CargillsBank
BANKING ON THE HUMAN SPIRIT
10 YEARS OF TRUST

Annual Report 20:24

Personalised ACCESS

Personalised ACCESS

As we celebrate a decade of service, Cargills Bank stands proudly at the forefront of innovation, growth, and customer-centric banking. Over the past 10 years, we have developed a unique banking model that combines cutting-edge digitalisation with a humane touch that sets us apart in the industry. Our commitment to harnessing technology has enabled us to provide our customers with seamless access across multiple banking channels, resulting in enhanced convenience, and giving them greater control over their financial journeys.

Through strategic investments in digital solutions and expanding our network, we continue to simplify the banking process, ensuring that our customers can connect with us anytime, anywhere. Whether through our user-friendly mobile platforms or our diverse digital services, we strive to make banking not only easier but also more accessible.

As we move forward, we remain focused on expanding our digital capabilities while maintaining the personalised, human touch that has been the foundation of our success. Here's to another decade of progress, innovation, and the unwavering commitment to serving you with excellence.

Table of Contents

Corporate Overview

Leadership

Management Discussion And Analysis

Governance, Risk Management And Compliance

Financial Reports

Supplementary Information

About the Report

GRI 2-23

This is our second Integrated Report which presents a concise and balanced review of the progress made towards achieving our strategic priorities for the financial year ending 31 December 2024. The Reports provide an assessment of our operating landscape, governance practices, stakeholder value creation, performance, and our response to evolving market dynamics.

Scope and boundary

GRI 2-2 GRI 2-3 GRI 2-4

The Report covers the operations of Cargills Bank PLC for the period from 1 January 2024 to 31 December 2024. Accordingly, the integrated annual report 2024 covers our Strategy (page 8), Business overview (page 32), Materiality (page 41), Stakeholder engagement (page 36), Operating Environment (page 28), and Governance (page 114), among others.

The Bank adopts an annual reporting cycle and there have been no major financial or non-financial information restatements unless otherwise stated.

The most recent Annual Report covered the 12 months ended 31 December 2023 and is available on the Bank's website, www. https://www.cargillsbank.com/investor-relations/annual-reports/

Materiality

Throughout this report, we have prioritised the concept of materiality, focusing our attention on those with the most significant economic, environmental, and social impacts. Please refer to page 41 for details on our materiality assessment.

Reporting Improvements

- All GRI requirements were tagged for easy search and identification.
- Include section on Adopting Sustainability Reporting Standards, SLFRS S1 and S2.
- Enhance the reporting of the key capitals.
- Report the materiality assessment in more methodical way.

Information gathering and report preparation

The information presented in this report has been methodically collected from the multiple sources across the Bank, including operational data, financial statement, management discussion etc. to ensure the accuracy and relevance. Also incorporated industry trends and global best practices to provide a comprehensive view of the business operation and impacts.

Assurance

GRI 2-5

Assurance of the Financial Statement

Internal Assurance	External Assurance
Internal Audit	Independent Auditors' Report by Messrs. KPMG
Reporting to the Audit Committee and Board of Directors	

Forward-Looking Statements

This Report contains certain forward-looking statements about the Bank's performance, financial position, and operations. These statements involve risks and uncertainty as they relate to events that occur in the future. These factors could cause actual results to differ from those expressed/implied by such forward-looking statements.

Reporting Frameworks

We have embraced several reporting requirements outlined in IFRS S1 and S2 as part of our preparation for achieving full compliance by 01 January 2026.

Our reporting has been aligned with global best practices in corporate reporting and complies with internationally accepted reporting frameworks as listed below:

- Companies Act No.07 of 2007
- Sri Lanka Financial Reporting Standards/Sri Lanka Accounting Standards
- Integrated Reporting Framework of the International Integrated Reporting Council (<IR> Framework)
- Listing Rule of Colombo Stock Exchange
- Relevant direction/circulars issued on reporting formation of the Central Bank of Sri Lanka
- New GRI Standards (2021)

Connectivity of Information

The connectivity of information has been improved by the use of the following icons throughout the report.

Capitals	Stakeholder	Strategic pillars
Financial Capital	Employees	Drive growth from a position of stability
Human Capital	Customers	Pursue ecosystem growth opportunities
Manufactured Capital	Community	Upgrade digital solutions to facilitate a customer-centric approach
Intellectual Capital	Business Partners	
Social and Relationship Capital	Investors	
Natural Capital	Regulator	

Acknowledgement

Cargills Bank's Board of Directors has reviewed the 2024 Annual Report prepared by the Corporate Management in line with the guidance provided in the Integrated Reporting Framework and hereby confirms that it addresses all relevant material matters and fairly represents the Bank's integrated performance.

Signed on behalf of the Board

Senarath Bandara
Managing Director/Chief Executive Officer

Asoka Pieris
Chairman

Colombo
25 February 2025

Feedback & Inquiries

GRI 2-3

We welcome your comments, suggestions and queries on this Report; please direct your feedback to:

Mrs Dilhani Gajanayaka,
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Scan to view this report online

This report is available in printed form and online at https://www.cargillsbank.com/investor-relations/annual-reports

Our Journey

2014

- Commenced operations as the 25th commercial bank in Sri Lanka
- One of the first Lanka Pay Member Institutions with ATM Card
- Acquired Capital Alliance Finance (CALF) to meet Regulatory requirements
- Opened 2 new branches in Colombo

2015

- Removal of restriction on Branch Openings
- Opened the 1st Branch outside Colombo (Matara)
- Expanded Branch Network to 11 Branches

2016

- 6th Bank to join CEFT-Real-time Fund Transferring
- Launched Internet & Mobile Banking – Retail & Corporate
- Introduced E-statements
- Launched Children's Savings Account
- First off-site ATM opened at Majestic City

2017

- Agency Banking Model with Cargills Food City
- Launched www.cargillsbank.com website
- Launched NFC, EMV enabled Smart Debit Card
- Expanded the Branch Network to 17
- ICONIC Superhero in Omni-Experience at IDC Awards

2018

- Launch of KIOSK Banking
- Joined RippleNet to facilitate cross-border inward remittances to Sri Lanka
- Launched Imperium Private Banking
- Launched Credit Cards
- Branch expansion to 19
- Acquiring Bank for JustPay to facilitate Payment Aggregators (Fintech)
- Winner at the Lanka Pay Technovation Awards

2019

- Launched the first ever image Card
- Launched the Internet Payment Gateway and Point-of-Sales
- Merchant Acquiring
- DigiZone Expansions
- Expansion of Cards services with the introduction of Cheque on Card, Balance
- Transfer & Instalment
- Payment Plans
- Achieved the global PCI DSS Certification recognised for our Cards operation

2020

- Investment Saver Account
- Established Digital Desk as an enhanced Tab Banking Solution
- Saubhagya Loans for Agri and SME customers
- Launched Cargills Village to Home initiative to support the MSME sector
- Facilitated Lanka QR payments at Cargills Food City

2021

- Opened the 21st branch in Nawalapitiya
- Launched Abhimani Women's Savings Account
- Added new partners to facilitate remittances from new markets
- Launched Cargills Bank MINI Service Points
- Launched Non Face - to - Face Onboarding of Customers
- Implemented 3D Secure card protection

2022

- Opened two branches
- Launched the Mobile Branch vehicle
- Opened eight MINI locations
- Set up an Insurance Desk
- Established the Invoice Discounting service
- Joined Lanka Remit Mobile
- Garnered multiple awards at Technovation Awards

2023

- Recorded the highest-ever profit after tax
- Opened two branches in Bandarawela and Anuradhapura
- Garnered multiple awards at Technovation Awards 2023
- Formulated the ESG Policy
- Listed in the Colombo Stock Exchange

2024

- Supermarket Banking Launched in 53 new Cargills supermarkets (total - 532 locations)
- Launched Pawning solutions
- Expanded product range to new categories - Teens and Pensioners
- Won the Silver Award in the "Newly Listed Companies" Category at the TAGS Awards 2024
- Received a Certificate of Compliance at the CMA Excellence in Integrated Reporting Awards, a recognition for the Bank's adherence to the best practices in integrated reporting
- Celebrated 10th anniversary of the Bank
- Established the Business Revival Unit

Our Strategic Report

Who We Are

Our Vision and Mission

Our Vision

To be the most inclusive bank harnessing the spirit of progress in every Sri Lankan.

Our Mission

- We aim to directly engage every customer at their convenience through a unique and far-reaching network, through efficient and innovative technology.
- To facilitate and empower small and medium entrepreneurs and enhance industry standards through a highly motivated team of innovative bankers.
- Create sustainable value for our investors through sound financial performance embedded in transparency and accountability.

Many years before the Bank was envisioned, during a chance encounter with agricultural farmers in rural Sri Lanka, I was personally impacted after listening to the challenges they were facing in sustaining their livelihoods. This encounter changed the Cargills Group and its philosophy, from a traditional retailer to a brand with a larger purpose - one which focuses on serving the needs of the community.

In late 2009 when Sri Lanka was embarking on a new chapter, we were invited for a discussion on rebuilding the country with key public sector officials. At the time, we had limited engagement with the agriculture and dairy farming communities. Understanding the need of the country, we decided to invest more aggressively in building infrastructure to support the agriculture and dairy farming communities and sought a banking license to support the ecosystem we were building. We applied for a license under the banner of Cargills Agriculture & Commercial Bank, reflecting our vision to be the most inclusive bank by improving financial access for underserved communities across Sri Lanka.

Ranjit Page
Former Chairman, Cargills Bank

2024

10 + Years
In Operations

690
Employees

550+
Touchpoints

245,000+
Customers Onboarded

A(lka)
Fitch Ratings Lanka Ltd

Our strategy

- To fulfill our purpose as Cargills Bank PLC, we are focused and committed to enhancing tomorrow's banking today through our strategic priorities:

- Expanding financial accessibility by broadening our reach through the branch network and Cargills Food City outlets.
- Providing affordable banking solutions by offering tailored solutions to SMEs, the agricultural sector, and individuals.
- Leveraging group synergies by expanding our business by capitalising on the strengths of the Cargills Group.
- Driving digital transformation to better serve our customers with tailored financial solutions.

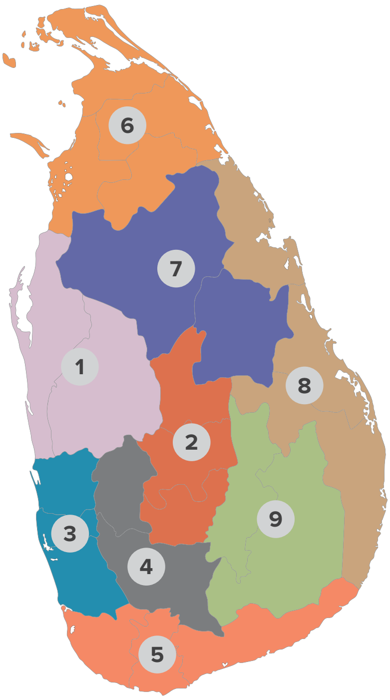
Our purpose

Empower Sri Lankans through financial inclusion and supporting transformative growth for individuals, businesses, and communities.

About us	Incorporated in 2011 and licensed in 2014, Cargills Bank PLC is a commercial bank listed on the Colombo Stock Exchange. Headquartered in Colombo, the Bank operates a network of 24 branches across Sri Lanka, providing a comprehensive range of financial products including digital banking services. We utilise the Cargills Group's integrated value chain to connect diverse stakeholders and foster local community development. Moreover, we are driven by a vision to become Sri Lanka's most inclusive bank through the power of digital innovation, to deliver state-of-the-art banking solutions.
Our people and culture	Our highly engaged, capable, and accountable team delivers our strategy and creates positive outcomes for our customers, people, and stakeholders. • Customer-centricity is at our core. • We build meaningful relationships to meet our customers' financial needs as a responsible bank. • We value and engage our empowered and diverse workforce. • Teamwork drives exceptional customer outcomes. • Governance, ethics, and integrity are fundamental to our operations.
Our operating context	We regularly monitor the operating environment to understand its impact on our operations and respond effectively. The banking sector operates within a highly regulated environment. Therefore, we prioritise compliance, risk management, and operational efficiency to ensure sustainable loan terms and value creation for our stakeholders. Key risk considerations for the Bank this year include: • Macro-economic uncertainty and the cost-of-living pressure • Credit risk • Cybercrime and cybersecurity
Our businesses	We provide commercial banking services through our Retail, SME, Corporate, and Agri-business segments. Retail Banking Operation - offers a comprehensive suite of financial products and services, including savings accounts, fixed deposits, loans, advances, and a wide range of transactional solutions. SME Banking Operation - Recognising the vital contribution of SMEs to the national economy, our dedicated SME Business Unit provides expert support and tailored financial solutions designed to empower them for success and long-term prosperity. Corporate Banking Operation - serves a select portfolio of leading corporate clients, fostering long-term relationships built on delivering exceptional service and sustainable value that sets new industry standards. Agri-business Banking Operation - empowers farmers and SMEs through financial inclusion and sustainability, driving pivotal contributions to the national economy. We have invested in the success of the agricultural sector, providing tailored financial solutions to fuel their growth.
Our stakeholders	We engage with our diverse stakeholders to ensure our operations align with the needs of the community, our customers, and the broader business environment. Our key stakeholders include: • Customers • Shareholders/Investors • Suppliers and Business Partners • Government/Policymakers and Regulators • Employees • Community
Our reach	Through a cost-effective "Hub and Spoke" strategy, we harness the synergies of the Cargills Retail network to extend our reach and provide greater accessibility to banking services across Sri Lanka. Supplementing our 24 branch locations, we operate 29 Cargills Bank MINIs within Cargills Food City outlets throughout the country. Our integration with 532 Cargills Retail locations (Cargills Food City, Cargills Express, and Cargills Food Hall) further enhances customer convenience, allowing them to conduct deposits, withdrawals, bill payments, cash collections, and remittances at retail cashier counters.

Our Strategic Report

Our Reach



1 North Western Province

Cargills MINI's	2
Branches	2
Agency Outlets	41

2 Central Province

Cargills MINI's	6
Branches	4
Agency Outlets	39

3 Western Province

Cargills MINI's	10
Branches	8
Agency Outlets	313

4 Sabaragamuwa Province

Cargills MINI's	4
Branches	1
Agency Outlets	25

5 Southern Province

Cargills MINI's	3
Branches	2
Agency Outlets	60

6 Northern Province

Cargills MINI's	1
Branches	3
Agency Outlets	12

7 North Central Province

Cargills MINI's	1
Branches	2
Agency Outlets	10

8 Eastern Province

Cargills MINI's	-
Branches	-
Agency Outlets	18

9 Uva Province

Cargills MINI's	2
Branches	2
Agency Outlets	14

Our Strategic Focus

Building on our operational stabilisation achieved amidst a challenging economic environment, we have made significant progress in 2024 by implementing our growth-oriented business plan. This plan is based on three strategic focus areas.

Drive growth from a position of stability

Develop our market presence and build lasting customer relationships.

Expand customer base by leveraging ecosystem opportunities, offering value-added products and services, and implementing targeted customer acquisition strategies. Develop a sustainable and profitable customer base.

Develop innovative financial products and services. Capture market attention, leading to higher customer engagement.

Pursue ecosystem growth opportunities

Deliver financial services through multiple touchpoints affiliated with the Cargills brand. Provide tailored offerings to capture the potential customer base of the Cargills ecosystem.

Extend reach to new territories through a low-cost operating model.

Promote financial inclusion and develop the agriculture and dairy customer base.

Upgrade digital solutions to facilitate a customer-centric approach

Expand market share by improving accessibility and convenience of banking Services.

Continuous development and refinement of digital banking solutions (Mobile Banking, Internet Banking, Cargills Cash, and digital onboarding) to enhance customer count and usage.

Marketing support to drive conversion and usage.

Enhance customer service through AI-driven chatbot solutions.

Enhance the security of digital payment apps supported by the bank which will enhance digital inclusivity further. Enhance customer service through AI-solutions.

SWOT Analysis

Stemming from our DNA as a responsible Bank, we regularly evaluate our internal capabilities and external environmental factors that influence our performance and growth potential. The SWOT analysis provides a comprehensive framework of our Strengths, Weaknesses, Opportunities and Threats enabling us to execute our strategies to address challenges and capitalise on emerging opportunities. Our strengths and opportunities will mitigate the weaknesses and threats and respond to the market proactively to deliver sustainable value to customers and stakeholders.

SWOT

Strengths

- Built on the strong reputation and customer trust associated with the Cargills Group.
- Employ a low-cost hub-and-spoke model for expansion of banking services, offering a more agile and scalable alternative to traditional branch networks.
- Provide convenient deposit and withdrawal services (including domestic and foreign remittances) with extended hours across over 530 Cargills supermarket locations.
- Benefit from direct access to potential customers through the Cargills Group value chain and ecosystem. Offers integrated solutions, including financing, material inputs, and market access, for key sectors such as Dairy, Agriculture, and SMEs, creating a holistic support system.

Weaknesses

- Lower brand awareness and recall compared to established competitors, stemming from a smaller physical presence and lesser marketing reach than other banks. Limited operating history compared to well-established players, requiring ongoing efforts to build a robust reputation and customer loyalty.
- Higher cost of funds due to deposit concentration in fixed deposits and large-sized clients, compressing interest rate spreads and impacting profitability.
- Smaller balance sheet relative to industry peers, potentially limiting the Bank's ability to establish extensive correspondent banking relationships and meet the financing needs of large-scale corporate clients.
- Operational processes that result in longer turnaround times compared to sector peers, potentially impacting customer satisfaction and competitiveness.

Opportunities

- Aggressively expand the Bank's presence in key Sri Lankan cities, leveraging the efficient, low-cost hub-and-spoke model. Expand the branch network by strategically locating new branches, maximizing convenience, reach and foot traffic.
- Onboard and nurture banking relationships with businesses and individuals connected to the Cargills Group. Create unique, tailor-made banking products specifically for customers within the Cargills ecosystem, introducing market differentiation while enhancing customer loyalty.
- Enhance the portfolio by acquiring high-quality SME and Corporate customers, diversifying the Bank's revenue streams and reducing risk.
- Conduct targeted tie-up and promotional activities with key groups to amplify reach, attract new customers, and strengthen brand synergy.

Threats

- The extensive marketing campaigns of larger, well-established banks with broader localised branch networks hinders the effective brand messaging, reach and recall of Cargills Bank.
- Risk of technological obsolescence due to the rapid pace of technological change and substantial investments required in the digital environment.
- Failure to meet the Central Bank of Sri Lanka (CBSL) Minimum Regulatory Capital requirements, potentially leading to regulatory sanctions and restrictions on business activities.
- Potential adverse impacts from economic instability in the country, affecting customer solvency and loan portfolio performance.
- Aggressive pricing strategies in the sector pressurising sector NIMs, and thereby impacting profitability and return on equity (ROE).

Way forward

The Bank is committed to transforming the challenges into opportunities and providing sustainable growth to customers and stakeholders. Accordingly, the future initiatives,

- Enhance our capabilities for the target market penetration strategies.
- Improve the digital platform to enhance customer experience.
- Position the Bank in emerging markets such as Agri and SME.
- Enhance the group synergy and explore the market opportunities across the country.

Our Socioeconomic Impact

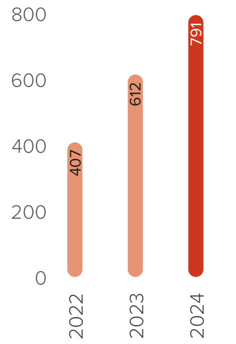
Our Social and Economic Impact

GRI 3-3

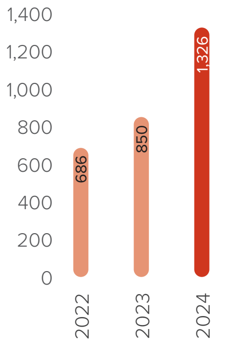
Guided by our socio-economic responsibilities, our mission is to enhance outcomes for all stakeholders. We are committed to livelihood development and environmental stewardship, implementing initiatives that improve quality of life, empower women, and safeguard critical resources for long-term value creation. Below, we detail our efforts to deliver value to our stakeholders.

Employment & Livelihoods Supported

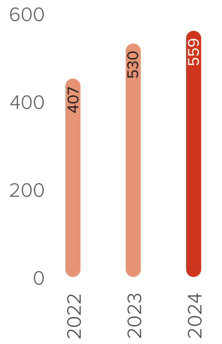
No. of loans provided to farmers (Nos.)



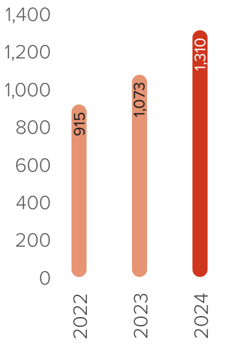
Value of loans disbursed to farmers (Rs. Mn)



No. of farmers onboarded (Nos.)



Salaries and benefits to employees (Rs. Mn)



Promoting Financial Inclusion

Branches outside the Western Province

16 Branches
9 MINI locations
194 Agency outlets

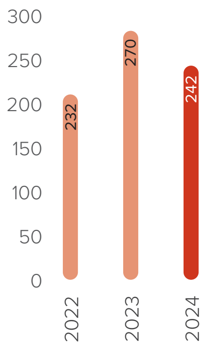
Customers outside the Western Province

143,535 (on boarded customers)

Lending to outside the Western Province

Gross portfolio as of 31 December 2024 Rs. 10,662 Mn

No. of new recruits during the year



Women empowerment

Female employees

332

Female employees - Executive management

107

Female employees recruited

114

Average training hours per female employee (hrs)

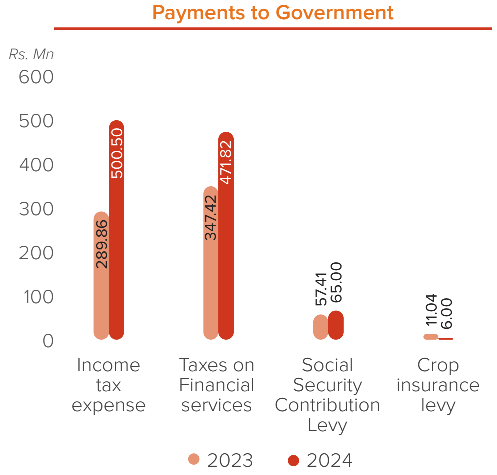
15

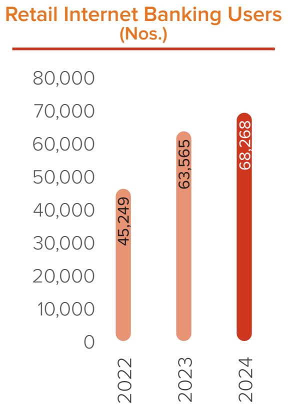
Digitalisation Drive

We empower marginalised communities to thrive in the digital age through tailored programmes and strategic partnerships. We build digital literacy and inclusion by facilitating online transactions and offering digital training workshops, fostering greater equity and connectivity within the digital landscape.

- Providing a comprehensive online platform for easy account management, fund transfers, and payments.
- The enhanced mobile app offers continuous access to banking with real-time account activity alerts.
- Implemented QR code payments to simplify and speed up transactions for all customers.
- Our system integrates multiple secure payment gateways to accommodate various transaction needs.
- Deployed robust multi-factor authentication to protect customer accounts.

Taxes Paid to the Government





Economic Value Generated and Distributed

At Cargills Bank, we derive economic value creation by fostering financial inclusion, enhancing digital banking, and supporting business growth. In 2024, we strengthen financial stability, empowered SMEs, created job opportunities and delivered sustainable returns to our stake holders. Our commitment to responsible banking ensures long term value for all stakeholders.

The Economic Value table of the Bank highlights our financial performance, demonstrating our commitment to creating long-term value for shareholders and the stakeholders.

Our Socioeconomic Impact

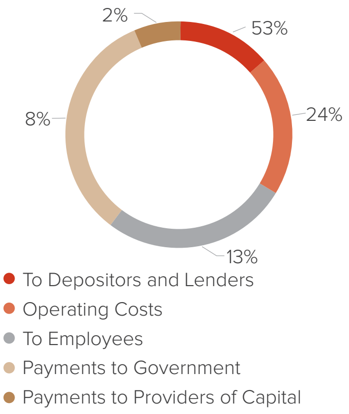
GRI 201-1

Direct Economic Value Generated (Rs. Mn)	2024	2023	Change %
Interest income	8,932	10,929	(18)
Commission income	1,383	1,283	8
Other income	1,008	695	45
Total	11,323	12,907	(12)
Economic Value Distributed			
To Depositors and Lenders			
Interest expense	5,120	7,078	(28)
Operating Costs			
Depreciation and amortisation	321	332	(3)
Fee and commission expense	489	485	1
Other operating expense	1,541	1,475	4
Total	2,351	2,292	2
To Employees			
Salaries	964	768	26
Other Benefits	366	305	20
Total	1,330	1 ,073	24
Payments to Government			
Income tax expense	499	290	72
Taxes on Financial Services	472	347	36
Social Security Contribution Levy	65	57	14
Crop insurance levy	6	11	(45)
Total	1,042	705	48
Payments to Providers of Capital			
Interest to debt securities holders	223	470	(52)
Economic value distributed	10,066	11,618	(13)
Economic value retained	1,257	1,288	(2)

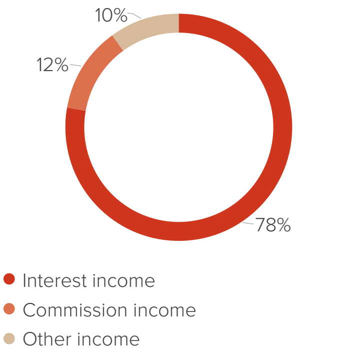
Economic Value Generated (Rs. Mn)	2024	2023	Change %
Interest income	8,932	10,929	(18)
Commission income	1,383	1,283	8
Other income	1,008	695	45
Total	11,323	12,907	(12)

Economic Value Distributed (Rs. Mn)	2024	2023	Change %
To Depositors and Lenders	5,120	7,078	(28)
Operating Costs	2,351	2,292	3
To Employees	1,330	1,073	24
Payments to Government	1,042	705	48
Payments to Providers of Capital	223	470	(53)
Total	10,066	11,618	(14)

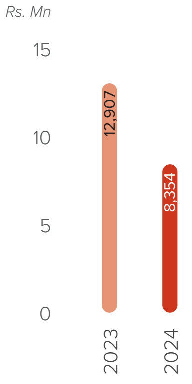
Economic Value Distributed 2024 (%)



Economic Value Generated 2024 (%)



Economic Value Generated



Our Performance Highlights

Financial Overview

	2024	2023	Change %
Operating Results			
Gross income (Rs. Mn)	11,323	12,907	(12)
Net interest income (Rs. Mn)	3,589	3,381	6
Net fees and other income (Rs. Mn)	1,902	1,494	27
Total operating income (Rs. Mn)	5,491	4,875	13
Operating profit before taxes on Financial Services (Rs. Mn)	1,686	1,135	49
Profit before income tax (Rs. Mn)	1,150	730	58
Profit for the year	651	440	48
Cost to income ratio (%)	58.23	59.31	(1.08)
Assets and Liabilities			
Loans and advances	46,104	40,559	14
Due to depositors	59,427	50,665	17
Total assets	80,252	69,959	15
Total liabilities	68,085	58,016	17
Shareholder's funds	12,168	11,943	2
Key Indicators			
Earnings per share (Rs.)	0.69	0.50	38
Net asset value per share (Rs.)	12.87	12.63	2
Net interest margin (%)	4.86	5.61	(0.75)
Return on assets (before income tax) (%)	1.47	1.10	0.37
Return on equity (%)	5.42	4.12	1.30
Asset Quality			
Stage 3 Loans (Net of Stage 3 Impairment) to Total Loans (%)	8.74	8.63	0.11
Stage 3 Loan Impairment to Stage 3 Loans (Stage 3 provision cover) (%)	46.79	46.69	0.10
Regulatory Ratio*			
Common Equity Tier 1 Capital Ratio (%) (Minimum Requirement – 2024: 7 & 2023: 7)	19.16	19.89	(0.73)
Tier 1 Capital Ratio (%) (Minimum Requirement – 2024: 11 & 2023: 11)	21.68	22.63	(0.95)
Total Capital Ratio (%) (Minimum Requirement – 2024: 12.5 & 2023: 12.5)	22.44	23.15	(0.71)
Statutory Liquid Asset Ratio - Total Bank (%)	N/A	39.82	-
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement – 2024: 100 & 2023: 100)	313.34	289.04	24.30
Memorandum Information			
Credit Rating	A(lka)	A(lka)	-
Number of Employees	690	623	11
Number of Branches	24	24	-

* Refer Template 01 - Key regulatory ratios - Capital and Liquidity on page 315 for details.

Our Performance Highlights

Social Performance

Value Creation Highlights

Capitals	Measurement	Unit	2024	2023
Human Capital	No. of employees	Nos.	690	623
	Investment in training and development	Rs. Mn	3	3
	Average training hours per employee	Hours	13.42	18.89
Intellectual and Manufactured Capitals	Investment in IT - Hardware	Rs. Mn	149	74
	Investment in IT - Software	Rs. Mn	35	80
	Number of branches	Nos.	24	24
Natural Capital	Energy consumption	kWh	1,117,878	1,044,906
	Water consumption	Cu.ft	7,832	5,579
Social and Relationship Capitals	No. of customers (onboarded)	Nos.	245,989	215,034
	Low-interest loans for MSME development	Nos.	309	192
	No. of training programmes for farmers	Nos.	15	12

Financial Capital

	2024	2023	Change %
Gross Income (Rs. Mn)	11,323	12,907	(12)
Return on Equity (%)	5.42	4.12	1.3
Pre-Tax Profit (Rs. Mn)	1,150	730	57.53
Earning Per Share (Rs.)	0.69	0.50	38
Liquidity Coverage Ratio (%)	313.34	289.04	24.3

Human Capital

	2024	2023	Change %
Total Training Hours	9,018	11,768	(23.36)
Female Representation (%)	48	48	-
Profit per employee (Rs. 000)	943	706	33.56

Natural Capital

	2024	2023	Change %
ESG Policy	In practice	Formulated	-
Adoption to SLFRS S1 & S2	Initiated GAP Analysis	N/A	-
Sustainable Lending Portfolio (Rs. Mn)	4,222	4,694	(10.05)
Paper Consumption (Kg)	8,172	6,096	34.05

Social and Relationship Capital

	2024	2023	Change %
Interest paid to depositors (Rs. Mn)	4,847	6,698	27.63
Touchpoints	+550	+500	10.00
Branches outside the Western Province	16	16	-

Manufactured Capital

	2024	2023	Change %
Capital Expenditure (Rs. Mn)	233	188	23.93
5-10 Years Branch network	17	19	(10.52)
Over 10 Years	3	-	3

Intellectual Capital

	2024	2023	Change %
Employees with over 5 years experience (%)	30	31	(1)
Investment for intellectual capital (Rs. Mn)	35	80	(56.25)

Executive Reviews

GRI 2-22

"Economic empowerment is at the heart of our mission, with a particular focus on supporting both the agriculture and dairy sectors and the growth of small and medium-sized enterprises (SMEs)."

Chairman's Message

It is a great pleasure to address you today in my first year as Chairman of Cargills Bank PLC.

This year marks a significant milestone: Cargills Bank's 10th anniversary. It is a time to celebrate our journey of growth and service to the people of Sri Lanka. As a Bank that has established deep connections with the heart of the Sri Lankan people, and as we have grown we thank you all for your continued support in reaching a decade of service and providing financial inclusion to our nation.

Economic Environment

The economic recovery that began in 2023 continued throughout 2024, and our gratitude is extended to the government and the Central Bank of Sri Lanka. We observed strong performance in tourism and IT - BPO sectors and a partial recovery in certain import-related trades. The construction sector also experienced expansion in the final quarter of the year.

However, we remain cognisant of the ongoing challenges posed by the high cost of living, which continues to strain people's spending capacity. While negative inflation has been reported, it is crucial to acknowledge that this stems from a high base, and many individuals are still feeling economic pressure. Furthermore, sectors, such as select construction projects, vehicle imports and smaller import/local trades, have yet to fully recover. It is likely that while interest rate reductions stimulated borrowings and investment, the dampened demand due to limitations of spending capacity impact such businesses.

Despite the political uncertainty of the general election in 2024, the year marked significant progress in Sri Lanka's economic and financial stabilisation, supported by the IMF - EFF programme. We are pleased that a government with a strong mandate has been elected to continue this process. The completion of most of the debt restructuring process facilitated improved relations with creditors and external partners, culminating in Moody's upgrade of Sri Lanka's long-term foreign currency issuer rating to Caa1 (stable outlook) in December 2024.

Looking ahead to 2025, we are very optimistic that the economic recovery will strengthen, particularly in sectors such as tourism, hotels, IT - BPO, trade, and construction, as well as vehicle imports. Furthermore, the anticipated public sector salary increases are expected to bolster consumer demand and benefit businesses across a wide range of sectors. These measures will contribute to improved demand-side conditions.

Our Performance

Our financial performance in 2024 reflects strong progress. Profit after tax recorded a 48% YoY increase to Rs. 651 Mn, whilst the asset base increased to Rs. 80 Bn. This positive outcome is attributable to the effective execution of our strategic initiatives. Moreover, we maintained our commitment to staff engagement, recognising the vital role of our team in driving our success. Furthermore, we maintained Capital Adequacy and Liquid Assets Ratios well within the minimum requirements prescribed by the Central Bank. The total Capital Adequacy Ratio was 22.44% while all liquidity-related ratios were well above the regulatory minimum.

Banking at Supermarkets

Our extensive network of banking at supermarket locations represents a significant strategic advantage which is yet to be fully realised. We offer limited but most frequently used banking services within 532 supermarket locations, complementing our existing 24 branches. These services, include deposits, withdrawals, collection of local and international remittances, deposits to collection accounts and payment for supermarket purchases. Supermarket Banking offers extended hours, 365-day banking, a secure environment, and personalised assistance, benefiting customers, including participants in Cargills Bank-supported agricultural projects. During the year, we expanded touchpoints from 500+ to 550+ and improved IT connectivity to support this initiative. Despite these advantages, the full potential of Supermarket Banking remains untapped, and in 2025, we will focus on increasing customer adoption of these innovative and inclusive financial services.

Supporting Agro & SME Sectors

Economic empowerment is at the heart of our mission, with a particular focus on supporting both the agriculture and dairy sectors and the growth of small and medium-sized enterprises (SMEs). As part of the Cargills Group, we leverage our unique position to provide support to over 15,000 farmers across the island, facilitating them to improve their livelihoods and contribute to the national economy. To further fuel economic growth, our dedicated SME Business Unit offers tailored financial products, including working capital, trade finance, and term loans. Our 'Village to Home' programme further empowers SMEs by connecting them directly with consumers through the Cargills Supermarket locations.

Information Technology

Technological innovation is a core driver of Cargills Bank's strategy. To guide our IT investments, we established a Board IT Committee during the year. In 2024, we invested Rs. 99.7 Mn in enhancing our digital capabilities, resulting in significant improvements across the Bank. Key achievements include upgrading our website and mobile application for a more user-friendly experience, automating key processes such as Fixed Deposit alerts and NIC verification, and streamlining transaction processing through system integrations. We also accelerated the digital transformation of our loan origination system, further enhancing customer satisfaction.

Business Revival Unit

Cargills Bank commends the Central Bank for initiating the Business Revival Unit (BRU) to support businesses impacted by recent economic challenges. We have fully embraced this initiative, assisting businesses through financial restructuring and dedicated support. A significant percentage of our non-performing loans have been channelled into the BRU, where we are actively working with these businesses towards recovery. Furthermore, our branches throughout the network provide crucial support to customers requiring restructuring. We are pleased to see many of our clients overcoming these challenges and returning to a position of financial strength.

Environment, Sustainability & Governance

Environmental Sustainability and Governance (ESG) are integral to Cargills Bank's long-term strategy. We have implemented policies and practices that comply with the Central Bank's new governance directives and have developed a roadmap to adopt SLFRS S1 and S2 standards. Our Board of Directors provides effective oversight, ensuring ethical leadership and strategic direction as we pursue sustainable value creation for all stakeholders. Moreover, recognising the evolving landscape of digital banking, we prioritise cybersecurity, data privacy, and risk management, with ongoing initiatives to strengthen these critical areas

The Future

Cargills Bank is focused on strategic initiatives designed to drive sustainable growth and enhance our customer experience. We are expanding our product range with new initiatives such as leasing and innovative savings products, while further strengthening our popular Wishrama savings account, focusing on increased adoption, and expanded reach. To further drive growth, we plan to expand our overall portfolio by targeting established and emerging sectors, including vehicles supported by prudent risk management and targeted marketing efforts.

We will also continue to expand our physical presence through new branches and supermarket locations, extending the reach of our accessible banking services and remaining committed to popularising our unique Supermarket Banking model.

Actively supporting businesses requiring revitalisation through enhanced BRU operations will remain a priority, contributing to their long-term sustainability and economic growth. A critical priority is the recovery or regularising of long-outstanding loans, through proactive and diligent loan management to improve asset quality and optimise our financial performance.

Furthermore, we are committed to completing our capital augmentation plans by the end of the year, further strengthening our financial position, and we will continue to invest in our IT infrastructure and Core Banking System, ensuring a robust and secure platform for future growth.

Acknowledgement

Finally, I sincerely thank the Bank's exceptional management team, under the strong and steady leadership of our Managing Director, Mr. Senarath Bandara. His commitment and expertise have been invaluable, particularly during these challenging times. The entire team's dedication to our mission inspires us and allows us to remain closely connected to our customers, ensuring we are responsive to their evolving needs.

I wish to acknowledge Mr. Richard Ebell, who served as Chairman of the Board until 2 July 2024. I thank him for his years of dedicated service and invaluable leadership.

I also extend my appreciation to the Governor and officials of the Central Bank for their continued guidance, support, and collaboration.

My thanks is extended to the Cargills Group, whose visionary commitment to financial inclusivity across Sri Lanka provides us with a unique and powerful platform for growth.

Finally, I thank my accomplished colleagues on the Board of Directors for their unwavering support and valuable contributions in guiding the Bank. In particular, I recognise the contributions of the Board Committee Chairpersons for their deliberations, discussions, and oversight, and extend my gratitude to our shareholders, including the promoters, for their continued investment and belief in the vision.

Encouraged by accomplishments in the current year, I am excited about the year ahead and confident in our future. I am deeply proud of the strength and resilience of our team and honoured to lead this organisation. I look forward to the successes we will achieve together in the years to come, delivering exceptional value for all our stakeholders.

Asoka Pieris
Chairman

Colombo
25 February 2025

Executive Reviews

"In 2024, Cargills Bank demonstrated a solid financial performance, driven by strategic asset management, disciplined cost control, and a laser focus on core banking activities. This resulted in a significant increase in profitability, with profit before tax increasing by approximately 58% YoY, to Rs. 1,150 Mn. This reflects improved operational efficiency, effective resource allocation, and the strategic management of our fixed income portfolio in a volatile interest rate environment which significantly contributed to profitability."

CEO's Message

In 2024, we proudly celebrate Cargills Bank's 10th anniversary - a decade of commitment, growth, and unwavering resilience. While navigating significant economic and environmental headwinds, we have transformed into a stable, profitable institution, consistently delivering returns for the past three years. More importantly, we have remained steadfast in our mission to empower Sri Lanka's rural and farming communities, recognising their indispensable role in our nation's prosperity. Our commitment to these communities, alongside our advancements in innovative banking technologies ensuring accessibility for all Sri Lankans, defines our first decade. As we commemorate this milestone, we are honoured to reinforce this commitment with our special CSR initiatives directly supporting local dairy farmers to enhance their livelihoods and product quality.

Navigating the Economic Landscape in 2024

In 2024, Cargills Bank, like many financial institutions, navigated a complex web of economic challenges. The rapidly declining interest rate environment compressed our Net Interest Margin (NIM), as the repricing of longer-term deposit liabilities lagged behind falling lending rates. Furthermore, uncertainty surrounding the elections fostered a cautious business climate, dampening credit demand and limiting our ability to expand our lending portfolio. Moreover, the higher-than-normal staff attrition, a sector-wide challenge, necessitated significant investments in onboarding and training. Finally, the protracted debt restructuring process and its associated uncertainty added further headwinds, impacting business confidence and overall economic stability. Despite these considerable pressures, we remained agile and resilient throughout the year under review as evidenced by our performance.

Proactive Credit Portfolio Management

Our key focus in 2024 was on proactive management of non-performing loans and strategic rebalancing of our asset portfolio, understanding the need for vigilance and support in a challenging economic environment. A cornerstone of this strategy was a collaborative approach to credit management, providing timely assistance to customers facing cash flow difficulties and offering tailored restructuring solutions such as moratoria, grace periods, and deferments. These proactive measures, diligent monitoring, and active engagement proved instrumental in mitigating potential credit risks. As a result, we limited transfers to the Non-Performing Loan (NPL), Stage 3 loan category - a testament to our team's dedication and expertise. Furthermore, we empowered our borrowers, offering financial flexibility and contributing to their resilience, enabling them to continue servicing their facilities and strengthening the foundation for their future success. Accordingly, our loan portfolio growth in 2024 was 14% despite the economic challenges that prevailed. While acknowledging the inherent challenges, we remain steadfast in our commitment to a strong and healthy loan portfolio. This proactive and collaborative approach has been crucial in ensuring the stability of our lending operations and positioning us for continued success, while simultaneously supporting the economic well-being of our communities.

Strategic Asset Allocation

Aligned with our strategic priorities, we embarked on a deliberate shift in our focus on asset allocation during 2024, seeking to prioritise loan book growth over fixed-income government securities. While market conditions presented certain obstacles, we made notable progress in this transition, as evident by the 14% YoY growth in our lending portfolio. This purposeful rebalancing enhances our focus on core banking activities, supports long-term growth, and positions us for continued success in serving the financial needs of our customers.

Innovation and Digital Adoption

Moreover, we implemented an adaptive product strategy prioritising product development and enhanced digital adoption to meet evolving customer needs. Recognising the challenges posed by rapidly changing rates, we proactively developed and launched tailored deposit products designed to retain and attract deposits. In particular, when interest rates were declining and fixed-income securities were offering attractive returns, a long-term deposit product was launched with a fixed monthly interest rate of 16% for five years, providing customers with a secure and predictable return amidst market uncertainty. Furthermore, to support pensioners impacted by low interest rates, we introduced "Wishrama," a specialised product offering Wishrama account holders a high-interest rate fixed deposit option of 12% (limited to Rs. 1 Mn) when they deposit assign their pension into our accounts, along with additional benefits such as discounts on medicine purchases.

Moreover, recognising the growing importance of digital access, we focused on driving the adoption of Cargills Cash, our agency banking operation. Additionally, we have commenced upgrading our mobile banking platform to provide greater convenience and functionality for our customers. These initiatives underpin our steadfast commitment to understanding and responding to their evolving needs. We aim to provide innovative financial solutions and accessible banking services that empower customers to achieve their financial goals.

Strong Financial Performance

In 2024, Cargills Bank demonstrated a solid financial performance, driven by strategic asset management, disciplined cost control, and a laser focus on core banking activities. This resulted in a significant increase in profitability, with profit before tax increasing by approximately 58% YoY, to Rs. 1,150 Mn. This reflects improved operational efficiency, effective resource allocation, and the strategic management of our fixed income portfolio in a volatile interest rate environment which significantly contributed to profitability. Moreover, this included the release of provisions as we supported the business recovery efforts of our customers on a case-by-case basis, and strategically locking in higher yields while realizing gains by unwinding investments when opportunities arose. Consequently, net gains from derecognition of financial assets swelled by 279% to Rs. 670 Mn in 2024 due to the capital gains from treasury bonds. Furthermore, effective management of the loan book and deposit base, which recorded a growth of 6% supported net interest income growth and expanded our customer base. Additionally, we maintained disciplined expense management and achieved productivity gains across the Bank, offsetting rising HR costs with a focused approach to efficiency. It is important to recognise the capital infusion from the initial public offering (IPO) funds also added to the Bank's overall results.

Delivering Value for Our Stakeholders

We continued to operate with a deep understanding that our success is inextricably linked to the well-being of our diverse stakeholders – our customers, employees, business partners, regulators, and shareholders. We navigated challenging operating contexts efficiently, while providing robust support to each group, ensuring that we add value to the communities we serve.

For our customers, we enhanced operational efficiency, improved the overall experience, and ensured data privacy through strategic technology and process improvements. This included implementing Robotic Process Automation (RPA) to streamline workflows and reduce turnaround times, upgrading our website and developing a feature-rich mobile application, and automating solutions for fixed deposits to enhance convenience and security. Moreover, we proactively initiated compliance with the Data Protection Act and ISO 27001 to safeguard customer data. Furthermore, we set up our Business Revival Unit (BRU) to provide tailored assistance to customers facing liquidity challenges, offering proactive restructuring, moratoria, and repayment extensions. To support our depositors, we responded to declining interest rates by introducing innovative products. The effectiveness of these endeavours enabled us to increase our customer base by 12% YoY.

For our dedicated employees, we invested heavily in training and development programmes to enhance their skills and capabilities by delivering approximately 9000 hours of training, bolstered by in-house professional training facilities. We also fostered a strong culture and promoted work-life balance through team activities and employee engagement initiatives.

We continued to empower communities through financial inclusion, supporting SMEs and the agricultural sector with loans, credit, and financial literacy programmes. Leveraging our unique position within Sri Lanka's largest agricultural value chain, we have the opportunity to connect directly with over 20,000 farmers, providing market linkages, capacity building, and tailored financial support, offering end-to-end solutions beyond traditional financing. In 2024, our investments in CSR projects positively impacted individuals in rural communities, reinforcing our commitment to sustainable community development.

Executive Reviews

To our business partners, we prioritise strong relationships through on-time payments, open communication, and programmes to ensure alignment with our goals for the community and society. For our regulators, we maintain strict compliance with all regulatory guidelines, providing a safe and trustworthy institution for our clients. Finally, for our shareholders, we are committed to augmenting capital and enhancing shareholder value through profit generation, asset growth, and responsible management. Moreover, we strive to increase returns through strategic initiatives and relationship-driven results.

Looking Ahead

Looking ahead, we will concentrate on several key strategic priorities. Our focus will be on securing sufficient capital to fuel future growth and expansion. We will also invest in upgrading our core banking system to ensure efficiency and innovation. Moreover, we will focus on expanding our customer base, reaching new segments and strengthening relationships with existing customers, whilst driving digital solutions across our customer base. Furthermore, we will align our lending strategies with the anticipated economic progress in Sri Lanka, supporting growth and opportunity. Finally, we are committed to integrating sustainability into all aspects of our operations, building on existing economic policies and frameworks to ensure a responsible and sustainable future.

Conclusion

Our 2024 performance validates the effectiveness of our strategy in enhancing returns, and we remain optimistic about its sustained delivery of favourable results for our stakeholders. In closing, I extend my sincere gratitude to the Chairman and Board of Directors for their invaluable insights and guidance throughout a challenging year.
I extend my gratitude to Mr Richard Ebell, our former Chairman, who retired after nine years of exceptional service. His leadership has been invaluable, and I wish him all the best in his future endeavours. I also extend a warm welcome to Mr Asoka Peiris, who has been appointed as the new Chairman, effective 3 July 2024. I am confident his vision and expertise will guide us to even greater success in the years ahead.
My deepest appreciation goes to the senior management team and our dedicated staff for their remarkable efforts, unwavering dedication, and commitment to delivering seamless service to our customers and communities. I also acknowledge the Central Bank of Sri Lanka (CBSL) for their efforts in maintaining financial stability amidst challenging circumstances. On behalf of the entire Cargills Bank family, I express our appreciation for the trust and confidence placed in our ability, resilience, and resourcefulness by our customers and stakeholders. Building on the foundation of success achieved in 2024, we move forward with confidence, committed to sustainable growth, creating exceptional value for all stakeholders, and becoming the most inclusive Bank in Sri Lanka.

Senarath Bandara
Managing Director/Chief Executive Officer

Colombo
25 February 2025

Our Board of Directors

GRI 2-9 GRI 2-11 GRI 2-17

Asoka Pieris

Chairman from 3 July 2024
Deputy Chairman from 1 April 2024 to 2 July 2024

Non-Executive Independent
(Independent w.e.f. 8 June 2024)

Director since
20 January 2023

Membership in Board Committees
- Board Strategic Planning Committee - Chairman w.e.f. 1 July 2024
- Board Capital Augmentation Steering Committee - Chairman
- Board Integrated Risk Management Committee
- Board Human Resources and Remuneration Committee
- Board Nominations and Governance Committee
- Board Credit Committee

Qualifications and titles
- Associate Member of the Institute of Chartered Accountants of Sri Lanka
- Fellow of the Chartered Institute of Management Accountants, UK
- A Certified Global Management Accountant

Other current appointments
None

Previous appointments
- Cargills Retail (Pvt) Ltd - Managing Director
- Cargills (Ceylon) PLC - Director
- Singer (Sri Lanka) PLC - Managing Director/ Director/ Finance Director
- Singer Asia (Hong Kong) - Chief Financial Officer
- Singer Industries (Ceylon) PLC - Managing Director/Director
- Regnis (Lanka) PLC - Managing Director/Director
- Singer Finance Lanka PLC - Director
- Hatton National Bank PLC - Director
- Singer Bangladesh Ltd - Director
- First Capital Ltd and its subsidiaries - Director
- Commercial Leasing Company PLC - Director
- P T Singer Indonesia TBK - Director
- Singer Corporation Ltd - Director
- Bt India Ltd - Director
- Brand Trading (India) (Pvt) Ltd - Director
- Ceylon Chamber of Commerce - Director

Expertise
Business Management, Finance & Accounting (Sri Lanka & Overseas), Marketing, Manufacturing, Auditing, Personal & SME lending and Deposit Management

Richard Ebell

Chairman/Director up to 2 July 2024

Non-Executive Independent

Director since
3 July 2015

Membership in Board Committees up to 30 June 2024
- Board Strategic Planning Committee - Chairman
- Board Audit Committee
- Board Related Party Transactions Review Committee
- Board Human Resources and Remuneration Committee
- Board Nominations and Governance Committee
- Board Integrated Risk Management Committee
- Board Capital Augmentation Steering Committee

Qualifications and titles
- Fellow of the Institute of Chartered Accountants of Sri Lanka
- Fellow of the Chartered Institute of Management Accountants, UK
- Diploma in Marketing from the Chartered Institute of Marketing, UK

Other current appointments
None

Previous appointments
- Hayleys PLC - Progressive positions ending as Finance Director
- Loadstar (Pvt) Ltd - CFO
- Dankotuwa Porcelain PLC - Director
- Finlays Colombo Ltd (then PLC) - Director
- Laugfs Capital Ltd - Executive Director
- Softlogic Holdings PLC - Director
- RIL Property PLC - Director
- Asiri Hospital Holdings PLC - Director
- HNB Assurance PLC - Director

Expertise
Finance, Governance, and General Management

Our Board of Directors

Senarath Bandara
Managing Director/Chief Executive Officer

Executive Non-Independent

Director since
- 8 September 2020 - 30 September 2020 - Executive Director/MD/CEO (designate)
- 1 October 2020 to date - MD/CEO

Membership in Board Committees
- Board Integrated Risk Management Committee
- Board Strategic Planning Committee
- Board Information Technology Committee
- Board Capital Augmentation Steering Committee

Qualifications and titles
- BSc - University of Kelaniya
- MBA - PIM, University of Sri Jayewardenepura
- FIB - IBSL
- Postgraduate Executive Diploma in Bank Management - IBSL
- Advance Management Program - Harvard Business School

Other current appointments
None

Previous appointments
- Bank of Ceylon - Progressive positions ending as General Manager/CEO
- Planning and Monitoring Unit of Mahaweli Authority - Statistician
- Regional Development Bank - Director
- Credit Information Bureau of Sri Lanka - Director
- Lanka Clear (Pvt) Ltd - Director
- Lanka Financial Services Bureau Ltd - Director
- Merchant Bank of Sri Lanka & Finance PLC - Director
- Bank of Ceylon (UK) Ltd - Director/ CEO
- Ceybank Holiday Homes (Pvt) Ltd - Director
- MBSL Insurance Co. Ltd - Director
- Koladeniya Hydropower (Pvt) Ltd - Director
- BOC Travels (Pvt) Ltd – Director
- Hotels Colombo (1963) Ltd – Director
- Ceybank Asset Management Ltd – Director
- BOC Property Development & Management (Pvt) Ltd - Director
- BOC Management and Support Services (Pvt) Ltd - Director/ Chairman
- Institute of Bankers of Sri Lanka - Governing Board Member
- Wayamba University - Member of the Council
- Sri Lanka Bankers Association - Vice Chairman
- Association of Professional Bankers (APB) - President (2017/18)
- Asia-Pacific Rural Agriculture Credit Association (APRACA) - Chairman (2018/2020)
- University of Kelaniya - Assistant Lecturer (Temporary)

Expertise
- Corporate Banking, Branch Operations, International and Treasury, Development Banking, and Project Management

Ms. Marianne Page
Director

Non-Executive Non-Independent

Director since
10 October 2019

Membership in Board Committees
- Board Credit Committee
- Board Strategic Planning Committee
- Board Capital Augmentation Steering Committee

Qualifications and titles
Fellow of the Chartered Institute of Management Accountants, UK

Other current appointments
- Asiabox Consultancy Services Pte Ltd (Singapore) - Managing Director (Executive)

Previous appointments
- Lehman Brothers Asia Ltd (Hong Kong) - Senior Vice President (Institutional Sales)
- Smith New Court (Far East) Ltd (Hong Kong) - Managing Director - Indian Sub-Continent
- Smith New Court (Far East) Ltd (Hong Kong) - Director South Asia - Institutional Sales
- Credit Lyonnais Securities (Asia) Ltd (Hong Kong) - Dealing Director - Emerging Markets
- Drexel, Burham & Lambert (Hong Kong) - Vice President - Arbitrage Division

Expertise
- Asian Financial Markets with strong network of relationships with leading foreign institutional fund managers
- Promoting Sri Lanka as an investment destination to foreign institutional investors since the early 1990's

Yudhishtran Kanagasabai

Director

Non-Executive Independent

Director since
28 October 2019

Membership in Board Committees
- Board Related Party Transactions Review Committee - Chairman
- Board Integrated Risk Management Committee - Chairman
- Board Strategic Planning Committee
- Board Audit Committee
- Board Nominations and Governance Committee
- Board Information Technology Committee

Qualifications and titles
Fellow of the Institute of Chartered Accountants of Sri Lanka

Other current appointments
- Asia Leisure Holdings (Private) Limited – Chairman (Non-Executive)
- Wadduwa Resort (Pvt) Ltd - Chairman (Non-Executive)
- Asia Capital PLC - Chairman (Non-Executive)
- Eswaran Brothers Exports (Pvt) Ltd - Director (Non-Executive)
- MainGate (Pvt) Ltd – Director (Non-Executive)
- Arpico Insurance PLC - Director (Non-Executive)
- Kelani Cables PLC - Director (Non-Executive)

Previous appointments
- Union Bank of Colombo PLC - Director
- EAP Holdings Limited - Director
- Hunter & Company PLC - Director
- Cargills (Ceylon) PLC - Director
- Cargills Retail (Pvt) Ltd - Director
- Dankotuwa Porcelain PLC - Director
- South Asia Textiles (Pvt) Ltd - Director
- Lanka Canneries Limited - Director
- Taprobane Capital Plus (Pvt) Ltd - Director
- Ceylon Tobacco Company PLC – Director
- Peoples Leasing and Finance Company PLC - Director
- Ambeon Capital PLC - Director
- Colombo City Holdings PLC - Director
- Millennium IT ESP (Pvt) Ltd - Director
- Ernst & Young - Cost Trainee
- Management Aids Limited - Management Trainee
- PwC – Sri Lanka - Progressive positions, including as Senior Partner/CEO
- PwC – Singapore - Manager
- Insurance Regulatory Commission of Sri Lanka - Commissioner

Expertise
Finance, Accounting, Assurance, Business Consulting, Technology Consulting, and Tax Structuring

Buwanekabahu Perera

Director

Non-Executive Independent

Director since
1 July 2021

Membership in Board Committees
- Board Nominations and Governance Committee - Chairman
- Board Credit Committee - Chairman
- Board Audit Committee
- Board Strategic Planning Committee

Qualifications and titles
- BSc (Hon) in Financial Services from the University of Manchester, UK
- Associate of the Chartered Institute of Bankers, UK
- Post Graduate Diploma in Bank Financial Management, University of Sri Jayawardenapura
- Associate Member of the Institute of Certified Management Accountants, Sri Lanka
- Passed Finalist of the Chartered Institute of Management Accountants, UK
- Chairman - Indian Ocean Rib Business Forum [IORBF]
- Association of Professional Bankers - Sri Lanka - Past President
- Bankers Association Technical Advisory Committee - Former Chairman

Other current appointments
- The Ceylon Chamber of Commerce - CEO/ Secretary General (Executive)
- Sierra Cables PLC – Director (Non-Executive)

Previous appointments
- Sierra Construction Ltd - Deputy Chairman
- Sierra Property Development (Pvt) Ltd - Chairman
- National Development Bank PLC - Senior Vice President/Acting CEO
- Deutsche Bank AG Colombo - Manager
- Sampath Bank - Senior Executive
- Banque Indosuez - Officer

Expertise
Corporate Banking, Project Financing, International Trade, Investment and Merchant Banking

Our Board of Directors

Ravindra Jayawardena
Director

Non-Executive Independent

Director since
1 May 2023

Membership in Board Committees
- Board Human Resources and Remuneration Committee
- Board Strategic Planning Committee

Qualifications and titles
- MBA from the Post Graduate Institute of Management, University of Sri Jayawardenapura
- Diploma in Marketing from the Chartered Institute of Marketing, UK

Other current appointments
- Postgraduate Institute of Management – External Director (Non-Executive)
- Diesel & Motor Engineering PLC - Director (Non-Executive)
- Maliban Biscuits Group - Group Chief Executive Officer (Executive)
- Cardiff University (UK) and PIM (Sri Lanka) - Senior MBA lecturer

Previous appointments
- Unilever Sri Lanka - Head of Category/ Head of Modern Trade/ Head of Key Accounts
- Coca Cola Sri Lanka (Pvt) Ltd - Country Head of Sales
- Glendinning (UK) 2009 to 2014 - Consultant

Expertise
Human Resources, Marketing Management, Development of New Markets and General Management

Mrs. Shanti Gnanapragasam
Director

Non-Executive Independent

Director since
21 June 2023

Membership in Board Committees
- Board Human Resources and Remuneration Committee - Chairperson
- Board Related Party Transactions Review Committee
- Board Integrated Risk Management Committee
- Board Credit Committee
- Board Strategic Planning Committee
- Board Audit Committee
- Board Information Technology Committee

Qualifications and titles
- BSc in Zoology - University of Madras, South India
- Fellow of the Chartered Institute of Management Accountants, UK
- Chartered Global Management Accountant
- ACI Foreign Exchange Dealer Certification from The Financial Markets Association, Paris

Other current appointments
- Vision Fund Lanka (Pvt) Ltd – Director (Non-Executive)
- Wealth Trust Securities Ltd – Director (Non-Executive)

Previous appointments
- NDB Bank PLC- Chief Risk Officer/ Vice President Risk Management/ Vice President Shared Services (Centralised Operations)/ Vice President Credit/ Chief Credit Officer
- Hatton National Bank PLC - Chief Dealer/ AGM Treasury /Chief Risk Officer / AGM Risk Management
- Hayleys PLC - Group Treasurer
- Peoples Bank - Deputy Head of Treasury
- American Express Bank Ltd - Director - Treasury and Country Head for Global Markets

Expertise
Banking, Credit, Risk Management, Banking Operations, Treasury, and Asset & Liability Management

Arjuna Herath

Director

Non-Executive Independent

Director since
1 November 2023

Membership in Board Committees
- Board Audit Committee - Chairman
- Board Information Technology Committee - Chairman
- Board Capital Augmentation Steering Committee
- Board Human Resources and Remuneration Committee
- Board Nominations and Governance Committee
- Board Strategic Planning Committee
- Board Related Party Transactions Review Committee

Qualifications and titles
- Fellow member of the Institute of Chartered Accountants of Sri Lanka
- BSc from the University of Colombo
- MBA from the University of Strathclyde, United Kingdom
- Master of Arts in Financial Economics from the University of Colombo

Other current appointments
- Synapsys Ltd – Chairman (Non-Executive)
- Durdans Medical and Surgical Hospital (Pvt) Ltd - Director (Non-Executive)
- Central Depository Systems (Pvt) Ltd - Director (Non-Executive)
- Colombo Stock Exchange – Director (Non-Executive)
- Senkadagala Finance PLC – Director (Non-Executive)
- Watawala Plantations PLC – Director (Non-Executive)
- Watawala Dairy Ltd - Director (Non-Executive)
- RIL Property PLC - Director (Non-Executive)
- United Motors Lanka PLC - Director (Non-Executive)
- CSE Clear (Pvt) Ltd - Chairman (Non-Executive)
- C B L Investment Limited - Director (Non-Executive)
- Board of Investment of Sri Lanka – Chairman (Non-Executive)
- The Sri Lanka Institute of Directors - Director (Non-Executive)

Previous appointments
- Data Protection Authority of Sri Lanka – Chairman
- Ernst & Young for Sri Lanka and Maldives - Senior Partner and Head of Consulting
- Merchant Bank of Sri Lanka - Director Corporate Finance
- Ceylon Tobacco Company Ltd – Marketing Development Manager
- Sri Lanka Accounting and Auditing Standards Monitoring Board - Board Member
- Securities and Exchange Commission of Sri Lanka - Commissioner
- Company Law Advisory Commission - Member
- South Asian Federation of Accountants - Past President
- Confederation of Asia Pacific Accountants - Board Member
- The Institute of Chartered Accountants of Sri Lanka - Past President

Expertise
Finance, Accounting, Business Consulting, Technology Consulting, and People Advisory Services

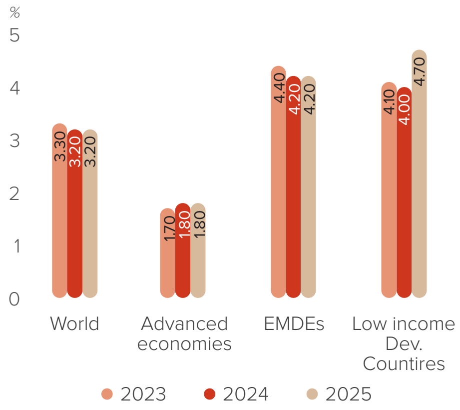
Our Operating Context

Slow and Stable Global Growth

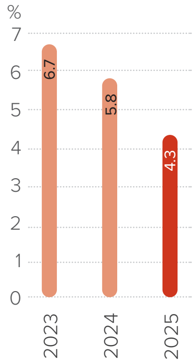
Global economic growth is projected to remain flat, decelerating from 3.3% in 2023 to 3.1% by 2029. After a post-reopening surge in 2022, advanced economies witnessed a marked slowdown in 2023, with growth expected to stabilise between 1.7% and 1.8% through 2029. Emerging Asia's robust growth is also anticipated to moderate, declining from 5.7% in 2023 to 5.0% by 2025, primarily due to a sustained slowdown in India and China.

