income tax expense / (reversal)	1,934,428	319,903	504.7%
Total Tax Expense	4,913,126	2,644,748	85.8%

During the financial year 2024, the Bank has incurred Taxes on financial services, amounting to LKR. 2,978 Mn and Income Tax expenses to LKR. 1,934 Mn. A total of LKR. 4,913 Mn has been incurred during the year as taxes.

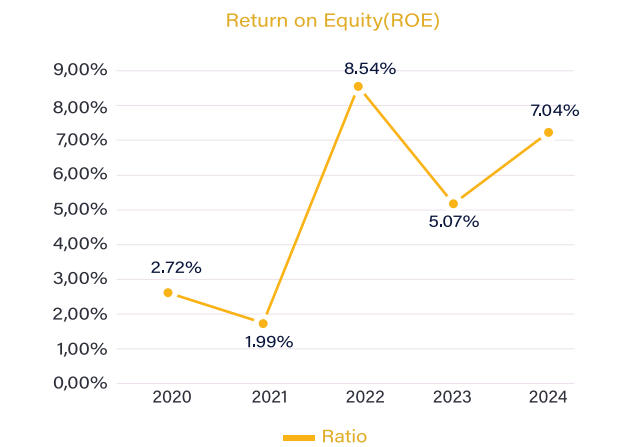
Return on Assets (ROA)

The Bank has recorded ROA (operating profits) of 1.03% for the financial year 2024 despite of 0.40% recorded for the financial year 2023.



Return on Equity (ROE)

The Bank has recorded ROE of 7.04% for the financial year 2024 despite 5.07% recorded for the financial year 2023.



Total Assets

The Bank recorded a growth of 8.05% in total assets as at the end of the financial year 2024, over the corresponding year. Accordingly, the total assets base increased from LKR.299 Bn to LKR.323 Bn during the financial year.



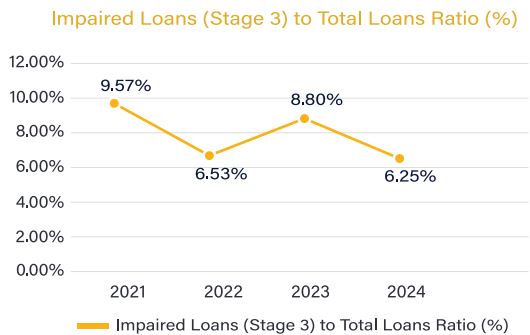
Total Shareholders' Equity

Total shareholders' equity of the Bank arrived in LKR. 18,388 Mn in the year 2024 against LKR. 17,866 Mn recorded in the year 2023.



Assets Quality

The Impaired Loans (Stage 3) to Total Loans Ratio (%) of the Bank slightly decreased to 6.25% as of 31 December 2024 irrespective of 8.80% at the end of the previous year.



Liquidity

Item	2024	2023
Liquidity Coverage Ratio (%)		
Rupee (%) (Minimum :100%)	402.00%	976.00%
All Currency (%) (Minimum :100%)	402.00%	976.00%
Net Stable Funding Ratio (%) (Minimum :100%)	152.00%	174.00%

The Bank has consistently maintained its liquidity levels well above the regulatory requirements during the year 2024.

Customer and Relationship Review

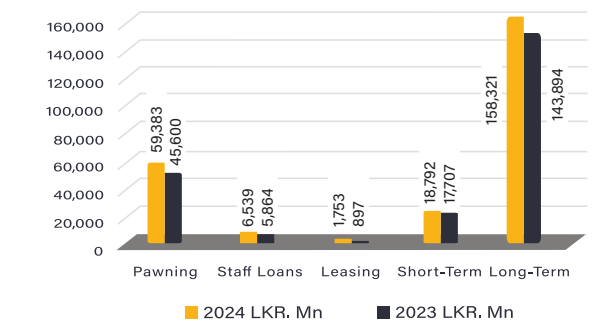
Loans & Advances Growth



Loans & Advances Portfolio Analysis - By Product

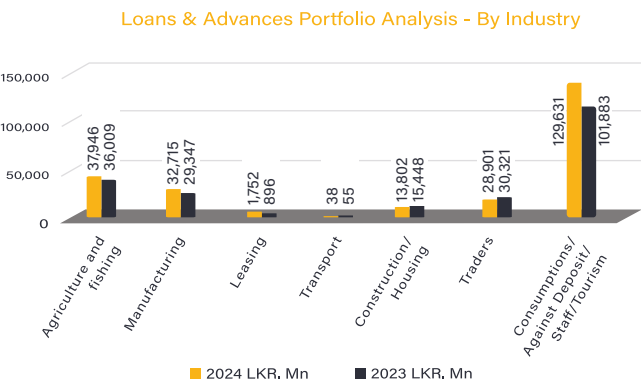
Category	2024 LKR. Mn	2023 LKR. Mn
Pawning	59,383	45,600
Staff Loans	6,539	5,864
Leasing	1,753	897
Short Term	18,792	17,707
Long - Term	158,321	143,894
Total	244,788	213,963

Loans & Advances Portfolio Analysis - By Product



Loans & Advances Portfolio Analysis - By Industry

Item	2024	2023
Agriculture and fishing	37,947	36,009
Manufacturing	32,715	29,348
Leasing	1,753	897
Transport	39	55
Construction / Housing	13,803	15,449
Traders	28,901	30,321
Consumptions/Against Deposit/Staff/ Tourism	129,631	101,884
Total	244,788	213,963



Recoveries

During the year 2024, special attention was given by the Bank to manage its Non-Performing Loan (NPL) by focusing to recover stage 03 loans of the bank.. As a result of the special efforts made by the bank, the bank was able to manage the stress that arisen due to volatility of the country's economic situation. Hence, the bank managed to maintain the Impaired Loans (Stage 3) to Total Loans Ratio (%) at 6.25% as of 31 December 2024 whilst achieving 14% of slight growing of the credit portfolio.

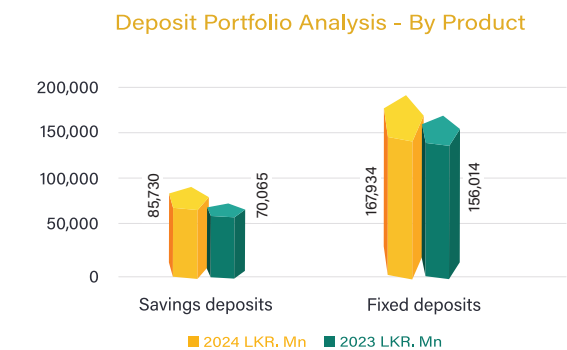
Deposit Growth

Deposit Base of the Bank increased to LKR. 253 Bn, that represents a 12.20% growth over the previous year. The major contributor to this was saving deposits, which grew by 22.36% whilst fixed deposits increased by 7.64%.



Deposit Mix

Type of Deposit	2024 LKR. Mn	2023 LKR. Mn
Savings deposits	85,730	70,065
Fixed deposits	167,934	156,014
Total	253,664	226,080



Credit & Recoveries

Credit is the most important function and the instrument used by the Bank in meeting this objective. Credit can be used to stimulate important segments such as agriculture, Small industry, fisheries, Animal Husbandry, and service sectors of the economy thereby enhancing the contributions made by these sectors towards national income. One of the noteworthy Features of the Bank is its strong presence in the rural areas, which has been continuing from the inception of Regional Rural Development Banks in 1985.

The Bank therefore has executed a strategy to meet the given objectives in all activities of the Bank including lending operations. Terms of the loan facilities were designed to suit the needy sectors by offering concessionary interest rates, conveniently crafted repayment plans with comfortable grace periods on soft security requirements. In addition, the Bank provided credit plus facilities such as entrepreneurship development, Training, advisory services on Management and marketing. Credit plus services also helps to reduce risk of lending and thereby reduce the dependency on securities for lending.

In addition to that, under the C&R, operating such a crucial profitability object called Bancassurance Unit. The Bank continued to generate the commission income by channeling insurance activities relating to the loans granted by the Bank during 2024. Commission details are mentioned below.

RDB-BANCASSURANCE UNIT			
2024-COMMISSION RECEIVED (INSTITUTE VICE)			
SE:NO:	INSURANCE COMPANY	FROM:01.01.2024 UP TO:31.12.2024	%
1	SRILANKA(LIFE)	24,025.65	0.06
2	SRILANKA(GENARAL)	1,558,514.49	3.73
3	SANASA(LIFE)	13,918,746.27	33.28
4	SANASA(GENARAL)	694,496.04	1.66
5	CO-OP	4,142,136.04	9.90
6	CEYLINCO(LIFE)	308,332.35	0.74
7	CEYLINCO(GENARAL)	1,405,397.82	3.36
8	ALLIANZ(LIFE)	116,135.82	0.28
9	ALLIANZ(GENARAL)	366,450.38	0.88
10	SOFTLOGIC(LIFE)	15,546,944.16	37.18
11	AGRERIAN	0.00	0.00
12	PEOPLES	998,998.57	2.39
13	LOLC(LIFE)	702,413.10	1.68
14	LOLC(GENARAL)	570,953.96	1.37
15	JANASHAKTHI(LIFE)	1,065,564.30	2.55
16	FAIRFIRST	210,029.07	0.50
17	ARPICO	179,814.75	0.43
18	HNB (GENERAL)	11,730.75	0.03
	TOTAL	41,820,683.52	100

Meets New Technology

Loans Origination System (LOS) has been introduced and entertained the retail lending at the movement. Project lending will be processed before the end of the year 2025. The system helps to enrich the credit process & entertain the existing clients and welcome new clients by supplying effective service on lending through the automated system.

Refinance & Interest Subsidy Loan Schemes

There are several schemes (mentioned below) were held with several institutions named CBSL, Ministry of Finance, Ministry of Industries and Ministry of Agriculture etc. Especially the Bank engaged with Asian Development Bank (ADB) for operating very crucial refinance credit Lines to enhance SME sector.








SMELoC We fi	SMILE 111 RF	NCRCS
SMELoC RF	SEPI PHASE 11	E-Friends
SMELoC II	Krushni Shakthi	Re- Energizing MSME
PAMP RF	Moragahakanda	Mahaweli Surekum
KAPRUKA AYOJANA	SAPP	AMP
KAPRUKA JAYAISURA	Mahaweli saviya	Special Pledge Scheme

Sustainability Committee: Laying the Foundation for a Greener Future

The Regional Development Bank (RDB) marked a key milestone in its sustainability journey with the inaugural meeting of its Sustainability Committee held on 6th August 2024 at the Head Office. The session, chaired by Acting General Manager/ CEO Mr. E.A.D. Janitha Priyashantha, brought together 24 senior officials, including Deputy General Managers and Heads of Departments, signifying strong institutional commitment to integrating sustainable practices into the bank’s operations.

RDB remains firmly aligned with the Central Bank of Sri Lanka’s Sustainable Finance Roadmap version 01 and global Environmental, Social, and Governance (ESG) standards. The Bank has reviewed its prior experience with environmental and social screening frameworks and recognizes the importance of integrating sustainability across all functional areas. It is focused on key corporate sustainability principles, including the Triple Bottom Line—People, Planet, and Profit—and the United Nations Sustainable Development Goals (SDGs), ensuring these are closely aligned with its strategic and corporate plans. Clear departmental responsibilities and structured implementation pathways have been established to support effective and organization-wide integration of sustainability initiatives.

<p>1 NO POVERTY</p> 	<p>Bank is engaged in improving financial stability for low-income customers and contributes to combating poverty in line with macroeconomic objectives of the government.</p> <p>Offering financial literacy workshops to MSMEs to improve their understanding and uplift living standards.</p> <p>Bank assists under privileged communities to grow up by encouraging savings, financial literacy, and community-based financing. The specialist group such as Rural Leaders have been formed to create widely connect with underprivileged communities and self-help groups to improve their livelihoods.</p>
<p>2 ZERO HUNGER</p> 	<p>Agriculture and agri related sectors directly link for the food security. Agriculture & agri based loans accounts for 17 % of total loan disbursement in the year 2024.</p>
<p>3 GOOD HEALTH AND WELL-BEING</p> 	<p>Permanent employees are entitled to well-armed health coverage and ensure good health and safety through good health practices.</p> <p>The community health and wellbeing standards will be uplifted in proportionate to the improvement of their livelihood standards.</p>
<p>4 QUALITY EDUCATION</p> 	<p>Timely scheduled staff capacity building trainings and TOT trainings are conducted to widen the exposure. by bank with the support of international entities.</p> <p>Bank supports to the under privileged schools by donating study/reading materials.</p>
<p>5 GENDER EQUALITY</p> 	<p>Gender Gap Assessment was conducted with a focus on enhancing women's financing and took the actions to address the gaps by conducting WE-educating workshops on business plan implementation.</p> <p>Internal policies and promotional conditions are open to all without any gender discrimination. Bank permanent employee profile is 54% male and 46% female.</p>
<p>7 AFFORDABLE AND CLEAN ENERGY</p> 	<p>Adapting the energy conservation measures by applying an efficient lightning solution.</p> <p>The Bank has installed rooftop solar systems on three bank buildings, generating a total of 30 kW. An additional 40 kW system is planned for the next phase to further reduce grid electricity use and support the bank's sustainability goals.</p>

8 DECENT WORK AND ECONOMIC GROWTH 	<p>Conducting non-bias and transparent branch performance evaluation events by appreciating and encouraging the staff members.</p> <p>Following a goal-oriented work environment by focusing on sustainable economic growth by ensuring the employees' physical and mental stability.</p> <p>Empower the grass-roots entrepreneurs, and bank provides the support for financial inclusion.</p>
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	<p>Food insecurity is one of the most challenging aspect. As a development bank, encouragement is made much focus on innovative agribusiness. And a well designed facility was delivered for young startups with the aim of making innovations through inventions.</p>
10 REDUCED INEQUALITIES 	<p>Bank has a well-armed branch network with 272 branches and reaches to the lagging areas as well. And provide accessible and affordable loans.</p>
11 SUSTAINABLE CITIES AND COMMUNITIES 	<p>Empowering the underserved community by providing community-based financial facilities, specially called "Isusru Janatha Samagam."</p>
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	<p>The selected lending portfolio is subjected to the E & S risk analysis and adhering to it gradually for the total loan portfolio. Bank is putting in the effort to go for sustainable financing concepts by ensuring responsible banking practices.</p>
13 CLIMATE ACTION 	<p>Implementation of the virtual meeting background for special discussions and short time period meetings by limiting the gatherings. It is a positive action to reduce the GHG emission.</p>
17 PARTNERSHIPS FOR THE GOALS 	<p>The bank has a long-term business relationship(s) with the international financial and TA facilitators, which will directly link to support for regional development and eventually national level.</p>

RDB Leasing

RDB leasing has been operating quite successfully in 2024. All branches tend to execute their strategies to enhance the leasing portfolio of their branches very successfully.

Leasing Portfolio as at 31.12.2024 is 2.1 bn.

Recoveries

The challenges raised from the impact of the Easter Sunday attacks in 2019, COVID – 19 Pandemic and adverse macroeconomic circumstances, most of our borrowers faced difficulties repaying their loan facilities properly. Therefore, to control & mitigate the non-performing level of the bank, we implemented a series of strategic initiatives focused on the field level contribution of executive management with the entire staff of the bank. Accordingly, it provides an interest concession program to the borrowers who were identified as non-will full and willful defaulters and assembled them to the recovery camps, visited them and executed recovery functions to succeed the program. As a result, PSB could be managed the Impaired loan (Stage 3) to Total Loan Ratio up to 6.25% as at December 2024 and the ratio decreased by 2.55% when compared with the year 2023.

PSB established the Business Revival Unit (BRU) to rehabilitate the sick projects of both individuals and businesses. Mainly execute functions to identify the sick projects of the borrowers and rehabilitate the projects which belonged to both under performing and non -performing category. Accordingly, the revival of such businesses would enhance economic activities and contribute to the rebound of the national economy



Information Technology Review

In 2024, the Information Technology Division of the Regional Development Bank undertook several key initiatives aimed at enhancing cybersecurity, data protection, and aligning with internationally recognized standards, in line with the Banking Act No. 16 of 2021, which establishes the regulatory framework on technology risk management and resilience for licensed banks. These efforts reflect the Bank's ongoing commitment to maintaining a secure and resilient IT environment that supports its strategic and operational goals.

A significant achievement during the year was the implementation of an Endpoint Detection and Response (EDR) system, providing advanced threat detection and real-time protection across all endpoint devices. This has strengthened the Bank's ability to proactively identify and respond to security threats.

In addition, preliminary work commenced to implement a Data Loss Prevention (DLP) system, which will help safeguard sensitive data from unauthorized access or transmission. This system will enhance visibility and control over data movement, thereby reducing the risk of data breaches.

The Bank also initiated the implementation of the ISO/IEC 27001 standard, marking a critical step toward establishing a robust Information Security Management System (ISMS). This demonstrates the Bank's dedication to adopting global best practices in information security and compliance.

Furthermore, preliminary groundwork was laid to implement a Privileged Access Management (PAM) system to improve the monitoring and control of administrative access to critical systems. This will be vital in minimizing the risks associated with elevated access rights and enhancing accountability.

Collectively, these initiatives illustrate the Bank's focused approach to modernizing its IT infrastructure and strengthening its information security framework in support of long-term sustainability and trust.

Marketing Review

Regional Development Bank offers a diverse range of savings and fixed deposits tailored to meet the varying financial needs of customers. Accordingly, RDB caters its products to all segments of society to access formal financial services and to promote financial inclusion.

By tailoring RDB's offerings to suit different life stages and income levels, RDB empowers individuals across the country to achieve individual financial goals and contribute to the broad objective of national empowerment.

Products and Services



RDB Kekulu – Minor Savings Account

RDB Kekulu account is exclusively designed for children below 14 years of age with the aim of inculcating a savings habit from a tender age.



RDB 4 Teen Plus Account

RDB 4 Teen Plus Account has been specially designed for teenagers of 14 years and above to inculcate savings habits among teenage community.



RDB Liya Saviya - Women Savings Account

This account is introduced to courageous women in Sri Lanka. In addition to the financial facilities, bank provides consulting services for women who contribute to the country's economy through self-employment.



RDB LIYA SAVIYA PLUS - WOMEN INVESTMENT SAVING ACCOUNT

RDB Liya Saviya Plus is a five year investment account specially designed for women above 18 years of age. The objective of this account is empowering women with a secured medium term investment opportunity and special credit schemes.

The account holders are eligible to enroll "Diri Abimani - Best Women Entrepreneur Competition"



RDB Uththama Senior Citizen's Account

RDB Uththama Senior Citizen's Account has been introduced for people above 55 years of age. Account holders have the opportunity to pay their utility bills without service charges and are entitled to free medical check-ups. Pensioners with RDB Uththama Senior Citizen's Account are entitled for "RDB Detusavi" credit facility.



RDB New Life Pension Plan

RDB New Life Pension Plan was introduced as a special savings account where a higher interest can be obtained. The account pays a premium pension benefit when the account holder reaches age 55 or 60. It will be paid until the account holder's demise.



RDB Sahana Society Savings Account

The Sahana Society Savings Account is specially designed for societies, offering a range of value-added services aimed at enhancing the bank's deposit base. It provides both financial and non-financial benefits to societies and their members, fostering stronger relationships and mutual growth.



RDB Investment Account

This is a general investment account introduced for customers who obtaining credit facilities. Special features of the product are offering attractive rate of interest on deposits and special loan scheme customized for the target segment.



RDB Fixed Deposits

RDB fixed deposits are identified as a popular mode of investment among individual and corporate customers as well. FDs are available at RDB for periods of 1, 2, 3, 4, 6 and 9 months as well as 1-5 years. Special interest rates are offered for fixed deposits with maturity periods of 1 year and above.



RDB Max Fixed Deposit

RDB introduced “RDB Max” Fixed Deposit with competitive interest rates to attract medium and long term deposits with a purpose of increasing the deposit base of the bank. Accordingly, RDB introduced 100 Days, 400 Days, 6 Months , 10 Months, one, two and three years fixed deposits under the umbrella of RDB Max considering the financial market situation and competition.



RDB Leasing

“RDB Leasing” has been introduced for micro enterprises, small and medium enterprises, professionals, high net worth individuals, Government and Private sector employees to purchase registered and unregistered vehicles which are essential for their businesses and professional activities.



RDB Ran Sarana

“RDB Ran Sarana” is designed to obtain credit facilities to meet urgent cash requirements against gold. RDB offers highest value for sovereign at lowest interest rate.

The flexible repayment terms are available for the facility.

Warehouse Facilities



Five warehouses are being managed by RDB in Upuldeniya, Murunkan, Buttala, Kilinochchi and Medirigiriya. Farmers in the village and

nearby areas were given a place to store the harvest at very minimal charge depending on the type of grain. The warehouse is equipped with modern machinery to check the quality of the harvest.

In addition to providing a safe place for the storage of grains, the Bank helps farmers to sell their harvest at a competitive price. RDB provides financial assistance against to stored produce under the Warehouse Receipt Financing Facility at low interest rate.



Seilama.lk

Seilama.lk is a digital platform introduced to showcase the products and services of RDB entrepreneurs online. By introducing this digital platform to buyers, rural farmers /producers and delivery channels, they can actively participate to the supply chain of the country.



RDB Dorin Dora – Convenient Door Step Banking Service

This is the flagship service of RDB as the pioneer of doorstep banking service providers in Sri Lanka. This system operates through dedicated service providers, who on daily basis visit the business premises and the residences in the command areas of respective branches.



RDB Bancassurance

RDB facilitates its customers to choose tailor made insurance products or insurance benefits from wide range of insurance companies through RDB Bancassurance Unit.

New Product Development

In 2024, RDB introduced a range of innovative savings products aimed at capturing untapped segments of the market and delivering enhanced value to its customers. This initiative was driven by a comprehensive market analysis and opportunity screening process, which enabled the bank to identify growing customer needs and emerging financial trends. By aligning its product development efforts with these insights, RDB reinforced its commitment to financial inclusion, customer-centricity, and sustainable growth.

RDB Max Saver Savings Account.

The RDB Max Saver Savings Account has been specially designed to cater to the needs of professionals, entrepreneurs, and the business community. This product offers a range of value-added services, including a pre-approved loan facility, to enhance the financial well-being and lifestyle of its customers.

RDB Max 3

RDB has introduced RDB Max 3 Fixed Deposits for individuals and corporate customers for 3 years with attractive interest rates under the flag of RDB Max Fixed Deposit.

Society and Environmental Review

Corporate Social Responsibility –CSR

Corporate Social Responsibility (CSR) is a bank’s commitment to operate in a sustainable manner while contributing to the economic development of the country and improving the standard of living of communities.

Banks play a crucial role in supporting social, environmental, and economic sustainability. Through CSR initiatives, banks aim to create long-term value for all stakeholders beyond financial profits.

RDB Pusthaka Sathkara 2

RDB successfully organized the “RDB Pusthaka Sathkara 2 programme to donate exercise books and stationary items to selected schools in each province as a CSR project to commemorate the 39th anniversary of RDB. These initiatives aim to support students’ educational needs and foster a positive impact on learning environments in communities island wide.



Seminars for Grade 5 Scholarship Examination

RDB organized seminars for students who sit for the Grade 5 Scholarship Examination. These seminars were conducted in collaboration with Supreme TV and Mawbima Newspaper, aiming to provide valuable guidance and support to the students. The seminars covered important topics to help students better prepare for the examination and improve their academic knowledge. Through this initiative, RDB, intended to empower the students and contribute to their educational development.

Financial Literacy programmes and workshops on entrepreneurship

RDB has organized financial literacy programs and workshops focused on entrepreneurship, with the goal of empowering aspiring and existing customers and entrepreneurs. These sessions were designed to build up participants with essential knowledge in managing finances, understanding financial tools, and making ultimate business decisions. Additionally, the workshops offered practical insights into starting, managing, and scaling a successful business while also providing guidance on overcoming common challenges faced by entrepreneurs. By conducting these programs, RDB aims to foster a more financially literate and entrepreneurial community, helping individuals build sustainable businesses and contribute to the overall economic development.



EMPLOYEE REVIEW

Manpower Strength

At Regional Development Bank (RDB), our greatest asset is our exceptional dedicated team who drive our success through their unwavering commitment, expertise, and passion for excellence. As the state-owned development bank with a mission to uplift socio-economic prosperity, we recognize that our employees are not only the spine of the Bank operations but also key enablers of sustainable growth and innovation.

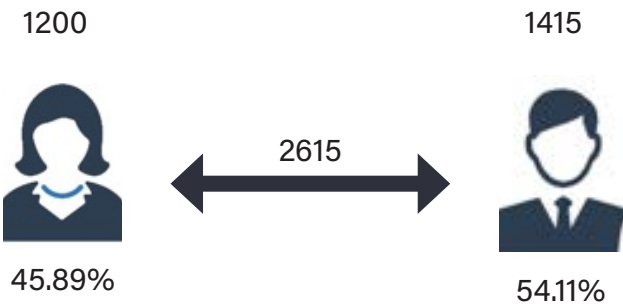
We are committed to adopting a supportive and inclusive work environment where employees can thrive, grow, and contribute meaningfully. Through continuous investment in professional development, leadership initiatives, and employee well-being, we cultivate a culture that encourages innovation, collaboration, and long-term success. Our people-centric approach ensures that RDB remains a dynamic institution, dedicated to serving our customers while encouraging a workplace that inspires excellence and dedication.

The summary of the manpower strength compared with previous year is as follows.

Manpower type	Headcount	
	2023	2024
Permanent/ contract employees	2721	2615
Business Promotion Assistants	470	490
Rural Leaders	88	83
Total	3279	3188

Total Manpower by Gender

Bank provides equal employment opportunities for both male and female. The total manpower by gender at RDB in 2024 reflects the bank's commitment to gender equality and diversity was continued to maintain in 2024, with 1,415 male employees (54.11%) and 1,200 female employees (45.89%). This near-equal distribution ensures both men and women have equitable opportunities for career growth and professional development.



The headcount distribution across different management levels, highlighting the representation of employees by gender and enabling a comparative view of staffing across hierarchical positions within the bank is presented follows.

Man power by Gender	Male	Female
General Manager/CEO	1	0
Deputy General Manager	6	0
Regional General Manager	6	1
Assistant General Manager	17	6
Chief Manager	39	14
Senior Manager	57	27
Manager Grade	489	453
Banking Assistants and Allied	680	694
Other	120	5
	1415	1200

Age Profile

Description	Below 21 years	21 – 30 years	31 – 40 years	41 – 50 years	51 – 55 years	Above 55 years
General Manager/CEO						1
Deputy General Manager					1	5
Regional General Manager				1		6
Assistant General Manager				4	6	13
Chief Manager				3	21	29
Senior Manager			1	27	27	29
Manager Grade		52	281	208	212	189
Banking Assistants and Allied		424	593	199	78	80
Other		14	31	42	26	12
		490	906	484	371	364

RDB’s age profile indicates a healthy blend of youthful energy. The largest age group falls within the 31–40 years range, providing for a significant portion of the workforce, particularly among Manager Grade and Banking Assistants. Employees aged 41–50 years and 51–55 years follow closely, contributing deep institutional knowledge and leadership. Younger employees between 21–30 years are also well represented, especially in the Banking Assistants and Allied category, serving as a talent reservoir for future leadership.

Experience Profile

Description	More than 30 years	20 – 29 years	10 – 19 years	5 – 9 years	Less than 5 years
General Manager/CEO					1
Deputy General Manager	3			2	1
Regional General Manager	6	1			
Assistant General Manager	16	1	1	3	2
Chief Manager	47	3	3		
Senior Manager	49	14	19	1	1
Manager Grade	352	78	357	94	61
Banking Assistants and Allied	92	93	546	343	300
Other	7	20	57	20	21
	572	210	983	463	387

Ensuring a balance between institutional knowledge and fresh perspectives, RDB’s experience profile reflects a workforce rich in institutional memory while promoting new talent. The highest proportion of employees—37% (975 individuals)—have 10 to 19 years of service, combining expertise with adaptability. A strong group with more than 30 years of experience (22%) provides leadership continuity and organizational depth, particularly within senior roles such as Chief Manager and Manager Grade. Meanwhile, early-career professionals with less than 5 years of service make up 15% of the workforce, indicating a strong foundation for future growth. This distribution ensures a robust pipeline of talent across all levels, aligned with RDB’s long-term strategic objectives.

Career Advancement

We deeply value our workforce, not only for their technical skills and professional expertise but also for their diverse perspectives, creativity, and dedication to our shared vision. At RDB, we believe that a motivated and empowered team is essential for delivering exceptional financial and advisory services that positively impact communities across the nation.

The Bank is fully committed to the continuous development of its employees, offering training programs aimed at enhancing staff attitudes, expanding knowledge, and providing practical, hands-on learning in banking operations. These initiatives focus on building leadership capability activities. During the year 2024, 151 programs with an aggregate of 64, 336 working hours of training were conducted for 8042 participants. Total investment for training during the year was Rs. 25.14Mn.



We have initiated the Leadership Development Programme (LDP) in collaboration with the Postgraduate Institute of Management (PIM)- University of Sri Jayewardenepura, to equip District Managerial staff with the essential skills and knowledge required to drive the bank's success. This program focuses on Personal and Leadership excellence, enhancing self-awareness and decision-making, while also strengthening strategic thinking and execution to enable them to analyze complex challenges, formulate long-term strategies, and drive Bank's growth effectively.

The Personal Excellence through Neuro-Linguistic Programming (NLP) program, led by Dr. Ranjan De Silva—an accomplished Organizational and Leadership Development Catalyst and Success Coach—was held at Pegasus Reef Hotel, Wattala. This transformative session aimed to elevate the senior management team's strategic thinking, innovative mindset, proactive attitude, belief in greater possibilities, leadership capabilities, and collaborative spirit. Investing in the personal excellence of our senior management is vital to enhancing their collective impact on business success.

HR Board Sub-Committees

Aligned with corporate governance practices and the Directions of the Central Bank of Sri Lanka (CBSL), 02 separate sub committees were formed as Board Human Resources and Remuneration Committee (BHRRC) and Board Nomination Committee (BNC).

The Board Secretary served as Secretary to both committees. In 2024, the Board Nomination Committee convened seven (07) times, while the Board Human Resources and Remuneration Committee held six (06) meetings.



Special Events

RDB has implemented a diverse range of programs as part of its commitment to community engagement and customer outreach. These initiatives highlight the bank's continuous efforts to create and maintain strong relationships with the customers while promoting social development and sustainable economic growth. Such activities have significantly contributed to enhancing the bank's visibility and build up its position as a trusted and top-of-mind financial institution among customers.

International Women's Day Programme

All RDB branches organized a range of events to commemorate International Women's Day with their women entrepreneurs as well as the customers and staff. These events included specialized awareness sessions and training programs designed to empower and support women in business. The bank also offered loans for women entrepreneurs to grow and sustain their businesses. These initiatives reflect RDB's dedication to promoting gender equality, encouraging women's financial independence, and fostering a more inclusive economic environment for all.



Sinhala & Tamil New Year Celebrations 2024



All RDB branches celebrated Sinhala & Tamil New year with its valuable customers on 15th April 2024. As part of this event, the bank continued its annual tradition by organizing 'පැයෙන්න පැයෙයි ඔබේ මල්ලේ' programme. This special event was designed to distribute bags filled with essential daily items to the lucky winners of the day.



World Children's Day 2024

RDB has organized a series of special events aimed at minors to commemorate World Children's Day. The primary goal of these events was to inculcate a savings habit from an early age. By fostering these positive habits, the bank intends to equip children with essential financial knowledge that will benefit them through their entire lives. These events also provided fun and encouraged children to develop a positive attitude towards building a secure financial future.



Branch Relocations

During the year 2024, RDB has relocated its branches in Thanamalwila, Diyathalawa, Nikaweratiya, Batapola and Bowatta to more spacious and strategically important locations, with the aim of enhancing the banking experience for its customers. These relocated branches are designed to offer a more comfortable and accessible environment, providing greater convenience for both existing and prospective customers. The improved locations feature modern facilities, better parking arrangements, and easy access to public transportation, ensuring that customers can enjoy a seamless and efficient banking experience. With these upgrades, RDB is committed to making banking services more user-friendly and ensuring greater satisfaction for all its customers. In addition, Matara District Office relocated on 27th June 2024 to provide prompt service to customers and streamline the operations.

Thanamalwila Branch (8th April 2024)



Mathara District Office (27th June 2024)



Risk Management Statement

At RDB, we proactively identify, assess, and mitigate risks across all facets of our operations to ensure the continuity, resilience, and sustainability of our business. Our risk management practices are designed not only to preserve financial stability and safeguard stakeholder interests, but also to uphold regulatory compliance and support our development-driven mandate. In a dynamic and increasingly complex banking environment, we recognize that a strong and forward-looking risk management framework is fundamental to sustaining stakeholder trust, enhancing operational integrity, and delivering long-term profitability.

The year 2024 posed a dynamic and challenging operating environment for the banking sector in Sri Lanka. Amidst macroeconomic volatility, regulatory reforms, and global uncertainties, Regional Development Bank (RDB) remained steadfast in its commitment to prudent risk management. As a licensed specialized bank mandated to uplift rural livelihoods and drive inclusive development, we view effective risk management as a strategic enabler of our mission.

RDB's Risk Management Framework is aligned with the regulatory requirements of the Central Bank of Sri Lanka (CBSL), including the Banking Act Direction No. 11 of 2007 on Integrated Risk Management and Basel III capital standards. Our approach is grounded in proactive identification, assessment, monitoring, and mitigation of key risk exposures across the Bank's business and operational landscape.

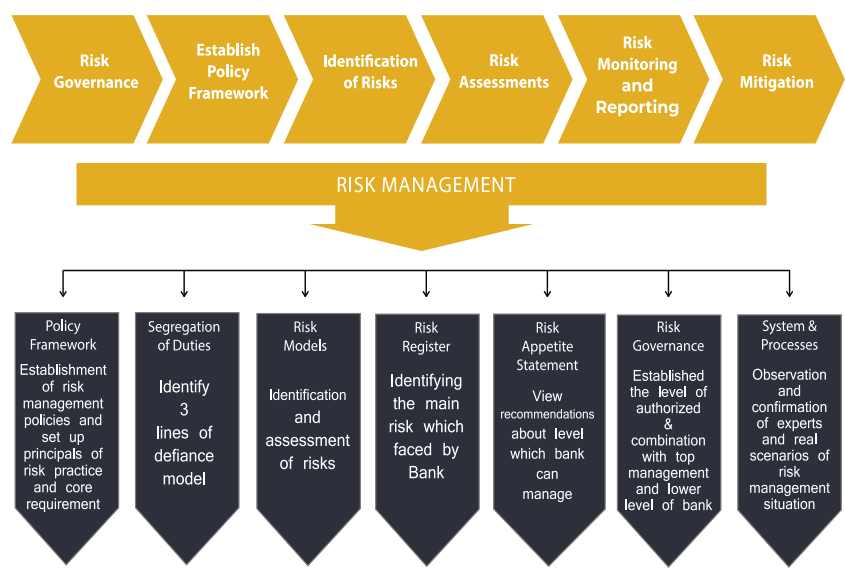
Risk Governance and Framework

The Bank has established an effective risk management framework to develop integrated risk management techniques for monitoring and managing the banks' risks and to assure that adequate capital is maintained to meet various risks which the Bank is exposed to.

The Bank risk management Framework is to

- Ensure that risks accepted are within the Bank's risk appetite and risk management profile.
- Facilitate high levels of risk awareness throughout the organization and independently monitor effective implementation of risk management framework.
- Establish the necessary organizational culture for the management and oversight of risk embodying values, beliefs, attitudes and practices that drive highly effective risk decisions.
- To define the desired risk profile in terms of risk appetite and risk tolerance levels.
- Establish functional responsibility for decisions relating to accepting, transferring, mitigating and minimizing risks and recommending the best ways of doing so.
- Evaluate the risk profile against the approved risk appetite on an ongoing basis.
- Estimate potential losses that could arise from risk exposures assumed, focus on close monitoring and follow up of the internal controls, stress testing on risk arrears.
- To periodically conduct stress testing to ensure that the Bank holds sufficient buffers of liquidity and capital to honors contractual obligations and meet unexpected losses.
- Evaluating, identifying and making recommendations on the overall risk situation of specific loan proposals in case basics.

Risk Management process of the Bank



Three Lines Of Defense Model

Three lines of defence has been established by RDB as a model structured approach for risk management. The model consists of the following factors.

1st Line - Business & Operations
Branches & Business Units
Product & Service Owners
Risk Ownership & Control

2nd Line -Risk & Compliance
Risk Management Department
Compliance Function
Oversight & Monitoring

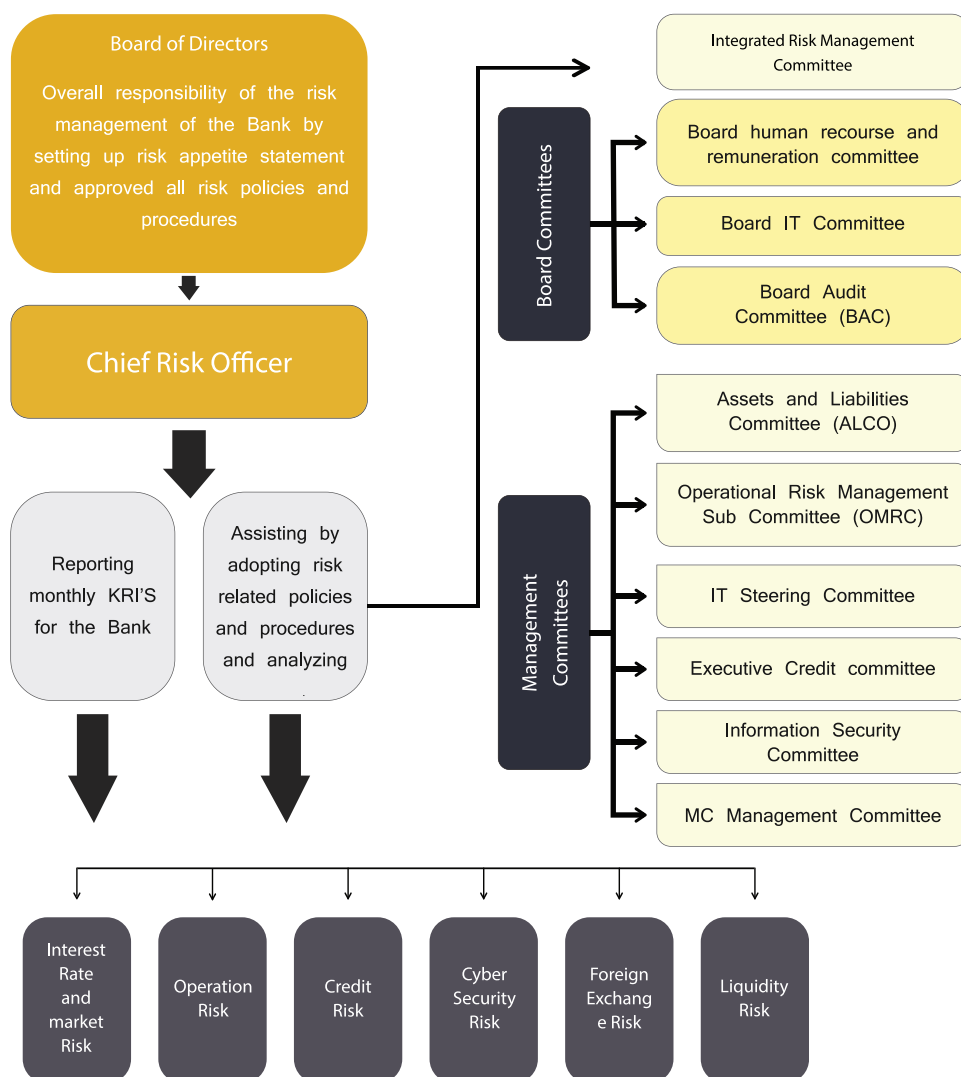
3rd Line - Independent Assurance
Internal Audit
Independant Assurance to Board

Risk Governance

The Bank is committed to upholding high standards of governance in its Risk Management practices. The Risk Governance structure at RDB is comprehensive, beginning with the Board of Directors and cascading down to the branch level through well-defined risk management policies, procedures, committees, and delegated authority levels.

The Board of Directors holds the ultimate responsibility for the overall risk governance of the Bank. To support this responsibility, several specialized Board subcommittees are in place, including the Board Integrated Risk Management Committee (BIRMC), the Board Human Resources and Remuneration Committee (BHRRC), the Board IT Committee, and the Board Audit Committee (BAC). These committees play a vital role in overseeing various aspects of the Bank's risk management framework.

At the operational level, the Management Committee (MC) and the Chief Risk Officer (CRO), who operate independently from the Bank's business lines, are responsible for monitoring and managing day-to-day risks. The CRO provides regular and comprehensive risk reports to the Board, ensuring that risks across all business levels are appropriately identified, assessed, and mitigated.



Board-Level Oversight and Risk Governance Committees

To uphold strong corporate governance and ensure sound risk management, the Bank operates through several specialized Board Committees. Each plays a critical role in supporting the Board of Directors in fulfilling its oversight responsibilities.

Board Integrated Risk Management Committee (BIRMC)

The BIRMC is chaired by a Non-Executive Director and is tasked with overseeing the Bank's overall risk management framework. The Committee reviews and provides recommendations on the Bank's risk profile, risk management policies, procedures, and the Internal Capital Adequacy Assessment Process (ICAAP). These policies and processes are developed, periodically reviewed, and presented to the Committee by the Chief Risk Officer (CRO) and the Risk Management Division.

Board Audit Committee (BAC)

The BAC is responsible for monitoring the Bank's internal controls and regulatory compliance on behalf of the Board. It also evaluates the effectiveness, accuracy, and independence of the internal audit function. The Committee ensures that internal audit practices are aligned with regulatory expectations and best practices.

Board Human Resources and Remuneration Committee (BHRRC)

The BHRRC is responsible for determining the Bank's remuneration policy, including salaries, allowances, and other financial benefits for Directors, the Chief Executive Officer (CEO), and key management personnel. The Committee sets performance targets for these individuals and periodically evaluates their achievements. Based on performance assessments, the Committee also determines any adjustments to remuneration and performance-based incentives. The CEO participates in all Committee meetings, except when matters pertaining to the CEO's own remuneration and performance are under discussion.

Board Nomination Committee

The Nomination Committee is responsible for implementing procedures for the selection and appointment of new Directors, the CEO, and key management personnel. It also reviews and makes recommendations on the re-election of existing Directors, taking into consideration their contributions to the Board and the discharge of their duties.

Board IT Committee

The IT Committee oversees the governance of the Bank's information technology strategy and cybersecurity framework. The Bank's IT Steering Committee, established in 2013 and chaired by the Chief Information Officer (CIO) comprises representatives from technical departments and the CRO. This Committee regularly discusses IT-related issues and submits recommendations and solutions to the Board.

Key initiatives undertaken to mitigate technology and cyber risks include:

- Appointment of an Information Security Management Officer to oversee cybersecurity functions.
- Regular vulnerability and penetration assessments.
- Strengthening of network security infrastructure.
- Enhancements in system availability, control mechanisms, and monitoring system downtime.

Management-Level Committees Supporting Risk Governance

In addition to Board-level oversight, several key management-level committees play an integral role in ensuring effective risk management across the Bank's operations. These committees are responsible for identifying, assessing, and mitigating various risk categories in alignment with the Bank's risk appetite and strategic objectives.

Executive Credit Committee (ECC)

The Executive Credit Committee is a management-level body responsible for overseeing credit risk as well as operational risks associated with the credit function. The ECC periodically reviews and implements the Bank's Credit Policies and approves credit facilities within its delegated authority limits. It also recommends larger exposures for

approval by the Board of Directors, ensuring credit decisions are aligned with the Bank's risk framework.

Asset and Liability Management Committee (ALCO)

ALCO is tasked with managing the Bank's market and liquidity risks. Its primary objective is to maintain an optimal balance between assets and liabilities in terms of volume, maturity, rate sensitivity, and liquidity. ALCO oversees decisions related to capital structure, product pricing, funding strategies, and investment portfolios. The committee aims to achieve an appropriate risk/reward balance to support stable short-term profitability and long-term solvency.

Operational Risk Management Committee (ORMC)

The ORMC is responsible for overseeing operational risk across the Bank. This committee implements operational risk management practices to strengthen internal controls, reduce transaction errors, and prevent fraud. It plays a crucial role in minimizing operational losses and safeguarding the integrity and efficiency of the Bank's processes.

Information Security Committee (ISC)

The Information Security Committee ensures that the Bank's information security policy is effectively implemented and adhered to. It monitors the security of all information systems and critical data assets across the Bank, ensuring compliance with privacy regulations and maintaining customer trust. The ISC supports the Bank's efforts to proactively address cyber threats and data protection risks.

Management Committee (MC)

Chaired by the General Manager/Chief Executive Officer (GM/CEO), the Management Committee comprises the Bank's executive-level staff. The MC meets periodically and on an ad hoc basis to review operational reports and assess risks emerging from various business activities. It plays a vital role in risk mitigation, strategic decision-making, and the overall management of uncertainty across the Bank.

Investment Committee

The Investment Committee is a management-level body responsible for overseeing the Bank's investment activities in line with its strategic objectives and risk appetite. The Committee evaluates and approves investment proposals, monitors the performance of the Bank's investment portfolio, and ensures compliance with regulatory requirements and internal investment policies. It plays a key role in optimizing returns while managing associated risks such as credit risk, market risk, and concentration risk. The Committee also provides recommendations on asset allocation, portfolio diversification, and the identification of new investment opportunities that align with the Bank's long-term financial goals. Chaired by the General Manager/Chief Executive Officer (GM/CEO), the Management Committee comprises the Bank's executive-level staff

The Risk Management Department (RMD)

The Risk Management Department (RMD) is a critical function of the Bank and is headed by the Chief Risk Officer (CRO), who operates independently of the Bank's business lines. The CRO is responsible for assisting the Board of Directors (BOD) and the Board Integrated Risk Management Committee (IRMC) in overseeing the Bank's overall risk management framework and the implementation of sound risk management techniques.

The RMD is structured around six key risk domains:

1. Interest Rate and Market Risk
2. Credit Risk
3. Operational Risk
4. Cybersecurity Risk
5. Foreign Exchange Risk
6. Liquidity Risk

The department plays a central role in:

- Periodically reviewing and recommending updates to the Bank's risk appetite, risk profile, risk management strategy, and internal control framework.
- Formulating and revising risk policies, risk limits, and delegated authority levels in alignment with regulatory requirements and industry best practices.

The Bank recognizes several core risk categories and interconnected risk areas that are intrinsic to its operations. These risks have been identified, assessed, and are continuously monitored due to their potential to impact on the Bank's financial stability, operational continuity, and capacity for sustained business growth.

The Risk Management Department, in collaboration with relevant management-level committees, consistently monitors the Bank's exposure across these risk categories. It evaluates both internal performance metrics and the external operating environment to ensure that risk exposures remain within acceptable levels, enabling the Bank to respond proactively to emerging threats and maintain resilience.

Integrated Risk Management Framework

The Bank continued to operate within a robust Risk Management Framework, structured around key principles including the Three Lines of Defense, a Defined Risk Universe, a clearly articulated Risk Appetite, a comprehensive Risk Governance Framework, and advanced Risk Evaluation Models, including stress testing.

The Integrated Risk Management Framework (IRMF) supports the Bank in identifying, assessing, measuring, mitigating, monitoring, and reporting risks in a structured and consistent manner. This framework ensures that all significant risks, whether financial, operational, market-based, or strategic, are systematically addressed across all business units.

A top-down and cross-functional approach was maintained throughout the year, with risk management practices embedded in day-to-day operations and decision-making processes. This coordinated approach across all levels of the Bank played a pivotal role in effectively managing uncertainties and safeguarding the Bank's performance and stability during the year.

Risk appetite and tolerance

The Bank's Risk Appetite and Tolerance levels define the maximum level of risk the institution is willing to undertake in pursuit of its strategic and financial objectives. This framework is essential in guiding strategic decision-making and evaluating optimal growth opportunities while ensuring the Bank's long-term sustainability and financial resilience. The Risk Appetite Statement is formally reviewed and approved by the Board of Directors on an annual basis. This review takes into consideration several dynamic factors, including:

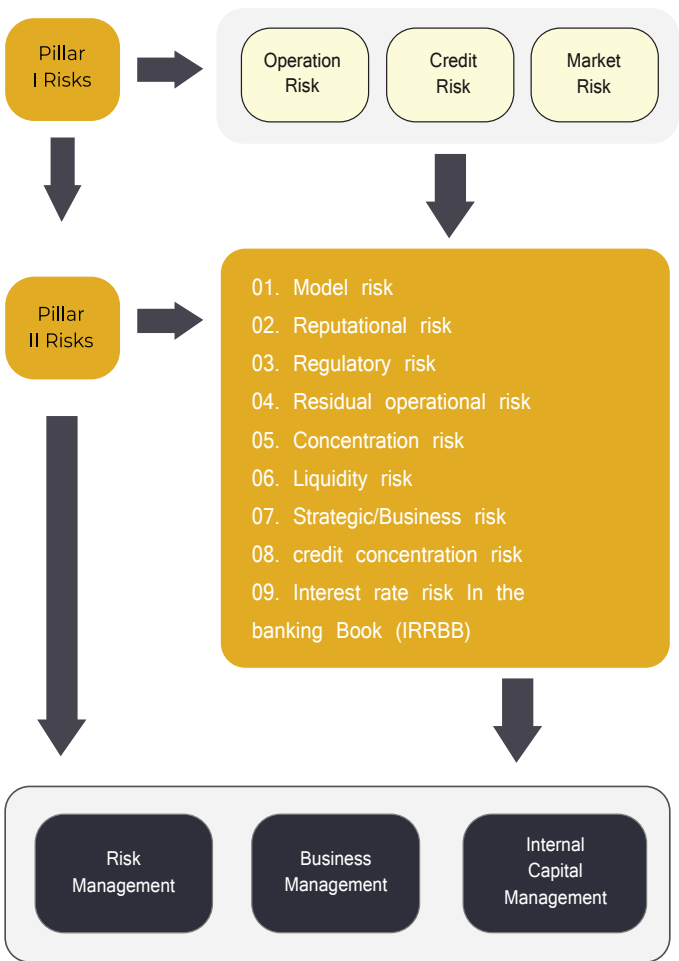
- Fluctuations in the capital base,
- Macroeconomic conditions,
- Country and counterparty risks,
- Projected business growth, and
- Alignment with the Bank's Corporate Plan and stakeholder expectations.

While risk appetite reflects the broad level and types of risk the Bank is willing to accept to achieve its goals, risk tolerance defines the specific threshold of risk or level of uncertainty the Bank can withstand without breaching its risk appetite. Risk tolerance thus acts as a practical boundary, beyond which the Bank is unwilling to operate, ensuring prudent risk-taking and adherence to regulatory and internal controls.

Together, these elements form a core component of the Bank's risk governance, ensuring that risk exposures remain within defined parameters and support value creation for stakeholders.

Internal Capital Adequacy Assessment Process (ICAAP) of RDB

Pradeshia Sanwardhana Bank has carried out its annual Internal Capital Adequacy Assessment Process (ICAAP) in accordance with the central Bank direction No 1 of 2016 on Capital Requirement under Basel III for Licensed Commercial Banks and Licensed Specialized Banks issued on 29th December 2016. Capital Adequacy is the adequacy of the Bank's aggregate capital in relation to the risks which arise from its assets and its Off-Balance Sheet transactions which cover operation, credit and market risk related to the banking activities. Sufficiency of Capital is a feature of the banks' going concern. Hence the objective of the annual ICAAP documentation is to ensure and forecast the minimum capital level which is related to risk assumed by the Bank for the next three years and maintain a capital buffer to absorb unforeseen future credit, market, and operational losses and other pillar ii risk. ICAAP helps to compute the minimum internal capital requirement for its current and future business strategies and financial plans for the next 3 years via a comprehensive risk assessment process on its portfolio risk exposures in a stress situation and forecast the capital buffer required to manage its stress situation.



Strategic Overview of RDB's Risk Profile and Oversight Mechanisms

The risk environment in which the Bank operates is influenced by a broad range of internal and external drivers, including macroeconomic fluctuations, market volatility, regulatory developments, cybersecurity threats, and operational complexities. Within this dynamic context, effective risk management remains integral to our strategic vision fortifying financial resilience, protecting customer interests, and sustaining stakeholder confidence.

Throughout the past year, we have maintained a vigilant and proactive approach to identifying, assessing, and mitigating risks across a wide spectrum of domains. Each risk area presents both challenges to be addressed and opportunities to strengthen our institutional resilience and governance capabilities.

Credit Risk Management

Credit risk remains a fundamental area of focus for RDB, given the Bank's mandate in development lending and its exposure to diverse customer segments. The Credit Risk Management Policy, approved by the Board of Directors and reviewed annually, serves as the primary framework for managing credit risk across the institution. This policy outlines the principles, procedures, and methodologies for identifying, assessing, managing, and mitigating credit-related risks.

RDB's credit risk governance structure encompasses both Board-level and Management-level committees, ensuring a layered and strategic approach to oversight. The Credit Risk Administration Unit, operating under the Risk Management Department (RMD), is tasked with identifying and monitoring credit-related vulnerabilities, including collateral risk, financial market trends, non-performing loan (NPL) exposures, and credit monitoring at a portfolio level.

The Loan review Team within the RMD is responsible for submitting periodic reviews of the Bank's credit portfolio to the Board of Directors. These reviews provide a comprehensive overview of portfolio performance, risk trends, and key exposures.

At the branch level, the credit portfolio is actively managed by Branch Managers and Loan Officers through daily customer interactions, analysis of repayment behaviors, and rigorous recovery processes. This decentralized approach ensures that early warning signals are detected and addressed at the operational level.

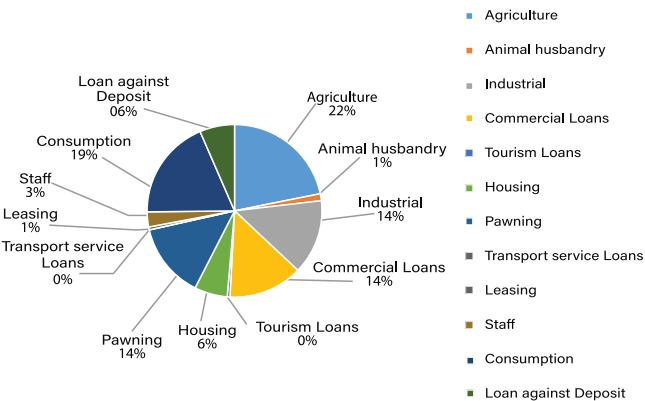
At the Head Office, the Risk Management Department undertakes in-depth analysis of the Bank's loan portfolio and presents findings to the Board via the Key Risk Indicator (KRI) Report on a monthly basis. This report covers:

- Total Credit Portfolio Analysis
- Non-Performing Advances (NPA) Trends
- Loan Provisioning
- Sectoral and geographical Credit Risk Concentration

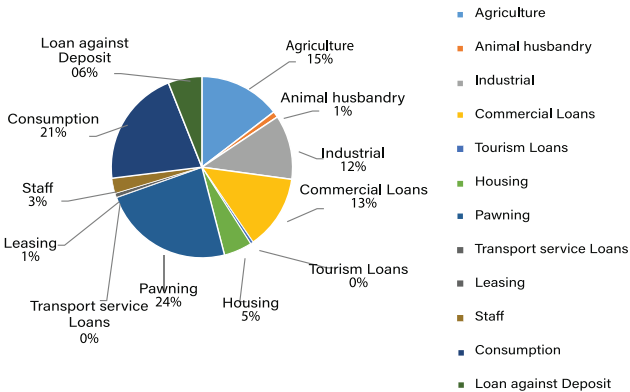
Additionally, the Risk Management Division maintains a monthly watchlist of customers exhibiting early signs of distress and submits this analysis to the Board to support proactive credit risk mitigation.

This integrated approach ensures that RDB's credit risk exposures are effectively governed, monitored, and controlled in alignment with regulatory expectations and the Bank's risk appetite

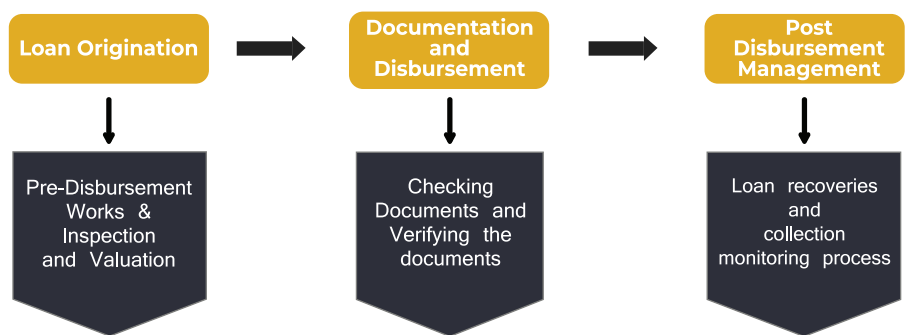
Total Loan Portfolio(2023)



Total Loan Portfolio(2024)



Loan Reviews Process for quality loan Portfolio Management



In response to the increasing complexity and risk exposures associated with credit security and loan administration, RDB took a strategic step in 2022 by establishing an independent Credit Administration Department, distinct from the Risk Management Department. This structural separation was implemented to reinforce internal controls and ensure a focused, specialized approach to managing credit-related processes.

The newly established department operates under the leadership of a Senior Assistant General Manager (SAGM) and is tasked with overseeing the end-to-end credit administration process. Since its inception, the unit has been significantly strengthened through the recruitment of experienced and professionally qualified personnel, enabling the department to operate with enhanced efficiency and effectiveness.

The primary objective of this initiative is to improve the integrity and accuracy of credit documentation, ensure proper collateral management, and support timely disbursement and post-sanction monitoring ultimately contributing to the mitigation of credit risk and the overall health of the Bank's loan portfolio.

RISK RATING

Since August 2016, the Bank has implemented a customer risk rating system based on a proprietary, bank-specific format. Under this framework, customers are rated across four risk tiers: AAA, AA, A, and BBB. In accordance with internal policy guidelines and as outlined in the relevant circulars, customers receiving a rating below BBB are considered ineligible for new credit facilities.

Currently, the risk rating process is performed manually, involving branch-level data collection and credit officer assessments. However, with the upcoming full implementation of the Loan Origination System (LOS), this process will be automated, enabling more consistent, efficient, and data-driven credit risk assessments. Automation through LOS is expected to enhance the objectivity of risk evaluation, reduce operational errors, and support better-informed credit decisions across the Bank.

RISK BASED PRICING

In 2016, the Risk Management Department (RMD) introduced a risk-based pricing model for credit facilities, aligning the Bank's lending practices with the underlying risk profiles of borrowers. Under this framework, the interest rate or pricing of a facility is adjusted based on the customer's risk rating, as determined through the Bank's internal credit rating system.

SECTORIAL LIMITS AND MANAGING CONCENTRATION RISK

The Bank has established approved sectorial limits for credit through credit risk management policy. The risk management department of RDB periodically approved these limits according to economic and industry standards. Business units manage their individual credit portfolio according to these sectorial limits.

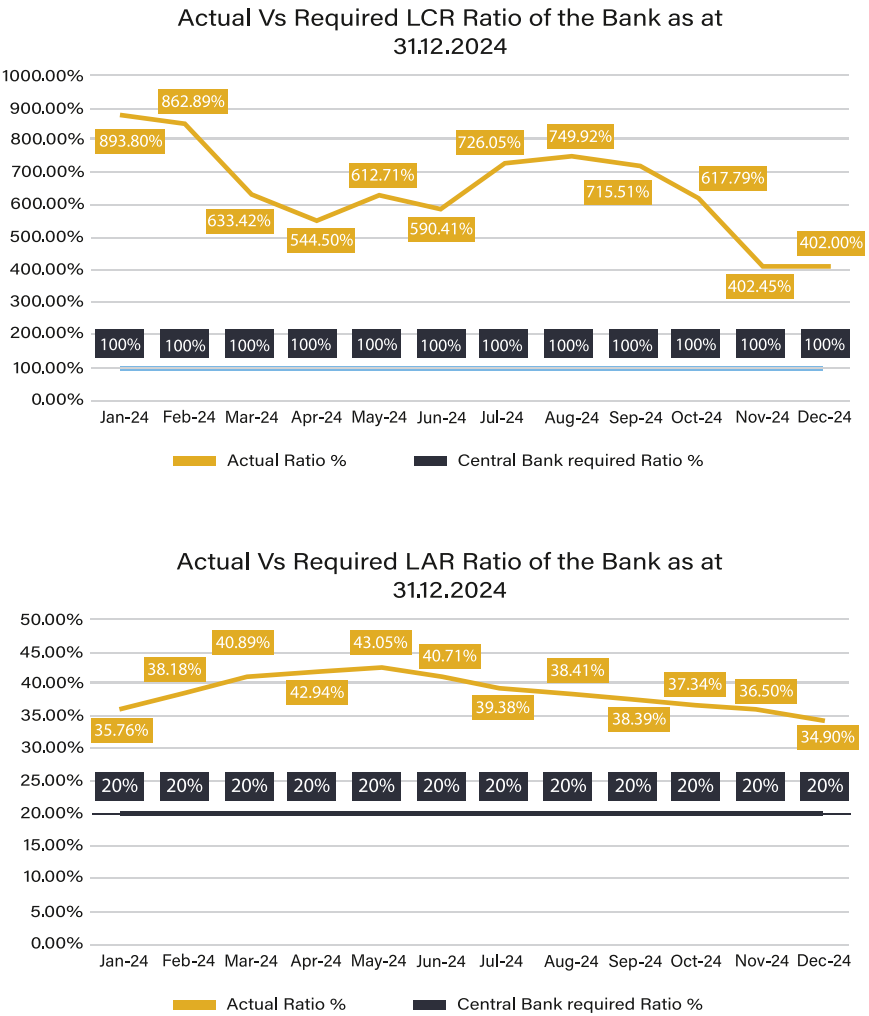
SLFRS 9 IMPLEMENTATION

The Bank has implemented Banking Act Directions No. 13 and 14 on the classification, recognition, and measurement of credit facilities in licensed banks, in compliance with SLFRS 9, effective from January 2018. This provisioning methodology is based on a forward-looking approach to expected credit losses, incorporating key risk parameters such as Exposure at Default (EAD), Probability of Default (PD), and Loss Given Default (LGD), along with arrears in the 1st and 2nd installments. At present, the Bank has fully complied with Directions 13 and 14. The loan portfolio is maintained according to the prescribed classification categories, and monthly impairment calculations are carried out consistently. This ensures the accuracy and accountability of the Bank's financial statements. An independent model validation has been conducted by an external consultant to assess and confirm the model risk associated with the existing credit impairment model used by the Bank.

LIQUIDITY RISK MANAGEMENT

The Bank's liquidity Risk Management framework requires to ensure that the Bank operates within defined liquidity limits and remains in compliance with the Bank's liquidity policies, CBSL regulatory requirements and practices. It is the risk that a Bank encounters difficulty in meeting its financial commitments that are settled by delivering cash or other financial assets. It is the Bank's policy to maintain a sound liquidity position, above the regulatory requirement of 20% on liquid asset ratio (LAR) and above 100% of Liquidity coverage ratio (LCR). To achieve this objective, the Bank evaluates and monitors liquid assets and liabilities on an ongoing basis. The Bank maintained a strong liquidity position during the year, which is supported by careful capital management, accommodative measures adopted by the regulator in response to the current economic crisis and strong deposit growth from both retail and institutional customers

The liquidity risk of the Bank is managed by monitoring key liquidity indicators under both regulatory requirements and requirements under stock approach and flow approach. Changes in both assets and liabilities are measured compared to the funding requirements to ensure that the desired level of liquidity is maintained at each point of time and is in line with the Bank's risk appetite. Liquidity risk is mitigated by maintaining adequate buffers in high quality liquid assets and diverse funding sources



The main responsibility of managing the Bank's liquidity lies with the Assets and Liabilities Management Committee (ALCO). ALCO is an Executive Level Committee consisting of the Bank's Corporate and Executive level employees. The Committee meets at least once a month or more frequently on a needy basis. The following monitoring technics and approaches are used by the Risk Management Department of RDB to manage and monitor its liquidity.

- Stock approach
- Flow approach
- Stress Testing on Liquidity

The Risk Management Department regularly carries out stress testing on Bank Liquidity under three scenarios, which is related to different severity conditions. According to timely financial market changes, other economics changes and policies changes. Every month, the Department evaluates the result of the stress testing and measures the possible impacts of unexpected situations on liquidity of the Bank. According to the result of stress testing, the Board of Directors has been informed by the Risk Management Department of an appropriate course of action and funding arrangements for such situations through ALCO.

All figures in (Rs 000')				
	Balance as at 31/12/2023	Shocks		
		Minor	Moderate	Major
Magnitude of Shock		10%	15%	20%
Liquid Assets	82,688,114	82,688,114	82,688,114	82,688,114
Total Liabilities	213,486,450	213,486,450	213,486,450	213,486,450
Value fall on Total Liabilities		21,348,645	32,022,967	42,697,290
Revised Total Liabilities after shock		192,137,805	181,463,482	170,789,160
Revised Liquid Assets after shock		61,339,469	50,665,146	39,990,824
Liquid Asset Ratio	38.73%	31.92%	27.92%	23.42%
Liquidity Asset Requirement	42,697,290			
Existing Liquidity Assets	82,688,114	61,339,469	50,665,146	39,990,824
Excess Liquidity /Additional Requirement	39,990,824	18,642,179	7,967,856	-2,706,466

	Balance as at 31/12/2024	Shocks		
		Minor	Moderate	Major
Magnitude of Shock		10%	15%	20%
Liquid Assets	84,015,392	84,015,392	84,015,392	84,015,392
Total Liabilities	241,009,107	241,009,107	241,009,107	241,009,107
Value fall on Total Liabilities		24,100,911	36,151,366	48,201,821
Revised Total Liabilities after shock		216,908,196	204,857,741	192,807,286
Revised Liquid Assets after shock		59,914,481	47,864,026	35,813,571
Liquid Asset Ratio	34.86%	27.62%	23.36%	18.57%
Liquidity Asset Requirement	48,201,821	43,381,639.26	40,971,548.19	38,561,457.12
Existing Liquidity Assets	84,015,392	59,914,481	47,864,026	35,813,571
Excess Liquidity /Additional Requirement	35,813,571	16,532,842	6,892,478	-2,747,886

OPERATIONAL RISK MANAGEMENT

As of today, the Bank operates 276 branches across the country, supported by a workforce of over 2,500 staff members and robust technical infrastructure, including a CORE Banking System, ATMs, CDMs, and a comprehensive Human Resource Management System. Given this extensive operational footprint, operational risk remains an inherent component of the Bank's daily activities.

To address this, RDB established a comprehensive Operational Risk Management Policy in 2013, which was approved by the Board of Directors. This policy serves as the primary framework for managing operational risk across the Bank and is reviewed periodically to ensure its continued relevance and effectiveness.

The Bank has implemented strong internal control mechanisms to monitor, manage, and mitigate operational risk events arising from its day-to-day operations. Since 2012, the Risk Management Department (RMD) has set up an Operational Risk Subcommittee under the supervision of the Chief Risk Officer. This subcommittee is responsible for identifying, assessing, and reporting operational losses. Periodic reports are submitted to the Board Integrated Risk Management Committee (BIRMC) and to the Board on both a quarterly and monthly basis.

With the growing complexity of banking operations and the rising threat of cyber security risks, especially in light of increased business volumes and digital transactions, the management of operational risk continues to be a critical focus area for the Bank.

The Operational Risk policy

The Operational Risk Management Policy of Pradeshiya Sanwardhana Bank has been established in alignment with international and local regulatory standards, and it is reviewed periodically to ensure continued relevance and effectiveness. The policy outlines the principles of operational risk management, and the governance structure required to manage such risks effectively across the Bank.

It has been developed in accordance with the following:

- Basel III Guidelines on Operational Risk Management
- Guidelines issued by the Central Bank of Sri Lanka (CBSL)

Operational Risk Management Executive Committee (ORMC)

The Operational Risk Management Committee (ORMC) is responsible for overseeing the Bank's operational risk profile in line with sound banking practices, applicable statutory requirements, and the defined risk appetite as outlined in the Bank's Risk Appetite Statement (RAS). The Committee convenes on a monthly basis to review operational-level risk issues across the Bank and to recommend appropriate solutions and mitigation measures to address the identified concerns.

Business Continuity Plan (BCP) and Disaster Recovery (DR) policy

The Bank has established comprehensive and up-to-date Business Continuity Plan (BCP) and Disaster Recovery (DR) policies to mitigate operational risk events in unforeseen situations. These policies are regularly reviewed and updated based on the outcomes of periodic DR and BCP drills conducted to test their effectiveness and readiness.

Interest Rate Risk

Changes in interest rates can significantly affect the Bank's earnings as well as the economic value of its assets, liabilities, and off-balance sheet exposures. Interest rate risk arises primarily due to fluctuations in market rates, which are influenced by government fiscal and monetary policies. Adverse movements in interest rates can negatively impact the Bank's capital and profitability by altering the present value of future cash flows and creating mismatches in the repricing of banking book positions.

Throughout the year 2024, the country's monetary policy rates have experienced several changes. In line with the Interest Rate Risk Management Policy approved by the Board, the Asset and Liability Committee (ALCO) is tasked with determining the Bank's interest rates. This is done using gap and duration analysis to manage exposure effectively. The Risk Management Department conducts regular assessments of interest rate fluctuations and their potential impact on the Bank's risk profile. Currently, ALCO sets interest rates for both lending and deposit products based on prevailing market conditions and the Bank's credit-to-deposit ratio.

Information Risk and Cyber Risks

In this section refers to the usage of computer system in the bank operations, reconciliation of books of accounts and storage and retrieval of information and reports. Cyber risks arise from cyber-attacks or breaches to systems, network or databases resulting in loss of customer data, disruption to operations or reputation damage. Up to the end of 2014, the Bank worked on four different IT platforms. RDB is a centralized IT solution and provides several digital banking services to the customer segments. Increasing digitalization also increases the information and cyber risk of the Bank operation. The following are a few digital plat forms which has been provided to the Bank customer and the employees at present.

ATM networks facility and VISA

Since 2015, RDB has facilitated ATM networks for the customers all over the country connected with the Lanka pay network and its own ATM centers. Initial step was performed for the bank VISA card project.

Customer Depository Machines (CDM)

Currently RDB has facilitated their customers through Customer Depository Machines as well (CDM).

Human resources management system

The Bank operates with a Human resources management system to manage their employee database and payroll.

QR code

The Bank has been providing the QR payment system facility to the Bank customer since 2023.

Online Banking App

The Bank is in the process of introducing the online Banking App to provide speed and modern services to the Bank customer

AML system

From 2023 the Bank has a facility of AML system to ensure the compliance activities of the Bank and internal control of the Bank.

The recovery management system.

The Bank is in the process of implementing the RMC within the Bank to minimize the credit risk of the Bank.

IT governance structure

IT steering committee

This committee is the major governing structure of the Information and the information systems of the bank. The bank established an IT steering committee in 2013 headed by CIO of the Bank which represents all technical people and CRO. The committee periodically discuss all IT related issues in the Bank and make recommendation and solutions to the Board of Director. Following risk Mitigation, Monitoring and Reporting techniques are used by the bank to maintain strong risk management in IT.

IT Security policy

Updated and clearly defined It related policies are maintained by the IT department by comply with the regulator and the Chief information officer is the responsible person to maintain these policies.

Regular IT vulnerability assessments

VAPT testing which is done by the independent party is the one of the methods to mitigate the security risk related to IT operation.

IT AUDIT

Information technology audit which is done by independent parties.

The Information Security Management System (ISMS)

Since the year 2015 Bank ISMS function has been in operation under the supervision of Chief Risk Officer of the Bank to monitor and mitigate the operational risk on data and information of the bank and to enhance the quality of the information and the data which are available in the bank. The Bank Information security officer (ISO) is the responsible person for the information security of the bank and to maintain and approve information security and acceptable usage policies to maintain internal control measures on information.

Information security committee

Since 2022, the Bank has established the information security committee to comply with regulatory framework on technology risk management and resiliency for license Banks 2021.

Compliance Risk Management

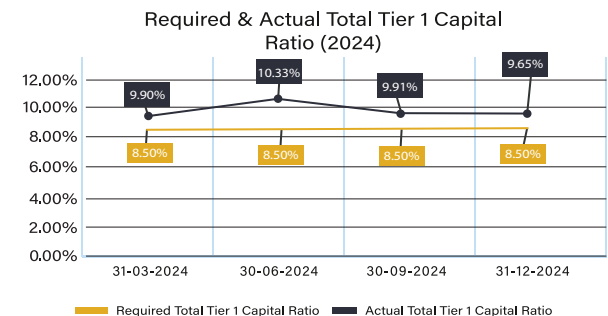
The Management of the Bank places great emphasis on ensuring that the Bank is moving in concurrence with its statute and the rules and regulations imposed by the monetary authority as well as the other legal/ government entities in order to avoid failures or breaches of such obligations towards the Bank. The key objectives of the Compliance Officer are to ensure the internal controls/ regulatory requirements are complied with. Compliance risk is the Bank's potential exposure to legal penalties, financial forfeiture and material loss, resulting from its failure to act

in accordance with industry laws and regulations, internal policies or prescribed best practices. This may lead to regulatory sanctions, financial penalties, disruptions in business, operational and reputation damage. The Bank's compliance function falls under the purview of the IRMC headed by AGM Compliance. In order to achieve this objective, he monitors and assesses the compliance requirements and submits quarterly reports on the compliance status of the Bank to the IRMC for review. The Compliance Officer also overlooks the timely submission of necessary statutory reports of the Bank to the regulator. The Bank embraces modern and innovative strategies for risk assessment together with an effective governance framework to address the compliance risk the Bank ensures safety and soundness to keep the financial stability and the manner in which they conduct their business.

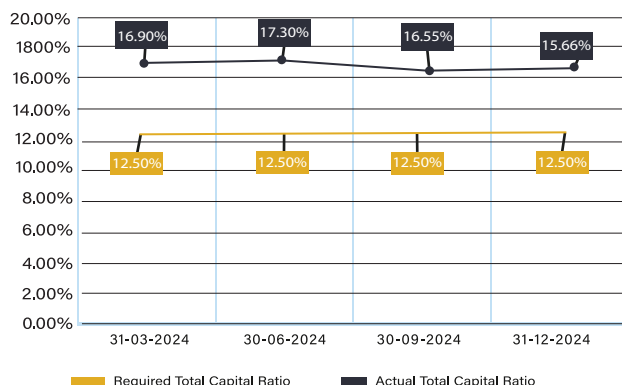
- Identifying and ensuring timely review of applicable policies and procedures which granted by authorized parties.
- Assessment conducting compliance on branches, divisions, and products of the Bank.
- Conducting awareness through training sessions.

CAPITAL RISK MANAGEMENT

The capital adequacy ratio (CAR) measures a bank's capital in relation to its risk-weighted assets. The capital to risk weighted assets ratio promotes financial stability and efficiency of the Bank. Hence the ratio (CAR) is one of the key financial indicators which show the soundness and the stability of a bank. This measures banks' ability to survive in an unexpected loss scenario during various economic activities carried out by the Bank. The Basel committee has implemented several measures of capital of the bank. Accordingly, BASLE III accord issued in December 2010 it was replaced Basel II accord and it has come into force and effect in Sri Lanka on 1st July 2017 based on the Central Bank direction 01of 2016 on capital requirement under BASLE III for licensed commercial banks and licensed specialized bank. Time to time RDB has revised its capital augmentation plan to have a proactive capital management to comply with the regulatory requirement. Up to the end of second quarter 2017 the bank has complied with Basel II accords and maintain minimum capital adequacy requirement of 10%, However with the introduction of Basel III from June 2017 RDB has to increase its capital to meet the capital adequacy a minimum ratio of 12.5%.



Required & Actual Total Capital Ratio (2024)



Foreign exchange risk

Foreign exchange rate impacts on earnings and capital gaining from unanticipated and predicted fluctuation in foreign exchange markets during 2022. During the year under review, CBSL implemented several measures to improve the foreign currency liquidity from external sources. Further, CBSL continued to purchase foreign exchange from the domestic foreign exchange market to build up reserves.

Legal risk

Legal risk is a main part of Operational risk. Legal risk can occur due to lack of awareness or misunderstanding and misconducting the day-to-day operations of the bank. This may include losses resulting from non-enforce ability of contracts due to incorrect documentation and deficiencies in drafting, which may result in fines, penalties and punitive damages or a claim being made against the Bank, which may result in liability or loss. The Legal Division provides guidance to the business divisions and engages in strategic management of the legal risk of the Bank. The Legal Division proactively engages in identifying potential legal risks and issues in collaboration with other business divisions and ensuring that adequate and appropriate mitigatory measures are adopted to safeguard the Bank's interest.

During the current economic stress situation, the bank experienced increasing legal risks due to failing clients to honor terms of settlements failing Bank to execute the Writs & deferment of court cases across the year. The Bank has ensured the following internal controls to minimize the legal risk of the Bank.

- It is so important to use the complete and correct format of documents for every operation of the bank. Among these, usage of correct credit security documents, loan applications forms, KYC documents, mortgage/guarantee bonds, insurance policies and other documents are very important.
- The credit administration department and legal department communicated to the credit officers, branch manager and other related parties about the updated format and changes and closely supervised and advised on the changes above mentioned.
- Loan Disbursements are subject to dual controls. The process ensures availability of funds as per customer requirement within the set internal controls.

Future Outlook of Risk Management at RDB

Looking ahead, the Risk Management function at the Regional Development Bank (RDB) is set to evolve in response to emerging challenges, market dynamics, and regulatory expectations. In an environment marked by increasing market volatility, rapid digital transformation, and growing cyber security threats, the Bank is committed to continuously strengthening its risk governance framework. Key focus areas including the integration of advanced data analytics, automation, and early warning systems to enhance proactive risk identification, measurement, and mitigation.

The Bank will continue aligning its risk appetite with strategic objectives while embedding a strong risk-aware culture across all levels of the organization. Enhanced capital planning, stress testing, and scenario analysis capabilities aligned with Basel III guidelines and the evolving regulatory framework of the Central Bank of Sri Lanka will form a core part of RDB's forward-looking risk strategy.

Capacity building remains a priority. RDB is dedicated to the ongoing training and upskilling of risk professionals, while also upgrading risk assessment models particularly in relation to credit, liquidity, cyber, and climate-related risks. By adopting a more anticipatory and technology-driven approach, the Bank aims to build a resilient and agile risk management function that supports sustainable growth and preserves stakeholder trust.

In parallel with strengthening its risk function, RDB is well-positioned to capitalize on opportunities within the development banking sector while effectively navigating industry challenges. The Bank's strategic focus on portfolio quality, the introduction of innovative financial products, digital transformation, sustainability initiatives, and customer service excellence will remain key drivers of its success.

Future initiatives include significant enhancements to RDB's technological infrastructure, aimed at delivering seamless and personalized banking experiences. Planned investments in digital banking solutions including a modernized core banking system, online banking applications, and smart banking units will allow the Bank to meet the evolving expectations of a digitally savvy customer base.

Furthermore, RDB intends to expand its product and service portfolio through a structured strategic plan, including strategic partnerships with government and development agencies. These efforts are designed to strengthen the Bank's market presence and reinforce its leadership position in the development banking industry, ultimately delivering greater value to its customers and the broader economy.