Global headline inflation is forecasted to continue its downward trend, decreasing from an average of 6.7% in 2023 to 5.8% in 2024 and 4.3% in 2025. Disinflation is expected to occur more rapidly in advanced economies while emerging markets and developing economies are predicted to witness a more gradual decline from 8.1% in 2023 to 7.9% in 2024 before dropping to 5.9% in 2025. Finally, global trade is expected to recover, growing in line with GDP at an average of 3.25% annually in 2024 and 2025, after experiencing near stagnation in 2023.

Global growth (%)



Global inflation (%)



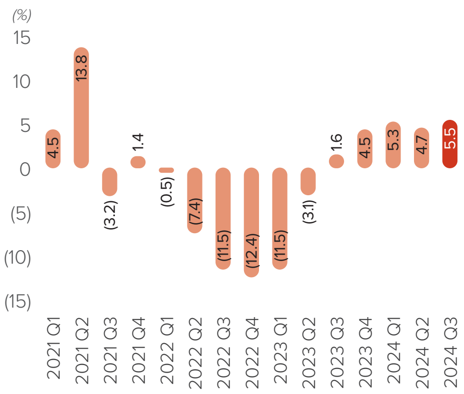
Source: IMF WEO October 2024 Update

Robust Economic Growth in Sri Lanka

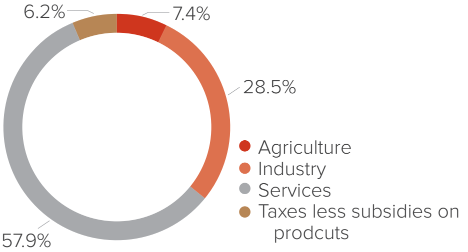
Sri Lanka's economy demonstrated strong performance in 2024, achieving a 5.2% GDP growth in the first three quarters, driven by expansions in key sectors. This positive trend continued into the final quarter, leading to a projected 5.0% real GDP growth for the year – the highest after 2017. The year also saw significant progress in economic and financial stabilisation, supported by the IMF-EFF programme. Notably, Sri Lanka completed most of its debt restructuring process, facilitating improved relations with creditors and external partners. This positive economic turnaround was acknowledged in December 2024, when Moody's global rating agency upgraded Sri Lanka's long-term foreign currency issuer rating to Caa1 (stable outlook), citing the completed international bond restructuring as a primary factor.

GDP growth (%)

GDP growth (%)



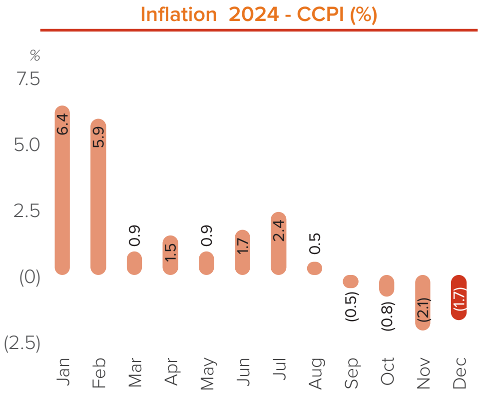
Share of GDP - 3Q 2024



Source: The CBSL

Inflation Trended Downward

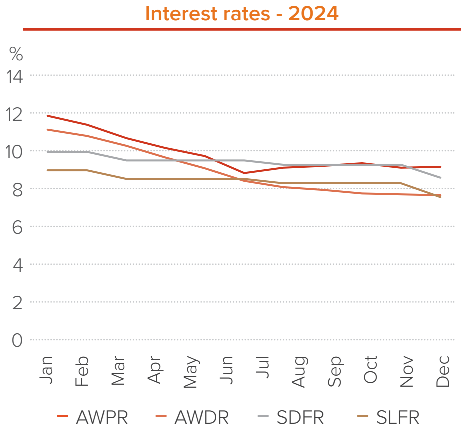
After a temporary increase due to early-year VAT changes, inflation rapidly decelerated, falling below 5.0% and reaching deflationary levels by September 2024. This was driven by lower energy costs, a stronger currency, and reduced food prices. Core inflation also decreased, indicating a decline in demand pressures.



Source: The CBSL

Interest Rates

Throughout 2024, the Central Bank of Sri Lanka implemented an increasingly accommodative monetary policy, supported by a favourable inflation outlook and improved macroeconomic stability. This resulted in three policy-easing measures that significantly lowered market interest rates, effectively transmitting these changes to the broader economy. Liquidity in the domestic money market kept short-term rates aligned with the policy stance: this low-interest rate environment and sufficient liquidity promoted economic recovery by stimulating consumer spending and encouraging investment.

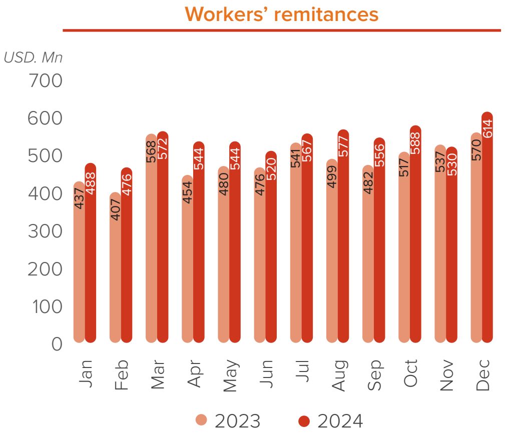


Source: The CBSL

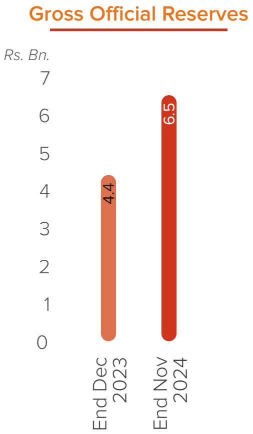
External Sector

The external sector maintained its positive momentum in 2024, resulting in a stronger Balance of Payments and a second consecutive year of current account surpluses. The Central Bank's record net foreign exchange purchases, exceeding USD 2.8 Bn, bolstered gross official reserves to approximately USD 6.1 Bn by year-end. A flexible exchange rate policy facilitated a more stable and appreciating Sri Lankan rupee due to improved market sentiment and net forex inflows. Workers' remittances surged to USD 6,575 Mn in 2024 vs. USD 5,970 Mn in 2023. Gross Official Reserves (GOR) further improved to USD 6.5 Bn by end-November 2024, compared to USD 4.4 Bn at end-December 2023.

The Sri Lankan rupee appreciated considerably in 2024, despite some late-year volatility and a monthly depreciation in December 2024. Overall, the rupee strengthened by 10.7% against the US dollar and gained value against major currencies, reflecting cross-currency movements.



Source: The CBSL



Source: The CBSL

Our Operating Context

Banking Sector

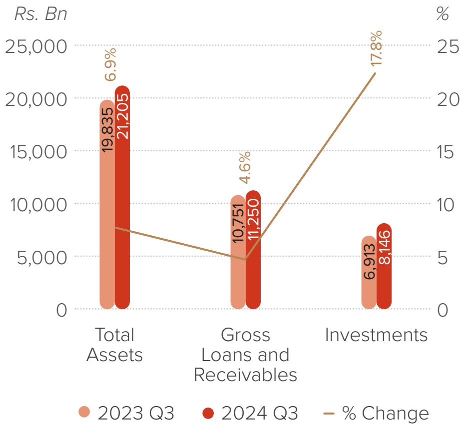
The overall soundness of the banking sector as indicated by the BSI improved at the end Q2 of 2024 compared to the corresponding period of the previous year.

Net profit of the Banking sector significantly increased during the first half (H1) of 2024 compared to the H1 of 2023 due to the substantial reduction in interest expense. The Banking sector reported a Profit After Tax (PAT) of Rs. 111.8 Bn during the H1 of 2024 compared to Rs. 80.5 Bn during H1 of 2023, recording a growth of 38.8% in the period under review.

Assets

The total assets of the banking sector grew by 6.9% YoY by the end of Q3 2024. This growth was primarily due to increased investments and lending portfolio.

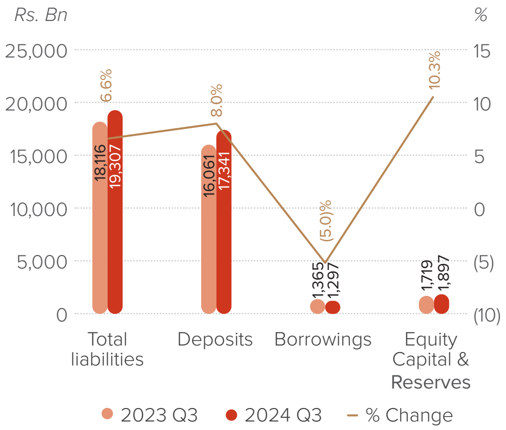
Assets



Liabilities

Liabilities increased by 6.6% YoY at the end of Q3 2024, driven by deposit growth.

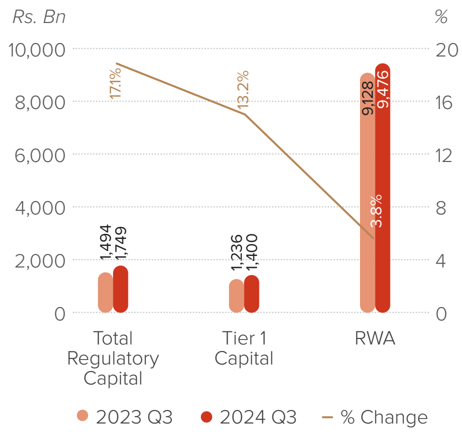
Liabilities



Regulatory Capital

The Regulatory Capital to Risk Weighted Assets (RWA) ratio for the banking sector increased to 18.5% at the end of Q3 2024, compared to 16.4% in the same period in 2023. This was due to regulatory capital growth outpacing the growth of RWA.

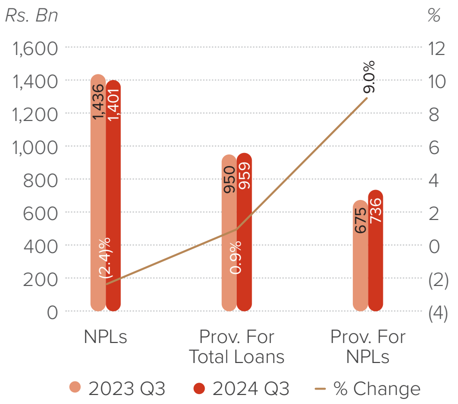
Regulatory Capital



Asset Quality

Indicating a gradual decline in default risk of the banking sector, Non-Performing Loans to Total Loans declined to 12.4% at end Q3 of 2024 compared to 13.6 % at end Q3 of 2023.

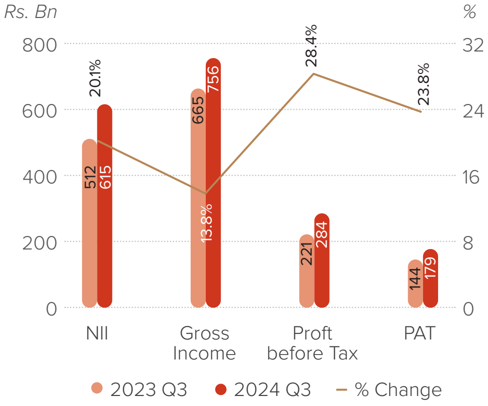
Asset Quality



Profitability

Profit after tax of increased by 23.8% YoY to Rs. 178.6 Bn during the three quarters ending Q3 of 2024. This was due to the increase in net interest income.

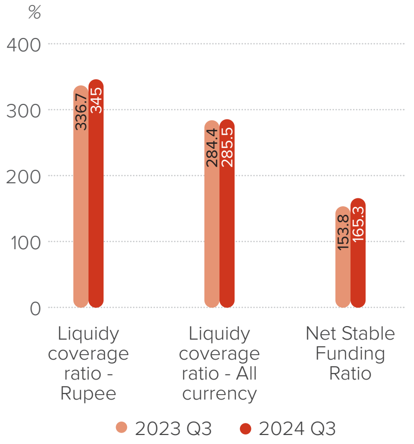
Earnings and profitability



Liquidity

The Liquidity Coverage Ratios (LCR) – Rupee & All Currency, and Net Stable Funding Ratio (NSFR) improved at end Q3 of 2024 compared to end Q3 of 2023.

Liquidity (%)



Source: The CBSL

Macroeconomic developments	Impact on the Bank (Opportunities/Threats)	Our strategic response
Domestic expenses were eased by the downward trend in utilities, fuel, and FMCG prices.	Opportunities ◆ Increase public access to credit and positively impact customer creditworthiness.	Encouraging the Bank to improve recoveries of non-performing financial assets and enhance focus on watchlists.
The slowdown in financial intermediation eased, with signs of stabilising credit growth.	Opportunities ◆ Improved portfolio quality. Threats ◆ A slowdown in financial asset growth could negatively impact the interest spread, due to reduced inflows of customer financial liabilities.	Continuous review of underwriting standards, credit evaluation processes and customer engagement. Pursue service enhancement opportunities to grow fee-based income.
The decline in market interest rates with the accommodative monetary policy stance.	Opportunities ◆ Reduced risk premiums. ◆ Increased inquiries for financial assets. Threats ◆ Less attraction of savings by customers.	Active focus on the Net Interest Margin.
Falling inflation.	Opportunities ◆ Potential to expand the bank's financial assets and liabilities. Threats ◆ The Central Bank of Sri Lanka's (CBSL) target of 5% inflation contrasts with the current negative inflation rate.	Implement aggressive marketing strategies and empower the business development team.
Rupee appreciated against the USD during the year.	Opportunities ◆ Benefit from high inflows of foreign exchange and remittances.	Expand partnerships with remittance providers and implement aggressive marketing strategies.

Overview of Our Business

Our Value Creation Model

GRI 2-6

Our business model is the foundation for our commitment to creating sustainable value for all stakeholders. We achieve this by strategically leveraging six key capitals to allocate resources, implement transformative processes, and ultimately, deliver meaningful outcomes. This model is designed as an interconnected system where our inputs, processes, and outputs work dynamically together to continuously generate sustainable value.

Operating Environment

Our Vision, Mission, and Values

Capital	Our Inputs	Our Core Functions and Enablers
Financial Capital (Pages 88 to 93)	• Shareholder's Funds **Rs. 12,168 Mn** • Customer Deposits **Rs. 59,427 Mn** • Other Borrowed Funds **Rs. 1,511 Mn** • Subordinated Liabilities **Rs. 1,500 Mn**	• Drive growth from a position of stability • Pursue ecosystem growth opportunities • Upgrade digital solutions to facilitate a customer-centric approach
Human Capital (Pages 51 to 61)	• **690** Employees • Experienced Leadership Team • Diverse Board	Driven by Business Lines **Retail Banking** **Agriculture Operations** **SME Banking** **Corporate Banking** **Digital Channels** **Treasury Operations** **Cards Business**
Manufactured Capital (Pages 67 to 70)	Property, Plant and Equipment **Rs. 843 Mn**	
Intellectual Capital (Pages 62 to 66)	• Robust Governance Structures • Cargills Brand Loyalty • Institutional Knowledge • Best Practices • Systems and Processes	**Enabled by support functions** IT; Credit Administration; Trade Central Account Maintenance; Legal; Recoveries
Social and Relationship Capital (Pages 77 to 87)	• Customers on-boarded **+245,000** • Suppliers • Investment in CSR **Rs. 1.3 Mn** • Loyal and Demographically Diverse Customer Base • Women Empowerment	• Fortified by strong governance and ethics Risk Management (Credit risk/Operational Risk/Market risk/ Concentration risk/Counterparty risk/ Liquidity risk)
Natural Capital (Pages 71 to 76)	• Energy **1,117,878 kwh** • Water **7,832 cu.ft.** • Sustainable use of Resources • Green Financing	• Focus on Sustainability

Our Outputs	Our Outcomes	Stakeholders	SDGs	Material Topics
• **Rs. 8,932 Mn** Gross interest income • **Rs. 51,439 Mn** Gross loans and advances	• High deposit retention • EPS **Rs. 0.69** • NPAT **Rs. 651 Mn** • Tier 1 Capital base **Rs. 12,930 Mn** • Healthy deposit retention ratio	(Page 36 - 37)	8 DECENT WORK AND ECONOMIC GROWTH (Page 40)	• Profitability and financial performance • Business continuity • Market and liquidity management • Interest rate change (Page 42)
• **Rs. 1,330 Mn** remuneration • **Rs. 3.4 Mn** on training and development • **48%** of female employees	• A trained, skilled and engaged team • Manage employee retention ratio • **Rs. 1,330 Mn** salaries and benefits • **9,018** Training hours	(Page 36 - 37)	8 DECENT WORK AND ECONOMIC GROWTH 3 GOOD HEALTH AND WELL-BEING (Page 40)	• Employee relations and retention • Training and development (Page 42)
• **24** branches • **29 MINI** locations • **ATMs** and **+500** Other touchpoints	• **Rs. 634 Mn** capital expenditure • **14%** digitally engaged customers • Island wide presence	(Page 36 - 37)	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE (Page 40)	• Physical channels and digitalisation (Page 42)
• **60K+** total digital banking customers • **210** no. of employees with over 5 years' service	• Culture of learning and development • Ethics and transparency • Improved digital platforms • Secure systems	(Page 36 - 37)		• Risk management practices (Page 46)
• **Rs. 51,439 Mn** Gross loans and advances • **Rs. 5,343 Mn** interest payments	• **Rs. 1.3 Mn** invested in CSR • Convenience through digital channels • Increased customer base • Improved customer satisfaction • Strong business partnerships	(Page 36 - 37)	1 NO POVERTY 2 ZERO HUNGER (Page 40)	• Physical channels and digitalisation • Customer Privacy • Socio-political impacts • Sales promotions, marketing, and information on the availability of Bank's products (Page 42)
• **Rs. 4,222 Mn** Green financing portfolio	• Ongoing efforts to minimise our impact on the environment • ESG policy	(Pages 36 - 37)	7 AFFORDABLE AND CLEAN ENERGY (Page 40)	• Environmental protection • Environmental, Social and Governance aspects and responsible lending (Pages 41 to 47)

Overview of Our Business

Statement of Capital Position

The statement of capital position demonstrates how create value from each capital throughout the year to the stake holders of the Bank. The value creation from each capital is tabulated below.

Financial Capital				
Indicator of value derived	Value derived as of 1 January 2024	Activities undertaken to create Financial Capital	Value as of 31 December 2024	YoY Growth in value created
Shareholders' funds (Rs. 000)	11,942,783	◆ Grew the business volume prudently throughout the period	12,167,633	224,850
Subordinated liabilities (Rs. 000)	1,500,000		1,500,000	-
Other borrowings (Rs. 000)	2,476,367		1,511,001	(965,366)
Customer deposits (Rs. 000)	50,664,570		59,426,888	8,762,318
Fund raised from refinance arrangements (Rs. 000)	484,508		2,032,393	1,547,885
Profit generated through net interest income from fund-based operation (Rs. 000)	3,381,391		3,588,780	207,389
Profit generated through from fee and commission income from fee-based operation (Rs. 000)	798,768		894,272	95,504
Profit generated through other trading activities (Rs. 000)	694,935		1,008,185	313,250

Human Capital				
Indicator of value derived	Value derived as of 1 January 2024	Activities undertaken to create Human Capital	Value as of 31 December 2024	Growth in value created
No. of employees	623	◆ Invested in training and development ◆ Competitive remuneration and employee benefits ◆ Effective grievance handling ◆ Facilitated employee engagement and well-being ◆ Nurtured a diverse and inclusive culture	690	67
No. of new recruits	270		275	5
Retention Ratio (%)	59.03		66.61	7.58
Profit per employee (Rs. 000)	706		943	237
Average training hours per employee (Hours)	18.89		14	(4.89)
Training cost (Rs. Mn)	3,046		3,422	376

Intellectual Capital				
Indicator of value derived	Value derived as of 1 January 2024	Activities undertaken to create Intellectual Capital	Value as of 31 December 2024	Growth in value created
Value of intangible assets (Rs. 000)	283,445	◆ Invested in technology ◆ Strengthened cyber security ◆ Improved systems and processes	202,059	(81,386)
No. of employees servicing for >10 years	194		216	22
No. of digital customer base	86,250		104,914	18,664
Mobile / Internet Banking (Total Users) – Personal	83,644		101,731	18,087
Rating	Fitch Rating A (lka)		Fitch Rating A (lka)	-

Manufactured Capital				
Indicator of value derived	Value derived as of 1 January 2024	Activities undertaken to create Manufactured Capital	Value as of 31 December 2024	Growth in value created
No. of branches	24	Extended the customer reach	24	-
Cargills Bank MINIs	28		29	1
Cargills agency outlets	477		532	55
Freehold land and building (Rs. 000)	125,037		130,273	5,236
Investment in capital expenditure (Rs. 000)	2,175,115		2,674,530	499,415
Profit per branch (Rs. 000)	18,334		27,117	8,783

Natural Capital				
Indicator of value derived	Value derived as of 1 January 2024	Activities undertaken to create Natural Capital	Value as of 31 December 2024	Growth in value created
Energy (kwh)	1,044,906	◆ Adopted energy-efficient practices ◆ Practiced water-conservation ◆ Adopted waste management practices ◆ Engaged in sustainable lending	1,117,878	72,972
Water consumption (cu.ft.)	5,579		8,172	2,076
Paper consumption (Kg)	6,096		7,832	1,736
Sustainable lending portfolio (Rs. Mn)	4,694		4,222	(472)

Social and Relationship Capital				
Indicator of value derived	Value derived as of 1 January 2024	Activities undertaken to create S&R Capital	Value as of 31 December 2024	Growth in value created
Government taxes (Rs. 000)	705,721	◆ Promoted financial inclusion ◆ Engaged in CSR activities ◆ Strengthened business partner relationships ◆ Launched in brand building campaigns ◆ Empowered farmers	1,041,542	335,821
Investment in CSR (Rs. 000)	-		1,300	1,300
Value of loans disbursed to farmers (Rs. Mn)	379		699	320

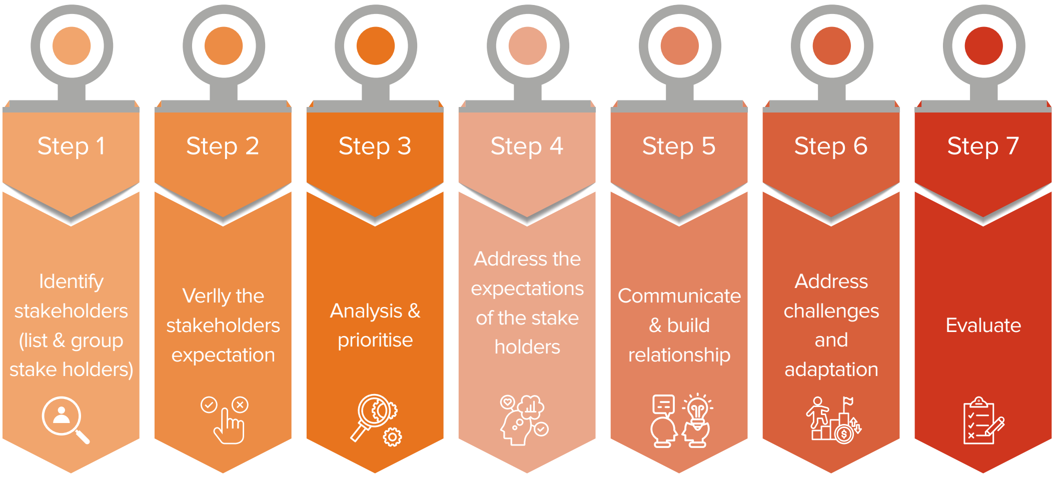
Overview of Our Business

Responding to Our Stakeholders

GRI 2-29/ GRI 207-3

Our stakeholder engagement process fosters communication, collaboration, and strong relationships with individuals, groups, and organisations invested in the Bank's operations. This process identifies key stakeholders-including investors, customers, employees, regulators, and communities-and continually assesses their needs and expectations. We align our strategy to address stakeholder concerns and opportunities, maintaining ongoing collaboration to mitigate risks and ensure sustainable growth. Given below is a high-level overview of the Bank's stakeholder engagement activities for the year.

Our Stakeholder Engagement Process



Stakeholder	Engagement channel and frequency of	Key concerns raised	Our response	Link to capitals
Investors	◆ Annual General Meeting (annually) ◆ Annual Report (annually) ◆ Interim Financial Statements (quarterly) ◆ Announcements to the Colombo Stock Exchange (ongoing) ◆ Corporate website (ongoings) ◆ Press releases (when required) ◆ Robust risk management and governance framework (ongoing) ◆ Engagement of the management team (ongoing)	◆ Financial performance, stability, and resilience in economic downturns ◆ Effective and sustainable risk management ◆ Governance and accountability ◆ Strategic growth and operations ◆ Focus on ESG and climate change	◆ Implementing our annual strategic plan for sustainable business operations ◆ Ongoing enhancement of governance and risk management practices ◆ Business expansion initiatives ◆ Adoption of environmental and climate change mitigation strategies	
Customers	◆ Branch and sales network (ongoing) ◆ Contact through the digital channels (ongoing) ◆ Closer monitory of the customer during the crisis environment (ongoing) ◆ Bank's website (ongoing) ◆ Online and mobile banking portals (ongoing) ◆ Periodic customer satisfaction and feedback obtained via digital platforms (ongoing) ◆ Printed correspondence (when required) ◆ Direct messaging (when required) ◆ Press releases (when required) ◆ Call centre (ongoing) ◆ Customer visits (when required)	◆ More relief for loan repayment due to economic downturn ◆ Quality and efficient service ◆ Convenience in delivery channels	◆ Provided relief where applicable within the regulatory framework ◆ Enhanced the service channels ◆ Improved the affordability of services ◆ Enhanced customer convenience	

Stakeholder	Engagement channel and frequency of	Key concerns raised	Our response	Link to capitals
Employees	◆ Human Capital Management System (HCM) - (monthly) ◆ Induction programmes for all recruits (when required) ◆ Annual Retail Banking Awards (annually) ◆ Work-life balance activities initiated by the Staff Recreation Club (ongoing)	◆ Career development opportunities ◆ Annual appraisals - (annually) ◆ Training and development ◆ Work-life balance ◆ Attractive remuneration ◆ Effective performance management	◆ Enhanced the career development opportunities ◆ Provided more training and development ◆ Ensured employee well-being ◆ Effective reward management	
Business Partners	◆ Face-to-face interaction (ongoing) ◆ Broad-based bid invitations (ongoing) ◆ Supplier assessment (ongoing) ◆ Procurement committee tender and bid review (ongoing) ◆ Timely payments and service improvements (ongoing)	◆ Strong, transparent relationships ◆ Streamlined operations and transactions ◆ Sustainable and ethical business practices ◆ Transparent and fair pricing	◆ Enhanced communication and relationship building ◆ Streamlined processes ◆ Strategic consideration of business partner concerns ◆ Fair and equitable treatment of all suppliers	
Community	◆ Customer education and promotion through branch networks (ongoing) ◆ Communication via the bank website, public media, and various channels (ongoing) ◆ Job creation (ongoing)	◆ Accessible banking services and affordable financial products ◆ Societal and business contributions ◆ Sustainable and environmentally responsible operations ◆ Proactive response to economic crises ◆ Community empowerment initiatives	◆ Expanded business and promoting affordable products through diverse channels ◆ Launched corporate social responsibility (CSR) projects and community empowerment programmes ◆ Engaged in sustainability initiatives with a focus on agribusiness ◆ Responded to economic crises with various moratorium packages	
Regulator	◆ Timely statutory reporting (when required) ◆ Collaboration with industry associations (ongoing) ◆ Proactive communication with regulatory bodies regarding industry concerns (when required)	◆ Regulatory compliance ◆ Strong governance and accountability ◆ Stable and robust financial systems ◆ Sustainability and ESG compliance	◆ Enhanced compliance reporting framework and full regulatory compliance ◆ Commitment to ESG governance and implementation of the regulator's roadmap	

Future Focus

We aim to strengthen stakeholder relationships through transparency and sustainable growth initiatives. Future strategic planning will integrate stakeholder expectations to drive profitable and sustainable business practices.

Overview of Our Business

Our ESG Focus

GRI 2-14

In our commitment to embedding Environmental, Social, and Governance (ESG) principles throughout our core business activities, we have strengthened our internal capabilities through the following key initiatives:

Invested in our employees by conducting comprehensive ESG training programmes to build a strong understanding of ESG principles and practices. This initiative includes the designation of an ESG representative in each department, creating an internal network of ESG champions.

ESG considerations are proactively incorporated into our lending practices, applying stringent ESG criteria to facilities over Rs. 10 Mn. These evaluations are based on the internationally recognised ESG Standards developed by the International Finance Corporation (IFC) and are aligned with the Green Taxonomy directives of Sri Lanka, ensuring that our financing supports sustainable and responsible projects.

Developed a dedicated website to share lessons learned and best practices from our ESG projects. This platform promotes transparency and knowledge sharing within the industry and provides valuable resources to other institutions seeking to enhance their ESG practices.

To ensure seamless implementation of our ESG strategy, each department has nominated an ESG officer to champion these initiatives within their respective teams and support the Bank's overall ESG goals. This decentralised model ensures full organisational involvement and accountability.

Established a robust ESG policy, encompassing green banking initiatives, sustainable procurement practices, and an Environmental and Social Management System (ESMS). This framework provides a clear foundation for our commitment to responsible banking and sustainability.

To ensure strategic direction and effective implementation of our ESG activities, a dedicated ESG Strategic Planning Committee was formed comprising members of the corporate management. To further demonstrate our commitment, a Senior Manager with prior ESG expertise was appointed directly reporting to the Managing Director. This ensures ESG is a central focus at the highest levels of the Organisation.

Integrating Sustainability

Sustainability is not just a goal for Cargills Bank; it is woven into the fabric of our operations. Being a subsidiary of the nation's largest agricultural company, provides a direct connection to over 15,000 farmers in rural areas, enabling us to finance their needs and drive sustainable agricultural practices. This close relationship allows us to combine financial and technical support, improve rural livelihoods and contribute to national sustainability goals. Through close collaboration with the broader group, we enhance farmer productivity and establish vital market linkages, further solidifying our commitment to integrated sustainability.


Transforming Farming through Sustainable Irrigation

We demonstrated our commitment to social responsibility by providing over Rs. 275 Mn in financial support to 250 underserved farmers in remote regions such as Mahaoya and Mahiyanganaya, where access to finance is limited. Recognising the barriers, we adopted an integrated approach by investing in capacity building for our field officers, linking them with branch managers to enhance their understanding of farmers' needs. We also implemented robust financial literacy and production quality training programmes for farmers, particularly in dairy farming. This integrated strategy empowers farmers, promotes financial inclusion, and directly supports multiple Sustainable Development Goals, including zero hunger, poverty alleviation, and quality education, while highlighting our broader ESG strategy and dedication to impactful social and economic development.


Empowering Farmers through Sustainable Financing and Technology

We address the financial barriers that hinder smallholder farmer growth by partnering with the Small Holder Partnership Programme and the Cargills Group. This collaborative low-cost funding programme provides Rs. 100 Mn to 500 farmers for modern technologies, namely, milking machines and advanced irrigation. These upgrades boost productivity, reduce costs, and improve resource management. Moreover, this initiative tackles critical sustainability issues, supporting UN Sustainable Development Goals such as zero hunger, poverty alleviation and climate action through sustainable farming. By breaking financial barriers and promoting technology, we are driving a more equitable and resilient future and supporting the national sustainability agenda.


Overview of Our Business

A Sustainable Retail Model for Farmer Empowerment

We are a proud partner in this unique retail model, which empowers farmers by providing a seamless, end-to-end value chain experience. This framework links farm production directly to market access, ensuring fair prices and offering essential financial support, thereby tackling critical issues that hinder sustainability. By focusing on the bottom of the pyramid, we are uniquely positioned within the financial sector to catalyze systemic change and actively support the government's sustainability goals, promoting both economic inclusion and environmental responsibility.

Our Future Focus to ESG

ESG	Focus areas	Relevant UN SDGs
Environment	Reduce energy consumption	7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Increase the use of renewable energy	
	Reduce water consumption	
	Increase paper recycling	
	Increase the green financing portfolio	
	Reduce energy intensity	
	Increase environmental and social screening of suppliers	
Social	Increase avg. training hours per employee per annum	1 NO POVERTY 2 ZERO HUNGER 3 GOOD HEALTH AND WELL-BEING
	Performance evaluation of employees	
	Build talent pipeline for succession planning	
	Leadership training	
	Anti-discriminatory training	
	Support the mental and physical well-being of employees	
	The attrition rate	
	Achieve an employee satisfaction	
	Increase CSR beneficiaries	
	Increase investment in CSR	
	Achieve a customer satisfaction	
	Increase customer base	
Governance	Increase employee training on anti-bribery and anti-corruption training	8 DECENT WORK AND ECONOMIC GROWTH
	Maintain compliance	

Materiality

GRI 3-1 GRI 3-2

Material topics are those that have a substantial impact on our ability to create short, medium, and long-term value. They represent our Bank's most significant impacts on the economy, environment, and people, including human rights, and are crucial for long-term business sustainability. These topics also exert the greatest influence on our business model and value creation. Therefore, we have identified and incorporated these material topics into our core business model, strategic planning, and risk management processes.

Management Approach to Materiality Determination

Identify
Scan business operations to identify topics impacting profitability, sustainability, and stakeholder value.

→

Group & Prioritise
Group topics and prioritise them based on relevance and capital alignment

→

Analyse & Align
Discuss with management to align topics with organizational objectives, risk, and stakeholder Impact

↓

Assess Stakeholder Expectations
Understand stakeholder expectations and importance of topics to the Bank

←

Develop Materiality Matrix
Create a matrix reflecting topic significance for the Bank and stakeholders

←

Validate Matrix
Validate the matrix and align it with the overall business strategy.

↓

Integrate
Link material topics to the strategy and business model.

→

Monitor & Feedback
Monitor stakeholder responses and gather feedback on the Bank's actions.

→

Overview of Our Business

Analysis of Material Topics

No.	Material topic	Level of materiality		Topic boundary	GRI reference	Link to the capital	Relevant stakeholders	Page reference
		To the Bank	To Stakeholders					
1	Profitability and financial performance			Internal	GRI 201			88 - 93
2	Macroeconomic environment			External	GRI 201			28 - 31
3	Business continuity			Internal	GRI 201			113
4	Physical channels and digitalisation			Internal/ External	GRI 302			62 - 64
5	Employee relations and retention			Internal	GRI 401/402/404/405			51 - 61

Level of materiality		
High	Medium	Low

Strategic pillar	ESG Focus	Reason for being material to the Bank
Sustainable business growth		Profitability is essential for maintaining financial stability, covering operational costs, and funding future growth opportunities. Furthermore, it builds stakeholder trust and ensures the long-term sustainability of the Bank.
Resilience and risk mitigation	Maintain compliance	Macro-environmental factors directly influence the Bank's financial stability, risk profile, and ability to meet stakeholder expectations. These factors also affect credit quality, investment opportunities, regulatory compliance, and investor confidence.
Continuous monitoring/ Risk mitigation	Achieve a customer satisfaction Increase customer base Maintain compliance	Maintaining business continuity is of paramount importance to the Bank, as it guarantees operational stability and the uninterrupted delivery of services to customers. This, in turn, fosters customer trust, ensures adherence to regulatory standards, protects stakeholder interests, and secures the long-term operational resilience of the Bank.
Digital transformation/ Empowerment of employees & stakeholders	Increase customer base Achieve a customer satisfaction	Physical and digital channels are both essential and material to the industry's success. Physical channels provide critical access points for customers, and digital channels empower customers with convenient access to services anytime, anywhere. This combination drives customer satisfaction, service convenience, and provides a crucial competitive edge.
Career development, benefits, and growth	Increase avg. training hours per employee per annum Performance evaluation of employees to be maintained Build talent pipeline for succession planning Support the mental and physical well-being of employees The attrition rate to be maintained at acceptable level Achieve an employee satisfaction	Good employee relations and high retention improves employee morale, motivation, and productivity, reducing turnover and creating a more harmonious, equitable workplace.

Overview of Our Business

No.	Material topic	Level of materiality		Topic boundary	GRI reference	Link to the capital	Relevant stakeholders	Page reference
		To the Bank	To Stakeholders					
6	Training and development	●	●	Internal	GRI 404			58
7	Customer privacy	●	●	Internal	GRI 418			80
8	Sales promotions, marketing, and information on the availability of Bank's products	●	●	External	GRI 416/417			65 - 66
9	Environmental protection	●	●	External	GRI 302/303/305/306			76
10	Regulatory aspects and compliance	●	●	External	GRI 418			114 - 140

Level of materiality		
High	Medium	Low

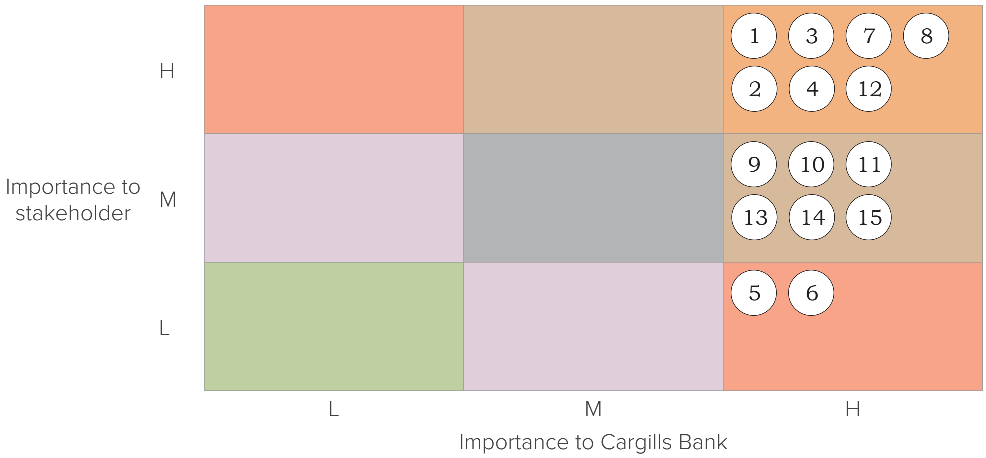
Strategic pillar	ESG Focus	Reason for being material to the Bank
Personal & professional growth/ Alignment with the organizational goals	Leadership training hours Anti-discriminatory training hours Achieve an employee satisfaction	Investing in training and development is crucial for improving employee performance, maintaining compliance, increasing customer satisfaction, and ensuring the Bank's adaptability to industry changes.
Compliance and data protection	Achieve a customer satisfaction Increase customer base Maintain compliance	Customer privacy directly influences critical aspects such as trust, regulatory compliance, operational risk, and the Bank's reputation. Consequently, protecting customer information is a fundamental requirement for a sustainable business and ethical practices within the industry.
Customer centric growth		Sales and marketing efforts, combined with product availability, are directly linked to the Bank's profitability and revenue generation. This interconnectedness strengthens profitability, overall performance, and the long-term viability of our Bank.
Sustainable resources management	Reduce energy consumption Increase the use of renewable energy Reduce water consumption Increase paper recycling Increase the green financing portfolio Reduce energy intensity Increase environmental and social screening of suppliers	Environmental protection enhances the Bank's long-term operations, protects stakeholder interests, and contributes to achieving sustainability goals. Furthermore, this is crucial for fostering a sustainable business.
Risk management and governance	Maintain compliance	Regulatory compliance is of significant importance to the Bank as it underpins effective risk management practices, enhances customer trust, safeguards business continuity, and maintains a strong reputation. Additionally, it provides the Bank with a legal framework that prevents potential penalties and ensures adherence to ethical business standards.

Overview of Our Business

No.	Material topic	Level of materiality		Topic boundary	GRI reference	Link to the capital	Relevant stakeholders	Page reference
		To the Bank	To Stakeholders					
11	Market and liquidity management	●	●	External				92
12	Interest rate change	●	●	External				88
13	Risk management and practices	●	●	Internal				168 - 180
14	Environmental, Social and Governance aspects and responsible lending	●	●	External	GRI 207/308			74 - 76
15	Socio political impacts	●	●	External				77 - 86

Materiality Matrix

As part of our commitment sustainable and responsible business practices, the material matrix developed to identify and priorities the material topic relevant both business operation and our stakeholders. This matrix serves us as the strategic tools that ensure focus management effort to identify the most significant issue to drive the business in long term to create value for the stakeholders. These issues are aligned with our core business strategy ensuring that management take proactive approach in managing the impact and drive the business to create value for its stakeholders.



Level of materiality		
High	Medium	Low

Strategic pillar	ESG Focus	Reason for being material to the Bank
Proactive assets and liability management	Maintain compliance	Market conditions and liquidity directly impact financial stability, regulatory compliance, and profitability. Effective liquidity management supports sustainable business growth and enhances the ability to navigate adverse economic conditions.
Proactive assets and liability management		Interest rates are a critical and sensitive factor for the Bank, significantly influencing its financial health. Furthermore, they have a direct impact on the short-term financial performance and the long-term success of our Bank's strategic objectives.
Risk identification, assessment and best practices	Maintain compliance	Risk management is a material concern for the Bank, directly impacting its financial stability, regulatory compliance, reputation, and operational continuity. A comprehensive risk management framework is essential for a sustainable business and effectively addressing unexpected challenges.
Ethical governance and compliance	Maintain compliance	Environmental, Social, and Governance (ESG) considerations and responsible lending practices are critical for the Bank's financial stability, regulatory compliance, reputation, and stakeholder satisfaction.
Regulatory compliance and policy adoption		Socio-political factors significantly influence the Bank's regulatory compliance, financial stability, and the overall risk exposure.

Overview of Our Business

Adopting Sustainability Reporting Standards: Our Next Steps

To demonstrate our commitment to financial transparency and adherence to global best practices, we are evaluating our current standing in relation to SLFRS S1 (Sustainability-Related Financial Disclosures Standard 1) and SLFRS S2 (Climate-Related Disclosures Standard 2). These standards aligned with the International Sustainability Standards Board (ISSB) aim to equip stakeholders with comprehensive, relevant, and comparable sustainability-related financial disclosures.

Key Requirements to adopting SLFRS S1 & S2

SLFRS S1 – Sustainability-Related Financial Disclosures

Objective: Mandates entities disclose material Sustainability-Related Risks and Opportunities (SRRO) that could have a significant impact on enterprise value over short, medium, and long-term periods.

Scope: Encompasses detailed reporting on an organisation's governance structures, strategies, risk management practices, and key metrics for managing and tracking sustainability-related risks.

Stakeholder Relevance: Focuses on providing transparent and relevant information to investors and other capital market participants about an organisation's sustainability performance.

Key areas applicable for SLFRS S1

Conceptual foundation

- Fair Presentation
- Materiality
- Reporting entity
- Connected information

Core Contents

- Governance
- Strategy
- Risk Management
- Metricis & targets

General Requirment

- Sources of guidance
- Location & disclosure
- Timinng of reporting
- Compartive information
- Statement of compliance

Judgements, uncertanities, and errors

- Judgement
- Uncertanities
- Errors

SLFRS S2 – Climate-Related Disclosures

Objective: To drive consistent and comparable climate-related financial disclosures that adhere to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Scope: Mandates disclosure of governance, strategy, and risk management approaches to climate-related risks, alongside specific, quantifiable metrics such as greenhouse gas (GHG) emissions, climate risk scenario analysis, and adaptation strategies.

Key areas applicable for SLFRS S2

Governace

- Governance body
- Governance process
- Managemen t role

Strategy

- Climate related risks and opportunities
- Model and value chain model and value chain
- Effect on strategy and decision-making
- Current and anticipated financial effects Climate Resilience

Risk Management

- Processes/Policies on management of climate related risks
- Processes/Policies on management of climate related opportunities
- Extent of integrating both above into entity's overall risk management

Metricis targets

- Cross-industry metric categories
- Industry-based metrics Climate-related targets set by the entity
- Climate-related targets set by the entity

To identify our current state in 2024, we launched a gap analysis to assess compliance with SLFRS S1 & S2. The ongoing analysis has initially revealed key areas that need to be addressed for effective implementation.

Strategic Alignment

SLFRS S1 & S2 standards are considered for integration into our corporate reporting framework, ensuring alignment with our long-term business strategy and our commitment to sustainability. By adhering to these standards, we will ensure that our financial and sustainability disclosures support the creation of long-term value and are aligned with the SLFRS S1 framework for sustainability-related disclosures.

Accountability and Responsibility

The Board of Directors holds ultimate accountability for ensuring compliance with SLFRS S1 & S2 standards. Senior management, led by the Chief Executive Officer, is responsible for implementing the specific requirements outlined in these standards. The Bank has established an ESG Governance Committee, which is tasked with assigning accountability and responsibility for the effective implementation of SLFRS S1 & S2 compliance.

Capacity Building

To ensure a thorough understanding of financial and sustainability data disclosure, we will implement a comprehensive training program and awareness sessions for all key departments. During 2024, we conducted initial training sessions for selected bank officers, introducing them to the Bank's ESG governance framework and its future implementation.

Sustainability Data Collection

We have proposed to establish a robust system to collect sustainability data, including climate-related metrics, material risks, and opportunities across operations and value chains.

Stakeholder Engagement

We will design mechanisms to engage with stakeholders, including regulators, investors, and employees, to ensure transparency and compliance with evolving reporting expectations.

Overview of Our Business

Our Approach to Implementing SLFRS Sustainability Reporting Standard

Assessment Of Current Practices

Conducted a gap analysis to compare existing reporting practices with the requirements of SLFRS S1 & S2.

Identified key data points, systems, and processes that needed enhancement for compliance.

Capacity Building And Training

Organise training workshops for employees across key functions to build internal capacity for sustainability reporting.

Engage external experts to provide technical guidance and support on data collection, analysis, and disclosure requirements.

Data Collection And Technology

Enhance the data collection mechanism using information technology tools to automate the collection, processing, and reporting of sustainability-related financial data.

Enhance the mechanism to monitor and measure sustainability-related & climate-related risks and opportunities.

Governance And Oversight

Direct the existing ESG committee to implement the requirements specified in the standards.

Assign clear roles and responsibilities across departments to streamline both reporting and decision-making processes.

Stakeholder Collaboration

Proactive engagement with regulators, investors, and stakeholders is underway to align disclosures with expectations and emerging regulatory trends.

Obtain stakeholder feedback on reporting formats and content to ensure relevance and usability.

Establish A Materiality Framework

Define materiality criteria specifically for sustainability and climate-related disclosures.

Align the framework with SLFRS S1 & S2 principles, considering financial impacts, stakeholder expectations, and strategic priorities.

Our Roadmap for Adopting Sustainability Reporting Standards

- Continuously refine our implementation process by integrating industry and global best practices.
- Develop a robust policy framework to guide the adoption of SLFRS S1 & S2 standards.
- Proactively expand the scope of our disclosures to include emerging sustainability themes.
- Regularly update stakeholders on our progress and ongoing improvements.
- Ensure proactive compliance with evolving sustainability standards and regulatory guidelines.

Managing Our Capitals, Output and Outcomes

Human Capital

Our team is the driving force behind our competitive edge, demonstrating the professionalism, skills, agility, and resilience essential for our success. We remain steadfast in our commitment to supporting their professional and personal growth, aligning their goals with the sustainability of our business.

Management Approach

GRI 3-3

We recognise our people as our most valuable asset, embedding the core values of the Cargills Group within our Bank. We believe our Organisation's growth and success are directly linked to the performance of our human capital; therefore, employee well-being, satisfaction, and engagement are prioritised. Our HR strategy focuses on creating a unified framework for effectively recruiting, managing, and developing employees, aligning their skills and goals with the Bank's objectives. This approach fosters a productive, engaged, and skilled workforce capable of driving our success. Moreover, we align our Human Resources with our business philosophy by offering opportunities for participation in decision-making, fostering a unique culture of open communication, teamwork, and providing clear pathways for career advancement.

Highlights

- 332 Female employees
- Rs. 905,772 Profit per employee
- 12% YoY increase in training investment

Material Topics

- Training and development
- Employee relations and retention

Relevant Stakeholder

Relevant SDGs

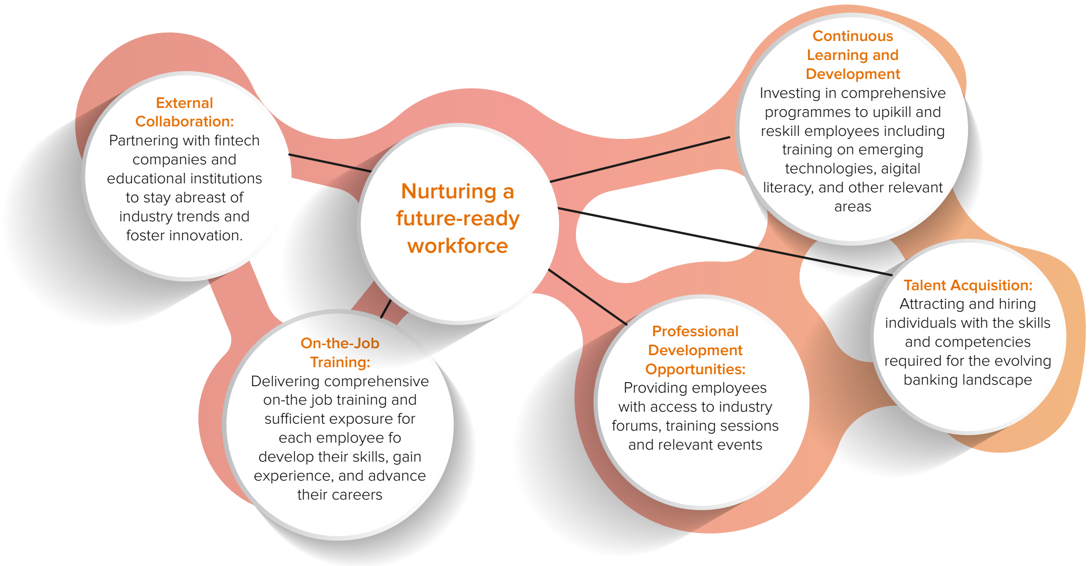
1 NO POVERTY

5 GENDER EQUALITY

Accolades

HR Department received the Silver Award for Best People Development Practices at the Annual Award Night of the Sri Lanka Institute of Training and Development (SLITAD).

Additionally, the HR Department was recognised as the Best Supportive Unit at the Cargills Bank Achiever's Night 2024.



Managing Our Capitals, Output and Outcomes

Key challenges

Talent Retention	• In an era of high career mobility, and with challenges in the competitive market we strive to enhance retention
Compensation Management	• Balancing fair compensation for existing employees. • Due to the challenges of Irregular and inflated salary scales, we had to review and streamline our pay structures.
Talent Acquisition	• Severe scarcity of competent and technical resources in the market. • Intense competition among banks for talent acquisition.
Budgetary Pressures	• Despite budgetary limitations we continue to prioritise staff engagement through cost effective initiatives • Inflation further compounded budgetary challenges

HR Governance

GRI 205-1, GRI 205-2, GRI 205-3, GRI 206-1, GRI 402-1, GRI 408-1, GRI 409-1

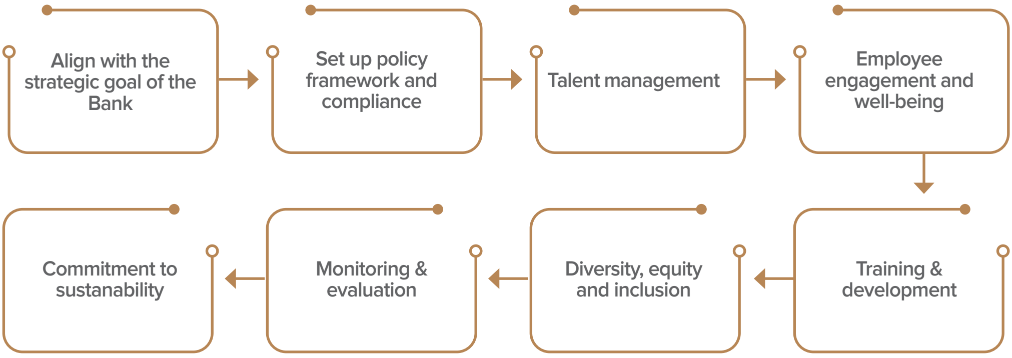
We are in full compliance with all applicable labour laws, rules, and regulations enforced by the authorities of Sri Lanka, covering areas such as compensation, dismissal, recruitment, promotion, working hours, other benefits, and welfare.

Furthermore, our Bank has implemented comprehensive policies covering critical areas such as data protection, whistleblowing, and the prevention of money laundering and terrorist financing. All staff members have received training on these policies. We are pleased to report that there were no reported instances of bribery or corruption throughout the year, nor were there any legal actions for anti-competitive behaviour, anti-trust, and monopoly practices. Additionally, no significant grievances, no incidents of discrimination, violation of human rights or use of child labour, forced or compulsory labour were reported during the year. We also ensure that employees receive sufficient notice regarding any operational changes.

Our HR governance structure

GRI 2-23, GRI 2-24

The HR governance framework is designed to support the Bank's strategy and create sustainable value for our employees and the stakeholders.



Our human resource policies

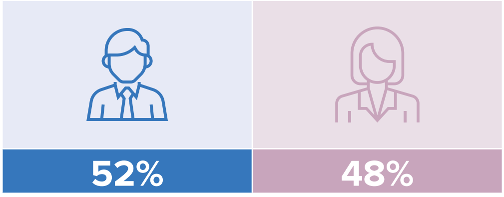
- Staff loan policy
- Staff occupational, health and safty policy
- Learning and growth policy
- HR remuneration policy

Our Team

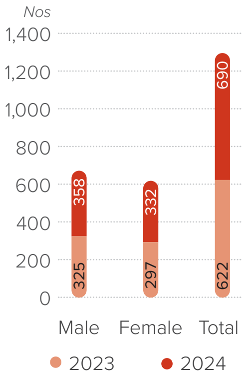
GRI 2-7, GRI 2-8

Our team comprises 690 dedicated employees. We are proud to foster diversity within our team, with 48% female representation and 59% of our employees being under the age of 30 years. Moreover, 30% of employees has dedicated over 5 years to the bank, bringing valuable experience.