“ Self-Reliant Community :
Banking on Sustainable Growth ”



Corporate Governance

CORPORATE GOVERNANCE

Section	Principle	Level of Compliance during the year 2024
3(1)	The Responsibilities of the Board	
3(1)(i)	Agreed upon procedures carried out to ensure the Board has strengthened the safety and soundness of the bank.	
	<p>a) The Board approval, the bank's strategic objectives and corporate values.</p> <p>The Bank has communicated the bank's strategic objectives and corporate values throughout the bank.</p>	<p>Board approved Corporate Plan which is prepared for 2022-2024 is in place. Also, the Corporate Plan for 2023 -2025 was approved by the Board.</p> <p>But it had not been prepared for 2024 – 2026. The Corporate Plan for 2025-2028 is currently being prepared and pending board approval.</p> <p>In addition, the Bank's Strategic objectives are embedded within the annual budget which is implemented annually. Those consisted of strategic objectives and corporate values of the Bank.</p> <p>However, as per the provisions of section 2.3 of the chapter 02 of 'Guidelines on Corporate Governance for State Owned Enterprises' dated 16 November 2021 issued by the Department of Public Enterprises, the strategic plan for five-year period had not been prepared since 2022.</p> <p>The Bank's strategic objectives are embedded within the annual budget, which is implemented each year. These objectives align with the strategic goals and corporate values of the Bank. But the Budgeted Cash Flow Statement and Capital expenditure budget were not included in the forecasted Financial Statements as per above provision.</p> <p>Since the Corporate Plan has not been prepared for the period of 2024-2026, the strategic objectives and corporate values of the bank for the period of 2023-2025have been communicated to all KMPs and other staff through awareness meetings at Head Office level well as Provincial level.</p>
	<p>b) The board approval of the overall business strategy of the bank.</p> <p>The overall business strategy includes the overall risk policy, risk management procedures and mechanisms and they are documented.</p>	<p>The board approved Corporate Plan for the period of 2023 -2025 includes the overall business strategy of the Bank. It had not been prepared for 2024 – 2026. The Corporate Plan for 2025-2028 is currently being prepared and pending approval by the Board.</p> <p>Overall risk policy and risk management procedures have been prepared and approved by the Board with the recommendation of the Board Integrated Risk Management Committee and it is being reviewed periodically.</p>
	<p>The overall business strategy contains measurable goals, for at least the next three years.</p>	<p>▪ The Corporate Plan has not been prepared for the period of 2024-2026, the current valid Corporate Plan 2023-2025 contains measurable goals for the next year only.</p>

c)	The appropriate systems to manage the risks identified by the board are prudent and are properly implemented.	<p>Complied with</p> <p>The Board approved Integrated Risk Management Policies and procedures include continuous and prudent assessment process. Further it is reviewed by the Board Integrated Risk Management Committee (BIRMC).</p> <p>The following reports also provide further details in this regard:</p> <ul style="list-style-type: none"> ▪ Risk Management Report ▪ Integrated Risk Management Committee Report
d)	The Board has approved and implemented a policy of communication with all stakeholders, including depositors, creditors, shareholders, and borrowers;	<p>Complied with</p> <p>A Board approved updated communication policy is in place, and it includes communication with all stakeholders, including depositors, creditors, shareholders and borrowers.</p>
e)	The Board has reviewed the adequacy and the integrity of the bank's internal control systems and management information systems;	<p>Complied with</p> <p>There is a mechanism at the Bank to identify the accuracy of the Bank's internal control systems by the Board of Directors through the process over design and effectiveness of internal control over financial reporting.</p> <p>The Board Audit Committee is tasked with reviewing the adequacy and the integrity of the Bank's internal control system.</p> <p>All Key Management personnel, especially with DGM-Operation, are responsible for the establishing and updating of the internal control system of the Bank.</p> <p>Also, the Internal Audit Department reviews the adequacy and integrity of the internal control system and management information system of the Bank.</p> <p>Further, Internal audit reports are submitted to the Board Audit Committee (BAC) and major findings are submitted to the board.</p>
f)	<p>The Board has identified and designated key management personnel, as defined in the Sri Lanka Accounting Standards, who are in a position to:</p> <p>(i) significantly influence policy;</p> <p>(ii) direct activities; and</p> <p>(iii) exercise control over business activities, operations and risk management;</p>	<p>Complied with</p> <p>The Board has identified and designated Key Management Personnel of the Bank.</p> <p>General Manager/CEO, Chief Finance Officer, Chief Information Officer, Chief Human Resource Officer, Head of Recovery, Chief Internal Auditor, Chief Risk Officer, Board Secretary, Compliance officer, Deputy General Manager, Senior Assistant General Manager, Assistant General Manager and Regional General Manager are the designated Key Management Personnel of the Bank..</p>

g)	The Board has defined the areas of authority and key responsibilities for the board directors themselves and for the key management personnel;	<p>Complied with</p> <p>The Board Charter defines the areas of authority and key responsibilities for the Board of Directors and General Manager/CEO.</p> <p>The Board approved Board Charter is in place and the board shall review the Board Charter once in two years.</p> <p>The areas of authority and key responsibilities of the Key Management Personnel were documented in relevant Job Descriptions.</p>
h)	The Board has exercised appropriate oversight of the affairs of the bank by key management personnel, that is consistent with board policy;	<p>Complied with</p> <p>The Board exercise appropriate oversight of the affairs of the Bank through Board and Board Subcommittees.</p> <p>Members of the Management Team are invited for Board meetings to provide additional clarifications if required.</p>
i)	<p>The Board has periodically assessed the effectiveness of the board directors' own governance practices, including:</p> <p>(i) The selection, nomination and election of directors and key management personnel.</p> <p>(ii) The management of conflicts of interests; and</p> <p>(iii) The determination of weaknesses and implementation of changes where necessary.</p>	<p>Appointments to the Board are made by the shareholder, the Government of Sri Lanka through the Minister under whose purview the Bank comes in terms of the provisions of the section 11 of Pradeshiya Sanwardana Bank Act, No. 41 of 2008.</p> <p>A self-evaluation of the performance of the Board shall carried out annually by assessing its own governance practices.</p> <p>Any weakness in the governance practices shall monitored by the Nomination and Corporate Governance Committee in its overall evaluation of the Compliance with the applicable governance practices and shall report to the board for necessary action.</p> <p>Only five members out of nine have submitted the Self-Assessments for the year 2024</p>
j)	The Board has a succession plan for key management personnel.	<p>Board approved succession plan for Key Management Personnel of the Bank (Executive Management and the Corporate management) is in place.</p> <p>Nevertheless, it had been identified a serious gap at the bank withing next five years period and several areas mentioned in the succession plan need to be changed as it appears non appropriateness in relation to several positions.</p> <p>Following positions has been vacated during the year 2024.</p> <ul style="list-style-type: none"> ▪ General Manager ▪ Chief Internal Auditor ▪ Chief Risk Officer ▪ Chief Information Officer ▪ Deputy General Manager Credit and Special Projects & Policy Implementation ▪ Deputy General Manager Revival and Recovery <p>Furthermore, the positions of General Manager, Chief Information Officer, Deputy General Manager – Credit and Special Projects & Policy Implementation, and Deputy General Manager – Revival and Recovery are currently held on an acting basis.</p>

K)	The Board has scheduled regular meetings with the key management personnel to review policies, establish communication lines and monitor progress towards corporate objectives.	<p>Complied with</p> <p>The Board conducts meetings regularly to discuss and review the progress of corporate objectives and invite key management personnel for further information and advice.</p> <p>However, board meetings had not been held for the year 2024 after 10 September 2024 due to lack of Quorum/ minimum number of the board of directors.</p> <p>KMPs are regularly present or are called in for discussions at the meetings of the Board and its subcommittees on policy and other matters relating to their areas.</p>
I)	The Board has taken measures and processes in place to understand the regulatory environment and that the bank maintains a relationship with regulators.	<p>Complied with</p> <p>The Board has taken measures and processes to understand the regulatory environment and maintain relationship with regulators.</p> <p>GM attends all relevant forums held by the Governor and the Director, Bank Supervision of the CBSL to discuss matters relating to the industry.</p> <p>Compliance Officer submits a compliance report to the Board.</p>
m)	The Board has a process in place for hiring and oversight of external auditors.	<p>Not applicable</p> <p>As provisions of the Constitution and under section 33 of the Pradeshiya Sanwardana Bank Act (PSB Act), the Auditor General is the External Auditor of the Bank as it is a State-Owned Enterprise.</p>
3(l)(ii)	<p>The Board has appointed the Chairman and the Chief Executive Officer (CEO).</p> <p>The functions and responsibilities of the chairman and the CEO are inline with Direction 3(5) of these Directions.</p>	<p>Complied with</p> <p>The Board shall appoint a General Manager/CEO of the bank as per the PSB Act.</p> <p>However, there was no permanent General Manager/CEO appointed during the year 2024.</p> <p>The Chief Finance Officer has been appointed as the acting General Manager/CEO to cover-up duties with effect from 05 September 2022 until a permanent General Manager/CEO gets appointed. Mr. E.A.D.J. Priyashantha has been appointed as the acting General Manager/CEO with effect from 06 June 2024.</p> <p>Mr. W.A.D.S. Gunasinghe has been appointed as the Chairman of the bank by the Ministry of Finance, Economic Stabilization and National Policies with effect from 30 October 2023 and he completed his duty on 01 October 2024. Mr. A.P.L. Fernando has been appointed as the Chairman with effect from 01 November 2024.</p> <p>The chairman is a Non-Executive Director and the General Manager functioning as the executive in charge of the day-to-day management of the Bank's operation and the business. However, Chairman involves in the signing of agreements, bonds, deeds and other instruments on behalf of the Bank as per the decision of Board Credit Committee meeting held on 30 November 2018 which is in line with the section 3 of the PSB Act.</p> <p>A Board Charter which defines the responsibilities of the Chairman and the General Manager is in place.</p>

3(l)(iii)	<p>The Board has met regularly and held board meetings at least twelve times a year at approximately monthly intervals. Obtaining the board's consent through the circulation of written resolutions/papers shall be avoided as far as possible</p>	<p>Generally, the Board meetings are held twice a month.¹⁵ Board meetings have been held during the year 2024. However, Board meetings had not been held after 10 September 2024 due to the lack of Quorum/ minimum number of the board of directors. Hence, the Bank had not been capable to conduct board meetings with approximately monthly intervals.</p>
		<p>348 board resolutions/papers had been referred to the Board of Directors during the year 2024.</p>
3(l)(iv)	<p>The board has a procedure in place to enable all directors to include matters and proposals in the agenda for regular board meetings where such matters and proposals relate to the promotion of business and the management of risks of the bank.</p>	<p>Complied with A Board approved process is in place in this regard included in the Board Charter which was reviewed in 2023.</p>
		<p>Regular Board Meetings are scheduled, and the Board is informed at the beginning of each calendar year to enable submission of matters and proposals to the agenda for regular Board meetings.</p>
3(l)(v)	<p>That the Board has given notice of at least 7 days for a regular board meeting to provide all directors an opportunity to attend. And for all other board meetings, notice has been given.</p>	<p>Complied with Notice of meetings is given through an Annual Calendar at the beginning of the year.</p>
		<p>Agenda and Board papers for the Board and Subcommittee meetings are circulated to the Directors seven days prior to the meetings through a secure e-Solution (Upload to the Board Pac) except for urgent papers that may come up.</p>
		<p>Reasonable notice is given before any special meeting and the consent of all Directors is obtained prior to scheduling a special meeting.</p>
3(l)(vi)	<p>The Board has taken required action on directors who have not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held. Participation at the directors' meetings through an alternate director, however, to be acceptable as attendance.</p>	<p>Attendance of the Board members submitted by the Board Secretary evidence that such a situation has not arisen during the year 2024. Board members have been informed on such attendance requirements by the Board Secretary by submitting them with corporate governance rules.</p>
3(l)(vii)	<p>The Board has appointed a company secretary who satisfies the provisions of Section 43 of the Banking Act No. 30 of 1988, and whose primary responsibilities shall be to handle the secretariat services to the board and shareholder meetings and carry out other functions specified in the statutes and other regulations.</p>	<p>Complied with The Secretary to the Board whose credentials/ qualifications are in compliance with the provisions of Section 43 of the Banking Act No. 30 of 1988 and its amendments and as per section 19 of the Pradeshiya Sanwardana Bank Act. She is primarily responsible for handling the secretariat services to the Board and carrying out other functions specified in the statutes and other regulations.</p>
		<p>The secretary shall be an officer on a full-time basis.</p>

3(l)(viii)	The process to enable all directors to have access to advice and services of the company secretary.	Complied with All members of the Board have the opportunity to obtain the advice and services of the Secretary to the Board who is responsible to the Board for follow-up of Board procedures, compliance with rules and regulations, directions and statutes.
3(l)(ix)	The company secretary maintains the minutes of board meetings and there is a process for the directors to inspect such minutes.	Complied with The Board Secretary maintains the minutes of Board meetings. Further such minutes are available for inspection to any Director on request.
3(l)(x)	<p>The minutes of a board meeting contain or refer to the following:</p> <p>(a) a summary of data and information used by the board in its deliberations</p> <p>(b) the matters considered by the board</p> <p>(c) the fact-finding discussions and the issues of contention or dissent which may illustrate whether the board was carrying out its duties with due care and prudence.</p> <p>(d) the matters which indicate compliance with the board's strategies and policies and adherence to relevant laws and regulations.</p> <p>(e) the understanding of the risks to which the bank is exposed, and an overview of the risk management measures adopted; and</p> <p>(f) the decisions and board resolutions.</p>	Complied with Board Minutes cover the following requirements, <ol style="list-style-type: none"> Business decisions taken on particular subjects. Resolutions passed on special subjects. Instructions and matters directed to management. Policy decisions on matters and review of performances. Recommendations on Board Sub-Committee reports. Overview of the risk management measures. Compliance with the board's strategies and policies.
3(l)(xi)	There are procedures agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the bank's expense.	Complied with The Board approved procedure to seek independent professional advice is available. Bank has process to Access to Independent Professional Advice and the Board resorts to such advice when deemed necessary.
3(l)(xii)	<p>There is a procedure to determine, report, resolve and to take appropriate action relating to directors avoids conflicts of interests, or the appearance of conflicts of interest.</p> <p>A Director has abstained from voting on any board resolution in relation to which he/she or any of his/her close relation or a concern in which a director has substantial interest, is interested.</p> <p>Has he/she been counted in the quorum for the relevant agenda item at the board meeting.</p>	Complied with <p>When a resolution is passed at the Board meetings regarding a particular matter on which directors are personally interested, he/she abstains from voting for the resolution.</p> <p>The director with personal interest on any matter is not count in the quorum for the relevant agenda item at the board meeting. However, no such instances have occurred during the year.</p> <p>Further those requirements were covered in the Related Party Transaction Review policy, and this was reviewed in 2023.</p>

3(l)(xiii)	The Board has a formal schedule of matters specifically reserved to it for decision to identify the direction and control of the bank is firmly under its authority.	Complied with Powers reserved for the Board are included in the Board Charter.
3(l)(xiv)	The Board has forthwith informed the Director of Bank Supervision of the situation of the bank prior to taking any decision or action, if it considers that the procedures to identify when the bank is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors.	Although, such a situation has not arisen, the Board is aware of the necessity 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 payment to its depositors and other creditors
3(l)(xv)	The Board has the bank capitalized at levels as required by the Monetary board.	Complied with Bank has maintained the Total Capital Adequacy Ratio as determined by the monetary board. As well as, maintained Total Tier 1 Capital Ratio for the year 2024. Board ensures that the bank is capitalized at levels as required by the Monetary Board in terms of the capital adequacy ratio (CAR) and other prudential grounds. Capital Augmentation Plan has been submitted to the Board on quarterly basis. Calculation of CAR is submitted to the Board with the monthly Financial Statements of the Bank.
3(l)(xvi)	The board publishes, in the bank's Annual Report, an annual corporate governance report setting out the compliance with Direction 3 of these Directions.	Complied with The Annual Report includes the Corporate Governance Report setting out the compliance requirement with the corporate governance direction issued by the Central Bank of Sri Lanka
3(l)(xvii)	The board adopts a scheme of self-assessment to be undertaken by each director annually and maintains records of such assessments.	Only five members out of nine have submitted the Self-Assessments for the year 2024.
3(2)	The board's Composition	
3(2)(i)	Board comprises of not less than 7 and not more than 11 directors.	Complied with (Up to September 2024) As per the Corporate Governance Direction, the Board shall comprise of not less than 7 and not more than 11 directors. The Board was comprised with 9 board members until September 2024 while the board was comprised with only 6 members as at 31 December 2024
3(2)(ii)	(A) The total period of service of a director other than a director who holds the position of CEO, does not exceed nine years. (B) In the event of any director serving more than 9 years, check that the transitional provisions have been applied with.	Complied with None of the Directors of the Bank has been in office for a period exceeding 9 years. Not applicable. Such a situation has not arisen.
3(2)(iii)	The number of executive directors, including the CEO does not exceed one-third of the number of directors of the board.	Complied with There were no Executive Directors in the Board.

3(2)(iv)	The Board has at least three independent non-executive directors or one third of the total number of directors, whichever is higher.	<p>A minimum of Three Independent/Non- Executive Directors appointed by the Hon. Minister in terms of the provisions of the Pradeshiya Sanwardhana Bank Act no.41 of 2008 have represented the Board throughout the year 2024.</p> <p>According to the Act, three Non-Independent Directors are being appointed from each of shareholder Banks and One Non-Independent Director being appointed from the General Treasury.</p> <p>Nevertheless, Non-Independent Director from the General Treasury had not been appointed until 08 November 2024 for the year 2024 (previous member of the General Treasury was elected on 27 September 2023)</p> <p>Non-executive directors shall not be considered independent if he/she:</p> <p>And three Non-Independent Directors from each of shareholder Banks had not been appointed in the 4th quarter of 2024.</p>
a)	Holds a direct and indirect shareholding of more than 1 per cent of the bank;	Four Directors who being appointed from each of shareholder Banks and the General Treasury could be considered as non-independent directors.
b)	currently has or had during the period of two years immediately preceding his/her appointment as director, any business transactions with the bank as described in Direction 3(7) hereof, exceeding 10 per cent of the regulatory capital of the bank.	Not applicable
c)	has been employed by the bank during the two-year period immediately preceding the appointment as director	Not applicable
d)	has had a close relation, who is a director, CEO, a member of key management personnel, a material shareholder of the bank or another bank. (For this purpose, a "close relation" means the spouse or a financially dependent child)	Not applicable
e)	represents a specific stakeholder of the bank	Not applicable
f)	is an employee or a director or a material shareholder in a company or business organization:	Not applicable

I. which currently has a transaction with the bank as defined in Direction 3(7) of these Directions, exceeding 10 per cent of the regulatory capital of the bank, or

II. in which any of the other directors of the bank are employed or are directors or are material shareholders; or

III. in which any of the other directors of the bank have a transaction as defined in Direction 3 (7) of these Directions, exceeding 10 per cent of regulatory capital in the bank.

3(2)(v)	In the event an alternate director was appointed to represent an independent director, check the person so appointed meet the criteria that applies to the independent director.	Not Applicable. There are no provisions for appointing alternate Directors as per the Pradeshiya Sanwardana Bank Act No.41 of 2008.
3(2)(vi)	The non-executive directors shall be persons with credible track records and/or have necessary skills and experience to bring an independent judgment to bear on issues of strategy, performance and resources.	Complied with. All the appointments to the board are subject to the fit and proper determination from the director of bank supervision at the Central Bank of Sri Lanka in accordance with the section 24 of the Banking (Amendments) Act, No. 24 of 2024.
3(2)(vii)	The stipulated quorum of the bank includes more than 50% of the directors and out of this quorum more than 50% should include nonexecutive directors.	Complied with. As per section 16 of the Pradeshiya Sanwardhana Bank Act, the quorum includes 5 if the Board consisted of 7 Directors and 6 if the number of Directors over 7. Attendance of the Board members for the year 2024 evidence that the required quorum has been complied with at all Board meetings. All the nominated Board members of PSB are non-executive directors and appointed by the Minister of Finance.
3(2)(viii)	The Bank discloses the composition of the board, by category of directors, including the names of the chairman, executive directors, nonexecutive directors and independent non-executive directors in the annual corporate governance report.	Complied with. The composition of the Board and their information is disclosed in the Annual Report.
3(2)(ix)	The procedure for the appointment of new directors to the board is formal, considered, transparent and the procedure for the ordinary succession of appointment to the board.	Complied with. The board consist with four ex-official members and nominated directors are appointed by the Hon. Minister in terms of the provisions of the PSB Act. All the appointments are being effective upon receipt of the fit and proper determination from the director of bank supervision at the Central Bank of Sri Lanka in accordance with the section 24 of the Banking (Amendments) Act, No. 24 of 2024.
3(2) (x)	All directors appointed to fill a casual vacancy be subject to election by shareholders at the first general meeting after their appointment.	Not applicable. Appointments and removal of Directors are done by the Hon. Minister in terms of the provisions of PSB Act.

3(2)(xi)	<p>If a director resigns or is removed from office, the board:</p> <p>(a) Announce the director's resignation or removal and the reasons for such removal or resignation including but not limited to information relating to the relevant director's disagreement with the bank, if any; and</p> <p>(b) Issue a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.</p>	<p>Complied with. The appointment and removal of Directors are done by the Hon. Minister in terms of the provisions of PSB Act.</p> <p>Resigning director acknowledges his/ her resignation through a letter to the Bank and based on that letter the Bank informs to the Ministry that the Director has resigned.</p> <p>The bank has informed the resignations of directors to the CBSL through a mail.</p>
3(2)(xii)	If there is a process to identify whether a director or an employee of a bank is appointed, elected or nominated as a director of another bank.	<p>Complied with. Such a situation will not arise since the Directors are being appointed by Hon. Minister in consultation with the Secretary to the Treasury. Also, the Central Bank of Sri Lanka assesses Fitness and propriety based on the declarations obtained from Directors and Key Management Personnel.</p>
3.3	Criteria to assess the fitness and propriety of directors	
3(3)(i)	The age of a person who serves as director does not exceed 70 years.	<p>Complied with. None of the Directors of the Board is over 70 years old.</p>
	(A) The transitional provisions have been & (B) complied with	Not applicable.
3(3)(ii)	If a person holds office as a director of more than 20 companies/ entities/ institutions inclusive of subsidiaries or associate companies of the bank.	<p>Complied with. None of the directors hold directorship in 20 companies as per their declarations.</p>
3 (3)(iii)	Director or CEO shall not be appointed as a Director or a CEO of another Licensed Bank operating in Sri Lanka prior to expiry of 6 months cooling-off period from the date of cessation of his/her office at a Licensed Bank.	<p>Complied with. There were no any director or General Manager appointed from another bank other than the following share holder banks during the year 2024.</p> <ol style="list-style-type: none"> 1. Bank of Ceylon - Mr.Ajith Karunaratna 2. NSB - Ms.Devika Silva 3. Peoples' Bank - Mr.S.N.B.M.W Narayana
3(4)	Management functions delegated by the board	
3(4)(i)	The delegation arrangements have been approved by the board.	<p>Complied with. The Board has delegated matters pertaining to the affairs of the bank to the board sub committees and also to the CEO and other Key Management personnel.</p>
3(4)(ii)	The Board has taken responsibility for the matters in 3 (1) (i) even in the instances such actions are delegated.	<p>Complied with. The board takes the responsibility for the matters in 3(1) (I) even though such matters are delegated.</p>
3(4)(iii)	The Board review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the bank.	The Bank has documents for delegation of authority for each Division separately

3(5)	The Chairman and CEO	
3(5)(i)	<p>The role of Chairman and CEO is separate and not performed by the same individual.</p>	<p>Complied with. The positions of the Chairman and the CEO are separated and performed by two individuals.</p> <p>The chairman is a Non-Executive Director and the Chief Executive Officer functioning as the executive in charge of the day-to-day management of the Bank's operation and the business.</p>
3(5)(ii)	<p>The Chairman is a non-executive Director.</p> <p>In the case where the Chairman is not an independent director, check that the board designate an independent director as the senior director with suitably documented terms of reference.</p> <p>The designation of the senior director is disclosed in the bank's Annual Report.</p>	<p>Complied with. Since the Chairman is an Independent Non-Executive Director, the Bank has not designated any director as Senior Director.</p>
3(5)(iii)	<p>The Board has a process to identify and disclose in its corporate governance report, which shall be a part of its Annual Report, any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the chairman and the CEO and board members and the nature of any relationships including among members of the board.</p>	<p>Complied with. There is a process in place at the bank, where declarations are obtained by the Board Secretary annually from the Chairman and General Manager and other Board members to verify their relationships as required by this Direction.</p> <p>The board secretary has obtained annual declarations and that help to verify such relationships.</p>
3(5)(iv)	<p>The Board has a self- evaluation process where the chairman:</p> <p>(a) provides leadership to the board.</p> <p>(b) ensures that the board works effectively and discharges its responsibilities; and</p> <p>(c) Ensures that all key and appropriate issues are discussed by the board in a timely manner.</p>	<p>The board shall evaluated performance through self-assessment process which provide evidence that Chairman,</p> <ul style="list-style-type: none"> ▪ Provides leadership to the Board ▪ Ensures that the Board functions effectively in discharging its responsibilities ▪ All key issues are discussed by the board in a timely manner. <p>Only five members out of nine have submitted the Self-Assessments for the year 2024.</p>
3(5)(v)	<p>A formal agenda is circulated by the company secretary approved by the chairman.</p>	<p>Complied with. The agenda for each Board meeting is prepared and circulated by the Board secretary in consultation with the Chairman.</p>
3(5)(vi)	<p>The Chairman ensures, through timely submission that all directors are properly briefed on issues arising at board meetings.</p>	<p>Complied with. Matters to be taken up for discussions in Board Meetings are circulated with notice of the meeting at least 07 days prior to the meeting other than those which are urgent matters.</p>
3(5)(vii)	<p>The Board has a self-evaluation process that encourages all directors to make a full and active contribution to the board's affairs and the chairman taking the lead to act in the best interest of the bank.</p>	<p>Annual self-evaluation process of the Board evidence that the process encourages all directors to make active contributions to the board's affairs and the Chairman taking the lead to act in the best interest of the bank.</p> <p>The Self-Assessment for the year 2024 has been submitted by only five directors.</p>

3(5)(viii)	The Board has a self-evaluation process that assesses the contribution of non-executive directors.	<p>The entire Board consists of Non-executive directors and the self-evaluation process in place to assess the effective contribution rendered by them.</p> <p>The Self-Assessments for the year 2024 have been submitted by only five directors.</p>
3(5)(ix)	The Chairman engages in activities involving direct supervision of key management personnel or any other executive duties whatsoever.	<p>Complied with.</p> <p>The Chairman of the PSB is a Non- Executive Director, and he does not involve in supervision of Key Management Personnel directly. However, Chairman involves in the signing of agreements, Bonds, deeds and other instruments on behalf of the Bank as per the decision of Board Credit Committee meeting held on 30 November 2018 which is in line with the section 3 of the PSB Act.</p>
3(5)(x)	There is a process to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	<p>As per the Pradeshiya Sanwardhana Bank Act No.41 of 2008, four ex-official members should be appointed representing three shareholder Banks and the General Treasury. Therefore, they shall act as a channel between the Board and Shareholders. It was observed that the member of the General Treasury had not been appointed for 2024 until 08 November 2024. (Previous member of the General Treasury was elected on 27 September 2023)</p> <p>And following representatives of major shareholders had been appointed for 2024 only up to September 2024.</p> <ol style="list-style-type: none"> 1. Bank of Ceylon-Mr.Ajith Karunarathna 2. NSB-Ms.Devika Silva 3. Peoples' Bank-Mr.S.N.B.M.W Narayana
3(5)(xi)	The CEO functions as the apex executive-in-charge of the day-to-day management of the bank's operations and business	<p>Complied with.</p> <p>The CEO is an executive officer in charge of day-to-day management of the bank operation.</p>
3(6)	Board appointed committees	
3(6)(i)	<p>The Bank has established at least four board committees as set out in Directions 3(6)(ii), 3(6)(iii), 3(6)(iv) and 3(6)(v) of these Directions.</p> <p>Each board committee report is addressed directly to the board</p> <p>The board presents a report of the performance on each committee on its duties and roles at the Annual General Meeting (AGM).</p>	<p>Complied with.</p> <p>The Bank has established the following Board Sub- Committees which directly report to the Board as set out in Directions 3(6)(ii), 3(6)(iii), 3(6)(iv) and 3(6)(v) of these Directions.</p> <p>Board Audit Committee Board HR and Remuneration Committee Board Nomination Committee Integrated Risk Management Committee</p> <p>Secretary to the Board serves as Secretary to all subcommittees and maintains minutes etc. with oversight by the respective Chairpersons.</p> <p>Subcommittee minutes and decisions are presented to the Board by the Board Secretary.</p> <p>Performance report on each committee on its duties and roles is included in the annual report. Also, the Annual Report is submitted to the Annual General Meeting.</p>

3(6)(ii) Audit Committee:

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| a) | Chairman of the Audit Committee is an independent Non- Executive Director possesses qualifications and experience. | Complied with.
The Chairman of the Audit Committee is an Independent Non- Executive Director who was appointed from 20.03.2023 to comply with the Direction. (acts as chairman of the BAC up to the BAC meeting held on 21 August 2024.) |
| b) | All members of the committee are non-executive directors. | Complied with.
All members of the committee are non- executive directors. |
| c) | The committee has made recommendations on matters in connection with:

(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; provided that the engagement of the 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. | Not Applicable.
The Auditor General is the External Auditor of the Bank as provided in the Constitution of the country. Therefore, the Committee has no role to play in the engagement of the External Auditor.

Government Auditor represents Board Audit Committee by invitation and applicable Government / Central Bank guidelines which are issued to auditors from time to time and relevant accounting standards are being discussed in the meetings. |
| d) | The committee has obtained representations from the external auditor's on their independence, and that the audit is carried out in accordance with SLAS. | Not Applicable.
Independence and effectiveness of Auditor General is guaranteed under the Constitution of Sri Lanka and AG ensures the independence of any auditor assisting him to perform the Audit of the Bank. |
| e) | The committee has implemented a policy on the engagement of an external auditor to provide non-audit services in accordance with relevant regulations. | Not Applicable.
The Bank's Auditor is the Auditor General (AG) in terms of the Constitution of Sri Lanka. |

f)	The committee has discussed and finalized the nature and scope of the audit, with the external auditors in accordance with SLAS before the audit commences.	Not Applicable. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.
g)	<p>The committee has a process to review the financial information of the bank, in order to monitor the integrity of the financial statements of the bank, its annual report, accounts and quarterly reports prepared for disclosure, and a process in place to receive from the CFO the following;</p> <p>(i) major judgmental areas;</p> <p>(ii) any changes in accounting policies and practices;</p> <p>(iii) the going concern assumption; and</p> <p>(iv) the compliance with relevant accounting standards and other legal requirements, and;</p> <p>(v) in respect of the annual financial statements the significant adjustments arising from the audit.</p>	Complied with. The Board Audit Committee Reviews Quarterly and Annually Financial Statements of the Bank considering major judgmental areas, changes in accounting policies, relevant accounting standards and other legal requirements. Further, Audited Financials with the disclosures are submitted to the Board.
h)	The committee has met the external auditors relating to any issue in the absence of the executive management with relation to the audit.	Complied with. Two "Closed door meeting" were held on BAC meetings held on 10th May 2024 and 21st August 2024 It has been made a permanent agenda item in the Audit Committee and upon the request of the Rep. of the AG, a closed-door meeting is ready to be accommodated.
i)	The committee has reviewed the external auditor's management letter and the management's response thereto.	Management Letter with response for the year 2023 pending review by the Board Audit Committee. Major issues have been discussed from time to time.
j)	The committee shall take the following steps with regard to the internal audit function of the bank:	

I. Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work;	<p>Complied with. The Audit Committee reviews and makes necessary recommendations with regard to the adequacy of the scope, functions and resources of the Internal Audit Department.</p> <p>The position of Chief Internal Auditor (CIA) remained intermittently vacant during the period from 13th November 2019 to 26th June 2022. The role was duly filled from 27th June 2022 until 5th June 2024. However, the position has once again become vacant effective from 5th June 2024.</p>
II. Review the internal audit program and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department;	<p>Complied with. The Internal Audit Plan for the year 2024 has been recommended by the BAC to the Board for adoption. Committee has reviewed the progress of Internal Audit Plan.</p> <p>BAC has reviewed the results of the internal audits carried out on branches/departments by the Internal Audit Dept. and discussed the follow-up action required where necessary.</p>
III. Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department;	<p>Complied with. Bi annual KPI based performance of Chief Internal Auditor and AGM -Internal Audit has reviewed.</p>
IV. Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;	<p>Complied with. No such appointments were occurred during the year. However, there was a method to approved by the full board with the recommendation of the BAC. Officer who employed as CIA was appointed as acting GM on 04 June 2024.</p>
V. The committee is appraised of resignations of senior staff members of the internal audit department including the chief internal auditor 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;	<p>Complied with. Such a situation has not arisen</p>
VI. The internal audit function is independent of the activities it audits.	<p>Complied with. As per the structure/Organization Chart of the Bank, the Chief Internal Auditor (CIA) reports directly to the Board Audit Committee and he is independent and carries out his duties with impartiality and due care. And major observations reported to the Board Audit Committee.</p>
k) The minutes to determine whether the committee has considered major findings of internal investigations and management's responses thereto.	<p>Complied with. The major internal audit findings and the management responses were discussed by the Audit Committee and necessary recommendations were made.</p>

l)	Whether the committee has had at least two meetings with the external auditors without the executive directors being present.	Complied with. The committee has had two meeting with the external auditor without the Executive Directors.
m)	<p>The terms of reference of the committee to ensure that there is;</p> <p>(i) explicit authority to investigate into any matter within its terms of reference;</p> <p>(ii) the resources which it needs to do so;</p> <p>(iii)full access to information; and</p> <p>(iv)authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.</p>	Complied with. The “Term of Reference” of the Audit Committee covers all these areas.
n)	The committee has met, at least four times and maintained minutes.	Four committee meetings had been held on 04 March, 10 May, 27 May and 21 August during the Year 2024 and maintained minutes up to August 2024 only.
o)	<p>The Board has disclosed in the annual report,</p> <p>(i) details of the activities of the audit committee;</p> <p>(ii) the number of audit committee meetings held in the year; and</p> <p>(iii) details of attendance of each individual director at such meetings</p>	Complied with. Details of the activities and number of audit committee meetings held are disclosed in the annual report of the year 2024 (Page 95)
p)	The Secretary of the Committee is the company secretary or the head of the internal audit function.	Complied with. Board Secretary is the secretary to the Audit Committee
q)	<p>The “whistle blower” policy covers the process of dealing with;</p> <p>i) The improprieties in financial reporting, internal control or other matters.</p> <p>ii)In relation to (i) the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters, and</p> <p>iii)Appropriate follow-up action.</p>	<p>Complied with.</p> <p>The Bank has adopted a Whistle Blower Policy which covers the required aspects of the direction.</p> <p>BAC has reviewed the Whistle Blower Policy and recommended the same for approval of the Board.</p> <p>No details of the report on complaints investigation process related to Whistle Blower policy had been performed by the internal audit department during the year 2024</p>

3(6)(iii) Does the following rules apply in relation to the Human Resources and Remuneration Committee:

- | | | |
|----|---|--|
| a) | The committee has implemented a policy to determine the remuneration (salaries, allowances and other financial payments) relating to directors, CEO and key management personnel of the bank by review of the "Terms of reference" and minutes. | <p>Complied with.</p> <p>Remuneration of Directors is governed by Public Enterprise Department Circulars. The Committee has approved a Remuneration policy to determine the remuneration, allowances and other financial payments relating to Key Management personnel.</p> <p>The Board approved updated Remuneration Policy is in place.</p> |
| | | |
| b) | The goals and targets for the directors, CEO and the key management personnel are documented. | <p>Directors are Non-Executive Directors, and they act according to Board Charter. However, the document of setting goals and targets to the Board of Directors is being prepared and is pending submission at the next board meeting.</p> <p>Goals and targets for KMPs are documented and detailed in the Action Plan prepared based on the Corporate Plan of the Bank. The General Manager is responsible for the implementation of the Corporate Plan through KMPs.</p> <p>Goals and Targets for the Key Management Personnel (KMP) have been documented as per the annual budget and sectional action plan. Goals and targets of each individual KMP are properly documented and acknowledge by respective KMP. Performance evaluations of the year 2024 will be carried out in the year 2025, against these targets.</p> |
| | | |
| c) | The Committee has considered evaluations of the performance of the CEO and key management personnel against the set targets and goals periodically to determine the basis for revising remuneration, benefits and other payments of performance-based incentives. | <p>Complied with.</p> <p>The performance of Key Management Personnels' are evaluated by the Board Human Resource & Remuneration Committee. While the performance evaluation of CRO, CO and CIA who are engaged in the independent functions are reviewed and evaluated by relevant Board Sub Committees.</p> <p>Performance evaluations of the year 2024 were carried out in the year 2024 & 2025.</p> |
| | | |
| d) | The "Terms of reference" provides that the CEO is not present at meetings of the committee, when matters relating to the CEO are being discussed by reviewing the minutes. | <p>Complied with.</p> <p>The CEO/GM is not present at meetings of the committee, when matters relating to the CEO/GM are being discussed as per the provision.</p> |

3(6)(iv) Does the following rules apply in relation to the Nomination Committee:		
a)	The committee has implemented a procedure to select/appoint new directors, CEO and key management personnel.	Complied with. The Board appoints the CEO/GM. Appointments of Directors are made by the Hon. minister in terms of the provisions of PSB Act. Committee sets the criteria to select/appoint/promote key Management personnel.
b)	The committee has considered and recommended (or not recommended) the re-election of current directors.	Not Applicable. The Hon. Minister appoints the Board of Directors in consultation with the Secretary to the Treasury.
c)	The committee has set the criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the post of CEO, and the key management personnel, by review of job descriptions.	Complied with. The required qualification and experience to be eligible for selection for the posts of Chief Executive Officer, Deputy General Managers & Regional General Managers have been determined by Pradeshiya Sanwardana Bank Act No.41 of 2008. Eligibility/Selection criteria and qualifications for key Management personnel are determined by the Nomination Committee / Board.
d)	The committee has obtained from the directors, CEO and key management personnel signed declarations that they are fit and proper persons to hold office as specified in the criteria given in Direction 3(3) and as set out in the Statutes.	Complied with. Declarations on fitness and propriety of the Directors and Key Management Personnel were obtained and approved by the Bank Supervision Department which have been updated by the Bank at the change of Positions / Qualifications.
e)	The committee has considered a formal succession plan for the retiring directors and key management personnel.	Complied with. Board approved updated Succession Policy for the KMPs is in place. The succession arrangements for the Directors are being made through Hon. Minister in terms of PSB Act. Nevertheless, it had been identified a serious gap at the bank withing next five years period and several areas mentioned in the succession plan need to be changed as it appears non appropriateness in relation to several positions.
f)	The Committee shall be chaired by an Independent Director and preferably be constituted with a majority of Independent Directors. The CEO may be present at meetings by invitation.	Complied with. An Independent Director has chaired the meetings. As per the TOR, CEO participates at meetings by invitation. However, CEO has participated at all meetings.

3(6)(v)	Does the following rules apply in relation to the Integrated Risk Management Committee (IRMC)	
a)	The committee shall consist of at least three non-executive directors, CEO and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks and work within the framework of the authority and responsibility assigned to the committee.	<p>Complied with.</p> <p>The committee consists of 04 Non-Executive Directors, Chief Executive Officer and AGM-Risk Management who supervise credit, market, operational, reputational and strategic risks. The Compliance Officer attends meetings by invitation.</p> <p>Any other KMP and other staff are invited as and when the Committee needs their presence.</p> <p>However, that the position of Chief Risk Officer (CRO) is being vacated from 31 October 2019.</p>
b)	The committee has a process to assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the bank on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on a bank basis and group basis.	<p>Complied with.</p> <p>The committee assesses risks and prepares the report on Key Risk Indicators of the Bank on a monthly basis by Assistant General Manager- Risk and submits it to the Board. Also, recommendations of the IRMC are submitted for the review of Board of Directors. Further, some risks have been improved reflecting the risk profile of the Bank.</p> <p>The committee has met 03 times during the year 2024 and the committee assessed reports on Key Risk Indicators for the period of January 2024 to June 2024.</p> <p>No subsidiary or associate companies established under this Bank.</p>
c)	The committee has reviewed specific quantitative and qualitative risk limits for all management level committees such as the credit committee and the asset-liability committees, and report any risk indicators periodically.	<p>Complied with.</p> <p>Meeting minutes and specific quantitative and qualitative risk of the Assets and Liability Committee (ALCO), Management Committee, Operational Risk Committee and Operational and Premises Committee were reviewed by the by BIRMC to ensure adequacy and effectiveness of committee operations.</p> <p>Further, the committee oversees their performance and benchmark based on the committee charter or TOR of such committees.</p>
d)	The committee has reviewed and considered all risk indicators which have gone beyond the specified quantitative and qualitative risk limits.	<p>Complied with.</p> <p>Reports on Key Risk Indicators were reviewed by the committee.</p> <p>The committee has met 03 times during the year 2024 and the committee assessed reports on Key Risk Indicators for the period of January 2024 to June 2024.</p>
e)	How many times the committee has met at least quarterly.	<p>The committee has met 03 times during the year 2024. No meetings were held in the fourth quarter of the year 2024.</p>
f)	The committee has reviewed and adopted a formal documented disciplinary action procedure with regard to officers responsible for failure to identify specific risks.	<p>Complied with.</p> <p>The formal disciplinary code is in place. The committee has taken decisions relating to high-risk matters through the committee papers. However, it was not identified any events for the year 2024.</p>

g)	The committee submits a risk assessment report within a week of each meeting to the board seeking the board's views, concurrence and/or specific directions.	Report on the Key Risk Indicators of the Bank is prepared on a monthly basis by AGM- Risk of the Bank and submitted at the very next Board meeting. Further, minutes of the IRMC meetings are submitted to the Board.
h)	The committee has established a compliance function to assess the bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations and that there is a dedicated compliance officer selected from key management personnel to carry out the compliance function and report to the committee periodically.	<p>Complied with.</p> <p>The compliance function of the Bank is headed by the Compliance Officer who is a KMP of the bank and a compliance risk assessment report is submitted to BIRMC periodically by the Compliance Officer.</p>
3(7) Related party transactions		
3(7)(i)	<p>There is a established and documented process by the board to avoid any conflicts of interest that may arise from any transaction of the bank with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction:</p> <ul style="list-style-type: none"> a. Any of the bank's subsidiary companies; b. Any of the bank's associate companies; c. Any of the directors of the bank; d. Any of the bank's key management personnel; e. A close relation of any of the bank's directors or key management personnel; f. A shareholder owning a material interest in the bank; g. A concern in which any of the bank's directors or a close relation of any of the bank's directors or any of its material shareholders has a substantial interest. 	<p>Complied with.</p> <p>A Board approved Policy on Related Party Disclosures is in place covering related parties, their transactions, and restrictions on offering more favorable treatment to related parties in order for the Board members to avoid any Conflicts of Interest in this regard.</p> <p>Directors who have related party transactions are individually requested to declare their transactions. These transactions belonging to related parties can be captured through a system using the NIC based on their declarations.</p>

3(7)(ii)	<p>There is a process to identify and report the following types of transactions been identified as transactions with related parties that is covered by this Direction.</p> <p>a) The grant of any type of accommodation, as defined in the Monetary board's Directions on maximum amount of accommodation.</p> <p>b) The creation of any liabilities of the bank in the form of deposits, borrowings and investments.</p> <p>c) The provision of any services of a financial or non-financial nature provided to the bank or received from the bank.</p> <p>d) The creation or maintenance of reporting lines and information flows between the bank and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties.</p>	<p>Complied with. Board approved Related Party Transaction Policy is in place. Related party transactions can be identified through Core Banking System (CBS) based on declarations provided.</p>
3(7)(iii)	<p>The board have a process to ensure that the bank does not engage in transactions with related parties as defined in Direction 3(7) (i) above, in a manner that would grant such parties "more favorable treatment" than that accorded to other constituents of the bank carrying on the same business.</p> <p>a) Granting of "total net accommodation" to related parties, exceeding a prudent percentage of the bank's regulatory capital, as determined by the board. For purposes of this sub-direction:</p> <p>I. "Accommodation" shall mean accommodation as defined in the Banking Act Directions, No.7 of 2007 on Maximum Amount of Accommodation.</p> <p>II. The "total net accommodation" shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related parties in the bank's share capital and debt instruments with a maturity of 5 years or more.</p> <p>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 counter party.</p> <p>c) Providing of preferential treatment, such as favorable 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;</p>	<p>Complied with. Accommodation granted to directors, their close relations and any concerns, shall be sanctioned at a meeting of the Board of Directors with not less than two thirds of the number of directors constituting the Board.</p> <p>The bank has implemented a process to monitor Related Party Transactions which is monitored by Compliance Division and compliance status indicated in the compliance report submits to the Board/Board of Integrated Risk Management Committee (BIRMC) by quarterly and annual basis.</p> <p>Bank has not granted the more favorable treatment to any related parties during the year 2024.</p>

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)	The bank has a process for granting accommodation to any of its directors and key management personnel, and that such accommodation is sanctioned at a meeting of its board of directors, with not less than two-thirds of the number of directors other than the director concerned, voting in favor of such accommodation and that his accommodation be secured by such security as may from time to time be determined by the Monetary board as well.	Complied with. Policy covers this requirement and no such occasions have been reported during the year in relation to Directors. Accommodation granted to KMP's is sanctioned by relevant authority levels of the bank based on circular guidelines issued relating to the staff loans.
3(7)(v) a)	The bank has a process, where any accommodation has been granted by a bank to a person or a close relation of a person or to any concern in which the person has a substantial interest, and such person is subsequently appointed as a director of the bank, that steps have been taken by the bank to obtain the necessary security as may be approved for that purpose by the Monetary board, within one year from the date of appointment of the person as a director.	Complied with. The Board approved policy on Related Party Transaction to cover this requirement. Such a situation has not arisen during the year 2024.
b)	where such security is not provided by the period as provided in Direction 3(7)(v)(a) above, has the bank taken steps to recover any amount due on account of any accommodation, together with interest, if any, within the period specified at the time of the grant of accommodation or at the expiry of a period of eighteen months from the date of appointment of such director, whichever is earlier.	Complied with. Such a situation has not arisen. However, the above policy covers this requirement.
c)	There is a process to identify any Director who fails to comply with the above sub-directions be deemed to have vacated the office of Director and has the Bank disclosed such facts to the public.	Complied with. Such a situation has not arisen. However, the above policy covers this requirement.
d)	The process in place to ensure clause 3 (7) (v) (c) does not apply to any director who at the time of the grant of the accommodation was an employee of the bank and the accommodation was granted under a scheme applicable to all employees of such bank.	Complied with. Such a situation has not arisen. However, the above policy covers this requirement.