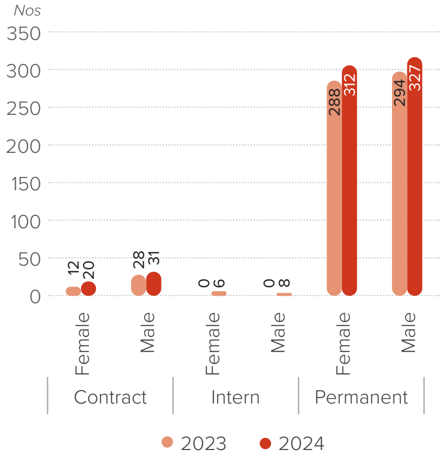
Gender Diversity



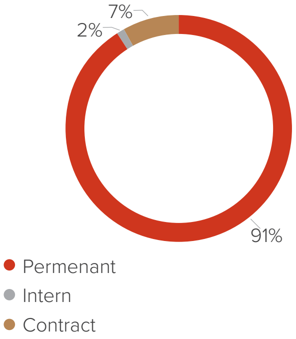
Employees by gender



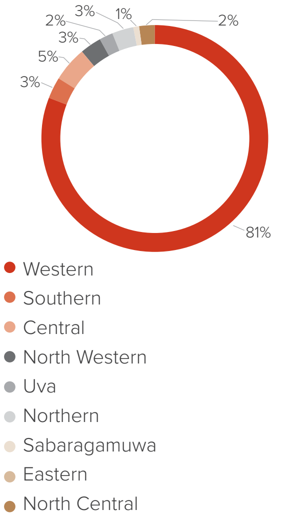
Employees by employment category



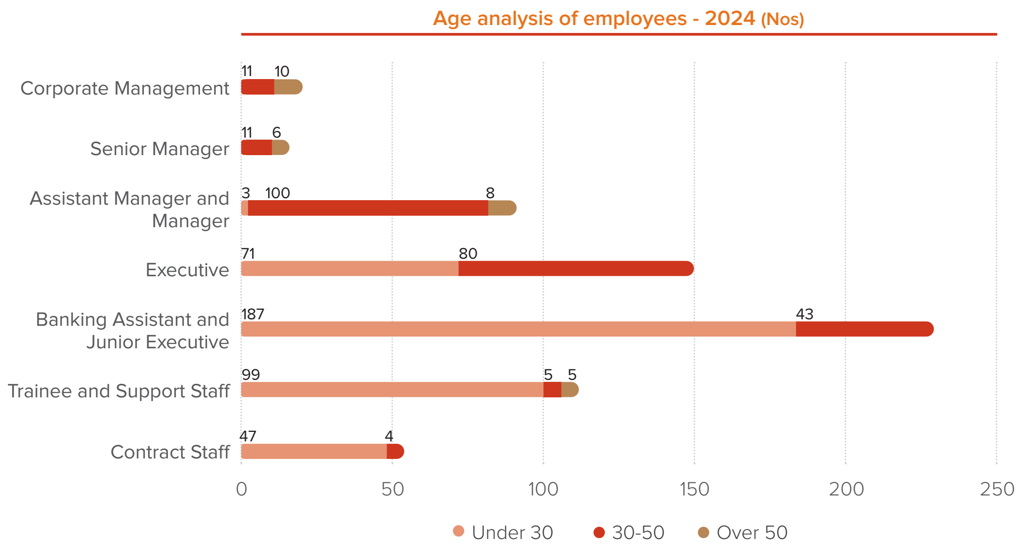
Employees by employment category - 2024

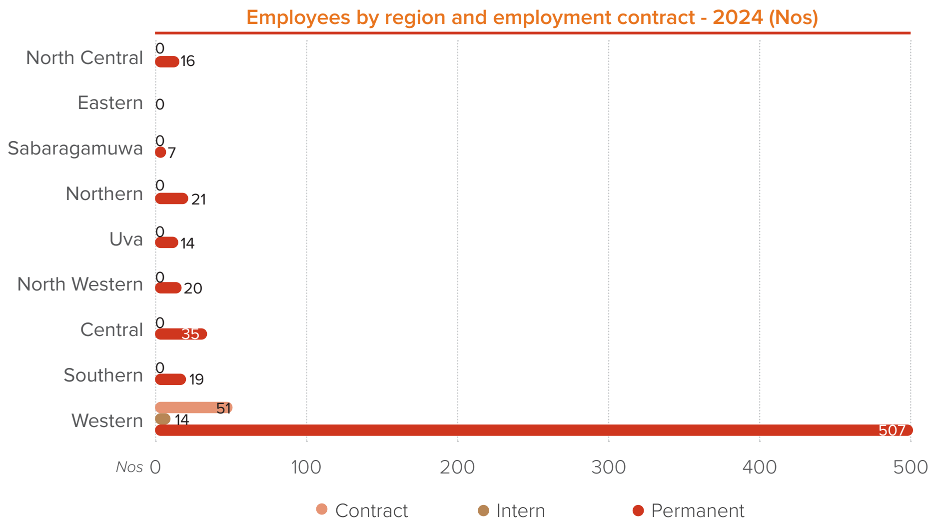


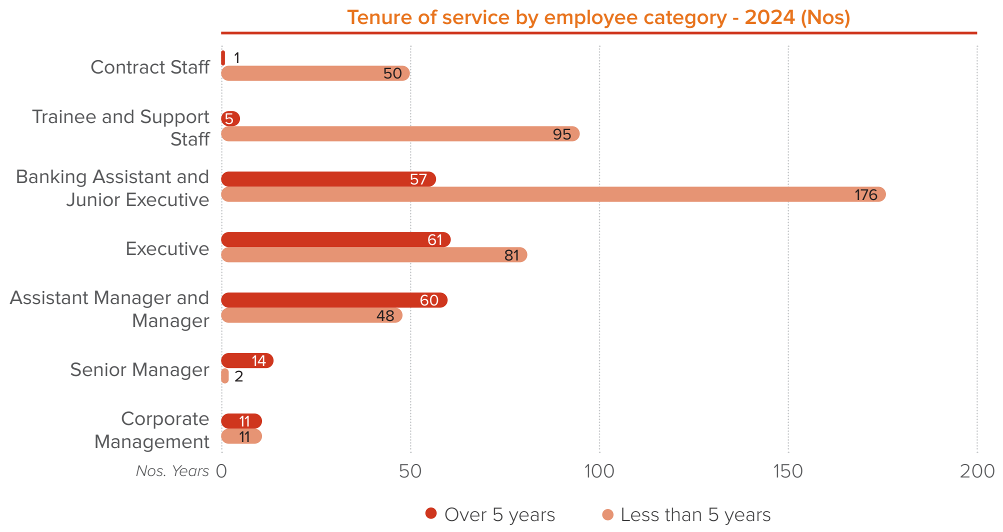
Geographical dispersion of employees - 2024



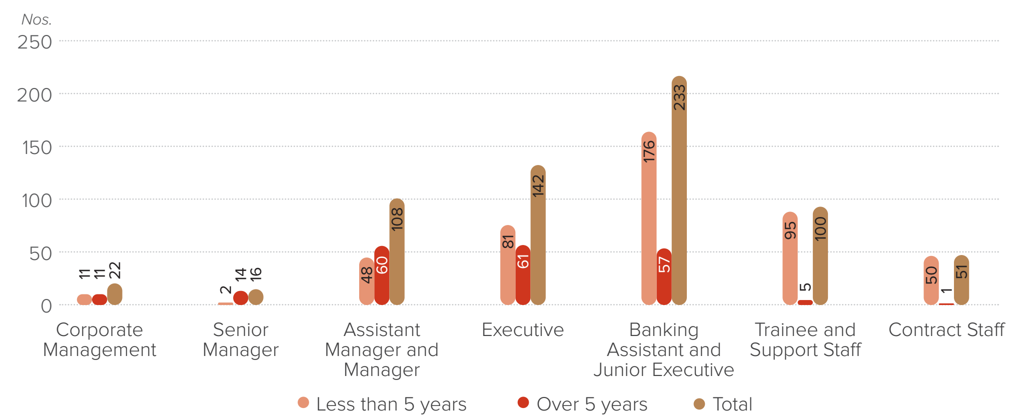
Managing Our Capitals, Output and Outcomes



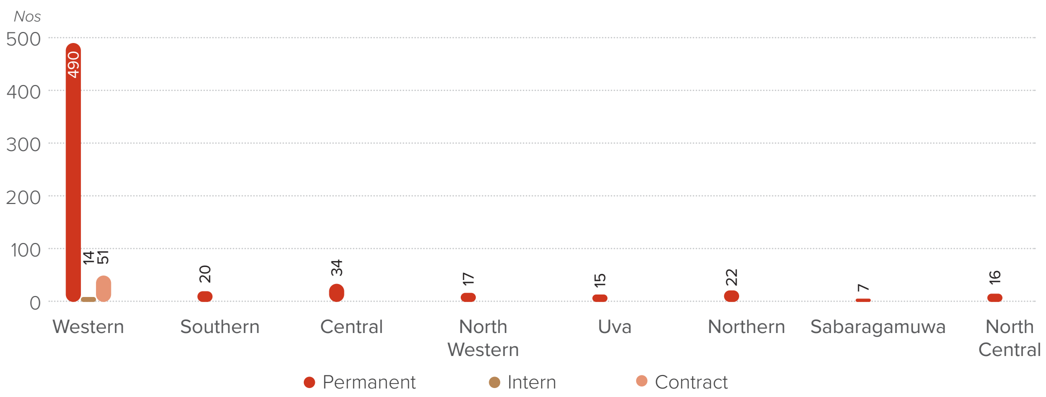




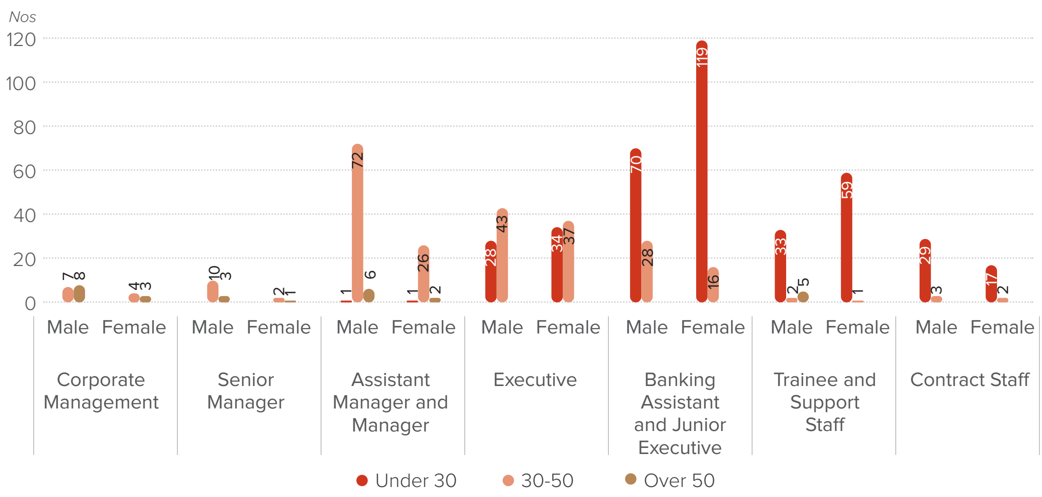
Service analysis of employees (Nos)



Geographic spread of employees (Nos)



Employees based on age, gender, and employment category



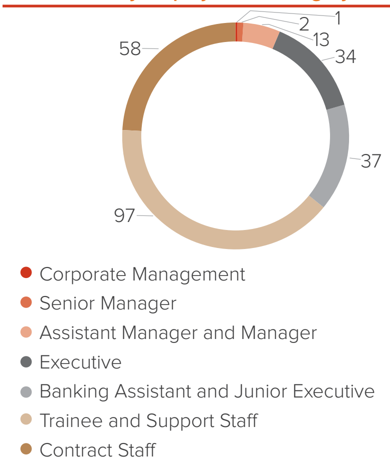
Managing Our Capitals, Output and Outcomes

Recruitment

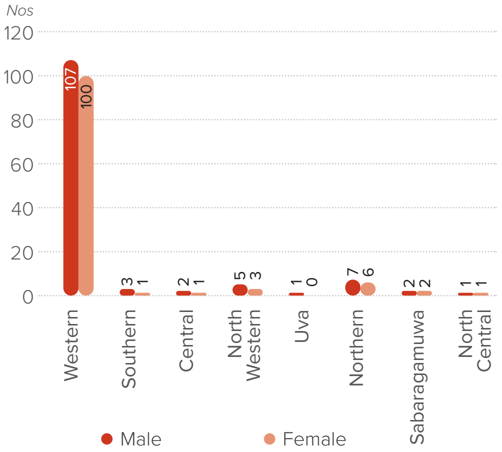
GRI 401-1

We aim to attract candidates with the right skills and competencies while prioritising a positive mindset and cultural fit. Simultaneously, we focus on retaining our key resources by offering opportunities for career growth, revised benefits, and a unique workplace culture that fosters strong employee engagement and loyalty. In 2024, we recruited 242 employees, with a diverse intake: 47% were female, 14% were from outside the Western Province, and 90% were under 35 years old, reflecting our commitment to building a vibrant and dynamic workforce. Three staff members out of 242 were hired from the local community.

Recruitment by employement category - 2024 (Nos)

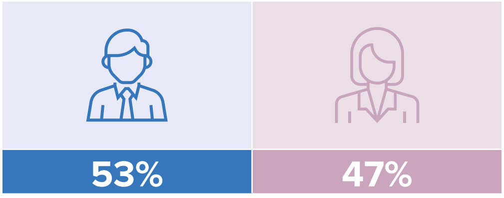


Recruitment by region and gender - 2024 (Nos)

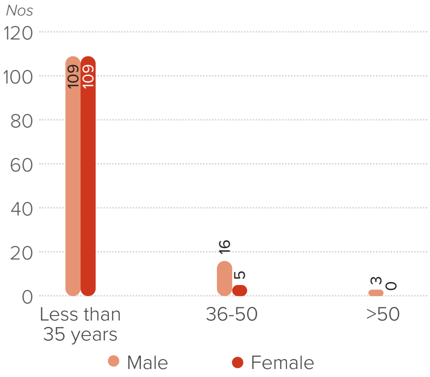


Recruitment by age and gender (Nos.) - 2024

Recruitment by gender



Recruitment by age and gender - 2024



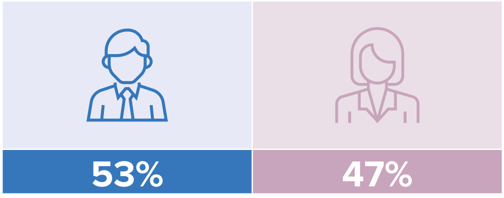
Employee Turnover

GRI 404-1

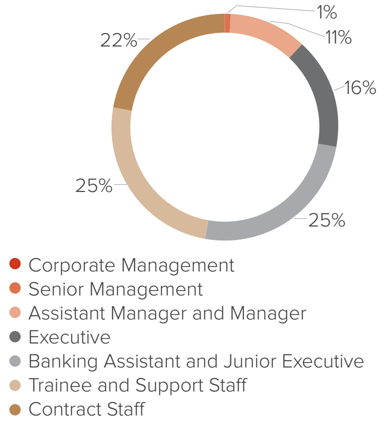
Employee attrition was a challenge in the year under review. The Western Province recorded a high turnover compared to other provinces and the 88% of departing employees were under 35 years of age, highlighting a potential trend among the younger workforce.

The highest rate of departure was among trainees and support staff (25%), followed by banking assistants and junior executives (24%). The Western Province recorded the greatest loss of staff, with the North Western Province also experiencing high turnover.

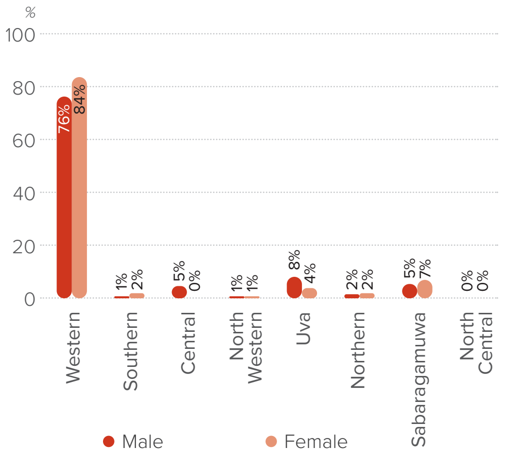
Turnover by gender



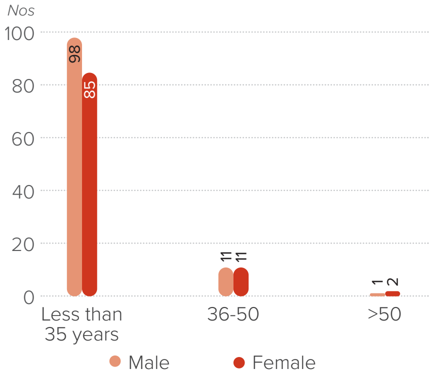
Turnover by employement category - 2024 (%)



Turnover by region and gender - 2024 (%)



Turnover by age and gender - 2024



Training and Development

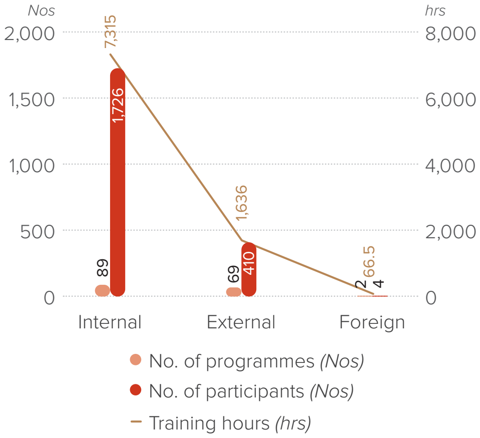
GRI 404-1 GRI 404-2

We foster a robust learning culture where employees can achieve their full potential, enhance job satisfaction, and advance their careers. Therefore, we provide comprehensive learning and development opportunities aligning with business objectives and individual aspirations. To achieve this, we have enhanced our training programmes through expanded on-the-job training, virtual and mandatory e-learning, and need-based skill development. We foster engagement through internal and external quizzes, cross-functional projects, brainstorming sessions, and involvement in strategic planning activities. Furthermore, we support employee development through the reimbursement of education fees, encouraging continued learning and professional growth.

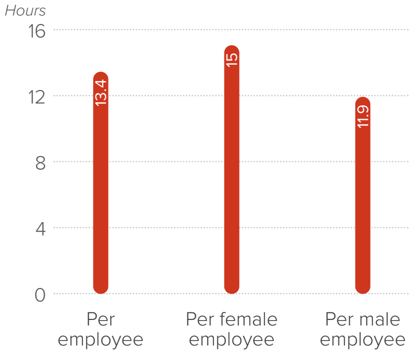
During the financial year 2024, we invested Rs. 3.4 Mn in employee training, delivering a total of 9,018 training hours.

Training programmes conducted in 2024

Employee training - 2024



Average traning hours - 2024



Managing Our Capitals, Output and Outcomes

Training statistics

	2024	2023	YoY (%)
Training cost (Rs. 000)	3,422	3,046	12
Training hours	9,018	11,769	(23)
Average training hours per employee	13.4	18.89	(29)
Number of hours on digital training	76.5	167	(54)

Key training programmes conducted during the year

Leadership Development and Succession Planning

We foster leadership development and succession planning, designed to identify, and nurture high-potential employees for future leadership roles. This is achieved through job rotations, cross-functional projects, and comprehensive mentorship programmes. Each year, management trainees are recruited into structured mentoring and coaching programmes where they receive personalised guidance, feedback, and support from our experienced leaders, accelerating their professional growth. Our commitment to succession planning ensures a pipeline of qualified candidates for key roles. Moreover, regular talent reviews and development discussions are conducted to assess employee potential. To enhance leadership capabilities, we provide a variety of learning and development opportunities, including workshops, seminars, online training, and executive education programmes pivoted on leadership, strategic thinking, change management, and other relevant competencies.

We foster leadership development and succession planning through:

- Identifying and developing high-potential employees for leadership roles through various methods such as job rotation and mentorship.
- A year-long management trainee programme that provides mentoring and coaching from experienced leaders.
- Proactive succession planning to identify key roles and potential successors.
- Regular talent reviews to assess employee performance and potential.
- Comprehensive leadership development programmes, including workshops, online training, and executive education.

Performance Management

GRI 404-3

Key Performance Indicators (KPIs), derived from the Annual Business Plan, are implemented across all levels of the Bank. Each year, individual KPIs are defined for all permanent staff members adopting the Balanced Scorecard methodology. The Unit Heads regularly assess team performance against these KPIs, which serve as the foundation for annual salary adjustments and promotion decisions. We are committed to fostering a high-performance culture; therefore, the bank fast-tracks promotions for individuals who demonstrate exceptional achievement. A structured monetary incentive programme also incentivizes frontline sales staff to meet critical business targets. In line with our dedication to recognising and retaining our best employees, 136 promotions were awarded to staff throughout the year, acknowledging significant contributions. Out of the total staff, 470 employees were eligible for performance evaluation, representing 68% of the workforce.

The Achievers Night 2024, held for the second consecutive year, recognised outstanding staff and teams for their exceptional performance in 2024.

136
Staff promotions

470
Employees underwent performance appraisals

Rewards and Recognitions

GRI 2-19, GRI 201-3, GRI 401-2
As per the Bank's remuneration policy, we ensure fair treatment for all performing staff, with remuneration increases based solely on individual performance. Annual increments and any other interim revisions are determined according to business requirements.

A key HR initiative this year was the revision of salaries to align with market benchmarks and we rewarded high-performing staff fairly. The total personnel expenses for 2024 reached Rs. 1,330 Mn, representing a 24% YoY increase.

Full-time employees are eligible for the following benefits, which are not extended to temporary or part-time staff:

Financial Benefits:
- Access to personal, housing, and vehicle loans at preferential rates.
- Pre-approved credit cards with annual fee waivers for 16% of staff, with limits determined by grade.
- In addition to a December bonus, employees are eligible for profit-sharing bonuses based on company performance.

Lifestyle Benefits:
- Discounted purchases at select Food City locations.
- Discounts at TGIF and KFC.

Health & Education Benefits:
- OPD and hospitalisation reimbursement with limits determined by grade.
- Coverage of educational expenses for staff who complete Banking Exams at IBSL.

Rs. 128 Mn
Contribution to Defined Benefit Plan
(2023: Rs. 106 Mn)

Rs. 17 Mn
Payment to Employees
(Defined Benefit Obligation)
(2023: Rs. 18 Mn.)

Employee Engagement and Well-being

To enhance employee engagement and promote a positive work culture, we implemented several strategic programmes throughout the year. These efforts included increasing the variety of engagement activities, introducing innovative initiatives, actively involving employees in strategic planning, cross-functional projects, and organising numerous welfare activities. We also empowered Unit Heads to foster consistent support and mentorship, promoting open communication, stronger relationships, and increased staff confidence. Additionally, we provided career growth through internal and external training programmes, promotion opportunities, and recognised high-performing and long-tenured employees through dedicated awards programmes.

Staff Engagement Activities Conducted in 2024

Managing Our Capitals, Output and Outcomes

Diversity, Inclusion, and Equal Opportunity

GRI 405-1, GRI 405-2, GRI 406-1

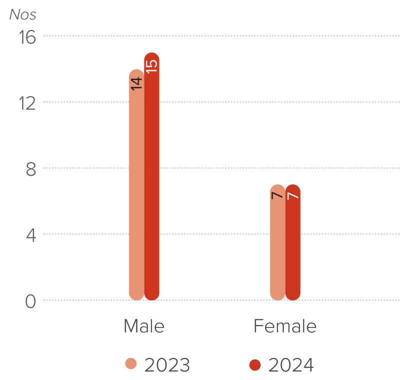
Our commitment to equal opportunity and inclusion is the foundation of our employee experience. We ensure that recruitment, training, compensation, and promotions are determined solely by merit, with no consideration for gender, age, or ethnicity. Accordingly, we support our female employees, encouraging them to pursue their career goals and empowering them to take on leadership positions within the Bank. This is reflected in our balanced workforce, comprising 52% male and 48% female employees. Moreover, we cultivate a collaborative environment through our open-door policy, enabling employees to connect, share experiences, and advocate for their needs. Our parental leave policy provides maternity leave for new mothers. To ensure equitable hiring practices, we utilise objective criteria, source candidates from diverse backgrounds, and implement fair resume screening methods to mitigate unconscious biases, thereby ensuring equal opportunities for all. We are proud to report zero incidents of discrimination throughout the year.

Gender distribution based on employment category

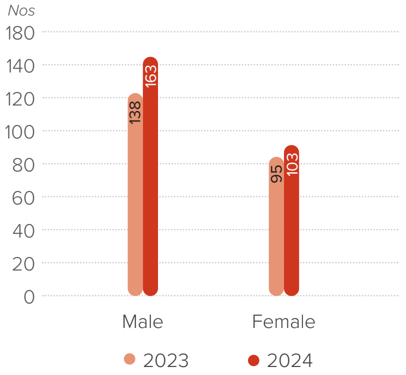
Employee Category	Male	Female
Corporate Management	3.91%	2.11%
Senior Manager	3.91%	0.9%
Assistant Manager and Manager	22.63%	9.04%
Executive	21.51%	22.59%
Banking Assistant and Junior Executive	27.09%	40.06%
Trainee and Support Staff	12.29%	19.58%
Contract Staff	8.66%	6.02%

Gender representation in governance bodies

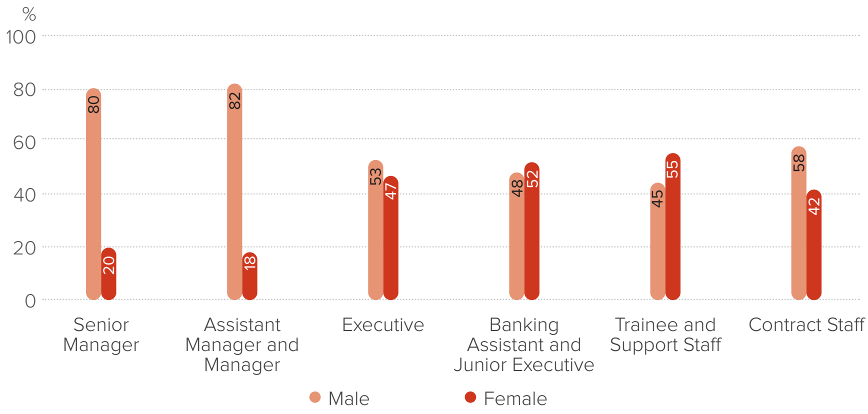
Corporate Management - 2024



Executive Management - 2024



The ratio of basic salary and remuneration of women to men - 2024



Parental Leave

GRI 401-3

	2024	2023
Number of employees entitled to maternity leave	324	297
Number of employees who took maternity leave	15	9
Number of employees who returned to work after maternity leave	14	8
Returned to work (%)	93.33%	88.89%

Grievance Handling

Employees are encouraged to raise both occupational and personal grievances with Management. All grievances will receive an empathetic and unbiased hearing and will be addressed promptly to prevent employee dissatisfaction. The confidentiality of the grievance will be maintained. However, if claims involve discrimination or harassment, appropriate disciplinary action will be taken against offenders following a fair investigation.

Collective Bargaining

GRI 2-30, GRI 407-1

We acknowledge and respect the rights of our staff to associate with and voice their concerns. To support these rights, we have established policies and practices that provide mechanisms for employees to express their concerns and offer feedback. Key initiatives include:

- A formal policy is in place for reporting unethical or illegal activities.
- A recently launched online platform allows staff to submit suggestions and opinions.
- Created cross-functional teams to encourage collective brainstorming and idea generation.

Way Forward

Our strategic focus is to enhance the employee experience by fostering a positive workplace culture, providing comprehensive growth and development opportunities, and ensuring work-life balance. We remain committed to attracting, developing, and retaining top talent by implementing effective talent management strategies, identifying high-potential employees, and developing detailed succession plans to ensure seamless leadership transitions. Additionally, we will champion employee well-being and mental health by providing access to vital resources, promoting a healthy work-life balance, and cultivating an inclusive and supportive environment.

Short Term	Medium Term	Long Term
Focus on building a positive and engaging employee ecosystem that fosters a vibrant workplace culture, facilitates continuous growth and development, and champions work-life integration.	Ongoing commitment to attracting, developing, and retaining top talent reinforced by our robust talent management strategies, identification of high-potential employees, and development of a strong leadership pipeline through comprehensive succession plans.	Integrate sustainability into human capital development by prioritizing ESG-focused training initiatives.
Improve employee retention by offering competitive compensation and robust well-being programs that demonstrate our commitment to their overall success.	Champion employee well-being and mental health by offering resources and support, advocating for work-life balance, and cultivating a supportive and inclusive workplace culture.	Position our workforce for global success by aligning HR and compliance practices with international standards and best practices.

Managing Our Capitals, Output and Outcomes

Intellectual Capital

Our intellectual capital including our systems, processes, collective knowledge, organisational culture, business ethics, and brand value, is a key differentiator and driver of growth. By continually nurturing this intellectual capital, we improve our ability to understand and respond to customer needs with innovative solutions, ultimately building the trust and confidence of our stakeholders.

Management Approach

GRI 419-1

We strengthened our intellectual capital by enhancing brand value, retaining, and leveraging organisational knowledge, and fostering innovation throughout our operations.

Highlights

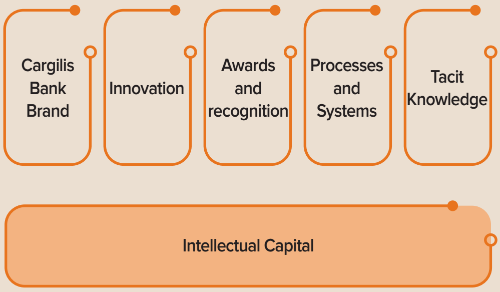
- Rs. 379 Mn Brand Value (Brand Finance Report 2023)
- 30% Employees with over 5 years experience
- Rs. 99.7 Mn investment in digitalisation

Material Topics

- Macroeconomic environment
- Training and development

Relevant Stakeholder

Relevant SDGs



Our digital platforms

Our multiple digital platforms offer convenience to our customers.

Our Digital Platforms

- Mobile Banking For account inquiries, statement viewing, supermarket banking transactions, fund transfers, utility payments, account opening, card management, more.
- Just Pay Digital Transaction Platform The largest in Sri Lanka serving five aggregator apps
- Internet Banking for retail and corporate customers
- Super Market Banking Services at Cargills Food Cities
- Lanka QR Digital Transaction Payment Service

Process improvements and automation in FY2024

- Upgraded the existing website and mobile application to provide a more convenient and user-friendly experience for all stakeholders.
- Introduced automated solutions for Fixed Deposit (FD) alerts and National Identity Card (NIC) verification within Anti-Money Laundering (AML) systems.
- New System Implementations for Pawning operations, online Real-Time Gross Settlement (RTGS), GOMAL (Government Online Money Access and Logistics), LPOPP (Local Purchase Order Payment Platform), Counter Payments, Government Digital Payment Platform for branches, SMS Alert Monitoring System, and Tableau for Internal Audit Requirements.

- Integrated the Cargills MILCO ERP system for real-time transaction processing, along with Cargills Agri Payments, Helakuru payment processing, Cargills Cash Transaction with HNB Insurance, and new remittance agents.
- Completed the Request for Proposal (RFP) process for the upgrade/selection of a new vendor for the Core Banking System **(CBS).**
- Implemented Robotic Process Automation (RPA) for various routine processes to enhance service quality and operational efficiency.
- Achieved ISO certification, demonstrating a commitment to quality management standards.
- Accelerated the digital transformation of the loan origination system to significantly reduce processing times and enhance overall customer satisfaction.
- Streamlined and simplified the customer onboarding process for a more efficient and user-friendly experience.
- Expanded and improved digital channels to provide a broader range of services and greater accessibility for customers.
- Streamlined internal workflows to reduce service delivery times and improve overall operational efficiency.

Driving better experiences through innovation

The following enhancements are being made to our digital banking and applications to enhance the customer experience.

The New Mobile App

- The present mobile app, launched in 2016, is being updated to embody significant industry innovations over the past eight years. The new version is being completely rebuilt to deliver a vastly improved user experience, enhanced security, and strengthened privacy protection, while incorporating the latest international standards and best practices.
- The app is expected to be launched in Q2 of 2025.

Non- Customer App

- This system streamlines banking operations at CFC Outlets by automating manual, slip-based transactions using QR codes. This automation eliminates tedious paperwork, enhances data accuracy, reduces errors, and ensures greater data integrity. The system's intuitive design promotes efficient use by all staff, minimising disputes and improving overall financial management. "The mobile app development is currently underway and is scheduled for launch in Q3 2025.

Cargills Bank website

- Our website was upgraded to align with current design trends and best practices, both locally and globally. This refresh drives a superior customer experience through innovative user interfaces, ensuring a modern, intuitive, and engaging online journey. Moreover, we have enhanced our online security to protect customer information and provide a safer browsing environment.

Cargills Cash System Upgrades

- We have implemented a comprehensive training programme for outlet staff, reaching the majority of personnel in the southern and western regions. We are currently expanding this initiative nationwide. The training includes cashier inductions focused on Agency Banking, along with online modules and inter-outlet quizzes to enhance expertise in Supermarket Banking.
- In a collaborative effort, the digital team and compliance department obtained approvals for 51 new locations. This expansion, completed by October 2024, now provides customers with a broader and more personalized experience across 532 outlets. We marked this achievement with a press conference at the Attidiya 02 outlet on October 21, 2024, which included customer participation.

Managing Our Capitals, Output and Outcomes

Investments in technology in FY 2024

This year, our strategic investments in advanced technology have centered on enhancing operational efficiency, fortifying security, and driving digital innovation. These initiatives align with our vision of shaping the future of banking, ensuring seamless accessibility, and meeting the evolving needs of our customers in a rapidly transforming digital landscape. Accordingly, our key technology investments for 2024 were focused on the following areas:

1. Card System - ITM Version Upgrade fortifying security
2. Mobile App
3. QR App
4. Perimeter Firewall Replacement
5. NAS Storage replacement
6. Carbonite Licenses
7. HSM Embossing Machine Replacement
8. Change Request for New functionalities of Mobile and Internet Banking

Strengthening cyber security

We enhanced our cybersecurity framework in 2024, ensuring the protection of customer data and the resilience of our digital infrastructure. As a responsible bank, we are committed to maintaining the highest security standards and upholding the trust and integrity of our systems. Our ISO/IEC 27001:2022 certification confirms that our Information Security Management System (ISMS) meets international standards. Additionally, our Payment Card Industry Data Security Standard (PCI DSS) certification demonstrates that our card-related operations and infrastructure comply with the most stringent global technical standards. We also maintain full compliance with all Central Bank regulations regarding information security and best practices in risk resilience.

Fostering a culture of integrity and transparency

GRI 2-16, GRI 2-25, GRI 2-26

We foster a culture of integrity and accountability through clear and transparent policies and guidelines. These policies, covering areas such as discipline, confidentiality, conflicts of interest, anti-corruption, and legal compliance, provide a comprehensive framework for our employees. Moreover, we promote open communication, encouraging the reporting of unethical behaviour through diverse channels, including a robust whistleblowing policy. Additionally, we ensure accountability through clear performance expectations, regular reviews, and training programmes focused on ethics and compliance. Mandatory policy acceptance and e-learning modules further reinforce these values. We also emphasise ethical hiring by vetting candidates and addressing disciplinary issues according to established policy.

Harnessing tacit knowledge

We leverage the valuable tacit knowledge of our employees, recognising it as a key source of intellectual capital. We harness this expertise through formalised training programmes, hands-on experience guided by senior resources, and involvement in strategic projects and cross-functional teams, driving innovation and organisational success.

Award and Recognitions

During FY 2024, we garnered the following awards and recognitions:

Merit Award at the 2024 LankaPay Awards, - recognised as the Acquirer Bank for the Best App in Retail Payments

Cargills Bank Recognized at the SLITAD People Development Awards 2023/24

Achieves Silver Award in the newly listed companies category at CA Sri Lanka TAGS Awards 2024

Received a certificate of compliance at the CMA Excellence in Integrated Reporting Awards - 2024

Marketing and social media strategy

Our marketing strategies are built upon a foundation of strategic platforms and engaging content. We maximise reach and connect with target audiences by leveraging key social media channels including Facebook, Instagram, TikTok, LinkedIn, and YouTube. To drive engagement, we share weekly and monthly product updates, educational content, and user-centric posts, alongside implementing monthly campaigns featuring Mobile App promotions such as Cargills SendCash, Utility Bill Payments Raffles, and giveaways. Interactive engagement was further boosted through polls, quizzes, games, and Q&A sessions. Our message was amplified through partnerships with local influencers to enhance product visibility and drive deeper engagement. All these efforts were refined by monitoring engagement, app downloads, and lead generation, allowing us to optimise our strategy and achieve measurable results.

Our communication mix

Capitalise on Group Media Buying
- TV, Radio, Press, Magazines & Tabloids

Strategic Locations & Effective Marcoms
- POSM's, Hoarding, LED Screen ads etc

Constant visibility to build the Brand
- Press Articles, Press Interviews, Radio Interviews

Most Dynamic Bank in Digital Space
- FB, IG, LinkedIn, Google Ads, Youtube , Tik Tok

Drive footfall to the Branch
- Leaflets, Direction Boards, Local Events

Optimisation of the Ecosystem
- CFC & Other Cargills Brands, Group Events

Our brand

This year, we amplified our brand value through a strategic, comprehensive approach centred around our 10th Anniversary. The "10 Years of Trust" campaign, launched across social media and press channels, celebrated our decade-long commitment to reliability and excellence. A core element of this campaign was appreciating our valued customers and dedicated employees, the cornerstone of our success. We introduced special reward programmes to honour their loyalty and contribution, fostering a deeper emotional connection with our brand. Through this celebration of trust and gratitude, we not only reinforced our brand's credibility but also solidified our position as a trusted banking partner in the market.

Cargills Bank Brand Value **Rs. 379 Mn**
(Brand Finance Report 2023)

Managing Our Capitals, Output and Outcomes

Marketing campaigns launched in 2024

10th Anniversary Campaign:

Multi-channel campaign using press and social media, aimed to increase awareness of Cargills Bank's 10-year milestone. The campaign highlighted unique service channels, such as Agency Banking through Cargills Supermarkets.

Participation in Cargills Group Events:

Participated in events such as Sirasa Magic Carnival, Children's day programme and Village to Home Programme , to increase brand awareness and product visibility, fostering association with the Cargills brand, and increasing the customer base and portfolio.

Sales-Driven Campaigns:

These are location-specific promotions coupled with branding and communication support. These include the World Trade Center promotion, Pilot-Guild Sponsorship, NHSL Doctor/Nurses promotion, MINI Savings Account Drive, and the Children's Day with Cargills.

These campaigns were focused on promoting products such as Savings accounts, fixed deposits, and Children's savings accounts.

Mini TV Campaigns:

Launched a Fixed Deposit (FD) TV campaign during IPL time and a separate campaign during seasonal time. The objectives were to strengthen brand visibility and reach potential customers.

Our Way Forward

Short Term	Medium Term	Long Term
Implement a comprehensive training programme to improve digital literacy across all departments.	Focus on acquisition and retention of talent to ensure sustainable growth.	Enhance the digital transformation process to provide seamless and expanded services to customers.
Facilitate knowledge sharing initiatives among cross-functional departments.	Optimise the knowledge-sharing process across the Bank to facilitate continuous learning and collaboration.	Nurture a high level of intellectual capital through innovation and leverage the Cargills Group brand and image to enhance market presence and customer engagement.
Automate routine activities through workflow optimization and Robotic Process Automation (RPA).	Introduce new banking products based on customer feedback and service experience to meet evolving needs.	
Cultivate an innovation culture within the Bank focused on enhancing customer experience and service delivery.		

Manufactured Capital

Our extensive physical infrastructure-including an island-wide branch network, MINI locations, ATMs, CRMs, plant and equipment, and other built assets-is essential to delivering superior customer experiences, enhancing customer engagement, acquiring new customers, and nurturing brand loyalty, thus driving business growth. This infrastructure also enables us to expand our commitment to inclusive banking, providing Sri Lankans nationwide with a diverse and competitive range of services.

Management Approach

We ensure effective management of our manufactured capital through a structured procurement process involving three committees: Procurement Committees, the Technical Evaluation Committee, and the Financial Evaluation Committee. The Technical Evaluation Committee assesses the Bank's requirements based on predefined criteria using a scoring mechanism that prioritises mandatory, important, and optional factors within each requisition. The Financial Evaluation Committee, composed of experts from Operations, Finance, and Risk, evaluates vendors' financial proposals and advises on relevant investments, thus ensuring our procurement decisions are aligned with strategic goals.

Highlights

- 24 Branches
- 29 Cargills MINI locations
- 24 ATMs

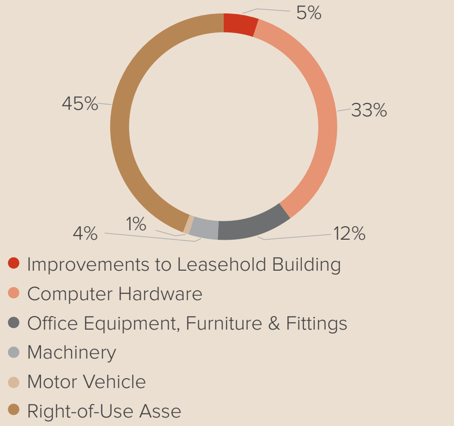
Material Topics

- Physical channels and digitalisation

Relevant Stakeholder

Relevant SDGs

Composition of Our Manufatured Capital 2024

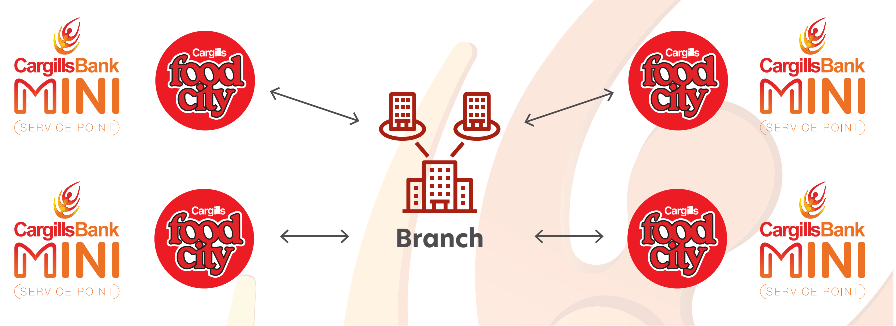


Our Network

We adopt a cost-effective "Hub and Spoke" model to expand our reach and attract retail customers. Our central branch (the Hub) extends its services through 29 MINI locations within Cargills Food City outlets, offering key banking functions such as account opening. This network provides customers with over 532 convenient touchpoints. We further enhance accessibility through agency banking at 532 Cargills retail outlets, enabling customers to deposit, withdraw funds, and make payments. This unique integration with a supermarket chain differentiates us within the domestic banking landscape, providing a distinct competitive advantage.

Managing Our Capitals, Output and Outcomes

THE HUB AND SPOKE MODEL



A single branch will operate MINI locations from multiple Corgills FoodCity outlets, allowing the branch to capture business opportunities beyond its own geographical territory.

Our Branch Operations

Our branch network expansion across 8 provinces and 15 districts nationwide has enhanced customer access to banking services, enabling us to grow our customer base and improve their experience throughout the year. We complement this growth by allocating dedicated resources to support customers, and regularly monitoring branch operations and upgrading infrastructure to ensure high-quality service delivery. Our branch operations aim to serve all customer segments effectively.

Value creation

- Relocated and expanded three branches for better accessibility.
- Enhanced banking operation efficiency of MINIs.
- Expansion of supermarket banking facilities.

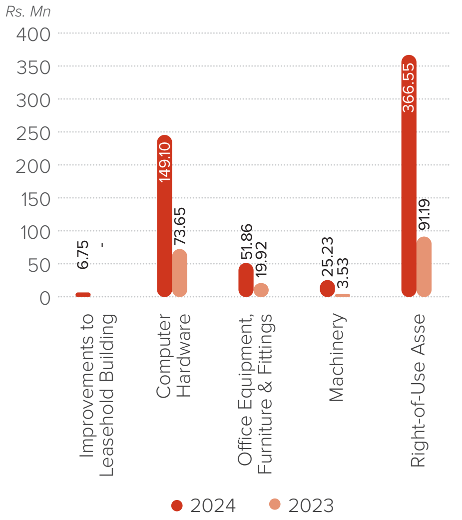
Impact

- The customer base increased by 12% YoY
- The number of transactions through the ATMs increased
- The number of transactions through the CDMs increased
- Customer deposits grew by 17% YoY

Capital Expenditure on Manufactured Capital

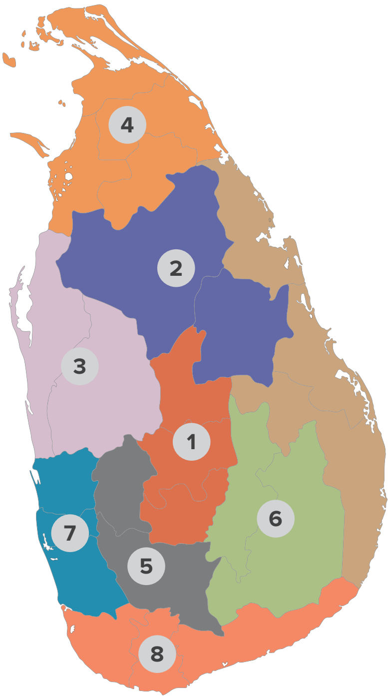
Capital Expenditure	2024 (Rs. Mn)	2023 (Rs. Mn)
Right of use assets	366.55	91.19
Improvements to Leasehold Buildings	6.75	-
Computer Hardware	149.10	73.65
Office Equipment, Furniture & Fittings	51.86	19.92
Machinery	25.23	3.53
Total	599.49	188.29

Capital expenditure on manufactured capital



Our Branch Network

No	Province	District	No of Branch	No. of Cargills Minis
1	Central	Nuwaraeliya	1	6
		Kandy	3	
		Dambulla		
2	North Central	Polonnaruwa	1	1
		Anuradhapura	1	
		Pollonnaruwa		
3	North Western	Kurunagala	1	2
		Puttalam	1	
		Kuliyapitiya 2		
4	Northern	Vavuniya	1	1
		Jaffna	2	
5	Sabaragamuwa	Rathnapura	1	4
		Embilipitiya		
6	Uva	Monaragala	1	2
		Badulla	1	
		Bandarawela 2		
7	Western	Colombo	6	10
		Gampaha	2	
		Gampaha 2		
8	Southern	Matara	1	3
		Galle	1	
		Akuressa		

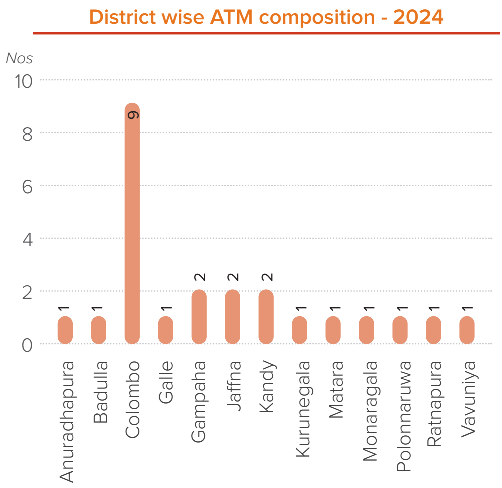


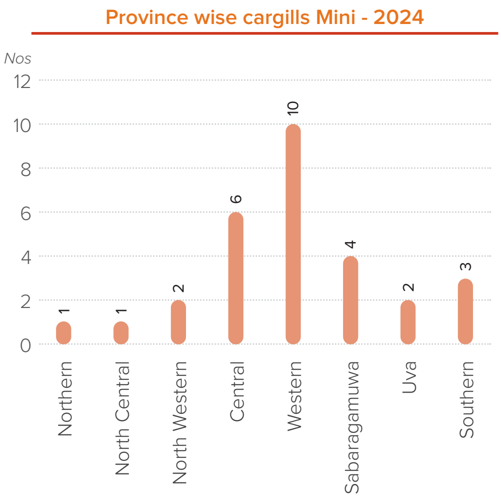
Vintage

Vintage	No. of branches
< 5 years	4
5-10 years	17
More than 10 years	3

Managing Our Capitals, Output and Outcomes

Composition of ATM & Cargills MINI network Island-wide





Way Forward

Short Term	Medium Term	Long Term
Modernise branch operations through equipment upgrades and optimised layouts to enhance customer service.	Expand the branch network in high-growth areas to enhance market share and capture new customers.	Adapt our business practices to address climate change.
Provide more digitalisation platform to serve the customers to overcome the geographical barriers to reach branches.	Invest in digital tools such as kiosks and self-service machines to expand our market reach through hybrid channels, while promoting eco-friendly business practices.	Increase our focus on digitising branch operations to meet the future of banking.
Expand digital platforms to serve customers and overcome geographical limitations to branch access.	Implement initiatives across the branch network to achieve our environmental targets.	Promote sustainability and green banking through programmes including paperless banking, green bond financing, and targeted loans for sustainable projects.
Expand the ATM network to enhance customer service.	Focus on AI to improve customer service.	Enhance our decentralised and remote banking infrastructure through virtual banking, mobile banking expansion, and similar initiatives.
Extend the branch operation hours for selected branches	Focus on brand building through the branch network.	

Natural Capital

We are committed to exploring opportunities and adopting strategies that support a transition to a low-carbon economy, addressing our environmental impact. Although our operations are service-based and have a limited direct environmental footprint, we understand the crucial role we can play. Therefore, we promote sustainability through responsible business practices and environmentally conscious decisions, contributing to a more sustainable future.

Management Approach

GRI 3-3

Our commitment to environmental stewardship is reflected in our efforts to minimise the use of natural and non-renewable resources. Accordingly, our focus is on the efficient management of waste, water, and energy. By implementing initiatives to reduce our carbon footprint, we strive to make a positive contribution to mitigating climate change.

Highlights
- Energy consumption - 1,044,906 kwh
- Water consumption - 7248 Cu. ft

Material topics
- Environmental protection
- Environmental, Social and Governance aspects and responsible lending

Relevant Stakeholder

Relevant SDGs

Climate-related risks and opportunities

Climate change is a critical global business concern, demanding immediate and collective action due to its severe consequences. We are committed to understanding and addressing climate-related risks and opportunities, to support sustainable development and protection of our assets from climate-related risks.

Climate-related risks	Climate-related opportunities
1. Granting facilities Agriculture Sector leads segments with high climate risks including carbon emission and deforestation	1. Promote and finance technology to enhance water usage, water disbursement, finance companies with latest solar technology and energy efficient machinery etc.
2. Working Capital financing for large scale Textile manufacturing companies increasing carbon emission and social risks	2. Our financing promotes more women to secure jobs empowering them promoting healthy working environment.
3. Fund large tree plantations to grow agarwood resulting deforestation in next 5 years to harness the oil.	3. Bank will further provide funding for companies to replant trees and expand the agarwood plantation.
4. Internal operations of the bank also can lead to environmental pollution through usage of stationery.	4. Bank has taken measures to automate loan originating systems to reduce paper usage and preparing the bank to use of solar panels for future electricity generation.
5. Companies which provides services to the bank can generate adverse effects on the environment	5. Bank took necessary steps to evaluate ESG preparedness of each service provider which will be taken in 2025.

Managing Our Capitals, Output and Outcomes

Governance

We have developed an Environmental, Social, and Governance (ESG) Policy, aligned with the Central Bank of Sri Lanka (CBSL) guidelines and IFC standards, to support the UN's Sustainable Development Goals and a transition to a green economy. This policy guides our Bank in managing ESG risks associated with its financing and promotes investments in greener, climate-friendly, and socially inclusive businesses. It also establishes a framework for classifying and measuring sustainable finance activities, involving all stakeholders.

Please refer to the page 76 for further information on our ESG framework.

We collaborate with the following institutions in advancing our ESG framework:

1) Sri Lanka Bankers Association
2) Ministry of Finance
3) Presidential Secretariat
4) Central Bank of Sri Lanka
5) Small Holder Agriculture Partnership Programme

Our initiatives in advancing the ESG agenda of our Bank

GRI 2-23, GRI 2-24

- Compliance and Risk Management

  During 2024 we commenced ESG risk evaluations of credit facilities for facilities over Rs.15 Mn. We are now able to assess portfolio risks of each segment and evaluate and advice clients to take risk mitigatory measures to minimise the impact on the environment

- Human Resource Management

  HR Department is currently scheduling programmes pertaining to sustainability, to enhance the capacity of each staff member. This will enable us to inculcate an ESG culture within the framework.

- Procurement Guidelines

  We issued ESG evaluation guidelines to every company supplying goods and services to the bank to ensure that they give adequate consideration to ESG standards. Therefore, this will not only inculcate sustainability parameters but also support the global effort of achieving UN sustainability goals.

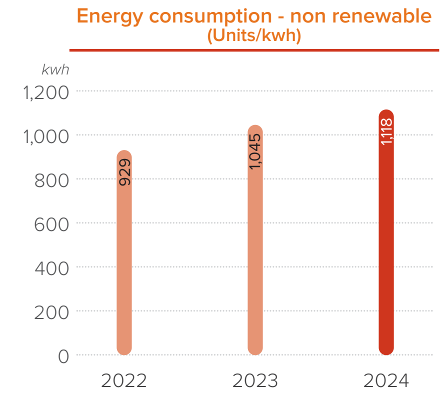
Energy Management

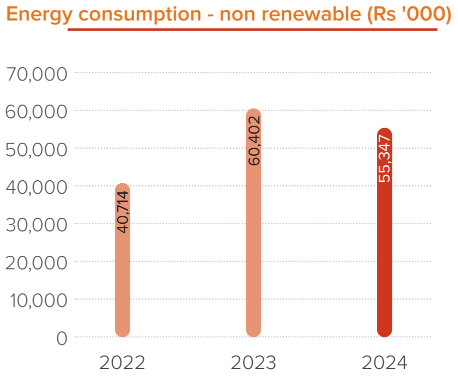
GRI 302-1 GRI 302-4 GRI 302-5

In our efforts to create a culture of energy conservation, we provided training and education for all staff members, detailing the steps they can take to reduce our overall energy consumption. This programme covered practical strategies for energy efficiency, such as optimising use of air conditioning, switching off lights when leaving rooms, and promoting the use of natural lighting when possible. Through interactive workshops and awareness campaigns, we continued to inspire behavioural changes and foster a greater understanding of how individual actions contribute to a more sustainable and energy-efficient workplace.

The following initiatives were implemented in 2024 to reduce energy consumption:

Personal action	Improve energy efficiency using LED bulbs and energy-efficient appliances.
	Implement a policy and training programme to encourage staff to unplug electronic items when not in use, thereby minimising unnecessary energy consumption.
	Educate staff on the environmental impact of paper use and promote digital documentation, electronic storage, and alternative communication methods to reduce paper consumption.
Business action	Promote the procurement of energy-efficient IT equipment, appliances, and systems to reduce overall energy consumption and operating costs.
	Implement smart building technologies to optimise energy usage, monitor consumption patterns, and reduce waste.
	Engage with suppliers committed to sustainable practices, selecting eco-friendly products and services to support a greener supply chain.
	Educate staff on best practices for efficient energy use, including optimising air conditioning, lighting, and other equipment to minimise energy waste.
Supporting Government policy action	Promote sustainable lending practices by prioritising loans and investments in projects that support environmentally and socially responsible businesses and initiatives.
	Educate staff on the importance of reducing greenhouse gas emissions and carbon footprints, empowering them to contribute to our sustainability goals.
Community with collective action	Support local sustainable agribusinesses through targeted lending, training, and technical assistance to promote environmentally responsible agricultural practices.
	Communicate the benefits of adopting eco-friendly farming practices, highlighting how they can improve their business, reduce costs, and enhance long-term sustainability.





	2024	2023
Energy Consumption -Non-Renewable Sources (Rs. 000)	55,347	60,402
Energy Consumption - Non- Renewable Sources (units/kwh)	1,117,878	1,044,906

Waste Management

GRI 306-1, GRI 306-2,GRI 306-3, GRI 306-4, GRI 306-5

The following initiatives were implemented to manage waste in 2024.

- Installed clearly labeled, separate bins throughout all premises to facilitate effective waste segregation for recycling. Establish a formal collaboration with local recycling authorities to ensure proper and consistent collection and processing of recyclable materials.
- Implemented a policy that prioritises the repair and reuse of computer equipment and other devices whenever feasible, extending their lifecycle and minimising electronic waste.
- Minimised paper usage by promoting electronic documentation, digital storage solutions, and alternative communication methods throughout all operations. Established a timeline for full adoption of digital documentation where possible.
- Transitioned to a fully digitised record-keeping system and promoted electronic communication with customers, including e-statements, digital receipts, and online banking notifications, to reduce reliance on paper.
- Drove adoption of digital banking services through promotion of the digital platforms, encouraging customers to conduct transactions electronically, thereby contributing to a paperless and more efficient system.
- Implemented a policy that mandates double-sided printing as the default and promotes the reuse of single-sided used paper for internal drafts and other appropriate purposes.
- Partnered with suppliers and contractors who demonstrate a commitment to sustainability, by using environmentally responsible products, practices, and standards in all operations and supply chains.

During the year under review, 8,172 Kg of paper was sent for recycling.

Paper consumption	2024	2023
Quantity (Kgs)	8,172	6,096
Cost (Rs.'000)	3,155	2,355

Supporting a sustainable supply chain

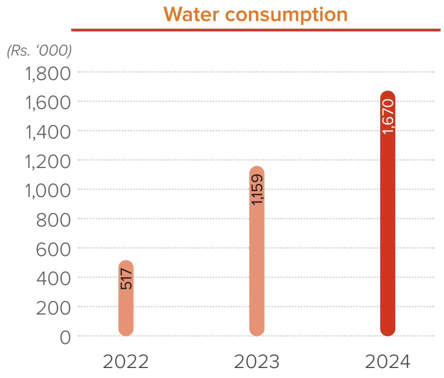
- Encouraged and prioritize the purchase of energy-efficient equipment and appliances across all departments and operations, thereby reducing overall energy consumption and operating costs.
- Encouraged staff members to promote and utilise digital banking solutions, thereby reducing paper consumption from documentation and fostering a more efficient and environmentally friendly approach to banking processes.
- Partnered with suppliers and contractors who adhere to ethical business practices, including responsible waste management, ensuring safe working conditions, and strict avoidance of child labour, contributing to a more sustainable and ethical supply chain.

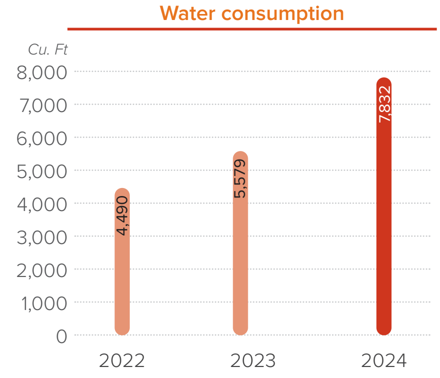
Managing Our Capitals, Output and Outcomes

Water Management

GRI 303-5
We are committed to minimising water usage and promoting sustainable consumption to minimise environmental impact. Our water management strategy focuses on practical measures and enhanced awareness.

Key actions include, installing water dispensers on each floor to promote responsible consumption, educating staff on water conservation and the importance of saving water for future generations, analysing water consumption patterns to identify areas for reduction, ensuring full adherence to all national and local water conservation regulations, and encouraging customers and stakeholders to adopt best practices in water management.





Based on invoices issued by National Water Supply and Drainage Board.

Biodiversity conservation

We contribute to biodiversity conservation through our lending practices and policies. We promote biodiversity-friendly practices by focusing on sustainable lending within the agricultural sector. Furthermore, we focus on lending to businesses that adhere to environmental standards, further supporting biodiversity conservation. In addition, we educate farmers on initiating farming practices that support biodiversity and adhere to screening and exclusion policies for lending that could harm biodiversity.

Furthermore, with our collaboration with the Cargills Group and with financial backing from our Bank, we have initiated the introduction of a cutting-edge irrigation system. This partnership with a leading Indian institution has enhanced agricultural productivity while simultaneously safeguarding water resources and farmlands. This state-of-the-art system has reduced the need for insecticides and fertilizers, empowering farmers to mitigate climate-related risks through optimised water use, and enables cultivation up to three times per year, independent of monsoon seasons.

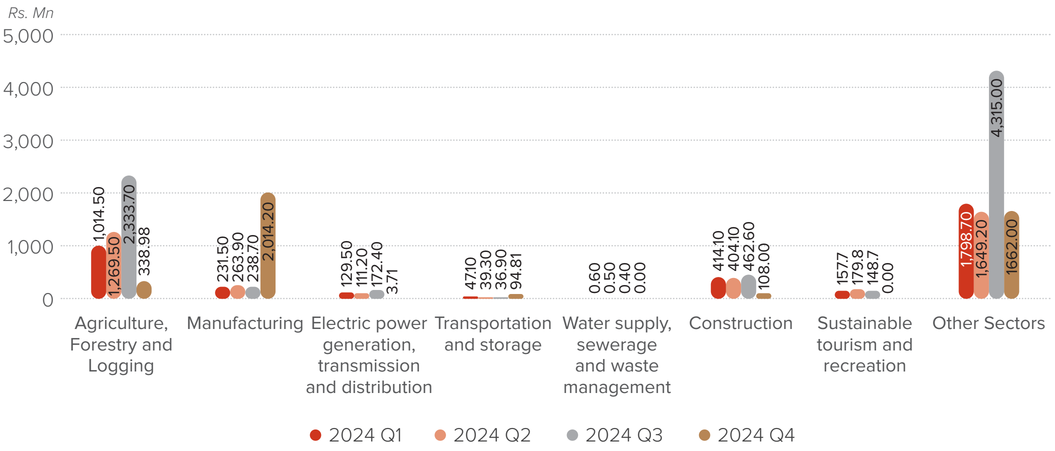
Promoting Green Financing

Through our commitment to sustainable lending, we continued to promote a positive environmental impact and advance sustainable development goals. We directly support renewable energy and natural gas projects while also assessing our clients' carbon footprints. In line with the Millennium Development Goals, we have financed major solar projects and natural gas initiatives, contributing to pollution reduction and deforestation mitigation.

Our renewable energy related approved facilities includes investments in solar and natural gas with a portfolio of Rs. 50 Mn.

During the financial year 2024 bank has secured facilities to the value of over Rs.4.8billion, which are currently being progressed with necessary government approvals. Cargills Bank PLC facilitated certain renewable energy projects with the partnership with other financial institution to maximize the impact.

Sectorial analysis of sustainable lending portfolio (Rs. Mn)



Way Forward

Short Term	Medium Term	Long Term
Provide comprehensive education and training to all staff members on the importance of robust sustainability governance practices, fostering a strong understanding of their roles and responsibilities in achieving ESG goals.	Develop and implement sector-specific guidelines that promote ESG governance practices in our lending activities, ensuring that our financing supports businesses committed to sustainability within their specific industries.	Strategically align all Bank operations with long-term sustainability practices and the government's sustainable development objectives, ensuring that our business model supports a resilient and environmentally responsible future.
Integrate Environmental, Social, and Governance (ESG) principles into all aspects of business operations, ensuring that sustainability considerations are prioritised in decision-making and strategic planning.	Define clear and measurable targets for our sustainable lending portfolio that are explicitly linked to biodiversity conservation goals, thereby driving our commitment to environmental preservation through our financing decisions.	Commit to allocating a significant percentage of our loan portfolio to finance green and nature-positive projects, supporting initiatives that contribute to environmental preservation and climate change mitigation.
Implement energy-efficient systems and practices across all Bank operations to reduce the consumption of resources, including energy, water, and materials.	Set specific and measurable targets for reducing water and energy consumption across all Bank operations, establishing clear benchmarks for improvement and fostering a culture of resource efficiency.	Implement a phased transition to renewable energy sources for all Bank operations, reducing our carbon footprint and demonstrating leadership in sustainable energy practices.
Encourage and focus on environmentally friendly business practices across all areas of operations, striving to minimise our environmental footprint and maximise our positive impact.	Emphasise investments in IT infrastructure that are specifically designed to improve sustainability governance, including systems for tracking and reporting ESG performance, supporting data-driven decision-making, and promoting transparency in our sustainability initiatives.	Establish strategic partnerships with government agencies and relevant stakeholders to enhance the implementation of best practices in ESG governance, fostering a collaborative approach to sustainability and driving collective progress.

Managing Our Capitals, Output and Outcomes

Our ESG Focus

GRI 2-23, GRI 2-24

We support the UN Sustainable Development Goals and a green economy through a comprehensive Environmental, Social, and Governance (ESG) Policy. Developed in line with the CBSL and IFC frameworks, the policy ensures effective management of our ESG risks, promotes sustainable financing for environmentally responsible businesses and establishes a clear framework for measuring our impact in collaboration with all stakeholders.

Our Vision

To become a responsible corporate citizen protecting our planet with love and humanity for future generations!

Our Mission

To extend our love and humanity to future generations by protecting the environment by consuming less, leaving the resources for the unborn today by adapting innovative solutions and conducting responsibly guided by our ethics and values, synergies with the expertise of our multidisciplinary team of employees.

Objectives of our ESG Policy

- To identify, assess, and effectively manage the environmental and social impacts of all bank activities, thereby enhancing our understanding and mitigating potential risks associated with our transactions.
- To promote and support improved environmental and social performance in all projects initiated by the Bank and its partners, ensuring that sustainable practices are prioritised in all our activities.
- To adhere to the Performance Standards of the IFC and international best risk management practices when financing private sector activities, significantly reducing the Bank's exposure to environmental and social risks.

Our sustainability goals

Environment

- Integrate sustainability considerations into all key business decisions, including the financing of projects and other initiatives. This ensures a balanced approach to economic and environmental performance.
- Minimise carbon footprint through operational efficiency by implementing operational processes with a focus on energy conservation, resource efficiency, and the adoption of green technologies.
- Establish responsible waste management systems by implementing waste reduction, reuse, and recycling, ensuring that all waste disposal is handled responsibly and minimises environmental impact.
- Champion renewable energy adoption by promoting and supporting the adoption of renewable energy solutions, internally in our operations and externally through our financing, contributing to a transition toward a sustainable energy future.

Social

- Drive national economic growth through strategic CSR by implementing initiatives focused on national economic growth, addressing key areas such as education, entrepreneurship, national heritage protection, livelihood development, healthcare development, environmental protection, sports development, and supporting essential infrastructure in the country.
- Uplifting vulnerable communities through targeted programmes, facilitating equitable access to resources and opportunities.
- Foster an internal sustainability culture by providing comprehensive training and development programmes, promoting employee volunteerism, and prioritising staff welfare programmes.
- Extend sustainability through external engagement with external stakeholders, including awareness programmes, publicity campaigns, and partnerships to promote broader adoption of sustainable practices

Governance

- Maintain ethical and sustainable vendor relationships by ensuring that they align with our sustainability values and contribute to responsible business practices.

Social and Relationship Capital

The foundation of our Social and Relationship Capital lies in our strong connections with customers, business partners, and communities. We foster these relationships through active engagement, aimed at generating mutual trust, confidence, and benefit. This reciprocal approach, encompassing our holistic value proposition, safeguards our social license to operate.

Highlights
- 12% increase in customer base
- On time payment to suppliers
- Rs. 1.3 Mn investment in CSR
- Customer response time

Material Topics
- Physical channels and digitalisation
- Customer privacy
- Sales promotions, marketing, and information on the availability of Bank's products
- Regulatory aspects and compliance

Relevant Stakeholder

Relevant SDGs
1 NO POVERTY
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING

Management Approach

GRI 3-3

Our robust governance structure, supported by a comprehensive set of policies, guides Cargills Bank in the effective management of our social and relationship capital. We continue to enhance our relationships with customers, suppliers, and the communities we serve, with a focus on refining our value proposition to ensure the satisfaction of all stakeholders, generating mutual value.

Customer Capital

Our commitment to customers is reflected in our value proposition, which revolves around providing convenience, savings, customer service, and fostering trust. We promote inclusive banking, serving Sri Lankans across the nation with a diverse and competitive offering.

Our customer value proposition

Grow Your Savings
- Benefit from competitive savings plans and exclusive card perks for year-round wealth growth.

Convenient Banking
- Seamlessly integrating banking services into everyday supermarket visits, making transactions easy and accessible.

Innovative Solutions
- Pioneering fintech advancements to enhance the banking experience with cutting-edge solutions.

Accessible Anywhere
- Bank anytime, anywhere with 530+ touchpoints and robust digital channels, especially serving rural communities.

Community Empowerment
- Supporting local farmers and businesses through education, tools, and market access, strengthening rural communities.

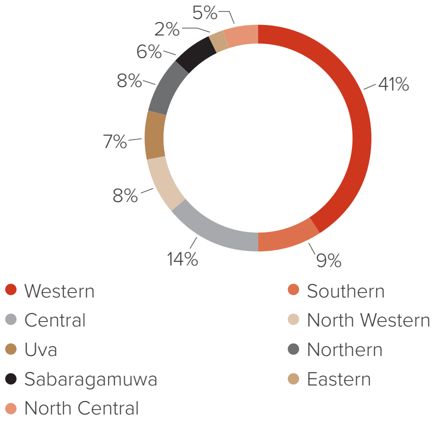
Trusted & Secure
- Providing reliable and secure financial services, building customer confidence and loyalty, as part of a well-established retail supermarket conglomerate.

Managing Our Capitals, Output and Outcomes

Growing our customer base

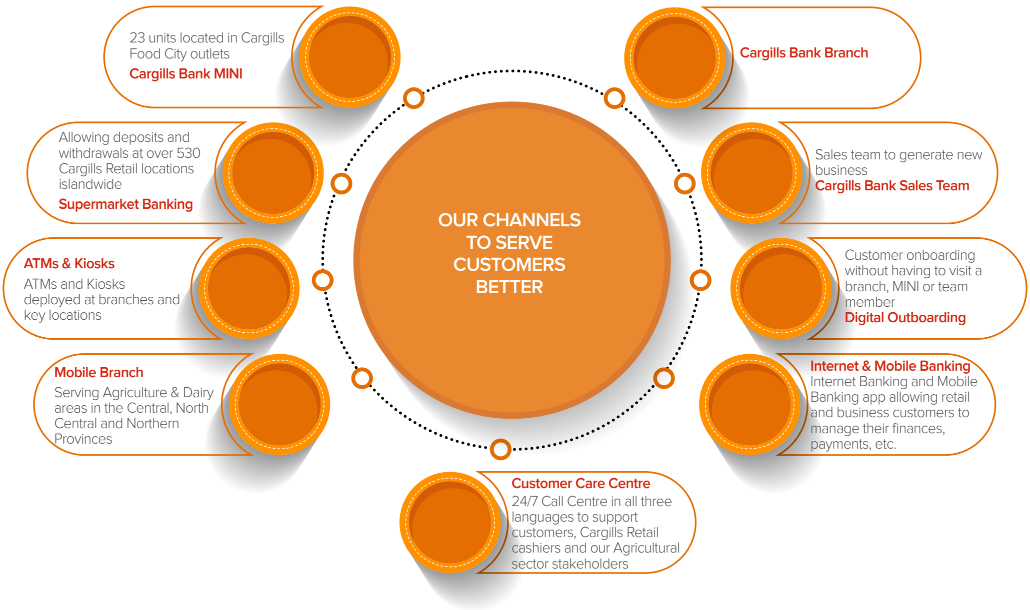
With a commitment to nationwide reach, we provide services to customers across Sri Lanka through our branch network and digital channels. Our customer base grew by 12% YoY in FY2024, with consistent growth observed across all provinces.

Geographic distribution of customers



Expanding our customer touchpoints

We blend traditional and modern banking seamlessly, offering diverse services designed for maximum convenience. Our customers benefit from 24/7 access to digital banking, while our strategic partnership with Cargills Retail extends our reach to 532 locations nationwide. Through Cargills Cash, customers enjoy free deposits, withdrawals, domestic transfers, and more at these retail outlets. In addition, we operate 24 stand-alone branches for those who prefer traditional banking and 27 Cargills Bank MINI locations within Cargills Food City outlets for easy onboarding and support. Our digital onboarding service allows customers to open Savings Accounts anywhere on the island, ensuring widespread access across urban and rural communities.



Marketing communications

GRI 416-1 GRI 416-2 GRI 417-1 GRI 417-2 GRI 417-3

To uphold our customer charter, every marketing communication undergoes a thorough compliance review. This process guarantees accuracy, regulatory compliance, and prevents mis-selling of our products and services. Moreover, to ensure broad reach and understanding, we provide communications related to products, services, and other important announcements in Sinhala, Tamil, and English.

Moreover, we adhere strictly to the guidelines imposed by the Central Bank, as well as all other regulations communicated to us by the Compliance Department. These include:

- Regulation No.24 on Advertisements and Sales Promotions of the Financial Consumer Protection Regulations (FCPR) No.01 of 2023
- Banking Act Direction No. 08 of 2011 on Customer Charter
- Credit Card Guidelines No: 01/2010
- Financial Consumer Protection Regulations No. 01 of 2023

During FY 2024, there were no reported instances of corruption or fraud, and no fines or penalties resulting from non-compliance with laws and regulations. This includes those related to socio-economic practices, customer health and safety, and marketing and labelling information.

Our diverse communication channels

Customer	Channels
Retail customers	Social media, in-app, SMS/ email, television, radio, press, billboards/ hoardings, in-store promotions
Farmers	Community events/ partnership, radio, SMS, CSR initiatives with Cargills
SME customers	LinkedIn, Facebook, press, trade shows, partnerships with industry associations
Corporate customers	Relationship managers, LinkedIn, newsletters, executive roundtables, and corporate events

Prodcut-focused campaigns

Strategic Product
Launche Smart Teens," "Wishrama" savings, and "Flexi Draft" accounts

Supermarket Banking

Fixed Deposit Campaigns
(Avurudu, Christmas, etc.)

Card Campaigns
(Avurudu, Christmas,etc)

Location-Based Sales Campaigns

Strategic Location Promotions -
World Trade Centre promotion, Pilot-Guild Sponsorship, NHSL Doctor/Nurses promotion, MINI Savings Account Drive, and Children's Day with Cargills.

On-Site Product Activations -
to promote core products through on-site engagement and promotions.

Brand-Building Campaigns

10th Anniversary Celebration
This was a multi-channel campaign, including press and social media. Achivers Night 2024 to recognise and reward outstanding performance within the Bank Empowering the rural dairy farmers by providing financial service and resources.

Group Collaboration Campaigns

Leveraging Cargills Events to boost brand awareness and customer aquisition
-Sirasa Magic Carnival and Village to Home

Integrated Brand Messaging
Connecting with the larger Cargills brand, to foster a synergistic impact and growing our customer base.

Marketing strategy

To drive customer acquisition and enhance brand awareness by strategically promoting our liability, asset, card, and digital products. This includes our innovative mobile app and the unique convenience of our supermarket banking model, highlighting its distinctive features.

Managing Our Capitals, Output and Outcomes

Social media strategy

Our social media strategy leverages platforms such as Facebook, Instagram, TikTok, LinkedIn, and YouTube to maximise reach and target specific audiences. We share weekly and monthly product updates, educational content, engaging posts, and monthly campaigns, such as Mobile App promotions with Cargills SendCash, Utility Bill Payment raffles, and giveaways. To boost interaction, we use polls, quizzes, games, and Q&A sessions, and will partner with local influencers to enhance product visibility. Moreover, we continuously monitor engagement, app downloads, and lead generation to optimise our strategy.

205K followers • 194K likes	4,420 followers	2751 followers • 15.8K likes	28,297 followers

Empowering the digital banking Journey of customers

- Enhanced the mobile Banking app
- Extended 24/7 customer support
- Access a full suite of digital payment options including digital wallets, QR code payments, and online fund transfers.
- Alerts for transaction and real time notification
- Cargills Bank is one of the leading facilitators of digital transactions in Sri Lanka supporting 6 aggregator apps which provide JustPay and LankaQR based digital transactions

0.22%
increase in the number of Cargills Cash customers

7.39%
increase in the number of retail internet banking customers

17.36%
increase in the number of corporate internet banking customers

Empowering women

As a bank committed to women empowerment, we continued to strengthen our focus throughout the year to drive socio-economic progress for our female customers and the broader community. Our efforts included providing access to affordable finance and skills development programmes. In particular, the 'Abhimani' social media campaign was our Women's Day celebration, offering participants a chance to spotlight the most admired women in their lives. Winners received deposit vouchers to start an Abhimani Savings Account. To support women's financial empowerment, we offered targeted lending products such as microloans and business loans, comprising 3.5% of the total loan book as of December 31, 2024.
.

Strengthening customer privacy

GRI 418-1
As mandated by Section 77 of the Banking Act, No. 30 of 1988, we uphold customer privacy. Accordingly, we have established a dedicated Information Security Unit responsible for ensuring data security, and a specialised Risk Department to oversee related controls. We have also implemented comprehensive policies and procedures governing information security and control, and emphasise robust staff training, including engaging e-learning sessions to enhance employee awareness. There were no substantiated complaints concerning breaches of customer privacy and losses of customer data in 2024.

Call Centre

We operate a dedicated 24/7 call centre to assist customers with any grievances or concerns. Our streamlined complaint handling process is designed to ensure a prompt and satisfactory resolution:

1. Easy Contact: Customers can reach our 24/7 call center at 0117640640, through our website or via email at customersupport@cargillsbank.com.
2. Detailed Registration: We gather all necessary complaint details and provide a tracking number.
3. Prompt Acknowledgment: We promptly confirm the complaint, providing a reference number and estimated resolution time.
4. Thorough Investigation: Our team conducts a thorough investigation, gathering all necessary information..
5. Clear Resolution: Once the investigation is complete, we clearly communicate the results of our investigation and any actions taken, providing guidance if needed.
6. Satisfaction Follow-Up: We follow up with customers to ensure their satisfaction with the resolution and gather valuable feedback about their experience.

192,777 Total calls received in 2024

73% SLA (Service Level Agreement)

94% Average call answer rate

00:00:19 Average speed of answering a call

00:02:55 Average call handling time

Our product portfolio

GRI 2-6

<table>
<tr><th>Retail banking</th><th>Corporate banking</th><th>Cards</th><th>Treasury</th><th>SME</th><th>Digital channels</th><th>Agriculture</th></tr>
<tr>
<td>Liability Products:
◆ Local Currency
◆ Fixed and call deposits
◆ Current accounts
◆ Cargills cash savings accounts
◆ Abhimani women's savings account
◆ Senior citizen savings account
◆ High return savings account
◆ Podihitiyo children's savings account
◆ Salary saver account
◆ Diriya investment account
◆ Foreign currency
◆ Foreign currency savings a/c
◆ Foreign currency fixed deposits

Asset Products:
◆ Housing loans
◆ Loans against property
◆ Personal loans
◆ Loans for professionals
◆ Vehicle loans
◆ Term loans

Remittance Services</td>
<td>◆ Working capital financing
◆ Short and long-term loans
◆ Local and foreign currency loans
◆ Local and international trade facilities
◆ Guarantees
◆ Fixed and working capital loans
◆ Advisory services
◆ Treasury and cash management solutions</td>
<td>◆ Cargills Bank Gold Credit Card
◆ Cargills Bank Titanium Credit Card
◆ Cargills Bank Platinum Credit Card
◆ Cargills Bank Ascend Credit Card
◆ Cargills Bank Shopping Debit Card
◆ Cargills Bank Merchant Services - Point-of-Sale and Internet Payment Gateway Solutions</td>
<td>Fixed Income Securities:
◆ Treasury bonds
◆ Treasury bills
◆ Repo
◆ Reverse repo

Foreign exchange:
◆ Spot contracts
◆ Forward contracts

Investments:
◆ Sri Lanka Development Bonds (SLDB)</td>
<td>◆ Permanent Overdraft (POD)
◆ Short-Term Loans
◆ Term Loans
◆ Trade Facilities</td>
<td>◆ Retail Internet Banking
◆ Fund transfers (single/bulk)
◆ Bill payments
◆ Pay anyone
◆ Corporate Internet banking
◆ Mobile App for Retail Customers
◆ Banking services at Cargills Food City
◆ Outlets
◆ Collection account deposits
◆ Deposits to other accounts
◆ Credit card payments
◆ Send cash
◆ Withdrawals
◆ Pay for purchases
◆ Remittance collection
◆ Justpay Aggregator Services
◆ Lanka QR Acquiring services for merchants.
◆ CEFT API services for corporate customers
◆ Remote account opening though digital onboarding</td>
<td>Bank Funded Facilities:
◆ Term loans
◆ Short term loans
◆ Overdrafts

Refinance Facilities:
◆ Saubhagya (Prosperity Loan)
◆ DAD (Domestic Agriculture
◆ Development Programme)
◆ Small holder Agri business Partnership Programme (SAPP)
◆ Loan Scheme</td>
</tr>
</table>

Managing Our Capitals, Output and Outcomes

Way Forward

Short Term	Medium Term	Long Term
Enhance the access to banking service to underserved and the rural communities.	Enhance the SME lending to promote sustainability initiatives and projects.	Promote green financing and biodiversity conservation
Promote Agri loan with the concessionary interest rates	Promote sustainable farming	Align with government sustainability governance frameworks and engage communities in their implementation.

Community Capital

GRI 203-1, GRI 203-2

To promote financial inclusion and create a positive community impact, we prioritise uplifting agricultural communities, fostering a culture of saving, and supporting long-term holistic rural development across the provinces we serve.

Our value proposition

Recognising our unique role in community and economic development, we act as a strategic financial solutions provider through multiple initiatives:

- Providing financial inclusion and banking access to diverse customers through loans and credit card facilities, which drive financial empowerment.
- Supporting SME and Agri sectors to facilitate business growth and job creation.
- Empowering farmers and SMEs through comprehensive financial literacy programmes.
- Promoting sustainable lending practices to benefit people and the environment.

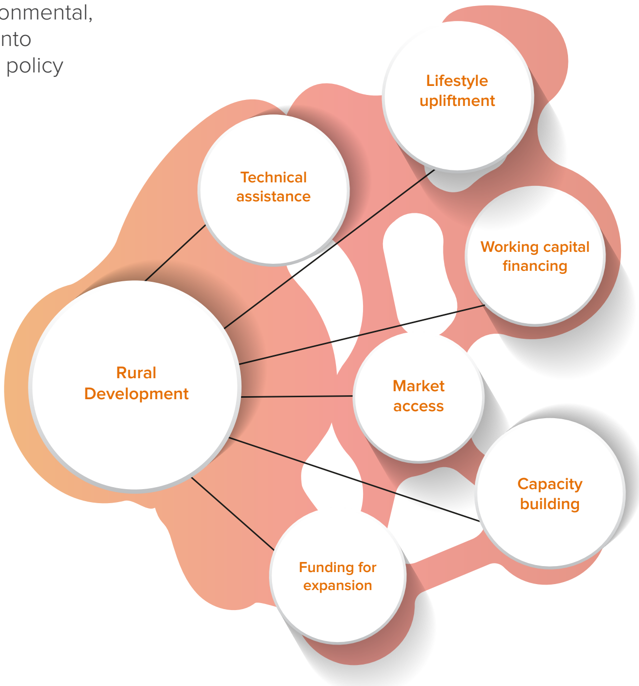
Our community sustainability policy

We are committed to incorporating environmental, social, and governance (ESG) principles into our core practices. Our ESG governance policy is formulated to align with recognised ESG frameworks and meet the demands of a changing climate. This framework is intended to uplift community living standards and is composed of the following key components:

- Environmental Stewardship: Protecting environmental resources through sustainable practices.
- Social Inclusion and Equity: Support our diverse communities with inclusive financial services and programmes that promote financial empowerment and equity.
- Economic Growth Support: Enable economic development by targeting support to SMEs, corporate clients, agricultural businesses, and retail segments.
- Accessible Agri-Finance: Offer concessionary financial solutions that empower and support agricultural businesses.

To date, we have disbursed micro loans, amounting to Rs. 646 Mn catering to both agricultural and non-agricultural micro-business segments.

Our holistic approach to rural development



Providing financial stability and growth to local farmers

We are uniquely positioned as part of Sri Lanka's largest agricultural value chain, linked to the Cargills Group. This allows us to directly engage with over 20,000 farmers, establishing direct market linkages, enhancing their capacities, and extending tailored financial support through our dedicated banking services. Our model is distinct, connecting retailers directly to the Bank, thereby creating significant value for the farming community. This unique integration gives us a clear advantage, enabling us to offer comprehensive end-to-end solutions that go beyond traditional financing.

Moreover, our deep understanding of the agricultural landscape allows us to deliver banking solutions that contribute to the holistic development of farmers' livelihoods. While other banks may face challenges in financing due to a lack of market connections or financial data, our close relationship with the Cargills Group provides us with valuable historical insights into farmers' activities and performance, enabling us to offer flexible, tailor-made financial support. Beyond lending, our vegetable suppliers use Cargills Bank savings accounts, fostering saving habits, improving their financial stability, and enabling us to effectively monitor their progress in line with our commitment to positive change within the agricultural community.

Integrating into the Cargills ecosystem

The Cargills Group ecosystem provides us with significant growth opportunities across multiple business verticals and touchpoints, enabling us to deliver financial services more effectively. This unique position allows us to directly engage with a vast network, including the farming community, facilitating rural upliftment and financial inclusion, which aligns with our vision. We have leveraged this ecosystem to develop customised offerings, including key service channels such as agency banking and our hub-and-spoke model.

Managing Our Capitals, Output and Outcomes

Key corporate social responsibility (CSR) initiatives in 2024

GRI 413-1 GRI 413-2

Project Description Initiatives	Investment in 2024 (Rs. 000)	No of Beneficiaries
Distribution of Plants	63	200
Workshop for diary farmers -Mahaoya	680	65
Flood donation for staff member	30	3
Support to staff and spouse for medical	440	3
Initiated CSR activities for pre-schools	95	2
Total	1,308	273





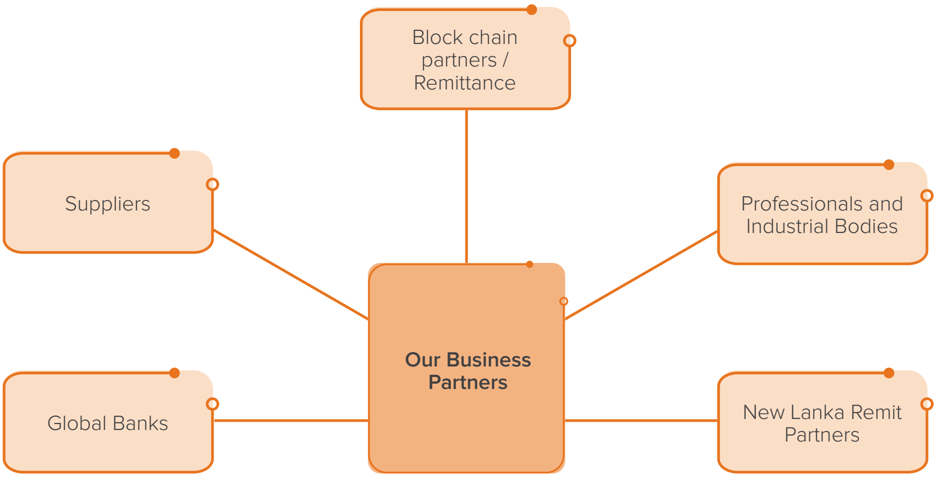

Way Forward

Short Term	Medium Term	Long Term
Enhance access to banking service to underserved and the rural communities	Enhance SME lending to promote sustainability initiatives and projects	Promote green financing and biodiversity conservation
Promote Agri loan with the concessionary interest rates	Promote sustainable farming	Align with government sustainability governance frameworks and engage communities in their implementation.
Conduct financial literary programmes to farmers	Educate and encourage the community to participate in sustainability initiatives	
Promote to engage the CSR project through the branch network		

Business Partner Capital

We nurture long-term business partnerships that generate sustainable and mutually beneficial value, contributing to partner growth.

Our business partners



Our diverse business partners

Technology Partners	Correspondence Banks	Communication Partners	Strategic Business Partners	Other Business Partners
◆ Cargills – Supplier Payments ◆ Intellect – Core Banking ◆ Oracle - Database ◆ Mastercard – Card Issuing and Acquiring ◆ Visa - Visa Card Issuance and Acquiring ◆ Euronet – Switch provider for Card Systems ◆ Ripple – Block chain and Remittances ◆ Paymaster, OrelPay, DirectPay, Pay&Go, OnePay, Markx – Fintech Aggregators ◆ Sampath IT Systems - Pawning System ◆ Huawei - Storage Systems ◆ MITESP - Robotic Process Automation ◆ Google - Emails, GEMNI AI ◆ FiniQue - SWIFT Support and MT/MX conversion ◆ QDE - AML System ◆ WSO2 - Middleware Solution Partner	◆ SCB Group Offices ◆ BOC – Chennai and UK ◆ Habib American Bank N.Y ◆ Habib Metropolitan - Pakistan ◆ Mashreq Bank N.Y ◆ Kookmin Bank (Bank where Nostro accounts are maintained) ◆ Bank of China – Colombo	◆ ATL - Shift Marketing Agency ◆ BTL - Third Shift Press Release Agency ◆ Social Media - 7 Media Agency ◆ POSM's Printing companies ◆ Complimentary Item suppliers	◆ CFC ◆ KFC ◆ TIGF ◆ CT Land	◆ International Chamber of Commerce (ICC) ◆ Export Development Board (EDB) ◆ Lanka Pay (Pvt) Ltd. ◆ The Society for Worldwide Interbank Financial Telecommunications (SWIFT)

Managing Our Capitals, Output and Outcomes

Our procurement process

GRI 2-23, GRI 2-24

We ensure responsible procurement by exclusively working with registered vendors and suppliers who have a proven track record and financial stability. We also prioritise procuring goods from local vendors to minimise transportation costs, thereby enhancing efficiency and supporting environmental sustainability. Furthermore, we mandate that all service providers adhere to fair trade practices, aligning with our commitment to ethical and responsible sourcing as outlined in the Bank's procurement policy.

Screening business partners for social impacts

GRI 204-1 GRI 308-1 GRI 308-2 GRI 414-1 GRI 414-2

During the onboarding process for new suppliers, we assess the social impact of their business activities through company profiles and on-site visits. Our evaluation encompasses various criteria, including fair trade practices, equal opportunities for employees (addressing issues such as gender discrimination, race, religion, etc.), commitment to safety and quality assurance, adherence to human rights and labour standards, compliance with regulations, and dedication to environmental preservation. For example, IT evaluates social impact during the technical and contract negotiation stage, prior to onboarding. Our Logistics team also screens vendors, considering business registration, financial stability, and social criteria such as ethical practices, human rights (including child labour), wages and compensation, health, and safety, and, if applicable, business continuity planning. There were no reported negative social or environmental impacts in the supply chain and actions taken during the reporting year.

During the financial year, Logistics onboarded 13 new vendors, including those for projects and maintenance.

The proportion of spending on local suppliers in 2024 for logistics and maintenance was 100%.

Strengthening our business partner relationships

During the year under review, we strengthened our business partner relationship by implementing the following:

1. Broadened our reach within the local market by establishing new strategic partnerships, to increase the inflow of remittances.
2. Strengthened our relationships with local partners through proactive in-person meetings, facilitating discussions around innovative developments with Fintech Mobile Payment Aggregators.
3. Partnered with LankaPay to implement new systems, significantly expanding Sri Lanka's digital payment infrastructure. This includes:
    - Government Digital Payment Platform (GDPP) enabling seamless payments to government entities.
    - LankaPay Local Payment Online Platform (LPOPP) facilitating real-time transfers to government companies.
    - LPOPP Offline streamlining bill payments to over 150 government companies.
4. Collaborated with Millennium IT ESP to implement Robotic Process Automation (RPA), automating repetitive manual tasks and boosting operational efficiency.
5. Partnership with Sampath IT Solutions, we implemented a new Pawning System, modernising our lending operations and enhancing service delivery.
6. Partnered with the Cargills Group to provide QR-based payment options to SME merchants, guiding and supporting their participation in Village to Home events, facilitating access to new markets and increased business opportunities.

Memberships, associations, and affiliations

GRI 2-28

Category	Professional Institute/Industry Associate
Professional Bodies	◆ The Institute of Bankers of Sri Lanka (IBSL) ◆ Payment Card Industry Data Security Standard (PCI-DSS) ◆ International Organisation for Standardization
Regulators	◆ The Central Bank of Sri Lanka (CBSL)
Business Collaborations	◆ LankaPay (Pvt) Ltd. ◆ Association of Professional Banks Sri Lanka (APBSL) ◆ Master Card Inc. ◆ Visa International ◆ SWIFT Alliance
Banking and Finance Industry Associations	◆ Credit Information Bureau (CRIB) ◆ The Clearing Association of Bankers ◆ National Payment Council
Environmental Conservation Institutes	◆ Sri Lanka Banks' Association ◆ Banks CIO Forum

Way Forward

Strategic business partnerships will remain integral to our sustainable operations and our commitment to creating continuous value for all stakeholders. We will focus on maintaining strong, mutually beneficial relationships with our existing partners, ensuring shared success.

Short Term	Medium Term	Long Term
Strategically planning for wider implementation of the pawning system across additional branches in Q1 2025. Furthermore, our evaluation of leasing systems is underway, with a targeted launch in 2025.	Modernising our core banking system and launching new digital initiatives to enhance the functionality of mobile banking, internet banking, and non-customer mobile apps, to improve the overall customer experience.	Implement RPA to automate repetitive tasks, significantly increasing efficiency, and plans to deploy more bots in the coming years to enhance operational effectiveness. Additionally, we have subscribed to Gemini AI, leveraging AI analytics for improved decision-making, proposal summarisation, and streamlined email collaboration. Looking ahead, we are planning to automate call centre operations using AI technology and to expand the application of AI for data-driven decision-making.

Managing Our Capitals, Output and Outcomes

Financial Capital

Our financial capital is deployed to generate long-term, tangible value for our stakeholders, with a focus on securing our asset base for the future. This is achieved through strategic risk management, market-driven decision making, revenue optimisation, cost control, and proactive treasury and liquidity practices. We use data-driven approaches to manage our funds and maintain the highest asset quality standards. In 2024, we navigated turbulent macroeconomic conditions with strong financial management. Our sustained profitability and stable financial position demonstrate our commitment to long-term success, achieved through a dedicated team, well-executed strategies, market awareness, and adaptability.

Highlights
- 58% growth in PBT
- 6% increase in Net interest Income
- 15% increase in Total Assets
- 17% Increase in Deposits base

Material Topics
- Profitability and financial performance
- Macroeconomic environment
- Business continuity
- Regulatory aspects and compliance
- Market and liquidity management
- Interest rate change
- Risk management and practices

Relevant Stakeholder

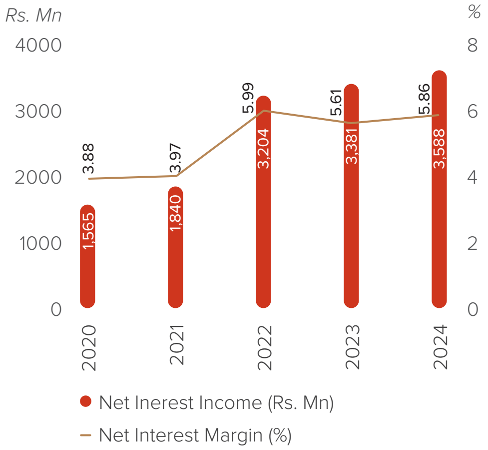
Relevant SDGs

Income Statement

Net interest income (NII)

In FY 2024, the Bank's net interest income (NII) rose by 6% year-on-year (YoY) to Rs. 3,589 Mn, up from Rs. 3,381 Mn in 2023. This growth was driven by a significant 29.2% YoY decrease in interest expenses, which outpaced the 18.3% YoY decline in interest income. The reduced interest expenses, falling from Rs. 7,548 Mn to Rs. 5,343 Mn, were a result of lower market rates and effective deposit repricing. Although market volatility and the gradual reduction of rates led to a marginal reduction in net interest margin (NIM), the Bank effectively managed deposit and advance repricing to maintain optimal NIM levels.

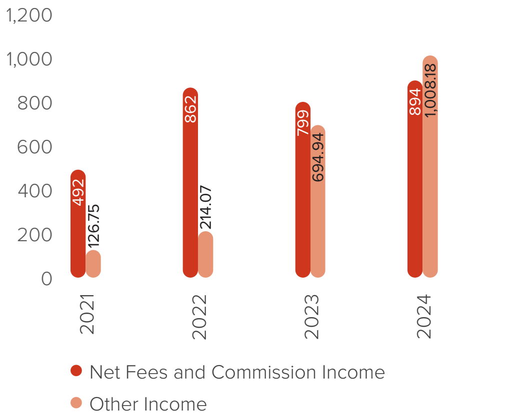
Net Inerest Income vs Net Interest Margin



Net fees and commission income

Net fee and commission income rose by 12%, to Rs. 894 Mn, supported by higher remittance fees and trade volume increases, which contributed positively despite the declining interest environment. Other income recorded 45% YoY increase to Rs. 1,008 Mn boosted by capital gains realised on the derecognition of financial assets.

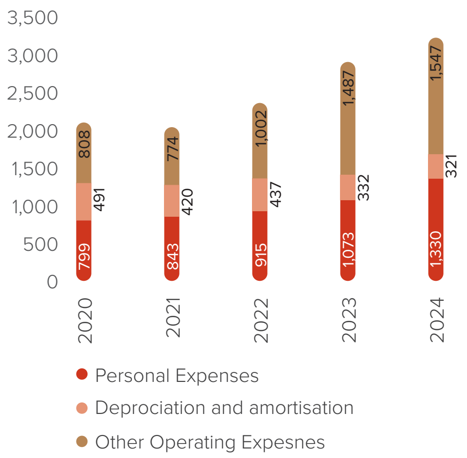
Net Fees and Commission Income and Other Income (Rs. Mn)



Total operating expenses

Total operating expenses (OPEX) increased by 11% from Rs. 2,892 Mn in FY 2023 to Rs. 3,198 Mn in FY 2024. Personnel expenses increased by 24% largely due to salary adjustments and welfare benefits on account of the increased costs of living and market conditions. Other operating expenses swelled by 4% mainly due to increased utility-related operating expenses and marketing costs. Cost-to-income ratio decreased marginally from 59.3% in 2023 to 58.2% in 2024.

Operating expenses



Impairment charges

The Bank's impairment charges decreased by 28% to Rs. 607 Mn in FY 2024 compared to Rs. 849 Mn in 2023. This was due to reversal management overlay provisions recognised on selected customers on a proactive basis subsequent to scrutiny of the status of borrowers. The Bank's Stage 3 Loans (net of Stage 3 Impairment) to Total Loans Ratio stood at 8.74% while Stage 3 Provision Cover was 46.79% as of 31 December 2024.

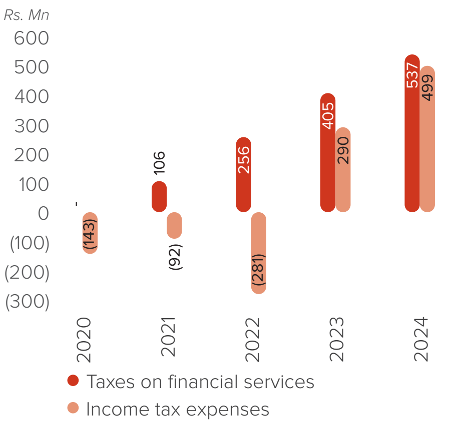
Impairment Charge (Rs. Mn)

Tax

GRI 3-3

The tax on financial services and income tax expenses increased by 33% and 72% YoY mainly due to the growth in profits.

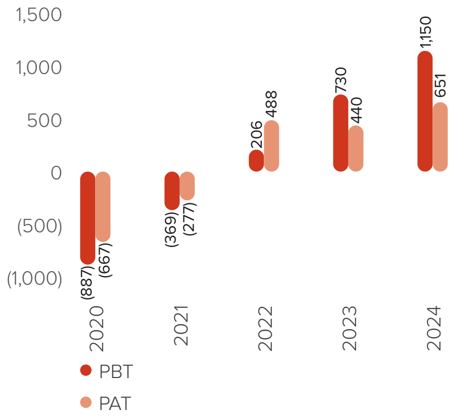
Taxes (Rs. Mn)



Profitability

The Bank maintained its growth momentum in profitability, recording a Profit before tax (PBT) of Rs. 1,686 Mn for FY 2024 compared to Rs. 1,135 Mn recorded in the previous FY. Profit after tax (PAT) Increased by 48% to Rs. 651 Mn compared to Rs. 440 Mn in 2023.

Profitability (Rs. Mn)



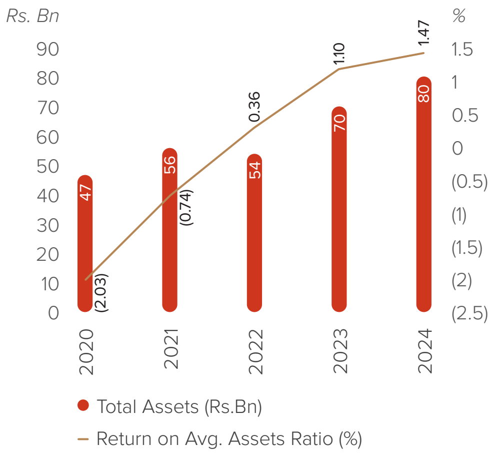
Managing Our Capitals, Output and Outcomes

STATEMENT OF FINANCIAL POSITION

Total Assets

The Bank's Total assets as of 31 December 2024 stood at Rs. 80 Bn, recording a 15% YoY increase or Rs. 10 Bn. The growth was primarily due to growth in loans and advances to customers, which grew by 14% to Rs. 46 Bn, up from Rs. 41 Bn, driven by stable demand in the term loan and trade finance segments. Additionally, financial assets measured at fair value through other comprehensive income grew by 26% to Rs. 22 Bn. In particular, the Government treasury bonds included in Debt and other financial instruments increased by 63% to Rs. 3 Bn.

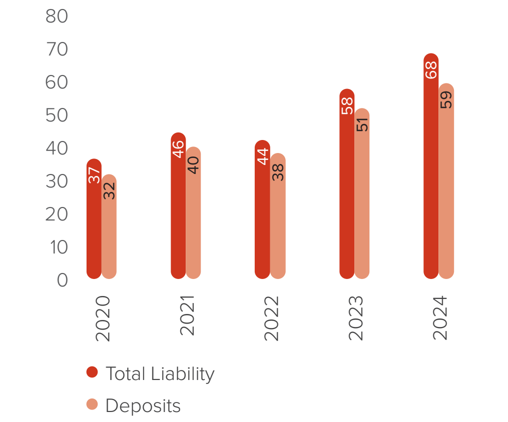
Total assets and ROAA



Total Liabilities

Total Liabilities too swelled by 17% to Rs. 68 Bn as of 31 December 2024, mainly due to the growth in deposits by 17% to Rs. 59 Bn with steady growth in time deposits as customers sought safe-haven assets amid fluctuating rates. Margin deposits recorded a 301% YoY growth followed by demand deposits which recorded a growth on 37%.

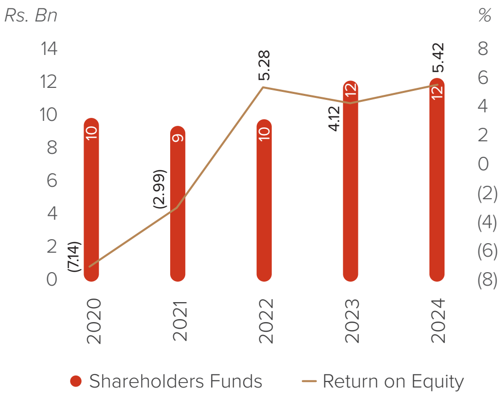
Total Liabilities and Deposits (Rs Bn)



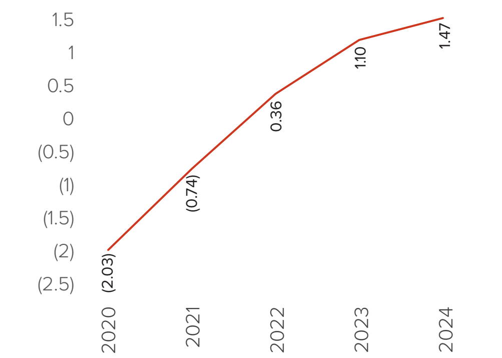
Equity

Total equity increased marginally from Rs. 11.94 Bn to Rs. 12.17 Bn, impacted by increase income reserve for the period ending 31 December 2024.

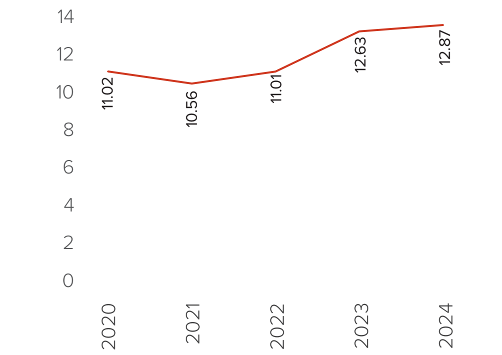
Shareholders Funds vs ROE

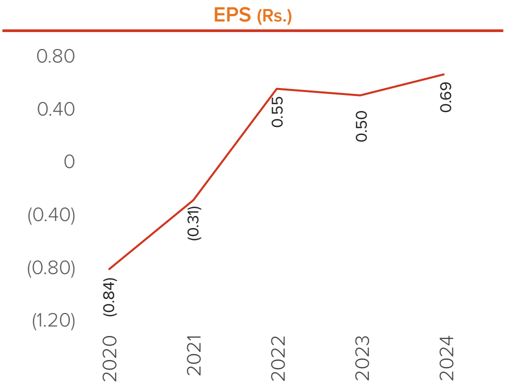


Return on Avg. Assets Ratios (%)



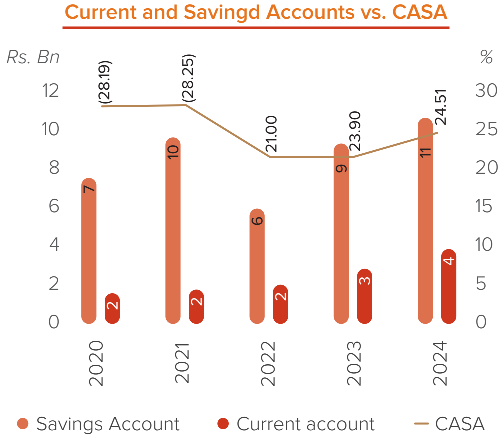
Net Assets Value per Share (Rs.)





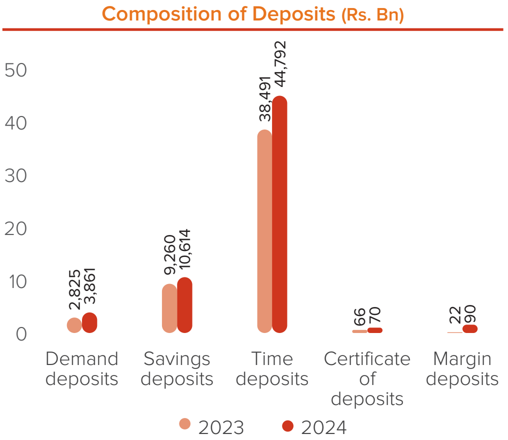
CASA

The Bank directed its business operations to enhance CASA (Current Account Savings Account), resulting in an increase in the CASA ratio from 23.90% to 24.51% by the end of 2024.



Composition of the deposit portfolio

	2024 (Rs. Mn)	2023 (Rs. Mn)	YOY Movement (Rs. Mn)	%
Demand deposits	3,861	2,825	1,036	37
Savings deposits	10,614	9,260	1,354	15
Time deposits	44,792	38,491	6,301	16
Certificates of deposit	70	66	4	6
Margin deposits	90	22	68	309
Total	59,427	50,664	8,763	17

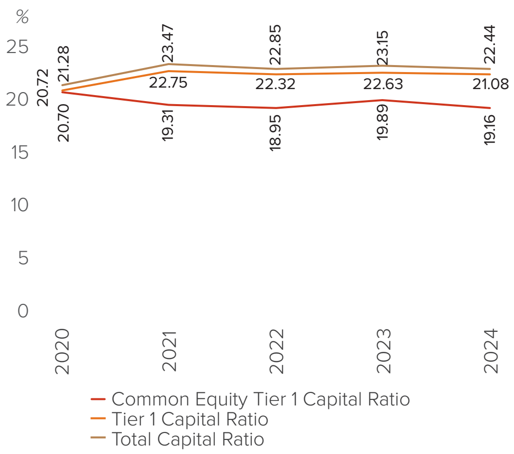


Capital adequacy

The Bank demonstrated a robust capital adequacy position as of December 31, 2024, with a Total Capital Ratio of 22.44%, significantly exceeding the regulatory minimum of 12.5%. This strong capital base is supported by a Common Equity Tier 1 (CET1) ratio of 19.16% and a Total Tier 1 Capital Ratio of 21.68%, both comfortably above statutory requirements, underscoring the Bank's financial stability. The Bank also maintained high liquidity, with an all-currency Liquidity Coverage Ratio (LCR) of 313.34% and a Net Stable Funding Ratio (NSFR) of 136.28%, both well above regulatory thresholds. These metrics highlight the Bank's adherence to capital and liquidity standards, providing a solid foundation for future growth and risk management.

Managing Our Capitals, Output and Outcomes

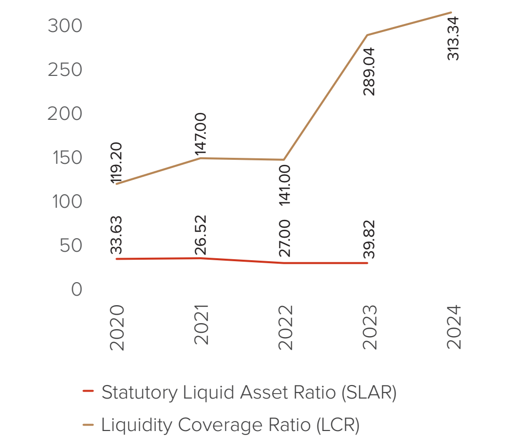
Capital Adequacy



Liquidity ratio

The Statutory Liquid Asset Ratio (SLAR) has been discontinued by the CBSL. However, the Liquidity Coverage Ratio increased from 289.04% to 313.34% in 2024.

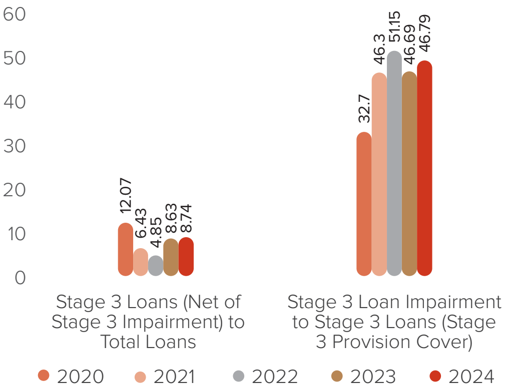
Liquidity (%)



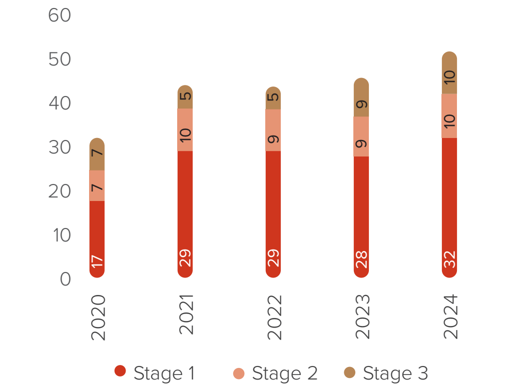
Non-performing loan portfolio

Impairment charges totalling Rs. 607 Mn reflected decrease of 28% from Rs. 849 Mn for the 12 months of 2024 owing to reversal management overlay provisions recognised on selected customers on a proactive basis after a scrutiny of the status of borrowers. The Bank's Stage 3 Loans (net of Stage 3 Impairment) to Total Loans Ratio stood at 8.74% while Stage 3 Provision Cover was 46.79% as of 31 December 2024.

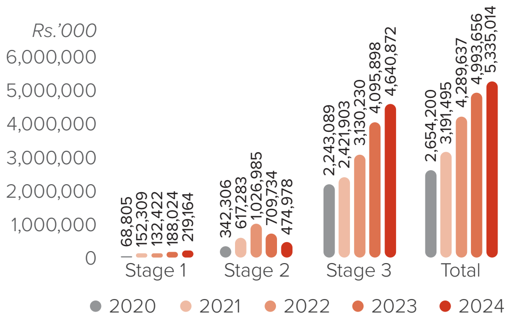
Stage 3 Ratios (%)



Gross portfolio - Stage wise (Rs. Mn)



Stage wise Impairement



Value creation highlights for FY 2024

Pillars	Measurement	2024	2023	Growth in value created (%)
Profitability	Gross income (Rs. Mn)	11,323	12,907	(12)
	Cost-income ratio (%)	58.23	59.31	(1.08)
Assets base	PBT (Rs. Mn)	1,150	729	58
	PAT (Rs. Mn)	651	440	48
	CASA (%)	24.51	23.90	0.61
Liquidity	Common Equity Tier 1 Capital Ratio (%)	19.16	19.89	(0.73)
Capital structure	Tier 1 Capital Ratio (%)	21.68	22.63	(0.95)
Investor performance	EPS (Rs.)	0.69	0.50	38

Our Business Lines

Retail Banking

The Retail Banking division is a leading segment of Cargills Bank, serving individual customers through branches, central sales, and MINI branches. We offer a comprehensive range of financial products and services, including savings and fixed deposits, loans and advances, and various transactional products. Moreover, we continuously enhance our digital value proposition by introducing innovative products and services that meet evolving customer needs.

Performance Highlights

	2024	2023	% Change
Deposits (Rs. Mn)	43,038	38,263	12.48
Advances (Rs. Mn)	13,151	11,177	17.66
Total Provision Coverage (Total Provision/Gross Loans) (%)	7.87	6.00	31.22
Customer Base (on-boarded)	232,977	204,419	13.97

12.48% YoY
growth in deposits

17.66% YoY
growth in advances

31.22% YoY
increase in provision coverage

Key developments in the operating environment	Our response
◆ Reduction of interest rates ◆ Repayment challenges stemming from tax burdens	◆ Introduced deposit schemes with preferential interest rates ◆ Implemented new credit schemes, including Flexidraft, offering accessible repayment plans that align with customer income level

Our Focus Areas

- Delivering exceptional customer service by focusing on and understanding individual needs and providing tailored solutions through our branch network and digital channels.
- Providing a full spectrum of financial products, including loans, deposits, and integrated payment solutions.
- Nurturing lasting customer relationships by providing personalised advice and maintaining consistent and clear communication.
- Enhancing customer convenience by offering a broader range of services through our branch network and Cargill's Food City outlets.
- Advancing financial inclusion by expanding access to banking services for underbanked communities.
- Managing financial risks with a comprehensive strategy that mitigates both credit and market risks.
- Driving long-term success through profitable and sustainable business practices.
- Upholding the highest ethical standards by ensuring transparency and regulatory compliance in all customer interactions.

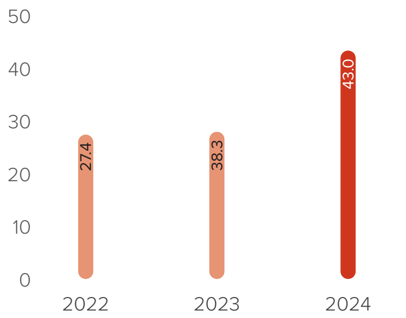
Our Initiatives in 2024

- Growing our asset portfolio, achieved through aggressive asset canvassing.
- Initiated campaigns designed to build our CASA base, recognising the critical role of low-cost deposits in improving overall profitability.
- Relocated branches in Wattala, Kaduruwela, and Galle to enhance customer convenience and accessibility.
- Strategically consolidated loss-making branches into profitable locations, with specific focus on branches that became profitable in 2024.
- Successfully increased the on-boarded customer base by 13.97% during the year.
- Made significant contributions to the overall financial performance of the Bank.
- Implemented a new processing system to streamline branch operations and ensure a hassle-free experience for customers.
- Launched a new gold loan product, offering customers quick and convenient access to financial assistance.

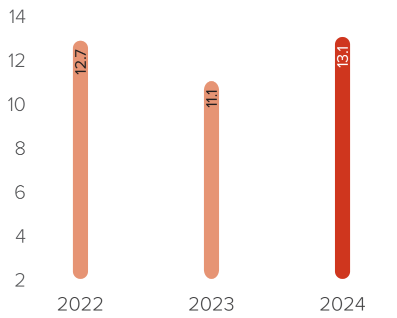
Our Performance

In 2024, we demonstrated strong financial performance, increasing deposits to Rs. 43,038 Mn and advances to Rs. 13,151 Mn, up from Rs. 38,263 Mn and Rs. 11,177 Mn respectively in 2023. Our customer base also saw significant growth, reaching 232,977 from 204,419 the previous year. Furthermore, we enhanced our financial stability, increasing total provision coverage from 6.00% to 7.87%.

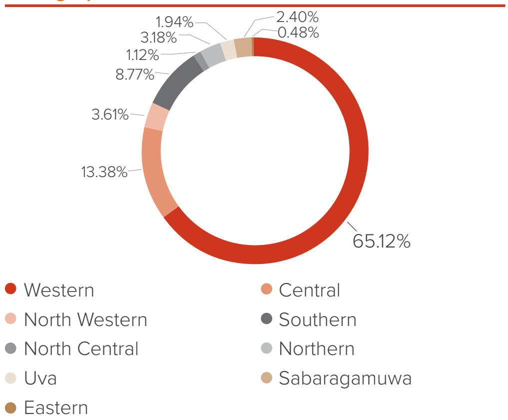
Deposits (Rs. Bn)



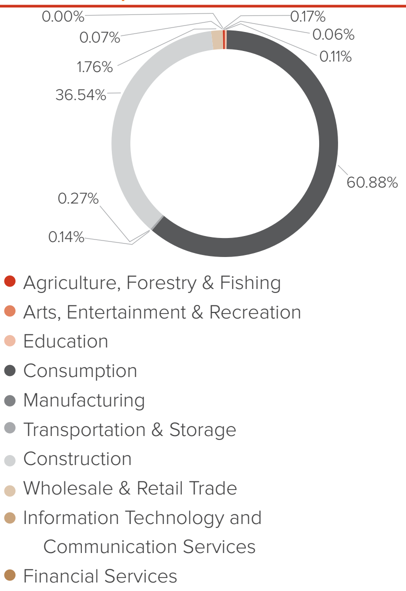
Advances (Rs. Bn)



Geographical distribution of Retail Advances 2024



Sectorwise portfolio of Retail Advances 2024



Future Outlook

Short-term	Medium-term	Long-term
◆ Revamp existing inefficient products ◆ Introduce Pawning and Leasing products ◆ Branch expansion	◆ Enhance the active customer base to improve the segment profitability ◆ To grow retail assets to an Rs. 100 Bn loan portfolio	◆ Achieve a 40% CASA composition within the Bank ◆ Increase digital banking adoption among retail customers ◆ Enhance the engagement of MINI-branch units ◆ Contribute to achieving Rs. 1 Bn in profits

Our Business Lines

Corporate Banking

Our vision is to be the preferred and most convenient banking partner for our corporate clients. We offer a comprehensive suite of tailored products and services designed to meet their diverse needs. Despite being a relatively young institution, our Corporate Banking division serves a selected group of leading corporate clients, delivering service standards and quality that are on par with, or superior to, industry leaders. We ensure exceptional client experiences through dedicated Relationship Managers and provide flexible, extensive service channels, including our robust Corporate Internet Banking platform. Corporate Banking is a significant driver of our asset portfolio and the Bank's overall profitability.

Performance Highlights

	2024	2023	% Change
Deposits (Rs. Mn)	11,406	8,409	35.64
Advances (Rs. Mn)	17,243	18,207	(5.29)
Total Provision Coverage (Total Provision/Gross Loans) (%)	12.54	14.00	(10.43)
Customer Base (on-boarded)	1,746	1,637	6.66
Letters of Credit (in USD,000)	15,039	8,219	82.98
Import Collections (in USD,000)	17,853	10,842	64.67

35.64% YoY
growth in deposits

72.56% YoY
growth in Corporate Trade volumes Letter of Credit (LCs 82.98% Import Collection 64.67%)

6.66% YoY
growth in customers

Key developments in the operating environment	Our response
◆ Impact of low interest rates on Net Interest Income (NII) ◆ Management of stressed assets and Non-Performing Credit Facilities (NPCF) ◆ Weak credit demand and volatility in new lending ◆ Participation in nationally significant projects	◆ Strategic balance of fee-based and NII assets, with growth in trade and off-balance sheet activities ◆ Effective management of asset quality, maintaining a low rate of NPCF ◆ Stringent due diligence on existing and new clients, adhering to current regulatory guidelines ◆ Strategic collaboration with peer banks for syndicated lending opportunities

Our Focus Areas

- Expand trade and off-balance sheet activities.
- Optimise Cost of Funds (COF) and Marginal Cost of Funds (MCOF).
- Implement strategic lending aligned with risk appetite.
- Ensure full compliance with new regulatory requirements.
- Develop and leverage syndicated loan capabilities.
- Increase share of wallet with existing key corporate clients.
- Strengthen and expand corporate sector presence and engagement.
- Diversify credit portfolio to mitigate concentration risk.