3(7)(vi)	There is a process in place to identify when the bank grants any accommodation or "more favorable treatment" relating to the waiver of fees and/or commissions to any employee or a close relation of such employee or to any concern in which the employee or close relation has a substantial interest other than on the basis of a scheme applicable to the employees of such bank or when secured by security as may be approved by the Monetary board in respect of accommodation granted as per Direction 3(7)(v) above.	<p>Complied with. Accommodation granted to Directors, their close relations and any concerns, shall be sanctioned at a meeting of the Board of Directors with not less than two thirds of the number of directors constituting the Board.</p> <p>Accommodation granted to KMP's is sanctioned by relevant authority levels of the bank based on circular guidelines issued relating to the staff loans.</p>
3(7)(vii)	There is a process to obtain prior approval from the Monetary board for any accommodation granted by a bank under Direction 3(7)(v) and 3(7)(vi) above, nor any part of such accommodation, nor any interest due thereon been remitted without the prior approval of the Monetary board and any remission without such approval is void and has no effect.	Such a situation has not arisen and the updated policy for the year 2024 covers this requirement.
3(8)	Disclosures	
3(8)(i)	<p>The board has disclosed:</p> <p>(a) Annual audited financial statements prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards, and that such statements published in the newspapers in an abridged form, in Sinhala, Tamil and English.</p> <p>(b) Quarterly financial statements are prepared and published in the newspapers in an abridged form, in Sinhala, Tamil and English.</p>	<p>Complied with. Annual audited financial statements are prepared and published in accordance with the format prescribed by the supervisory and regulatory authorities and applicable accounting standards. Those statements are published in the newspapers in the newspapers in an abridged form, in Sinhala, Tamil and English.</p> <p>Bank has published financial statements quarterly and annually for the year 2024.</p>
3(8)(ii)	Check that the board has made the following minimum disclosures in the Annual Report.	
a)	The 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.	<p>Complied with. Bank has disclosed the requirement under note No 2.2</p>
b)	The report by the board on the bank's internal control mechanism that 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.	<p>Complied with. Report of the Internal Control System over Financial Reporting is given under the "Directors" statement on Internal Control.</p>

c)	The board has obtained the external auditor's report on the effectiveness of the internal control mechanism referred to in Direction 3(8)(ii)(b) above.	Complied with. The bank has obtained a certificate on the effectiveness of Internal controls over financial reporting from the Auditor General.
d)	Details of directors, including names, qualifications, age, experience fulfilling the requirements of the guideline fitness and propriety, transactions with the bank and the total of fees/remuneration paid by the bank.	Complied with. Details of directors, including names, qualifications, and experience of the board of directors have been disclosed under profiles of Board of Directors. Further, Fees/Remunerations paid to the Board of Directors have been disclosed note no .14 of the financial statements.
e)	Total net accommodation as defined in 3(7)(iii) granted to each category of related parties. The net accommodation granted to each category of related parties shall also be disclosed as a percentage of the bank's regulatory capital.	Complied with. Total exposure to KMPs and close family members has been disclosed under note no 37 of the financial statements.
f)	The aggregate values of remuneration paid by the bank to its key management personnel and the aggregate values of the transactions of the bank with its key management personnel, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the bank.	Complied with. The aggregate value of remuneration paid to the Key Management Personnel and the aggregate value of transactions with Key Management Personnel are disclosed under note no 37.1 of the financial statements.
g)	The Board has obtained the external auditor's report on the compliance with Corporate Governance Directions.	Complied with. External Auditor's report on compliance with Corporate Governance Directions is included in the annual report.
h)	A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any material non-compliance.	Complied with. The details of the compliance with prudential requirements, regulations and laws and internal controls were included in the directors' report.
i)	A statement of the regulatory and supervisory concerns on lapses in the bank's risk management, or non-compliance with these Directions that have been pointed out by the Director of Bank Supervision, if so directed by the Monetary board to be disclosed to the public, together with the measures taken by the bank to address such concerns.	Such a situation has not arisen.

Attendance of the Board of Directors of PSB - 2024

Names	Mr. W.A.D.S.Gunasinghe Chairman	Mr.S.N.B.M.W.Narayana Board Director	Mr.Lalith Abeysiwardena Board Director	Mrs. K.E.Dilrukshi Board Director	Mr.M.L.D.C.M. Abeywardana Board Director	Mr.Boshan H. Dayaratne -Board Director	Mr.Dushshantha Wijekoon Board Director	Ms. Devika Silva Board Director	Mr.Ajith Karunaratna Board Director
Dates									
11.01.2024	P	P	P	P	P	P	P	P	P
31.01.2024	P	P	P	P	P	P	P	P	P
13.02.2024	P	P	P	P	E	P	P	E	P
28.02.2024	P	E	P	P	E	P	P	P	E
14.03.2024	P	P	P	P	P	P	P	E	P
26.03.2024	P	P	P	P	E	P	P	P	P
09.04.2024	P	E	P	P	P	P	P	P	P
14.05.2024	P	P	P	P	P	P	P	P	P
29.05.2024	P	P	P	P	P	P	P	P	P
11.06.2024	P	P	P	P	P	P	P	E	P
26.06.2024	P	P	P	P	E	P	P	P	P
09.07.2024	P	E	P	P	P	E	P	P	P
08.08.2024	P	P	P	P	P	P	P	P	P
28.08.2024	P	E	P	P	P	P	P	P	P
10.09.2024	P	E	P	P	P	E	P	P	P

Attendance of the Board Human Resource & Remuneration Committee

Dates	24.01.2024	15.03.2024	26.04.2024	06.06.2024	09.07.2024	06.08.2024
Names						
Mr. W.A.D.S.Gunasinghe	P	P	P	P	P	P
Mr. Lalith Abeysiriwardena	P	P	P	P	P	P
Mr. M.L.D.C.M.Abeywardana	P	P	P	E	P	P
Mr. Ajith Karunaratna	P	P	P	P	P	P

Attendance of the Board Nomination Committee

Dates	11.01.2024	24.01.2024	15.03.2024	26.04.2024	21.05.2024	06.06.2024	09.07.2024
Names							
Mr.W.A.D.S.Gunasinghe	P	P	P	P	P	P	P
Mr.D.Lalith Abeysiriwardena	P	P	P	P	P	P	P
Mr.M.L.D.C.M.Abeywardana	P	P	P	P	P	E	P
Mr.Ajith Karunaratna	P	P	P	P	E	P	P

Attendance of the Board Integrated Risk Management Committee

Dates	12.03.2024	29.05.2024	02.08.2024
Names			
Mr.S.N.B.M.W.Narayana	P	P	P
Mr.Boshan H.Dayaratne	P	P	P
Mr.Dushshantha Wijekoon	P	P	P
Ms.Devika Silva	P	P	P

Attendance of the Board Audit Committee

Dates	04.03.2024	10.05.2024	27.05.2024	21.08.2024
Names				
Mrs.K.E.Dilrukshi	P	P	P	P
Mr.D.Lalith Abeysiriwardena	P	P	P	R
Mr.Boshan H.Dayaratne	P	P	P	P
Mr.Dushshantha Wijekoon	P	P	E	E

Annual Report of the Board of Directors

General

The Directors of the Pradeshiya Sanwardhana Bank (PSB) take pleasure in presenting their Annual Report on the affairs of the Bank, together with the audited Financial Statements of the Bank's fifteenth year ended 31st December 2024. The Report also conforms to the requirements of the Pradeshiya Sanwardhana Bank Act No. 41 of 2008, Banking Act No. 30 of 1988 and Directions on Corporate Governance. The Bank was originally established in 1997 when seventeen Rural Development Banks were merged into six banks namely, Rajarata, Ruhuna, Wayamba, Uva, Kandurata and Sabaragamuwa Development Banks. These six Provincial Development Banks were further merged in May 2010 as a National Level Development Bank and named the Pradeshiya Sanwardhana Bank (Regional Development Bank or PSB). PSB was established under the Pradeshiya Sanwardhana Bank Act No. 41 of 2008. PSB is a fully state-owned national level Bank with the objectives of empowering the living standards of the rural masses by providing them accessible and affordable financial services that in turn would contribute to uplift the rural economy.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are to facilitate the overall economic development of Sri Lanka by promoting the development of agriculture, industry, trade, commerce, livestock, fisheries activities and empowerment of Sri Lankans, mainly by granting financial assistance to Micro Finance Institutions and Small and Medium Enterprises.

VISION, MISSION

The Bank's Vision and Mission are given on page 4 & 5 of this Annual Report. The Bank maintains high ethical standards in its activities whilst pursuing the objectives stated under the Vision and Mission.

GOING CONCERN

The Board of Directors is satisfied that the Bank has adequate resources to continue its operations in the foreseeable future. Therefore, we continue to adopt the going concern basis in preparing the Financial Statements.

FINANCIAL STATEMENTS

The Financial Statements of the Bank have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/ LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and complied with the Banking Act No. 30 of 1988. The Financial Statements of the Bank's fifteenth year ended 31st December 2024, are duly signed by the Chief Financial Officer, Chief Executive Officer and two Directors of the Bank, are given on page 119 and form an integral part of the Annual Report of the Board of Directors.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements that will reflect a true and fair view of the state of the affairs of the Bank. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards and the Banking Act No. 30 of 1988 and its amendments.

The Directors' Responsibility Statement appearing on page 112 of this Annual Report describes in detail the Directors' responsibilities in relation to the Financial Statements, which forms an integral part of the Annual Report of the Board of Directors.

AUDITOR'S REPORT

The Auditor General carried out the audit of the Bank in 2024, the audit was carried out throughout the year. Issues identified in their report were submitted to the management regularly for prompt action. Having confirmed the accuracy of the financial reporting, the Financial Statements, together with the necessary data and information, were made available to the Auditor General for examination. The Auditor General's opinion on the Financial Statements appears on pages 114 to 116 of this Annual Report. As a regulatory supervisory body, the Central Bank of Sri Lanka carried out a periodic examination of the records and affairs of the Bank to ascertain compliance with directives issued by the Central Bank of Sri Lanka. It also determines whether required financial indicators are being maintained at the necessary level so that the interests of the stakeholders, particularly the depositors, are safeguarded.

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted in the preparation of Financial Statements are given on pages 127 to 142

DIRECTORS' REMUNERATION

Details of Directors' emoluments paid during the year are given in Note 14 of the Financial Statements.

FUTURE DEVELOPMENTS

An overview of future developments of the Bank is given in the Chairman's statement (pages 14 to 15), the General Manager/ CEO's review (pages 16 to 17) and the Management Discussion and Analysis (pages 33 to 67)

REVIEW OF BUSINESS PERFORMANCE

A review of the Bank's performance during the financial year 2024 is contained in the Chairman's statement (pages 14 to 15), the General Manager/ CEO's review (pages 16 to 17) and the Management Discussion and Analysis (pages 33 to 67). These reports form an integral part of the Annual Report.

FINANCIAL RESULTS

The Bank's operational performance is given on the General Manager/ CEO's Review on pages 16 to 17 and in the Financial Highlights on pages 12 to 13.

STATED CAPITAL

The total shareholders' fund as at 31.12.2024 is Rs. 18,38 Bn. The Stated Capital contributed by shareholders at the end of year is Rs. 8.52 Bn and their percentage of shareholding is as follows.

		Rs.	%
01.	General Treasury	8,028,374,347	91.21
02.	Bank of Ceylon	164,484,480	2.93
03.	People's Bank	164,484,480	2.93
04.	National Savings Bank	164,521,260	2.93
	Total	8,521,864,556	100.00

INCOME

The gross income of the Bank for 2024 was Rs. 39.55 Bn. Details of the income are given on page 143.

TAXATION

The Bank contributed Rs.4.91 Bn. by way of taxes and levies to the Government in 2024. This consisted of Rs. 1.93Bn. of Income Tax, Rs.2.61 Bn. of Financial Service Value Added Tax and Rs.361.56 Bn. of Social Security Contribution Levy. The Income Tax Rate applicable on the Bank's operations is 30%. It is the Bank's policy to provide for deferred taxation on all known temporary differences under the liability method.

PROPERTY, PLANT & EQUIPMENT

The total capital expenditure incurred by the Bank on the acquisition of Property, Plant & Equipment, Leasehold Property and Intangible Assets during the year amounted to Rs. 422.33 Mn, the details of which are given in notes 24 and 25 of the Financial Statements on pages 152 to and 155 of this Annual Report.

EVENTS AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the balance sheet date that require adjustment to or disclosure in the Financial Statements.

OUTSTANDING LITIGATION

In the opinion of the Directors and the Bank's lawyers, outstanding litigation against the Bank disclosed in Note 40 of the Financial Statements will not have a material impact on the financial position of the Bank or its future operations.

CAPITAL & RESERVES

The Capital and Reserves of the Bank including retained earnings consist of the following

	2024(Rs)	2023(Rs)
Stated Capital	8,521,864,568	8,521,864,568
Statutory Re-serve Fund	952,196,232	888,423,757
Special Reserve Fund	806,586,560	742,814,085
General Reserve Fund	3,997,384,674	3,742,294,776
Retained Earn-ings	4,110,111,526	3,970,324,488
Total	18,388,143,559	17,865,721,674

DIVIDENDS

In view of marginal operating results of the year 2024 and the Direction Number 03 of 2022 dated 13/05/2022 of Central Bank of Sri Lanka, the Directors have not approved dividend distribution out of profits for the year 2024.

BOARD OF DIRECTORS

The Board of Directors comprises 9 Members including the Chairman. The Secretary to the Treasury appoints the Chairman and the other Directors, while four Directors are nominated by the shareholders representing the General Treasury, Bank of Ceylon, People's Bank and National Savings Bank. The following are the names of the members of the Board of Directors whose brief profiles appear on pages 22 to 23 of this Annual Report.

Mr. W.A.D.S.Gunasinghe - Chairman

Mr. Lalith Abeyesiriwardena
Independent/ Non-Executive Director

Mr. S.N.B.M.W.Narayana
Non- Independent/ Non-Executive Director

Mrs.K.E. Dilrukshi
Independent/ Non-Executive Director

Mr. Boshan H. Dayaratne
Independent/ Non-Executive Director

Mr. M.L.D.C.M. Abeywardana
Independent/ Non-Executive Director

Mr.Dushshantha Wijekoon
Independent/ Non-Executive Director

Ms. Devika Silva
Non Independent/ Non-Executive Director

Mr.K.A.A.Karunaratna
Non- Independent/ Non-Executive Director

RESIGNATION OF DIRECTORS

Mr. W.A.D.S.Gunasinghe - Chairman
Mr. Lalith Abeysiriwardena - Independent/ Non-Executive Director
Mr. S.N.B.M.W.Narayana - Non- Independent/ Non-Executive Director
Mrs.K.E. Dilrukshi - Independent/ Non-Executive Director
Mr. Boshan H. Dayaratne - Independent/ Non-Executive Director
Mr. M.L.D.C.M. Abeywardana - Independent/ Non-Executive Director
Mr.Dushshantha Wijekoon - Independent/ Non-Executive Director
Ms. Devika Silva - Non Independent/ Non-Executive Director
Mr.K.A.A.Karunaratna - Non- Independent/ Non-Executive Director

NEW APPOINTMENT OF DIRECTORS

Director	Appointment Date
Mr. A.P.L Fernando - Chairman	04.10.2024
Mr. D.A.P.Abeysekara - Board Director	08.11.2024
Ms.Ramani Wijeratne - Board Director	15.10.2024
Mr. Rathna Bandara - Board Director	04.12.2024
Mr. P.A.Wijeratne - Board Director	09.12.2024
Ms. P.R.Madurawala - Board Director	09.12.2024

BOARD SUB COMMITTEES

The Board of Directors of the Bank while assuming the overall responsibility and accountability has also established the following Board Sub Committees to ensure conformity with Corporate Governance Standards of the Central Bank and other statutory compliances. Board Secretary acts as the secretary of all Board Sub Committees. The composition of Board Sub Committees is as follows:

BOARD AUDIT COMMITTEE

1. Mrs. K.E Dilrukshi (Chairperson of the Committee)
2. Mr. Lalith Abeysiriwardena
3. Mr. Boshan H. Dayaratne (appointed on 13.07.2023)
4. Mr Dushshantha Wijekoon (appointed on 30.10.2023)
5. Mrs. P.A.S Arachchi (Government Audit Superintendent)
6. Mr. Sumeda Edirisuriya - GM/CEO (Covering up of Duties to 27.05.2024)
7. Mr E.A.D.J. Priyashantha - Chief Internal Auditor (to 27.05.2024)
8. Mr. K. Jayantha Dharmapriya - AGM, Internal Audit (From 21.08.2024)

Report of the Board Audit Committee is given on page 101 and forms a part of the Directors' report.

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

1. Mr. S.N.B.M.W Narayana (Chairman of the Committee, appointed on 30.10.2023)
2. Mr. Boshan H. Dayaratne (appointed on 13.07.2023)
3. Ms. Devika Silva (appointed on 30.10.2023)
4. Mr. Dushshantha Wijekoon (appointed on 30.10.2023)
5. Mr. Sumeda Edirisuriya - GM/CEO (Covering up of Duties to 27.05.2024)
6. Mr. E.A.D.J. Priyashantha - GM/CEO (Acting from 06.06.2024)
7. Mrs. H.M.N.M Herath - AGM - Risk Management (to 12.03.2024)
8. Mrs. D.B.W.U Bandara - Manager Risk Management (From 12.03.2024 to 20.05.2024)
9. Mrs. T.K Wijeratne - Compliance Officer

Report of the Board Integrated Risk Management Committee is given on pages 104 to 106 which forms a part of the Directors' report.

BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

1. Mr. W.A.D.S. Gunasinghe (Chairperson of the committee, appointed on 05.12.2023)
2. Mr. Lalith Abeysiriwardena
3. Mr.M. L.D.C.M. Abeywardana (appointed on 30.10.2023)
4. Mr.K.A.A.Karunaratna (appointed on 05.12.2023)
5. Mr. Sumeda Edirisuriya - GM/CEO (Covering up of Duties from 24.01.2024 to 26.04.2024)
6. Mr. E.A.D.J. Priyashantha – GM/CEO (Acting from 06.06.2024)
7. Mr.K.S. Serasinghe - Chief Human Resources officer

BOARD NOMINATION COMMITTEE

1. Mr. W.A.D.S. Gunasinghe (Chairman, appointed on 05.12.2023)
2. Mr. Lalith Abeysiriwardena
3. Mr. M.L.D.C.M. Abeywardana (appointed on 30.10.2023)
4. Mr. K.A.A. Karunaratna (appointed on appointed on 05.12.2023)
5. Mr. Sumeda Edirisuriya - GM/CEO (Covering up of Duties from 24.01.2024 to 26.04.2024)
6. Mr. E.A.D.J. Priyashantha – GM/CEO (Acting from 06.06.2024)
7. Mr.K.S. Serasinghe -Chief Human Resources officer

DIRECTORS' MEETINGS

The number of Directors' meetings which comprise Board Meetings, Board Audit Committee Meetings, Board Integrated Risk Management Committee Meetings, Board Human Resource and Remuneration Committee Meetings, Board Nomination Committee Meetings, and the attendance of Directors at these meetings are given on Corporate Governance Report page 93 to 95 of this Annual Report.

DIRECTORS' INTEREST IN CONTRACTS

Directors' interest in contract with the bank both directly and indirectly are referred to in note 37 to the financial statements. The Directors do not have any other direct or indirect interest in contracts or proposed contracts with the bank.

RELATED PARTY TRANSACTIONS

The Directors have also disclosed the transactions, if any, that could classify as related party transactions in terms of Sri Lanka Accounting Standards (LKAS24) Related Party Disclosures, which is adopted in the preparation of the Financial Statements. Those transactions disclosed by the Directors are given in Note 37 to the Financial Statements.

GENERAL MANAGER/CHIEF EXECUTIVE OFFICER

The General Manager is the Chief Executive Officer of the Bank and is appointed by the Board of Directors. The General Manager has the right to be present at, and to participate in the meetings of the Board.

HUMAN RESOURCES

The Bank continued to develop and maintain dedicated and highly motivated employees who are committed to creating sustainable value through high-quality service.

OPERATIONAL EXCELLENCE

To increase efficiency and reduce operating cost, the Bank has ongoing initiatives to drive policy and process standardization and to optimize the use of existing technology platforms.

ENVIRONMENTAL PROTECTION

The Bank has taken initiatives to safeguard and enhance the environment which is vital for sustainable development and growth of the Bank. The Bank has not engaged in any activity that is harmful or hazardous to the environment.

STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due to the Government and in relation to the employees have been made on time.

RISK MANAGEMENT INTERNAL CONTROLS AND MANAGEMENT INFORMATION SYSTEM

The Board of Directors assumes overall responsibility for managing risk. For this purpose, the Board of Directors has instituted and implemented an effective and comprehensive system of internal controls and management information systems in the Bank. Internal control systems have been re-designed to mitigate the risks to which the Bank is exposed to and provide reasonable assurance against material misstatements or loss. There is an ongoing process for identifying, evaluating and managing the risks that are faced by the Bank. The specific measures taken by the Bank in mitigating the risks are detailed on pages 53 to 67 to this Annual Report.

DIRECTORS' STATEMENT OF INTERNAL CONTROL

The Board has confirmed that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of the financial reporting, that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. The above report, which forms an integral part of the Annual Report of the Board of Directors, is given on pages 110 to 111. Board has obtained an Assurance Report from the Auditor General on Directors' Statement on Internal Control, which is given on pages 108 to 109 of this Annual Report.

CORPORATE GOVERNANCE

In the management to the Bank, the Directors have placed emphasis on conforming to the best corporate governance practices and procedures. Accordingly, systems and structures have been introduced / improved from time to time to enhance risk management measures and to improve accountability and transparency. A separate report on corporate governance is given on pages 69 to 92 for which the Board has obtained a Report of Factual Findings from the Auditor General.

COMPLIANCE WITH LAWS, REGULATIONS AND PRUDENTIAL REQUIREMENTS

The Bank has at all times ensured that it complied with Pradeshiya Sanwardhana Bank Act and all other applicable laws, regulations and prudential requirements.

AUDITORS

The Auditor General carried out the audit of the Financial Statements of the Bank for the financial year ended 31st December 2024.

By the order of the Board



Secretary to the Board

BOARD AUDIT COMMITTEE (BAC) REPORT

The Board Audit Committee was constituted under the Banking Act Directions No. 05 of 2024 on Corporate Governance for Licensed Banks issued by the Central Bank of Sri Lanka, provision of the Public Enterprises Guidelines for Good Governance and “Code of Best Practice on Corporate Governance” issued by the Institute of Chartered Accountants of Sri Lanka. Proceedings of BAC are based on the Charter adopted by the Board of Directors for the functioning of the Committee.

The committee comprises the following Non-Executive Directors.

- Mrs. K.E.Dilrukshi (Chairperson)
- Mr.D.Lalith Abeyesiriwardena
- Mr.Boshan H. Dayaratna
- Mr.Dushshantha Wijekoon

The Board Secretary functions as the secretary to the BAC. The quorum for any meeting shall be three (03) members. The General Manager/CEO, Chief Finance Officer, Chief Internal Auditor, Chief Risk Officer and Compliance Officer attend the BAC meetings on invitation. A representative of the National Audit Office (the External Auditor of the Bank) also attends these meetings.

The BAC is responsible for -

- Reviewing the financial reporting process to ensure compliance with financial reporting requirements under the statute.
- Examining the system of internal control and management of business risks.
- Reviewing the audit processes.
- Reviewing the procedures in place for monitoring compliance with laws and regulations and in particular the guidelines of the Central Bank of Sri Lanka.
- Reviewing and monitoring management's responsiveness to major findings and recommendations of the Chief Internal Auditor and actions taken by the management.

The Committee during the year under review attended the following:

- Approved the Internal Audit Plan prepared based on the risk profiles of the Bank.
- Reviewed quarterly financial performance of the Bank for the year 2024 and recommended submitting the same to the Board.

- Reviewed and discussed issues raised at CBSL Statutory Examination.
- Reviewed internal audit reports and the performance of the Internal Audit Department.
- Reviewed the Management Letter and the responses made thereon by the management of the Bank and followed up on the required corrective measures.
- Reviewed special reports such as system-related issues, deficiencies of Branch Operations etc. and reports of the Head Office Departments.

Four (04) meetings were held during the financial year ending 31st December 2024. The BAC considered the internal audit reports, the deficiencies observed therein, and responses given by the respective DGM/Heads of the Departments and monitored corrective actions taken to rectify deficiencies observed. The minutes of the BAC meetings are reported to the Board for information.

The BAC ensured the provision of all information and documents required by the Auditor General for the purpose of audit and compliance with Sri Lanka Accounting Standards in the preparation and presentation of Financial Statements. The BAC is of the view that adequate controls and procedures are in place and the Charter of the BAC complies with all material aspects.



Kumara Rathna Bandara
Chairman
Board Audit Committee
2025.06.05

BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE (BHRRC) AND BOARD NOMINATION COMMITTEE (BNC) REPORT

INTRODUCTION

Pradeshiya Sanwardhana Bank (PSB) is required to establish Board Sub-committees to report directly to the Board of Directors in terms of the Corporate Governance Practices and the directions of Central Bank of Sri Lanka (CBSL) as set out in the Directions 3 (6) issued to Licensed Specialized Banks in terms of its Section 3(6)(iii) and (iv). Two separate committees were formed with the composition of the Board of Directors, namely Board Human Resources and Remuneration Committee (BHRRC) and Board Nomination Committee (BNC). Responsibilities were assigned to the two committees within the scope defined as per CBSL directions. BHRRC and BNC function as two separate committees as per defined Terms of References (TORs).

THE SCOPE OF BHRRC INCLUDES,

- Determining the remuneration policy relating to Directors, Chief Executive Officer (CEO) and Key Management Personnel (KMPs) of the Bank.
- Setting goals and targets and evaluating the performance of the Directors, CEO and the KMPs against the set targets and goals periodically.
- Guiding and advising to devise human resource strategies and policies linked with business and functional strategies of the Bank.
- Make recommendations to the Board relating to the matters, proposals submitted by the Human Resources Policy Committee.

THE SCOPE OF BNC INCLUDES,

- Defining qualifications, experience and key attributes required for appointment or promotion to the post of CEO and the KMPs.
- Implementing a procedure to select/appoint new members to the Board Sub-committees, CEO and KMPs or reconsider their reappointment and the extension of the CEO and the KMPs on the performance and contribution made by them towards overall objectives of the Bank.
- Ensuring that Directors are fit and proper persons to hold office as specified in the criteria given in Direction 3 (3) and as set out in the statutes.

- Considering and recommending from time to time, the requirements of additional/ new expertise and the succession arrangements for retiring Directors and Key Management Personnel.

These two Committees make their recommendations for approval of the Board of Directors

COMPOSITION AND MEETINGS

Board Human Resources and Remuneration Committee and Board Nomination Committee meetings were headed by Mr. W.A.D.S. Gunesinghe – Chairman.

Six (06) Board Human Resources and Remuneration Committee meetings and Seven (07) Board Nomination Committee meetings were held during the year ended 31st December 2024.

Chief Human Resources Officer shall present all the papers through General Manager/CEO with background and other related information and analysis to enable committee members to derive at decisions.

The Secretary to these Committees is the Secretary to the Board.

Division or Unit heads are invited for opinions on their respective functions as when required.

The General Manager/CEO shall be present at all meetings of the BHRRC whereas GM/CEO shall be present at Board Nomination Committee meetings by invitation.

The quorum for a meeting of each committee shall be two independent Directors. The Committee shall meet at least quarterly. The committee members were changed during the year and attendance details are as follows:

Board Human Resources and Remuneration Committee Members;

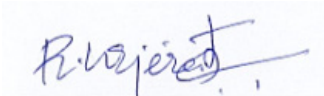
Name	Attended/ Eligible
Mr. W.A.D.S.Gunasinghe – Chairman (Appointed w.e.f. December 05, 2023)	06/06
Mr. Lalith Abeysiriwardane – Director (Appointed w.e.f. March 20, 2023)	06/06
Mr. Mahendra Abeywardana – Director (Appointed w.e.f. October 30,2023)	06/05
Mr. Ajith Karunaratne – Director (Resigned w.e.f. December 05, 2023)	06/06
Mr. P. S. Edirisuriya – General Manager/ CEO (Covering-up Duties) until 05.06.2024	06/03
Mr. E.A.D. Janitha Priyashantha - General Manager/CEO (Acting) (w.e.f 06.06.2024)	06/03
Mrs. R.M.T. Rajapakse – Board Secretary	06/06

Board Nomination Committee Members;

Name	Attended/ Eligible
Mr. W.A.D.S.Gunasinghe – Chairman (Appointed w.e.f. December 05, 2023)	07/07
Mr. Lalith Abeysiriwardane – Director (appointed w.e.f. March 20, 2023)	07/07
Mr. Mahendra Abeywardana – Director (Appointed w.e.f. October 30,2023)	07/06
Mr. Ajith Karunaratne – Director (Resigned w.e.f. December 05, 2023)	07/06
Mr. P. S. Edirisuriya – General Manager/ CEO (Covering-up Duties) until 05.06.2024	07/04
Mr. E.A.D. Janitha Priyashantha General Manager/CEO (Acting) (w.e.f 06.06.2024)	07/02
Mrs. R.M.T. Rajapakse – Board Secretary	07/07

SUMMARY OF ACTIVITIES

The Secretary to the Committees submits recommendations with the minutes of the meetings of BHRRC and BNC for the approval of the Board of Directors. The Board approves the recommendations made by the BHRRC and BNC during the period under review.



Ramani Wijeratne
Chairperson
Board Nomination Committee



W.Ranaweera
Chairman
Board Human Resources and
Remuneration Committee

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

During the year under review, the Board Integrated Risk Management Committee (BIRMC) was comprised of four Non-Executive Directors. The professional profiles of these Directors are presented on pages 22 to 23 of this report.

Under each name include whether the Directors is Executive or Non- Executive

- 1. Mr.S.N.B.M.W Narayana
Board Director (Committee Chairman from 28/11/2023)
- 2. Mr.Boshan H. Dayaratne
Board Director.
(Appointment 07/03/2023)
- 3. Mr. Dushshantha Wijekoon
Board Director. (Appointment 29/08/2023)
- 4. Ms.Devika Silva
Board Director. (Appointment 11.10.2023)

Regular attendants on Chief Executive Officer (CEO), CRO/Assistant General Manager Risk Management and Compliance Officer attended the meetings on regular basis during the year 2024.

SECRETARY TO THE COMMITTEE

The Secretary to the Board is also the Secretary to the Committee.

The Board Integrated Risk Management Committee (BIRMC) meets on a quarterly basis and more frequently if required. In accordance with the Committee Charter, the minimum quorum for a meeting comprises two Non-Executive Directors, the Chief Executive Officer (CEO), and the Chief Risk Officer (CRO).

During the year under review, the BIRMC convened three (03) meetings. The Committee was unable to hold the scheduled meeting for the final quarter due to the non-availability of the required Board composition. The proceedings and key deliberations of all meetings held were duly reported to the Board of Directors.

The attendance record of the Committee members is presented in the table below.

MEETINGS

Name of the Committee member	Attendance
Mr.S.N.B.M.W Narayana Director	03/03
Mr.Boshan H .Dayaratne Director	03/03
Mr.Dushshantha Wijekoon Director	03/03
Ms.Devika Silva Director	03/03

CHARTER OF THE COMMITTEE

The Board Integrated Risk Management Committee (BIRMC) has been established by the Board of Directors in compliance with Section 3(6) of Direction No. 12 of 2007 on "Corporate Governance for Licensed Commercial Banks in Sri Lanka," issued by the Monetary Board of the Central Bank of Sri Lanka (CBSL) under the powers vested in it by the Banking Act No. 30 of 1988.

The BIRMC supports the Board of Directors in discharging its responsibilities relating to the oversight of the Bank's risk management framework and practices. This includes the review of major risk exposures across all risk categories and the evaluation of measures implemented by management to monitor, manage, and mitigate such risks.

The Terms of Reference approved by the Board outline the roles and responsibilities of the Committee, which include the following:

- 1. Ensure the risk management strategy, framework and methodology are implemented/practiced throughout the Bank consistently as per the Integrated Risk Management (IRM) Framework
- 2. Adequacy and effectiveness of risk identification, measurement, monitoring and mitigation relating to credit, market, liquidity, operational and compliance risks.
- 3. To ensure that risk decisions are taken in accordance with established delegated authorities and corrective actions are taken to mitigate risk taken beyond the risk tolerance set by the committee, on the basis of the Bank's policies and regulatory and supervisory requirements.
- 4. Monitor and access the effectiveness of the Bank's Risk Management System and the robustness of the risk management function.

5. Setting Risk Appetite and Tolerance limits to the Bank.
6. To review progress on Basel III road map implementation and regulatory guidelines.
7. Reviewing and upgrading Risk Management Policies of the Bank.
8. Determine the scope of the Risk Management Division (RMD) and to guide the function of RMD to ensure effective implementation of the IRM Framework.

MAIN FOCUS

The Main focus of the committee is to assist the Board of directors in all aspects of the risk of the Bank. In this concern ,the committee has reviewed the risk appetite of the Bank by focusing credit ,liquidity ,operation ,market and strategic risk of the Bank.

ACTIVITIES IN 2024

In discharging the above duties and responsibilities vested in the BIRMC, the Committee reviewed significant risk categories during the year, including strategic, operational, credit, market, cyber, and other emerging risks. The key activities carried out by the Committee during the year are outlined below

1. Reviewed and revised existing risk-related policies, and recommended updates to relevant policies, manuals, and committee charters in alignment with the Bank's current risk profile.
2. The Key Risk Indicators (KRIs), which were enhanced to better monitor specific risk levels, were regularly reviewed to assess their adequacy in achieving the intended risk management objectives. These reviews also aimed to ensure that the KRIs remained relevant and effective in supporting proactive risk control measures. Actual monthly results were compared against established benchmarks, and where deviations were identified, prompt corrective actions were recommended to mitigate potential risk exposures.
3. Reviewed reports on the Risk Appetite Framework and Risk Tolerance Limits, along with the quarterly report covering the overall risk management aspects of the Bank.
4. Reviewed the Bank's Internal Capital Adequacy Assessment Process (ICAAP) document and assessed the adequacy of its Capital Planning framework.
5. Monitored and reviewed sectoral exposures within the Bank's loan portfolio that exceeded approved limits, and provided recommendations for necessary adjustments.
6. Conducted quarterly assessments of maturity gap risk, foreign exchange risk, and interest rate risk, and performed stress testing on these areas to evaluate the Bank's resilience under adverse scenarios.

7. Monitored and reviewed the Bank's Loan Review Mechanism to ensure the effectiveness of credit risk management and adherence to regulatory and internal standards.
8. Reviewed comprehensive Compliance Reports submitted by the Compliance Officer to evaluate the Bank's adherence to applicable regulatory requirements.
9. Reviewed the implementation process of the Anti-Money Laundering (AML) system to ensure alignment with regulatory expectations and the Bank's internal risk management framework.
10. Established the SLFRS 9 framework and implemented the impairment assessment methodology, including the upgradation of rescheduled loan categories within the Bank.
11. Monitored and reviewed the statutory examination report and provided comprehensive recommendations to address and rectify the identified issues.
12. Monitored and reviewed various risk indicators, including cyber risk reports, interest rate risk, foreign exchange risk, operational risk, and compliance risk, and provided recommendations to mitigate these risks effectively.
13. Monitored the Bank's Disaster Recovery (DR) drill and provided comprehensive recommendations to ensure its successful execution.
14. Collaborated closely with the Bank's Risk Management Department to support knowledge enhancement and capacity building within the team.
15. Closely monitored the activities of the Executive-level Operational Risk Management Sub-Committee (ORMEC) to assess and mitigate the Bank's operational risks on a monthly basis.
16. Monitored and reviewed the action plans of the Risk Management and Compliance Departments to ensure effective implementation and alignment with organizational objectives.
17. Monitored and reviewed the Bank's technology risk and overall resilience to ensure robust IT governance and continuity.

REPORTING

The proceedings of the BIRMC meetings are communicated to the Board through the submission of meeting minutes. Additionally, reports on the Bank's Risk Profile and other specific matters are submitted separately to the Board of Directors for approval based on BIRMC's recommendations. All recommendations made by the BIRMC during the year under review were duly approved by the Board of Directors.

During 2024, the BIRMC actively supported the execution of the Bank's overall business strategy within defined risk parameters, reinforced by an effective risk management framework. The Committee's activities and risk monitoring outcomes were regularly reported to the Board of Directors.

CONCLUSION

In 2024, the members of the Integrated Risk Management Committee evaluated their collective performance for effectiveness and efficiency. The Committee continuously reviews the various risk areas faced by the Bank and has successfully promoted a robust risk governance framework through the following measures:

1. Establishing a well-developed risk management policy, including clear determination of the Bank's risk appetite.
2. Effectively communicating the results of stress tests, scenario analyses, peer bank benchmarking, and data analysis to ensure accurate risk reporting to the Board of Directors.
3. Enhancing staff awareness of risk management, compliance requirements, and the importance of training, which are critical components in fostering a strong risk culture.

The Committee is confident that the Bank is progressing well in addressing risk management challenges and compliance obligations, thereby safeguarding the interests of its stakeholders.

On behalf of the Integrated Risk Management Committee



Rohini Madurawala
Chairman
Integrated Risk Management Committee
Colombo

CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The Financial Statements of the Pradeshiya Sanwardana Bank as at 31st December 2024 are prepared and presented in compliance with the following regulatory requirements:

- 1. Sri Lanka Accounting Standards (SLFRS/LKAS) issued by The Institute of Chartered Accountants of Sri Lanka
- 2. Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- 3. Banking Act No. 30 of 1988 and amendments thereto
- 4. Directions, circulars and guidelines issued to Licensed Specialized Banks by the Central Bank of Sri Lanka including but not limited to Banking Act Direction No. 05 of 2024 issued by the Central Bank of Sri Lanka on corporate governance; and
- 5. Pradeshiya Sanwardana Bank Act No. 41 of 2008.

The formats used in the presentation of the Financial Statements and disclosures are in compliance with the specified formats for the preparation of Annual Financial Statements of Licensed Specialized Banks, issued by the Central Bank of Sri Lanka.

The Accounting Policies of the Bank are in compliance with Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka from time to time. The Accounting Policies are consistently applied by the Bank. Comparative information has been re-stated wherever necessary to comply with the current year's presentation. All significant items have been disclosed and explained by way of Notes to the Financial Statements. We confirm to the best of our knowledge, that the Financial Statements presented herewith give a true and fair view of the financial position, Income Statement and the cash flows of the Bank for the year. We also believe that the Bank has adequate resources to continue its operations in the foreseeable future and accordingly adopt the going concern basis for the preparation of the Financial Statements.