Our Initiatives in 2024

- Increased customer engagement.
- Rehabilitation and revival of stressed business.
- Enhanced fee-based income.
- Contribute to projects of National interest.
- Continuous Professional development support to Corporate RMs.
- Penetration into diverse business sectors viz Power and Energy /ECO friendly industries/ Real Estate / Education.
- Focus on a diversified lending mix across key sectors.
- Offer competitive pricing on all lending products and services to attract and retain clients.
- Implement robust risk management practices to maintain strong credit quality and mitigate potential losses.
- Cultivate strong relationships with high-net-worth individuals by offering preferential lending rates, value-added services, and personalised financial solutions.
- Provide customised financial solutions to meet the specific needs of corporate borrowers.

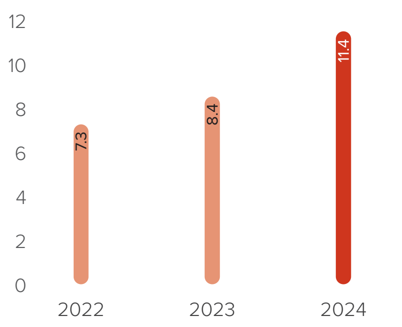
Our Performance

The decline in interest rates and intensified competition, driven by increased customer bargaining power, significantly impacted Net Interest Income (NII) from on-balance sheet products compared to previous years' higher rate environment. To mitigate this impact on the bottom line, the bank proactively increased its focus on off-balance sheet products, offering competitive pricing. This strategic shift, coupled with expanded wallet share from existing key corporate clients and selective onboarding of new customers to control concentration risk, helped to cushion the NII decline. Seamless and strategic marketing efforts encompassing support divisions such as Trade and Treasury drove the excellent performance of the corporate banking business during the year. The net fee income grew substantially and contributed 75% to trade profitability endorsing the prudent focus on the segments.

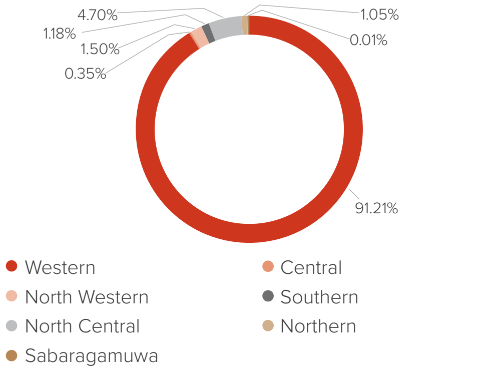
Furthermore, the Bank leveraged syndicated loan opportunities through partnerships with peer institutions. The Bank also maintained prudent asset quality by effectively managing non-performing credit facilities (NPCF), impairment, provisioning, and watchlists, with no adverse shifts in risk ratings for new clients. This was made possible with the strong client relationships maintained by our Accounts Relationship Managers paying early attention to potential distressed facilities with timely remedial action enabling to minimise the impact of non-performing loans.

The Bank has placed high value on skill development and standardising the quality of work and services extended by the Relationship Managers.

Deposits (Rs. Bn)

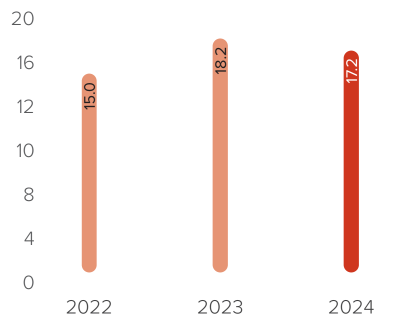


Geographical distribution of Corporate Advances 2024

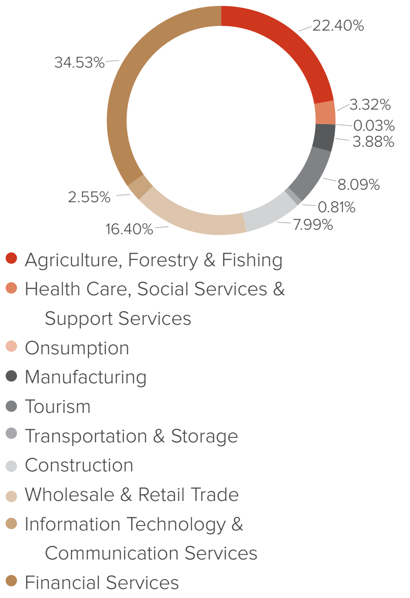


Our Business Lines

Advances (Rs. Bn)



Sectorwise portfolio of Corporate Advances 2024



Future Outlook

Short-term	Medium-term	Long-term
◆ Accelerate growth with existing key and eco customers ◆ Deepen customer relationships and expand share of wallet ◆ Drive growth in trade finance volumes ◆ Improve lead conversion rates through targeted strategies ◆ Penetrate new markets and secure new business opportunities	◆ Ensure full compliance with new regulatory requirements ◆ Achieve sustainable and strategic balance sheet growth ◆ Offer competitive and value-driven pricing ◆ Maintain robust portfolio quality through proactive risk management ◆ Cultivate and strengthen strategic corporate partnerships ◆ Expedite Resolution of Early Warning Signals (EWS) through timely revival and rehabilitation efforts	◆ Expand corporate sector presence and market reach ◆ Reduce concentration risk through portfolio diversification ◆ Implement strategic onboarding of new corporate clients ◆ Enhance corporate reputation and brand equity ◆ Elevate service quality and value-added offerings ◆ Actively pursue syndicated lending for nationally significant infrastructure projects

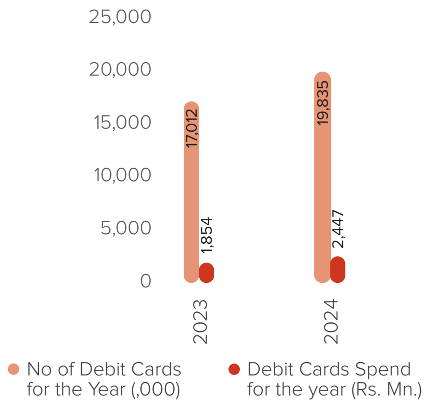
Cards Business

Cargills Bank's Credit Card Operations are central to our business, encompassing card issuance, transaction authorisation, payment processing, and account management. The core processes include card onboarding, authorisation, merchant settlement, billing, and robust fraud prevention. We drive business success by providing convenient payment solutions and fostering financial growth. With a strong commitment to excellence, we deliver outstanding customer experiences and contribute significantly to the Bank's revenue.

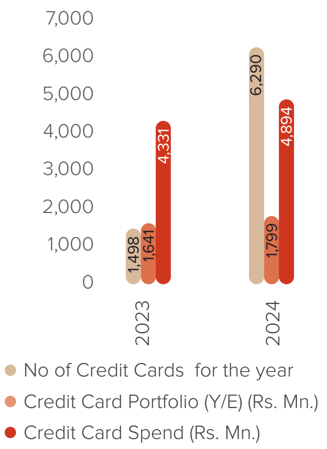
Performance Highlights			
Cards Business	2024	2023	% Change
Debit Cards for the Year	19,835	17,012	16.59
Debit Cards Spend for the year (Rs. Mn)	2,447	1,854	31.98
Credit Cards for the year	6,290	1,498	319.89
Credit Card Portfolio (Y/E) (Rs. Mn)	1,799	1,641	9.63
Credit Card Spend (Rs. Mn)	4,894	4,331	13.00
Merchant Volume - POS and IPG (Rs. Mn)	12,181	11,979	1.69

16.59% YoY Increase in Card Spend	**Rs. 1.8 Bn** Cards portfolio as of 31 December 2024

Debit card performance (Rs. Mn)



Credit card performance (Rs. Mn)



Our Business Lines

Our Initiatives in 2024

We pursued opportunities to leverage our card production capabilities by serving as a trusted third-party card embosser for other banks and financial institutions. This initiative allows us to generate new revenue streams and establish strategic partnerships within the industry, maximising the utilisation of our existing infrastructure and expertise.

Recognising the growing demand for immediate access to banking services, we launched an instant debit card programme. This initiative will enhance customer convenience and satisfaction by providing instant card issuance upon account opening, strengthening customer relationships, and driving new account acquisitions.

Through a strategic partnership with Sampath Information Technology Solutions, we redeployed a previously underutilised fleet of Spectra POS terminals. This collaborative effort not only maximises the value of existing assets but also creates new opportunities to expand our merchant network and improve our point-of-sale infrastructure, thereby enhancing our overall market presence.

Also, to protect our cardholders from increasingly sophisticated online threats, we have upgraded our OTP messaging protocols to include essential security information. This enhancement is part of our continued commitment to protecting our customers from the rapidly evolving landscape of global online scams. Additionally, we have strengthened our real-time transaction alerts, ensuring that both successful and declined transactions are covered.

Maintaining high levels of compliance and security standards

Our efforts to maintain high level of compliance\security standards and operational controls include:

- Continuation of global security standard of PCIDDS certification
- Continuous process improvements and conducting spot audits
- Monitoring of transactions, merchants and cardholders through the risk management unit
- Conducting timely and accurate regulatory reporting to meet compliance requirements and avoid penalties
- Proper monitoring of payment network data integrity standards and compliance

Our Performance

In 2024, Cargills Bank sustained growth within Sri Lanka's dynamic payments ecosystem. We expanded our cardholder base by introducing new benefits and privileges for Cargills Bank Mastercard Credit and Debit Cardholders, encompassing essential everyday expenses.

Furthermore, we remained committed to delivering exclusive benefits to our cardholders through strategic partnerships with Eco-partners. A comprehensive range of year-round offers and promotions were extended across key partners, including Cargills Food City, KFC, TGIF, Ceylon Theatres, and a diverse portfolio of top-tier brands in clothing, jewellery, dining, lodging, electronics, and home improvement sectors. To cater to the evolving needs of our credit cardholders, we introduced flexible payment options, such as easy-payment schemes and 0% instalment plans.

Concurrently, we significantly enhanced our Payment Acquiring footprint across the island by implementing advanced Internet Payment Gateway Solutions and Point-of-Sale (POS) Solutions. This strategic initiative aimed to bolster the digital payment capabilities of Sri Lankans and actively contribute towards the Central Bank's vision of establishing a robust and accessible national payment system characterized by safety, security, soundness, and efficiency

Future Outlook

Short-term	Medium-term	Long-term
◆ Prioritising customer experience and adhering to regulatory standards. ◆ Expansion of contactless payments. ◆ Providing personalised offers based on customer behaviour and preferences.	◆ Accelerating digital transformation. ◆ Adopting sustainable practices in the Market [reducing paper usage] ◆ Providing proactive customer support through AI-powered chatbots and virtual assistants.	◆ Focusing on Sustainable Operations - Adoption of sustainable materials and processes in card production. ◆ AI Domination - Supporting fraud detection and providing personalised offers. ◆ Automating routine tasks, improving efficiency, and reducing operational costs.

Our Business Lines

Treasury Operations

The Treasury Division is responsible for the management of overall assets and liabilities of the bank. The division aims to optimise profitability through prudent investment decisions, borrowing, and lending activities while adhering to regulatory standards and ethical market conduct.

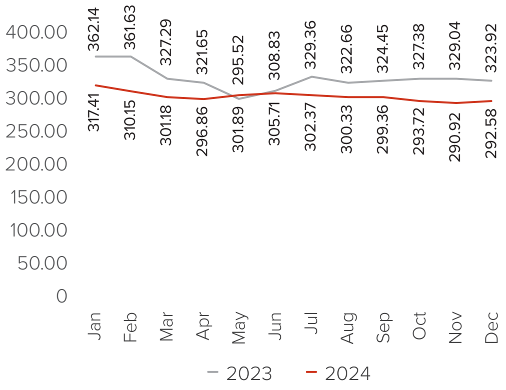
In 2024, the USD/LKR exchange rate declined by 8% compared to 2023, reflecting the country's move towards a more stable economy. This decline presented both challenges and opportunities for our Treasury operations, particularly in areas such as liquidity, foreign exchange trading, and risk management. To mitigate the impact of currency fluctuations, we implemented diversified investment strategies.

Performance Highlights			
Treasury Operations	2024	2023	% Change
Net Interest Income (NII) (Rs. Mn)	801	14	5,621
Foreign Exchange profit (Rs. Mn)	(22)	129	(117)
Capital gain from derecognition of financial assets (Rs. Mn)	670	442	52
Profit before income tax (Rs. Mn)	808	527	53

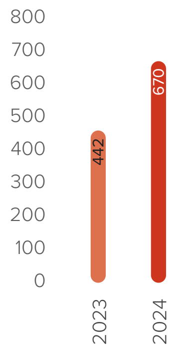
5,621% YoY
Increase in NII

51.73% YoY
growth in Capital gain from derecognition of Financial assets

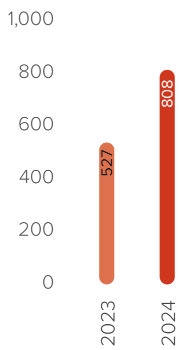
Exchange Rate Movement 2023 and 2024



Capital gain from derecognition of financial assets (Rs. Mn)



Profit before income tax (Rs. Mn)



Key developments in the operating environment	Our response
◆ Gradual easing of monetary policy rates by the CBSL resulted in the market interest rates declining. ◆ Increased Forex volatility created uncertainty in trade activities.	◆ Increased the Government Security Portfolio at higher rates increasing the NIM. ◆ Realise capital gains. ◆ Asset Portfolios funded with reduced interest rates. ◆ Advised Business Units and branch network to enhance trade transactions by quoting competitive rates to customers.

Our Initiatives in 2024

Spearheaded the implementation of the Global FX Code, demonstrating a strong commitment to ethical and transparent foreign exchange market practices. This initiative was a collaborative effort between the ACI Financial Market Association (ACIFMA) and the Central Bank of Sri Lanka (CBSL). By signing this code Cargills Bank follows a common set of guidelines to promote the integrity and effective functioning of foreign exchange transactions.

Invested in staff development by implementing a comprehensive training programme focused on adherence to the Global FX Code. This included providing opportunities for staff to obtain relevant industry qualifications, thereby enhancing their expertise in foreign exchange operations and risk management. This commitment to continuous learning ensures our staff are equipped with the latest knowledge and skills to navigate the complexities of the FX market, further strengthening our institution's compliance posture.

Launched a Request for Proposal (RFP) process to procure and implement a state-of-the-art Integrated Treasury Management System. This represents a key investment in modernising our technological infrastructure and ensuring continued competitiveness in the evolving financial landscape.

The Treasury function drives operations aligned with sustainability and ESG governance, emphasising energy efficiency, financial inclusion, responsible investment, and strict compliance with governance standards.

Our Performance

Amidst unprecedented economic challenges in Sri Lanka due to the effects of the economic downturn that prevailed during the last couple of years and the uncertainty that prevailed due to elections during 2024, the Treasury Team skillfully mobilised the Bank's liquidity, consistently operating within the stringent regulatory limits set by the Central Bank of Sri Lanka (CBSL) and adhering to all internal guidelines. Through risk measurement practices and prudent, timely investment decisions executed throughout this crisis period, the Treasury successfully navigated the turbulent market conditions, enabling the Bank to maintain a stable financial position and continue its operations effectively.

Our Treasury bill and bond portfolio is strategically managed to ensure liquidity, maximise returns, and maintain a low-risk profile. These investments provide a stable source of income while supporting the country's debt market. We have consistently maintained an average of 20% of our total assets in Treasury bills and bonds from 2019 to 2024, aligning with our investment strategy. This portfolio generated a value creation of Rs. 493 Mn for stakeholders in 2024, compared to 2023.

Future Outlook

Short-term	Medium-term	Long-term
◆ Sri Lanka is in the path to recovery and achieved more than expected growth rate 4.40% in year 2024.	◆ Sri Lanka needs to maintain the macroeconomic stability and adhere to IMF reforms in-order to achieve sustainable growth of 3.50% in year 2025.	◆ A stable government and revised fiscal policies will lead the path to sustainable and stable economic situation in the long run. ◆ Global economic and political situation can adversely impact to the economy.

Our Business Lines

SME Banking

We empower Small and Medium-sized Entrepreneurs (SMEs) with inclusive financial solutions, driving wealth creation and social well-being nationwide. Our dedicated SME Business Unit serves this vital sector, recognising its critical contribution to the national economy. Accordingly, we cater to a diverse range of SME customers, including individuals, sole proprietorships, partnerships, and limited liability companies, across Sri Lanka. Currently, entities with a total bank exposure below Rs. 250 Mn are classified as SMEs and are served by a specialised team within our SME Banking division, a major lending force at Cargills Bank.

Performance Highlights			
SME Banking	2024	2023	% Change
Deposits (Rs. Mn)	4,983	4,057	23
Advances (Rs. Mn)	19,718	15,319	28
Total Provision Coverage (Total Provision/Gross Loans) (%)	10.54	10.85	(2.90)
Customer Base (on-boarded)	2,557	2,208	15.81

22.82% YoY
growth in deposits

28.72% YoY
growth in advances

15.81% YoY
growth in customer base

Key developments in the operating environment	Our response
◆ Strong loan portfolio growth in the SME sector ◆ Expanded access to financial services nationwide via Cargills Cash ◆ Accelerate SME growth with new and innovative products ◆ Elevating the SME customer experience through enhanced digital channels ◆ Dedicated SME support, extending beyond financial solutions ◆ Personalized financial solutions designed to address unique SME needs ◆ Comprehensive 360-degree SME development programme	◆ Drive growth in the SME loan portfolio ◆ Promote digital channel adoption among SME customers ◆ Deliver timely and tailored financial solutions based on SME needs ◆ Provide a comprehensive suite of financial solutions tailored for the SME Segment ◆ Delivering agile and responsive support to SMEs through the SME Circle, beyond traditional banking ◆ Empowering SMEs to seize new opportunities and navigate challenges with confidence ◆ Maintained strong liquidity and capital ratios, ensuring robust support for the same sector throughout the year ◆ Maintaining a strong capital adequacy ratio and healthy liquidity position to ensure robust SME Support

Our Focus Areas

- Delivering exceptional customer service by focusing on and understanding individual needs Offering customised financial solutions including working capital, trade finance, and term loans, tailored to specific SME needs.
- Driving SME empowerment through the SME Circle initiative.
- Strategically focusing on key sectors, including agriculture and manufacturing, to support SME growth.
- Promoting sustainable financial practices throughout the SME segment.

Our Initiatives in 2024

- Provided tailored financial products to meet diverse customer needs, including working capital, trade finance, and term loans.
- Drove growth by focusing financial support on strategic SME sectors including agriculture and manufacturing.
- Facilitated direct SME-to-consumer sales through the 'Village to Home' program at Cargills Food City locations.

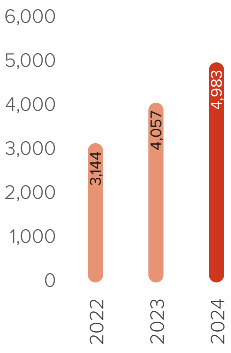
SME Circle Supporting the SME Journey

- Gain expert guidance to turn a business idea into a successful reality.
- Benefit from expert-led knowledge and experience sharing.
- Receive expert guidance to identify and capitalise on emerging market opportunities.
- Access expert advice and solutions to address your business challenges.
- Connect with key state and private sector institutions for essential non-financial support.
- Unlock unparalleled financial solutions tailored to customers' business needs.

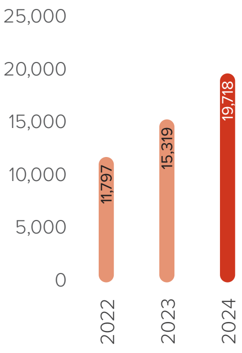
Our Performance

In 2024, we recorded significant growth, with deposits increasing by 22.82% YoY to Rs. 4,983 Mn and advances growing by 28.72% to Rs. 19,718 Mn driven by focused initiatives. The customer base also expanded to 2,557, demonstrating our ongoing positive momentum in the SME market.

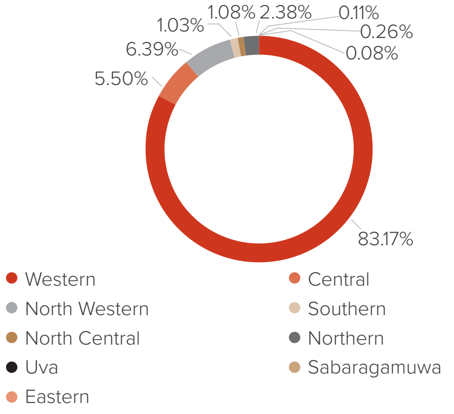
Deposits (Rs. Mn)



Advances (Rs. Mn)

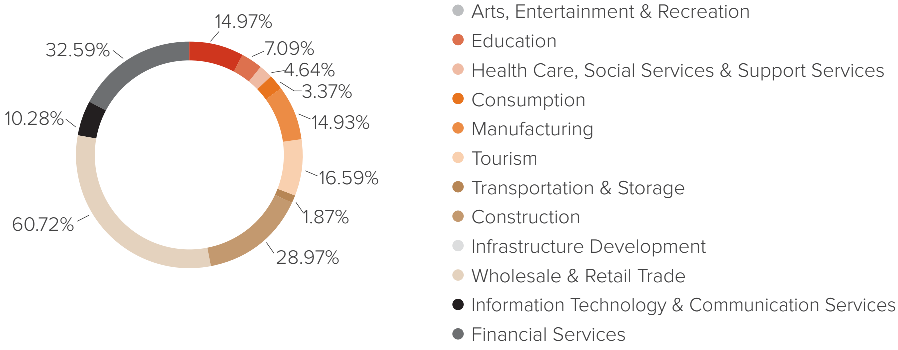


Geographical distribution of SME Advances



Our Business Lines

Sectorwise portfolio of SME Advances



Future Outlook

Short-term	Medium-term	Long-term
◆ Improve the availability of financial solutions in underserved regions, leveraging the Cargills Food City network ◆ Strengthen Digital Banking capabilities to optimise service delivery for the SME Segment	◆ Develop and launch new, tailored financial products designed to meet the specific needs of the SME Segment	◆ Empower the SME segment through sustainable practices that align with the SDGs ◆ Accelerate the transition of SMEs towards environmentally sustainable practices to mitigate climate change

Agriculture Operations

The agriculture sector, contributing approximately 7% to the national GDP and engaging 27.1% of the population, faces significant challenges including unproductive farming methods, limited market access, low financial literacy, and restricted access to finance. We are strategically positioned to offer tailored, result-oriented solutions by integrating value chain activities planned by the Group.

Our strategy prioritises the empowerment of farmers and SMEs, acknowledging their crucial role in driving economic growth. We integrate sustainability into our business operations, responding to climate-related risks with proactive initiatives. Recognising that financing the agricultural sector can pose environmental challenges, we are promoting the implementation of state-of-the-art irrigation systems to mitigate adverse impacts.

Performance Highlights			
Agriculture Operations	2024	2023	% Change
Number of loans granted (Nos.)	791	612	22.63
Gross Loans (Rs. Mn)	1,326	850	36
Customer Base (Nos.)	8,706	6,767	22.27
Total Provision Coverage (Total Provision/Gross Loans) (%)	4.80	5.82	(21.17)

Rs. 1.3 Bn Agricultural portfolio	**Rs. 791 Mn** Disbursements
35.90% YoY Growth in Gross Loans	**22.27% YoY** Growth in customer base

Empowering farmers through financial solutions

As the largest agricultural company in the country, the Cargills Group directly supports over 15,000 agri and dairy farmers in Sri Lanka. This partnership positions us to provide critical financial support, leveraging a strategically placed network of 24 branches, 13 vegetable collection centres, 34 milk collection centres, and 520 supermarket outlets. Through this expansive reach, we support rural farmers in communities such as Mahaoya, Mahiyanganaya, and other remote areas. To date, we have extended over 15,000 facilities, amounting to Rs. 3.5 Bn to farmers at the base of the economic pyramid. In 2024 alone, this included over 821 farmers, with loans totaling Rs. 791 Mn.

To address the challenges associated with conventional rain-fed farming, the Cargills Group, in a pioneering collaboration with Jain Irrigations, introduced state-of-the-art irrigation technology, financed by Cargills Bank Plc. This project commenced with a pilot program of 100 farmers, with a vision for island-wide scaling. In addition, through our partnership with the Small Holder Agriculture programme, secured a program of Rs. 98 Mn to finance 500 dairy farmers to facilitate the acquisition of milking machines, grass cutters, and irrigation systems, enhancing their productivity which is currently in progress. However, in total, the Bank has granted Rs. 231 Mn to 477 dairy farmers during 2024.

15,000 facilities totaling **Rs. 3.5 Bn** to empower farmers to date	Granted **Rs. 791 Mn** loans for 821 farmers in 2024
Rs. 231 Mn loans to 477 Dairy farmers in 2024	

Our Business Lines

Our Initiatives in 2024

Key developments in the operating environment	Our response
Improve productivity through modern agriculture	Introduced state of the art irrigation system for farmers eliminating their dependence on seasonal rains. Cargills Group partnered Jain irrigation India, for this initiative where bank financed their capital requirement. Initially over 100 farmers were supported with the focus of expanding the project island wide during 2025
Increase milk production in Sri Lanka and reduce milk imports	The Sri Lankan government is working to increase milk production, which currently meets about 40% of national demand. Cargills Dairies aims to procure over 400,000 liters of milk daily to support this effort, and we have provided over Rs. 231.53 Mn to 477 farmers to help them increase milk production and modernise their farms
Enhance farmer livelihood through strong value chains	Cargills Group's globally recognised value chain, unlike traditional retail models, provides direct financial support to its partners through its in-house bank, offering a complete solution from farm to end buyer
Government's efforts to support sustainability goals	In support of government sustainability objectives, we are proactively implementing the following measures: ◆ Developing and rolling out a comprehensive sustainability policy ◆ Integrating ESG parameters into risk assessments for all credit facilities exceeding Rs. 15 Mn. ◆ Launching a programme to enhance financial literacy among farmers, thereby facilitating greater access to finance
Necessity of enhancing financial literacy and technical knowledge	We expanded our reach to underserved cities through the Kaduruwela Branch, providing over Rs. 324 Mn in financing to over 661 farmers during the past few years. During 2024, the Bank has granted facilities totaling to Rs. 129 Mn for 242 farmers in Mahaoya, and Mahiyanganaya Moreover, we are conducting programmes to improve financial literacy and milk quality, with the plan for further expansion

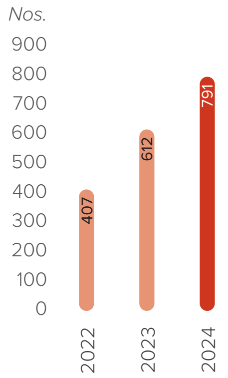
Key Focus Areas/Implementations in 2024

Reducing farmer financial costs	To lower financial costs for farmers, we have partnered with the Ministry of Finance and the Central Bank of Sri Lanka (CBSL) to secure low-cost funding, including a Rs. 750 Mn funding line and are evaluating 500 farmers for modernisation support.
Enhancing farmer savings habits	Recognising that many Cargills milk suppliers in the Central region have unnecessary spending patterns, we are promoting bank account usage and financial literacy programmes, to help farmers save approximately 30% of their income.
Supporting farmers in deep rural areas	Rs. 324.8 Mn was disbursed to farmers in underserved rural areas, specifically in communities such as Mahaoya, Mahiyanganaya, and Bogawanthalawa. To further support these communities, we conducted programmes that combined financial literacy with technical knowledge.
Expanding financial reach and impact	We grew our agricultural portfolio to Rs. 1.1 Bn during the financial year, disbursing over Rs. 698 Mn in credit facilities, particularly in underserved rural areas. This growth also resulted in an increased deposit base of Rs. 644 Mn with a 41% savings base, and a reduction of non-performing assets by 4%.

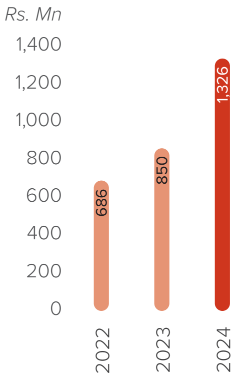
Our Performance

In 2024, we experienced significant growth in our lending activities, demonstrating our commitment to supporting our customers. We granted 791 loans, a significant increase from 612 in the previous year, while significantly expanding our gross loan portfolio to Rs. 1,326 Mn up from Rs. 850 Mn. This growth is reflected in an expanding customer base, which grew to 8,706 from 6,767, indicating increased demand for our financial products. While our total provision coverage decreased from 5.82% to 4.80%, this was a managed outcome of increased lending and overall portfolio performance.

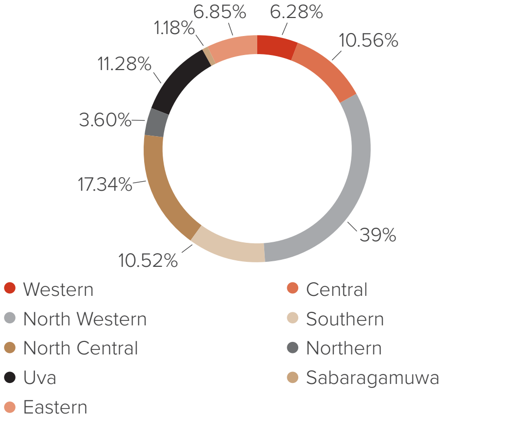
Number of loans granted



Advances



Geographical distribution of portfolio of Agri Advances



Future Outlook

Short-term	Medium-term	Long-term
◆ Establish processes to engage Cargills Group's 15,000+ Ecosystem clients and address their total financial needs ◆ Facilitate farmer business expansion through financing that enables investments in advanced technology ◆ Secure access to low-cost funding through strategic alliances with donor agencies and government institutions ◆ Drive growth in our non-ecosystem portfolio by forging partnerships with large value chain operators ◆ Deliver comprehensive financial literacy programmes tailored to the needs of rural farmers ◆ Strengthen portfolio quality by emphasising risk management protocols	◆ Invest in technology to reach and facilitate financing for deep rural farmers ◆ Specifically support government initiatives to enhance paddy production ◆ Maintain a strong focus on portfolio quality ◆ Require all farmers to participate in financial literacy programmes focused on livelihood development ◆ Support government efforts to achieve sustainability goals ◆ Invest in technology to evaluate credit proposals at the farm level	◆ Expand branch outreach to deep rural areas, doubling the current number of branches ◆ Develop large-scale projects in partnership with the government and donor agencies to achieve island-wide coverage ◆ Finance over 10% of the agricultural farmer base in Sri Lanka

Our Business Lines

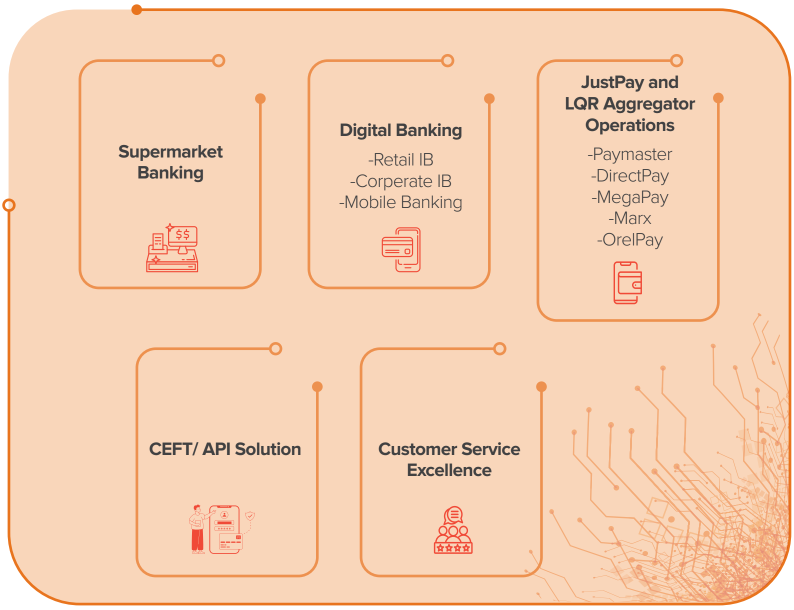
Digital Channels

We offer a comprehensive suite of digital solutions empowering individuals, SMEs, and corporate clients to transact seamlessly and securely. Committed to financial inclusion, we ensure 24/7 accessibility across Sri Lanka through our robust digital channels, enabling all to manage their finances effectively in the digital economy.

Our Digital Services

We distinguish ourselves through our innovative supermarket banking operations, conveniently located within 530 Cargills Food City outlets nationwide. This unique channel enables customers to seamlessly integrate their banking transactions with their shopping experience, providing 365-day accessibility. Furthermore, we are a leading facilitator of digital transactions, supporting five aggregator apps that enable JustPay and LankaQR-based digital payments, strengthening our position as a key player in Sri Lanka's digital financial landscape.

Our digital channels are as follows:



Performance Highlights			
Digital Channels	2024	2023	% Change
Retail internet banking – Total users	68,268	63,565	7.40
Corporate Internet banking total users	1,311	1,117	17.37
Cargills Cash Transaction Value	24,365	21,757	11.99
Cargills Cash Number of Unique Customers	34,736	34,658	0.23
Cargills Cash Number of Transactions	873,676	947,203	(7.76)

Operating context	Our response
◆ Customer feedback for the improvements of the mobile app	◆ To better serve our customers, we are developing a state-of-the-art mobile app featuring significant enhancements and incorporating the latest industry standards. This new platform will replace our existing app and deliver a superior user experience to meet evolving needs
◆ A notable rise in fraudulent activities associated with the JustPay and LankaQR platforms, particularly during 3Q and 4Q of 2024	◆ As a leader in JustPay and LankaQR, we are committed to actively safeguarding customer security by mitigating fraud. We collaborate with aggregators to reinforce security and promote customer vigilance, emphasising the importance of protecting One Time Passwords (OTP) through financial literacy initiatives

Operating context	Our response
◆ Rapid growth in supermarket banking necessitates continuous training for Cargills Food City cashiers to maintain service quality, particularly given the high rate of new hires	◆ We have rolled out a comprehensive training programme, reaching most outlet staff in the southern and western regions, and are currently scaling this programme to cover all areas. This training features cashier inductions centred on Agency Banking, as well as online modules and inter-outlet quizzes to enhance Supermarket Banking expertise
◆ Cargills Ceylon's expansion to 530 outlets this year contrasts with the static number of approved agency banking locations, which remained at 479 as of mid-2024	◆ In a collaborative effort, the digital team and compliance department obtained approvals for 51 new locations, which have now begun operations. This expansion, completed by October 2024, provides customers with an extensive and personalised experience across 530 outlets. We marked this achievement with a press conference featuring customer participation at the Attidiya 02 outlet on October 21, 2024
◆ During the year, LankaPay initiated services for accepting QR Payments from Indian visitors, expanding LankaQR Services with India's UPI services	◆ Updated our platforms to facilitate our aggregators and merchants to process LQR transactions from Indian nationals
◆ Public concerns arose regarding the provision of banking services to online money lending companies due to their business practices	◆ Following a thorough investigation of their services against banking guidelines and ethical standards, we withdrew services from all online money lending companies to uphold our high ethical standards

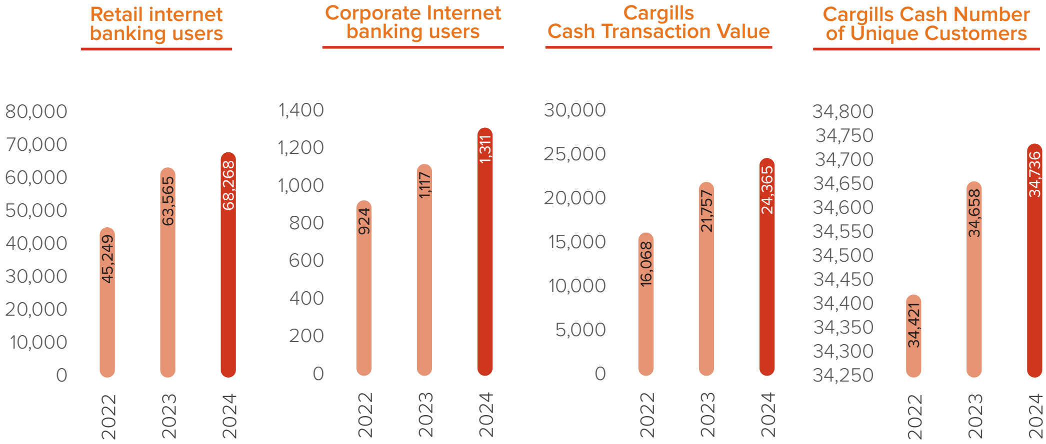
Our Focus Areas/Implementations in 2024

- Increasing outlets from 479 to 530 to facilitate comprehensive agency banking coverage nationwide.
- Launching a new customer app in 2025 featuring state-of-the-art functionality and improved user interface.
- Optimising JustPay and LankaQR aggregator processes through improved systems and new contracts.
- Implemented enhanced annual fee structures and commercialised CEFT/API services to increase revenue in digital banking.
- Revised rates and fees across all digital services (Internet Banking, Mobile Banking, JustPay, LankaQR) to match current market conditions.
- Discontinued supermarket banking services for online lending companies in January 2024, completing the exit by year-end.
- Recognised by corporate clients as a valuable payment service, resulting in significant revenue and new customer growth in 2024.
- Supported the Cargills Ceylon village-to-home programme by offering LankaQR facilities, promoting digital payments for entrepreneurs.
- Enhanced staff training focused on delivering superior customer service in supermarket banking.
- Implemented new digital systems for efficient deposit slip management, ensuring compliance.

Our Performance

- Supermarket banking grew from 479 to 530 outlets, driving both increased accessibility and transaction volume.
- Despite the loss of online money lender accounts, growth in other accounts ensured supermarket banking collection commissions to increase by 12% YoY.
- For the first time, the digital division was recognised as the top-performing business unit for non-interest income at the Cargills Bank Achievers Award Ceremony in 2024.
- Cargills Bank received the prestigious Acquiring Bank award at the LankaPay Digital Awards for its services supporting the country's top Fintech App.
- The revenue of the digital banking unit increased by 16% YoY.

Our Business Lines



Future Outlook

Short-term	Medium-term	Long-term
◆ Broadened our perspective on Supermarket Banking, addressing key challenges such as technical issues and cashier knowledge gaps to improve service delivery ◆ Expand merchant payment services within Supermarket Banking to include new partners, increasing the reach and convenience of this service ◆ Launch Phase 1 of our new mobile app with an enhanced user interface, significantly improving customer experience through increased convenience and security in Q1 2025 ◆ Intensify efforts in Q1 and Q2 of 2025 to promote the adoption and use of our digital services through a comprehensive customer communication and marketing campaign ◆ Initiated a new commercial and legal framework for the JustPay Aggregator Business, ensuring effective management of ROI and associated financial risks	◆ We envision a highly efficient and accessible supermarket banking operation across Sri Lanka. Accordingly, our QR-enabled non-customer app will streamline access for all individuals by 2025, eliminating the need for manual forms while ensuring full compliance ◆ The Q2-Q3 launch of Phase 2 will bring advanced features such as multilingual capabilities and a customer messaging centre. We also plan multiple improvements to Corporate Internet Banking services in 2025 ◆ Implementing Central Bank digital requirements will drive business growth and strengthen our industry position ◆ Launch ATL campaigns on digital banking services later in the year ◆ Refining aggregator operations for JustPay and LankaQR and strategically limiting the number of partners involved to ensure superior quality and security	◆ Supermarket banking is strategically positioned to become a leading customer service channel in Sri Lanka, supported by an enhanced non-customer app providing seamless digital transactions through JustPay and LankaQR ◆ Our mobile app will evolve into a comprehensive digital banking platform, integrated with transformed internet banking portals for a seamless experience ◆ Non customer App will be upgraded to incorporate banks own JustPay and LankaQR services

Redefining Convenience Through Supermarket Banking

We are revolutionising banking accessibility with our innovative Supermarket Banking initiative (Cargills Cash), a strategy that leverages our unique synergy with the Cargills Retail network. This approach, transcends the traditional limitations of brick-and-mortar branches, offering unprecedented convenience and reaching communities previously underserved by conventional banking services.

Our commitment to customer convenience is evident in the reach of our Supermarket Banking network. Complemented by our 24 traditional branches, our presence in over 530 Cargills supermarket locations creates a combined touchpoint network unmatched by many financial institutions. This extensive reach enables us to facilitate approximately 90% of typical banking functions, bringing essential financial services directly to where our customers live and shop.

Cargills Supermarket Banking is particularly valuable in towns and rural areas, where access to traditional banking services can be limited. Both customers and non-customers of Cargills Bank can now save valuable time and resources by managing their financial needs at their local Cargills supermarket. This expanded network also directly benefits participants in Cargills Bank-supported agricultural projects, enabling them to efficiently manage loan repayments and other financial transactions.

Our Supermarket Banking model offers a significant advantage over traditional banks with a secure environment and personalised assistance with human assistance. Supermarkets typically operate from 8:00 a.m. to 10:00 p.m., 365 days a year, providing customers with access to banking services at times that fit their busy schedules. Non-customers can also take advantage of the collection account facility to make third-party payments and settle bills, further expanding the reach of our services.

This initiative leverages Cargills supermarkets' extensive islandwide retail network and is part of the Bank's ongoing mission to drive inclusivity by bringing essential financial services closer to every corner of the country. This innovative 'Bank while you shop' service provides convenient access to services such as deposits, withdrawals and the collection of local and foreign remittances for Sri Lankans in both rural and urban areas, for those without the traditional means of performing banking.

Business Revival Unit

In 2024, we established the Business Revival Unit (BRU) in accordance with Central Bank of Sri Lanka Circular No. 02 of 2024, dated March 28, 2024. This strategic initiative aims to facilitate the sustainable economic revitalisation of businesses experiencing hardship due to prevailing macroeconomic conditions, while simultaneously improving the quality of the Bank's asset portfolio.

The BRU's primary objective is to identify and provide targeted support to borrowers, both performing and non-performing, who are facing or are at imminent risk of financial distress. This distress may stem from factors such as reduced income, cash flow constraints, decreased sales, operational disruptions, or temporary business cessation resulting from macroeconomic volatility. The Unit focuses on fundamentally viable businesses experiencing financial challenges, with a mandate to revitalise these enterprises, stimulate broader economic activity, and contribute to national economic recovery.

The Bank is committed to fostering a progressive culture of business revival and rehabilitation, with a long-term vision of ensuring business continuity and promoting economic stability. To this end, the BRU will implement comprehensive mechanisms for monitoring, evaluating, and supporting underperforming clients, providing bespoke refinancing solutions tailored to their specific needs. This proactive approach will safeguard existing employment, create new opportunities, and drive the sustainable economic growth necessary for long-term stability.

Future Outlook

Looking ahead, the BRU will focus on developing agile, data-driven, and customer-centric approaches to supporting businesses in distress. This will involve:

- Forging collaborations with other financial institutions, government agencies, and non-financial entities, such as consulting firms, to develop comprehensive business recovery solutions.
- Designing more customised and flexible financial products, including hybrid loans and other innovative financial structures, to meet the specific needs of distressed companies.
- Providing tailored packages for SMEs, which are vital drivers of the Sri Lankan economy and particularly vulnerable during economic downturns. These packages may include debt restructuring and facilitated access to new markets.

By embracing these strategies, the BRU will enhance its ability to support businesses, promote economic resilience, and contribute to a stronger, more sustainable Sri Lankan economy.

Corporate Governance

GRI 2-12
Strong corporate governance is fundamental to Cargills Bank's sustainable growth and future success. It establishes essential checks and balances, ensuring leaders are accountable for their performance and the diligent execution of their fiduciary duties. These very mechanisms have built our resilience and driven our progress, bringing the Bank to its current position. We are committed to strengthening this framework and aligning it with both present needs and future demands.

Chairman's Statement on Corporate Governance

Dear Stakeholders,
At Cargills Bank PLC, we are committed to upholding the highest standards of corporate governance as a cornerstone of sustainable value creation for our stakeholders. As a regulated entity, sound governance and compliance provide the solid foundation we need to build a thriving business, free from compliance lapses.

The collective skills, experience, and knowledge of our Board are key to its effectiveness in providing leadership to the Bank. The Board comprises six non-executive independent directors, one executive non-independent director, and one non-executive non-independent director, bringing expertise from diverse sectors such as accounting & finance, technology, human resources, business management, banking, and entrepreneurship.

Throughout 2024, we continued to strengthen our governance practices to align with emerging regulatory requirements, stakeholder expectations, and industry best practices. The Board of Directors remained committed to ensuring effective oversight, ethical leadership, and strategic direction in our operation toward value-creation to stakeholders. We have initiated strong governance mechanisms throughout the operations to safeguard customer trust, enhance operational efficiencies, and maintain regulatory compliance.

Recognising the growing importance of cybersecurity, data privacy, and risk management in digital banking, the Board has prioritised continuous improvement in these critical areas.

Our corporate governance framework is anchored in transparency, accountability, and integrity, fostering a culture of ethical decision-making and stakeholder engagement. The Board, supported by its committees, continued to uphold sound corporate governance principles, ensuring value creation for stakeholders and aligning with our mission to provide accessible, customer-centric, and digitally empowered financial solutions.

Moving forward, we remain dedicated to enhancing our governance structures to support our strategic objectives. By leveraging technology while adhering to our strong governance principles, Cargills Bank PLC will continue to drive financial inclusion, innovation, and sustainable value creation for all stakeholders.

On behalf of the Board, I extend my gratitude to our regulators, customers, shareholders, and employees for their unwavering trust and support. Together, we will navigate the evolving financial landscape with integrity, resilience, and a forward-thinking approach.

Asoka Pieris
Chairman

Colombo
25 February 2025

Key Highlights for 2024

Shareholder Meetings

The Annual General Meeting was held on 26 April 2024.

Board Appointments

There have not been any new appointments made to the Board of Directors during the year under review. Mr. Asoka Pieris was appointed as the Chairman.

Board Resignations

There have not been any resignations during the year. However, the Chairman, Mr. Richard Ebell retired after completing nine (9) years on the Board of Directors.

Key Corporate Governance Initiatives

The Board established the following two sub-committees during the year.

Board Capital Augmentation Steering Committee; and the Board Core Banking Project Steering Committee, which was subsequently renamed as the Board Information Technology Committee, with an enhanced scope to provide oversight and strategic guidance on the implementation, management, and optimization of the Bank's entire Information Technology Systems and resources.

Taking cognizance of the Amended Banking Act Direction, (No.05 of 2024) on Corporate Governance for implementation and compliance.

Corporate Governance

The Mandate of the Board of Directors

The mandate ensures that the board operates within a clear framework, enabling accountability, consistency, and effective governance. It provides clarity on, scope of the board's power and responsibilities, the relationship between the board and management, the board's commitment to fostering ethical and sustainable business practices.

Strategic Leadership & Direction

- Establish and Champion Strategy: Define, approve, and proactively champion the Bank's strategic objectives and sustainable long-term vision.
- Guide Executive Decision-Making: oversight of the executive team, providing strategic guidance and ensuring alignment in key decisions to drive business success.
- Monitor Strategic Execution: Oversee the implementation of strategic plans and track progress against established goals, adjusting as needed.

Governance, Risk, & Compliance

- Uphold Corporate Governance: Ensure strict adherence to corporate governance standards, legal and regulatory requirements, and industry best practices.
- Approve and Maintain Policies: Establish and approve key policies and frameworks to guide organisational conduct and operations.
- Implement Robust Risk Framework: Oversee the identification, assessment, and mitigation of organisational risks, ensuring a comprehensive risk management framework is in place and effectively utilised.

Financial Oversight

- Approve Financial Matters: Review and approve annual budgets, financial statements, and major capital expenditures, ensuring financial health and prudent resource allocation.
- Maintain Financial Integrity: Ensure financial integrity and accountability through regular internal and external audits, along with comprehensive reviews.

Performance & Accountability

- Evaluate Executive Performance: Regularly assess the performance of the CEO and senior management team against established goals and strategic objectives.
- Set Performance Expectations: Define clear performance goals and ensure they are aligned with the Bank's mission, values, and long-term vision.

Stakeholder Engagement & Relationships

- Represent Stakeholder Interests: Act with the highest integrity in the best interests of shareholders and other stakeholders, maintaining a strong focus on ethical conduct.
- Promote Transparent Communication: Ensure open, transparent, and effective communication with all stakeholders to build trust and maintain positive relationships.

Talent & Succession Planning

- Ensure Leadership Continuity: Develop and implement robust succession planning strategies to ensure Organisational stability and a smooth transition of leadership.
- Cultivate Future Leaders: Identify, mentor, and develop high-potential individuals within the Organisation to prepare them for future leadership roles.

Decision Making & Authority

- Approve Major Decisions: Review and approve significant decisions outside of management's delegated authority, exercising sound judgment.
- Define Decision Authority: Clearly define the parameters of management's decision-making authority, fostering efficient and effective operations.

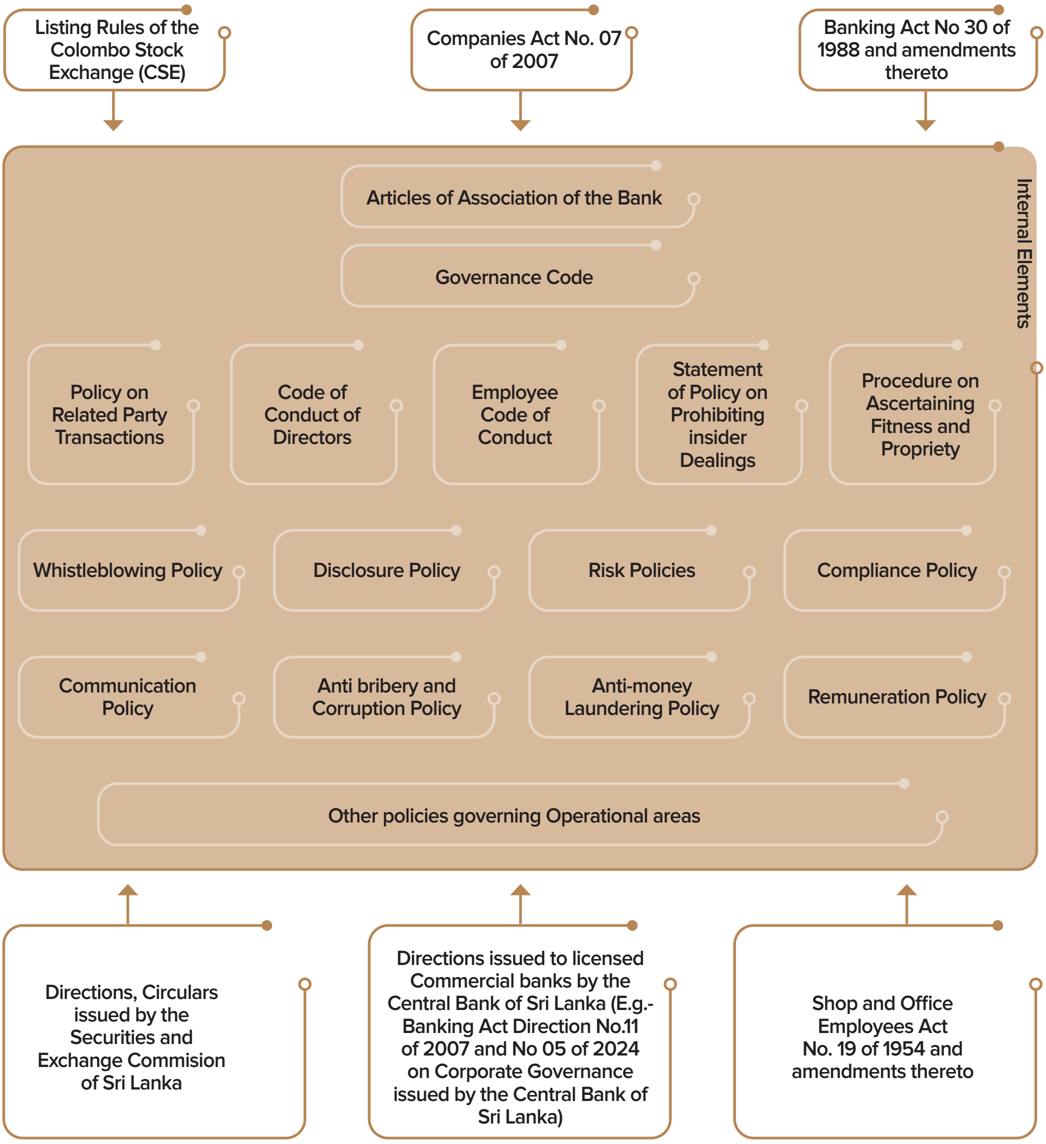
Our Compliance Framework

GRI 2-9, GRI 2-23, GRI 2-24, GRI 2-27

Cargills Bank operates under a robust governance framework to ensure effective oversight, ethical conduct, and long-term value creation. This framework encompasses a range of internal policies and procedures, including risk management protocols, code of conduct guidelines, and internal control mechanisms. We also maintain strict compliance with all applicable external regulations demonstrating our commitment to legal and ethical standards within the financial services industry.

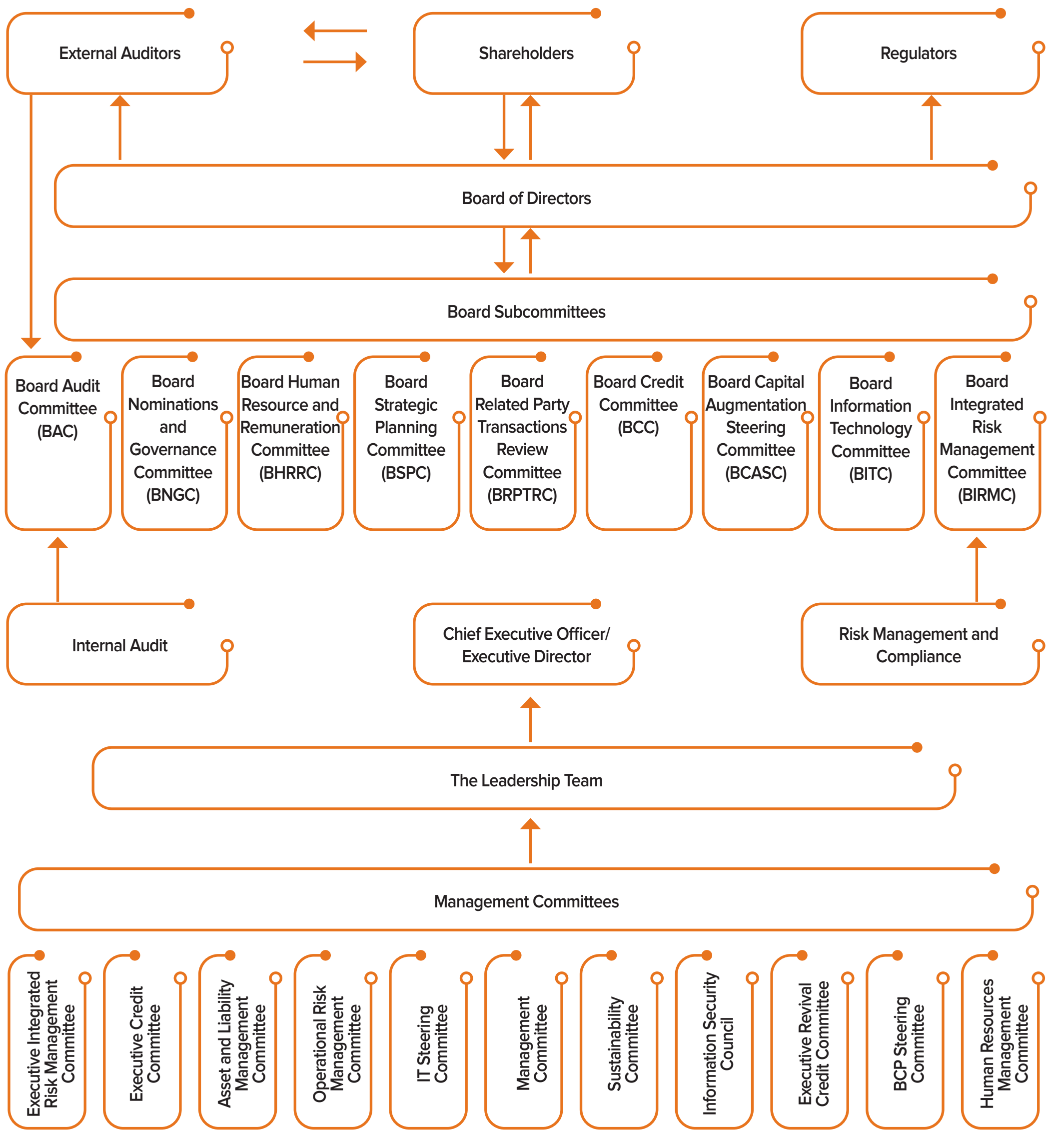
A Multi-Tiered Approach to Governance

The Cargills Bank's governance framework is built upon a multi-tiered structure that fosters collaboration and shared accountability. The Board of Directors provides strategic leadership and high-level oversight, while Board sub-committees delve into specific areas, providing specialised guidance on risk, compliance, and other critical functions. Furthermore, the management committees, comprised of executive leaders, are tasked with operationalising the Bank's strategy, managing daily operations, and ensuring adherence to the policies and procedures established by the Board. This collaborative structure ensures the effective functioning of the Bank and the achievement of its goals.



Corporate Governance

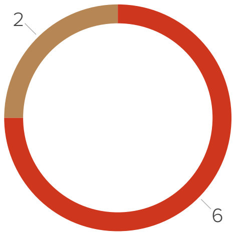
GRI 2-13



Board Diversity

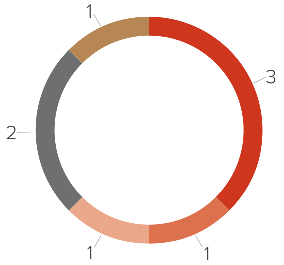
The effectiveness of Cargills Bank's leadership is directly tied to the composition of its Board of Directors. The Nominations and Governance Committee has a critical mandate to ensure the Board is equipped with the right mix of skills, deep industry experience, varied perspectives, and other attributes necessary to strategically guide the Bank towards its goals. As of December 31, 2024, the Board is composed of eight directors, of whom seven are non-executive directors, and six of these non-executive directors are independent, thereby facilitating objective and balanced oversight of the Bank's activities. The Bank's policy stipulates a maximum Board size of 13 directors.

Gender diversity 2024



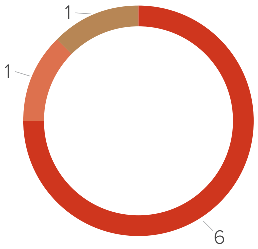
- Male
- Female

Collective skills 2024



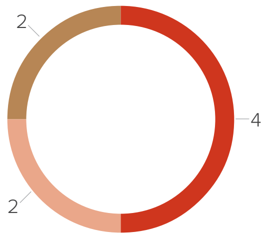
- Banking
- Entrepreneur and Capital Market Expert
- Finance & Accounting
- Finance, Accounting & Technology Consulting
- Human Resources & Business Management

Board Balance 2024



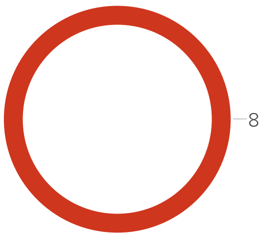
- Non Executive - independence
- Executive -Non independence
- Non Executive - Non independence

Tenure of service 2024



- < 2 years
- > 5 years
- 2 - 5 years

Age diversity 2024



- Between 60-70

Board Sub-Committees

Cargills Bank's Board sub-committees are integral to the effective management of capital and the execution of the Bank's strategic plan. Through their dedicated oversight and expert guidance, these committees ensure that capital allocation decisions are aligned with the Bank's strategic priorities, promoting financial stability, accountability, and long-term growth.