The Board of Directors and the management of the Bank accept responsibility for the integrity and the objectivity of the Financial Statements. The estimates and judgments relating to the Financial Statements were made on a reasonable and prudent basis; in order that the Financial Statements reflect a true and fair view; the form and the substance of transactions and that the state of affairs of the Bank is reasonably presented.

To ensure this, the Bank has taken proper and sufficient care in implementing internal control systems, with the

use of a core banking system, for safeguarding assets and for preventing and detecting fraud as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis.

The Internal Auditor of the Bank has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Bank are consistently followed. However, there are inherent limitations that should be recognized in weighing the assurance provided by any system of internal control and accounting.

The Financial Statements of the Bank was audited by the National Audit Office. The Report issued by Auditor General is available on pages 114 to 116 of the Annual Report. The Board Audit Committee reviews the adequacy and effectiveness of the Internal Control Systems including the effectiveness of the internal controls over financial reporting to provide reasonable assurance that all transactions are accurately and completely recorded in the books of account and the processes by which compliance with the Sri Lanka Accounting Standards including SLFRS/LKAS and other regulatory provisions relating to financial reporting and disclosures are ensured. The Board Audit Committee Report is available on page 101 to ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Board Audit Committee at the Audit Committee Meeting to discuss any matter of substance.

We confirm to the best of our knowledge that: The Bank has complied with all applicable laws, rules, regulations and guidelines.

There is no material non-compliance.

There is no material litigation against the Bank other than those disclosed in Note 40 of the Financial Statements section of the Annual Report.

All taxes, duties, levies and all statutory payments by the Bank and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Bank as at the reporting date have been paid, or where relevant provided for.



E.A.D. J. Priyashantha
General Manager/CEO (Acting)

23rd May 2025



H.M.N.M. Herath
Chief Financial Officer
(Cover up duties)

AUDITOR GENERAL'S REPORT ON THE STATEMENT OF INTERNAL CONTROL



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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

BAN/E/RDB/IC/2024/29

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

11 May 2025

The Chairman,
Pradeshiya Sanwardana Bank

Assurance Report of the Auditor General to the Board of Directors on the Directors' Statement on Internal Control over Financial Reporting of Pradeshiya Sanwardana Bank

Introduction

This report is to provide assurance on the Directors' Statement on Internal Control over Financial Reporting (the "Statement") of Pradeshiya Sanwardana Bank (the "Bank") included in the annual report for the year ended 31 December 2024.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued in compliance with the Section 3(8) (ii) (b) of the Banking Act Direction No. 12 of 2007, by the Institute of Chartered Accountants of Sri Lanka.

My Responsibility and Compliance with SLSAE 3050 (Revised)

My 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.

I conducted my 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 I plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

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



Summary of work performed

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

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


SLSAE 3050 (Revised) does not require me 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 me 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 my judgment, having regard to my understanding of the nature of the Bank, the event or transaction in respect of which the Statement has been prepared.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Conclusion

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



G. H. D. Dharmapala.
Auditor General(Acting)

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

REQUIREMENT

This report has been issued in line with the Banking Act Direction No.12 of 2007, section 3 (8) (ii) (b), and prepared based on the guidelines issued by the Institute of Chartered Accountants of Sri Lanka (ICASL).

RESPONSIBILITY

The Board of Directors is responsible for Internal Control in Pradeshiya Sanwardana Bank and for reviewing its effectiveness and adequacy. However, such a system is designed to manage the Bank's key areas of risk within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objective of the Bank. Accordingly, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

BOARD REVIEW PROCESS

The internal control process is reviewed periodically by the Board and accords with the Guidance for Directors of Banks on the Directors' Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal control system taking into account principles for the assessment of internal control system as given in that guidance. The Board is of the view that the Bank has taken steps to improve the system of internal controls to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes.

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

KEY FEATURES OF THE PROCESS

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

- Board sub committees of Audit and Integrated Risk Management have been established by the Board to assist the Board in ensuring the effectiveness of Bank's daily operations and that the Bank's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.

- The Board approved Operational Manual in relation to the Financial and other controls of the Bank is in place and has been communicated to all members of the staff.

Further, an updated operational manual has been developed and communicated to all staff of the bank upon receipt of board approval.

- The Internal Audit Division of the Bank check for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report.

The Annual Audit Plan is reviewed and approved by the Board Audit Committee. Findings of the Internal Audit are submitted to the Board Audit Committee for review at the periodic meetings.

- The Board Audit Committee of the Bank review internal control issues identified by the Internal Audit Division, regulatory authorities and management, and evaluate the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The minutes of the Board Audit Committee meetings are tabled to the Board of the Bank on a periodic basis.
- The bank adopted the new Sri Lanka Accounting standards SLFRS – 09, Financial Instruments in 2018 and SLFRS -16, leases in 2019. The process and procedures initially applied to adopt the aforementioned accounting standards to be further strengthened based on the feedback from external Auditors, regulators and the Board Audit Committee. The bank will continue to further strengthen the process on impairment of Loans and Advances, Financial statement disclosures and Risk Management.

CONFIRMATION

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed the above Directors’ statement on internal control for the year ended 31st December 2024 and are supposed to report to the Board whether anything 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 review of the design and effectiveness of the internal control system of the Bank.



Chairman — Audit Committee
11.04.2025



Director



Director

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

This statement of the Board of Directors sets out the responsibilities of the Directors relating to the Financial Reporting framework of the Bank. The responsibilities of the Auditors in relation to the Financial Statements are set out in the Report of the Auditors on page 114 to 116. of the Annual Report.

FINANCIAL STATEMENTS

The Directors of the Bank are responsible for ensuring that the Bank keeps proper books of accounts of all the transactions and prepare Financial Statements in accordance with Generally Accepted Accounting Principles and Sri Lanka Accounting Standards (SLFRS/ LKAS) that give a true and fair view of the state of affairs of the Bank at the end of each financial year and in compliance with the relevant statutory /regulatory requirements. The Financial Statements comprise of Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Significant Accounting Policies and Notes thereto.

The Directors acknowledge that in the preparation of Financial Statements for the ended 31st December 2024, presented in the Annual Report, the most appropriate accounting policies have been used, applied consistently and adequately disclosed. Reasonable and prudent judgements have been made where necessary in order to ensure the proper reflection of the form and substance of transaction in the process of preparing Financial Statements.

The Financial Statements for the year ended 31st December 2024 are in conformity with the requirements of the Pradeshiya Sanwardana Bank Act No. 41 of 2008, Banking Act No. 30 of 1988 and amendments thereto, Sri Lanka Accounting Standards and other statutory / regulatory requirements. These Financial Statements reflect true and fair view of the state of affairs of the bank as at 31st December 2024.

GOING CONCERN

The Directors are of the view that the Bank has adequate resources to continue in business for the foreseeable future and accordingly, continued to adopt going concern basis in preparing the Financial Statements.

INTERNAL CONTROL, RISK MANAGEMENT AND COMPLIANCE

The Directors are also responsible for the system of internal financial controls and risk management and paying significant attention on maintaining a strong control environment to protect and safeguard the Bank's assets and prevent fraud and mismanagement. Whilst emphasizing inherent risks that cannot be completely

eliminated, the Bank has taken possible steps to mitigate them by ensuring various systems and other controls. A report by the Directors on the Bank's internal control mechanism confirming that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting is given on pages 108 and 109 of the Annual Report.

The Directors and Management have put in place risk management policies and guidelines. Board Sub Committees have been established to monitor and manage material risks and arrangements been made to submit reports on risk to the Integrated Risk Management Committee on periodic basis for discussion.

Compliance with applicable laws, regulations, rules, directives and guidelines are monitored by Compliance Division and is reported to the Integrated Risk Management Committee and Board of Directors periodically.

The Audit Committee and Integrated Risk Management Committee, on an ongoing basis, play a significant role in strengthening the effectiveness of internal controls and risk management procedures. The reports of the Audit Committee and Integrated Risk Management Committee are included on page 101 and 104 respectively of the Annual Report.

The Auditor General has been made available with all records of the Bank including the Financial Statements by the Board of Directors and been provided every opportunity to undertake the inspections they considered appropriate.

COMPLIANCE

The Directors, to the best of their knowledge and belief, are satisfied that all taxes payable by the Bank and all other known statutory dues to the Government and to the other relevant regulatory and statutory authorities, which were due and payable by the Bank as at the end of financial year, have been paid or where relevant provided for.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By order of the Board.



Secretary to the Board
23.05.2025

“ Self-Reliant Community :
Banking on Sustainable Growth ”



Financial Report

AUDITOR GENERAL'S REPORT



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

BAN/E/RDB/I/2024/23

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

27 March 2025

Chairman
Regional Development Bank

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Regional Development Bank for the year ended 31 December 2024 in terms of Section 12 of the National Audit Act, No. 19 of 1988.

1. Financial Statements

1.1 Opinion

The audit of the Financial Statements of the Regional Development Bank (the “Bank”) for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the Financial Statements, including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 1988 and Finance Act No.38 of 1971. My report to parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements of the Bank give a true and fair view of the financial position of the Bank as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Other information included in the Bank’s 2024 Annual Report

The other information comprises the information included in the Bank’s 2024 Annual Report, but does not include the financial statements and my auditor’s report thereon, which is expected to be made available to me after the date of this auditor’s report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my 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 my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Bank’s 2024 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course. are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

☎ 008/72 කොල්ලේ පාර, විවේකානුරාධ, මි. ප්‍රනාන්දු



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ag@auditorgeneral.gov.lk



www.mosl.gov.lk

1.4 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 determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Bank's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Bank is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic Financial Statements to be prepared of the Bank.

1.5 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards 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 Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I 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 my 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 internal control of the Bank.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank 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.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 includes specific provisions for following requirements;

2.1.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Bank as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The Financial Statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.3 The Financial Statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidences obtained were limited to matters that are material, nothing has come to my attention;

2.2.1 to state that any member of the governing body of the Bank has any direct or indirect interest in any contract entered into by the Bank which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.

2.2.2 to state that the Bank has not complied with any applicable written law, general and special directions issued by the governing body of the Bank as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018.

2.2.3 to state that the Bank has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.

2.2.4 to state that the resources of the Bank had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.



W.P.C.Wickramaratne
Auditor General

STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2024	Note	2024	2023
		Rs.	Rs.
Gross income	7	39,552,222,682	47,586,934,542
Interest income		37,922,124,939	46,232,790,959
Interest expenses		(18,367,644,729)	(29,289,826,032)
Net interest income	8	19,554,480,210	16,942,964,926
Fee and commission income		1,951,331,988	1,572,076,450
Fee and commission expenses		(597,798,919)	(409,406,671)
Net fee and commission income	9	1,353,533,069	1,162,669,779
Net trading gain/(loss)	10	(403,171,327)	(234,954,348)
Other operating income (net)	11	81,937,082	17,021,481
Total operating income		20,586,779,034	17,887,701,838
Impairment (charges)/reversal	12	832,607,642	(2,162,850,997)
Net operating income		21,419,386,676	15,724,850,842
Less-Operating expenses			
Personnel expenses	13	(11,944,838,711)	(9,550,728,566)
Depreciation and amortization expenses		(610,550,869)	(592,566,813)
Other expenses	14	(2,675,420,680)	(2,073,288,768)
Operating profit before taxes		6,188,576,416	3,508,266,695
Less : Value Added Tax on Financial Services		(2,617,138,233)	(2,066,232,496)
Social Security Contribution Levy		(361,560,652)	(258,613,077)
Profit before Income tax expense		3,209,877,531	1,183,421,122
Income tax (expense) /reversal	15	(1,934,428,043)	(319,903,305)
Profit for the year		1,275,449,488	863,517,816
Earnings per share			
Basic Earnings per share	16.1	2.27	1.54
Diluted Earnings per share	16.2	2.27	1.54

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 123 to 190.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2024	Note	2024	2023
		Rs.	Rs.
Profit for the year		1,275,449,488	863,517,816
Other Comprehensive income/(expenses)			
Other Comprehensive income not to be reclassified to profit or loss			
Actuarial gain on retirement benefit obligation	33.3	(1,075,753,719)	680,109,258
Deferred tax effect on above	271	322,726,116	(204,032,777)
Total Other Comprehensive income for the year, net of taxes		(753,027,603)	476,076,481
Total comprehensive income for the year		522,421,885	1,339,594,297

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 123 to 190.


STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2024	Note	2024	2023
		Rs.	Rs.
Assets			
Cash and cash equivalent	18	827,778,892	104,444,214
Placements with banks	19	18,339,705,502	6,005,330,402
Equity instruments at fair value through profit or loss	20	264,680	145,820
Financial assets at amortized cost - Loans and receivables from other customers	21	227,167,843,091	194,424,888,171
Financial assets at amortized cost - Debt & other instruments	22	67,995,195,057	86,964,714,682
Equity instruments at fair value through other comprehensive income	23	153,434,669	2,290,929
Property, plant and equipment	24	1,255,230,096	1,161,828,361
Intangible assets	25	77,206,661	112,402,355
Right of use assets	26.1	1,059,813,006	860,244,061
Deferred tax assets	27	2,848,048,109	2,960,017,043
Current tax assets	31	-	503,589,580
Other assets	28	4,106,834,929	6,617,542,021
Total assets		323,831,354,692	299,717,437,639
Liabilities			
Due to banks	29	36,412,871,655	46,208,479,283
Due to other customers	30	253,664,001,776	226,079,614,772
Current tax liabilities	31	531,164,074	-
Other liabilities	32	10,787,707,965	6,734,044,304
Retirement benefit obligation	33	4,047,465,661	2,829,577,605
Total liabilities		305,443,211,131	281,851,715,965
Equity			
Stated capital	34	8,521,864,568	8,521,864,568
Statutory reserve fund	35	952,196,232	888,423,757
Retained earnings		4,110,111,527	3,970,324,488
Other reserves	36	4,803,971,234	4,485,108,861
Total shareholders' equity		18,388,143,561	17,865,721,674
Total equity and liabilities		323,831,354,692	299,717,437,639
Contingent liabilities and commitments	39	491,464,404	612,027,693


The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 123 to 190.

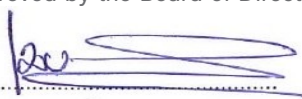
I certify that the financial statements are prepared in compliance with the requirements of the Banking Act No. 30 of 1988 and the Pradeshiya Sanwardana Banking Act No: 41 of 2008.


P.S. Edirisuriya
Chief Financial Officer


E.A.D Janitha Priyashantha
General Manager / CEO
(Acting)

The Board of Directors is responsible for these financial statements which were approved by the Board of Directors and signed on


Chairman / Director
21 March 2025 Colombo


Director

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024	Stated Capital	Statutory Reserve Fund	Special Reserve Fund	General Reserve Fund	Retained Earnings	Total
	Note 34	Note 35	Note 36	Note 36		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st January 2023	8,221,864,565	845,247,866	699,638,195	3,569,591,213	2,889,785,536	16,226,127,375
Total Comprehensive Income for the year						
Profit for the year	-	-	-	-	863,517,816	863,517,816
Other comprehensive Income, net of tax	-	-	-	-	476,076,481	476,076,481
Total comprehensive income for the year	-	-	-	-	1,339,594,297	1,339,594,297
Transactions with equity holders, recognized directly in equity						
Issued stated capital	300,000,002	-	-	-	-	300,000,002
Transferred to Statutory Reserve Fund	-	43,175,891	-	-	(43,175,891)	-
Transferred to Special Reserve Fund	-	-	43,175,891	-	(43,175,891)	-
Transferred to General Reserve Fund	-	-	-	172,703,563	(172,703,563)	-
Transactions with equity holders, recognized directly in equity	300,000,002	43,175,891	43,175,891	172,703,563	(259,055,345)	300,000,002
Balance as at 31st December 2023	8,521,864,568	888,423,757	742,814,085	3,742,294,776	3,970,324,488	17,865,721,674
Balance as at 01st January 2024	8,521,864,568	888,423,757	742,814,085	3,742,294,776	3,970,324,488	17,865,721,674
Total Comprehensive Income for the year						-
Profit for the year	-	-	-	-	1,275,449,488	1,275,449,488
Other comprehensive Income, net of tax	-	-	-	-	(753,027,603)	(753,027,603)
Total comprehensive income for the year	-	-	-	-	522,421,885	522,421,885
Transactions with equity holders, recognized directly in equity						
Issued stated capital	-	-	-	-	-	-
Transferred to Statutory Reserve Fund	-	63,772,474	-	-	(63,772,474)	-
Transferred to Special Reserve Fund	-	-	63,772,474	-	(63,772,474)	-
Transferred to General Reserve Fund	-	-	-	255,089,898	(255,089,898)	-
Transactions with equity holders, recognized directly in equity	-	63,772,474	63,772,474	255,089,898	(382,634,846)	-
Balance as at 31st December 2024	8,521,864,568	952,196,232	806,586,560	3,997,384,674	4,110,111,526	18,388,143,559

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 123 to 190.

STATEMENT OF CASH FLOWS

Year ended 31 December 2024	Note	2024	2023
		Rs.	Rs.
Cash flow from operating activities			
Profit before tax		3,209,877,531	1,183,421,122
Adjustment for:			
Non-cash items included in profit before tax			
Depreciation of property, plant and equipment/ Amortization of ROU	24/26.1	555,538,312	542,099,465
Amortization of intangible assets	25	55,118,663	62,778,029
Interest expense on leases	26.2	19,921,980	40,069,770
Interest expense on debentures		-	-
Dividend income	10	(4,906,869)	(3,279,463)
Impairment charges	12	(832,607,642)	2,162,850,997
Changes in equity Instruments at fair value through profit or loss	10	(118,860)	(25,540)
Exchange gain/ (loss)	10	408,197,056	238,259,352
Charge for retirement benefit obligation	33.1	522,460,641	708,495,411
(Profit) / loss on sale of Property, plant and equipment	11	880,401	1,221,778
Recoveries of NPL loans (Written Off)	11	(102,827)	(118,139)
Changes in operating assets			
Net change in loans and receivables from other customers		(31,540,888,059)	1,459,264,921
Net Change in other assets		2,146,624,644	812,427,181
Net change in Financial investments at amortized cost-Debt & other instruments		2,064,429,320	5,221,585,855
Changes in operating liabilities			
Net change in due to banks		(2,079,693,019)	2,341,574,441
Net change in due to other customers		27,584,387,004	15,778,291,304
Net change in other liabilities		3,469,447,459	(921,288,969)
Gratuity paid		(351,694,352)	(276,188,475)
Tax Paid		(464,979,339)	(1,474,291,933)
Net cash generated from/(used in) operating activities		4,761,892,044	27,877,147,105
Cash flows from investing activities			
Purchase of Property, plant and equipment	24	(402,413,181)	(462,912,300)
Purchase of intangible assets	25	(19,922,968)	(106,975,432)
Investment in Unit Trusts	22	(1,501,725,766)	-
Investment in Fixed deposits (more than three months)	22.2	4,557,466,935	6,583,774,836
Proceeds from the sale of property, plant and equipment		880,401	1,221,778
Dividend Income Received	10	4,906,869	3,279,463
Net cash (used in)/from investing activities		2,639,192,290	6,018,388,346
Cash flows from financing activities			
Payment of principal of Operating Lease	26.2	(364,606,031)	(361,732,641)
Net proceeds from the Term Loans	29	(9,795,607,628)	(1,262,227,773)
Redemption of Debentures		-	-
Interest paid on debentures		-	-
Net cash from financing activities		(10,160,213,660)	(1,623,960,415)
Net increase/(decrease) in cash & cash equivalents		(2,759,129,326)	32,271,575,036
Cash & cash equivalents at the beginning of the year		62,436,595,592	30,165,020,556
Cash and cash at the end of the year		59,677,466,266	62,436,595,592

Year ended 31 December 2024	Note	2024	2023
Reconciliation of Cash & Cash Equivalents		Rs.	Rs.
Cash and cash equivalent	18	1,993,732,971	1,761,270,949
Favorable balances with banks			
Placements with Banks		35,016,600,395	61,128,549,024
Fixed deposits less than three months	22.2	22,667,132,900	1,203,602,353
Unfavorable balances with banks		-	(1,656,826,734)
		59,677,466,266	62,436,595,592

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 123 to 190.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1 Reporting Entity

Pradeshiya Sanwardana Bank can be traced back to as far as 1985 when district level banks under the category of Regional Rural Development Banks were established. Later in 1997, seventeen such Regional Development Banks were merged into six provincial level banks, which functioned as Rajarata, Ruhuna, Wayamba, Uva, Kandurata and Sabaragamuwa Development Banks. In May 2010, these six banks were merged into one national level bank and designated as the Pradeshiya Sanwardana Bank. The Bank was established as a statutory body under the Pradeshiya Sanwardana Bank Act No.41 of 2008. The registered office of the Bank is located at No 933, Kandy Road, Wedamulla, Kelaniya.

Permanent, training and contract staff strength of the bank as at 31 December 2024 was 3,224 (3,279 as at 31 December 2023).

1.2 Principal Activities and Nature of Operation

The principal activities of the Bank are to facilitate the overall economic development of Sri Lanka by promoting the development of agriculture, industry, trade, commercial, livestock, fisheries activities, and empowerment of women, mainly by granting financial assistance to Micro Finance Institutions and Small and Medium Enterprises.

1.3 Director's Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of these Financial Statements of the Bank, in compliance with provisions of the Pradeshiya Sanwardhana Banking Act No: 41 of 2008 and its amendments, Banking Act No. 30 of 1988 and its amendments thereto and Sri Lanka Accounting Standards.

1.4 Approval of Financial Statements by Board of Directors

The Financial Statements of the Bank for the year ended 31 December 2024 were authorized for issue by the Board of Directors on 21 March 2025.

2. BASIS OF PREPARATION

2.1 Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for the following material items:

- The liability for defined benefit obligations is actuarially valued and recognized as the present value of the defined benefit obligation.
- Derivative financial instruments and non- derivative financial instruments held at Fair Value through Profit or Loss (FVTPL) and Fair Value through Other Comprehensive Income (FVOCI) are measured at fair value.

2.2 Statement of Compliance

The Financial Statements, as at 31 December 2024 and for the year then ended, have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs), laid down by the Institute of Chartered Accountants of Sri Lanka, the requirements of the Banking Act No. 30 of 1988 and amendments thereto and Pradeshiya Sanwardhana Banking Act No: 41 of 2008 and amendments thereto. The presentation of the financial statements is also in compliance with the requirements of the Pradeshiya Sanwardhana Banking Act No: 41 of 2008 and amendments thereto.

2.3 Functional and Presentation Currency

The Financial Statements of the Bank are presented in Sri Lanka Rupees, which is the currency of the primary economic environment in which Pradeshiya Sanwardana Bank operates. Financial information presented in Sri Lankan Rupees has been rounded to the nearest rupees unless indicated otherwise.

2.4 Materiality and Aggregation

In compliance with LKAS 01 – “Presentation of Financial Statements”, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, if they are material.

2.5 Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Income Statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies.

2.6 Comparative Information

The comparative information is reclassified whenever necessary to confirm with the current year’s presentation and to be in compliance with the Circular No 2 of 2019 issued by Central Bank of Sri Lanka on publication of Annual and Quarterly Financial Statements and other Disclosures by Licensed banks in order to provide a better presentation.

2.7 Presentation of Financial Statements

The items of the Bank presented in their Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made to the inflationary factors affecting the Financial Statements. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 42.

3. USE OF ESTIMATES AND JUDGEMENTS

The preparation of Financial Statements of the Bank in conformity with Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Bank’s accounting policies, management has made the following judgments and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank’s control and are reflected in the assumptions if and when they occur.

Items with the most significant effect on the amounts recognized in the financial statements with substantial management judgment and/or estimates are collated below with respect to judgments/estimates involved.

(i) Judgements

(a) Classification of Financial Assets

The Bank used judgements when assessing of the business model within which the assets are held and assessment whether the contractual terms of the financial assets are solely payments of principal and interest (SPPI) on the principal amount of the outstanding.

(b) Assessment of Credit Risk

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank'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 ECL models that are considered accounting judgments and estimates include:

- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

(c) Business combinations under common control

Business combinations between entities under common control are accounted for using pooling of interest method. Accordingly, the assets and liabilities of the combining entities are reflected at their carrying amounts. No new goodwill is recognized as a result of the combination. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity.

Business combination was carried out by using provisional/estimated figures and during a reasonable period. Pradeshiya Sanwardana Bank is required to reassess assets and liabilities merged as of 1 April 2019 and adjust merger reserve accordingly.

(ii) Assumptions and Estimation Uncertainty

Going Concern

The Bank's 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. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities, recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs of these models are taken from observable markets where possible, however if such data are not available, a degree of judgment is exercised in establishing fair values which minimize the effect of use of unobservable inputs.

Taxation

The Bank is subject to income tax and judgment is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exists with respect to the interpretation of the applicability of tax laws, at the time of preparation of these Financial Statements.

Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, which result in adjustments to tax income and expenses and deferred tax amounts that were initially recorded in the Financial Statements, Note 15, Note 27 and Note 31.

Measurement of Defined Benefit Obligations

The cost of the defined benefit plans and the present value of their obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates and the expected future salary increase rate of the Bank.

Useful Lifetime of the Property and Equipment

The Bank reviews the residual values, useful lives and methods of depreciation of assets as at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote.

4. CHANGES IN ACCOUNTING POLICIES

A fundamental reform of major interest rate benchmark is being undertaken globally, replacing certain interbank offered rates ("IBORs") with alternative nearly risk-free rates (referred to as "IBOR reform") Bank has exposure to certain IBORs on its financial instruments that are being reformed as part of these market-wide initiatives.

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 9, LKAS 39 and SLFRS 7 due to Interest Rate Benchmark Reform Phase 1 and Phase 2. The effective date of both IBOR reform Phase 1 and Phase 2 amendments are for annual reporting periods beginning on or after 1 January 2021 in the Sri Lankan context and the requirements under phase 2 amendments have to be applied retrospectively.

The main risks to which the Bank has been exposed as a result of IBOR reform are operational. For example, the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms and revision of operational controls related to the reform and regulatory risk.

Financial risk is predominantly limited to interest rate risk. Bank has commenced a process to evaluate the impact from this reform on its financial instruments. This process will involve evaluating the extent to which loans advanced, loan commitments, liabilities and derivatives reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR reform, how to manage communication about IBOR reform with counterparties and the changes required for the existing credit policies.

As at 31 December 2024, the IBORs for certain key currencies to which the Bank has exposure to are in the process of reforming.

5. SIGNIFICANT ACCOUNTING POLICIES

The Accounting Policies set out below have been applied consistently to all periods presented in these Financial Statements unless otherwise indicated.

The Accounting Policies have been applied consistently by the Bank except for the changes in accounting policies described in Note 4.

5.1 Financial Assets and Liabilities

5.1.1 Recognition and Initial Measurement

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Bank recognizes balances due to customers when funds are transferred to the Bank.

5.1.2 Classification of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognizes the difference between the transaction price and fair value in net trading income. In those cases, where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in the Income Statement when the inputs become observable, or when the instrument is derecognized.

5.1.2.1 Financial assets

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost (Note 5.1.2.1.1)
- Financial assets fair value through profit or loss (FVTPL), as explained in (Note 5.1.2.1.2)
- Financial assets measured at fair value through other comprehensive income (Note 5.1.2.1.3)

The classification depends on the Bank's business model for managing financial assets and the contractual terms of the financial assets' cash flows. The Bank classifies its financial liabilities at amortized cost unless it has designated liabilities at fair value through profit.

5.1.2.1.1 Financial assets at amortized cost - Loans and advances to customers

The Bank only measures Due from banks, Loans and advances to customers and other financial investments at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

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 realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of whether Contractual Cash Flows are Solely Payments of Principal and Interest (SPPI)

As a second step of its classification process the Bank assesses the contractual terms of financial to identify whether they meet the SPPI test.

Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimize exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

5.1.2.1.2 Financial assets fair value through profit or loss (FVTPL)

Financial assets fair value through profit or loss comprises:

- Financial investments - for trading.
- Instruments with contractual terms that do not represent solely payments of principal and interest.

Financial instruments held at fair value through profit or loss are initially recognized at fair value, with transaction costs recognized in the statement of profit or loss as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the statement of profit or loss as they arise.

Where a financial asset is measured at fair value, a credit valuation adjustment is included to reflect the credit worthiness of the counterparty, representing the movement in fair value attributable to changes in credit risk.

Financial investments - for trading

A financial investment is classified as financial assets recognized through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative not in a qualifying hedge relationship.

Investments in equity securities are classified as financial assets recognized through profit or loss and recognized at fair value. Refer Note 20.

Financial instruments designated as measured at fair value through profit or loss.

Upon initial recognition, financial instruments may be designated as measured at fair value through profit or loss. A financial asset may only be designated at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistencies (i.e., eliminates an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities on a different basis. The Bank does not designate any financial instruments under this category.

5.1.2.1.3 Financial assets measured at fair value through other comprehensive income (FVTOCI)

Investment in equity instruments that are neither trading financial assets recognized through profit or loss, nor contingent consideration recognized by the Bank in a business combination to which SLFRS 3 "Business Combination" applies, are measured at fair value through other comprehensive income, where an irrevocable election has been made by Management due to long term nature of investment. For portfolios where Management does not consider an irrevocable election of adopting fair value through other comprehensive income, by default such investments shall be measured at fair value through profit and loss.

Amounts presented in other comprehensive income are not subsequently transferred to profit or loss. Dividends on such investments are recognized in profit or loss.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognized in the Income Statement as net trading gain/(loss) when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVTOCI are not subject to an impairment assessment.

5.1.2.2 Financial liabilities

The initial and subsequent measurement of financial liabilities depends on their classification as described below:

At the inception the Bank determines the classification of its financial liabilities. Accordingly, financial liabilities are classified as.

- Financial liabilities at Fair Value through Profit or Loss (FVTPL) (Note 5.1.2.2.1)
 - * Financial liabilities held for trading.
 - * Financial liabilities designated at fair value through profit or loss.
- Financial liabilities at amortised cost (Note 5.1.2.2.2)

The subsequent measurement of financial liabilities depends on their classification.

5.1.2.2.1 Financial liabilities at Fair Value through Profit or Loss (FVTPL)

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are fair value, and changes therein recognised in profit or loss.

Financial liabilities are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of the portfolio that is managed together for short term profit or position taking. This category includes derivative financial instruments entered in to by the Bank which are not designated as hedging instruments in the hedge relationships as defined by the Sri Lanka Accounting Standards - LKAS 39 on "Financial Instruments: Recognition and Measurements".

Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement.

The Bank does not have any financial liabilities under this category.

5.1.2.2 Financial liabilities at amortised cost

Financial instruments issued by the Bank that are not designated at fair value through profit or loss, are classified as liabilities at amortised cost under "due to customers and other borrowings" as appropriate, where the substance of the contractual arrangement results in the Bank 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 assets for a fixed number of own equity shares at amortised cost using EIR method.

After initial recognition, such financial liabilities are substantially measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are integral part of the EIR. The EIR amortisation is included in "interest expenses" in the income statement. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

This category consists of due to Banks, Due to other customers, and Debt issued and another borrowed fund.

5.1.2.3 Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets or liabilities in 2023.

5.1.2.4 De-recognition of financial assets and liabilities

De-recognition due to substantial modification of terms and conditions

The Bank de-recognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a de-recognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether or not to de-recognize a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan.
- Introduction of an equity feature
- Change in counterparty.
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in de-recognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

De-recognition other than for substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognized when the rights to receive cash flows from the financial asset have expired. The Bank also de-recognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for de-recognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset.
- Or
- It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for de-recognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset.
- Or,
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Bank's continuing involvement, in which case, the Bank also recognizes an associated liability. The transferred assets and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is de-recognized when the obligation under the liability is discharged, cancelled or expires. 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 de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the Income Statement.

5.1.2.5 Impairment

Recognition of ECL

The bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments. Equity instruments are not subject to impairment under SLFRS 9.

The 12-month ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained below. The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1 : When loans are first recognized, the Bank recognizes an allowance based on 12-month ECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.

Stage 2 : When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.

Stage 3 : Loans considered credit impaired. The bank records an allowance for the LTECLs.

POCI : Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses. The Bank does not have any POCI assets as of the reporting date.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) de-recognition of the financial asset.

The calculation of ECLs

The Bank calculates ECLs based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD : The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously recognized and is still in the portfolio.

EAD : The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued interest from missed payments.

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 lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers three scenarios base case, best case, and worst case. Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarized below:

Stage 1 : The 12 months ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12-month 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 a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

Stage 2 : When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3 : For loans considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

POCI : POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR. The Bank does not have any POCI assets as of the reporting date.

Financial Guarantee contracts: For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and, the ECL is recognized within Provisions.

Calculations of ECL for individually significant loans

The Bank first assesses ECLs individually for financial assets that are individually significant to the Bank. In the event the Bank determines that such assets are not impaired (Not in stage 3), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If the asset is impaired the amount of the loss measured by discounting the expected future cash flows of a financial asset at its original effective interest rate and comparing the resultant present value with the financial asset's current carrying amount. The impairment on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairments only released when there is reasonable and objective evidence of a reduction in the established loss estimate. Interest on impaired assets continues to be recognized through the unwinding of the discount.

When ECLs are determined for individually significant financial assets, following factors are considered:

- Aggregate exposure to the customer including any undrawn exposures.
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flows to service debt obligations.
- The amount and timing of expected receipts and recoveries.
- The extent of other creditors' commitments ranking ahead of, or pari-passu with the Bank and the likelihood of other creditors continuing to support the Bank.
- The complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident.
- The realizable value of security (or other credit mitigants) and likelihood of successful repossession.
- The likely deduction of any costs involved in recovery of amounts outstanding.
- The ability of the borrower to obtain and make payments in the currency of the loan if not denominated in local currency; and
- The likely dividend available on liquidation or bankruptcy

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to the Income Statement. The accumulated loss recognized in OCI is recycled to the profit and loss upon de-recognition of the assets.

Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognizes the cumulative changes in LTECL since initial recognition in the loss allowance.

Forward looking information

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Inflation rate
- Interest Rates
- Exchange Rate US\$: LKR
- Unemployment rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Therefore, bank also considers the following qualitative factors.

- Average LTV
- Government Policies
- Status of the Industry Business
- Regulatory impact

5.1.3 Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under SLFRS 9 is the same as it was under LKAS 39.

5.1.3.1 Collateral repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

5.1.4 Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

5.1.5 Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department.

Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forbore loans to help ensure that future payments continue to be likely to occur. De-recognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forbore asset until it is collected or written off.

When the loan has been renegotiated or modified but not de-recognized, the Bank also reassesses whether there has been a significant increase in credit risk, as set out in Note 21.3. The Bank also considers whether the assets should be classified as Stage 3.

5.1.6 Foreclosed Properties

Foreclosed properties represent properties that are acquired in full or partial satisfaction of debts the shortfall between the prevailing market value of the foreclosed asset and related loan outstanding is recognized as a provision for loan losses in the Income Statement during the year of acquiring the said property in satisfaction of debt.

5.1.7 Offsetting Financial Instruments

Financial assets and financial liabilities are off set and the net amount reported in the Statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements therefore, the related assets and liabilities are presented gross in the Statement of financial position.

5.2 Property, Plant and Equipment

Property, Plant & Equipment (PPE) are recognized if it is probable that future economic benefits associated with the assets will flow to the Bank and the cost of the asset can be reliably measured.

Items of PPE are stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates. The depreciation is recognized in the Income Statement on a straight-line basis over the useful life of the assets, commencing from when the assets are available for use. Land is not depreciated. The estimated useful lives are as follows:

Building	20 Years
Computer Equipment	05 Years
Office Equipment	05 Years
Motor Vehicles	05 Years
Furniture	06 Years
Iron Safes	10 Years
Partition and fittings	05 Years

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Bank.

The carrying amount of an item of PPE is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in other operating income/expense in the Income Statement in the year the asset is derecognized.

Capital Work in progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, awaiting capitalization.

5.3 Leases

This policy is applied to contracts entered into (or changed) on or after 1 January 2019.

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. 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. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in SLFRS 16.

5.3.1 Bank acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets separately and lease liabilities under other liabilities in the Statement of Financial Position.

5.3.1.1 Short-term leases and leases of low-value assets

The Bank has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

5.3.2 Bank acting as a lessor

At inception or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Bank acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

The Bank applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Bank further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

5.4 Intangible Assets

The Bank's other intangible assets include the value of computer software.

An intangible asset is recognized only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial yearend. 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 amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is presented as a separate line item in the Income Statement.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- Computer software : 3 Years

5.5 Impairment of Non-financial Assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount.

The recoverable amount of an asset or Cash Generating Unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU, subject to an operating segment ceiling test.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the Profit or Loss Statement.

5.6 Financial Guarantees

"Financial guarantees" are contracts that require the Bank to make specific 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 the debt instrument.

“Loan commitments” are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortized over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable. Financial guarantees and commitments to provide a loan at a below-market interest rate are included within other liabilities.

5.7 Retirement Benefit Obligation

5.7.1 Defined Benefit Pension Plan-Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan’ as defined in the Sri Lanka Accounting Standard - LKAS 19 – “Employee Benefits”.

5.7.2 Gratuity

In compliance with the Gratuity Act No.12 of 1983 provision is made in the accounts.

An actuarial valuation is carried out at every year end to ascertain the full liability under the Fund. The valuation was carried out as at 31st December 2023 by Actuarial & Management Consultants (Pvt) Ltd, a qualified actuary using the projected unit credit method.

Recognition of Actuarial gains and losses: The Bank recognizes the total actuarial gains and losses that arise in calculating the Bank’s obligation in respect of the plan in Other Comprehensive Income during the period in which it occurs.

Funding Arrangements: The Gratuity liability is not externally funded.

5.7.3 Defined Contribution Pension Plan

‘A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods’ as defined in the Sri Lanka Accounting Standard - LKAS 19 – “Employee Benefits”.

The contribution payable to a defined contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under ‘personnel expenses’ as and when they become due. Unpaid contributions are recorded as a liability.

1. Employees’ Provident Fund

The Bank and Employees contribute to the Employees Provident Fund at 15% and 10% respectively.

2. Employees’ Trust Fund

The Bank contributes to the Employees’ Trust Fund at 3%.

5.8 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

5.9 Recognition of Income and Expenses

5.9.1 Interest Income and Expense

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the Income Statement include interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis.

Fair value changes on other derivatives held for risk management purposes, and all other financial assets and liabilities carried at fair value through profit or loss, are presented in net income from other financial instruments at fair value through profit or loss in the Income Statement.

Interest income on FVOCI investment securities calculated on an effective interest basis is also included in interest income.

5.9.2 Fees and Commission Income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following category:

Fee Income Earned from Services that are Provided over a Certain Period of Time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income, loan service charges, inspection charges and stationary charges recovered from the customers.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognized over the commitment period on a straight-line basis.

5.9.3 Net Gains/ (Losses) from Trading

This income comprises gains less losses related to trading / FVTPL assets and includes all realized and unrealized fair value changes.

5.9.4 Profits / Losses from Sale of Property, Plant and Equipment

Any profits or losses from sale of property, plant and equipment are recognized in the period in which the sale occurs and is classified as net other operating income.

5.10 Taxation

As per Sri Lanka Accounting Standard - LKAS 12 – “Income Taxes”, tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognized in the Income Statement except to the extent it relates to items recognized directly in ‘Equity’ or ‘other comprehensive income (OCI)’; in which case it is recognized in Equity or in OCI.

5.10.1 Current Tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No 24 of 2017 and the amendments thereto at the rates specified in Note 15 to the Financial Statements.

5.10.2 Deferred Tax

Deferred tax is recognized on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in the Income Statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5.10.3 VAT on Financial Services

The value base for Value Added Tax (VAT) for the Bank is the adjusted accounting profit before tax, emoluments of employees and economic depreciation computed for the owned fixed assets. The total value addition arrived for the entire bank has to be apportioned in accordance to the applicable turnover; turnover has to be quantified in line with the turnover applicable for general VAT and VAT on Financial Services. The Value Addition Attributable for Financial Services" shall be derived with the application of the turnover ratio distinguishing general VAT and VAT on Financial Services. Tax fraction 18/120.5 shall be applied on the value addition attributable to financial services in order to derive the total VAT liability for a particular period.

5.10.4 Withholding Tax (WHT) on Dividends

Dividends distributed out of profits after tax attract a 15% tax deduction in the hands of the dividend recipient (individuals are taxed at the progressive tax rates, 6%, 12%, 18%, 24%, 30% and balance 36%). Unlike in the period before January 2020, withholding tax on dividends is not a tax at source and it shall not be deducted at the time of dividends are distributed; the shareholders shall receive dividends at gross.

5.10.5 Social Security Contribution Levy (SSCL)

SSCL on financial services is calculated based on the total value addition used for the purpose of VAT on financial services in accordance with the Social Security Contribution Act, No.25 of 2022 from 1 October 2022. 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 the financial services.

5.10.6 Crop Insurance Levy (CIL)

As per the provisions of Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 1 April 2013 and is payable to the National Insurance Trust Fund. Currently, CIL is payable at 1% of the profit after tax.

Section 14 of the Finance Act No. 12 of 2013 impose a crop insurance levy on institutions under the purview of;

- Banking Act No. 30 of 1988
- Finance Companies Act No. 78 of 1988
- Regulation of Insurance Industry Act No. 43 of 2000

Accordingly, Bank is required to pay 1% of the profit after tax for a year of assessment to the National Insurance Trust Fund with effect from 1 April 2013.

5.10.7 IFRIC 23 - Uncertainty over income tax treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 "Income Taxes". It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated within certain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Bank determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Bank applies significant judgement in identifying uncertainties over income tax treatments. Since the Bank operates in a complex environment, it assessed Bank the interpretation had an impact on its Financial Statements. Upon adoption of the interpretation, the Bank considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The tax filings of the Bank in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments.

The Bank determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments will be statements of the accepted by the taxation authorities. The interpretation did not have an impact on the Financial Statements of the Bank.

5.11 Dividends on Ordinary Shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank.

5.12 Earnings per Share (EPS)

The Bank presents Basic Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

5.13 SLFRS 15 – Revenue from Contracts with Customers

SLFRS 15 became effective for financial periods beginning on or after 1 January 2018. The core principle of SLFRS 15 is that an entity has to recognize revenue to depict the transfer of promised goods or services to customers. This core principle is delivered in a five-step model framework as discussed.

- Identify the contract(s) with a customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

5.14 Statement of Cash Flow

The cash flow statement has been prepared by using The Indirect Method in accordance with the Sri Lanka Accounting Standard - LKAS 7 – “Statement of Cash Flows”. Cash and cash equivalents comprise cash in hand and 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 include cash in hand, other bank balances, Placement with banks, Investments in Fixed deposits (less than 3 month) and net of unfavorable bank balances.

5.15 Reserves

5.15.1 Statutory Reserve Fund

The Statutory Reserve Fund is maintained as required in terms of the section 20 (1) and (2) of the Banking Act No. 30 of 1988. Accordingly, the Bank should transfer a sum equivalent not less than 5% out of net profit after taxation but before any dividend is declared to the Statutory Reserve Fund until the Statutory Reserve Fund is equal to 50% of the paid-up capital.

5.15.2 General Reserve Fund

The general reserve is the result of the Bank transferring a certain amount of profit from retained earnings accounts to the general reserve account. The purpose of setting up the general reserve is to meet potential future unknown liabilities.

5.15.3 Special Reserve Fund

The Special Reserve Fund is the result of the Bank transferring a certain amount of profit from retained earnings accounts to the Special Reserve account. The purpose of setting up to meet potential future unknown liabilities.

6 ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards (SLFRSs/ LKASs) which will become applicable for financial periods beginning after 1 January 2024. Accordingly, the following new and amended standards are not expected to have a significant impact on the Bank's Financial Statements.

6.1. Insurance Contracts (SLFRS 17)

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. SLFRS 17 is effective for annual report periods beginning on or after 1 January 2025. The Bank expects that the implementation of this standard may not have a material impact on the financial statements of the Bank.

07. GROSS INCOME

Year ended 31 December	2024 LKR	2023 LKR
Interest income (Note 8.1)	37,922,124,939	46,232,790,959
Fee and commission income (Note 9)	1,951,331,988	1,572,076,450
Net trading gain/(loss) (Note 10)	(403,171,327)	(234,954,348)
Other operating income (Note 11)	81,937,082	17,021,481
Total Gross Income	39,552,222,682	47,586,934,542

08. NET INTEREST INCOME

08.1 INTEREST INCOME

Year ended 31 December	2024 LKR	2023 LKR
Placements with banks	873,253,478	1,166,651,725
Financial assets at amortised cost		
Loans and receivables from other customers	29,014,857,316	32,217,022,242
Debt & other instruments	8,034,014,145	12,849,116,992
Total interest income	37,922,124,939	46,232,790,959

08.2 INTEREST EXPENSE

Year ended 31 December	2024 LKR	2023 LKR
Due to banks	(2,044,712,241)	(3,015,879,185)
Due to other customers	(16,304,613,767)	(26,233,102,258)
Interest expense on lease liabilities	(18,318,721)	(40,844,590)
Total interest expenses	(18,367,644,729)	(29,289,826,032)
Net interest income	19,554,480,210	16,942,964,926

09. NET FEE AND COMMISSION INCOME

Year ended 31 December	2024 LKR	2023 LKR
Fee and commission income	1,951,331,988	1,572,076,450
Fee and commission expenses	(597,798,919)	(409,406,671)
Net fee and commission income	1,353,533,069	1,162,669,779

COMPRISING

Year ended 31 December	2024 LKR	2023 LKR
Loans	1,463,089,109	1,071,934,838
Trade & remittances	12,330,527	12,417,741
Deposits	(470,823,976)	(363,319,354)
Others	348,937,408	441,636,553
Net fee & commission income	1,353,533,069	1,162,669,779

10. NET TRADING GAIN/(LOSS)

Year ended 31 December	2024 LKR	2023 LKR
Financial assets recognized through profit or loss - fair value change	118,860	25,540
Exchange (loss)/ gain	(408,197,056)	(238,259,352)
Dividend income	4,906,869	3,279,463
Total	(403,171,327)	(234,954,348)

11. NET OTHER OPERATING INCOME

Year ended 31 December	2024 LKR	2023 LKR
Gain/ (Loss) on disposal of property, plant and equipment	880,401	1,221,778
Recovery of loans written off	102,827	118,139
Other income	80,953,854	15,681,564
Total	81,937,082	17,021,481

12. IMPAIRMENT CHARGES

Year ended 31 December	2024 LKR	2023 LKR
Financial assets at amortized cost - Loans and receivables from other customers (Note 21.2)	1,201,964,034	(2,124,110,205)
Financial assets measured at amortized cost - debt and other instruments (Note 22.3)	973,307	466,924
Undrawn credit commitments and financial guarantees (Note 39.11)	12,084,608	(39,207,716)
Other assets (Note 28.1)	(382,414,307)	-
Net impairment (charge) / reversal for loans and other losses	832,607,642	(2,162,850,997)

13. PERSONNEL EXPENSES

Year ended 31 December	2024 LKR	2023 LKR
Salary and bonus	7,724,954,038	5,969,282,386
Contributions to EPF/ETF	1,130,316,993	873,336,033
Contributions to defined benefit plans	537,963,233	730,744,301
Others	2,551,604,448	1,977,365,846
Total	11,944,838,711	9,550,728,566

14. OTHER EXPENSES

Year ended 31 December	2024 LKR	2023 LKR
Directors' emoluments	3,455,852	1,992,667
Auditors' remunerations	3,248,292	3,000,000
Professional and legal expenses	9,801,398	3,407,807
Office administration and establishment expenses	2,102,259,657	1,654,932,566
Computerization expenses	331,800,166	175,457,973
Business tax expenses	2,905,451	1,698,544
Other commission paid	329,238	248,351
Deposit Insurance Premium	211,576,401	216,390,450
Crop insurance levy	4,038,776	8,635,031
Staff security deposits interest	6,000,526	7,492,218
Capital loss on pawning advance	4,923	33,162
Total	2,675,420,680	2,073,288,768

15. INCOME TAX EXPENSE

15.1 AMOUNTS RECOGNISED IN PROFIT OR LOSS

Year ended 31 December	2024 LKR	2023 LKR
Current Tax Expense		
Tax on current year's profits (Note 15.3)	1,259,739,071	129,272,120
Under/(Over) provision in respect of previous years	239,993,922	(170,493,912)
	1,499,732,993	(41,221,792)
Deferred Tax Expense		
Reversal on temporary differences (Note 27.2)	434,695,051	361,125,098
	434,695,051	361,125,098
Total income tax expense recognized in profit or loss	1,934,428,043	319,903,305

15.2 AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

Year ended 31 December	2024 LKR	2023 LKR
Deferred Tax Expense		
Reversal on temporary differences (Note 27.2)	(322,726,116)	204,032,777
Total income tax expense recognized in other comprehensive income	(322,726,116)	204,032,777

15.3 RECONCILIATION OF THE ACCOUNTING PROFIT TO INCOME TAX EXPENSE

Year ended 31 December	2024 LKR	2023 LKR
Profit before income tax expense	3,209,877,531	1,183,421,122
Exempt income		
Interest Income	(1,529,331,416)	(2,625,748,733)
Add : Disallowable expenses	3,530,914,546	6,841,510,876
Less : Allowable expenses	(1,007,423,557)	(4,968,276,200)
Taxable Income from Business	4,204,037,104	430,907,065
Tax liability for the year ending	30%/15%	30%/15%
Tax @ 30%	1,259,739,071	129,272,120
Tax @ 15%	-	-
Tax on current year's profits	1,259,739,071	129,272,120
Deferred tax reversal (Note 27.2)	434,695,051	361,125,098
Under/(Over) provision in respect of previous years	239,993,922	(170,493,912)
Income tax expense	1,934,428,043	319,903,305
Effective current tax rate	60.26%	27.03%

15.4 RECONCILIATION OF EFFECTIVE TAX RATE

Year ended 31 December	2024		2023	
	%	Rs.	%	Rs.
Profit before income tax expense		3,209,877,531		1,183,421,122
Income tax for the period	30.00%	962,963,259	30.00%	355,026,336
Tax effect of expenses that are not deductible for tax purposes	33.00%	1,059,274,364	173.43%	2,052,453,263
Tax effect of expenses that are deductible for tax purposes	-9.42%	(302,227,067)	-125.95%	(1,490,482,860)
Exempt income	-14.34%	(460,271,485)	-66.56%	(787,724,620)
Tax on Dividend Income	0.00%	-	0.00%	-
Deferred tax reversal (Note 27.2)	13.5%	434,695,051	30.5%	361,125,098
(Over)/ under provision in respect of previous years	7.48%	239,993,922	-14.41%	(170,493,912)
Total Income Tax Expense	60.26%	1,934,428,043	27.03%	319,903,305

Except for the Dividend income receipts, current tax on profits from Banking and Leasing businesses has been computed at the rate of 30% for the year of assessment, dividend income taxed at the rate of 15%. Apart from that, Interest received on Foreign currency accounts are exempted from Income Tax.

The Bank applied the revised rate of 30% in line with the inland revenue amendments Act No.45 of 2022 to calculate the income tax liability and deferred tax assets/liabilities as at 31st December 2024.

15.5 SURCHARGE TAX LEVIED UNDER SURCHARGE ACT NO.14 OF 2022 (ST ACT)

The Government of Sri Lanka in its Budget for 2022 proposed a one- time tax, referred to as a surcharge tax, at the rate of 25% to be imposed on any companies that have earned a taxable income in excess of LKR 2,000 million for the year of assessment 2021/2022. The tax is imposed by the Surcharge Tax Act No 14 of 2022 which was passed by the Parliament of Sri Lanka on 7th April 2022. As the law imposing the surcharge tax was enacted after the reporting period end, the financial statements for the year ended 31 December 2021 do not reflect the tax liability that would arise in consequence, the amount of which is best estimated at Rs.800,598,848

16. EARNINGS PER SHARE

16.1 BASIC EARNINGS PER SHARE

Basic Earnings per Share has been calculated by dividing Profit after Tax attributable to Equity Holders of the Bank by the weighted average number of Ordinary Shares in issue (Both Voting and Non-Voting) during the year ended 31 December 2024 and 31 December 2023.

Year ended 31 December	2024	2023
Profit for the year attributable to ordinary equity holders of the Bank (Rs.)	1,275,449,488	863,517,816
Weighted average number of ordinary shares in issue (No.)	561,484,675	561,484,675
Basic earnings per ordinary share	2.27	1.54

16.2 Diluted Earnings per Share

Diluted Earnings per Share and the Basic Earnings per Share is the same due to non-availability of potentially dilutive Ordinary Shares.

17. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

As at 31 December 2024	Note	Financial assets measured at fair value through other profit or loss	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Total
		Rs.	Rs.	Rs.	Rs.
Financial Assets					
Cash and cash equivalent	18	-	827,778,892	-	827,778,892
Placements with banks	19	-	18,339,705,502	-	18,339,705,502
Equity Instruments at fair value through profit or loss	20	264,680	-	-	264,680
Financial assets at amortized cost-Loans and receivables from other customers	21	-	227,167,843,090	-	227,167,843,090
Financial investments at amortized cost-Debt & other instruments	22	-	67,995,195,057	-	67,995,195,057
Equity Instruments at fair value through other comprehensive income	23	-	-	153,434,669	153,434,669
Other financial assets	28	-	3,061,819,687	-	3,061,819,687
Total financial assets		264,680	317,392,342,227	153,434,669	317,546,041,576

As at 31 December 2024	Note	Financial Liabilities measured at fair value through other profit or loss	Financial Liabilities measured at amortised cost	Financial Liabilities measured at fair value through other comprehensive income	Total
Financial Liabilities					
Due to banks	29	-	36,412,871,655	-	36,412,871,655
Due to other customers	30	-	253,664,001,776	-	253,664,001,776
Other liabilities	32	-	8,899,595,789	-	8,899,595,789
Total financial liabilities		-	298,976,469,220	-	298,976,469,220

As at 31 December 2023	Note	Financial assets measured at fair value through other profit or loss	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Total
Financial Assets					
Cash and cash equivalent	18	-	104,444,214	-	104,444,214
Placements with banks	19	-	6,005,330,402	-	6,005,330,402
Financial assets held-for-trading/Equity Instruments at fair value through profit or loss	20	145,820	-	-	145,820
Financial assets at amortized cost-Loans and receivables from other customers	21	-	194,424,888,171	-	194,424,888,171
Financial assets at amortized cost-Debt & other instruments	22	-	86,964,714,683	-	86,964,714,683
Equity Instruments at fair value through other comprehensive income	23	-	-	2,290,929	2,290,929
Other financial assets	28	-	4,431,547,579	-	4,431,547,579
Total financial assets		145,820	291,930,925,050	2,290,929	291,933,361,799

As at 31 December 2023	Note	Financial Liabilities measured at fair value through other profit or loss	Financial Liabilities measured at amortised cost	Financial Liabilities measured at fair value through other compre- hensive income	Total
Financial Liabilities					
Due to banks	29	-	46,208,479,283	-	46,208,479,283
Due to other customers	30	-	226,079,614,772	-	226,079,614,772
Other liabilities	32	-	5,446,759,311	-	5,446,759,311
Total financial liabilities		-	277,734,853,367	-	277,734,853,367

18. CASH AND CASH EQUIVALENTS

Year ended 31 December	2024 LKR	2023 LKR
Cash in hand	1,057,585,796	959,534,987
Other bank balances	(229,806,905)	(855,090,773)
Tax effect of expenses that are not deductible for tax purposes	827,778,892	104,444,214

19. PLACEMENTS WITH BANKS

Year ended 31 December	2024 LKR	2023 LKR
Money market placements	18,339,705,502	6,005,330,402
Total placements with banks	18,339,705,502	6,005,330,402

20. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Year ended 31 December	2024			2023		
	No. of Shares	Cost of Investment LKR	Market Value LKR	No. of Shares	Cost of Investment LKR	Market Value LKR
Quoted Equities						
PMF Finance PLC	600	5,160	4,680	600	2,820	2,820
Seylan Development PLC	10,000	140,000	260,000	10,000	143,000	143,000
	10,600	145,160	264,680	10,600	145,820	145,820

21. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES FROM OTHER CUSTOMERS

Year ended 31 December	2024 LKR	2023 LKR
Gross loans and receivables (Note 21.1)	244,788,393,686	213,962,635,079
(Less): Staff loan fair value adjustment	(911,447,410)	(1,625,890,408)
	243,876,946,275	212,336,744,671
Less: Expected Credit Loss Allowance - Individual Impairment (Note 21.2.1)	(1,366,955,154)	(1,485,177,219)
Less: Expected Credit Loss Allowance - Collective Impairment (Note 21.2.2)	(15,342,148,031)	(16,426,679,281)
Net loans and receivables from other customers	227,167,843,090	194,424,888,171

21.1 ANALYSIS OF FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES FROM OTHER CUSTOMERS

Year ended 31 December	2024 LKR	2023 LKR
21.1.1 By product		
Pawning	59,382,717,060	45,600,279,410
Staff loans	6,539,021,827	5,864,336,559
Leasing	1,752,917,987	896,814,460
Short-term	18,792,369,559	17,706,900,606
Long-term	158,321,367,252	143,894,304,044
Gross total	244,788,393,686	213,962,635,079
21.1.2 By currency		
Sri Lankan rupee	244,788,393,686	213,962,635,079
Gross total	244,788,393,686	213,962,635,079
21.1.3 By industry		
Agriculture and fishing	37,946,775,084	36,009,465,386
Manufacturing	32,715,057,687	29,347,624,658
Leasing	1,752,917,987	896,814,460
Transport	38,689,710	55,047,698
Construction /housing	13,802,551,910	15,448,706,881
Traders	28,901,233,498	30,321,114,853
Others (consumptions/against deposit/staff/tourism)	129,631,167,810	101,883,861,141
Gross total	244,788,393,686	213,962,635,079

21.2 EXPECTED CREDIT LOSS ALLOWANCE

Year ended 31 December	2024 LKR	2023 LKR
21.2.1 Individual Impairment		
Balance as at 01 January	1,485,177,219	1,362,761,334
Net charge to profit or loss	(118,222,065)	122,415,885
Balance as at 31 December	1,366,955,154	1,485,177,219
21.2.2 Collective Impairment		
Balance as at 01 January	16,426,679,281	14,424,646,441
Net charge to profit or loss	(1,083,741,969)	2,001,694,320
Recoveries of Advances Written Off in Previous Year	(102,827)	
Other movements / Write off	(686,454)	338,520
Balance as at 31 December	15,342,148,031	16,426,679,281

21.3 ANALYSIS OF LOANS AND RECEIVABLES FROM OTHER CUSTOMERS BASED ON EXPOSURE TO CREDIT RISK

As at 31 December 2024	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Individually impaired loans	-	878,876,145	1,977,478,560	2,856,354,705
Loans subjected to collective impairment				
Term Loan Other	7,288,349,857	733,222,631	436,734,152	8,458,306,641
Term Loan Industrial	6,728,758,383	3,854,091,792	4,102,418,789	14,685,268,964
Term Loan Commercial	16,519,254,172	6,580,485,416	5,166,204,941	28,265,944,529
Term Loan Agriculture	14,218,191,524	4,856,012,861	3,724,836,687	22,799,041,072
Term Loan Housing	41,052,903,904	6,842,811,118	5,359,119,472	53,254,834,494
Refinance	15,219,554,071	11,315,171,625	5,192,008,072	31,726,733,768
Liyaisura	-	-	27,846,122	27,846,122
Pawning	55,901,448,812	3,417,723,023	82,245,548	59,401,417,383
Leasing	1,318,618,752	268,238,725	97,832,743	1,684,690,221
Staff loans	6,478,456,663	21,790,917	38,786,248	6,539,033,827
Loans Against Deposits	14,200,999,215	754,729,470	15,082,914	14,970,811,599
SME		-	118,110,361	118,110,361
Gross loans to & receivable from other customers	178,926,535,353	39,523,153,725	26,338,704,609	244,788,393,686
Impairment for expected credit losses	(2,887,421,434)	(2,789,899,348)	(11,031,782,404)	(16,709,103,187)
Net loans to & receivable from other customers *	176,039,113,918	36,733,254,376	15,306,922,205	228,079,290,499
Net loans to & receivable from other customers *	131,169,063,530	46,060,253,457	18,823,181,721	196,050,778,578

As at 31 December 2023	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Individually impaired loans	-	1,458,354,115	2,153,713,083	3,612,067,199
Loans subjected to collective impairment				
Term Loan Other	5,597,069,140	739,454,899	422,471,364	6,758,995,404
Term Loan Industrial	4,065,980,847	5,083,674,724	4,443,670,695	13,593,326,266
Term Loan Commercial	8,715,895,035	9,192,642,333	5,378,584,661	23,287,122,029
Term Loan Agriculture	7,730,160,519	6,391,049,132	3,884,049,424	18,005,259,075
Term Loan Housing	29,581,970,227	8,598,480,015	5,997,021,267	44,177,471,509
Refinance	17,755,774,057	14,839,392,503	5,504,447,215	38,099,613,775
Liyaisura	345,591	247,160	30,045,318	30,638,070
Pawning	41,210,085,185	3,537,632,063	852,562,162	45,600,279,410
Leasing	476,973,380	205,991,581	78,141,527	761,106,488
Staff loans	5,797,009,241	41,504,149	25,835,170	5,864,348,559
Loans Against Deposits	12,900,747,141	615,558,439	537,991,355	14,054,296,935
SME			118,110,361	118,110,361
Gross loans to & receivable from other customers	133,832,010,363	50,703,981,114	29,426,643,602	213,962,635,079
Impairment for expected credit losses	(2,664,594,416)	(4,643,800,205)	(10,603,461,880)	(17,911,856,501)
Net loans to & receivable from other customers *	131,167,415,947	46,060,180,909	18,823,181,721	196,050,778,578
Net loans to & receivable from other customers *	148,483,235,844	37,044,602,668	14,057,255,591	199,585,094,104

* before zero rated loan and staff loan adjustments

22. FINANCIAL ASSETS AT AMORTISED COST-DEBT AND OTHER INSTRUMENTS

As at 31 December 2024	2024 LKR	2023 LKR
Quoted debentures (Note 22.1)	1,661,984,952	623,946,610
Government debt securities-Treasury Bills	16,676,894,894	55,123,218,622
Government debt securities-Treasury Bonds	5,385,443,416	5,355,440,338
Investment In Unit Trust	1,501,725,766	-
Investment in Fixed Deposits (Note 22.2)	42,770,532,521	25,864,468,910
Total financial assets at amortized cost	67,996,581,549	86,967,074,481
Less: Expected Credit Loss Allowance (Note 22.3)	(1,386,491)	(2,359,798)
Net financial assets at amortized cost	67,995,195,057	86,964,714,683

22.1 QUOTED DEBENTURES

	2024			2023		
	No of Debentures	Cost of Investment LKR	Amortized Cost LKR	No of Debentures	Cost of Investment LKR	Amortized Cost LKR
DFCC	5,000,000	500,000,000	508,630,137	5,000,000	500,000,000	508,630,137
Seylan Bank	1,077,200	107,720,000	115,316,473	1,077,200	107,720,000	115,316,473
Bank of Ceylon	10,000,000	1,000,000,000	1,038,038,341			
Total	16,077,200	1,607,720,000	1,661,984,952	6,077,200	607,720,000	623,946,610

22.2 INVESTMENT IN FIXED DEPOSITS

As at 31 December	2024 LKR	2023 LKR
Investment in Fixed Deposits		
Fixed deposits less than three months	22,667,132,900	1,203,602,353
Fixed deposits more than three months	20,103,399,621	24,660,866,557
Total	42,770,532,521	25,864,468,910

22.2.1 ANALYSIS OF FINANCIAL ASSETS AT AMORTISED COST - DEBT AND OTHER INSTRUMENTS

As at 31 December	2024 LKR	2023 LKR
22.2.1.1 By Currency		
Sri Lankan Rupee	24,627,980,380	2,120,013,928
United States Dollar	18,142,552,141	23,744,454,982
Total Financial assets measured at amortised cost	42,770,532,521	25,864,468,910
22.2.1.2 By Collateralisation		
Pledged as collateral	1,985,570,901	9,161,484,023
Unencumbered	40,784,961,620	16,702,984,887
Total Financial assets measured at amortised cost	42,770,532,521	25,864,468,910
22.2.1.3 Reconciliation for Financial Assets Measured at Amortised Cost - Debt and Other Instruments		
Balance as at 1 January	61,100,245,774	12,126,553,139
Net Acquisitions and Maturities during the Year	(35,874,196,746)	48,976,052,432
Less: Expected Credit Loss Allowance (Note 22.3)	(1,386,491)	(2,359,798)
Balance as at 31 December	25,224,662,537	61,100,245,774

22.3 EXPECTED CREDIT LOSS ALLOWANCE

As at 31 December	2024 LKR	2023 LKR
Balance as at 1st January	2,359,798	2,826,721
Net Charge (Reversal) for the year	(973,307)	(466,924)
Balance as at 31 December	1,386,491	2,359,798

23. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December	2024 LKR	2023 LKR
Unquoted Equity Securities (Note 23.1)	153,434,669	2,290,929
	153,434,669	2,290,929

23.1 UNQUOTED EQUITY SECURITIES

As at 31st December	2024			2023		
	No. of Shares/ Percentage	Cost of Investment LKR	Market Value LKR	No. of Shares	Cost of Investment LKR	Market Value LKR
CRIB	1,821	2,289,919	2,289,919	1,821	2,289,919	2,289,919
NCGI	15,114,475	15,115,485	151,144,750	100	1,010	1,010
Total	15,116,296	17,405,404	153,434,669	1,921	2,290,929	2,290,929

24. PROPERTY, PLANT AND EQUIPMENT

2024									
As at 31st December	Land and Buildings	Lease- hold prop- erties	Computer, Hardware	Office, Equipment, Furniture and Fittings	Motor Vehicles	Partition & Fittings	Work-in Progress	Other	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Cost									
Opening balance as at 01 January 2024	726,085,636		1,076,462,080	1,470,703,090	387,032,835	531,207,385	67,337,917	657,900	4,259,486,845
Additions	87,607,823		190,091,893	77,278,669	-	47,434,796	-		402,413,181
Disposals	(94,869)		(15,517,536)	(3,146,986)	(673,527)	(623,524)			(20,056,442)
Write off	-		-	-	-	-	-		-
Transfers during the Year	-		-	-	-	-	(61,261,754)	-	(61,261,754)
Reclassification Adjust- ments			(445,448)	(675,786)	-	91,964	-		(1,029,270)
Closing balance as at 31 December 2024	813,598,590	-	1,250,590,990	1,544,158,987	386,359,308	578,110,621	6,076,164	657,900	4,579,552,559
(Less): Accumulated depreciation									
Opening balance as at 01 January 2024	255,277,965		743,722,281	1,290,939,341	386,944,823	420,774,072	-		3,097,658,483
Charge for the year	27,154,786		111,904,827	60,167,627	3,799	45,698,846	-		244,929,885
Disposals	(94,868)		(15,508,070)	(3,146,797)	(673,516)	(623,510)	-		(20,046,762)
Written off	-		-	-	-	-	-		-
Transfers during the Year	-		-	0	-	-			0
Reclassification Adjust- ments	-		(16,411)	1,723,753	-	73,514	-		1,780,856
Closing balance as at 31 December 2024	282,337,883	-	840,102,628	1,349,683,924	386,275,106	465,922,922	-	-	3,324,322,464
Net book value as at 31 December 2024									
	531,260,707	-	410,488,362	194,475,063	84,202	112,187,699	6,076,164	657,900	1,255,230,096

24. PROPERTY, PLANT AND EQUIPMENT (CONTD...)

2023									
	Land and Buildings	Lease-hold properties	Computer Hardware	Office, Equipment, Furniture and Fittings	Motor Vehicles	Working Progress	Partition & Fittings	Other	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Cost									
Opening balance as at 01 January 2023	707,918,496		807,585,212	1,414,304,409	387,254,915	497,042,625	6,924,347	657,900	3,821,687,905
Additions	18,167,140		283,576,100	62,929,806	-	37,005,500	61,233,754		462,912,300
Disposals	-		(7,612,533)	(15,718,396)	(476,000)	(1,347,640)			(25,154,569)
Written off	-		-	-	-	-	-		-
Transfers during the Year	-		(121,420)	121,420	-	-	-	-	(0)
Reclassification Adjustments			(6,965,279)	9,065,850	253,920	(1,493,099)	(820,184)		41,208
Closing balance as at 31 December 2023	726,085,636	-	1,076,462,080	1,470,703,090	387,032,835	531,207,385	67,337,917	657,900	4,259,486,845
(Less): Accumulated depreciation									
Opening balance as at 01 January 2023	230,259,640		663,327,610	1,231,216,723	389,163,206	377,720,727	-		2,891,687,906
Charge for the year	25,018,326		86,529,572	74,456,627	(2,376,813)	43,870,735	-		227,498,447
Disposals	-		(5,844,818)	(15,057,123)	(475,995)	(941,105)	-		(22,319,041)
Written off	-		-	-	-	-	-		-
Transfers during the Year	-		-	0	-	-			0
Reclassification Adjustments	-		(290,082)	323,114	634,425	123,715	-		791,172
Closing balance as at 31 December 2023	255,277,965	-	743,722,281	1,290,939,341	386,944,823	420,774,072	-		3,097,658,483
Net book value as at 31 December 2023									
	470,807,671	-	332,739,799	179,763,749	88,012	110,433,313	67,337,917	657,900	1,161,828,361

24.1 FULLY DEPRECIATED PROPERTY, PLANT AND EQUIPMENT

A class-wise analysis of the initial cost of fully depreciated property, plant and equipment of the Bank which are still in use as at reporting date is as follows.

As at 31 December	2024 LKR	2023 LKR
Asset Class		
Building	8,215,520	8,100,812
Computer, Hardware	562,676,819	535,902,044
Office,Equipment,Furniture and Fittings	940,067,406	943,567,960
Motor Vehicles	315,365,532	365,599,547
Partition & Fittings	324,675,399	281,402,581
Software	366,809,102	241,895,254
	2,517,809,777	2,376,468,198

24.2 TITLE RESTRICTIONS ON PROPERTY, PLANT AND EQUIPMENT

There were no title restrictions on property, plant and equipment of the Bank as at the reporting date.

24.3 PROPERTY, PLANT AND EQUIPMENT PLEDGED AS SECURITY FOR LIABILITIES

No freehold property, plant and equipment have been pledged as security for any liability.

24.4 COMPENSATION FROM THIRD PARTIES FOR ITEMS OF PROPERTY, PLANT AND EQUIPMENT

There were no compensation received/ receivable from third parties for items of property, plant and equipment which were impaired of given up.

24.5 TEMPORALLY IDLE PROPERTY, PLANT AND EQUIPMENT

There were no temporally idle property, plant and equipment as at the reporting date.

24.6 FREEHOLD LANDS AND BUILDINGS

The details of freehold land and buildings held by the Bank as at 31st December 2024 are as follows:

Name of Premises and address	Extent (Perches)	Building (Square feet)	Date of valuation	Cost of Land LKR	Cost of Building LKR	Total Value LKR	Accumulated Depreciation LKR	Written down value LKR
H/O - No 933, Kandy Rd, Wedamulla, Kelaniya	50.4	5,375	March 5, 2012	142,244,280	140,192,136	282,436,416	77,779,444	204,656,973
Central Province						-		-
Matale -No 62, Main Street, Matale	4.8	2,280	December 26, 2014	-	11,915,631	11,915,631	5,965,977	5,949,654
Dambulla - No734, Anuradhapura Road, Dambulla	8.2	2,210	December 18, 2003	565,000	21,277,952	21,842,952	3,108,546	18,734,406
Wilgamuwa -Hettipola, Wilgamuwa	38.0	1,740	August 24, 2009	-	10,469,862	10,469,862	6,495,889	3,973,973
Agarapathana - No158, Hoolbrook, Agarapathana	10.8	1,598	August 17, 2012		1,260,000	1,260,000	719,999	540,001
Naula- 26,Dambulla Road,Naula	20.0	1,640	February 25, 1998	2,471,252	8,600,539	11,071,791	4,731,216	6,340,576
Laggala-New Town -Laggala	40.0	3,261		-	23,565,250	23,565,250	6,585,357	16,979,892
North Central Province						-		-
Mihinthalae - Trincomalee Road, Mihinthalae	20.0	6,359	December 30, 2005	0	25,337,078	25,337,078	9,232,167.92	16,104,910
Medawachchiya - Mannar Road, Madawachchiya	34.0	4,371	March 19, 2013	-	16,192,223	16,192,223	9,715,333.80	6,476,889
Galenbindunuwewa - Pola Road, Galenbidunuwewa	70.0	1,687	March 14, 2013	-	5,820,073	5,820,073	3,255,329.89	2,564,743
Medirigiriya - Main Street, Madirigiriya	40.0	-	December 31, 2007	-	9,643,650	9,643,650	8,205,746.12	1,437,904
Siripura - New Town, Siripura	30.0	4,973	February 24, 2016	-	22,291,625	22,291,625	9,866,785.01	12,424,840
Thirappane - Kandy Road, Thirappane	65.4	8,030	December 8, 2016	-	46,435,602	46,435,602	14,485,461.95	31,950,140
No.343,Mosque Road,Stage 01,Anuradhapura					125,000	125,000	37,500.00	87,500
North Western Province						-	-	-
Mawathagama - Kandy Road, Mawathagama	21.5	-	March 3, 2016	10,801,311		10,801,311	-	10,801,311
P/O Kurunegala - No 155, Negombo Rd, Kurunegala	14.0	8,484	December 29, 2004	-	18,227,912	18,227,912	12,135,595.98	6,092,316
Polpithigama - Kurunegala Road,Polpithigama	20.0	2,784	December 30, 2014	-	16,782,785	16,782,785	8,203,608.52	8,579,176
Mampuri - Kalpitiya Road, Mampuri	80.0	15,181	December 30, 2014	-	25,188,128	25,188,128	12,383,910.85	12,804,217
Palakuda - Kalpiti Road, Thalawila	20.3	2,244	March 25, 2003	-	5,792,157	5,792,157	4,336,886.61	1,455,271
Nattandiya - Marawila Road, Naththandiya	15.7	1,200	February 11, 2003	-	36,799,082	36,799,082	11,035,814.48	25,763,267
Wariyapola-No 29/4,Adhikari Mawatha,Wariyapola.	10.0	6,208	November 12, 2013	-	35,609,963	35,609,963	15,176,316.20	20,433,647
29/4 Adikari Mawatha, Wariyapola - District office	17.3	-	July 2, 2023	9,586,744	-	9,586,744	-	9,586,744
Puttalm 618/Puttiam South - Lease hold Building	51.0			-	19,490,931	19,490,931	1,168,427.78	18,322,503
NWP - New Land				22,008,250		22,008,250		22,008,250
Southern Province						-	-	-
Kekanadura - Weherahena Rd, Kekanadura	12.0	1,704	May 10, 2004	1,418,000	1,194,535	2,612,535	1,134,536	1,477,999
Akmeemana - Ganegoda, Akmeemana	6.5	1,614	October 2, 1993	-	1,039,150	1,039,150	624,242	414,908
Galle Branch - No 301, Matara rd, Magalle, Galle	30.0	1,224	October 9, 1999	-	8,894,553	8,894,553	4,679,847	4,214,706
Katuwana - Uda Gomadiya Road, Katuwana	39.1	3,150	March 22, 2001	1,320,000	7,406,958	8,726,958	7,034,919	1,692,039
Tangalle - 81, Beliatta Road, Tangalle	16.0	1,200	May 5, 2005	1,620,667	1,675,534	3,296,201	1,675,533	1,620,668
Uragasmanhandiya - Kosgoda Road,Uragasmanhandiya	20.0	1,940	April 10, 2012	-	13,354,618	13,354,618	7,829,831	5,524,787
Ambalantota - 139,Hambantota Road,Ambalantota	25.0	2,568	August 30, 2004	2,000,000	3,070,100	5,070,100	2,915,894	2,154,206
Agunakolapelessa,Ranna Road,Agunakolapelessa	12.0	2,371	August 27, 2001	-	3,470,348	3,470,348	2,638,746	831,603
D/O Galle - No 301, Matara rd, Magalle, Galle	30.0	2,000	October 8, 1999	1,750,000	4,884,716	6,634,716	4,362,080	2,272,636

No.01,Galwala Road,Hambantota	2370	16,315		48,160,824	48,160,824	18,779,443	29,381,381
Thalgaswala			May 26, 2022	3,004,320	3,004,320	-	3,004,320
Uva Province					-	-	-
Girandurukotte - Development Centre,Girandurukotte	101	1,661	November 30, 2011	3,227,674.2	3,227,674	2,169,686	1,057,988
Monaragal D/O-Monaragala Road,Buttala.	34.0	1,706	October 22, 1999	3,162,263	3,162,263	3,022,424	139,839
Bandarawela Lease hold Premises	7.7		February 18, 2013	1,150,000	-	1,150,000	-
Sabaragamuwa Province					-	-	-
Balangoda - No17Rest House Approach Road,Balangoda	20.0	-	February 18, 2013	6,679,574	6,679,574	-	6,679,574
Eastern Province					-	-	-
Swiss Village, Batticaloa,				173,370	173,370		173,370
Clock tower junction, front of bus stand, Ampara				468,550	468,550		468,550
Eastern Province - Dehiattakandiya					5,778,419	5,778,419	845,391
Total				210,423,581	603,175,009	813,598,590	282,337,883
							531,260,707

25 INTANGIBLE ASSETS

A class-wise analysis of the initial cost of fully depreciated property, plant and equipment of the Bank which are still in use as at reporting date is as follows.

As at 31 December	2024 LKR	2023 LKR
Computer Software		
Cost		
Balance as at 1st January	475,107,341	368,796,128
Additions	19,922,968	106,975,432
Written off		
Reclassification Adjustments	-	(662,792)
Disposals	(27,108,248)	-
Balance as at 31st December	467,922,062	475,108,768
Accumulated Amortization		
Balance as at 1st January	362,704,986	299,928,384
Charge for the year	55,118,663	62,778,029
Disposals	(27,108,248)	-
Balance as at 31st December	390,715,401	362,706,413
Net book value	77,206,661	112,402,355

25.1 There were no restriction on the title of the intangible assets of the Bank as at the reporting date. Further, there were no items pledged as securities for liabilities.

26 LEASES

Leases as lessee

Bank has obtained certain branches and office premises under Lease. The leases generally run for a period of 05 years, with an option to renew the lease after that date.

26.1 RIGHT OF USE ASSETS

As at 31 December	2024		
	Building LKR	Motor Vehicles LKR	Total LKR
Cost			
Balance as at 1 January 2024	2,205,669,332	70,539,460	2,276,208,792
Opening balance modifications - Buildings	(581,052)	-	(581,052)
Additions and Improvements	526,609,546	-	526,609,546
Balance as at 31 December 2024	2,731,697,826	70,539,460	2,802,237,286
Accumulated Amortization			
Balance as at 1 January 2024	1,345,425,271	70,539,459	1,415,964,731
Prepaymet's ammortization	16,432,176	-	16,432,176
Opening Balance Modifications	(581,052)	-	(581,052)
Charge for the Period	310,608,426	-	310,608,426
Balance as at 31 December 2024	1,671,884,821	70,539,459	1,742,424,281
Net book Value as at 31 December 2024			
	1,059,813,005	0	1,059,813,005

As at 31 December	2023		
	Building LKR	Motor Vehicles LKR	Total LKR
Cost			
Balance as at 1 January 2023	1,748,920,951	70,539,460	1,819,460,411
Opening balance modifications - Buildings	53,856,651	-	53,856,651
Additions and Improvements	402,891,729	-	402,891,729
Balance as at 31 December 2023	2,205,669,332	70,539,460	2,276,208,792
Accumulated Amortization			
Balance as at 1 January 2023	1,044,175,417	57,188,296	1,101,363,713
Charge for the Period	301,249,854	13,351,164	314,601,018
Balance as at 31 December 2023	1,345,425,271	70,539,459	1,415,964,731
Net book Value as at 31 December 2023			
	860,244,061	0	860,244,061

26.2 LEASE LIABILITIES

As at 31 December	2024		
	Building LKR	Motor Vehicles LKR	Total LKR
Balance as at 1 January 2024	938,468,152	-	938,468,152
Opening balance modifications - Buildings	(1,603,260)	-	(1,603,260)
Additions	504,114,646	-	504,114,646
Accretion of Interest	19,921,980	-	19,921,980
Payments	(364,606,031)	-	(364,606,031)
Balance as at 31 December 2024	1,096,295,487	-	1,096,295,487

As at 31 December	2023		
	Building LKR	Motor Vehicles LKR	Total LKR
Balance as at 1 January 2023	799,247,478	13,408,327	812,655,805
Opening balance modifications - Buildings	55,328,487	-	55,328,487
Additions	392,146,729	-	392,146,729
Accretion of Interest	39,812,098	257,672	40,069,770
Payments	(348,066,641)	(13,666,000)	(361,732,641)
Balance as at 31 December 2023	938,468,152	(1)	938,468,151

26.2.1 MATURITY ANALYSIS OF LEASE LIABILITY - CONTRACTUAL UNDISCOUNTED CASHFLOWS

As at 31 December	2024 LKR	2023 LKR
Less than one year	25,998,283	51,397,916
One to five years	1,070,297,204	887,070,235
	1,096,295,487	938,468,151

26.3 AMOUNTS RECOGNISED IN PROFIT OR LOSS

As at 31 December	2024 LKR	2023 LKR
Interest on lease liability	19,921,980	40,069,770
Amortisation charge for the year	310,608,426	314,601,018
	330,530,406	354,670,788

26.4 AMOUNTS RECOGNISED IN STATEMENT OF CASH FLOWS

As at 31 December	2024 LKR	2023 LKR
Lease rental payments	364,606,031	361,732,641
	364,606,031	361,732,641

27. DEFERRED TAX ASSETS/ LIABILITIES

As at 31 December	2024 LKR	2023 LKR
Deferred tax asset	(2,938,436,802)	(3,082,238,219)
Deferred tax liability	90,388,694	122,221,176
Net deferred tax (asset)/ liability	(2,848,048,108)	(2,960,017,043)

27.1 AMOUNTS RECOGNIZED IN THE INCOME STATEMENT

As at 31 December	2024 LKR	2023 LKR
Recognized in profit or loss	434,695,051	361,125,098
Recognized in other comprehensive income	(322,726,116)	204,032,777

27.2 MOVEMENT IN DEFERRED TAX BALANCES

2024	Net Balance as at 01st January 2024	Recognized in profit or loss	Recognized in OCI	Net Balance at 31st December 2024	Deferred Tax Asset	Deferred Tax Liability
Property, Plant and Equipment	90,179,852	(12,316,483)	-	77,863,369	-	77,863,369
Leases	32,041,324	(19,515,999)	-	12,525,325	-	12,525,325
Allowance for loan losses	(2,209,897,710)	496,645,351	-	(1,713,252,359)	(1,713,252,359)	-
Employee Benefits	(848,873,281)	(42,640,301)	(322,726,116)	(1,214,239,698)	(1,214,239,698)	-
Operating Lease	(23,467,227)	12,522,483	-	(10,944,745)	(10,944,745)	-
	(2,960,017,043)	434,695,051	(322,726,116)	(2,848,048,108)	(2,938,436,802)	90,388,694

2023	Net Balance as at 01st January 2023	Recognized in profit or loss	Recognized in OCI	Net Balance at 31st December 2023	Deferred Tax Asset	Deferred Tax Liability
Property, Plant and Equipment	99,661,788	(9,481,936)	-	90,179,852	-	90,179,852
Leases	39,351,625	(7,310,301)	-	32,041,324	-	32,041,324
Allowance for loan losses	(2,765,081,722)	555,184,012	-	(2,209,897,710)	(2,209,897,710)	-
Employee Benefits	(927,474,341)	(125,431,718)	204,032,777	(848,873,281)	(848,873,281)	-
Operating Lease	28,367,732	(51,834,959)	-	(23,467,227)	(23,467,227)	-
	(3,525,174,918)	361,125,098	204,032,777	(2,960,017,043)	(3,082,238,219)	122,221,176

28. OTHER ASSETS

As at 31 December	2024 LKR	2023 LKR
Cost		
Financial Assets		
Receivables	2,761,579,062	4,187,904,177
Deposits and Advances	22,557,735	17,961,962
Sundry Debtors	59,743,279	40,030,372
Others	217,939,610	185,651,069
	3,061,819,687	4,431,547,579
Non Financial Assets		
Prepayment	168,419,802	140,330,226
Others	1,259,009,747	2,042,579,792
Tax Receivables	-	3,084,424
Less: Expected Credit Loss Allowance (Note 28.1)	(382,414,307)	-
	1,045,015,242	2,185,994,442
Total other assets	4,106,834,929	6,617,542,021

28.1. EXPECTED CREDIT LOSS ALLOWANCE

As at 31 December	2024 LKR	2023 LKR
Balance as at 01 January	-	-
Net Charge/ (reversal) for the year	382,414,307	-
Balance as at 31 December	382,414,307	-

Expected Credit Loss Allowances have been made as per CBSL direction by the bank on receivable from General Tre sury with respect to the previous Special Interest Scheme on Fixed Deposits for Senior Citizens and Incentive Scheme on Inward Workers Remittances under Stage 2 according to SLFRS 09.