Board Sub-Committees	Link to Capital	link with each strategy
Board Integrated Risk Management Committee (BIRMC)		
Board Nominations and Governance Committee (BNGC)		
Board Human Resource and Remuneration Committee (BHRRC)		
Board Strategic Planning Committee (BSPC)		
Board Related Party Transactions Review Committee (BRPTRC)		
Board Credit Committee (BCC)		
Board Audit Committee (BAC)		
Board Capital Augmentation Steering Committee (BCASC)		
Board Information Technology Committee (BITC)		

Corporate Governance

GRI 2-10, GRI 2-18, GRI 2-23, GRI 2-24

In terms of Section 46 (1) of the Banking Act No. 30 of 1988 (as amended), the Monetary Board has been empowered to issue Directions to Licensed Commercial Banks, regarding the manner in which the business of such banks is to be conducted, in order to ensure the soundness of the Banking System. In the exercise of the powers conferred by the above Section, the Monetary Board had issued Banking Act Direction No. 11 of 2007 on 'Corporate Governance for Licensed Commercial Banks in Sri Lanka'.

The rules applicable and degree of compliance of Cargills Bank to the rules of Banking Act Direction No. 11 of 2007 on Corporate Governance as at 31.12.2024 are provided below. The below mentioned numbering aligns with numbering in "Section 3" of the Banking Act Direction No. 11 of 2007 issued by the Central Bank of Sri Lanka. Sections 1 and 2 are not applicable for this document.

Section No.	Rule	Degree of Compliance - As at 31.12.2024
3 (1)	Responsibilities of the Board	
3 (1) (i)	The Board shall strengthen the safety and soundness of the Bank by ensuring the implementation of the following:	
	a) Approve and oversee the Bank's strategic objectives and corporate values	Complied with. Approving, overseeing and monitoring business strategy and execution of the strategic objectives and adherence to corporate values and policies are addressed by the Board. The Board's views relating to the above are communicated throughout the Bank.
	b) Approve the overall business strategy of the Bank including Risk Policy and Risk Management Procedures and Mechanisms with measurable goals, for at least the next three years	Complied with. The overall business strategy was approved by the Board in the Bank's Business Plan for FY 2024 - 2026. Risk Management Policies and Risk Management Procedures and Mechanisms with measurable goals are available.
	c) Identify the principal risks and ensure implementation of appropriate systems to manage the risks prudently	Complied with. Board approved Risk Frameworks, Policies, Key Risk Indicators (KRIs) and monthly and quarterly risk monitoring and reporting mechanisms are in place. The Board Integrated Risk Management Committee is responsible for overseeing the implementation of the risk management function.
	d) Policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers	Complied with. A Board approved Communication Policy is in place.
	e) Review the adequacy and the integrity of the Bank's internal control systems and management information systems	Complied with. The Internal Audit Division has reviewed the adequacy and intergrity of the Internal Control System regularly and reported findings to the Board Audit Committee and implement the corrective measures. The Chairman of the BAC provided the update to the Board. Furthermore, the Internal Audit Department carried out the Information Systems (IS) audits as per the approved audit plan by the BAC.

Section No.	Rule	Degree of Compliance - As at 31.12.2024
3 (1) (i)	f) Identify and designate Key Management Personnel	Complied with. The Bank has identified and designated Key Management Personnel (KMP) as per LKAS 24. Board approval has been obtained for the KMPs.
	g) Define the area of authority and key responsibilities for the Board Directors themselves and for the Key Management Personnel	Complied with. The Bank has a Board approved Code of Corporate Governance which includes the roles and responsibilities of the Directors and KMPs. Areas of authority and responsibilities for members of the KMPs are stated in the Job Descriptions of each member.
	h) Ensure appropriate oversight of the affairs of the Bank by Key Management Personnel	Complied with. The Board has formulated the following subcommittees to exercise appropriate oversight of the affairs of the Bank by the Key Management Personnel, that is consistent with the Board policy. ◆ Board Audit Committee ◆ Board Human Resources and Remuneration Committee ◆ Board Nominations and Governance Committee ◆ Board Integrated Risk Management Committee ◆ Board Credit Committee ◆ Board Strategic Planning Committee ◆ Board Related Party Transactions Review Committee ◆ Board Capital Augmentation Steering Committee ◆ Board Information Technology Committee
	i) Periodically assess the effectiveness of the Board of Directors' own governance practices	Complied with. An evaluation specifically designed to cover this direction was completed by the Directors for the purpose of evaluating the effectiveness of governance practices in 2024.This is done on an annual basis and appropriate steps are taken to strengthen the governance practices.
	j) Ensure an appropriate succession plan for Key Management Personnel	Complied with. Succession plan was reviewed by the Board Nominations and Governance Committee and approved by the Board.
	k) Regular meetings with the Key Management Personnel	Complied with. The Board sub committees have regular meetings with the Key Management Personnel on matters coming within their remit. Additionally, KMPs are called to explain matters arising from their respective areas when required at Board meetings.

Corporate Governance

Section No.	Rule	Degree of Compliance - As at 31.12.2024
3 (1) (i)	l) Understand the regulatory environment and maintain relationship with regulators	Complied with. The Board collectively, as well Directors individually, recognise their duties to comply with laws and regulations which are applicable to the Bank. The Compliance Report includes an update on new laws and regulations which is provided monthly to the Board.
	m) Exercise due diligence in the hiring and oversight of External Auditors	Complied with. As per the Audit Committee Charter, the Audit Committee has the primary responsibility for making the recommendation on the appointment, re-appointment or termination of the external auditors in line with professional standards and regulatory requirements. Further, the Audit Committee monitors and reviews the external auditor's independence, objectivity and the effectiveness of the audit process taking into account relevant professional and regulatory requirements. The External Auditors submit a statement annually confirming their independence as required by Section 163 (3) of the Companies Act No. 07 of 2007 in connection with the external audit.
3 (1) (ii)	The Board shall appoint the Chairman and the Chief Executive Officer (CEO)	Complied with. Positions of the Chairman and the Chief Executive Officer (CEO) are separated.The functions and responsibilities of the Chairman and the CEO are defined in line with Direction 3(5) of these Directions. The Bank has a Board approved Code of Corporate Governance which sets out the roles and responsibilities and the separation of duties/ functions of the Chairman and CEO.
3 (1) (iii)	The Board shall meet regularly	Complied with. The Board usually meets at monthly intervals, but meets more frequently whenever it is needed. The Board met 12 times during the year.
3 (1) (iv)	The Board shall ensure arrangements are in place to enable all Directors to include matters and proposals in the agenda for regular Board Meetings	Complied with. All Board members are given an equal opportunity in this regard where proposals relate to the promotion of business and the management of risks of the Bank. Directors could thus submit proposals for inclusion in the agenda on matters relating to the business of the Bank or any other matter pertinent to the operation of the Bank.

Section No.	Rule	Degree of Compliance - As at 31.12.2024
3 (1) (v)	The Board shall ensure notice of at least 7 days for a regular Board meeting and for all other Board Meetings, adequate notice may be given	Complied with. Board meeting dates are agreed at the beginning of the year. The Agenda, together with associated papers are sent to Board members at least 7 days prior to the meeting.
3 (1) (vi)	Action on Directors who have not attended at least two-thirds of the meetings	Complied with. All Directors have attended at least two-thirds of meetings held during 2024. Further, no Director has been absent from three consecutive regular Board meetings during 2024.
3 (1) (vii)	Appoint a Company Secretary and set our clear responsibilities and ensure the secretariat services to the Board and shareholders are carried out in line with statutes and applicable regulations	Complied with. An Attorney-at-Law functions as the Secretary of the Board and complies with the requirements under the Banking Act No. 30 of 1988. She has ensured that proper Board procedures are followed and that applicable rules and regulations are adhered to.
3 (1) (viii)	All Directors to have access to advice and services of the Company Secretary	Complied with. As set out in the Bank's Code of Corporate Governance, all Board members have full access to advice and assistance of the Company Secretary to ensure that proper Board procedures are followed and all applicable rules and regulations are complied with.
3 (1) (ix) and (x)	Maintain the minutes of Board Meetings with sufficient detail and serve as a reference for regulators and supervisory authorities	Complied with. Minutes of Board meetings are maintained in sufficient detail to satisfy the requirements of this direction by the Company Secretary, and are open for inspection by any Director. The minutes are read together with the corresponding Board papers, which supplement information in the minutes.
3 (1) (xi)	Seeking independent professional advice in appropriate circumstances	Complied with. This requirement is included in the Code of Corporate Governance of the Bank and is used when required by the Directors.

Corporate Governance

Section No.	Rule	Degree of Compliance - As at 31.12.2024
3 (1) (xii)	Avoid conflicts of interests, or the appearance of conflicts of interest due to commitments to other organisation and related parties	Complied with. Directors make declarations of interest when they join the Board and annually thereafter. They also update their declaration quarterly. Conflicts of interest (if any) are addressed based on this information. The Board has taken steps to ensure that conflicts and potential conflicts of interest of Directors are disclosed to the Board by way of a self-declaration at the Board meeting. Directors do not participate in making decisions on matters, in which they have an interest and thus avoid conflicts of interest with the activities of the Bank.
3 (1) (xiii)	Formal schedule of matters to ensure the direction and control of the Bank	Complied with. This is included in the Bank's Code of Corporate Governance.
3 (1) (xiv)	Inform the Director of Bank Supervision in a possible insolvency	No such situation has arisen during the year.
3 (1) (xv)	The Board shall ensure the Bank is capitalized at levels as required by the Monetary Board	Complied with. The Monetary Board has granted an extension to the Bank until 31 December 2025 to meet the minimum capital requirement stipulated by the CBSL.
3 (1) (xvi)	Publish Corporate Governance report	Complied with. This report serves the said requirement.
3 (1) (xvii)	Adopt a scheme of self- assessment of Directors	Complied with. The Board has adopted a scheme of self-assessment undertaken by Directors annually, and maintains records of same with the Company Secretary.
3 (2)	The Board's Composition	
3 (2) (i)	The Board shall comprise not less than 7 and not more than 13 Directors	Complied with. There were 8 Directors on the Board as at 31 December 2024.
3 (2) (ii)	The total period of service of a Director other than a Director who holds the position of CEO, does not exceed nine years	Complied with. During the year, the Chairman Mr. Richard Ebell retired from the Board having completed 9 years. The period of service of all other Directors is under nine years.
3 (2) (iii)	The number of Executive Directors does not exceed one- third of the number of Directors of the Board	Complied with. As at 31 December 2024, the Board consisted of eight Directors of which one was an Executive Director. All other Directors are Non- Executive.

Section No.	Rule	Degree of Compliance - As at 31.12.2024
3 (2) (iv)	The Board shall have at least three Independent Non- Executive Directors or one third of the total number of Directors, whichever is higher	Complied with. As at 31 December 2024, the Board had 6 Independent Non- Executive Directors, which is over one-third of the total number of Directors. The following individuals are Independent, Non-Executive Directors. 1. Mr. Asoka Pieris (designated as independent w.e.f. 8 June 2024) 2. Mr. Yudhishtran Kanagasabai 3. Mr. Buwanekabahu Perera 4. Mr. Ravindra Jayawardena 5. Mrs. Shanti Gnanapragasam 6. Mr. Arjuna Herath
3 (2) (v)	Alternate Director is appointed to represent an Independent Director to satisfy the required criteria	Not Applicable. No alternate Directors were appointed for the year 2024.
3 (2) (vi)	The Bank shall have a process for appointing Independent Directors.	Complied with. Whenever such need arises the Directors nominate names of eminent professionals or academics from various disciplines to the Nominations & Governance Committee who consider their profiles and recommend the suitable candidate to the Board. The Bank has a Board approved Policy for appointment of new Directors.
3 (2) (vii)	Quorum of the Board Meetings includes more than 50% of the Directors and out of this quorum more than 50% should include Non-Executive Directors	Complied with. All Board meetings held during 2024 were duly constituted with more than 50% of the Directors present being Non-Executive Directors.
3 (2) (viii)	The composition of the Board, by category of Directors, including the names of the Chairman, Executive Directors, Non-Executive Directors and Independent Non-Executive Directors in the Annual Corporate Governance report	Complied with. This report serves the said requirement. The composition of the Board as at 31 December 2024 is as follows: 1. Mr. Asoka Pieris- INED - Chairman w.e.f. 3 July 2024 (designated as independent w.e.f. 8 June 2024) 2. Mr.Senarath Bandara -MD/CEO 3. Ms. Marianne Page-NED 4. Mr.Yudhishtran Kanagasabai-INED 5. Mr. Buwanekabahu Perera- INED 6. Mr. Ravindra Jayawardena - INED 7. Mrs. Shanti Gnanapragasam- INED 8. Mr. Arjuna Herath-INED Mr. Richard Ebell (INED) retired as Chairman w.e.f. 2 July 2024 after completing nine (9) years on the Board. Profiles are given on pages 23 to 27.

Corporate Governance

Section No.	Rule	Degree of Compliance - As at 31.12.2024
3 (2) (ix)	The procedure for the appointment of new Directors to the Board	Complied with. The Bank has a Board approved Policy for appointment of new Directors and new appointments to the Board are based on the recommendations made by the Board Nominations & Governance Committee.
3 (2) (x)	All Directors appointed to fill a casual vacancy are subject to election by shareholders at the first General Meeting after their appointment	Complied with. The process is followed at Annual General Meetings where required.
3 (2) (xi)	Proper procedure to be followed for resignation or removal of a Director	Complied with No such situation has arisen.
3 (2) (xii)	A process to identify whether a Director or an Employee of the Bank is appointed, elected or nominated as a Director of another bank	Complied with. Declarations signed by Directors on quarterly and annual basis will identify any issues arising. None of the Directors are Directors or employees of any other bank. Employees are prohibited from taking up any other appointment according to their Letters of Appointment.
3 (3)	Criteria to assess the fitness and propriety of Directors	
3 (3) (i)	Age of a person who serves as Director does not exceed 70 years	Complied with.
3 (3) (ii)	Directors of the Bank shall not hold Directorships in more than 20 companies/ entities/ institutions inclusive of subsidiaries or associate companies of the Bank	Complied with. No Director holds Directorship in more than 20 companies/ entities/ institutions inclusive of subsidiaries or associate companies of the Bank.
3 (4)	Management functions delegated by the Board	
3 (4) (i)	The Directors shall understand the delegation arrangements in place	Complied with. The Board takes ultimate responsibility for activities of the Bank. The Board has delegated certain responsibilities to Board Sub Committees (refer 3 (1) (i) (h)) and Management Committees as set out in their respective Terms of References (TOR), and Key Management Personnel through policies and procedures.
3 (4) (ii)	Extent of delegation to be within appropriate limits	Complied with. The delegated responsibilities to Board Sub Committees are set out in their respective TORs. These TORs have been approved by the Board.
3 (4) (iii)	The Board shall review the delegation processes in place on a periodic basis	Complied with.

Section No.	Rule	Degree of Compliance - As at 31.12.2024
3 (5)	The Chairman and CEO	
3 (5) (i)	The roles of Chairman and CEO shall be separate and not be performed by the same individual	Complied with. The roles of Chairman and CEO are separate and not performed by the same individual.
3 (5) (ii)	The Chairman is a Non- Executive Director. In the case where the Chairman is not an Independent Director, the Board shall designate an Independent Director as the Senior Director with suitably documented Terms of Reference	Complied with. Mr. Richard Ebell, Chairman upto 2 July 2024 was an Independent Non Executive Director and Mr. Asoka Pieris who was appointed as Chairman w.e.f 3 July 2024 was designated as an independent director w.e.f. 8 June 2024. Therefore, the requirement for appointing a senior director did not arise.
3 (5) (iii)	Disclose relationships, if any, between the Chairman and the CEO and Board Members and the nature of any relationships including among members of the Board	Complied with. There is no financial, business or family any other material/ relevant relationship between the Chairman, MD/CEO.
3 (5) (iv), (vi),(vii), (viii)	The role of Chairman to be in line with the duties and responsibilities set out in the Directive	Complied with. The duties and responsibilities of the Chairman are included in the Bank's Code of Corporate Governance. The Board's annual assessment process includes an area to measure the effectiveness of the Chairman, in order to facilitate the effective discharge of the responsibilities of the Chairman.
3 (5) (v)	Formal Agenda is approved by the Chairman prior to circulation by the Secretary	Complied with. The Company Secretary circulates the formal agenda after obtaining the approval of the Chairman.
3 (5) (ix)	The Chairman shall not engage in activities involving direct supervision of Key Management Personnel or any other executive duties whatsoever	Complied with. Chairman is an Independent Non-Executive Director. The Chairman does not directly get involved in the supervision of key management personnel or any other executive duties.
3 (5) (x)	The Chairman shall ensure effective communication with shareholders and that the views of shareholders are communicated to the Board	Complied with. At general and investor meetings, shareholders are given the opportunity to take up matters for which clarification is required. These matters are adequately clarified by the Chairman and/or CEO and/or any other officer.
3 (5) (xi)	The CEO to function as the apex executive-in charge of the day-to-day management of the Bank's operations and business	Complied with. CEO function as the executive in charge of the day to day management of the Bank's operations and business supported by the members of the Corporate Management.

Corporate Governance

Section No.	Rule	Degree of Compliance - As at 31.12.2024
3 (6)	Board Appointed Committees	
3 (6) (i)	Establishing Board Sub Committees, their functions and reporting	Complied with. The Board has formed sub committees to exercise appropriate oversight of the affairs of the Bank (refer 3 (1) (i) (h)). Each committee has a Secretary to arrange the meetings and maintain minutes. Board Committees reports directly to the Board. The Annual Report includes individual reports of each committee. Such reports include summary of its duties, roles and performance.
3 (6) (ii)	Audit Committee (BAC)	
	a) The Chairman of the Committee shall be an Independent Non-Executive Director (INED) and possess qualifications and related experience	Complied with. Mr Arjuna Herath is an Independent Non-Executive Director and possess the required qualifications. He is a fellow of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). His profile including related experience is provided on page 27.
	b) All members of the Committee shall be Non-Executive Directors (NED)	Complied with. Members of the committee as at 31.12.2024 are as follows, 1.Mr. Arjuna Herath - Chairman 2.Mr. Buwanekabahu Perera 3.Mr. Yudhishtran Kanagasabai 4.Ms. Shanti Gnanapragasam All members are indipendent Non-Executive Directors.
	c) Make recommendations on matters in connection with the External Auditor, Central Bank guidelines, the relevant accounting standards and the service period, audit fee and any resignation or dismissal of the Auditor	Complied with. The Committee has recommended re-appointment of the External Auditors, the fees payable to the auditors, implementation of the Central Bank guidelines, application of the relevant accounting standards and compliance with other statutory requirements.
	d) Review and monitor the External Auditors' on their independence, and objectivity and effectiveness of the audit processes	Complied with. The BAC had discussed with the External Auditors the scope and nature of the audit, independence of the Auditors and the conduct of the audit in accordance with SLAuS. The Committee received a declaration from KPMG as required by the Companies Act No. 7 of 2007, confirming that they do not have any relationship or interest in the Company, which may have a bearing on their independence.

Section No.	Rule	Degree of Compliance - As at 31.12.2024
3 (6) (ii)	e) Develop and implement a policy on the engagement of an External Auditor to provide non-audit services in accordance with relevant regulations	Complied with. A policy on non-audit related services was developed and approved by the Board. Compliance with the policy is monitored by the Board Audit Committee.
	f) Discuss and finalise the nature and scope of the audit, with the External Auditors	Complied with. The Committee met with the external auditors to discuss and finalise the scope and to ensure that the Bank is in compliance with the relevant Directions in relation to corporate governance and the management's internal controls over financial reporting. Further, ensured that the preparation of the financial statements for external purposes in accordance with relevant accounting principles and reporting obligations.
	g) 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 before submission to the Board	Complied with. Quarterly Financial Statements and year-end Financial Statements are circulated to the members of the Audit Committee. Discussions take place at committee meetings regarding such Financial Statements prior to a recommendation being made to the Board for their adoption. The Audit Committee reviews Financial Statements for disclosures, major judgmental areas, changes in accounting policies and practices, validity of the going concern assumption, compliance with relevant accounting standards and other legal requirements, and in respect of the Audited Financial Statements, any significant adjustments arising from audit.
	h) Discuss independently without presence of executive management with the External Auditors any issues with relation to the audit	Complied with. The Audit Committee met the external auditors twice during the year without executive management present.
	i) Review the External Auditors' management letter and the management's response thereto	Complied with.
	j) Internal Audit function of the Bank review the adequacy of the scope, functions and resources of the Internal Audit Department	Complied with. The Internal Audit scope, functions and resource availability have been reviewed and the Internal Audit Plan has been approved by the Board Audit Committee.
	◆ Review the Internal Audit program and results of the Internal Audit Process	Complied with. The Board Audit Committee has reviewed the internal audit reports and directed that necessary action be taken where necessary to implement audit recommendations.

Corporate Governance

Section No.	Rule	Degree of Compliance - As at 31.12.2024
3 (6) (ii)	◆ Review the appraisal and performance of Head of Audit and Senior staff in Internal Audit	Complied with. Performance Evaluations for the Head of Internal Audit and Senior Staff of the Department for year 2024 is in progress.
	◆ Recommend any appointment or termination of Head of Audit and Senior staff in Internal Audit	Complied with. The BAC has approved the recruitment of a new Head of Internal Audit during the year. There were no terminations during the year.
	◆ Committee is apprised of resignation of senior staff in Internal Audit department	Complied with. Resignation of Senior staff in Internal Audit department had been informed to the Committee.
	◆ Internal Audit is independent of the function it Audits	Complied with. Head of Internal Audit reports functionally to the Board Audit Committee that ensures independence of Internal Audit and its functions.
	k) Consider major findings of internal investigations and management's responses thereto	Complied with. Significant findings on investigations carried out by the Internal Auditors along with the responses of the management are tabled and discussed at Audit Committee Meetings.
	l) The Committee would have at least two meetings with the External Auditors without the Executive Directors being present	Complied with. The Audit Committee met the external auditors twice during the year without Executive Directors present.
	m) Terms of Reference of the Committee	Complied with. Audit Committee charter ensures authority to investigate matters, resource requirements to do so, access to full information and authority to obtain external advice if necessary.
	n) Regular committee meetings	Complied with. The Audit Committee met nine times during the year.
	o) The Board shall disclose details of the activities of the Audit Committee, number of Audit Committee Meetings held in the year, and details of attendance of each individual Director at such meetings	Complied with.
	p) The Secretary of the Committee may be the Company Secretary or the Head of the Internal Audit function	Complied with. The Head of Internal Audit acts as the Secretary to the Audit Committee and maintains detailed minutes of all meetings.

Section No.	Rule	Degree of Compliance - As at 31.12.2024
3 (6) (ii)	q) Review arrangements by which employees of the Bank may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters	Complied with. The Bank has a Whistle-blowing Policy approved by the Audit Committee and the Board of Directors. A process and proper arrangements are in place to conduct fair and independent investigations and appropriate follow-up action.
3 (6) (iii)	Board Human Resources and Remuneration Committee (BHRRC)	
	a) The Committee shall have a policy to determine the remuneration relating to Directors, CEO and Key Management Personnel of the Bank	Complied with. HR and Remuneration policy for Directors, CEO and KMPs including all employees has been reviewed by the BHRRC and approved by the Board.
	b) The Committee shall set documented goals and targets for the Directors, CEO and the Key Management Personnel	Complied with. The BHHRC has approved the KPIs of the MD/CEO and KMPs for 2024.
	c) The Committee shall evaluate the performance of the CEO and Key Management Personnel against the set targets and goals periodically and determine the basis for revising remuneration, benefits and other payments of performance-based incentives	Complied with. The Standard Performance Evaluations Process for 2024 is in progress.
	d) The CEO shall be present at meetings of the committee, except when matters relating to the CEO are being discussed	Complied with.
3 (6) (iv)	Board Nominations and Governance Committee (BNGC)	
	a) Implement a procedure to select/ appoint new Directors, CEO and Key Management Personnel, b) Consider and recommend (or not recommend) the re- election of current Directors	Complied with. The Policy on selecting and appointing new Directors/CEO/KMPs has been approved by the Board Nominations & Governance Committee and approved by the Board. The BNGC recommended the re-election of current Directors.
	c) 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	Complied with. The BGNC sets the criteria such as qualifiactions, experience and key elements required for eligibilaty to be considered for appointment or promotion to the post CEO and KMPs.
	d) Ensure the Directors, CEO and Key Management Personnel 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. Affidavits have been obtained. The Bank is in the process of obtaining approval from CBSL.

Corporate Governance

Section No.	Rule	Degree of Compliance - As at 31.12.2024
3 (6) (iv)	e) Consider and recommend from time to time, the requirements of additional/ new expertise and the succession arrangements for retiring Directors and Key Management Personnel	Complied with. The BNGC peruses the profiles and recommends suitable candidates to the Board to replace retiring Directors and KMPs,as required. The Bank has a succession plan for KMPs that was presented to the BNGC and approved by the Board.
	f) The Committee shall be chaired by an Independent Director and preferably be constituted with a majority of Independent Directors	Complied with. The Chairman of the Committee is an Independent Non Executive Director. The Committee comprises of 4 Independent Non Executive Directors, as at 31 December 2024. Composition of the Committee as at 31.12.2024 is as follows: 1. Mr. Buwanekabahu Perera - Committee Chairman (INED) 2. Mr. Asoka Pieris (INED) 3. Mr. Arjuna Herath (INED) 4. Mr. Yudhishtran Kanagasabai (INED)
3 (6) (v)	Board Integrated Risk Management Committee (BIRMC)	
	a) Composition of Board Integrated Risk Management Committee (BIRMC)	Complied with. Composition of the Committee as at 31.12.2024 is as follows: 1. Yudhishtran Kanagasabai - Committee Chairman (Independent Non-Executive Director). 2. Asoka Pieris (Independent Non-Executive Director) 3. Shanti Gnanapragasam (Independent Non-Executive Director) 4. Senarath Bandara (Managing Director / Chief Executive Officer) 5. Prabhu Mathavan (Chief Operating Officer) 6. Chandradasa Amarasinghe (DGM Retail, Business and SME Banking) 7. Wimal Karunaarachchi (Head of Risk) 8. Gayantha Wijekoon (Compliance Officer) Head of Risk of the Bank acted as the Secretary of the Committee upto 19 September 2024 and the Compliance Officer w.e.f 20 September 2024, while Corporate Management personnel participated by invitation when required.

Section No.	Rule	Degree of Compliance - As at 31.12.2024
3 (6) (v)	b) 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	Complied with. The IRM framework, credit risk, liquidity risk, interest rate risk, operational risk, foreign exchange risks, strategic risk, reputational risk, capital adequacy planning and management, financial position and compliance reviews are discussed and risk assessments were presented to the BIRMC on a quarterly basis. These risks are captured through a KRI dashboard which is presented to the Board on a monthly basis. The Assets and Liabilities Committee (ALCO) reviewed the risks such as market and liquidity risk monthly and key matters were discussed at the BIRMC on a quarterly basis. Key Operational Risk Indicators have been developed (covering Risk Register, Operational Loss reporting and KRI) and presented to the BIRMC. The Risk Management team updates the Board monthly, highlighting key macro and strategic risks observed during the month.
	c) Review the adequacy and effectiveness of all management level committees such as the Credit Committee and the Asset-Liability Committee	Complied with. Review of adequacy and effectiveness on all management level risk related committees such as ALCO, ERMC and ECC have been carried out by BIRMC.
	d) Take prompt corrective action to mitigate the effects of specific risks in case such risks are at levels beyond the prudent levels decided by the committee on the basis of the Bank's policies and regulatory and supervisory requirements	Complied with. The relevant committees reviewed the KRI dashboard and specifically discussed indicators at level beyond approved internal limits.
	e) Meet at least quarterly to assess all aspects of risk management including updated business continuity plans	Complied with. The committee met 6 times during 2024.
	f) Take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions	Complied with. The Terms of Reference of the BIRMC which was reviewed and adopted by the Board has special provisions to cover this.
	g) Submit a risk assessment report within a week of each meeting to the Board	Complied with. The risk assessment reports from BIRMC are presented to the next Board meeting, by way of Board Committee minutes and reports within reasonable time lines.

Corporate Governance

Section No.	Rule	Degree of Compliance - As at 31.12.2024
3 (6) (v)	h) Establish 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. A dedicated Compliance Officer selected from Key Management Personnel shall carry out the compliance function and report to the committee periodically	Complied with. Compliance function is in place and report to the BIRMC. The Compliance Officer submits compliance papers and reports to the BIRMC periodically and to the Board on a monthly basis.
3 (7)	Related Party Transactions	
3 (7) (i) and (ii)	The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the Bank with any person including related parties	Complied with. The Board approved Related Party Transactions (RPT) Policy is in place which has set the procedure to be followed when transacting with Related Parties. The Bank has a process to identify Related Parties. The list of the Bank's Related Parties are reviewed on a regular basis and the list is updated to the Bank's Intranet. Monthly confirmation is obtained from the relevant branches and departments confirming that they have complied with the Related Party Transaction Policy. Additionally, the Internal Audit and Compliance departments conducts periodic reviews of the process and transactions to ensure that the RPT policy is being adhered to.
3 (7) (iii)	The Board shall 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 favourable treatment' than that accorded to other constituents of the Bank carrying on the same business	Complied with. Bank's Related Parties are identified, reviewed and updated to the Bank's Intranet. The Bank is required to adhere to Bank's RPT policy and procedures. Related Party Transactions are reviewed by the Bank's Board Related Party Transactions Review Committee and escalated to the Board for approval, where necessary. The process ensures the Bank does not grant Related Parties of the Bank "more favourable treatment".
3 (7) (iv)	A bank shall not grant any accommodation to any of its Directors or to a close relation of such Director unless 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 favour of such accommodation	Complied with. This requirement has been included in the Bank's RPT policy and procedures to ensure compliance to the Direction.
3 (7) (v)	Accommodation granted to persons or concerns of persons or close relations of persons, who subsequently are appointed as Directors of the Bank	Complied with. No such situation had arisen

Section No.	Rule	Degree of Compliance - As at 31.12.2024
3 (7) (vi) and (vii)	A bank shall not grant any accommodation or 'more favourable 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	Complied with. No such accommodation was granted.
3 (8)	Disclosures	
3 (8) (i)	Financial reporting, statutory reporting and regulatory reporting	Complied with. Annual Audited Financial Statements and Interim Financial Statements of the Bank were prepared and published in the newspapers (in Sinhala, Tamil and English) in accordance with the formats prescribed by the Supervisory and Regulatory Authorities and applicable accounting standards.
3 (8) (ii)	The Board shall ensure that the following minimum disclosures are made in the Annual Report	
	a) A statement to the effect that the Annual Audited Financial Statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures	Complied with. Disclosures on compliance with applicable accounting standards and regulatory requirements in preparation of the Annual Audited Financial Statements have been made in the section on 'Directors' Responsibility for Financial Reporting' and 'CEO's and CFO's Responsibility for Financial Reporting' on pages 207 and 213 respectively.
	b) A 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	Complied with. Report by the Board on the effectiveness of the Bank's Internal Control Mechanism to ensure that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting is given in the 'Directors' Statement of Internal Controls over Financial Reporting' on pages 209 to 210.
	c) 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 an Assurance Report from the External Auditors on the effectiveness of the Internal Control Mechanism. Refer pages 211 to 212.
	d) Details of Directors, including names, qualifications, age, experience fulfilling the requirements of the guidelines on fitness and propriety, transactions with the Bank and the total of fees/ remuneration paid by the Bank	Complied with. Profiles of Directors are given on pages 23 to 27. Transactions of the Directors with the Bank and their remunerations have been disclosed in the Note 51 to the Financial Statements on pages 287 to 290.

Corporate Governance

Section No.	Rule	Degree of Compliance - As at 31.12.2024
3 (8) (ii)	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. The net accommodation granted and the net accommodation granted as a percentage of the Bank's regulatory capital is disclosed in Note 51 to the Financial Statements on pages 287 to 290.
	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	Complied with. The remuneration of the Bank's Key Management Personnel and transactions with the Bank's Key Management Personnel as defined by LKAS 24 have been disclosed in Note 51 to the Financial Statements on pages 287 to 290. In addition to the KMP's identified above, the Bank also considers selected members of corporate management as other Key Management Personnel, in order to comply with the Corporate Governance Direction. Total emoluments received, deposits made and accommodation obtained as at 31 December 2024 by the other Key Management Personnel amounted (selected members of corporate management) to Rs. 206.4 Mn, Rs. 33.11 Mn and Rs. 68.16 Mn, respectively (2023 - Rs. 173.6 Mn, Rs. 38.7 Mn and Rs. 45.4 Mn respectively).
	g) External Auditors' report on compliance with Corporate Governance Directions	Complied with. A factual findings report from the external auditors has been obtained to comply with the requirements of these Directions.
	h) A report setting out details of compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any material non-compliances	Complied with. There were no material non-compliance of prudential requirements, regulations, laws and internal controls by the Bank.
	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 to be disclosed to the Public	There were no regulatory lapses that have been pointed out by the Director of Bank Supervision to be disclosed to the Public as at 31.12.2024.

Colombo Stock Exchange (CSE) Disclosures on Corporate Governance

During the year under review, the Bank carried out a comprehensive review to ensure that the Bank complied with the guidelines stemming from the Section 9 of the amended listing rules issued by the CSE. Given below are the disclosure rules applicable and the levels of compliance to the said rules as at 31 December 2024.

Main market Segment

Rule Ref	Disclosure Requirement	Degree of Compliance - As at 31.12.2024
9.1.3	Statement confirming the extent of compliance with the Corporate Governance Rules in the Annual Report of the entity	Complied with. This report serves the said requirement.
9.2.2	Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted by the entity shall be fully disclosed on the in the Annual Report	Complied with. No such situation has arisen
9.2.3 (i) 9.2.3 (ii)	List of policies in place as per CSE Rule 9.2.1, with reference to website Any changes to policies adopted in compliance with Rule above	Complied with. Bank has put in place all policies mandated by Rule 9.2.1, which have been reviewed and updated periodically and published in the Banks' website.
9.4.2	Communication and relations with shareholders and investors, (a) The policy on effective communication and relations with shareholders and investors, (b) The contact person for such communication, (c) The policy on relations with shareholders and investors on the process to make all Directors aware of major issues and concerns of shareholders.	Complied with. The policy on Relations with shareholders & investors is in place.
9.5.2	Confirmation on compliance with the requirements of the Policy on matters relating to the Board of Directors. If non-complied reasons for the same with proposed remedial action	Complied with.
9.6.3	Report of SID (Senior Independent Director) demonstrating the effectiveness of duties	Not Applicable. The requirement to appoint a SID has not arisen.
9.6.4	Rationale for appointing SID	Not Applicable
9.7.5	Disclosures in the Annual Report of the entity, (a) Statement on Directors and CEO satisfying Fit and Proper Assessment Criteria, (b) Any non-compliance/s and remedial action taken	Complied with. Please refer BNGC report on page 143.
9.8.5	Names of Directors determined to be 'independent'	The following Directors are Independent Non Execuive Directors. 1. Mr. Richard Ebell- Chairman upto 2 July 2024. 2. Mr. Asoka Pieris - Chairman w.e.f. 3 July 2024 (Designated as an independent director w.e.f. 8 June 2024) 3. Mr. Yudhishtran Kanagasabai 4. Mr. Buwanekabahu Perera 5. Mr. Ravindra Jayawardena 6. Mrs. Shanti Gnanapragasam 7. Mr. Arjuna Herath

Corporate Governance

Rule Ref	Disclosure Requirement	Degree of Compliance - As at 31.12.2024
9.10.4	Directors' details ◆ Name, qualifications and brief profile ◆ Nature of his/her expertise in relevant functional areas ◆ Whether either the Director or Close Family Members has any material business relationships with other Directors ◆ Whether Executive, Non-Executive and/or independent Director ◆ Total number and names of companies in Sri Lanka in which the Director concerned serves as a Director and/or KMP stating whether listed or unlisted, whether functions as executive or non-executive (If the directorships are within the Group names need not be disclosed) ◆ Number of Board meetings attended ◆ Names of Board Committees in which the Director serves as Chairperson or a member ◆ Attendance of board committee meetings ◆ TOR and powers of SID	Please see pages 23 to 27 of the Annual Report. In addition, the Directors or their Close Family Members do not have any material business relationships with other Directors The requirement to appoint a SID has not arisen.
9.11.6	Nominations and Governance Committee Report ◆ Signed by Chairperson ◆ Names of chairperson and members with nature of directorship ◆ Date of appointment to the committee ◆ Availability of documented policy and processes when nominating Directors ◆ Requirement of re-election at regular intervals at least once in 3 years ◆ Board diversity ◆ Effective implementation of policies and processes relating to appointment and reappointment of Directors ◆ Details of directors re-appointed Board Committees served Date of first appointment Date of last re-appointment ◆ Directorships or Chairpersonships and other principal commitments, present and held over the preceding three years ◆ Any relationships – close family member, more 10% shareholding ◆ Performance of periodic evaluation of board ◆ Process adopted to inform independent directors of major issues. ◆ Induction / orientation programs for new directors on corporate governance, Listing Rules, securities market regulations or negative statement ◆ Annual update for all directors on corporate governance, Listing Rules, securities market regulations or negative statement ◆ Compliance with independence criteria ◆ Statement on compliance with corporate governance rules, if non- compliant reasons and remedial actions	Complied with. Please refer BNGC repoort on pages 143 to 146 of the Annual Report.

Rule Ref	Disclosure Requirement	Degree of Compliance - As at 31.12.2024
9.12.8	Remuneration Committee Report ◆ Names of chairperson and members with nature of directorship ◆ Remuneration Policy ◆ The aggregate remuneration of the Executive and Non-Executive Directors.	Complied with Please see BHHRC report on pages 147 to 149 of the Annual Report.
9.13.5	Audit Committee Report ◆ Names of chairperson and members with nature of directorship ◆ Status of risk management and internal control - company and group ◆ Statement on CEO and CFO assurance on operations and finances ◆ Opinion on compliance with financial reporting requirements, information requirements Listing Rules, Companies Act, SEC Act and any other requirements. ◆ Availability of formal Audit Charter ◆ Internal audit assurance and summary of the work internal audit ◆ Details demonstrating effective discharge of functions and duties ◆ Statement on external auditors' assurance on their independence ◆ Confirmation on determining auditor's independence	Complied with Please see BAC report on pages 156 to 157 of the Annual Report.
9.14.8 (1)	Related Party Disclosures Non-recurrent RPT exceeding 10% of the Equity or 5% of the Total Assets, whichever is lower (in the specified format) ◆ Name of the RP Relationship Value of RPT ◆ Value as % of equity and total assets Terms and Conditions ◆ Rationale	Complied with. No such situation has arisen.
9.14.8 (2)	Related Party Disclosures Recurrent RPT exceeding 10% of the gross revenue/ income (in the specified format) ◆ Name of the RP Relationship Nature of RPT ◆ Value of aggregate RPT Value as % of gross income Terms and Conditions	Complied with. No such situation has arisen.
9.14.8 (3)	Related Party Transactions Review Committee Report ◆ Names of the Directors comprising the Committee ◆ Statement that committee has reviewed RPTs and communicated comments/observations to the Board ◆ Policies and procedures adopted by the Committee	Please see BRPTRC report on pages 152 to 153 of the Annual Report.
9.14.8 (4)	Affirmative declaration by the Board of Directors on compliance with RPT Rules or negative statement to that effect	Please see BRPTRC report on pages 152 to 153 of the Annual Report.

Corporate Governance

Rule Ref	Disclosure Requirement	Degree of Compliance - As at 31.12.2024
9.16	Additional disclosures by Board of Directors Declaration on following ◆ All material interests in contracts and have refrained from voting on matters in which they were materially interested ◆ Reviewed of the internal controls covering financial, operational and compliance controls and risk management and obtained reasonable assurance of their effectiveness and successful adherence, and, if unable to make any of these declarations an explanation on why it is unable to do so; ◆ Made themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions; ◆ Disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations.	Complied with. Please see the following sections of the Annual Report; Directors' Interest in Contracts with the Bank - page 167. Directors' Statement on Internal Controls over Financial Reporting - page 209. BNGC Report - page 143. Further, there were no material non-compliance to prudential requirements, regulations and laws by the Bank.

Committee Reports

Board Integrated Risk Management Committee Report

The Board Integrated Risk Management Committee (BIRMC) is a sub committee of the Board of Directors, established in accordance with Section 6.5 of the Banking Act Direction No. 05 of 2024 on "Corporate Governance for Licensed Banks." Additionally, the Bank has implemented an Integrated Risk Management Framework (IRMF) aligned with the Central Bank of Sri Lanka's Banking Act Direction No. 7 of 2011.

Composition

The composition and the scope of work of the Committee conform with the provisions of the aforementioned Direction. The Committee comprises eight (8) members of which three (3) members are Independent Non- Executive Directors. The Compliance officer is the Secretary to the Committee.

The following are the members of the Committee:

1. Mr. Yudhishtran Kanagasabai - Chairman *(Independent Non- Executive Director)*
2. Mr. Richard Ebell *(Independent Non-Executive Director) Ceased to be a membership w.e.f. 30 June 2024*
3. Mr. Asoka Peiris* *(Independent Non-Executive Director) (Member since 01 July 2024)*
4. Mr. Arjuna Herath *(Independent Non-Executive Director) (Member till 30 June 2024)*
5. Ms. Shanti Gnanapragasam *(Independent Non-Executive Director)*
6. Mr. Senarath Bandara *(MD / CEO)*
7. Mr. Prabhu Mathavan *(Chief Operating Officer)*
8. Mr. Chandrasada Amarasingha *(Deputy General Manager)*
9. Mr. Wimal Karunarachchi *(Head of Risk Management)*
10. Mr. Gayantha Wijekoon *(Compliance Officer)*

* Designated as an Independent Director w.e.f. 8 June 2024.

Meetings

In accordance with its charter, the BIRMC is mandated to meet on a quarterly basis and as required. During the year under review, the Committee convened six (6) meetings to effectively discharge its responsibilities.

Reporting

The discussions and decisions of the Committee meetings were meticulously documented in the BIRMC minutes and systematically communicated to the Board to ensure awareness, provide necessary notifications, and facilitate prompt action. Additionally, monthly Risk and Compliance Reports were consistently presented at Board meetings, emphasizing significant changes in the Bank's risk profile and analysing their root causes.

Role and Responsibilities

The Risk Management Committee operates in accordance with the Terms of Reference (TOR) approved by the Board of Directors. Its primary responsibility is to oversee the Bank's enterprise-wide risk management, ensuring an effective governance framework, robust risk management policies, and sound operational practices. The Committee is entrusted with the following key responsibilities:

- Assisting the Board of Directors in understanding the Bank's risk profile in the execution of banking operations and establishing a framework that ensures the efficiency and adequacy of risk management functions while providing necessary guidance to the Management.
- Reviewing the Bank's governance framework related to credit, market, liquidity, operational, strategic, and other risks. This includes evaluating the policies, processes, and systems adopted by Management to manage risk exposures, risk measurement methodologies, and approaches to stress testing.
- Ensuring the independence and authority of the Risk Management and Compliance functions, while evaluating the adequacy of their scope and coverage.
- Reviewing and formulating methodologies for the allocation of risk capital and assessing the Internal Capital Adequacy Assessment Process (ICAAP).
- Evaluating the adequacy and effectiveness of Management-level committees in identifying, mitigating, and managing enterprise-wide risks within the defined quantitative and qualitative risk parameters.

Directions of the BIRMC

Following last year's economic crisis, the financial sector began to stabilize amid an improving economic environment. Downward inflation, declining interest rates, and an appreciating exchange rate eased pressures on balance sheets, supporting a recovery in financial intermediation. However, challenges related to exposure to government securities and ongoing concerns about sovereign debt restructuring and bank diagnostics continued to add complexity to the sector's recovery efforts.

The Stage 3 Loans Ratio remained elevated during the year, highlighting the continued challenges to debt-servicing capacity amid prevailing economic conditions. However, the third quarter of FY 2024 witnessed signs of stabilization in credit risk, as indicated by a deceleration in the growth of Stage 3 Loans.

Committee Reports

The committee carefully observed the challenging operating environment, along with regulatory directions, and made necessary enhancements to the Bank's risk governance framework. Key activities undertaken during the year include:

- Integrated Risk Management Framework: Enhanced the framework by reviewing and formulating policies to address credit, market, liquidity, and operational risks.
- Risk Data Management: Centralized and analysed risk data to improve the accuracy and efficiency of risk quantification tools.
- Key Risk Indicator (KRI) Framework: Monitored the Bank's overall risk profile through a comprehensive KRI framework, ensuring compliance with the Bank's risk appetite.
- Credit Risk Management: Reinforced credit risk practices through independent loan reviews and portfolio management. Enhanced monitoring processes for stressed credit, watch-listed customers, and credit excesses to identify early warning signals.
- Stress Testing: Strengthened the stress testing process by conducting scenario assessments for credit, market, and liquidity risks, considering the volatility in macroeconomic variables. Outcomes of stress testing were reviewed in line with regulatory guidelines.
- Operational Risk Management: Improved the identification and assessment processes through an updated Risk Register and Operational Loss Reports. Enhanced the Operational Risk Management Framework by adopting comprehensive Risk Control Self-Assessments, Key Risk Indicators, and integrated risk ratings.
- Technology Risk Management: Expanded the scope of risk appetite within Technology Risk by developing a detailed Technology Risk Appetite Statement. Closely monitored compliance with the Central Bank of Sri Lanka (CBSL) technology risk management standards.
- Business Continuity Planning: Revised business continuity policies and Key Performance Indicators (KPIs) to ensure preparedness for disaster scenarios.
- Regulatory Compliance: Conducted targeted reviews to assess Anti-Money Laundering (AML) and regulatory compliance across the Bank's branch network, products, and processes.
- CBSL Reporting Platforms: Monitored the Bank's integration with new reporting platforms, such as go - AML, as implemented by the CBSL.

As part of its strategic initiatives in FY 2023, the Bank successfully completed a capital-raising exercise through a public listing of its shares. This milestone aimed to enhance market visibility, strengthen corporate governance frameworks, and inject additional capital to support the Bank's future aspirations.

At the beginning of FY 2024, the Bank carefully evaluated risk-reward trade-offs to optimize its capital structure. In alignment with Basel III guidelines, the Bank projected the necessary capital requirements and asset composition to support sustainable growth.

The Committee acknowledges the regulatory emphasis on maintaining the Bank's capital adequacy in line with evolving industry standards. Even though the Bank's capital adequacy remains well above the regulatory minimum requirement of 15% (12.5%+2.5%), with the upcoming deadline for the LKR 20 Bn regulatory capital requirement approaching, the bank is prioritizing compliance with this mandate.

Throughout the period under review, the Board of Directors continued to provide strategic oversight of the Bank's business and risk management strategies. Guided by the Bank's risk appetite statement, the Board responded to prevailing macroeconomic challenges by further refining its approach to risk governance. The Committee is satisfied with the robust implementation of risk management initiatives, which have ensured the Bank's stability and resilience during the reporting period and beyond.

Yudhishtran Kanagasabai
Chairman - Board Integrated Risk Management Committee

Colombo
25 February 2025

Board Nominations and Governance Committee Report

Composition of the Committee

GRI 2-10, GRI 2-18
The Board Nominations and Governance Committee (BNGC) comprises four Independent Non- Executive Directors. The following Directors served/serve on the BNGC during the year.

BNGC Member	Directorship Status	Membership Status	Date of Appointment/ Resignation
Mr. Buwanekabahu Perera	Independent Non-Executive Director	Chairman	Chairman w.e.f. 15 November 2023. Member from 25 January 2023.
Mr. Asoka Pieris*	Independent Non-Executive Director	Member	Member from 25 January 2023.
Mr. Richard Ebell	Independent Non-Executive Director	Member	Member from 3 January 2018. Ceased to be a member on 30 June 2024.
Mr. Yudhishtran Kanagasabai	Independent Non-Executive Director	Member	Member from 1 July 2024.
Mr. Arjuna Herath	Independent Non-Executive Director	Member	Member from 15 November 2023.

*designated as an Independent Director w.e.f. 8 June 2024.

Ms. Amendra de Silva, the Company Secretary, functions as the Secretary of the Committee.

Terms of Reference

In terms of Direction No.3(6)(iv) of the Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks of Sri Lanka issued by the Monetary Board of the Central Bank of Sri Lanka (CBSL), the Bank had established a Board Nomination Committee (BNC). With the Listing of the Bank on the Colombo Stock Exchange (CSE), the Charter of the Committee was revised to encompass the requirements of Rule 9.11 of the Listing Rules of the CSE and the Board of Directors approved the re-designation of the BNC as BNGC in conformity with the aforesaid Direction and Rule.

Purpose of Establishing the Committee

In accordance with the Terms of Reference set by the Board, key role and responsibilities of the BNGC are as follows;

- To recommend to the Board a Corporate Governance Policy and Framework for the Bank, considering all applicable regulatory requirements and industry and international best practices, and periodically review and update the recommendations made as necessary.
- To obtain reports from the Management on compliance with the Corporate Governance Framework and all applicable laws and regulations, together with any deviations/non-compliance.
- To keep under review the structure, size and composition of the Board and Board Committees (including the skills, knowledge, experience and diversity required) to better ensure the effective discharge of their duties and responsibilities.
- To establish and maintain criteria and a transparent procedure for recommending to the Board, persons as Directors and the Bank's Chief Executive Officer (CEO), and also its Key Management Personnel, considering academic/ professional qualifications, skills, experience and attributes necessary, given the nature of the Bank's business and in the case of Non-Executive Directors, their ability to commit to the role the time required.
- To consider and recommend to the Board, the appointment of new Directors to the Board Committees of the Bank.
- To establish a process for the periodic evaluation of the performance of the Directors and the CEO to determine whether their responsibilities are satisfactorily discharged.
- To establish a transparent procedure to recommend (or not recommend) to the Board the reappointment of Directors when they come up for re-election, considering their contribution towards the effective discharge of the Board's responsibilities.
- To establish a process to determine whether the Directors, the Bank's CEO, and also its Key Management Personnel are fit and proper persons to hold office as specified and set out in the Banking Act, the CSE Listing Rules and other relevant statutes and directions issued by the Central Bank of Sri Lanka and CSE from time to time.
- To ensure the development of a succession plan for the Board of Directors and Key Management Personnel.

Committee Reports

Frequency of Meetings and Quorum

The Committee meets at least twice during the Financial Year or as and when deemed necessary.

The quorum for meetings of the Committee is three (3) members, including at least two Independent Non-Executive Directors, including its Chairperson.

The Committee met five (5) times during the year and the attendance of Committee members at meetings is given in the table below.

BNGC members	Attended/ Eligibility to attend
Mr. Buwanekabahu Perera	5/5
Mr. Richard Ebell	3/3
Mr. Asoka Pieris	5/5
Mr. Yudhishtran Kanagasabai	2/2
Mr. Arjuna Herath	4/5

Only members of the Committee have the right to attend Committee meetings. However, other employees such as the CEO, the Head of Human Resources, and external advisers are invited to attend all or part of any meeting, as and when appropriate and necessary.

The proceedings of the Committee meetings have been reported to the Board of Directors.

Activities of the Committee

The Committee considered and/or reviewed and recommended the following for the approval of the Board;

- In order to maintain orderly succession, the Committee after careful evaluation recommended the appointment of Mr. Asoka Pieris as Deputy Chairman of the Bank w.e.f. 1 April 2024, with the expected retirement of the Chairman, Mr. Richard Ebell on completion of nine years on the Board of Directors. In recommending the aforesaid appointment of Mr. Asoka Pieris, the Committee took into consideration his expertise, qualifications and experience in diverse fields; such as Business Management; Finance & Accounting (Sri Lanka & Overseas); Marketing; Manufacturing; Auditing; Personal & SME lending and Deposit Management counting over forty years.
- In view of the retirement of Mr. Richard Ebell on 2 July 2024, the Committee recommended the appointment of Mr. Asoka Pieris as Chairman of the Bank w.e.f. 3 July 2024 in line with the Procedure to Select/Appoint Directors/CEO/ KMPs of the Bank.
- The Committee determined that Mr. Asoka Pieris was an Independent Director w.e.f. 8 June 2024, based on the criteria set out in the Banking Act Direction No. 11 of 2007 on Corporate Governance and the Listing Rules of the CSE.
- Recommended the reconstitution of the Board Sub Committees, taking into account the expertise, experience and attributes of the Directors and the specific role performed by each of the Committees.
- Recommended the expansion of scope of the Board Core Banking Project Steering Committee to provide oversight and strategic guidance on the implementation, management, and optimization of the Bank's entire Information Technology Systems and resources and re-named it as the Board Information Technology Committee.
- After a careful interview and evaluation process, the Committee recommended the appointment of Key Management Personnel to head Internal Audit and Operations.
- Recommended the promotion of Key Management Personnel, having considered their qualifications, experience, competencies and performance during the year.
- Adopted a new Code of Business Conduct and Ethics for Directors.
- Reviewed and recommended the revised Policy and Code of Corporate Governance.
- Reviewed and recommended the Terms of Reference of the Committee.
- Reviewed and recommended the Procedure to appoint/select Directors/CEO/KMPs.
- Reviewed and recommended the Organisation Structure and Succession Plan for Senior Management.
- The Committee reviewed the new regulatory requirements on Corporate Governance, stemming from the Banking Act Direction No. 05 of 2024 on Corporate Governance issued by the CBSL, which came into operation on 1 January 2025. It considered and recommended areas where further improvements were required to be fully compliant with the aforesaid Direction by the mandated timelines and strengthen the overall governance framework of the Bank.
- The Committee considered the qualifications, experience, skills and competencies of the Directors, vis-à-vis the specified disciplines set out in the CBSL Direction on Corporate Governance in order to identify whether there was a necessity to augment the pool of knowledge and expertise of the current Board of Directors.
- The Committee recommended the re-election of Directors retiring by rotation; Ms. Marianne Page and Mr. Buwanekabahu Perera taking in to consideration the criteria laid down in the Procedure to Select/Appoint Directors/CEO/ KMPs such as; performance during the year, including whether the member concerned was an active participant and contributed to Board/

Committee deliberations with respect to the overall discharge of the Board/Committee responsibilities. In recommending the re-election of Directors, the Committee reviewed the fitness and propriety of the said Directors based on the Affidavits/Declarations submitted by the Directors in line with the CBSL Direction and CSE Listing Rules.

- The Declarations on Independence provided by the Non-Executive Directors were reviewed and the Committee determined that the Independent Directors met the requisite criteria laid down in the Banking Act Direction on Corporate Governance and CSE Listing Rules. Mr. Asoka Pieris who was non-independent was re-designated as independent w.e.f. 8 June 2024. Further, Mr. Richard Ebell (retired on 2 July 2024),Yudhishtran Kanagasabai, Buwanekabahu Perera, Ravindra Jayawardena, Arjuna Herath and Mrs. Shanti Gnanapragasam have been designated as independent whilst, Ms. Marianne Page has been designated as non-independent.
- The Committee determined that the continuing Directors of the Bank, including the MD/CEO satisfied the Fit and Proper Assessment criteria stipulated in the Listing Rules of the CSE and the Banking Act and Directions issued by the CBSL. The Affidavits/Declarations submitted by the Directors were forwarded for regulatory approval as required by the applicable laws and regulations.

Disclosures:

1) The Bank has in place a Board approved policy and process for nomination of directors.
2) The Board of Directors is comprised with a balance of skills, competencies and experience that has relevance to the business of banking. Board diversity, skills, age and gender balance are considered when nominating Directors to the Board and deemed essential for effective Board performance. The Procedure to Select/Appoint Directors/CEO/KMPs of the Bank is adhered to when nominating Directors to the Board of Directors. Please see pages 23 to 27 for information on the Directors skills, experience and gender.
3) All Non-Executive Directors submit themselves for re-election by rotation in compliance with the Articles of Association of the Bank, which requires two Directors to retire at each Annual General Meeting. All such Directors have offered themselves for re-election at least once in every three years. Ms. Marianne Page and Mr. Buwanekabahu Perera offer themselves for re-election by rotation at the Annual General Meeting to be held in 2025 in terms of Article 86 of the Articles of Association of the Bank.

Director	Membership of Committees	Date of first appointment as a Director	Date of last re-appointment as a Director	Directorships or Chairpersonships and other principal commitments both present and those held over the preceding three years in other Listed Entities	Any relationships including close family relationships between the candidate and the directors, the Listed Entity or its shareholders holding more than ten per-centum (10%) of the shares of the Listed Entity
Ms. Marianne Page	Member BSPC BCC BCASC	10 October 2019	28 April 2023	-	Ms. Marianne Page or her close family members do not have any relationship with the Directors of the Bank. Ms. Page represents Cargills (Ceylon) PLC and CT Holdings PLC, which are material shareholders of the Bank.
Mr. Buwanekabahu Perera	Chairman BCC BNGC Member BAC BSPC	1 July 2021	7 April 2022	Sierra Cables PLC -Non-Executive Director.	NIL

Committee Reports

4) Board and Board Sub Committees have established a process to conduct an annual self-evaluation and have complied with this requirement for 2024.
5) The MD/CEO’s performance has been evaluated by the BHRRC/BNGC and appropriate recommendations made to the Board.
6) The Chairman informs the Independent Non-Executive Directors of major issues relating to the Bank.
7) A process is in place to conduct an orientation program for newly appointed Directors, primarily conducted by the Chairman. There were no directors appointed during the period under review and as such no induction was carried out for 2024. During the year, an awareness session was conducted to the Board of Directors on the revised Corporate Governance Rules of the CSE by an external resource personnel. Furthermore, the Directors were apprised of the new Banking Act Direction No.05 of 2024 on Corporate Governance issued by CBSL, Listing Rules, Securities Market Regulations and other applicable laws and regulations, including new regulatory developments on an ongoing basis. The Directors were also afforded the opportunity to attend external programs during the year.
8) The Declarations on Independence were provided by the Non-Executive Directors to determine their status of independence in terms of the criteria laid down in the CBSL Governance Direction and CSE Listing Rules. The independent directors have been identified in pages 23 to 27 under “ Our Board of Directors”.
9) The Committee declares that the Bank is compliant with the Corporate Governance Rules of the Colombo Stock Exchange and the Banking Act Direction No. 11 of 2007 on Corporate Governance issued by the Central.

   Bank of Sri Lanka for the year under review. Please refer the Corporate Governance Report on pages 114 to 140.

Buwanekabahu Perera
Chairman - Board Nominations and Governance Committee

Colombo
25 February 2025

Board Human Resources and Remuneration Committee Report

Composition of the Committee

GRI 2-19, GRI 2-20
The Board Human Resources and Remuneration Committee (BHRRC) comprises four (4) Independent Non-Executive Directors.