29. DUE TO BANKS

As at 31 December	2024 LKR	2023 LKR
Borrowings	18,392,787,902	26,688,177,339
Leasing (Note 29.1)	96,000	96,000
Refinance	18,019,987,753	19,520,205,944
Total due to banks	36,412,871,655	46,208,479,283
Maturity of the leasing		
As at 31st December	2024	2023
	Rs.	Rs.
Not later than 1 year	96,000	96,000
	96,000	96,000
Less - Interest in suspense	-	-
Total	96,000	96,000

30. FINANCIAL LIABILITIES AT AMORTISED COST - DUE TO OTHER CUSTOMERS

As at 31 December	2024 LKR	2023 LKR
Due to other customers	253,664,001,775	226,079,614,772
Total financial liabilities at amortized cost - due to other customers	253,664,001,775	226,079,614,772
30.1. Analysis of financial liabilities at amortized cost - due to other customers		
	2024	2023
	Rs.	Rs.
30.1.1. By product		
Savings deposits	57,537,143,671	44,208,976,801
Long term savings	28,193,155,501	25,856,165,440
Fixed deposits	167,933,702,604	156,014,472,532
Total financial liabilities at amortized cost	253,664,001,775	226,079,614,772
30.1.2. By currency		
Sri Lankan rupee	253,664,001,775	226,079,614,772
Total financial liabilities at amortized cost	253,664,001,775	226,079,614,772
30.1.3. By maturity		
Due within one year	248,309,775,121	192,704,887,810
Due after one year	5,354,226,654	33,374,726,962
Total financial liabilities at amortized cost	253,664,001,775	226,079,614,772

31. CURRENT TAX LIABILITIES

As at 31 December	2024 LKR	2023 LKR
Balance as at 1st January	(503,589,580)	1,011,924,146
Current tax based on profit for the year (Note 15)	1,259,739,071	129,272,120
Under/(Over) provision in respect of previous years (Note 15)	239,993,922	(170,493,912)
Surcharge tax	-	-
Payment of tax	(464,979,339)	(1,474,291,933)
Balance as at 31 December	531,164,073	(503,589,580)

32. OTHER LIABILITIES

As at 31 December	2024 LKR	2023 LKR
Financial Liabilities		
Sundry creditors	247,116,859	387,530,967
Other payables	7,681,829,001	4,119,557,073
Inter bank transaction in transit	(125,645,559)	1,203,121
Operating Lease Liability (Note 26.2)	1,096,295,487	938,468,151
	8,899,595,789	5,446,759,311
Non Financial Liabilities		
Other payables	1,854,106,212	1,241,194,421
Impairment provision for expected credit losses - credit related commitment and contingencies	34,005,963	46,090,572
	1,888,112,176	1,287,284,993
Total	10,787,707,964	6,734,044,304

33. RETIREMENT BENEFIT OBLIGATION

As at 31 December	2024 LKR	2023 LKR
Retirement Benefit Obligation (Note 33.1)	4,047,465,661	2,829,577,605
	4,047,465,661	2,829,577,605

33.1. NET ASSET /(LIABILITY) RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION

As at 31 December	2024 LKR	2023 LKR
Opening balance as at 01 January	2,829,577,604	3,091,581,136
Provision made during the year (Note 33.2)	522,460,641	708,495,411
Payable for resigned employees	(28,631,951)	(14,201,210)
Net Actuarial (Gain)/Loss on obligation (Note 33.3)	1,075,753,719	(680,109,258)
	4,399,160,013	3,105,766,079
Benefits paid by the Bank	(351,694,352)	(276,188,475)
Balance as at 31 December	4,047,465,661	2,829,577,604

33.2. AMOUNT RECOGNISED IN STATEMENT OF PROFIT OR LOSS

As at 31 December	2024 LKR	2023 LKR
Current Service cost	160,274,708	152,010,807
Interest Cost	362,185,933	556,484,604
Total amount recognised in Statement of Profit or Loss	522,460,641	708,495,411

33.3. AMOUNT RECOGNISED IN STATEMENT OF OTHER COMPREHENSIVE INCOME

As at 31 December	2024 LKR	2023 LKR
Net Actuarial (Gain)/Loss on obligation	1,075,753,719	(680,109,258)
Total amount recognised in Other Comprehensive Income	1,075,753,719	(680,109,258)

33.4. ACTUARIAL ASSUMPTIONS

An actuarial valuation of the gratuity fund was carried out as at 31st December 2024 by Actuarial & Management Consultants (Pvt) Ltd, a firm of professional actuaries. The valuation method used by the actuary to value the fund is the "Projected Unit Credit Method (PUC)", recommended by Sri Lanka Accounting Standard – LKAS 19 (Employee Benefits).

Actuarial Assumptions	2024	2023
Discount rate as at 31st December	11.50%	12.80%
Future salary increment rate	8% P.A.	8% P.A.
Mortality	A1967/70 Mortality Table issued by the Institute of Actuaries	A1967/70 Mortality Table issued by the Institute of Actuaries
Retirement age	60 Years	60 Years
Staff Turnover	2.00%	1.00%
Disability	10.00%	10.00%

33.5. SENSITIVITY OF ASSUMPTIONS USED IN THE ACTUARIAL VALUATION

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the total comprehensive income and statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on to total comprehensive income and employment benefit obligation for the year.

"Increase/ (Decrease) in Discount Rate"	2024			2023	
	"Increase/ (Decrease) in Salary Increment Rate"	"Sensitivity Effect on Income Statement Increase /(Reduction) in results for the year"	Present value of Defined Benefit Obligation Increase /(Decrease) in the Liability	"Sensitivity Effect on Income Statement Increase /(Reduction) in results for the year"	Present value of Defined Benefit Obligation Increase / (Decrease) in the Liability
		Rs.	Rs.	Rs.	Rs.
+1%	-	221,218,986	(221,218,986)	156,926,268	(156,926,268)
-1%	-	(250,609,069)	250,609,069	(177,150,113)	177,150,113
-	+1%	(275,115,966)	275,115,966	(196,503,326)	196,503,326
-	-1%	246,340,319	(246,340,319)	176,268,820	(176,268,820)

34. STATED CAPITAL

	2024 LKR	2023 LKR
Ordinary shares		
Balance as at 1st January	8,521,864,568	8,221,864,565
Issue of shares	-	300,000,002
Balance as at 31st December	8,521,864,568	8,521,864,568

35. STATUTORY RESERVE FUND

	2024 LKR	2023 LKR
Balance as at 1st January	888,423,757	845,247,866
Transfer during the period	63,772,474	43,175,891
Balance as at 31st December	952,196,231	888,423,757

36. OTHER RESERVES

Balance as at 31 December 2024	Opening balance as at 01 January 2024 LKR	Movement/ transfers LKR	Closing balance as at 31 December 2024 LKR
General reserve Fund	3,742,294,776	255,089,898	3,997,384,674
Special Reserve Fund	742,814,085	63,772,474	806,586,560
Total	4,485,108,861	318,862,372	4,803,971,232

Balance as at 31 December 2023	Opening balance as at 01 January 2023 LKR	Movement/ transfers LKR	Closing balance as at 31 December 2023 LKR
General reserve Fund	3,569,591,213	172,703,563	3,742,294,776
Special Reserve Fund	699,638,195	43,175,891	742,814,085
Total	4,269,229,407	215,879,454	4,485,108,861

37. RELATED PARTY DISCLOSURES

The Bank has entered into transactions with the parties who are defined as related parties in Sri Lanka Accounting Standard - LKAS 24 - "Related Party Disclosures" i.e. significant investors, Key Management Personnel (KMPs), Close Family Members (CFMs) of KMPs and other related entities. Those transactions include lending activities, acceptance and placements, off balance sheet transactions and provision of other banking and financial services that are carried out in the ordinary course of business on an arm's length basis at commercial rates, except for the transactions that KMPs have availed under schemes uniformly applicable to all the staff at concessionary rates.

37.1. KEY MANAGEMENT PERSONNEL OF THE BANK

As per the Sri Lanka Accounting Standard -LKAS 24 - "Related Party Disclosures", the KMPs includes those who are having authority and responsibility for planning, directing and controlling the activities of the Bank. KMPs include the members of the Board of Directors of the Bank, the Chief Executive Officer, Deputy General Managers, Senior Assistant General Managers, Regional General Managers, Compliance Officer, Chief Internal Auditor and Board Secretary.

37.1.1. KEY MANAGEMENT PERSONNEL COMPENSATION

	2024 LKR	2023 LKR
Key management personnel compensation comprised the following		
Short term employment benefits	213,744,121	114,446,682
Post employment benefits	-	-
	213,744,121	114,446,682

37.1.2. TRANSACTIONS, ARRANGEMENTS AND AGREEMENTS INVOLVING KMP AND THEIR CLOSE FAMILY MEMBERS (CFM)

The aggregate values of transactions and outstanding balances related to key management personnel were as follows;

	2024 LKR	2023 LKR
Items in the Statement of Financial Position		
Assets		
Loans and receivables	107,197,363	63,520,164
	107,197,363	63,520,164
Liabilities		
Deposits	118,398,289	109,537,568
	118,398,289	109,537,568
Items in the Statement of Profit or Loss		
Interest income	13,399,670	1,263,637
Interest expenses	4,528,865	8,446,504
	17,928,536	9,710,141

37.1.2.1. TERMS AND CONDITIONS OF THE ACCOMMODATION GRANTED TO KMPS AND THEIR CFMS

Type of the Loan	Other Terms and Con- ditions	Balance as at 31.12.2024	Security Details 31.12.2024	
			Type	Value
Staff Housing Loans	Terms are similar to comparable transactions with an unrelated parties with the exception of staff loans which are under approved schemes uniformly applicable to all or specific categories of employees.	45,903,299	Property	189,000,000
Staff Vehicle Loans		26,580,612	Motor Vehicle	56,000,000
Cash Backed Loans		18,955,450	Fixed Deposit/ Savings Deposits	36,364,482
Consumptions and Other Loans		15,758,002	Personal Guarantee & Gold	8,071,538
		107,197,363		289,436,020

Type of the Loan	Other Terms and Con- ditions	Balance as at 31.12.2023	Security Details 31.12.2023	
			Type	Value
Staff Housing Loans	Terms are similar to comparable transactions with an unrelated parties with the exception of staff loans which are under approved schemes uniformly applicable to all or specific categories of employees.	17,517,740	Property	123,600,000
Staff Vehicle Loans		16,717,697	Motor Vehicle	41,050,000
Cash Backed Loans		13,526,725	Fixed Deposit/ Savings Deposits	25,949,917
Consumptions and Other Loans		15,758,002	Personal Guarantee & Gold	6,099,813
		63,520,164		196,699,730

Total exposure to KMPS and their CFMs represents 0.46% of bank's regulatory capital.

37.2. TRANSACTIONS WITH THE GOVERNMENT OF SRI LANKA/ ENTITIES CONTROLLED, JOINTLY CONTROLLED, SIGNIFICANTLY INFLUENCED BY THE GOVERNMENT OF SRI LANKA

In accordance with Sri Lanka Accounting Standard LKAS 24 on “Related Party Disclosures”, the Bank has exempted from the disclosure requirements under paragraph 18 on transactions with Government of Sri Lanka, significant investor and its related entities.

A number of entities in which the Government of Sri Lanka has an interest, have significant interests in the Bank.

The Bank has disclosed individually significant transactions and other transactions collectively, but not individually with significant investor and related entities under LKAS 24. The Bank has entered into transactions, arrangements and agreements with the Government of Sri Lanka and its related entities. The significant financial dealings during the year and as of the date of the Statement of Financial Position are as follows:

Items in the Statement of Financial Position	2024 LKR	2023 LKR
Assets		
Loans and receivables	242,406,677	229,817,083
	242,406,677	229,817,083
Liabilities		
Deposits	28,909,494,931	16,542,321,512
	28,909,494,931	16,542,321,512
Items in the Statement of Profit or Loss		
Interest income	-	-
Interest expenses	1,750,799,936	2,749,060,923
	1,750,799,936	2,749,060,923

37.2.1. FURTHER TRANSACTIONS AS DETAIL BELOW, RELATING TO THE ORDINARY COURSE OF BUSINESS, ARE ENTERED INTO WITH THE GOVERNMENT OF SRI LANKA AND ITS RELATED ENTITIES:

- Investment in Treasury Bills and money market placements
- Payment of statutory rates and taxes
- Payment for utilities mainly comprising of telephone, electricity and water
- Payment for employment retirement benefits - (EPF ,ETF)

37.3. PRICING POLICY WITH RELATED PARTIES

The Bank enters into transactions with related parties in the ordinary course of business on terms similar to comparable transactions with an unrelated comparable counterparty with the exception of accommodation granted to Key Management Personnel under approved schemes uniformly applicable to all or specific categories of employees.

38. ASSETS PLEDGED AS SECURITY

The total financial assets recognized in the statement of financial position that had been pledged as collateral for liabilities as at 31 December 2024 and 2023 is shown in the following table:

2024	Type of Facility	Amount of Facility	Nature of Security	Value of Security	Balance as at 31 December 2024
		LKR. Mn		LKR. Mn	LKR. Mn
1	Over Draft - BOC	606	FD 74619066	413	-
2	Over Draft - PB		FD 80912939	891	
		200	FD- 055-60-01-00035863-2	290	-

2023	Type of Facility	Amount of Facility	Nature of Security	Value of Security	Balance as at 31 December 2023
		LKR. Mn		LKR. Mn	LKR. Mn
1	Over Draft - BOC	606	FD 74619066	413	-
			FD 80912939	891	
2	Over Draft - PB	200	FD- 055-60-01-00035863-2	290	-

39. CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business, the Bank undertakes commitments and incurs contingent liabilities with legal recourse to its customers to accommodate the financial and investment needs of clients, to conduct trading activities, and to manage its own exposure to risk. These financial instruments generate interest or fees and carry elements of credit risk in excess of those amounts recognized as assets and liabilities in the Statement of Financial Position. However no material losses are anticipated as a result of these transactions.

These contingencies and commitments are quantifies below:

As at 31 December	2024 LKR	2023 LKR
Guarantees and performance bonds	440,431,022	366,098,463
Other contingent items	85,039,345	292,019,801
Less : Impairment for expected credit losses-Guarantees	(34,005,963)	(46,090,572)
Total	491,464,404	612,027,693

39.1. ANALYSIS OF COMMITMENT AND CONTINGENCY EXPOSURE TO CREDIT RISK

As at 31 December 2024	Stage 1 LKR	Total LKR
Guarantees and performance bonds	440,431,022	440,431,022
Other contingent items	85,039,345	85,039,345
Expected Credit Loss Allowance (Note 39.1.1)	(34,005,963)	(34,005,963)
	491,464,404	491,464,404

As at 31 December 2023	Stage 1 LKR	Total LKR
Guarantees and performance bonds	366,098,463	366,098,463
Other contingent items	292,019,801	292,019,801
Expected Credit Loss Allowance (Note 39.1.1)	(46,090,572)	(46,090,572)
	612,027,693	612,027,693

39.1.1 EXPECTED CREDIT LOSS ALLOWANCE

As at 31 December	2024 LKR	2023 LKR
Balance as at 1st January	46,090,572	6,882,856
Net Charge for the year	(12,084,608)	39,207,716
Balance as at 31st December	34,005,963	46,090,572

39.2. ASSESSMENT RECEIVED BY THE BANK

Following assessments were received by the bank from the Department of Inland Revenue.

Income Tax

Notice of assessments issued for the year of assessment, 2014/15 LKR.653 Mn (ITA18280500065 V2), 2017/18 LKR.1,023 Mn (0201718001), 2018/19 LKR.246 Mn. (0201819002) and 2019/20 LKR.256 Mn. (0201920002) discussions are going with the authorities on for settlement. In addition, The bank made adequate provisions pertaining to the disputes which have been hearing in Tax Appeal Commission.

Value Added Tax

Value Added Tax on Financial Services for the years 2016 (VATFS/BFSU/2019/1002), 2018 (075018190002), 2019 (07501920002) and 2020 (7502021002) were respectively LKR.173.5 Mn.

40. LITIGATIONS AGAINST THE BANK

Litigation is a common occurrence in the banking industry due to nature of the business undertaken. The bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of possible losses reasonably estimated, the bank makes adjustments to accounts for adverse effects for which the claims may have on its financial standing. As at 31.12.2024, the Bank has 42 legal claims against the Bank and all material claims have been adequately provided for. The Legal Department of the Bank is of the view that currently pending litigations against the Bank will not have a material impact on the reported financial results or the future operations of the bank.

The Bank is involved in various types of litigation with borrowers or others who have asserted or threatened claims/ counter claims against the Bank, including the following;

Civil Cases

Out of 42 legal cases, there was one civil case against the bank as at 31.12.2024. (Case No : 1037/2019; DC Colombo)

Labour Related Cases

Out of 42 legal cases, there were 41 labour related cases against the bank as at 31.12.2024.

42. CURRENT VS NON CURRENT ANALYSIS

As at 31 December 2024	Within 12 Months LKR	After 12 Months LKR	Total LKR
Assets			
Cash and cash equivalent	827,778,892	-	827,778,892
Placements with banks	18,339,705,502	-	18,339,705,502
Equity Instruments at fair value through profit or loss	264,680	-	264,680
Financial assets at amortised cost-Loans and receivables from other customers	78,175,086,620	148,992,756,471	227,167,843,091
Financial assets at amortised cost-Debt & other instruments	62,609,751,641	5,385,443,416	67,995,195,057
Equity Instruments at fair value through other comprehensive income	-	153,434,669	153,434,669
Property, plant and equipment	-	1,255,230,096	1,255,230,096
Intangible assets	-	77,206,661	77,206,661
Right of use assets	-	1,059,813,006	1,059,813,006
Deferred tax assets	-	2,848,048,109	2,848,048,109
Other assets	1,918,879,830	2,187,955,099	4,106,834,929
Total assets	161,871,467,164	161,959,887,528	323,831,354,692
Liabilities			
Due to banks	3,745,186,434	32,667,685,221	36,412,871,655
Due to other customers	177,184,305,460	76,479,696,316	253,664,001,776

Current tax liabilities	531,164,074	-	531,164,074
Other liabilities	3,732,121,974	7,055,585,990	10,787,707,965
Retirement benefit obligation	28,631,951	4,018,833,710	4,047,465,661
Total liabilities	185,221,409,893	120,221,801,237	305,443,211,131
Maturity Gap	(23,349,942,729)	41,738,086,291	18,388,143,561
Cumulative Gap	(23,349,942,729)	18,388,143,562	-

As at 31 December 2023	Within 12 Months LKR	After 12 Months LKR	Total LKR
Cash and cash equivalent	104,444,214	-	104,444,214
Placements with banks	6,005,330,402	-	6,005,330,402
Equity Instruments at fair value through profit or loss	145,820	-	145,820
Financial assets at amortised cost-Loans and receivables from other customers	88,522,864,760	105,902,023,411	194,424,888,171
Financial assets at amortised cost-Debt & other instruments	81,609,274,344	5,355,440,338	86,964,714,682
Equity Instruments at fair value through other comprehensive income	-	2,290,929	2,290,929
Property, plant and equipment	-	1,161,828,361	1,161,828,361
Intangible assets	-	112,402,355	112,402,355
Right of use assets	-	860,244,061	860,244,061
Deferred tax assets	-	2,960,017,044	2,960,017,044
Other assets	3,414,214,447	3,706,917,155	7,121,131,601
Total assets	179,656,273,987	120,061,163,653	299,717,437,640
Liabilities			
Due to banks	3,514,258,294	42,694,220,989	46,208,479,283
Due to other customers	166,274,427,218	59,805,187,554	226,079,614,772
Debt issued and other borrowed funds	-	-	-
Current tax liabilities	-	-	-
Other liabilities	3,732,121,974	3,001,922,329	6,734,044,303
Retirement benefit obligation	299,493,340	2,530,084,265	2,829,577,605
Total liabilities	173,820,300,826	108,031,415,137	281,851,715,964
Maturity Gap	5,835,973,161	12,029,748,516	17,865,721,675
Cumulative Gap	5,835,973,161	17,865,721,677	-
Total liabilities	161,789,731,318	109,379,291,749	271,169,023,067
Maturity Gap	(37,671,158,596)	51,897,285,971	14,226,127,375
Cumulative Gap	(37,671,158,596)	14,226,127,376	-

43. FINANCIAL RISK MANAGEMENT

43.1 INTRODUCTION AND OVERVIEW

The Bank has exposure to the following risks from financial instruments:

- Credit Risk
- Liquidity risk
- Market risk
- Operational risk

43.1.1 RISK MANAGEMENT FRAMEWORK

The Board of Directors has overall responsibility for the establishment and oversight of the Banks' risk management framework. The Board discharges its governance responsibility through the Board Integrated Risk Management Committee and the Board Audit Committee. Board Integrated Risk Management Committee consists of non-executive members who report regularly to the Board of Directors on their activities. There are several executive management sub committees such as the Executive Management Committee, Asset and Liability Committee (ALCO), Executive Credit Management Committee and IT Steering Committee, which focus on specialized risk areas that support the Board Integrated Risk Management Committee.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board Integrated Risk Management Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures. The Board Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit Committee.

43.1.2 ASSET AND LIABILITY COMMITTEE (ALCO)

ALCO is chaired by the General Manager and has representatives from Finance Department, Credit Department, Operation Department and Risk Department. The Committee meets regularly to monitor and manage the assets & liabilities of the Bank and also overall liquidity position to keep the Bank's liquidity at healthy levels, whilst satisfying regulatory requirements.

43.1.3 RISK MEASUREMENT & REPORTING

The Bank's risks are measured using appropriate techniques based on the type of risk, and industry best practices. The Bank also carries out Stress Testing to identify the effect of extreme events/worst case scenarios in most of the major type of risks and the results are reported to Integrated Risk Management Committee on a periodic basis. Monitoring and controlling risks is primarily performed based on policies, limits & thresholds established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept (Risk Appetite).

43.1.4 RISK MITIGATION

As part of its overall risk management, the Bank obtains various types of collaterals to mitigate the risk. Details such as nature of the collateral that could be accepted, required security margin etc are clearly defined in the Credit Policy of the Bank and any deviations require specific approval. However, respective approving authorities would take into account the availability of security only as the secondary source of repayment.

43.2 CREDIT RISK

Credit risk is the 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 Bank's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

For risk management purposes, credit risk arising on trading assets (FVTPL) is managed independently and information thereon is disclosed below. The market risk in respect of changes in fair value in trading assets (FVTPL) arising from changes in market credit spreads applied to debt securities and derivatives included in trading assets is managed as a component of market risk, further details are provided in market risk section.

Management of Credit Risk

The Board of Directors has delegated responsibility for the oversight of credit risk to its Board Credit Committee (Discontinued with effect from June 2021). Bank Credit Administration Unit reporting to the Executive Credit Management Committee through the Chief Risk Officer is responsible for management of the Bank’s credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by Heads of Credit, Board Credit Committee (Discontinued with effect from June 2021) or the Board of Directors as appropriate.
- Reviewing and assessing credit risk. Head of Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Head of Credit who may require appropriate corrective action to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.
- Regular audits of business units and Bank credit processes are undertaken by Internal Audit.

Exposure to Credit Risk

The table below set out information about credit quality of financial assets and allowance for impairment/ expected credit losses held by the Bank against those assets.

Credit Quality Analysis

Delinquency status	Description
Stage 1	
Regular	Performing
1 - 30 days	Performing
Stage 2	
31-60 days	Under Performing
61-90 days	Under Performing
Stage 3	
Above 90 days	Non- performing

As at December	2024				2023			
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Financial investments at amortized cost-Debt & other instruments								
Quoted debentures	1,661,984,952	-	-	1,661,984,952	623,946,610	-	-	623,946,610
Government debt securities-treasury bills & bonds	22,062,338,310	-	-	22,062,338,310	60,478,658,961	-	-	60,478,658,961
Investment in fixed deposits	42,770,532,521	-	-	42,770,532,521	25,864,468,910	-	-	25,864,468,910
Total debt and other instruments	66,494,855,783	-	-	66,494,855,783	86,967,074,481	-	-	86,967,074,481
Expected credit loss allowance	(1,386,491)	-	-	(1,386,491)	(2,359,798)	-	-	(2,359,798)
Net debt and other instruments	66,493,469,292	-	-	66,493,469,292	86,964,714,683	-	-	86,964,714,683
Placements with banks								
Money market placements	18,339,705,502	-	-	18,339,705,502	6,005,330,402	-	-	6,005,330,402
Total placements with banks	18,339,705,502	-	-	18,339,705,502	6,005,330,402	-	-	6,005,330,402
Expected credit loss allowance	-	-	-	-	-	-	-	-
Net placements with banks	18,339,705,502	-	-	18,339,705,502	6,005,330,402	-	-	6,005,330,402
Commitments and Contingencies *								
Bank Guarantee	440,431,022	-	-	440,431,022	366,098,463	-	-	366,098,463
Bills Send for Collection	85,039,345	-	-	85,039,345	292,019,801	-	-	292,019,801
Total commitments and contingencies	525,470,367	-	-	525,470,367	658,118,265	-	-	658,118,265
Expected credit loss allowance	(34,005,963)	-	-	(34,005,963)	(46,090,572)	-	-	(46,090,572)
Net commitments and contingencies	491,464,404	-	-	491,464,404	612,027,693	-	-	612,027,693

* To meet the financial needs of customers, the Bank enters into various commitments and contingent liabilities. Even though these obligations may not be recognized on the Statement of Financial Position, they do contain credit risk and are, therefore, part of the overall risk of the Bank.

43.2.1. MEASUREMENT OF EXPECTED CREDIT LOSSES (ECL)

Inputs, assumptions and techniques used for estimating impairment under SLFRS 9 is disclosed under Accounting Policies Note 5.1.2.5.

Significant increase in Credit Risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. Bank determines significantly increase credit risk when customers exceed 30 days past due.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne.

Incorporation of Forward-Looking Information

The Bank incorporates forward looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key drivers for credit risk are GDP growth, unemployment rates, inflation, exchange rates and interest rates.

The Bank formulates multiple economic scenarios to reflect base case, best case and worst case.

Analysis of inputs to the ECL model under multiple economic scenarios per geographic regions

An overview of the approach to estimating ECLs is set out in Note 2 Summary of significant accounting policies and in Note 2.1 Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Bank obtains the data used from third party sources (CBSL) and a team of economists within its Risk Department verifies the accuracy of inputs to the Bank' ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Bank's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios, as at 31 December 2024.

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario.

As at 31 December

Key drivers	Weightages	ECL Scenario	2025 %	2026 %	2027 %	2028 %	Subsequent Years
GDP growth %							
	25.0%	Base Case	1.60%	1.60%	1.60%	1.60%	1.60%
	15.0%	Best Case	3.51%	4.06%	4.62%	5.18%	5.59%
	60.0%	Worse Case	2.14%	2.22%	2.26%	2.25%	2.26%
Inflation Rates %							
	25.0%	Base Case	4.00%	4.00%	4.00%	4.00%	4.00%
	15.0%	Best Case	2.55%	2.19%	1.87%	1.60%	1.27%
	60.0%	Worse Case	5.55%	7.02%	8.86%	11.18%	13.07%
Interest Rate %							
	25.0%	Base Case	12.13%	12.13%	12.13%	12.13%	12.13%
	15.0%	Best Case	11.14%	10.83%	10.53%	10.23%	9.81%
	60.0%	Worse Case	12.85%	13.41%	13.99%	14.60%	15.02%
Exchange rates (USD \$ to LKR)							
	25.0%	Base Case	350.00	350.00	350.00	350.00	350.00
	15.0%	Best Case	288.96	257.77	229.95	205.13	182.99
	60.0%	Worse Case	350.00	350.00	350.00	350.00	350.00
Unemployment rates %							
	25.0%	Base Case	4.70%	4.70%	4.70%	4.70%	4.70%
	15.0%	Best Case	4.64%	4.63%	4.61%	4.59%	4.56%
	60.0%	Worse Case	4.74%	4.77%	4.79%	4.82%	4.84%

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and Stage 3 the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The SLFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Treasury, trading and interbank relationships

The Bank's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, primary-dealers, exchanges and clearing-houses. For these relationships, the Bank's Treasury Unit analyses publicly available information such as financial information.

Sector classification of loans

The loan classification of the bank for reporting purpose has been incorporated as per the sectorial classification of Central Bank of Sri Lanka.

Of the total sector classification, this report categorized them in top major sectors, in accordance to the size of the portfolios.

The highest sector under this classification as per the banks closing books, 2024 is the Pawning advances followed by Housing, Refinance, Commercial, Agriculture, Industrial, Other Loans, Loans against deposits, Staff loans, Leasing, SME, Liya Isura Loans.

Sector wise portfolios	LKR
Pawning	59,401,417,383
Term Loan - Housing	53,318,912,329
Refinance	33,008,681,869
Term Loan - Commercial	28,381,204,446
Term Loan - Agriculture	23,044,992,352
Term Loan - Industrial	15,752,430,198
Loan Against Deposit	14,970,811,599
Term Loan - Other	8,472,035,215
Staff	6,539,033,827
Leasing	1,752,917,987
SME	118,110,361
Liya Isura	27,846,122

Corporate loans (Services, Manufacturing and Industry loans)

For corporate loans, the borrowers are assessed by specialized credit employees of the Bank. The credit risk assessment is based on the behaviour of the customer and credit quality based on the past due status. Further, the bank considers following aspects while assessing the risk of a customer :

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realized and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties are captured, which includes information provided by Credit Information Bureau. This includes external rating grades issued by rating agencies, independent analyst reports, press releases and articles, which contains relevant information of clients/industry and applicable to the credit analysis and decision making processes.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

Consumer lending and retail loans

Consumer lending comprises Housing Loans, Consumer loans and Personal Loan. These products along with retail mortgages and some of the less complex small business lending are rated by (Corporate and retail credit scoring models) primarily driven by days past due (Credit Information Bureau reports). Other key inputs into the models are:

- Consumer lending products: use of limits and volatility thereof, economic condition, changes in personal income/salary levels based on records of repayment capacity, repayment sources, personal indebtedness and expected interest repricing.
- Retail mortgages: GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing.

Grouping financial assets measured on a collective basis

Asset classes where the Bank calculates ECL on an individual basis includes all customers above the individually significant threshold of LKR 10 mn of the total exposure.

Asset classes where the Bank calculates ECL on a collective basis include:

- Customers below the Individually Significant threshold of LKR 10mn.

The Bank groups these exposures into smaller homogeneous portfolios as described below:

- Product Type
- Interest Rate

43.2.2. COLLATERAL HELD AND OTHER CREDIT ENHANCEMENTS

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, inventories and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and are updated regularly. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

Definition of Past Due

Banks consider that any amounts uncollected thirty one days or more beyond their contractual due date are 'past due.'

An estimate made at the time of borrowing of the fair value of collateral and other security enhancements held against loans and advances to customers is given below and the value of collateral has been restricted to the value of the loans outstanding balances.

As at 31 December	2024 LKR	2023 LKR
Collateral Type		
Land & Buildings	29,819,388,903	28,705,668,268
Machinery	208,685,103	901,920,842
Motor Vehicles	836,892,388	948,270,386
Gold	59,401,417,383	45,605,107,198
Fixed Deposits	14,970,811,599	14,327,361,268
Personal Guarantees	125,009,928,617	112,964,945,642
Bank Guarantees	288,780	500,448
Others	14,540,980,913	10,508,861,028
	244,788,393,686	213,962,635,079

As at 31 December	2024		2023	
	Maximum Exposure to Credit Risk LKR	Exposure Net of Collateral LKR	Maximum Exposure to Credit Risk LKR	Exposure Net of Collateral LKR
Cash and cash equivalent	827,778,892	827,778,892	104,444,214	104,444,214
Placements with Banks	18,339,705,502	18,339,705,502	6,005,330,402	6,005,330,402
Equity Instruments at fair value through profit or loss	264,680	264,680	145,820	145,820
Financial assets at amortised cost-Loans and receivables from other customers	244,788,393,686	169,117,480,416	213,962,635,079	186,062,148,016
Financial investments at amortised cost-Debt & other instruments	67,995,195,057	67,995,195,057	86,964,714,682	86,964,714,682
Equity Instruments at fair value through profit or loss	153,434,669	153,434,669	2,290,929	2,290,929
Other assets	3,061,819,687	3,061,819,687	4,431,547,579	4,431,547,579

As at 31 December	Forced Sale Value of Foreclosed Collateral	
	2024 LKR	2023 LKR
Balance as at 01 January	180,680,145	165,450,000
Additions during the year	-	15,230,145
Disposals during the year	-	-
Valuation changes	-	-
Balance as at 31 December	180,680,145	180,680,145

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner.

Loan-to-value ratio (LTV)

Residential Mortgage lending

The tables below stratify credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan - or the amount committed for loan commitments - to the value of the collateral. The gross amounts exclude any impairment allowance. The valuation of the collateral excludes adjustment for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

As at 31 December	2024 LKR	2023 LKR
LTV ratio		
Less than 50%	24,376,906,363	12,800,091,156
51-70%	3,287,982,755	4,388,489,979
71-90%	771,538,642	888,656,046
91-100%	836,735,781	9,369,892,053
More than 100%	546,225,361	1,258,539,035
Total	29,819,388,903	28,705,668,268

43.2.3. CONCENTRATION OF CREDIT RISK

The Bank monitors concentrations of credit risk by industry and by geographic location.

Concentrations of credit risk

An analysis of concentrations of credit risk for loans and advances, lending commitments, financial guarantees and investment securities is shown below.

As at December	Loans and Advances to Customers		Investment debt securities		Lending commitments and financial guarantees	
	2024 LKR	2023 LKR	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Carrying amount	244,788,393,686	213,962,635,079	67,996,581,549	86,967,074,481	525,470,367	658,118,265
Amounts committed/ guaranteed						
Concentration by sector						
Corporate:						
Other	-	-	-	-	525,470,367	658,118,265
Government	-	-	22,062,338,310	60,478,658,961	-	-
Banks	-	-	45,934,243,239	26,488,415,520	-	-
Retail:						
Personal Guarantee	125,009,928,617	112,964,945,642	-	-	-	-
Mortgages	105,237,484,156	90,488,828,409	-	-	-	-
Unsecured lending	14,540,980,913	10,508,861,028	-	-	-	-
	244,788,393,686	213,962,635,079	67,996,581,549	86,967,074,481	525,470,367	658,118,265

43.3. LIQUIDITY RISK

Liquidity risk is the risk that the Bank will encounter difficulties in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Hence the bank may be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

Management of Liquidity Risk

The Bank sets the strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to ALCO. ALCO approves the Bank's liquidity policies and procedures. Central Treasury manages the Bank's liquidity position on a day-to-day basis and reviews daily reports. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO. The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The key elements of the Bank's liquidity strategy are as follows.

* Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingency facilities.

* Carrying a portfolio of highly liquid assets, diversified by currency and maturity.

* Monitoring liquid ratios, maturity mismatches, behavioral characteristics of the Bank's financial assets and financial liabilities, and the extent to which the Bank's assets are encumbered and so not available as potential collateral for obtaining funding.

* Carrying out stress testing of the Bank's liquidity position.

The most important of these is to maintain the minimum 100% of Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) to meet the regulatory requirement. Liquid assets consist of cash, short-term bank deposits and liquid debt securities available for immediate sale.

43.3.1 Exposure to Liquidity Risk

With the discontinuation of regulatory requirements relating to Statutory Liquid Assets Ratio as per the Banking Act Determination No 01 of 2024, with effect from 13th June 2024 in terms of Sections 21(1) and 76H of the Banking Act, No. 30 of 1988, as amended, the Central Bank of Sri Lanka has determined that every licensed commercial bank and licensed specialized bank shall maintain Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as the statutory liquidity ratios at all times, in accordance with "Basel III: International Framework for Liquidity Risk Measurement by the Basel Committee on Banking Supervision. Details of the reported bank ratios of LCR & NSFR at the reporting dates during the year were as follows.

	2024			2023		
	Rupee Liquidity	All Currency Liquidity Requirement	NSFR	Rupee Liquidity	All Currency Liquidity Requirement	NSFR
	LCR			LCR		
1st Quarter	633%	633%	156%	239%	239%	103%
2nd Quarter	590%	590%	175%	523%	523%	148%
3rd Quarter	716%	716%	164%	438%	438%	101%
4th Quarter	402%	402%	152%	976%	976%	174%

43.3.2 ANALYSIS OF FINANCIAL LIABILITIES BY REMAINING CONTRACTUAL MATURITIES

The table below summarizes the maturity profile of the undiscounted cash flows of the Bank's financial liabilities as at 31 December 2024. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date it could be required to pay and the table does not reflect the expected cash flows indicated by its deposit retention history.

As at 31 December 2024	Carrying Value LKR	Total LKR	Less than 3 months LKR	3 to 12 Months LKR	1 to 3 Years LKR	3 to 5 Years LKR	Over 5 Years LKR
Non - Derivative Liabilities							
Due to banks	36,412,871,655	36,412,871,655	899,752,360	2,845,434,074	7,764,585,571	7,901,787,922	17,001,311,727
Due to other customers	253,664,001,776	253,664,001,776	81,036,303,555	96,148,001,904	18,506,718,984	18,863,568,590	39,109,408,742
Other liabilities	10,787,707,965	10,803,396,381	1,941,747,618	4,036,322,708	1,773,124,481	2,070,379,164	981,822,409
Total Non - Derivative Liabilities	300,864,581,396	300,880,269,812	83,877,803,534	103,029,758,687	28,044,429,036	28,835,735,677	57,092,542,879

As at 31 December 2023	Carrying Value LKR	Total LKR	Less than 3 months LKR	3 to 12 Months LKR	1 to 3 Years LKR	3 to 5 Years LKR	Over 5 Years LKR
Non - Derivative Liabilities							
Due to banks	46,208,479,283	46,208,479,283	772,199,475	2,742,058,819	5,483,925,638	13,849,520,901	23,360,774,450
Due to other customers	226,079,614,772	226,079,614,772	56,226,684,689	110,047,742,530	11,643,421,155	16,465,228,165	31,696,538,235
Other liabilities	6,734,044,304	6,734,044,304	949,813,113	1,342,693,165	1,702,442,543	1,258,158,953	1,480,936,529
Total Non - Derivative Liabilities	279,022,138,360	279,022,138,360	57,948,697,277	114,132,494,513	18,829,789,337	31,572,908,019	56,538,249,214

43.3.3. CONTRACTUAL MATURITIES OF COMMITMENTS AND CONTINGENCIES

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

Concentrations of credit risk

An analysis of concentrations of credit risk for loans and advances, lending commitments, financial guarantees and investment securities is shown below.

As at 31 December 2024	On Demand LKR	Less than 3 Months LKR	3 to 12 Months LKR	1 to 5 Years LKR	Over 5 Years LKR	Total LKR
Contingent Liabilities						
Bank guarantee (without impairment)		1,703,902	406,663,561	32,063,559	-	440,431,022
Other Contingent items-Bills sent for collection	85,039,345	-	-	-	-	85,039,345
Total Contingent Liabilities	85,039,345	1,703,902	406,663,561	32,063,559	-	525,470,367

As at 31 December 2023	On Demand LKR	Less than 3 Months LKR	3 to 12 Months LKR	1 to 5 Years LKR	Over 5 Years LKR	Total LKR
Contingent Liabilities						
Bank guarantee (without impairment)		1,416,330	338,030,015	26,652,118	-	366,098,463
Other Contingent items-Bills sent for collection	292,019,801	-	-	-	-	292,019,801
Total Contingent Liabilities	292,019,801	1,416,330	338,030,015	26,652,118	-	658,118,265

43.3.4 LIQUIDITY RESERVE

The table below sets out the components of Bank's liquid assets that are held for the liquidity purpose.

	2024	
	Carrying Amount	Fair Value
Cash and Cash equivalents	827,778,892	827,778,892
Placements with banks	3,339,705,502	3,339,705,502
Repo	15,000,000,000	15,000,000,000
Fixed Deposits	42,770,532,521	42,770,532,521
	61,938,016,915	61,938,016,915

* The carrying amounts approximate their fair values as they are short term in nature (less than twelve months).

43.3.5. LIQUIDITY COVERAGE RATIO

The Liquidity Coverage Ratio (LCR) as defined by the regulator is intended to promote the short-term resilience of a bank's liquidity risk profile over a 30 day period. The ratio is defined as the amount of High Quality Liquid Assets (HQLA) that could be used to raise liquidity, measured against the total volume of net cash outflows, arising from both actual and contingent exposures, in a stressed scenario.

The LCR complements the Bank's stress testing framework. By maintaining a ratio in excess of minimum regulatory requirements, the LCR seeks to ensure that the Bank holds adequate liquidity resources to mitigate a short-term liquidity stress.

NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. The amount of available and required stable funding are calibrated to reflect the presumed degree of stability of liabilities and liquidity of assets.

In complying with Banking Act determination No 01 of 2024 regulatory requirements relating to Statutory Liquid Assets Ratio was discontinued from 13th June 2024.

The following were the Liquidity Coverage Ratios (%) of the Bank as at 31 December:	2024	2023
Liquidity Coverage Ratio (%) - Rupee	402	976
Net Stable Funding Ratio (%)	151	174

43.3.6. STATUTORY LIQUID ASSETS RATIO

For the month of December 2024	Nil
For the month of December 2023	103.00%

43.3.7. DUE TO BANKS & DUE TO OTHER CUSTOMERS (DEPOSITS) TO LOANS AND RECEIVABLES FROM BANKS & OTHER CUSTOMERS (ADVANCES) RATIO

The Bank is aware of the importance of due to banks & other customers as a source of funds for its lending operations.

This is monitored using the following ratio, which compares loans and receivables to customers as a percentage of due to banks & Due to other customers (Deposits).

Due to banks & due to other customers to Loans and receivables from banks & other customers Ratio.

As at 31st December 2024	89.09%
As at 31st December 2023	86.58%

The table below sets out the availability of financial and non-financial assets held by the Bank on the basis of being encumbered or unencumbered as of 31.12.2024 and 31.12.2023.

	2024				2023			
	Encumbered		Unencumbered	Total	Encumbered		Unencumbered	Total
	Pledged as collateral	Other	Other		Pledged as collateral	Other	Other	
Cash and cash equivalent	-	-	827,778,892	827,778,892	-	-	104,444,214	104,444,214
Placements with banks	-	-	18,339,705,502	18,339,705,502	-	-	6,005,330,402	6,005,330,402
Equity Instruments at fair value through profit or loss	-	-	264,680	264,680	-	-	145,820	145,820
Financial assets at amortised cost-Loans and receivables from other customers	-	-	227,167,843,091	227,167,843,091	-	-	194,424,888,169	194,424,888,169
Financial assets at amortised cost-Debt & other instruments	1,985,570,901	-	66,009,624,156	67,995,195,057	1,593,912,059	-	85,370,802,623	86,964,714,682
Equity Instruments at fair value through other comprehensive income	-	-	153,434,669	153,434,669	-	-	2,290,929	2,290,929
Other assets	-	-	4,106,834,929	4,106,834,929	-	-	6,617,542,021	6,617,542,021
Total	1,985,570,901	-	316,605,485,919	318,591,056,820	1,593,912,059	-	292,525,444,178	294,119,356,237

43.4. MARKET RISK

Market risk' is the risk that changes in market prices - such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to the changes in the obligator's/ issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the bank's solvency while optimizing the return on risk.

Overall authority for market risk is vested in ALCO. ALCO sets up limits for each type of risk in aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios.

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios:

As at 31st December 2024	Market risk measure		
	Carrying amount	Trading portfolios	Non-trading portfolios
Assets subject to Market risk			
Cash and cash equivalent	827,778,892	-	827,778,892
Placements with banks	18,339,705,502	-	18,339,705,502
Equity Instruments at fair value through profit or loss	264,680	264,680	-
Financial investments at amortised cost-Debt & other instruments	67,995,195,057	-	67,995,195,057
Financial assets at amortised cost-Loans and receivables from other customers	227,167,843,091	-	227,167,843,091
Equity Instruments at fair value through other comprehensive income	153,434,669	-	153,434,669
Other assets	3,061,819,687	-	3,061,819,687
Liabilities subject to Market risk			
Due to banks	36,412,871,655	-	36,412,871,655
Due to other customers	253,664,001,776	-	253,664,001,776
Debt issued and other borrowed funds	-	-	-
Current tax liabilities	531,164,074	-	531,164,074
Other liabilities	8,899,595,789	-	8,899,595,789

As at 31st December 2023	Market risk measure		
	Carrying amount	Trading portfolios	Non-trading portfolios
Assets subject to Market risk			
Cash and cash equivalent	104,444,214	-	104,444,214
Placements with banks	6,005,330,402	-	6,005,330,402
Equity Instruments at fair value through profit or loss	145,820	145,820	-
Financial investments at amortised cost-Debt & other instruments	86,964,714,682	-	86,964,714,682
Financial assets at amortised cost-Loans and receivables from other customers	194,424,888,169	-	194,424,888,169
Equity Instruments at fair value through other comprehensive income	2,290,929	-	2,290,929
Other assets	4,431,547,579	-	4,431,547,579
Liabilities subject to Market risk			
Due to banks	46,208,479,283	-	46,208,479,283
Due to other customers	226,079,614,772	-	226,079,614,772
Debt issued and other borrowed funds	-	-	-
Current tax liabilities	-	-	-
Other liabilities	5,446,759,311	-	5,446,759,311

Management of Market Risk

Market risk management reporting creates transparency on the risk profile and facilitates the understanding of core market risk drivers to all levels of the Bank. The Management and Board Committees receive regular reporting, as well as ad hoc reporting as required, on market risk, the impact on capital and earnings through stress testing. The Operation Risk Management Committee (ORMC) and Asset and Liability Committee (ALCO) receive risk information at a number of frequencies, including monthly and quarterly.

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are mainly held by the Bank's Treasury Department, and include positions arising from market making and also held with a view to earn a profit of financial assets and liabilities that are managed on a fair value basis.

The Bank employs a range of tools to monitor and limit market risk exposures.

Non - Trading Market Risk

Non trading market risk arises primarily from outside the activities of our trading units, in our banking book and from certain off-balance sheet items. Significant market risk factors the Bank is exposed to and are overseen by risk management committees are:

- Interest rate risk (including risk from embedded optionality and changes in behavioural patterns for certain product types)
- Market risks from off-balance sheet items such as foreign exchange risk of the hedging instruments such as SWAPs.

43.4.1 INTEREST RATE RISK

Interest rate risk is the potential impact on the Bank's earnings and net asset values due to changes in market interest rates. Interest rate risk arises when the Bank's principal and interest cash flows (including final maturities), both on and off balance sheet, have mismatched re-pricing dates. The amount of risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. The Bank's lending, funding, and investment activities give rise to interest rate risk.

Interest rate risk management is conducted within the context of a comprehensive business strategy. The bank has developed and implemented effective and comprehensive procedures to manage and control interest rate risk in accordance with the strategies in managing interest rate risk. These procedures are in accordance to the size and complexity of the Bank's interest rate risk-taking activities.

The Bank manages interest rate risk through the re-pricing maturity mis-match gaps by using Funds Transfer Pricing (FTP) techniques to take advantage in optimal gains. Through the FTP; portfolios are hedged; through this approach the Bank ensures that interest rate risk between lending and funding in each time bucket remains low. The majority of the Bank's interest rate risk, therefore, stems from the unhedged portion of assets and liabilities.

Typically interest rate risk is split into two components: traded interest rate risk and non-traded interest rate risk. While the traded interest rate risk is relevant to trading activities and its affects, the latter is often referred to as interest rate risk on the balance sheet or to the banking book and arises from the Bank's core banking activities.

Interest Rate Risk in the Banking Book (IRRBB)

Interest rate risk in the banking book is the risk to both the Bank's capital and earnings, arising from movements in interest rates, which affect the banking book exposures. This includes maturity mis-matches of the interest bearing assets and liabilities which describes the impact of relative changes in interest rates for financial instruments that are priced using different interest rate curves.

Interest rate risk is also the risk that the Bank will experience in deterioration in its financial positions as interest rates move over time.

The interest rate position of the Bank is that the duration of the liabilities to some extent is lesser than the duration of the assets in the shorter tenors of the reprising profile. Given this mismatch, under normal circumstances increasing interest rates will have a negative impact on the interest income of the Bank. On the other hand, as liabilities re-price more quickly than assets, the average interest rates paid on liabilities would adapt more quickly to lower market interest rates. This would then support the Bank's net interest income.

During the current year as well as the preceding year banking industry faced unprecedented challenges as a result of fiscal and monetary stimulus. Due to the spread of the pandemic it was increasingly becoming evident that the domestic economic activities during the year 2023, was affected due to uncertainty and the various policies and regulations which were put into place from time to time to mitigate the adverseness of the economic conditions.

In this sense the Bank manages the Interest Rate Risk in the Banking Book (IRRBB) exposures using both Earnings at Risk (EAR) and Economic Value of Equity (EVE) measures. The Treasury division is delegated to manage the interest rate risk centrally on an ongoing basis, where Risk Management Unit acts as the second line of defence on an independent oversight function.

Economic value based measures look at the change in economic value of banking book of assets, liabilities and off-balance sheet exposures resulting from interest rate movements, independent of the accounting treatment. Thereby the Bank measures the change in Economic Value of Equity (EVE) of the banking book under standard scenarios for the ICAPP process as defined by Basel Committee on Banking Supervision.

Earnings-based measures look at the expected change in Net Interest Income (NII), compared to some defined benchmark scenarios, over a defined time horizon resulting from interest rate movements. Thereby the Bank measures the sensitivity of the Bank's interest sensitive assets and liabilities to a parallel shift to various interest rate scenarios.

43.4.2. MATURITY GAPS

The Management and Board defines the liquidity and funding risk strategy for the Bank, as well as the risk appetite, based on recommendations made by the Risk Committee. At least annually the Board Risk Management Committee reviews and approves the limits which are applied to the Bank to measure and control liquidity risk as well as our long-term funding plan.

While such risk monitoring is mainly based on the stock approach through ratios and risk levels approved as per the risk appetite of the Bank, another method of managing and monitoring liquidity risk is using the flow approach tools which is the popular maturity mis-match or Maturity Gap analysis.

A summary of the Bank's total assets and liabilities as at 31 December 2024, based on the remaining period at the reporting date to the respective Cash flow/ Maturity dates together with the maturity gaps are given below.

As at 31 December 2024	Carrying amount LKR	Up to 3 Months LKR	3 to 12 Months LKR	1 to 5 Years LKR	Over 5 Years LKR
Interest Earning Assets					
Cash and balances with central bank	82,778,892	82,778,892	-	-	-
Placements with banks	18,339,705,502	18,339,705,502	-	-	-
Financial assets at amortised cost-Loans and receivables from other customers	224,788,393,686	36,392,835,664	71,700,581,876	111,810,585,889	24,884,390,257
Financial investments at amortised cost-Debt & other instruments	67,996,581,549	34,254,111,705	27,859,597,798	4,750,600,724	1,132,271,322
Financial assets-fair value through other comprehensive income	153,434,669	-	-	-	153,434,669
Total Assets	332,105,894,297	89,814,431,762	99,560,179,674	116,561,186,613	26,170,096,248
			-		
Interest Bearing Liabilities					
Due to banks	36,412,871,655	899,752,360	2,845,434,074	15,666,373,493	17,001,311,727
Due to other customers	253,664,001,776	81,036,303,555	96,148,001,904	37,370,287,574	39,109,408,742
Total Liabilities	290,076,873,431	81,936,055,915	98,993,435,979	53,036,661,067	56,110,720,470
Gaps	42,092,020,866	7,878,375,847	566,743,695	63,524,525,546	

As at 31 December 2023	Carrying amount LKR	Up to 3 Months LKR	3 to 12 Months LKR	1 to 5 Years LKR	Over 5 Years LKR
Interest Earning Assets					
Cash and balances with central bank	104,444,214	104,444,214	-	-	-
Placements with banks	6,005,330,402	6,005,330,402	-	-	-
Financial assets at amortised cost-Loans and receivables from other customers	213,962,635,079	20,765,534,350	68,158,625,869	88,021,524,268	37,016,950,592
Financial investments at amortised cost-Debt & other instruments	86,967,074,481	44,558,271,660	36,460,255,964	618,993,939	5,329,552,919
Financial assets-fair value through other comprehensive income	2,290,929	-	-	-	2,290,929
Total Assets	307,041,775,105	71,433,580,626	104,618,881,833	88,640,518,207	42,348,794,440
			-		
Interest Bearing Liabilities					
Due to banks	46,208,479,283	772,199,475	2,742,058,819	19,333,446,539	23,360,774,450
Due to other customers	226,079,614,772	56,226,684,689	110,047,742,530	28,108,649,320	31,696,538,235
Total Liabilities	272,288,094,056	56,998,884,163	112,789,801,349	47,442,095,859	55,057,312,684
Gaps	34,753,681,049	14,434,696,462	(8,170,919,516)	41,198,422,348	(12,708,518,245)

INTEREST RATE BENCHMARK REFORMS

Interest rate benchmarks such as interbank offered rates (IBORs) play an important role in global as well as local financial markets. A fundamental reform of major interest rate benchmarks is being undertaken globally, replacing some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Bank has exposure to certain IBORs on its financial instruments that are being reformed as part of these market-wide initiatives globally.

The main risks to which the Bank has been exposed as a result of IBOR reform are operational. For example, the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform and regulatory risks. Financial risk is predominantly limited to interest rate risk.

The Bank through ALCO intends to manage its transition to alternative rates from the use of IBOR's. The contracts which have fallen due since end 2021 is re-priced at alternate rates mostly based on fixed pricing, the five US dollar LIBOR settings which will continue to be calculated using panel bank submissions until mid-2023, is used if required to re-price longer tenor advances which have frequent re-pricing dates. However, using these LIBOR's for new business is restricted from end-2021.

Going forward, RMU as a risk management functionality, will evaluate the extent to which loans advanced, loan commitments, liabilities and derivatives reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR. These findings will be reported to ALCO and Treasury to support the management of interest rate risk and works closely to identify operational and regulatory risks arising from these IBOR reforms and how to manage communication about IBOR reform with counterparties. These findings will be reported to BIRMC quarterly and will collaborate with other business functions as needed.

43.4.3. EXPOSURE TO OTHER MARKET RISKS

FOREIGN CURRENCY RISK

Foreign exchange rate risk arises from the movement of the rate of exchange of one currency against another, leading to an adverse impact on the Bank's earnings or equity. Bank is exposed to foreign currency risk resulting from foreign currency assets and liabilities taken over from former Lanka Puthra Development Bank and loan from Asian Development Bank. Necessary precautions are in place in order to avoid/mitigate possible foreign currency risk in the near future.

During the year, the banking sector experienced uncertainty in market situations due to the lack of foreign currency liquidity especially the US dollars. This mostly led to the banking industry being unable to meet the expected levels in liability conversion transactions especially trade related transactions. The market also experienced a drop in asset conversion transaction such as the inward remittance and export bills. This situation led to depreciation of USD/ LKR rates which was mostly a controlled exchange rate which traded around 200 to 363 levels.

The Bank ensures all market risk measures are adhered as laid down in the latest directions published by the Central Bank as well as according to best market practices followed locally and globally.

Given below are the foreign currency exposures and their rupee equivalent in the major currencies, in which the Bank trades in.

As at 31 December	In Original Foreign Currency		Functional Currency of the Bank	
	2024 USD	2023 USD	2024 LKR	2023 LKR
Net Foreign Currency Exposure				
Financial assets denominated in foreign currency	61,977,219	73,300,451	18,140,732,013	23,747,880,017
Financial liabilities denominated in foreign currency	61,343,117	62,295,743	17,955,130,355	20,182,575,095

An impact analysis of the foreign currency Net Open Position (NOP) was carried out applying shock levels of 5%, 10% and 15%, for depreciation on the current exchange rate and the impact on the overall foreign currency NOP (in USD) and the impact on Income Statement is shown in the table below.

As at 31 December	2024		2023	
	USD	LKR	USD	LKR
Net Open Position (NOP)	634,102	185,601,658	11,004,707	3,565,304,922
At Shocks Level of	Revised Rupee position	Effect on income statement	Revised Rupee position	Effect on income statement
5%	194,881,741	9,280,083	3,743,570,168	178,265,246
10%	204,161,824	18,560,166	3,921,835,414	356,530,492
15%	213,441,907	27,840,249	4,100,100,660	534,795,738

43.5. OPERATIONAL RISK

‘Operational risk’ is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank’s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank’s operations.

The Bank’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank’s reputation with overall cost effectiveness and innovation. In all cases, Bank policy requires compliance with all applicable legal and regulatory requirements.

The board of directors has delegated responsibility for operational risk to its Bank Operational Risk Committee, which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is cost effective.

44. CAPITAL MANAGEMENT

44.1. REGULATORY CAPITAL

The Bank’s lead regulator the Central Bank of Sri Lanka sets and monitors capital requirements for the Bank as a whole. The individual banking operations are directly supervised by the lead regulators. The Bank capital management goals are as follows;

- a. Ensure regulatory minimum capital adequacy of 12.5% requirements are not compromised.
- b. Bank to maintain its international and local credit rating and to ensure that no downgrading occurs as a result of deterioration of risk capital of the Bank.
- c. Ensure above industry average Capital Adequacy Ratio for the banking sector is maintained.
- d. Ensure maintaining of quality capital.
- e. Ensure capital impact of business decisions are properly assessed and taken into consideration during product planning and approval process.
- f. Ensure capital consumption by business actions are adequately priced.
- g. Ensure Bank’s average long-term dividend pay-out ratio is maintained.

Central Bank of Sri Lanka sets and monitors regulatory capital requirement on solo basis. The Bank is required to comply with the provisions of the Basel II and Basel III in respect of regulatory capital.

CAPITAL MANAGEMENT

Capital Adequacy is a measure of a bank's ability to withstand the associated risks of its business. Regulators find it necessary that every bank holds adequate capital to absorb unexpected losses as a going concern, while they price their products and services to take care of expected risks. Capital Adequacy Ratio (CAR) is measured under Basel II till 30 June 2017 and thereafter Basel-III and takes into account the Credit, Market and Operations risks. Keeping with the international standards of Basel Committee on Banking Regulations and Supervisory Practices, Sri Lanka has been following Basel III CAR calculation from 1 July 2017.

44.2. CAPITAL ALLOCATION

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved 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 risk 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 for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by Bank Risk and Bank Credit, and is subject to review by the Bank Asset and Liability Management Committee (ALCO).

Although maximization of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer-term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the board of directors.

44.3. AVAILABLE CAPITAL

Basel III accord recognises three capital elements, namely CET 1 Capital, Additional Tier1 Capital and Tier 2 capital.

CET 1 capital includes equity capital, reserve fund, published retained earnings (accumulated retained losses), general and other reserves, and unpublished current year's profit/ (losses) and gains reflected in OCI. Goodwill (net), other intangible assets, revaluation losses of PPE, deferred tax assets, cash flow hedge reserve, shortfall of the cumulative impairment to specific provisions, defined benefit pension fund assets, investments in own shares, investments in the capital of banking and financial institutions and other adjustments as per the regulatory directions are deducted as applicable in arriving at CET 1 capital.

Additional Tier 1 capital includes qualifying instruments as per the regulatory directions. Investments in own shares, investments in the capital of banking and financial institutions and other adjustments as per the regulatory directions are deducted as applicable in arriving at Additional Tier I capital.

Tier 2 capital includes qualifying tier 2 capital instruments, revaluation gains, and general provisions etc. Investments in own shares, investments in the capital of banking and financial institutions and other adjustments as per the regulatory directions are deducted as applicable in arriving at Tier 2 capital.

- Every licensed specialised bank shall maintain, at all times, the minimum capital ratios prescribed in the table below and shall ensure compliance with Schedule I to the Banking Act Directions No 01 of 2016 on Capital Requirements under Basel III for licensed banks.
- Licensed specialised banks which are determined as Domestic Systemically Important Banks (D-SIBs) from time to time shall maintain Higher Loss Absorbency (HLA) requirements as specified by the Monetary Board in the form of Common Equity Tier 1(CET1), as given in the table below.

Components of Capital	Capital Adequacy Ratio to be maintained by Licensed Banks
Common Equity Tier 1 including Capital Conservation Buffer	7.00%
Total Tier 1 including Capital Conservation Buffer	8.50%
Total Capital Ratio including Capital Conservation Buffer	12.50%

The Bank Capital Adequacy (Basel III) details as at 31 December 2024 are given below.

As at December	Basel III	
	2024 LKR	2023 LKR
Assets		
Total Risk Weighted Amount (including Off- Balance Sheet Items)	151,067,401,919	139,300,627,344
Risk Weighted amount of Off-Balance Sheet Exposure	491,464,404	183,044,933
Capital		
Common Equity Tier 1Capital	14,366,909,492	14,050,486,780
Total Tier 1 Capital	14,366,909,492	14,050,486,780
Total Capital	23,441,487,620	24,069,017,123
Capital Adequacy Ratios		
Common Equity Tier 1 Capital Ratio (%)	9.51%	10.09%
Tier 1 Capital Ratio (%)	9.51%	10.09%
Total Capital Ratio (%)	15.52%	17.28%

45. FAIR VALUE OF FINANCIAL INSTRUMENTS

45.1. DETERMINING FAIR VALUES

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1 – Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

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: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which 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 that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

45.2. VALUATION MODELS

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, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

45.3. VALUATION FRAMEWORK

The Bank has an established control framework with respect to the measurement of fair values. This framework includes an oversight by the Market Risk function, which is independent of front office management. Market Risk has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- Verification of observable pricing;
- Re-performance of model valuations;
- A review and approval process for new models and changes to models involving both product control and group market risk;
- Quarterly calibration and back-testing of models against observed market transactions;
- Analysis and investigation of significant daily valuation movements; and
- Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of level 3 instruments compared with the previous period.

When third party information, such as broker quotes or pricing services, is used to measure fair value, market risk assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRSs/ LKASs. This includes:

- Verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of Financial Instrument;
- Understanding how the fair value has been arrived at, the extent to which it represents actual market transactions and whether it represents a quoted price in an active market for an identical instrument;
- When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- If a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

45.4. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE - FAIR VALUE HIERARCHY

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the Statement of Financial Position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

As at 31 December	2024			
	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Equity Instruments at fair value through profit or loss	264,680	-	-	264,680
Financial assets-fair value through other comprehensive income	-	-	153,434,669	153,434,669
	264,680	-	153,434,669	153,699,349

As at 31 December	2023			
	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Equity Instruments at fair value through profit or loss	145,820	-	-	145,820
Financial assets-fair value through other comprehensive income	-	-	2,290,929	2,290,929
	145,820	-	2,290,929	2,436,749

45.5. TRADING ASSETS AND OTHER ASSETS MEASURED AT FAIR VALUE

Financial assets measured at fair value are quoted equities and unquoted equities. For quoted equities, the Bank uses quoted market price in active markets as at the reporting date. Unquoted equities are measured at cost because the fair value cannot be measured reliably.

45.6. FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

As at 31 December	2024			2023	
	Fair value hier- archy	Carrying amount LKR	Fair value LKR	Carrying amount LKR	Fair value LKR
Financial assets					
Cash and cash equivalent	Level 2	827,778,892	827,778,892	104,444,214	104,444,214
Placements with Banks	Level 2	18,339,705,502	18,339,705,502	6,005,330,402	6,005,330,402
Financial assets at amortised cost - Debt & other instruments	Level 2	67,995,195,057	67,931,272,504	86,964,714,682	86,964,714,682
Financial assets at amortised cost - Loans and receivables from other customers					
Pawning	Level 2	59,382,717,060	59,382,717,060	45,600,279,410	45,600,279,410
Staff loans	Level 2	6,539,021,827	6,539,021,827	5,864,336,559	5,864,336,559
Short-term	Level 2	18,792,369,559	18,792,369,559	17,706,900,606	17,706,900,606
Long-term	Level 2	158,321,367,252	158,321,367,252	143,894,304,044	143,894,304,044
Other assets	Level 2	3,061,819,687	3,061,819,687	4,431,547,579	4,431,547,579
		333,259,974,837	333,196,052,283	310,571,857,496	310,571,857,496
Financial liabilities					
Due to banks	Level 2	36,412,871,655	36,412,871,655	46,208,479,283	46,208,479,283
Due to other customers	Level 2	253,664,001,776	253,664,001,776	226,079,614,772	226,079,614,772
Other liabilities	Level 2	8,899,595,789	8,899,595,789	5,446,759,311	5,446,759,311
		298,976,469,220	298,976,469,220	277,734,853,367	277,734,853,367

Basis of measurement for the fair value of financial assets and liabilities not carried at fair value

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than one year) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to savings accounts without a specific maturity.

Loans and Receivables to customers

More than 36% of the total portfolio of loans and advances to customers have a remaining contractual maturity of less than one year. Therefore fair value of short term loans and advances to customers approximates to their carrying value as at the reporting date.

The fair value of fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognized.

Due to Customers

Around 68% of the customer deposits are either repayable on demand or have a remaining contractual maturity of less than one year. Customer deposits with a contractual maturity of more than one year are subject to pre mature upliftment. Amounts paid to customers in the event of pre mature upliftment would not be materially different to its carrying value as at date. Therefore fair value of customer deposits approximates to their carrying value as at the reporting date.

The fair value of financial investment held to maturity is estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments.

46. SELECTED PERFORMANCE INDICATORS / KEY FINANCIAL DATA

Item	2024	2023
Regulatory Capital Adequacy (LKR in Millions)		
Common Equity Tier 1	14,367	14,050
Tier 1 Capital	14,367	14,050
Total Regulatory Capital	23,441	24,069
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital (%) (Minimum Requirement - 7%)	9.51%	10.09%
Tier 1 Capital Ratio (%) (Minimum Requirement - 8.5%)	9.51%	10.09%
Total Capital Ratio (%) (Minimum Requirement - 12.5%)	15.52%	17.28%
BASEL III Leverage Ratio (Minimum Requirement - 3%)	4.39%	3.95%
Regulatory Liquidity Requirement		
Liquidity Coverage Ratio (%) (Minimum Requirement - 100%)		
Rupee (%)	402.00%	976.00%
All Currency (%)	402.00%	976.00%
Net Stable Funding Ratio (%) - (Minimum Requirement - 100%)	152.00%	174.00%
Assets Quality		
Impaired Loans (Stage 3) to Total Loans Ratio(%) *	6.25%	8.80%
Impairment (Stage 3) to Stage 3 Loans, Ratio (%)*	41.88%	36.03%
Income and Profitability		
Net Interest Margin (%)	6.27%	5.79%
Return on Assets (before Tax) (%)	1.03%	0.40%
Return on Equity (%)	7.04%	5.07%
Cost to Income Ratio(%)	84.36%	88.08%
Memorandum Information		
Credit Rating-LRA	BBB+Stable Out Look	BBB+Stable Out Look
Number of Employees	2,615	2,683
Number of Branches	272	272
*Including undrawn portion of credit/ Net of stage 3 Impairment		

“ Self-Reliant Community :
Banking on Sustainable Growth ”



Supplementary
Information

TEN YEAR SUMMARY

Description	2024 LKR	2023 LKR	2022 LKR	2021 LKR
Profit & Loss				
Total Income	39,552,222,682	47,586,934,542	36,202,749,629	24,492,768,957
Interest Income	37,922,124,939	46,232,790,959	35,273,433,857	23,545,299,165
Interest Expenses	(18,367,644,729)	(29,289,826,032)	(19,639,529,550)	(9,893,373,234)
Net Interest Income	19,554,480,210	16,942,964,926	15,633,904,307	13,651,925,931
Net Other Income	1,032,298,824	944,736,912	574,130,849	635,357,741
Total operating income	20,586,779,034	17,887,701,838	16,208,035,156	14,287,283,672
Impairment (charges)/reversal	832,607,642	(2,162,850,997)	(2,852,677,176)	(3,256,775,862)
Net operating income	21,419,386,676	15,724,850,842	13,355,357,980	11,030,507,810
Personal expenses	(11,944,838,711)	(9,550,728,566)	(8,739,537,602)	(7,292,269,883)
Depreciation and amortization expenses	(610,550,869)	(592,566,813)	(532,733,987)	(520,988,009)
Levy paid to general treasury				
Other expenses	(2,675,420,680)	(2,073,288,768)	(2,084,970,281)	(1,290,468,186)
Operating Profit	6,188,576,416	3,508,266,695	1,998,116,109	1,926,781,733
VAT on Financial Services	(2,617,138,233)	(2,066,232,496)	(1,561,474,848)	(1,151,277,133)
Social Security Contribution Levy	(361,560,652)	(258,613,077)	(77,525,933)	-
NBT				
Profit Before Taxation	3,209,877,531	1,183,421,122	359,115,328	775,504,600
Income tax (expense) /reversal	(1,934,428,043)	(319,903,305)	990,279,323	(469,201,889)
Profit After Taxation	1,275,449,488	863,517,816	1,349,394,652	306,302,711
Assets				
Cash and cash equivalent	827,778,892	104,444,214	2,889,883,677	1,486,878,989
Srilanka government securities				
Balances with Banks				
Placements with banks	18,339,705,502	6,005,330,402	6,133,705,351	6,596,072,932
Financial Assets - Held for trading				
Equity Instruments at fair value through profit or loss	264,680	145,820	120,280	188,140
Loan and receivables from other customers				
Financial Investments to held to maturity				
Financial assets at amortized cost-Loans and receivables from other customers	227,167,843,091	194,424,888,169	198,008,145,155	175,229,666,656
Financial investments at amortized cost-Debt & other instruments	67,995,195,057	86,964,714,682	65,079,635,908	54,856,210,318
Equity Instruments at fair value through other comprehensive income	153,434,669	2,290,929	2,289,919	2,289,919
Property, plant and equipment	1,255,230,096	1,161,828,361	926,615,241	928,568,438
Intangible assets	77,206,661	112,402,355	68,867,744	113,688,780
Right of use assets	1,059,813,006	860,244,061	718,096,698	505,092,023
Deferred tax assets	2,848,048,109	2,960,017,044	3,525,174,919	1,263,795,071
Current tax assets	-	503,589,580	-	-
Other assets	4,106,834,929	6,617,542,021	8,042,615,550	4,907,060,297
Total Assets	323,831,354,692	299,717,437,639	285,395,150,443	245,889,511,562

2020 LKR	2019 LKR	2018 LKR	2017 LKR	2016 LKR	2015 LKR
24,354,246,869	27,507,821,054	26,070,610,605	22,016,079,277	15,744,336,598	12,510,118,902
23,182,459,141	26,357,071,298	24,865,108,981	20,909,579,906	14,813,083,474	11,759,232,735
(12,294,380,832)	-13,903,881,276	-12,959,526,709	-11,233,284,493	7,197,198,715	-5,168,680,370
10,888,078,309	12,453,190,022	11,905,582,272	9,676,295,413	7,615,884,759	6,590,552,365
899,852,505	872,445,458	946,396,458	925,405,231	806,608,160	636,705,017
11,787,930,814	13,325,635,480	12,851,978,730	10,601,700,644	8,422,492,919	7,227,257,382
(2,010,929,062)	-2,408,748,853	-1,409,784,095	-443,866,831	29,110,255	277,665,228
9,777,001,752	10,916,886,627	11,442,194,635	10,157,833,813	8,451,603,174	7,504,922,610
(5,983,362,037)	-5,931,625,972	-5,877,946,793	-4,980,435,598	(4,609,232,586)	-4,082,141,685
(616,792,758)	-617,322,679	-319,020,738	-40,785,417	(37,168,652)	-35,364,098
			-125,000,000	(125,000,000)	-125,353,097
(1,115,987,925)	-1,407,680,268	-1,638,896,765	-1,704,618,122	(1,549,634,014)	-1,299,268,713
2,060,859,032	2,960,257,709	3,606,330,339	3,306,994,676	2,130,567,922	1,962,795,017
(1,047,410,630)	-1,738,097,299	-1,503,248,448	-984,943,174	(767,485,246)	-413,904,359
-	-	-	-	-	-
			-131,325,757	(107,482,813)	-89,623,396
1,013,448,401	1,222,160,409	2,103,081,891	2,190,725,745	1,255,599,863	1,459,267,262
(609,412,349)	-723,565,878	-1,029,495,530	-906,796,239	(614,311,651)	-576,807,793
404,036,052	498,594,531	1,073,586,361	1,283,929,506	641,288,212	882,459,469
3,758,858,141	2,750,187,219	689,184,136	482,919,655	428,697,741	310,591,598
			2,512,362,500	-	607,814,250
			27,702,520,133	18,979,572,034	15,813,954,858
8,436,353,244	9,798,242,492	6,496,628,053	6,682,475,675	1,682,030,495	0
			196,500	204,200	200,000
145,160	123,000	115,600	-	-	0
			127,508,812,394	105,653,630,944	87,907,153,173
			516,934,932	516,741,803	0
156,694,052,473	136,205,641,441	133,432,804,004	-	-	0
46,962,354,137	45,664,745,400	27,757,513,965	-	-	0
2,289,919	2,289,919	4,176,342,999	-	-	0
970,538,655	1,228,419,894	1,275,785,603	1,204,892,835	1,186,397,657	1,044,604,902
21,272,699	45,356,343	60,787,719	37,842,762	58,025,552	78,815,975
598,978,557	855,183,154	-	-	-	0
903,720,969	696,316,484	467,332,859	343,878,698	217,649,611	171,634,073
-	-	-	-	-	0
2,760,586,570	2,732,423,840	2,580,824,487	2,266,365,532	2,191,034,111	1,441,723,782
221,109,150,524	199,978,929,186	176,937,319,425	169,259,201,615	130,913,984,148	107,376,492,611

Description	2024 LKR	2023 LKR	2022 LKR	2021 LKR
Liabilities				
Due to banks	36,412,871,655	46,208,479,283	47,470,707,056	29,500,936,543
Due to other customers	253,664,001,776	226,079,614,772	210,301,323,468	187,752,465,256
Debt issued and other borrowed funds	-	-	-	2,000,000,000
Current tax liabilities	531,164,074	-	1,011,924,146	503,021,886
Other liabilities	10,787,707,965	6,734,044,304	7,293,487,262	7,693,300,812
Retirement benefit obligation	4,047,465,661	2,829,577,605	3,091,581,136	3,046,464,739
Total Liabilities	305,443,211,131	281,851,715,965	269,169,023,068	230,496,189,235
Equity				
Stated capital	8,521,864,568	8,521,864,568	8,221,864,565	8,047,229,930
Statutory reserve fund	952,196,232	888,423,757	845,247,866	777,778,133
Retained earnings	4,110,111,527	3,970,324,488	2,889,785,536	2,636,433,521
Other reserves	4,803,971,234	4,485,108,861	4,269,229,407	3,931,880,743
Total shareholders' equity	18,388,143,561	17,865,721,674	16,226,127,375	15,393,322,327
Total equity and liabilities	323,831,354,692	299,717,437,639	285,395,150,443	245,889,511,562
Capital Adequacy Ratio -				
As per BASEL III				
Common Equity Tier 1 Capital Ratio	9.51%	10.09%	8.29%	8.72%
Total Tier 1 Capital Ratio	9.51%	10.09%	8.29%	8.72%
Total Capital Ratio	15.52%	17.28%	15.22%	14.27%

2020 LKR	2019 LKR	2018 LKR	2017 LKR	2016 LKR	2015 LKR
21,796,679,350	22,050,009,005	11,098,334,822	10,729,312,134	11,765,493,022	7,915,016,520
172,882,632,278	149,599,829,047	141,559,973,557	139,827,364,797	107,031,720,855	86,324,097,162
2,000,000,000	4,707,852,534	4,707,852,534	4,707,852,534	2,708,377,456	2,693,032,538
378,203,555	448,881,448	473,833,076	-	-	0
6,154,443,776	5,970,920,446	2,460,286,430	2,686,028,770	2,130,544,286	3,253,841,708
2,782,874,624	2,236,115,128	1,926,924,377	1,695,894,720	1,278,903,024	972,097,354
205,994,833,583	185,013,607,608	162,227,204,796	159,646,452,955	124,915,038,643	101,158,085,282
8,047,229,930	8,047,229,930	8,047,229,930	3,870,936,931	1,370,936,931	1,370,936,931
762,462,998	742,261,195	717,331,468	663,652,150	599,455,675	567,391,265
2,449,318,947	2,421,534,400	2,315,905,812	1,716,908,747	988,284,444	1,400,132,731
3,855,305,066	3,754,296,053	3,629,647,420	3,361,250,831	3,040,268,455	2,879,946,402
15,114,316,941	14,965,321,578	14,710,114,630	9,612,748,660	5,998,945,505	6,218,407,329
221,109,150,524	199,978,929,186	176,937,319,425	169,259,201,615	130,913,984,148	107,376,492,611
10.34%	10.90%	11.58%	8.73%	6.50%	7.56%
10.34%	10.90%	11.58%	8.73%	6.50%	7.56%
14.94%	16.27%	13.61%	12.57%	9.27%	10.53%

INVESTOR INFORMATION

	2024	2023
Ratios		
Net Assets Value Per Share (Rs.)	32,75	32,70
Debt to Equity (%)	-	2.10%
Interest Cover (Times)	4.03	2.16

Significant Ratios				
Shareholders	2024		2023	
	No of Ordinary Shares	Holding as %	No of Ordinary Shares	Holding as %
General Treasury	512,135,653	91.21%	512,135,653	91.21%
Bank of Ceylon	16,448,448	2.93%	16,448,448	2.98%
Peoples Bank	16,448,448	2.93%	16,448,448	2.98%
National Savings Bank	16,452,126	2.93%	16,452,126	2.98%
	561,484,675	100%	561,484,675	100%

NOTES

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CORPORATE INFORMATION

REGISTERED NAME OF THE BANK

Pradeshiya Sanwardana Bank

LEGAL STATUS

A licensed specialized Bank established under Pradeshiya Sanwardana Bank Act No. 41 of 2008

CREDIT RATING

BBB+Stable(LRA)

BOARD OF DIRECTORS

INDEPENDANT NON- EXECUTIVE DIRECTORS

Mr. Lasantha Fernando - Chairman
Mrs. Ramani Wijeratne
Mrs. Rohini Madurawala
Mr. P. A. Wijerathne
Mr. W. Ranaweera
Mr. Sujith Perera
Mr. Kumara Bandara

GENERAL MANAGER/ CEO (Acting)

Mr. E. A. D. Janitha Priyashantha

SECRETARY TO THE BOARD OF DIRECTORS

Mrs. R M T Rajapaksha

NUMBER OF BRANCHES

272

HEAD OFFICE

No. 933, Kandy Road, Wedamulla, Kelaniya
Tel : + 94112035454/+94112035455-9
Fax: +94112035467
E mail: info@rdb.lk
Website: www.rdb.lk
Tax Payer Identification Number(TIN) : 409272339
VAT Reg No: 409272339- 7000

AUDITORS

Auditor General
National Audit Office
No. 306/72, Polduwa Road, Battaramulla.

PROVINCIAL OFFICES

NORTH CENTRAL PROVINCIAL OFFICE

No. 65D, 4th Lane, Abaya Place, Anuradhapura.

UVA PROVINCIAL OFFICE

No. 1/315, Passara Road, Badulla.

SABARAGAMUWA PROVINCIAL OFFICE

No. 510, Colombo Road, Weralupa, Rathnapura.

SOUTHERN PROVINCIAL OFFICE

No. 28B, Esplanade Road, Uyanwatta, Matara.

CENTRAL PROVINCIAL OFFICE

No. 16, Dharmashoka Mawatha, Kandy.

WESTERN PROVINCIAL OFFICE

No. 36, Kandy Road, Miriswatta, Mudungoda.

NORTH WESTERN PROVINCIAL OFFICE

No. 155, Negombo Road, Kurunegala.

EASTERN PROVINCIAL OFFICE

No. 51A, New Kalmunai Road, Kallady, Batticaloa.



பிரதேச வுடர்வன லுவு
பிரதேச அபிவிருத்தி வங்கி
Regional Development Bank