The following Directors served/serve on the BHRRC;

BHRRC Member	Directorship Status	Membership Status	Date of appointment/ Resignation
Mrs. Shanti Gnanapragasam	Independent Non-Executive Director	Chairperson	Member from 1 July 2023.
Mr. Asoka Pieris	Independent Non-Executive Director (designated as an Independent Director w.e.f. 8 June 2024)	Member	Member from 25 January 2023.
Mr. Richard Ebell	Independent Non-Executive Director	Member	Member from 4 August 2022. Ceased to be a member w.e.f. 30 June 2024.
Mr. Ravindra Jayawardena	Independent Non-Executive Director	Member	Member from 1 May 2023.
Mr. Arjuna Herath	Independent Non-Executive Director	Member	Member from 15 November 2023.

Permanent Attendee
Mr. Senarath Bandara (Managing Director/ CEO)

Ms. Amendra de Silva, the Company Secretary, functions as the Secretary of the Committee.

Terms of Reference

The BHRRC complies with Section 3 (6) (iii) of Banking Act Direction No. 11 of 2007, on Corporate Governance for Licensed Commercial Banks in Sri Lanka issued by the Monetary Board of the Central Bank of Sri Lanka under the powers vested in the Monetary Board, in terms of the Banking Act No. 30 of 1988 (as amended) and Rule 9.12 of the Listing Rules of the Colombo Stock Exchange. The composition and the scope of work of the Committee are in conformity with the provisions of the said Direction and Rule.

Purpose of Establishing the Committee

Cargills Bank values the Human Capital as its most prized asset. The growth and success of the organization is largely dependent on the performance of this capital base. Thus, the Bank places special emphasis on the well-being of its employees. At the same time Bank values, the reputation and recognition the brand “Cargills” has achieved over the years. As such we seek alignment between the personal values of our employees and that of the Cargills Brand and the overall alignment of our Human Resources to our business philosophy and brand value. The Committee considers effective recruitment and selection as central and crucial to the successful functioning of the Bank. Hence, meticulous attention is paid to recruitment and selection of the right people to the right position. The Bank strives to remunerate employees in exchange for their time, talent, efforts and results and values a performance culture where there is a clearly articulated correlation between performance and rewards. The compensation and benefits schemes are designed to be fair and without discrimination.

The basis for annual salary increments of the staff members are recommended by the Committee for the approval of the Board, based on the structures/ justifications presented by the management. The annual increment structures are proposed subsequent to comprehensive performance evaluation carried out by the individual department heads for each of their team members. The individual achievements against the KPIs, the overall contribution etc. are the deciding factors of different performance ratings and increment percentages for the individual staff members. Annual increments and the market adjustments are typically made based on the information gathered with regard to the prevailing market salaries and other perks.

Additionally, the Committee may declare a bonus pay to improve employee morale, motivation, and productivity or as a “Thank you” to employees who achieve a significant goal and is strictly performance based and will depend on the overall achievement of targets and performance of the Bank.

Committee Reports

The Committee also recommends annual staff promotions in adherence to the Bank's policies and procedures based on the justification provided by the management on individual performance, ability to meet or exceed duties as per the job description and KPIs, leadership capabilities and overall attitude of the staff etc.

The Committee assists the Board in the discharge of its oversight role and responsibilities relating to;

- The Bank's Human Resource's strategy and policy in positioning employment, retention, training, development, remuneration, and other performance-based payments.
- The remuneration of Executive and Non-Executive Directors.
- The remuneration and performance of the Company's CEO and the Key Management Personnel (KMPs).
- Review of the Remuneration Policy of the Bank.
- Review of the Organisational Structure of the Bank.

In performing this role, the Committee shall inter alia;

- Discuss and determine the remuneration policy including salaries, allowances, and other financial payments (cash and non-cash benefits) relating to Directors, CEO and KMPs of the Bank and make recommendations to the Board for approval.
- Establish and maintain a formal and transparent procedure for developing a policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration.
- The Policy so adopted shall be based on the principle of non-discriminatory pay practices among Non-Executive Directors to ensure that their independence is not impaired.
- Evaluate the performance of the CEO and KMPs against the set targets and goals periodically.
- Determine the basis for revising remuneration, benefits, and other payments of performance-based incentives.
- Review and assess HR and Remuneration Risk.
- Review the HR policies including Performance Management Policy, Employee Remuneration Policy, Employee Benefit Policies, Code of Conduct and Ethics, Occupational Health and Safety, Employment related policies and recommend same for the approval of the Board.
- Make recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

Frequency of Meetings and Quorum

Committee meetings are held half yearly or more frequently if required.

The CEO is present at all meetings of the Committee, except when matters relating to the CEO are being discussed. The quorum required at a meeting is three (3) members, two of whom shall be Non-Executive Independent Directors. The proceedings of the Committee meetings are regularly reported to the Board and minutes are circulated to all Directors.

The Committee met three times during the year and the attendance of Committee members at meetings is given in the table below.

BHRRC members	Attended/ Eligibility to attend
Mrs. Shanti Gnanapragasam	3/3
Mr. Richard Ebell	2/2
Mr. Asoka Pieris	3/3
Mr. Ravindra Jayawardena	3/3
Mr. Arjuna Herath	2/3

The details of the aggregate remuneration of the Executive and Non- Executive Directors are stated on page 288.

Activities of the Committee

The Committee considered and reviewed and /or recommended the following for the approval of the Board for the year under review;

- KPIs of the Corporate Management, inclusive of the MD/CEO.
- The Committee comprehensively reviewed the performance of the CEO and KMPs of the Bank for the year 2024 against set goals and targets and recommended to the Board of Directors of the Bank.
- HR Statistics on staff, including training for 2024/ E-learnings and staff engagement and other initiatives.
- Reviewed progress against the HR Plan for 2024.
- Key HR objectives for 2025 with focus on the need to manage manpower requirements of the Bank to support the strategic business objectives of the Bank, facilitating a performance culture to enhance individual contribution and maximizing staff retention to support uninterrupted business operations.
- Policies on Human Resources & Remuneration, Learning and Growth and on Occupational Health & Safety.
- Adopted a new Code of Conduct and Ethics for employees.
- Reviewed the improvements proposed to the current Staff Promotion Process and recommended the same for the approval of the Board.
- Critically reviewed the Market Salary Survey for different staff grades and made a comparison against the salary structures of the Bank.
- Reviewed the Terms of Reference of the Committee.
- The annual committee evaluation for 2024.

Shanti Gnanapragasam
Chairperson - Board HR and Remuneration Committee

Colombo
25 February 2025

Committee Reports

Board Strategic Planning Committee Report

Composition of the Committee

The Board Strategic Planning Committee (BSPC) comprises eight (8) Directors, seven (7) of whom are Non-Executive Directors. The following Directors served/serve on the Committee;

BSPC Member	Directorship Status	Membership Status	Date of Appointment/ Resignation
Mr. Asoka Pieris*	Independent Non-Executive Director	Chairman	Chairman from 1 July 2024. Member from 25 January 2023.
Mr. Richard Ebell	Independent Non-Executive Director	Chairman	Chairman and member till 30 June 2024. Member from 3 July 2015.
Mr. Senarath Bandara	MD/CEO	Member	Member from 1 October 2020.
Ms. Marianne Page	Non-Independent Non-Executive Director	Member	Member from 29 November 2019.
Mr. Yudhishtran Kanagasabai	Independent Non-Executive Director	Member	Member from 29 November 2019.
Mr. Buwanekabahu Perera	Independent Non-Executive Director	Member	Member from 29 July 2021.
Mr. Ravindra Jayawardena	Independent Non-Executive Director	Member	Member from 1 July 2023.
Mrs. Shanti Gnanapragasam	Independent Non-Executive Director	Member	Member from 1 July 2023.
Mr. Arjuna Herath	Independent Non-Executive Director	Member	Member from 15 November 2023.

**Designated as an independent director w.e.f. 8 June 2024.*

Ms. Amendra de Silva, the Company Secretary, functions as the Secretary of the Committee.

Terms of Reference

The Committee is duly constituted with its own Terms of Reference, which has been approved by the Board.

Purpose of Establishing the Committee

The Board Strategic Planning Committee was formed to assist the Board of Directors and the Chief Executive Officer in fulfilling their larger role and responsibility in the development and execution of an appropriate and effective strategy for the Bank's profitability, growth and long-term sustainability.

Its scope is limited to an oversight role and includes a set of responsibilities to assist the Bank in pursuing an appropriate and effective strategy and to periodically monitor whether the Executive Management is fully committed and is able to execute and deliver the strategy and make appropriate recommendations to the Board. The planning, execution and delivery of the Bank's strategies is the primary responsibility of the Executive Management.

In performing this role, the Committee shall inter alia;

- Assist the Executive Management in developing a well-defined medium- term Strategic Plan for the Bank in line with the Bank's overall vision, strategic direction and business model.
- Review and assess whether the Bank is responsive to changes in the competitive environment by realigning its strategies and action plans periodically, where appropriate, to strengthen its competitive position.
- Review and assess whether the strategic plans of the Bank address the expectations of all key stakeholders, including in particular its shareholders.
- Review and assess whether the annual business plans and financial budgets, including capex budgets developed by the Executive Management, are aligned with the Bank's business model and Strategic Plan and recommend such matters for approval by the Board.

- Review and evaluate the alignment of KPIs of all KMPs to the Strategic Plan and financial budgets.
- Monitor and evaluate the execution of strategy and delivery of performance by the Management under the approved Strategic Plan and connected annual business plans and financial budgets.
- Regularly review and evaluate the key objectives and goals contained in the annual financial budget, the business plan and the Strategic Plan concerning performance and sustainability and review all major business initiatives and projects prior to their submission to the Board for approval.
- Review and evaluate major initiatives and projects aimed at transforming the business and operating model and make appropriate recommendations to the Board.
- Assist the Board in ensuring that all necessary action is taken to meet regulatory capital requirements and oversee the efficiency in the deployment of capital by the Management.
- Monitor on a regular basis the strategic and KPIs of the Bank including the strategic risks arising from under-performance.
- Advice the Board on strategy and direction, in carrying out the above oversight responsibilities relating to the smooth functioning of the Bank.

Frequency of Meetings and Quorum

- Committee meetings shall be held twice a year or more frequently if required.
- The quorum required at a meeting shall be five (5) including the MD/CEO, two of whom shall be Independent Non-Executive Directors.
- The Committee met thrice (3) during the year and the attendance of committee members at meetings is given in the table below.

BSPC members	Attended/Eligibility to attend
Mr. Asoka Pieris	3/3
Mr. Richard Ebell	1/1
Mr. Senarath Bandara	3/3
Ms. Marianne Page	3/3
Mr. Yudhishtran Kanagasabai	2/3
Mr. Buwanekabahu Perera	2/3
Mr. Ravindra Jayawardena	2/3
Mrs. Shanti Gnanapragasam	3/3
Mr. Arjuna Herath	3/3

Activities of the Committee

The Committee considered and reviewed and/or recommended the following for the approval of the Board;

- Performance Reviews against Business Plan

  The Committee conducted two Business Plan reviews with the Management during the year under review. These reviews included analysis of the performance of the Bank against the annual business plan, the challenges faced by the Bank in its business plan implementation, and deliberation on the upcoming plans and strategies to continue the profitable and sustainable business growth of the Bank.
- Budget and Business Plan for 2025-2027

  The Committee reviewed the Budget and Business Plan in depth and recommended the same for the approval of the Board, subject to its feedback. The Committee considered the declining interest rate environment and contraction in net interest margins, the need to supplement Interest Income with Fee & Commission Income, whilst rebalancing the Asset portfolio and pursuing lending growth strategies.

  In recommending the Budget and Business Plan, the Committee noted the macro-economic recovery, which began in 2H2023, continued through 2024, helping to stabilize the financial sector and improve the economic prospects for 2025.
- New products to be launched by the Bank

  The Committee deliberated on new products and solutions to be launched to expand revenue streams to strengthen the P & L and made appropriate recommendations to the Board.
- Terms of Reference of the Committee.
- Committee evaluation for 2024.

Asoka Pieris
Chairman - Board Strategic Planning Committee

Colombo
25 February 2025

Committee Reports

Board Related Party Transactions Review Committee Report

Composition of the Committee

GRI 2-15
The Board Related Party Transactions Review Committee (BRPTRC) comprises three (3) Independent Non-Executive Directors. The following Directors served/serve on the BRPTRC;

BRPTRC Members	Directorship Status	Membership Status	Date of Appointment/ Resignation
Mr. Yudhishtran Kanagasabai	Independent Non-Executive Director	Chairman	Member w.e.f. 15 November 2023.
Mr. Richard Ebell	Independent Non-Executive Director	Member	Member from 29 April 2021. Ceased to be a member w.e.f. 30 June 2024.
Mrs. Shanti Gnanapragasam	Independent Non-Executive Director	Member	Member from 1 July 2023.
Mr. Arjuna Herath	Independent Non-Executive Director	Member	Member from 1 July 2024.

Ms. Amendra de Silva, the Company Secretary, functions as the Secretary of the Committee.

The Committee invites members of the Management to attend meetings to provide relevant information or data, required for matters under discussion.

Terms of Reference

The Board of Directors of Cargills Bank recognises that Related Party Transactions (RPTs) present a heightened risk of conflict of interest and/or improper benefit (or the perception thereof) to the related party transacting with the Bank. Therefore, demonstrating its commitment to good governance, the Board established a Related Party Transactions Review Committee in 2018, governed by its own Terms of Reference. The Committee has established clear Board approved policies, procedures and processes for the identification, clarification and reporting of RPTs on an end to end basis across the Bank's operations.

Purpose of Establishing the Committee

The Board of Directors, through its mandated Committee; the BRPTRC has taken necessary steps to avoid conflicts of interest that may arise from transactions with any person considered a related party. It ensures that the Bank refrains from engaging in transactions with related parties in a manner that would grant such parties more favourable treatment than accorded to other constituents of the Bank carrying on the same business. When reviewing a RPT, the Committee considers the related party's relationship to the Bank and interest in the transaction, material facts of the proposed RPT, including the proposed aggregate value of such transaction, the benefits to the Bank of the proposed RPT, the availability of other sources of comparable products or services, an assessment of whether the proposed RPT and pricing are on terms that are comparable to the terms generally available to an unaffiliated third party under the same or similar circumstances, or to employees generally, including an independent assurance from the Head of Risk Management on the proposed RPT. In carrying out its duties, the Committee avoids a conflict of interest that may arise from transactions with any person considered a related party.

The Committee has been delegated with the following responsibilities to assist the Board in ensuring that all RPTs conform to the applicable regulations. In discharging its responsibilities, the Committee reviews the mechanism and processes by which Related Parties and RPTs are captured.

- To ensure all related parties are identified, changes promptly captured, and RPTs are continuously monitored.
- To ensure RPTs are not undertaken on more favourable terms than are available to non-related parties under similar circumstances. This is to ensure the interests of shareholders and other stakeholders as a whole are taken into account by the Bank when entering into RPTs. When clearing RPTs, to ensure the objective and the economic and commercial substance of the RPTs take precedence over the legal form and technicality.
- The Committee reviews and approves the types of recurrent RPTs to be considered as exempt in terms of the Listing Rules (involving the provision of goods, services or financial assistance, continuing and conducted in the ordinary and usual course of business, on terms not more favourable than terms available to non-related parties in similar circumstances). This list of exempt recurrent RPTs is reviewed and updated if required quarterly, by the Committee and advised to the Board.

- The Committee reviews non-recurrent RPTs before they are undertaken and makes appropriate recommendations to the Board. In doing so the Committee considers whether the RPT in its entirety is in the best interests of the Bank.
- All RPTs which require prior clearance are reviewed by the Committee. It will also determine and advise whether Board approval is required for the proposed RPT, depending on the nature of the transaction and the terms offered.
- It also performs other activities the Committee deems appropriate for executing its duties and functions under its Terms of Reference and any other responsibilities which the Board may assign to it from time to time.
- In evaluating RPTs, the Committee takes into account the Banking Act Direction No.11 of 2007 on Corporate Governance for Licensed Commercial Banks, Banking Act No.30 of 1988 as amended and Directions issued thereunder, Listing Rules of the Colombo Stock Exchange and any other applicable law or direction and the Related Party Transactions Policy & Procedure of the Bank.

Frequency of Meetings and Quorum

The Committee is required to meet at least four times during the Financial Year, and as and when deemed necessary. The quorum required at a meeting is three (3).

The Committee met four (4) times during the year and the attendance of the members at meetings is given in the table below;

BRPTRC Members	Attended/ Eligibility to attend
Mr. Yudhishtran Kanagasabai	4/4
Mr. Richard Ebell	2/2
Mrs. Shanti Gnanapragasam	4/4
Mr. Arjuna Herath	2/2

Activities of the Committee

The Committee considered and/or reviewed the following;

- The data on related parties of the Bank, compiled based on self-declarations provided by the Directors, KMPs, and group companies.
- All RPTs which require prior clearance were reviewed by the Committee and ensured that transactions were at arm's length. When reviewing the RPTs, the Committee advised whether Board approval should be sought, depending on the nature of the transaction and the terms offered.
- All RPTs entered into by the Bank were reviewed on a quarterly basis.
- Related Party Transactions Monitoring Report prepared by the Compliance department.
- Internal Audit Report on the RPT Policy and Processes.
- Committee evaluation for 2024.

The proceedings of the meetings of the Committee during the year and all RPTs of the Bank were regularly reported to the Board of Directors with its comments and observations.

Declaration

There were no transactions with related parties which were more favourable or preferential during the period under review. The Bank was thus compliant with the Listing Rules of the CSE, Banking Act No. 30 of 1988 as amended and Directions issued thereunder and Banking Act Direction No. 11 of 2007 on Corporate Governance (as amended) issued by the Central Bank of Sri Lanka, on RPTs. The Bank has not entered into any transactions as contemplated in Section 9.14.8 (1) & (2) of the Listing Rules of the CSE and accordingly there are no disclosures to be made according to Section 9.14.8 of the Listing Rules of the CSE.

Yudhishtran Kanagasabai
Chairman - Board Related Party Transactions Review Committee

Colombo
25 February 2025

Committee Reports

Board Credit Committee Report

Composition of the Committee

The Board Credit Committee (BCC) is comprised of four (04) Non-Executive Directors, including three (03) Independent Directors. In line with corporate governance best practices, an Independent Director serves as the Chairperson.

The following Directors served on the BCC during the year:

BCC Members	Directorship Status	Membership Status	Date of Appointment/ Resignation	Attended/ Eligibility/ to attend
Mr. Buwanekabahu Perera	Independent Non-Executive Director	Chairman	Chairman w.e.f. 4 August 2022 Member from 29 July 2021	8/8
Ms. Marianne Page	Non-Independent Non-Executive Director	Member	Member from 4 August 2022	8/8
Mr. Asoka Pieris*	Independent Non-Executive Director	Member	Member from 25 January 2023	7/8
Mrs. Shanti Gnanapragasam	Independent Non-Executive Director	Member	Member from 27 October 2023	7/8

*Designated as an Independent Director since 08 June 2024.

Mr. Wimal Karunaarachchi, The Head of the Risk Management Department, functions as the Secretary of the Committee.

Mandate and Responsibilities

Terms of Reference

The Board Credit Committee (BCC) plays a critical role in assisting the Board of Directors by providing oversight on:

- The Bank's credit and lending strategies, ensuring alignment with business objectives.
- The Bank's credit risk management framework, including policy reviews and portfolio limits.
- The quality and performance of the credit portfolio, with a focus on risk mitigation.

Key Responsibilities

As per its Terms of Reference, the BCC is responsible for:

- Credit Risk Oversight: Reviewing and recommending the Bank's credit risk appetite, policies, and strategies to the Board.
- Guidance on Risk Appetite: Providing strategic direction on acceptable levels of credit risk.
- Credit Pricing & Capital Efficiency: Assessing capital costs in lending and optimizing pricing structures to enhance returns.
- Credit Approvals & Recommendations: Reviewing credit facilities under its delegated authority and recommending larger exposures for Board approval.
- Portfolio & Asset Quality Monitoring: Assessing risk asset quality, non-performing advances, and sectoral exposure to ensure prudent risk management.
- Macroeconomic & Sectoral Review: Evaluating the impact of economic cycles on credit portfolios and adjusting lending strategies accordingly.
- Customer / Group Exposure & Limits: Monitoring customer concentration risks and recommending adjustments where necessary.
- Policy & Risk Management Alignment: Ensuring credit risk policies remain consistent with the broader risk management framework set by the Board Integrated Risk Management Committee (BIRMC).
- Effectiveness of Credit Risk Controls: Overseeing the implementation and effectiveness of internal credit controls and ensuring compliance with policies and procedures.
- Reporting & Documentation: Maintaining comprehensive meeting records and submitting detailed minutes to the Board.

Authority & Decision-Making Power

The Board of Directors has empowered the Board Credit Committee to:

- Approve credit facilities within its delegated authority.
- Recommend credit proposals that exceed its authority to the Board for approval.
- Request relevant information from management to support its decision-making process.

Meetings & Attendance

The Committee convenes a minimum of four (04) times annually, with additional meetings held as required by the Bank's credit and lending activities. A quorum for meetings requires at least three (03) members, including two (02) Independent Directors.

In 2024, the Committee met eight (08) times, and all decisions were duly reported to the Board to ensure transparency and alignment with strategic objectives.

Committee Activities in 2024

The Committee operated in an economically challenging environment, navigating domestic and global uncertainties such as:

- Macroeconomic volatility and inflationary pressures
- Geopolitical instability and financial market fluctuations
- Domestic economic recovery and sectoral credit risks

Despite these headwinds, the Committee played a pivotal role in shaping the Bank's lending strategy with a focus on:

- Prudent Credit Growth – Balancing business expansion with risk management.
- Improved Credit Quality – Strengthening underwriting standards and credit assessments.
- Sectoral Risk Management – Diversifying credit exposure and mitigating industry-specific risks.
- Sustainable Lending Practices – Aligning lending strategies with environmental and social responsibility goals.

Key activities included:

- Approval of high-value credit proposals, ensuring alignment with the Bank's risk appetite.
- Review and recommendation of large credit exposures for Board consideration.
- Close monitoring of non-performing advances and recommending corrective measures.
- Oversight of risk-weighted capital allocation to enhance risk-adjusted returns.

All activities were carried out in full compliance with the Bank's credit policies, ensuring that lending practices adhered to established credit risk parameters. These efforts were instrumental in strengthening the Bank's asset growth while upholding robust risk management principles.

Conclusion & Outlook for 2025

As the Bank navigates an evolving economic and regulatory landscape, the Board Credit Committee will continue to:

- Strengthen credit risk governance and oversight.
- Enhance risk-adjusted lending strategies.
- Foster sustainable credit growth while maintaining high asset quality.
- Adapt to emerging credit risks and macroeconomic trends.

Through these strategic initiatives, the Committee remains committed to ensuring financial stability, resilience, and sustainable value creation for all stakeholders.

Buwanekabahu Perera
Chairman - Board Credit Committee
25 February 2025

Committee Reports

Board Audit Committee Report

The Board Audit Committee (BAC) assists the Board in carrying out its responsibilities on financial reporting, internal control and internal and external audit functions.

Composition of the Committee

- Mr. Arjuna Herath, Chairman
  (Independent Non-Executive Director)
  Chairman of the BAC from 15 November 2023
- Mr. Richard Ebell
  (Chairman of the Bank, Independent Non Executive Director)
  Resigned 02 July 2024
- Mr. Buwanekabahu Perera
  (Independent Non-Executive Director)
- Mr. Yudhishtran Kanagasabai
  (Independent Non-Executive Director; Non-Independent Non-Executive)
- Ms. Marianne Page
  (Non-Independent, Non-Executive Director)
  Appointed to the BAC on 01 July 2024. Resigned on 01 August 2024.
- Ms. Shanti Gnanapragasm
  (Independent, Non-Executive Director)
  Appointed to the BAC on 01 August 2024

Mr. Amitha Munasinghe, Head of Internal Audit, serve as the Committee's Secretary since 03 June 2024, Mr. Kusala Karunaratne, who served as the Secretary until 03 June 2024 was promoted as AGM Operations.

Mr. Senarath Bandara, Managing Director/ CEO and Mr. Prabhu Mathavan, COO, attended meetings as representatives of management, and other employees of the Bank including the Head of Finance attended meetings as required by invitation, to assist BAC awareness of the key issues and relevant developments, and provide briefings and responses to questions asked.

The External Auditors, attended BAC meetings as required.

Qualifications

Mr. Arjuna Herath, Chairman, and Mr. Richard Ebell, previous member are both Fellows of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have many years of relevant experience. Other members who serve on the BAC, or served on the BAC during the year, had considerable experience in banking, finance and related areas. Brief profiles of all are given on pages 23 to 27 of the Annual Report.

Regulatory Compliance

The role and functions of the BAC are regulated by Banking Act Direction No.11 of 2007, the mandatory Code of Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka, and now with the Bank listing on the Colombo Stock Exchange (CSE), the Listing Rules of the CSE.

Duties and Role of the Board Audit Committee

The Charter of the BAC clearly defines the duties and role of the BAC. The Charter was last reviewed and approved on 19 February 2025 by the Board of Directors, incorporating requirements flowing from the CSEs Listing Rules.

The BAC's duties and role are prescribed in its Charter. It has oversight responsibility for;

- The integrity of the annual and quarterly Financial Statements of the Bank and the appropriateness of accounting policies adopted which it assessed by reviewing these statements with the management and external auditors.
- The effectiveness of the Bank's systems of internal controls including internal controls over financial reporting, which it assessed through review of internal audit reports and discussion with management and the external auditors.
- Independence and performance of Internal Audit, which it assessed through review of audit plans and work done, and internal audit reports provided.
- Monitoring the independence and performance of the External Auditors, which it assessed through multiple interactions during the year, and making recommendations on them re-appointment and the fees payable to them.
- Ensuring that proper arrangements are in place for the fair and independent investigation of matters raised through whistleblowing, and for appropriate follow-up action.
- Reviewing External Auditors' Management Letters and, as necessary, CBSL onsite examination reports, and follow up on remedial actions to address findings and recommendations.

Meetings of the Board Audit Committee

The committee met 9 times in 2024. Attendance at these meetings was:

BAC Members	Attended/ Eligibility to attend
Mr. Arjuna Herath	9/9
Mr. Richard Ebell	4/4
Mr. Buwanekabahu Perera	9/9
Mr. Yudhishtran Kanagasabai	8/9
Ms. Marianne Page	1/1
Ms. Shanti Gnanapragasam	4/4

KPMG was represented at 2 of these meetings.

Financial Reporting

The BAC reviewed the Bank's quarterly and annual Financial Statements with management, who provided it internal assurances of compliance, prior to recommending their adoption by the Board. This is a part of its responsibility to oversee the integrity of the Bank's financial reporting process and the financial statements produced.

In discharging this responsibility, the BAC considered the effectiveness of the Bank's internal controls over financial reporting with the assistance of the External Auditors and the Internal Audit Department, as required by the regulations applicable.

Internal Audit

Coverage of the audit universe by the Internal Audit team is based on a risk assessment review aligned to the Bank's strategic plan. The annual risk and significance-based audit plan covering significant operational areas and mandatory regulatory audits extending to branches, departments, and special reviews is approved by the BAC at the beginning of the year.

Engaging early to protect the control environment, with post implementation reviews of critical systems, and use of combined expertise on information systems and processes, was the strategy used by Internal Audit to enhance their value addition to the Bank. The BAC periodically reviewed progress of the audit plan.

The BAC also reviewed the scope, independence, objectivity and performance of the Internal Audit function and the adequacy of its resources. The performance of the Head of Internal Audit was also reviewed by the BAC and the performance of senior officers of Internal Audit was observed by the BAC in the course of the work they performed.

Major findings of audits and internal investigations were considered by the BAC and appropriate recommendations made on action required and mitigating controls necessary, with implementation followed up as necessary with management.

Information Systems audits were conducted by internal Audit, understanding information security risks (including cyber security risks) and possible mitigation strategies considering changes in the working environments and IT infrastructure including cyber security risks .
The BAC works with the BIRMC in identifying and addressing these concerns.

External Audit

The BAC monitored the independence of the External Auditors and the objectivity and effectiveness of their audit process and provided recommendations to the Board on their re-appointment and on the audit fees payable to them. The BAC also reviewed any engagement of the external auditors and the fees applicable on other services provided, ensuring these were not prohibited services and their provision did not impair the auditors' independence and objectivity.

The BAC had one confidential meetings with the External Auditors without the presence of management, to ensure they had unhindered access to information, records and staff, and experienced no pressure or influence in reporting their findings.

The BAC received a declaration from KPMG as required by the Companies Act No.07 of 2007, confirming that they did not have any relationship or interest in the Bank which had a bearing on their independence.

The Committee reviewed the external audit plan and audit findings, as well as the Auditor's management letters and followed up on issues raised.

Communication with the Board

Minutes of BAC meetings are submitted to the Board. Written reports and verbal updates were provided also, as thought necessary, highlighting matters of particular relevance.

Evaluation of the Committee

Self-evaluations of the workings of the committee were initiated in January 2025. The results of these evaluations have been reviewed by the Audit committee and considering overall performance, committee has been rated as effective.

On behalf of the BAC

Arjuna Herath
Chairman, Board Audit Committee

Colombo
25 February 2025

Committee Reports

Board Information Technology Committee (BITC) Report

The Board Information Technology Committee of Cargills Bank PLC provides consultative guidance to management on technology strategy and initiatives. The committee advises on aligning technology initiatives with the bank's strategic goals, ensuring IT investments effectively drive business growth, operational efficiency, and regulatory compliance. Key areas of focus for the committee's guidance include enhancing digital banking services, strengthening cybersecurity measures, and improving IT governance to support the bank's growth and operational resilience.

Charter of the Committee

Operating under Board-approved Terms of Reference, the Committee provides guidance to management on key IT objectives. These include aligning IT strategies with overarching business goals and objectives, ensuring technology investments support the organization's mission. The Committee advises on IT risk management, encompassing the identification, assessment, and mitigation of IT-related risks, with a particular emphasis on cybersecurity threats and data protection. It also provides counsel on evaluating and prioritizing IT investments, ensuring effective resource allocation and demonstrable value aligned with organizational priorities. Furthermore, the Committee offers guidance on overseeing IT systems and practices to ensure adherence to accepted norms and best practices, as well as compliance with all applicable legal, regulatory, and internal policy requirements. The Committee is mandated to convene at least four times during each financial year, with additional meetings as needed. A quorum for each meeting consists of two directors and five committee members. During the year 2025, the committee held one meeting, the attendance details of which are documented separately.

Composition of the Committee

The Board Information Technology Committee (BITC) comprises three Non-Executive Directors, The Managing Director and other Management members. The following Directors served/serve on the Committee for the period under review.

BITC Member	Directorship Status	Membership Status	Date of Appointment/ Resignation	Attendance/ Eligibility to attend
Mr. Arjuna Herath	Independent Non-Executive Director	Chairman	Chairman w.e.f. 26 March 2024	2/2
Mr. Yudhishtran Kanagasabai	Independent Non-Executive Director	Member	Member from 26 March 2024	2/2
Mrs. Shanti Gnanapragasam	Independent Non-Executive Director	Member	Member from 26 March 2024	1/2
Mr. Senarath Bandara	Managing Director / CEO	Member	Member from 26 March 2024	2/2

Mr. Wimal Karuanaarachchi, The Head of Risk Management, functions as the Secretary of the Committee.

Initiatives of the Committee

In 2025, the Committee provided guidance on several key initiatives, including the implementation of a Core Banking System and specialized systems for Pawning/Gold Loans and Leasing, as well as hardware upgrades. The Committee consulted on planned 2025 projects, reviewing their current status, and focused on increasing the utilization of Robotic Process Automation, along with various projects related to cards, digital initiatives, and information security. The Committee also reviewed the IT Capital Expenditure budget. Looking forward, the Committee will provide guidance on prioritizing the automation of banking processes to enhance productivity and reduce manual effort, continuing to enhance cybersecurity measures to address evolving threats, expanding digital banking offerings to cater to emerging market trends, and ensuring the timely completion of all planned 2025 projects.

Arjuna Herath
Chairman - Board Information Technology Committee (BITC)
25 February 2025

Board Capital Augmentation Steering Committee Report

Composition of the Committee

The Board Capital Augmentation Steering Committee (BCASC) was formed during the year to advise the Board on the Capital Augmentation Plan of the Bank. The Committee comprises four (4) Directors, three (3) of whom are Non-Executive Directors. The following Directors served/serve on the Committee;

BCASC Member	Directorship Status	Membership Status	Date of Appointment/ Resignation
Mr. Asoka Pieris*	Independent Non-Executive Director	Chairman	Chairman from 1 July 2024. Member from 4 June 2024.
Mr. Richard Ebell	Independent Non-Executive Director	Chairman	Chairman and member till 30 June 2024. Member from 4 June 2024.
Mr. Senarath Bandara	MD/CEO	Member	Member from 4 June 2024.
Ms. Marianne Page	Non-Independent Non-Executive Director	Member	Member from 4 June 2024.
Mr. Arjuna Herath	Independent Non-Executive Director	Member	Member from 4 June 2024.
Mr. Prabhu Mathavan	Non-Board Member (Chief Operating Officer)	Member	Member from 4 June 2024.
Mr. Talaal Maruzook	Non- Board Member (Chief Strategy Officer)	Member	Member from 4 June 2024.

**Designated as an independent director w.e.f. 8 June 2024.*

Mr. Talaal Maruzook
Chief Strategy Officer, functions as the Secretary of the Committee.

Terms of Reference

The Board Capital Augmentation Steering Committee was established to assist the Board of Directors and the Chief Executive Officer in the critical task of raising capital to ensure compliance with the regulatory minimum capital requirement of Rs. 20 Bn by 31 December 2025. The BCASC is duly constituted with its own Terms of Reference, which has been approved by the Board.

Role and Responsibilities of the Committee

The Committee's primary mandate is to provide strategic guidance to the Executive Management team, evaluate various capital-raising options, and make recommendations to the Board in the execution of the Capital Augmentation Plan to the Bank. While the planning, execution, and delivery of the Plan rest with the Executive Management, the Committee plays a pivotal role in ensuring oversight and alignment with regulatory and strategic priorities. The Committee will cease to function when the purpose is achieved.

In fulfilling its mandate, the Committee undertakes the following responsibilities;

- Assist the Executive Management in formulating a viable Capital Augmentation Plan to meet the Central Bank of Sri Lanka's (CBSL) minimum capital requirements.
- Provide oversight and guidance on the issues of shares and other mechanisms and sources of funding to be pursued.
- Review and evaluate potential advisors or partners to support the Bank in its capital augmentation efforts.
- Recommend strategies and actions to the Board for a successful capital-raising initiative.
- Monitor and assess the implementation progress of the Capital Augmentation Plan.
- Report to the Board on a monthly basis regarding the status and progress of the Capital Augmentation Plan.
- Review and recommend to the Board key documentation related to the Capital Augmentation Plan.
- Support the Board and Executive Management in addressing regulatory queries and requirements.

Committee Reports

Frequency of Meetings and Quorum

- The Committee convenes as required to fulfill its mandate effectively.
- The quorum required at a meeting shall be four (4) members, including the MD/CEO, at least one of whom shall be an Independent Non-Executive Director.
- During the reporting year, the Committee held three (3) meetings. The attendance of Committee members at these meetings is provided in the table below.

Board members	Attended/Eligibility to attend
Mr. Asoka Pieris	3/3
Mr. Richard Ebell	1/1
Mr. Senarath Bandara	3/3
Ms. Marianne Page	3/3
Mr. Arjuna Herath	1/3
Mr. Prabhu Mathavan	2/3
Mr. Talaal Maruzook	3/3

Activities of the Committee

During the year, the Committee undertook the following key activities and made recommendations to the Board;

- Evaluation and selection of Manager to the Issue.

  The Committee evaluated proposals from five (5) parties to identify and recommend a suitable Issue Manager to the Board for the Capital Augmentation Plan. The evaluation process included an in-depth review of the proposals submitted by potential advisors, interviews with the Parties and a recommendation to the Board of the most suitable Party for the exercise.
- Identification and recommendation of other Parties required for the Capital Augmentation Plan.

  The Committee identified and recommended to the Board the appointment of supporting parties required to implement the Capital Augmentation Plan, which includes legal advisors, registrars, etc.
- Determination of the Capital Augmentation Plan.

  The Committee analysed multiple options for raising capital, considering critical factors such as the Bank's performance trajectory, trends in the capital markets, and broader economic developments. Based on this evaluation, the Committee recommended a Capital Augmentation Plan for the approval of the Board.
- Engagement with the Central Bank regarding Capital Augmentation.
- Adoption of the Terms of Reference of the Committee.
- Committee evaluation for 2024.

Asoka Pieris
Chairman - Board Capital Augmentation Steering Committee

Colombo
25 February 2025

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

Your Directors take pleasure in presenting this report to their stakeholders together with the audited Financial Statements for the year ended 31 December 2024.

The details set out herein provide pertinent information as required by the Companies Act No. 7 of 2007, Banking Act No.30 of 1988 and its amendments, Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks and subsequent amendments thereto, the Listing Rules of the Colombo Stock Exchange (CSE), and the best accounting practices recommended by the Institute of Chartered Accountants of Sri Lanka (CASL) and other necessary disclosures in the best interest of stakeholders of the Bank.

General

Cargills Bank Ltd (Now Cargills Bank PLC) is a limited company and a Licensed Commercial Bank, incorporated in Sri Lanka on 3 November 2011 as "Cargills Agriculture and Commercial Bank Limited" under the Companies Act No. 7 of 2007 and changed its name to "Cargills Bank Limited" on 28 January 2014. It was approved as a Licensed Commercial Bank under the Banking Act No. 30 of 1988 on 21 January 2014.

The Bank was listed on the Colombo Stock Exchange on 9 January 2024 and became a Public Limited Company and hence the Bank is now known as Cargills Bank PLC.

The Bank has been assigned a National Long-Term Rating of A (lka) by Fitch Ratings Lanka Limited.

Board Responsibility Towards Financials

According to sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 7 of 2007 and amendments thereto, the Bank's Board of Directors is responsible for the preparation of the Financial Statements of the Bank, which reflect a true and fair view of the financial position and the performance of the Bank.

In this respect, the Board of Directors wishes to confirm that the Financial Statements, namely, Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and Material Accounting Policies and Notes thereto appearing on pages 219 to 314 have been prepared and presented in conformity with the requirement of the Sri Lanka Accounting Standards as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Companies Act No. 7 of 2007 and amendments thereto.

The report also provides the information and disclosures as required by the Companies Act No. 7 of 2007 and amendments thereto, Banking Act No. 30 of 1988 and amendments thereto, the Directions issued thereunder including the Banking Act Direction No. 11 of 2007, as amended, the Listing Rules of the CSE and best accounting practices recommended by the CASL.

The Board of Directors of the Bank is pleased to present to the shareholders the 13th Annual Report of the Bank comprising a detailed discussion and analysis of capitals and business lines, the Audited Financial Statements of the Bank for the year ended 31 December 2024 along with the Independent Auditor's Report on the Financial Statements conforming to all applicable statutory requirements.

The Report of the Board of Directors and the Financial Statements for the year ended 31 December 2024, including comparatives were approved and authorised by the Board of Directors on 25 February 2025.

Within the statutory time limits, the appropriate number of copies of the Annual Report will be submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) and soft copies of same will be hosted on the website of the Bank, https://www.cargillsbank.com and on CSE website, https://www.cse.lk.

Board Balance and Contribution

The Board is considered to be of appropriate balance and mix of skills and experience. The Boards' diversity contributes to varied perspectives and objective evaluation of matters set before them. Non-Executive Directors are eminent professionals in their respective fields. Gender diversity is maintained with two ladies on the Board as at 31 December 2024.

Directors are appointed through a formal and transparent process, assessed for their independence and approved by the Central Bank of Sri Lanka. The nomination of Directors is delegated to the Board Nominations & Governance Committee (BNGC), which recommends the appointment of new Directors for approval by the Board having reviewed the combined knowledge, experience and diversity of the Board in relation to the Bank's size, scale and its business model and any identified gaps therein.

During the year, the Chairman Mr. Richard Ebell retired w.e.f. 2 July 2024 after completing nine years on the Board of Directors. In view of his retirement, the BNGC/ Board appointed Mr. Asoka Pieris as Deputy Chairman w.e.f. 1 April 2024, who subsequently succeeded as Chairman w.e.f. 3 July 2024.

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

Corporate Governance for Licensed Commercial Banks in Sri Lanka

The Bank recognizes the importance of a sound Corporate Governance framework, which provides a basis for its future development and corporate performance, including safeguarding stakeholders' interest. Accordingly, the Board has formally resolved and adopted a Policy and Code of Corporate Governance, which conforms to the Directions issued by the Central Bank of Sri Lanka and the Rules issued by CSE as well as international and local best practices. The Bank has complied with the Banking Act Directions and the Listing Rules of the CSE on Corporate Governance as stated in the detailed statement provided on pages 114 to 140 of the Annual Report.

Board and Its Committees

The Board is empowered by the Articles of Association to delegate any of its powers to the Board appointed subcommittees within the scope of the respective Terms of Reference approved by the Board. The subcommittees consist of members appointed as the Board thinks fit, subject to meeting the criteria specified in the respective Terms of Reference. The following Board subcommittees were functional as at 31 December 2024. The scope, composition and responsibilities of these subcommittees have been provided in the respective Committee Reports published elsewhere in the Annual Report.

1) Board Audit Committee (BAC)
2) Board Integrated Risk Management Committee (BIRMC)
3) Board Strategic Planning Committee (BSPC)
4) Board Human Resources and Remuneration Committee (BHRRC)
5) Board Nominations & Governance Committee (BNGC)
6) Board Credit Committee (BCC)
7) Board Related Party Transactions Review Committee (BRPTRC)
8) Board Capital Augmentation Steering Committee (BCASC)
9) Board Information Technology Committee (BITC)

Given below is a summary of the participation of Directors in Board and Committee meetings in the year 2024.

Name of the Director	Date of Appointment to the Board	Attended/Eligibility to Attend									
		Board	BAC	BIRMC	BSPC	BHRRC	BNGC	BITC	BCASC	BCC	BRPTRC
Mr. H A Pieris (Chairman)	20 January 2023 (Appointed as Deputy Chairman w.e.f. 1 April 2024 and as Chairman w.e.f. 3 July 2024)	12/12	-	3/3	3/3	3/3	5/5	-	3/3	7/8	-
Mr. R A Ebell (Chairman)	3 July 2015 (Retired w.e.f. 2 July 2024)	6/6	4/4	3/3	1/1	2/2	3/3	-	1/1	-	2/2
Mr. K B S Bandara (MD/CEO)	8 September 2020	12/12	-	6/6	3/3	-	-	2/2	3/3	-	-
Ms. M M Page	10 October 2019	11/12	1/1	-	3/3	-	-	-	3/3	8/8	-
Mr. Y Kanagasabai	28 October 2019	11/12	8/9	6/6	2/3	-	2/2	2/2	-	-	4/4
Mr. P E A B Perera	1 July 2021	10/12	9/9	-	2/3	-	5/5	-	-	8/8	-
Mr. R A Jayawardena	1 May 2023	12/12	-	-	2/3	3/3	-	-	-	-	-
Mrs. S Gnanapragasam	21 June 2023	12/12	4/4	5/6	3/3	3/3	-	1/2	-	7/8	4/4
Mr. A Herath	1 November 2023	11/12	9/9	2/3	3/3	2/3	4/5	2/2	1/3	-	2/2

Auditors

The opinion expressed by the Bank's External Auditors, Messrs KPMG, Chartered Accountants, who were re-appointed in accordance with a resolution passed at the 12th Annual General Meeting held on 26 April 2024 is given on the pages 215 to 218 of this Annual Report. The details on the remuneration of External Auditors are given in Note 17 on page 250 to the Financial Statements.

As far as Directors are aware, the External Auditors do not have any other relationship on interest in contracts with the Bank other than audit-related and non-audit assignments which have been appropriately approved.

Income

The Bank's income consists largely of interest on loans and advances and other interest earning assets and fee-based income, as shown in the snapshot below:

	2024 Rs. '000	2023 Rs. '000
Interest income	8,931,702	10,929,050
Fee and commission income	1,382,879	1,283,432
Net gains/(losses) from trading	387	324
Net gains/(losses) from financial assets at fair value through profit or loss	275,917	264,942
Net gains/(losses) from derecognition of financial assets	670,486	176,953
Net other operating income	61,395	252,716

Material Accounting Policies

The material accounting policies adopted in preparation of the Financial Statements are given on pages 224 to 238.

Shareholders' Funds and Reserves

Stated Capital

The Stated Capital of the Bank is Rs. 11,894.4 Mn, the details of which are given in Note 42 to the Financial Statements.

Reserves

The Bank's total reserves as at 31 December 2024 stood at Rs. 273 Mn. This comprises an accumulated loss of Rs. 575 Mn, a statutory reserve of Rs. 111 Mn and a fair value through OCI reserve of Rs. 737 Mn. The movement in reserves and accumulated loss are shown in Notes 43 and 44 to the Financial Statements.

Capital Expenditure

The Bank's expenditure on Property, Plant and Equipment at cost including Right-of-use assets amounted to Rs. 600 Mn during 2024, details of which are given in Note 31.1 to the Financial Statements. Expenditure on Intangible Assets at cost amounted to Rs. 35 Mn during 2024, details of which are given in Note 32 to the Financial Statements.

Statutory Payments

The Directors are satisfied to the best of their knowledge and belief, that statutory payments to all authorities have been paid up to date, in a timely manner.

Provision for Taxation - GRI 201-1

As per the Inland Revenue (Amendment) Act No. 45 of 2022, the income tax rate applicable on the domestic operation and off shore operation of the Bank is 30% for the years of assessment 2023/2024 and 2024/2025.

Deferred tax was calculated based on the Balance Sheet Liability Method in accordance with the Sri Lanka Accounting Standard LKAS 12 on Income Taxes.

As per the Value Added Tax (Amendment) Act No. 14 of 2022, the VAT rate applicable to the Bank's Financial services is 18% (2023-18%).

According to the Social Security Contribution Levy Act No. 25 of 2022, the Bank is liable to Social Security Contribution Levy at 2.5% on the value addition attributed to Financial Services as well as non-financial services turnover (2023 - 2.5%).

The Bank is also liable for Crop Insurance Levy at 1% of profit after tax for the period ending 31 December 2024 (2023 – 1%).

Internal Controls

The Board of Directors has put in place an effective and comprehensive system of internal controls covering financial operations, compliance and risk management which is required to carry on the business of banking prudently and ensure accuracy and reliability of records as far as possible.

Interest Register and Directors' Interest

Under Section 192 of the Companies Act No. 7 of 2007, the Interest Register is maintained by the Bank. The Directors have made the necessary declarations which are recorded in the Interest Register and are available for inspection in terms of the Act.

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

Related party transactions of the Bank are disclosed in Note 51 to the Financial Statements on pages 287 to 290 In addition, transactions with entities where Directors of the Bank hold directorates are disclosed on page 167 The Directors have no direct or indirect interest in contracts or proposed contracts other than those disclosed. The Directors have declared all material interests in contracts, if any, involving the Bank and have refrained from participating when relevant decisions are made.

Directors' Remuneration

Directors' remuneration and other benefits of the Directors are given in Note 15.1 and 51.4 to the Financial Statements, on pages 249 and 288 respectively.

Directors' Interest in Shares

Directors' holdings in shares of the Bank as at 31 December 2023 and 2024 are tabulated below;

Name	As at 31 December 2024	As at 31 December 2023
Mr. H A Pieris (Chairman from 3 July 2024)	NIL	NIL
*Mr. R A Ebell - Chairman (Chairman up to 2 July 2024)	N/A	48,300 (ordinary voting shares)
Mr. K B S Bandara - Managing Director/CEO	112,500 (ordinary voting shares)	112,500 (ordinary voting shares)
Ms. M M Page	NIL	NIL
Mr. Y Kanagasabai	NIL	NIL
Mr. P E A B Perera	NIL	NIL
Mr. R A Jayawardena	NIL	NIL
Mrs. S Gnanapragasam	NIL	NIL
Mr. A Herath	NIL	NIL

**Held jointly with Mrs. M T L Ebell (spouse) and Mrs. J M Wijayanayaka (daughter).*

Register of Directors and Secretaries

The Bank maintains a Register of Directors and Secretaries which contains the relevant information of the Board of Directors and the Company Secretary.

Donations

During the year under review, the Board of Directors has not approved any donation.

Directorate

The names of the Directors of the Bank during the period 1 January 2024 to date are given with changes that occurred in the composition of the Board during the period under review. The classification of Directors into Executive, Non-Executive and Non-Executive Independent Directors is made as per the Central Bank of Sri Lanka (CBSL) mandatory rules on Corporate Governance under the Banking Act Directions and CSE Listing Rules.

Name of the Director	Executive/ Non-Executive Status	Status Independence/Non-Independence
Mr. H A Pieris - Chairman *(Appointed as Deputy Chairman w.e.f.1 April 2024 and as Chairman w.e.f. 3 July 2024)*	Non-Executive	Independent (Designated as an Independent Non-Executive Director with effect from 8 June 2024 in compliance with Direction 3(2)(iv) of the Banking Act Direction No.11 of 2007 on Corporate Governance for Licensed Commercial Banks and Rule 9.8.3 of the Listing Rules of the Colombo Stock Exchange)
Mr. R A Ebell - Chairman *(Retired w.e.f. 2 July 2024)*	Non-Executive	Independent
Mr. K B S Bandara *Managing Director/CEO*	Executive	Non-Independent
Ms. M M Page	Non-Executive	Non-Independent
Mr. Y Kanagasabai	Non-Executive	Independent
Mr. P E A B Perera	Non-Executive	Independent
Mr. R A Jayawardena	Non-Executive	Independent
Mrs. S Gnanapragasam	Non-Executive	Independent
Mr. A Herath	Non-Executive	Independent

Declaration by Directors

Independent/ Non-Independent Status
All Non-Executive Directors have submitted signed declarations confirming their Independent/ Non-Independent status in compliance with Rule 9.8.3 of the CSE Rules on Corporate Governance. The Non-Executive Directors status of Independence/Non- Independence has also been determined according to Direction 3(2)(iv) of the Banking Act Direction No.11 of 2007 on Corporate Governance issued by the Monetary Board of the Central Bank of Sri Lanka.

Declaration by Directors - 'Fit and Proper' status of Continuing Directors.

In terms of Rule 9.7.5 of the CSE Rules, all Directors and CEO of the Bank satisfy the "Fit and Proper" assessment criteria stipulated in Rule 9.7.3 of the CSE Rules. The Bank obtained declarations from the Directors and CEO confirming that each of them have continuously satisfied the Fit and Proper Assessment criteria set out in the Listing Rules and satisfied the said criteria as at the date of confirmation.

The Directors and the MD/CEO have submitted Affidavits/ Declarations in terms of Section 42 of the Banking Act (as amended) respectively declaring their "Fit and Proper" status, prior to the Annual General Meeting, which were submitted to the Director, Bank Supervision, Central Bank of Sri Lanka.

Re-Election of Directors

In terms of Article 86 of the Articles of Association of the Bank, Ms. Marianne Page and Mr. Buwanekabahu Perera retire by rotation and being eligible offer themselves for re-election, on the unanimous recommendation of the Board of Directors.

Board Evaluation

Self-evaluations designed to improve the Board's effectiveness and that of its committees were conducted in line with the best practices on Corporate Governance during the year.

Risk Management and Internal Controls

The material foreseeable Risk Factors are disclosed in the Risk Management Report of the Annual Report on pages 168 to 180.

The Board of Directors has put in place an effective and comprehensive system of internal controls covering financial operations, compliance and risk management which is required to carry on the business of banking prudently and ensure accuracy and reliability of records as far as possible.

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

Shareholding

The number of registered shareholders of the Bank as at 31 December 2024 was 2,678. The schedule providing information on shareholders is available in the sections on 'Investor Relations' on pages 324 to 331.

Review of Operations and Future Developments

The review of the financial operation and performance of the Bank together with important events and future development have been explained in the following reports.

- Chairman's Message (Pages 18 and 19)
- CEO's Message (Pages 20 to 22)
- Management Discussion and Analysis (Pages 28 to 113)

Events After the Reporting Period

No circumstances have arisen since the Statement of Financial Position date, which would require adjustments to, or disclosure in, the Financial Statements.

Annual General Meeting

The Annual General Meeting will be held at the Institute of Chartered Accountants of Sri Lanka, No: 30A, Malalasekara Mawatha, Colombo 07 on Friday, 28 March 2025. The Notice of Meeting can be found on page 348 of the Annual Report.

Going Concern

The Directors after making necessary inquiries and reviews including reviews of the Bank's ensuing year's budget for capital expenditure requirements, future prospects and risk and cash flow have a reasonable expectation that the Bank has adequate resources to continue operations in the foreseeable future.

Acknowledgement of the Contents of the Report

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

For and on behalf of the Board of Directors,

Asoka Pieris *Chairman*	Senarath Bandara *Managing Director/CEO*	Ms. Amendra de Silva *Company Secretary*

Colombo
25 February 2025

Directors' Interest in Contracts with the Bank

In addition to the Related Party Transactions disclosed in Note 51 to the Financial Statements on pages 287 to 290 in the Annual Report, the Bank carries out transactions in the ordinary course of business on an arm's length basis with entities where the Chairman or a Director of the Bank is the Chairman or a Director of such entities.

The details of such transactions are given below;

Company	Relationship	Accommodation granted/ deposit and expenses	Interest paid	Interest charged	Fees and expenses charged	Other expenses	Balance outstanding	
			(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	31-Dec-24 (Rs' 000)	31-Dec-23 (Rs' 000)
Central Depository Systems (Pvt) Limited	Common Directors	Expense	-	-	-	(175)	-	-
Ceylon Chamber of Commerce	Common Directors	Deposits	(70)	-	2	-	5,080	12
Colombo Stock Exchange	Common Directors	Expense	-	-	-	(94)	-	-
Millenium IT ESP (Pvt) Ltd	Common Directors	Expense	-	-	-	(1,001)	-	-
Dankotuwa Porcelain	Common Directors	Common Directors	-	-	-	-	-	113
Sierra Cables PLC	Common Directors	Common Directors	(666)	-	1	-	15,525	9,724

Risk Management

The importance of risk management has reached unprecedented levels in the current landscape. The banking sector is consistently shaped by innovative ideas, the growing reliance on technology, and a significant surge in the diversity, volume, and speed of financial transactions. Banks face competition not only from one another but also from a multitude of other financial entities, both domestically and globally. The regulatory environment that governs banking operations is in a state of constant instability. However, these regulatory shifts have spurred the creation of robust risk management frameworks within banks. Enhancements in risk management systems and technological advancements have empowered banks to effectively identify, assess, monitor, and control risks. The rapid advancement of technology has improved communication and data transfer, enabling banks to quickly evaluate risks and refine their risk management strategies across their international operations.

The bank assesses risks by considering future uncertainties and the potential advantages associated with various outcomes. The risk management function focuses on minimizing potential losses while strategically enhancing gains within established risk tolerance levels.

The bank's risk appetite is actively articulated and monitored through both qualitative and quantitative metrics. Effective risk monitoring is facilitated by the implementation of comprehensive management information systems, which allow for timely evaluations of risk positions and any deviations.

Risk controls are implemented by setting and communicating risk limits through established policies, standards, and procedures that delineate responsibilities and authority concerning the various risks undertaken by the bank.

The bank's risk management process utilizes a variety of tools to continuously identify, measure, and manage risk. Additionally, a thorough risk monitoring framework has been established through Key Risk Indicators (KRI). The bank has strengthened its operational resilience by equipping front-line personnel with the ability to make risk-aware decisions.

The Bank has established a comprehensive set of risk management policies covering all managed risks. These policies serve to guide business and support units in risk management, ensuring regulatory compliance, including adherence to the Banking Act Direction No. 07 of 2011 – Integrated Risk Management Framework for Licensed Commercial Banks, based on the Basel Framework, and subsequent directives from the Central Bank of Sri Lanka (CBSL).

By institutionalizing the risk knowledge base, these policies aim to reduce bias and subjectivity in risk decisions. Key documents, such as risk management policies, contribute to defining the Bank's risk culture by outlining objectives, priorities, processes, and the roles of the Board of Directors and the Management in risk management. The Risk Appetite Statement establishes risk limits and is an integral component of the risk management framework. The BIRMC and the Board of Directors review the Risk Appetit Statement at least annually, if not more frequently, aligning with regulatory and business requirements. The Bank ensures its overall risk exposure, including all operations, remains within the CBSL's regulatory framework. Operational guidelines have been issued to facilitate the implementation of the Risk Management Policy and the limits outlined. These guidelines provide staff with clarity on the types of facilities, processes, and terms and conditions governing the Bank's daily operations.

Key Implementations In 2024

- Strengthened the existing Risk Management Policy Framework.
- Developed and improved the (Internal Capital Adequacy Assessment Process) framework.
- Initiation of Environmental and social management system (ESMS) with reference to the Environmental Social and Governance policy.
- Review and validation of the Risk model in line with SLFRS 9 - Guiding alignment with the Bank's risk appetite with financial reporting.
- Overall Collective and Individual Impairment process governance in line with the SLFRS 9 Standard.
- Development, validation and calibration of risk models.
- Enhanced operational risk resilience by empowering the business operations risk managers.
- Improved staff awareness of risk management aspects.
- Enhanced Technology Risk Management Framework in line with the CBSL guidelines.
- Enhanced operational Risk and Control Self-Assessment (RCSA) process coverage.

Bank's Priorities for 2025

- Improve Risk Tolerance Framework and risk management policies.
- Align business continuity management with the ISO standard and strengthen the business continuity capabilities.
- Enhance risk reporting to ensure relevance, focus and quality to support decision-making.

- Develop risk models to have a robust inventory of credit scoring models, model documentation with periodic validation and recalibration.
- Centralization of risk data, back testing, and analytics.
- Improve and process development of the Bank loan origination system.
- Strengthen the Loan Review Management (LRM) process to enhance its robustness and expand its coverage.
- Enhance the technology risk management process in line with the technology risk resilience framework of the CBSL as per the Banking Act Directions: No. 16 of 2021.
- Enhance cybersecurity posture through robust risk analysis.
- Net Open position reporting process developments.
- Update Market & ALM policies with new processes/products/systems/controls.
- Streamline the treasury limit monitoring and reporting process.
- Revise and improve the reporting framework of Key Risk indicators.
- Enhance the effectiveness of stress testing framework and model.

Integrated Risk Management Framework (IRMF)

The framework enables the monitoring and responsibility for diverse risks across various tiers of the Bank. The principal components of the IRMF include the following.

Components of IRM Framework,

- Risk Appetite Statement
- Risk Management Tools
- A culture of risk awareness

Role of the Board and Board Committees

The Board of Directors is ultimately accountable for overseeing the Bank's risk management. They establish the risk appetite and routinely assess the governance structure, policy framework, and risk management processes.

Risk Governance and Management Structure of the Bank

The Board has established a Board Integrated Risk Management Committee (BIRMC) to enhance its oversight of the risk management processes.

The Board Audit Committee (BAC) assesses the effectiveness of internal controls and ensures compliance with established policies, procedures, and guidelines.

The Board Credit Committee (BCC) oversees the adherence of credit operations to the risk appetite defined by the Board and manages the Bank's credit risk.

In addition to the Board committees, the Management committees are dedicated to the design, implementation, and maintenance of a robust risk management framework and culture. The Board of Directors provides senior management with explicit guidelines regarding risk tolerance limits and control parameters, allowing them to formulate strategies and business plans in alignment with these directives.

Senior management is also required to adhere to applicable laws, regulations, and other directives while fulfilling their assigned responsibilities. As the designated risk owners, line business managers are accountable for managing risks within their specific domains.

Objectives of the IRMF

(a). Clearly outline the overarching objectives for risk management, including risk tolerance levels, policies, guidelines, and methodologies for addressing risk exposures.

(b). Specify the roles and responsibilities of various stakeholders engaged in the integrated risk management process.

(c). Consolidate and assess various risk exposures, such as credit, market, operational, and strategic risks, to formulate a comprehensive risk profile for the Bank.

(d). Ensure adherence to the regulatory standards set forth by the Central Bank of Sri Lanka (CBSL) and relevant legal requirements pertaining to risk management.

(e). Foster staff awareness and promote a culture of risk management throughout the organization.

(f). Deliver analysis and recommendations to assist business units in aligning with the Bank's strategic objectives.

Integrated Risk Management Division (IRMD)

The Integrated Risk Management Division (IRMD) is tasked with the overall establishment of risk management practices within the Bank, encompassing both strategic and operational dimensions.

Risk Management

At present, the IRMD is organized into distinct units focusing on Credit Risk Management, Loan Review Management (LRM), Market Risk Management/Treasury Middle Office, Operational Risk Management and Technology Risk Management.

IRMD is instrumental in contributing to the development of the Bank's business strategy, product innovation, and continuous assessments and updates. Additionally, the division offers a risk-oriented perspective on all major business initiatives, from their initial conception through to development and ongoing evaluation.

Risk management tools

The Bank employs a combination of qualitative and quantitative tools to identify, measure, manage, and report risks. The selection of the most appropriate tool(s) for managing a specific risk is determined by factors such as the likelihood of occurrence, potential impact, and data availability.

Among the tools utilized are risk policies, risk registers, risk maps, risk dashboards, Risk and Control Self-Assessment (RCSA), early warning and watch list management, threat analysis ,Internal Capital Adequacy Assessment Process (ICAAP), diversification strategies, covenants, workflow-based operational risk management processes, insurance, benchmarking against limits, gap analysis, risk rating, risk scoring, risk modeling, duration analysis, scenario analysis, marking to market, stress testing, and Value at Risk (VaR) analysis, among others.

Units Under IRMD and Key Responsibilities

Credit Risk	◆ Implementation of credit risk framework, policies, and tools.
	◆ Independent credit risk reviews before approval.
	◆ Post-disbursement review mechanism and recommendations.
	◆ Monitoring stressed credits and excesses.
	◆ Credit Portfolio Risk assessment and SLFRS 9 process governance.
	◆ Monitoring early warning indicators, including watch lists, delinquency ratios, sector concentrations and trends.
	◆ Model Validation.
	◆ Assess Key Risk Indicators monthly.
Market and Liquidity Risk	◆ Maturity/Interest Rate Risk Analysis.
	◆ Price Value Basis Point (PVBP), Value at Risk (VaR) and Duration Analysis.
	◆ Sensitivity Analysis and Stress.
	◆ Maturity Mismatch.
	◆ Concentration of Funding.
	◆ Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR).
	◆ Liquidity Stress Testing.
Operational Risk and Technology Risk	◆ Identification, assessment, measurement and monitoring of operational risk and recommending the mitigation controls to the management.
	◆ Management of risks arising from the controls placed within the Bank.
	◆ Conduct Risk Control Self-Assessment (RCSA) for all business units to enable coherent risk management within the business process.
	◆ Continuously focus on meeting the information security objectives and requirements of the Bank in line with emerging technology and the Bank's strategy.
	◆ Monitoring and governance of IT and IS risks covering Control risk, Project Risk and Change Risk.
Control risk, Project Risk and Change Risk	◆ Monitoring the operational resilience to disaster scenarios and the Bank's capability for business continuity.
Reputational and Strategic Risks	◆ Qualitative scorecard approach.
	◆ Review the accomplishments of Strategic goals.
	◆ Assess the reputational value of the Bank.
	◆ Review the accomplishments of customer service goals.

Credit Risk

Credit risk management is a crucial component of the Bank's overall risk management approach. Credit risk refers to the potential financial loss that may occur if a customer or counterparty does not fulfill their obligations as per the established agreements. The Bank is exposed to credit risk through activities such as direct lending, commitments, and contingencies. Credit risk is determined by various factors, including the quality of the lending portfolio, concentration levels, counterparty ratings, as well as cross-border and government exposures.

The Bank has implemented policies and a framework to outline the key factors influencing client selection, due diligence, risk tolerance, portfolio monitoring and management, facility review, and recovery procedures. These guidelines are designed to measure, manage, and control credit risk by fostering a sound credit risk environment, a sound credit-granting process, and proper credit administration.

The Bank's credit risk management approach focuses on establishing clear, acceptable credit standards for borrowers and counterparties, while proactively identifying emerging risks that could impact customers' business activities. The credit risk management team develops and applies risk assessment and monitoring tools for credit origination and portfolio management, including scenarios involving stressed credit conditions. Additionally, vigilant oversight of working capital facility usage and continuous attention to changing economic or other factors that may lead to risk deterioration are essential areas of focus. The team correspondingly plays a key role in the governance of the SLFRS 9 impairment process.

The Bank has implemented a well-defined credit approval framework with clearly established criteria. Authority for credit approvals is distributed across various stages of the process to ensure robust decision-making. Credit facilities exceeding a specified threshold are independently reviewed by risk officers from the Risk Management Department, whose assessments and recommendations are carefully considered during the approval process.

IRMD uses internally developed risk scoring models to rate Business Banking, SME, Retail, Credit cards, Micro and Agri facilities. These ratings consider both quantitative and qualitative factors and are reviewed at least annually. The rating models are independently validated on an annual basis, in line with regulatory requirements. The Bank has implemented a centralized, workflow-based risk rating system that enables the central storage of risk ratings for all customers.

Loan Review Management (LRM) is another key component of credit risk management. The Loan Review Unit, distinct from the Credit Risk Management Unit, is responsible for continuously evaluating and enhancing loan quality and the overall credit function. The unit has expanded the sample size and scope of loan evaluations to incorporate feedback from business units regarding post-disbursement credit management adjustments that improve loan portfolio quality. This will ensure efficient post-sanction processes and credit disbursements complying with the Bank's guidelines and regulatory frameworks.

During 2024, IRMD has maintained vigilant oversight of the approval process for excesses obtained by branches and units from the appropriate authorities to prevent long-term losses.

Identifying clients exhibiting indicators of increased credit risk in accordance with the Bank's watch-listing guidelines. Upon receiving information regarding clients frequently placed on the watch list, overdue accounts, excessive positions, recurrent cheque returns, restructured and extended loans, rating downgrades, and Stage 3 transitions, corrective actions are implemented to maintain the integrity of the Bank's loan portfolio. The BCC/BIRMC receives reports on watch-listed borrowers with substantial credit quality deterioration and significant exposures.

The Bank has conducted a comprehensive evaluation and analysis of its sectors and portfolio segments to proactively identify negative trends, high-risk industries, and unprotected exposures. IRMD provides the EIRMC/BIRMC with dashboards and data on credit portfolio quality and performance. These assessments offer business line managers valuable insights into credit risk and highlight critical areas of concern, informing their lending decisions.

The portfolio monitoring unit has identified aggregate risks within the credit portfolio, aiming to proactively mitigate potential portfolio-level hazards. The unit has also analysed the Bank's loan products to assess portfolio behavior across demographics, geographic regions, and internal segments.

The responsibility for recovering delinquent loans and non-performing advances is shared between the Business Unit and the Recovery Unit. Credit officers oversee the initial recovery process, and when loans are classified as non-performing, they are referred to the Recovery Unit for continued action.

This unit tracks the value of the collateral while continuing the recovery process until a resolution is reached. To ensure effective follow-up and the sharing of important insights, the Recovery Unit coordinates with the Credit Risk Management Unit. Unrecovered advances are escalated to the Legal Department as a final step to initiating legal action.

Accountability for credit risk performance is vested in individual business units and unhealthy trends are addressed at all levels of the Bank.

Risk Management

Loan Origination

- All facilities are categorized and treated based on the assigned risk rating through a comprehensive risk evaluation model.
- The evaluation model is selected based on the credit risk framework and the functioning business sector.
- The Bank employs the Return on Risk-Adjusted Capital (RORAC) model to ascertain the risk-adjusted return.

Approval

- Credit facilities are approved through assigned Delegated Authority, which has structured based on the risk thresholds.
- Board and executive level sub committees scrutinize and approve the credit facilities beyond individual DA threshold.
- Credit risk unit establish within the RMD, which assist the management and board committees on its independent opinion.

Disbursement

- The Credit Administration department centrally manage the validation of approvals granted, disbursement, and operational maintenance.
- Operation of credit management function is segregated from business lines.
- Independent LRM unit under RMD conduct periodic reviews on facilities approved.

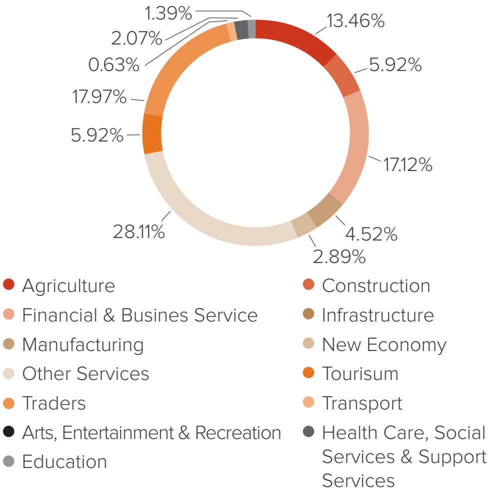
Monitoring

- Constant monitoring of credit facilities were conducted prioritizing based on risk rating assigned.
- Credit facilities that are overdue undergo focused monitoring by Business Units, Senior Management, and the Collection Unit.
- Loans that are overdue by 60 to 90 days are categorized as watch listed, and their performance is closely monitored by management.
- RMD monitors and reports to the management on the expected, actual, and forecasted performance of credit facilities.

Concentration Risk

The Bank actively manages concentration risk by strategically diversifying its portfolio across a range of industry sectors, products, counterparties, and geographic regions. To effectively measure and monitor concentration risk, the Bank utilizes the Normalized Herfindahl-Hirschman Index (HHI) as part of its Internal Capital Adequacy Assessment Process (ICAAP). This comprehensive process evaluates concentration across key dimensions, including economic sectors, customer segments, product categories, and maturity structures, ensuring a balanced and resilient portfolio.

Concentration Risk



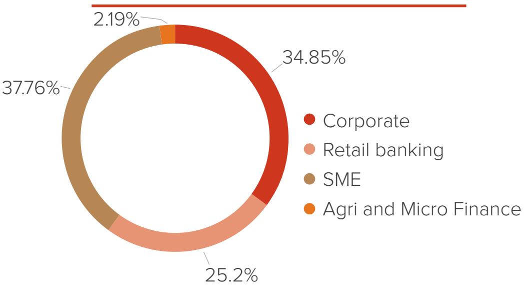
Counterparty Risk

The Bank mitigates counterparty risk through well-defined policies, procedures, and limit structures, including single borrower limits and group exposure limits with product-specific sub-limits. These limits are set at levels more stringent than those prescribed by the regulator, providing the Bank with enhanced flexibility in managing counterparty exposure concentrations.

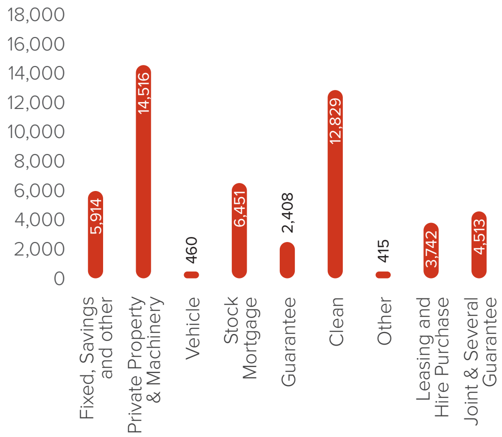
A significant component of counterparty risk arises from loans and receivables to both domestic and foreign banks. This aspect is diligently monitored through comprehensive guidelines, protocols, and limitations. Counterparty exposures are regularly assessed against prudent limits, which are updated as necessary to reflect the latest available information. Throughout the year, the Bank closely monitors the financial and economic performance of counterparties by analysing relevant market data to ensure effective risk management.

Details of Product Wise Exposure and Sector Wise Exposure are provided on page 263 of the Annual Report.

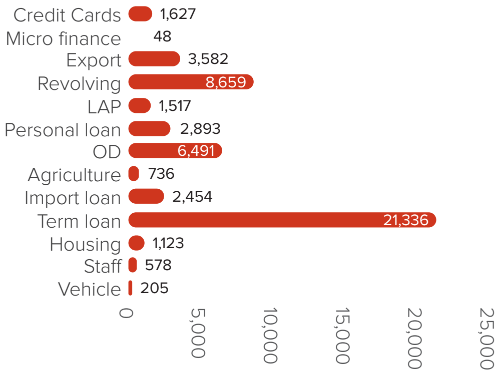
Business Unit Wise Exposure



Collateral Concentration (Rs. Mn)



Product Concentration (Rs. Mn)



Operational Risk

Operational Risk Management is accountable for the design, implementation and upkeep of an effective and efficient Operational Risk Management Framework (ORMF). The Bank manages operational risk using the ORMF. This framework enables the evaluation of the operational risk profile in accordance with its risk appetite. It methodically recognizes operational risk scenarios and concentrations to recommend prioritized risk-mitigating measures.

Operational risk is inherent in the banking sector, and the degree of risk exposure is influenced by factors such as the institution's size, technological sophistication, degree of automation, and the nature and complexity of the activities performed.

The operations risk unit is responsible for driving the operation risk governance, facilitating the identification and escalation of operational risk issues across the entire Bank. ORM unit facilitates the business units to record the identified operations risk items in the Risk register, Internal Loss Event Reporting (LER) is utilized to maintain the anticipated risk level. ORM unit concurrently monitors the risk exposed by the Bank through a well-established key risk indicator (KRI) process.

Operational Risk Reporting

To encompass the extensive variety of risk categories associated with operational risk contains a variety of techniques for managing operational risk. These initiatives are designed to effectively manage the operational risk in our business and are used to identify, evaluate and mitigate the operational risks.

Risk Control Self-Assessment

Risk Control Self-Assessment (RCSA) is a process of assessing operational risks associated with all products and processes compiled by the respective departments. It is a self-evaluation process conducted by the business/ process owners in each respective business/ operational department supported by the Operational Risk Management Unit. The Risk Control Self-Assessment process identifies issues that need the attention of the management and remain outstanding for a considerable period. Findings of the Risk Control Self-Assessment will be treated through the Risk Register.

The Risk Register is the primary repository of the risks and controls recognized across all departments in the Bank. It also outlines the actions to mitigate each risk event recognized by the departments. These identified risks are the result of systematic or ad hoc risk assessments performed at a given point in time through Risk Control Self-Assessment or any other means.

The Risk Register is crucial for the effective management of risk and constitutes a fundamental component of the Risk Management Plan. It helps with tracking issues and proactive problem-solving as they arise.

Risk Register also serves as a systematic means of identifying control deficiencies that threaten the achievement of defined business or process objectives and oversee management action to address them. The results obtained from the

Risk Management

RCSAs are used to formulate suitable aimed at addressing the identified control deficiencies. The Operational Risk Management unit diligently follows up on the recorded items, until a satisfactory resolution is attained.

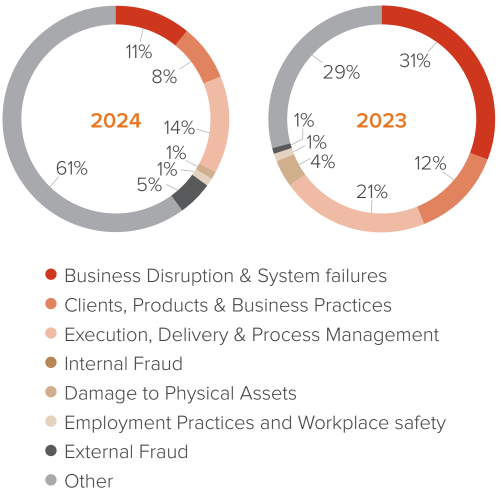
The operational risk unit has implemented the following risk reporting framework throughout the Bank to attain these objectives.

A. Key Risk Indicators are used for the continuous monitoring of risks and facilitate the identification of triggers of known risks.

   Key Risk Indicator is a metric that reflects the statistical movement of a risk event. It is a tool used for monitoring trends in selected areas or events. This tool is used to oversee the operational risk profile and alert the organization of impending problems promptly. Key Risk Indicators facilitate monitoring the effectiveness of controls implemented and trigger risk- mitigating actions.

B. The reporting of operational losses and events is a framework established by the guidelines of the Basel Committee.

Operational Risk Events



The ongoing accumulation of data on operational losses and events facilitates timely action on key observations. Loss event reports enable the Banks to extract lessons learned during each adverse event.

This process encompasses, but is not limited to systematic risk analyses, including a description of the business environment surrounding the loss event, previous events, near misses and event specific KRI. The report outlines the remedial measures implemented by the relevant departments, including an analysis of the root causes.

To enhance the risk management function with the front line, the Bank has appointed Business Operational Risk Managers (BORM) for each department, who serve as a link between the Operational Risk Unit and the respective departments. They are responsible for embedding the ORMF within the relevant business units or infrastructure functions.

The Bank has established sufficient operational risk management measures to evaluate the successful execution of its operational policies and procedures.

The Operational Risk Management Committee (ORMC)

The Committee oversees the critical aspects covering the overall operations of the Bank. The ORMC assists the business units in working together with each department to address the identified risks. The ORMC takes further actions and provides oversight on the implementation of controls for known risks. It serves as a crucial link between the departmental level and the management. This approach enables shorter issue resolution time. Any unresolved issues are referred to EIRMC for necessary action. The ORMC is further authorized by the EIRMC to;

- Conduct Risk Assessments on any activity within its Terms of Reference.
- Request information from employees to identify and mitigate risk.
- Propose best practices to mitigate risks arising from any activity.

The Internal Audit department regularly assesses the efficacy of the Bank's Operational Risk Management framework and its execution.

The Operational Risk Unit as an independent unit monitors the planning, implementation, and execution of the Business Continuity Plan together with the Disaster Recovery Plan aimed at ensuring the function of critical operations of the Bank with minimal disruption. Information technology related operational risks are managed primarily through the Information Security Committee, IT Steering Committee and IT system security policies.

Operational Risk Events

Risk event	2024	2023
Business Disruption and System Failures	11%	31%
Clients, Products and Business Practices	8%	13%
Execution, Delivery and Process Management	14%	21%
Internal Fraud	0%	0%
Damage to Physical Assets	1%	4%
Employment Practices and Workplace Safety	1%	1%
External Fraud	5%	1%
Other	60%	29%

Market Risk

Market risk refers to the potential for financial loss or adverse impact on the value of investments due to changes in market conditions. These conditions include fluctuations in interest rates, foreign exchange rates, equity prices, and commodity prices. Market risk can affect a company's profitability, asset values, and cash flows. The Bank actively monitors and manages market risk through various risk management strategies, including diversification, hedging, and asset-liability matching, to mitigate its impact on financial performance.

Market risk categories

Major market risk category	Description	Tools to monitor	Severity	Exposure
Interest rate	Risk of loss arising from volatility in interest rates	Re-pricing gap limits and interest rate sensitivity limits Rate shocks, Mark to market calculations on daily basis & reports	High	High
Foreign exchange	Possible impact on earnings or capital arising from movements in exchange rates arising out of maturity mismatches in FCY positions	Risk tolerance limits for individual currency exposures as well as aggregated exposures within regulatory limits for NOP	High	Medium
Equity	Possible losses arising from changes in prices and volatilities of individual equities		Low	Zero
Commodity	Exposures to changes in prices & volatilities of individual commodities		Low	Zero

Managing of Market Risk

Effective market risk management requires a comprehensive approach involving identification, assessment, mitigation, monitoring, and governance. Market risk at the Bank is effectively managed through a board approved market- risk management framework which consists with robust risk management strategies. The Bank minimized the impact of market fluctuations on the financial performance and long-term sustainability through the continuous adoption to diverse market conditions, regular communication and transparency in risk management processes are essential for building stakeholder confidence and ensuring resilience in the face of market uncertainties.

The Market Risk Management function is primarily responsible for setting up suitable policies/procedures for treasury operations and for setting up various market risk and treasury limits to monitor business operations. It is also responsible for analyzing and monitoring the asset and liability positions/investments of the Bank, under the supervision of ALCO.

The Bank uses various tools to assess and measure Market Risk exposures; it includes qualitative analysis models such as Value at Risk (VaR), stress testing, scenario analysis, correlation analysis etc. Moreover, the unit maintains independent MIS reports, risk assessments and dashboard reports which are presented to the Senior Management, ALCO, EIRMC, BIRMC and the Board of Directors to support the decision-making process.

Risk Management

Additionally, market risk management keeps abreast of evolving market dynamics and emerging risks, such as changes in global trade policies, technological disruptions, or environmental risks that could affect market stability and continuously engage in refining market risk management strategies to address new risks, adopting new tools or instruments, and adjusting operational approaches as market conditions change.

Market risk portfolio analysis and Interest rate risk (IRR) management

The Interest rate gap report is created by classifying Rate-Sensitive Assets (RSA) and Rate-Sensitive Liabilities (RSL) into various time periods, based on their maturity or the time left until their next repricing. The Bank's vulnerability to interest rate fluctuations is represented by the difference between RSA and RSL.

Severe interest rate fluctuations pose a significant risk to the Bank, potentially affecting its Net Interest Income (NII) and altering the value of interest-earning assets, interest-bearing liabilities, and off-balance sheet items.

To manage this risk, the Bank regularly performs stress tests on Interest Rate Risk in the Banking Book (IRRBB), considering changes in asset and liability positions, new economic factors, and both broad and specific stress scenarios. These tests assess the impact of unusual market movements on the value of the Fixed Income Securities (FIS) portfolio, using measures such as Economic Value of Equity and Earnings at Risk.

The results from these stress tests are carefully examined to understand their potential impact on the Bank's profitability and capital. Additionally, the Bank consistently monitors how interest rate shocks, both for Sri Lankan Rupees (LKR) and Foreign Currencies (FCY), could affect NII, helping to assess the Bank's vulnerability to sudden shifts in interest rates.

Managing Foreign Exchange Risk

To manage potential losses from fluctuations in foreign exchange (FX) rates, the Bank maintains strict risk tolerance limits on individual currency exposures, as well as on overall exposures, ensuring that any losses remain within acceptable levels defined by the Bank's risk appetite and regulatory requirements.

During the year 2024, the Sri Lanka rupee appreciated against the US dollar by 10% (Source: Central Bank of Sri Lanka). The Bank managed to maintain the NOP under the CBSL Specified Overnight NOP limit throughout the year.

Additionally, The Bank conducts stress tests on its net open position (NOP) by applying rate shocks ranging from 10% to 30% to assess the potential impact on the Bank's profitability and capital adequacy using individual and multiple stress scenarios. The impact of a 1% downward change in the exchange rate on the foreign currency position indicated a loss of Rs. 1.926 Mn as of December 31, 2024

Foreign Exchange Rate Risk Parameters

- Overnight open position limits on individual currencies and the cumulative of all currencies.
- Counterparty limits and Settlement limits.
- Management action trigger limits.
- Dealer-related limits.
- Forward foreign exchange mismatch limits.
- Maturity mismatch limits.
- Currency tolerance limits.

Liquidity Risk

Liquidity risk pertains to the potential inability of a bank to meet its on- or off-balance sheet contractual and contingent financial obligations as they become due, without incurring excessive losses. Banks are exposed to liquidity and solvency risks due to mismatches in the maturity profiles of assets and liabilities. As such, the primary objective of liquidity risk management is to assess and secure the availability of necessary funds to meet obligations in a timely manner, under both normal and adverse conditions.

Liquid assets ratios as of December 31, 2024, are given below:

	2024 (%)	2023 (%)
Statutory Liquid Assets Ratio (SLAR)-consolidated	N/A	39.82%
Liquidity Coverage Ratio (LCR)		
Rupee	459%	360%
All currencies	313%	289%
Net Stable Funding Ratio (NSFR)	136%	123%

Managing Liquidity Risk

The Bank adopts a robust and comprehensive approach to liquidity risk management, encompassing policies, procedures, measurement techniques, mitigation strategies, stress testing methodologies, and contingency funding strategies. Over the course of the year, the Bank encountered an excess liquidity situation, primarily driven by slower credit growth in comparison to deposit inflows. As Banks' liquidity ratios illustrated, managing this surplus liquidity presented a challenge, necessitating significant investments in Government securities, in Sri Lankan Rupees (LKR) at optimal yields to minimize negative impacts on profitability. The Bank took deliberate actions to capitalize on available opportunities and reduce the negative carry-on specific treasury investments

The Asset and Liability Committee (ALCO) regularly oversees Bank's liquidity status via analysis of the liquidity reports and ratios generated by the Finance, Treasury and Risk Management Divisions to effectively structure and to sustain a strong liquidity position. The Net Stable Funding Ratio (NSFR), which reflects the stability of the Bank's funding sources relative to its loans and advances, has consistently been maintained well above the policy threshold of 100%. This level is considered adequate to support the Bank's business model and foster growth.

The Bank's policy is to actively monitor its portfolios and implement suitable hedging strategies to ensure that liquidity risk remains within acceptable and prudent levels. Liquidity risk is primarily assessed using two approaches: the stock approach and the flow approach. Under the stock approach, liquidity is evaluated through key ratios that reflect the liquidity held on the Balance Sheet. Meanwhile, the flow approach focuses on monitoring both contractual and behavioral liquidity mismatches, utilizing static and dynamic maturity analyses.

Furthermore, treasury middle office monitors a comprehensive list of ratios against their approved limits. Any deviations and exceptions to the approved limits are reported to BIRMC and to the Board of Directors and to assess the impact of unfavorable changes in its cash flows on liquidity, the Bank regularly conducts scenario analysis and stress testing.

Liquidity Risk Parameters

- Maturity of Assets and Liabilities Report (MAL).
- Statutory Liquid Asset ratio.
- Net loans to total assets ratio.
- Loans to customer deposits ratio.
- Liquid assets to short-term liabilities ratio.
- Liquidity coverage ratio.
- Net Stable Funding Ratio.

Strategic Risk

Strategic risk emerges from issues such as ineffective execution of business plans and strategies, as well as inadequate resource allocation. It may also arise from a failure to adapt to changes and an inability to achieve established targets in a rapidly evolving business landscape.

The Board of Directors plays a crucial oversight role, while senior management is responsible for supervision, both of which are essential components of the Bank's strategic risk management framework.

The Bank has established comprehensive measures for mitigating and monitoring strategic risk, utilizing Key Risk Indicators (KRIs) to consistently evaluate and ensure alignment between performance and strategic objectives. Additionally, the Bank conducts industry and competitor benchmarking to ensure that its strategic goal achievements are in line with industry standards. Consequently, the Bank aims to keep strategic risk within acceptable limits while fulfilling its social responsibilities and achieving its strategic goals.

Reputational Risk

The Bank prioritizes its reputation, bolstered by the strong partnership with Cargills Ceylon PLC. To uphold this reputation, the Bank has established efficient customer service channels, a comprehensive complaint management system, and adheres to ethical business practices to protect customer interests.

Reputational risk refers to the potential harm to the Bank's brand and reputation, which can adversely affect earnings, capital, or liquidity due to any actions or inactions that may be viewed as inappropriate, unethical, or misaligned with the Bank's core values.

The Bank's operational risk management division evaluates reputational risks by utilizing information obtained from various processes, including the identification of loss events and near misses, comparisons with peer groups, and assessments of factors such as employee conduct, competence, and the management of customer service and complaints. The Reputational Management Division oversees reputational risk within a structured risk framework, implementing mitigation controls. The Bank is committed to continuously enhancing the quality of its business operations.

Risk Management

Compliance Risk

The Bank remains committed to upholding the highest standards of ethical conduct and regulatory compliance. Compliance risk remains a critical area of focus due to the complex regulatory environment and the ever-evolving landscape of financial regulations. Compliance risk refers to the potential for legal, regulatory, or reputational harm resulting from failure to comply with applicable laws, regulations, and internal policies governing the financial sector. The Bank is dedicated to maintaining a strong compliance culture, ensuring full adherence to regulatory requirements, including those set by central bank, financial authorities, and international regulatory bodies. Throughout the year, the bank has continued to strengthen its compliance management framework, enhancing systems and controls to address emerging risks. While we remain vigilant to compliance risks, we are confident that our proactive approach to compliance risk management significantly mitigates any potential exposure, ensuring the continued integrity of our business operations.

Information Security/ Technology Risk Management

The Bank's cybersecurity excellence began with the establishment of their Information Security Risk unit, thoughtfully positioned under the Risk Management Department in line with the technology risk resilience framework of the Central Bank of Sri Lanka (CBSL). Both information security and information security risk units report to the Board Integrated Risk Management Committee (BIRMC) through the Information Security Council (ISC). The Cargills Bank has positioned itself at the forefront of technological resilience walking through their pristine

The Bank is continually focused on the implementation of the CBSL technology risk management and resilience framework. The Bank has renewed the ISO/IEC 27001 certification and plans to update PCI-DSS [DS1] [AW2] latest version 4.0, being one of the leading banks in Sri Lanka to achieve certifications.

Due to the broad range of malicious activities and social engineering attacks accomplished through human interactions, the Bank proactively implemented security controls and monitoring mechanisms to safeguard customer transactions.

Security literacy within the community poses a significant obstacle to the adaptation of digital channels. To address this, the Bank has implemented a beyond perimeter monitoring mechanism to detect threats faced by customers in their interactions with Cargills Bank. The Bank raises awareness of security best practices among the customers and Bank's agents.

During the year 2024, the bank made substantial strides in improving customer service by upgrading its mobile banking and non-customer applications. These enhancements are designed to streamline operations, boost efficiency, and deliver a more seamless user experience. The upgraded system offers faster response times, improved accessibility, and personalized solutions to better address customer needs.

The bank can mitigate project risks associated with the new update by conducting internal assessments. By carefully evaluating key principles such as confidentiality, integrity, and availability, these assessments help reinforce the bank's systems to address potential risks, ensuring operations remain reliable, secure, and efficient.

Technology risk planned in 2025

- Strengthen Bank-wide risk assessment processes.
- Implement policies to enhance data security and privacy.
- Conduct regular vulnerability management and penetration testing.
- Improve security awareness training programs.
- Enhance the efficiency of the incident management process.

Technology risk achievements in 2024

- Initiate Re-Certification of PCI-DSS V 4 standard.
- Audit remediation for Certification of ISO/ IEC 27001: 2013 standard.
- Ensured Bank customer's information security by enhancing Nessus scan tool that align assessment of potential security risks.
- Monitoring and maintaining compliance following the CBSL regulations and updated Bank policies.

Capital Adequacy and ICAAP Framework

In line with the Basel regulatory framework and the requirements outlined in the ICAAP framework, the Bank employs internal models to comprehensively assess and quantify its risk profile. The establishment of internal limits, which are more stringent than the regulatory requirements, ensures early identification of potential capital adequacy concerns, enabling proactive decision-making.

The ICAAP framework not only facilitates compliance with regulatory requirements but also serves as a strategic tool by integrating capital planning with future business objectives and risk management strategies. This process plays a crucial role in the regulatory review, providing critical insights into the capital levels required to support the Bank's growth and operational plans.

Furthermore, ICAAP highlights and addresses gaps in managing risks not fully captured under Pillar 1 of Basel III, such as reputational risk, human resources risk, compliance risk, and strategic risk. This broader risk assessment ensures a more holistic approach to risk management.

This robust framework underpins the Bank's commitment to maintaining a sound capital position while supporting its strategic goals and ensuring long-term sustainability.

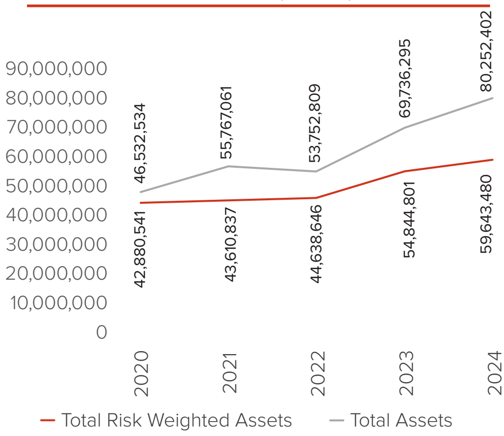
The Bank remains fully compliant with both regulatory and prudential capital adequacy requirements, with capital requirements measured as a percentage of Risk-Weighted Assets (RWAs) in accordance with CBSL Direction No.1 of 2016. The methodologies applied for assessing capital adequacy under various risk categories are as follows:

- Credit Risk- Standardise Approach.
- Market and Liquidity Risk- Standardise Approach.
- Operations Risk- Basic Indicator Approach.

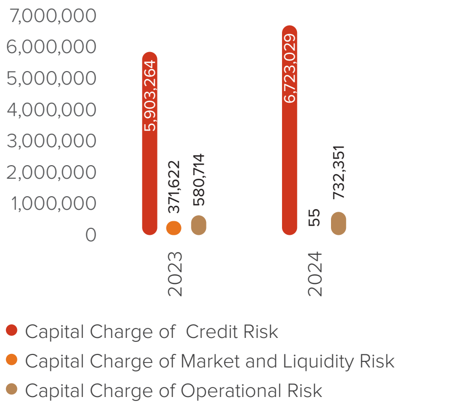
Item (Rs. '000)	Risk Weighted assets		Required Capital	
	2024	2023	2024	2023
Credit Risk	53,784,232	47,226,113	6,723,029	5,903,264
Market and Liquidity Risk	440	2,972,977	55	371,622
Operations Risk	5,858,807	4,645,715	732,351	580,714
Total Risk Weighted Assets	59,643,480	54,844,806	7,455,435	6,855,601
Total Assets	80,252,402	69,736,295	10,031,550	8,717,037

	2024	2023
Total Tier 1 Capital Ratio, % (Regulatory requirement 8.5%)	21.68	22.63
Total Capital Ratio, % (Regulatory requirement 12.5%)	22.44	23.15

Total assets vs Risk Weighted assets of the Bank (Rs. Mn)



Capital charge for Risk of the Bank (Rs. Mn)



Risk Management

Stress testing

Stress testing serves as a vital communication tool for senior management, risk owners, risk managers, as well as supervisors and regulators, providing a comprehensive view of all the risks faced by the Bank. The results of stress tests are reported quarterly to the EIRMC, BIRMC and to the Board of Directors, supporting informed, proactive decision-making and capital planning.

As part of our ongoing commitment to robust risk management, we conduct regular stress testing to assess the resilience of our financial position and operations under various adverse scenarios. These stress tests are designed to evaluate the potential impact of extreme but plausible events, such as significant market downturns, changes in interest rates, or operational disruptions, on our capital, liquidity, and overall financial stability.

The Risk management department utilizes a comprehensive approach to stress testing, incorporating both qualitative and quantitative analysis. These tests help identify vulnerabilities and ensure that the bank maintains sufficient capital buffers and liquidity to absorb shocks and remain resilient in times of financial strain. Moreover, we continuously enhance the stress testing methodologies to reflect changing market conditions, regulatory requirements, and emerging risks, ensuring that we are well-prepared to navigate potential challenges and protect the interests of our stakeholders.

Stress testing achievements in 2024

- Stress testing for each quarter.
- Enhanced the operations risk stress testing model.
- Introduction of Technology risk stress testing.
- Enhanced the effectiveness of the stress testing model.

Stress testing planned activities in 2025

- Upgrade the stress testing model assumptions.
- Introduction of new stress testing scenarios.
- Conducting advanced behavioral analysis.

Statement of Compliance

In addition to the Annual Report of the Board of Directors on the Affairs of the Bank appearing on pages 161 to 166, given below is a summary of the extent of compliance with the requirements of Section 168 of the Companies Act No. 07 of 2007 and amendments thereto and other relevant statutes and recommended best practices.

Mandatory disclosures as required by the Companies Act No. 07 of 2007 and amendments thereto (CA)

	Disclosure requirement	Reference to the relevant statute/ rule	Page reference for compliance and other necessary disclosures	Page/s
1.	The nature of the business of the Bank together with any changes thereof during the accounting period	Section 168 (1) (a)	Note 1 to the Financial Statements: Reporting Entity	224
2.	Signed Financial Statements of the Bank for the accounting period completed in accordance with Section 152	Section 168 (1) (b)	Financial Statements of the Bank for the year ended December 31, 2024	219 to 223
3.	Auditors' Report on the Financial Statements of the Bank	Section 168 (1) (c)	Independent Auditors' Report	215 to 218
4.	Accounting Policies of the Bank and any changes therein	Section 168 (1) (d)	Notes 1 to 57 to the Financial Statements:	224 to 314
5.	Particulars of the entries made in the Interests Registers of the Bank during the accounting period	Section 168 (1) (e)	The Bank maintains Interests Registers. All Directors have made declarations as required by the Section 192 (1) and (2) and all related entries were made in the Interests Registers during the year under review. The Interests Registers are available for inspection by shareholders or their authorised representatives as required by the Section 119 (1) (d).	161 to 167
6.	Remuneration and other benefits paid to Directors of the Bank during the accounting period	Section 168 (1) (f)	Note 15 to the Financial Statements: Personnel Expenses Report of the Board Human Resources and Remuneration Committee	248 to 250 147 to 149
7.	Total amount of donations made by the Bank during the accounting period	Section 168 (1) (g)	Note 17 to the Financial Statements: Other Operating Expenses	250
8.	Information on Directorate of the Bank during and at the end of the accounting period	Section 168 (1) (h)	Annual Report of the Board of Directors - Directorate Refer "Board of Directors and Profiles" for details of members of the Board of Directors of the Bank	167 23 to 27

Statement of Compliance

	Disclosure requirement	Reference to the relevant statute/ rule	Page reference for compliance and other necessary disclosures	Page/s
9.	Separate disclosure on amounts payable to the Auditors as Audit Fees and Fees for other services rendered during the accounting period by the Bank	Section 168 (1) (i)	Note 17 to the Financial Statements: Other Operating Expenses	250
10.	Auditors' relationship or any interest with the Bank (Lead auditor's independence)	Section 168 (1) (j)	Refer Independent Auditor's Report for the declaration provided by Messrs. KPMG in term of the Code of Professional Conduct and Ethics issued by CA Sri Lanka, applicable as at the reporting date. No prohibited non audit services have been provided by Messrs. KPMG as per the Direction issued by the CBSL on 'Guidelines for External Auditors relating to their Statutory Duties'. The Directors are satisfied as the BAC has assessed each service, having regard to auditor's independence requirements of applicable laws, rules and regulations, and concluded in respect of each non-audit service or type of non-audit service that the provision of that service or type of service would not impair the independence of Messrs. KPMG.	215 to 218
11.	Acknowledgement of the Contents of this Report/ Signatures on behalf of the Board of Directors	Section 168 (1) (k)	The Board of Directors and the Secretary of company have acknowledged the contents of this Annual Report as disclosed.	166

Other Disclosures as required by Recommended Best Practices (RBP), Listing Rules (LR) of the Colombo Stock Exchange, Companies Act No. 07 of 2007 and amendments thereto (CA) and the Banking Act Direction No. 11 of 2007 (CBSL)

12.	Vision, Mission and Corporate Conduct	RBP	Stemming from our "Vision and Mission" the business activities of the Bank are conducted maintaining the highest level of ethical standards reflecting our commitment to high standards of business conduct and ethics. The Bank issues a copy of its Code of Ethics to each and every staff member and all employees are required to abide by the provisions contained therein.	8
13.	Review of Business operations of the Bank and future developments	RBP	"Chairman's Message" and "Chief Executive Officer's Message" Management Discussion and Analysis Note 49 to the Financial Statements: Operating Segments	18 to 22 28 to 113 285 to 286

	Disclosure requirement	Reference to the relevant statute/ rule	Page reference for compliance and other necessary disclosures	Page/s
14.	Gross Income	RBP	Notes 7 & 49 to the Financial Statements: Gross Income & Operating Segments	239 to 285
15.	Dividends on Ordinary Shares	RBP	N/A	
16.	Reserves and Appropriations	RBP	Statement of Changes in Equity Notes 43 & 44 to the Financial Statements: Retained earnings & other reserves	222 281
17.	Corporate Social Responsibility (CSR)	RBP	Community capital	82
18.	Extents, locations, valuations and the number of buildings of the Bank's land holdings and investment properties	LR 7.6 (VIII)	Note 31 to the Financial Statements: Property, Plant and Equipment & Right-of- use assets	266 to 270
19.	Significant changes in the Bank's fixed assets and the market value of land, if the value differs substantially from the book value	LR 7.6 (XII)	Note 31 to the Financial Statements	266 to 270
20.	Issue of Shares and Debentures	LR 7.6 (XIII)		
20.1.	Issue of Shares by the Bank	LR 7.6 (XIII)	Notes 42 to the Financial Statements: Stated Capital, Movements in number of shares and Issue of New Shares "Investor Relations" - Item 3.1	280 325
20.2	Issue of Debentures by the Bank		Note 39 to the Financial Statements: Financial Liabilities at Amortised Cost - Other Borrowings	277 to 278
21.	Share information and Substantial Shareholdings			

Statement of Compliance

	Disclosure requirement	Reference to the relevant statute/ rule	Page reference for compliance and other necessary disclosures	Page/s
21.1	Distribution Schedule of Shareholdings, names and the number of shares held by the 20 largest holders of Voting & Non- Voting shares and the percentage of such shares held, Float adjusted Market Capitalisation, public holding percentage, number of public shareholders, and the option under which the Bank complies with the minimum public holding requirement.	LR 7.6 (III) LR 7.6 (IV) LR 7.6 (X) LR 7.13.1	"Investor Relations" - Items 1, 2, 4.1, 4.2 and 4.3	324 to 326
21.2	Financial ratios and market price information	LR 7.6 (XI)	Financial Overview of 2024	15
	Information on Earnings, Dividends, Net Assets and Market Value per share		Notes 20 & 47 to the Financial Statements "Investor Relations" - Item 5	252 to 283 326
	Information on listed debt securities		N/A	
21.3	Information on shares traded and the number of shares represented by the Stated Capital	LR 7.6 (IX)	Note 42 to the Financial Statements: Stated Capital and Movements in number of shares "Investor Relations" - Item 3	280 325
21.4	Own Share Purchases	CA S.64	The Bank did not purchase its own shares	
21.5	Equitable Treatment to Shareholders	RBP	Statement of Directors' Responsibility for Financial Reporting	207 to 208
22.	Information on Directors' Meetings and Board Committees			
22.1	Directors' Meetings	RBP	Corporate Governance	114 to 140
22.2	Board Committees	RBP	Board Committee Reports	141 to 160
23.	Disclosure of Directors' dealings in shares and debentures			
23.1	Directors' Interests in Ordinary Voting and Non-voting Shares of the Bank	LR 7.6 (V)	Annual Report of the Board of Directors	161 to 166
24.	Employee Share Option Plans and Employee Share Purchase Schemes	LR 7.6 (XIV)	The Bank does not have any employee share option plans or share purchase schemes.	

	Disclosure requirement	Reference to the relevant statute/ rule	Page reference for compliance and other necessary disclosures	Page/s
25.	Directors' Interests in Contracts or Proposed Contracts and Remuneration and other benefits of Directors during the year under review	RBP	Directors have refrained from voting on matters in which they were materially interested. Directors have no direct or indirect interest in any other contract or proposed contract with the Bank, other than those disclosed in "Directors' interest in contracts with the Bank" and Note 51 to the Financial Statement: Related Party Disclosures.	167 287 to 290
		LR 7.6 (XIV)	There are no arrangements that enable the Non-Executive Directors of the Bank to acquire shares or debentures of the Bank, other than via the market.	
		CA S.217 (2) (d)	There are no restrictions on the approval of loans to Directors in the Bank's ordinary course of business, subject to compliance with all applicable regulations.	
26.	Director's and Officers' Insurance	CA S.218	The Bank has, during the financial year, paid an insurance premium in respect of an insurance policy for the benefit of the Bank and the Directors, Secretaries, Officers and certain employees of the Bank and related body corporates as defined in the insurance policy. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.	
27.	Environmental Protection	RBP	The Bank have not, to the best of their knowledge, engaged in any activity, which was detrimental to the environment. Refer "Our ESG Focus" for details of our Environmental, Social and Governance Policy.	76
28.	Declaration on Statutory Payments	RBP	Statement of Directors' Responsibility for Financial Reporting.	207 to 208
29.	Events after the reporting period	RBP	Note 55 to the Financial Statements: Events Occurring after the date of Financial Position.	291
30.	Going Concern	RBP	Statement of Directors' Responsibility for Financial Reporting	207 to 208
31.	Directors' Responsibility for Financial Reporting	CBSL Direction 3(8)(ii)(a)	Statement of Directors' Responsibility for Financial Reporting	207 to 208
32.	Hiring and oversight of External Auditors and their remuneration.	CBSL Direction 3(1)(i)(m)	Refer "Corporate Governance"	114 to 140

Statement of Compliance

	Disclosure requirement	Reference to the relevant statute/ rule	Page reference for compliance and other necessary disclosures	Page/s
		CA S.168 (1) (l)	A resolution to appoint Messrs KPMG as Auditors and granting authority to the Directors to fix their remuneration will be proposed at the forthcoming AGM for shareholder approval. Expenses incurred in respect of Audit fees and fees for other services rendered by Messrs KPMG during the year are given in Note 17 to the Financial Statements: Other Operating Expenses.	215 250
33.	Material issues pertaining to employees and industrial relations	LR 7.6 (VII)	"Human Capital"	51 to 61
34.	Information on material foreseeable risk factors	LR 7.6 (VI)	Risk Management	168 to 180
			Report of the Board Integrated Risk Management Committee	141 to 142
			Note 57 to the Financial Statements: Financial Risk Management	292 to 314
			The Independent Auditors' Report	215 to 218
35.	Corporate Governance	RBP LR 7.6 (XV)	The Directors declare that - (a) the Bank has complied with all applicable laws and regulations in conducting its business and have not engaged in any activity contravening the relevant laws and regulations. (b) they have declared all material interests in contracts involving the Bank and refrained from voting on matters in which they were materially interested; (c) they have conducted a review of internal controls covering financial, operational & compliance controls, risk management and have obtained a reasonable assurance of their effectiveness and proper adherence; (d) the Bank has complied with the applicable statutes on related party transactions and has made the required disclosures in the Financial Statements and to the market when applicable; (e) the business is a Going Concern with supporting assumptions or qualifications as necessary, and that the Board of Directors has reviewed the Bank's Corporate/Business plans and is satisfied that the Bank has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements of the Bank, is prepared based on the Going Concern assumption.	114 to 140

	Disclosure requirement	Reference to the relevant statute/ rule	Page reference for compliance and other necessary disclosures	Page/s
36.	Focus on new regulations	RBP	The Bank is well poised to comply with new regulations/ the amendments made to the existing regulations' as an when become effective.	
37.	Sustainability	RBP	The Bank has considered the sustainability aspects when formulating its business strategies.	48 to 50
38.	Human Resources	RBP	The Bank on an ongoing basis invests in Human Capital Development and implement effective Human Resource Practices and Policies to improve workforce efficiency, effectiveness and productivity. Specific measures taken in this regard are detailed in the "Report of the Board Human Resources and Remuneration Committee" "Human Capital"	 147 to 149 51 to 61
39.	Technology	RBP	Stemming from our Mission, our business processes are predominantly driven by technology. Refer "Digital Channels" for more details.	110
40.	Operational excellence	RBP	To increase efficiency and reduce operating cost, the Bank has ongoing initiatives to drive policy and process standardisation and to optimise the use of existing technology platforms.	110 to 112
41.	Outstanding Litigation	RBP	In the opinion of the Directors and in consultation with the Bank's lawyers, litigation currently pending against the Bank will not have a material impact on the reported financial results or future operations. Note 46 to the Financial Statements: Litigation Against the Bank	282
42.	Disclosure on Related Party Transactions	LR 9.14.8 (1) & (2)	Note 51 to the Financial Statements: Related Party Disclosures	287 to 290
		LR 9.14.8 (3)	Board Related Party Transactions Review Committee Report	152 to 153
		LR 9.14.8 (4)	Annual Report of the Board of Directors' on the Affairs of the Bank	161 to 166
43.	Annual General Meeting and the Notice of Meeting	CA S.133 and CA S.135 (a)	The 13th AGM of the Bank will be held at the Institute of Chartered Accountants of Sri Lanka, No: 30 A, Malalasekara Mawatha, Colombo 07, on Friday, 28 March 2025 at 10.00 a.m. Notice relating to the 13th AGM of the Bank is enclosed at the end of the Annual Report	
44.	Names of Directors	LR 7.6 (i)	Annual Report of the Board of Directors on the Affairs of the Bank	161 to 166

Statement of Compliance

	Disclosure requirement	Reference to the relevant statute/ rule	Page reference for compliance and other necessary disclosures	Page/s
45.	Principal Activities of the Bank	LR 7.6 (ii)	Note 1.2 to the Financial Statements	224
46.	Related Party transactions exceeding 10% of equity or 5% of total assets	LR 7.6 (xvi)	No such situation has arisen Same as LR 9.14.8 (1) & (2)	
47.	Foreign currency denominated securities listed	LR 7.6 (xvii)	Not applicable	
48.	Sustainable bonds listed	LR 7.6 (xviii)	Not applicable	
49.	Perpetual debt securities, infrastructure bonds and/ or Shariah Compliant debt securities listed.	LR 7.6 (xix) (xx) and (xxi)	Not applicable	

Compliance with the Disclosure Requirements Specified by the Central Bank of Sri Lanka for Preparation of Annual Financial Statements of Licensed Commercial Banks

	Disclosure requirement	Page reference for compliance and other necessary disclosures	Page/s
1.	Information about the significance of financial instruments for financial position and performance		
1.1	Statement of Financial Position		
1.1.1	Disclosures on categories of financial assets and financial liabilities	Note 21 to the Financial Statements: Classification of financial assets and financial liabilities	253 to 254
1.1.2	Other disclosures i) Special disclosures about financial assets and financial liabilities designated to be measured at fair value through profit or loss, including disclosures about credit risk and market risk, changes in fair values attributable to these risks and the methods of measurement	Note 27 to the Financial Statements: Financial assets measured at FVTPL Note 57 to the Financial Statements: Financial Risk Management	261 292 to 314
	ii) Reclassifications of financial instruments from one category to another	No such situation has arisen	
	iii) Information about financial assets pledged as collateral and about financial or nonfinancial assets held as collateral	Note 31.3 to the Financial Statements: PPE pledged as securities for liabilities Note 50.1 to the Financial Statements: Carrying value of securities allocated for repurchase transactions	269 287

	Disclosure requirement	Page reference for compliance and other necessary disclosures	Page/s
1.1.2	iv) Reconciliation of the impairment allowance account for credit losses by class of financial assets	Note 28 to the Financial Statements: Movement in impairment provision for cash and cash equivalents, Loans and advances and Investments in debentures, respectively.	260, 264 and 265
	v) Information about compound financial instruments with multiple embedded derivatives	N/A	
	vi) Breaches of terms of loan agreements	During the year the Bank has not breach any loan agreement in which the Bank is a creditor. Breach of agreement in respect of loans granted to customers are dealt with through based on provisions of the internal policies including credit, risk, recovery, etc.	
1.2	Statement of Comprehensive Income		
1.2.1	Disclosures on items of income, expense, gains or losses	Notes 7 to 19 to the Financial Statements	239 to 252
1.2.2	Other disclosures		
	i) Total interest income and total interest expense for those financial instruments that are not measured at fair value through profit and loss	Note 8 to the Financial Statements: Net interest income	239 to 240
	ii) Fee income and expense	Note 9 to the Financial Statements: Net fee and commission income	240
	iii) Amount of impairment losses by class of financial assets	Note 14 to the Financial Statements: Impairment losses on financial instruments and other assets	243 to 248
	iv) Interest income on impaired financial assets	Note 8 to the Financial Statements: Net interest income	239 to 240
1.3	Other disclosures		
1.3.1	Accounting policies for financial instruments	Note 3.2 to the Financial Statements: Financial Instruments	229 to 234
1.3.2	Financial liabilities designated as at FVTPL	N/A	

Statement of Compliance

	Disclosure requirement	Page reference for compliance and other necessary disclosures	Page/s
1.3.3	Investments in equity instruments designated at FVOCI		
	i) Details of equity instruments that have been designated at FVOCI and the reasons for the designation	Note 30 to the Financial Statements: Financial assets measured at FVOCI	265
	ii) Fair value of each investment at the reporting date	Note 22 to the Financial Statements: Fair value of financial assets and financial liabilities	254 to 259
	iii) Dividends recognised during the period, separately for investments derecognised during the reporting period and those held at the reporting date	Note 13 to the Financial Statements: Net other operating income	242
	iv) Any transfers of the cumulative gain or loss within equity during the period and the reasons for those transfers	N/A	
	v) If investments in equity instruments measured at FVOCI are derecognised during the reporting period, ◆ reasons for disposing of the investments ◆ fair value of the investments at the date of derecognition; and ◆ the cumulative gain or loss on disposal	N/A	
1.3.4	Reclassifications of financial assets	No such situation has arisen	
1.3.5	Information on hedge accounting	N/A	
1.3.6	Information about the fair values of each class of financial asset and financial liability, along with: i) Comparable carrying amounts ii) Description of how fair value was determined iii) The level of inputs used in determining fair value iv) Reconciliations of movements between levels of fair value measurement hierarchy, additional disclosures for financial instruments for which fair value is determined using level 3 inputs	Note 22 to the Financial Statements: Fair value of financial assets and financial liabilities	254 to 259
	v) Information if fair value cannot be reliably measured		
2.	Information about the nature and extent of risks arising from financial instruments	Note 57 to the Financial Statements: Financial Risk Management	292 to 314
2.1	Qualitative disclosures		
2.1.1	Risk exposures for each type of financial instrument		
2.1.2	Management's objectives, policies, and processes for managing those risks		
2.1.3	Changes from the prior period		
2.2	Quantitative disclosures		
2.2.1	Summary of quantitative data about exposure to each risk at the reporting date.		
2.2.2	Disclosures about credit risk, liquidity risk, market risk, operational risk, interest rate risk and how these risks are managed		

	Disclosure requirement	Page reference for compliance and other necessary disclosures	Page/s
	i) Credit Risk a) Maximum amount of exposure (before deducting the value of collateral), description of collateral, information about credit quality of financial assets that are neither past due nor impaired and information about credit quality of financial assets. b) For financial assets that are past due or impaired, disclosures on age, factors considered in determining as impaired and the description of collateral on each class of financial asset. c) Information about collateral or other credit enhancements obtained or called. d) Credit risk management practices e) ECL calculations f) Amounts arising from ECL g) Collaterals h) Written-off assets i) For other disclosures, refer Pillar III disclosures of the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks.	Note 57 to the Financial Statements: Financial Risk Management	292 to 314
	ii) Liquidity Risk a) A maturity analysis of financial assets and liabilities. b) Description of approach to risk management. c) For other disclosures, refer Pillar III disclosures of the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks.	Note 57 to the Financial Statements: Financial Risk Management	292 to 314
	iii) Market Risk a) A sensitivity analysis of each type of market risk to which the bank is exposed. b) Additional information, if the sensitivity analysis is not representative of the Bank's risk exposure. c) For other disclosures, refer Pillar III disclosures of the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks.	Note 57 to the Financial Statements: Financial Risk Management	292 to 314
	iv) Operational Risk For other disclosures, refer Pillar III disclosures of the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks.	Note 57 to the Financial Statements: Financial Risk Management	292 to 314

Statement of Compliance

	Disclosure requirement	Page reference for compliance and other necessary disclosures	Page/s
	v) Equity risk in the banking book a) Qualitative disclosures ◆ Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons. ◆ Discussion of important policies covering the valuation and accounting of equity holdings in the banking book. b) Quantitative disclosures ◆ Value disclosed in the statement of financial position of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value. ◆ The types and nature of investments ◆ The cumulative realised gains/(losses) arising from sales and liquidations in the reporting period.	Note 57 to the Financial Statements: Financial Risk Management	292 to 314
	vi) Interest rate risk in the banking book a) Qualitative disclosures b) Quantitative disclosures	Note 57 to the Financial Statements: Financial Risk Management	292 to 314
2.23	Information on concentrations of risk	Note 57 on analysis of risk concentration	292 to 314
3.	Other disclosures		
3.1	Capital - Refer Pillar III disclosures of the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks.	Basel III - Pillar III Market Disclosures	315 to 323
4.	Disclosures applicable for repurchase and reverse repurchase transactions of dealer direct participants in scripless treasury bonds and scripless treasury bills.	Note 50 to the Financial Statements: Repurchase and reverse repurchase transactions in scripless T-bonds and scripless T-bills	286
4.1	Registered Stock and Securities Ordinance and Local Treasury Bills Ordinance Directions No. 01 of 2019 dated 20 December 2019 issued by the Monetary Board.		
	i) The carrying value of securities allocated for repurchase transactions as at the period end date. ii) The market values of securities received for reverse repurchase transactions as at the period end date. iii) The dealer direct participant policy on haircut for repurchase and reverse repurchase transactions. iv) Any penalties imposed for non compliance with this Direction.		

	Disclosure requirement	Page reference for compliance and other necessary disclosures	Page/s
5.	Disclosures applicable on treasury operations of the Bank.	Note 49 to the Financial Statements: Operating Segment	285
5.1	Banking Act Directions No 06 of 2019 dated 29 August 2019 issued by the Monetary Board on Market Conduct and Practices for Treasury Operations of Banks.	Note 13 to the Financial Statements: Net other operating income	242
	Disclose as a separate item in the Bank's audited Financial Statements, the profit generated through all interbank foreign exchange transactions including end user transactions where one leg is in the interbank market.		

Disclosures as required by Section 9 of the Listing Rules (LR) of the Colombo Stock Exchange.

	Disclosure requirement	Reference to the relevant statute/rule	Page reference for compliance and other necessary disclosures	Page/s
1.	Publish a Statement confirming the extent of compliance with the Corporate Governance Rules.	LR 9.1.3	This disclosure fulfils this requirement.	181 to 203
2.	The Bank shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Bank on its website. a) Policy on the matters relating to the Board of Directors b) Policy on Board Committees c) Policy on Corporate Governance, Nominations and Re-election d) Policy on Remuneration e) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the entity's listed securities f) Policy on Risk management and Internal controls g) Policy on Relations with Shareholders and Investors h) Policy on Environmental, Social and Governance Sustainability i) Policy on Control and Management of Company Assets and Shareholder Investments j) Policy on Corporate Disclosures k) Policy on Whistleblowing l) Policy on Anti-Bribery and Corruption	LR 9.2.1	The Bank has put in place all these policies, which have been reviewed and updated periodically and published in the Bank's website. https://www.cargillsbank.com/investor-relations/corporate-policies/	
3.	Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted	LR 9.2.2	Corporate governance	137
4.	Listed entities shall disclose in Annual Report, i) List of policies in place as per Section 9.2.1, with reference to website ii) Any changes to policies adopted	LR 9.2.3	Corporate governance	137

Statement of Compliance

	Disclosure requirement	Reference to the relevant statute/rule	Page reference for compliance and other necessary disclosures	Page/s
5.	The Bank has a process in place to make available policies referred in Section 9.2.1 above, to shareholders upon a written request being made for any such Policy.	LR 9.2.4	The Bank has put in place all these policies, which have been reviewed and updated periodically and published in the Bank's website. https://www.cargillsbank.com/investor-relations/corporate-policies/	
6.	The Bank shall ensure that the following Board Committees are established and maintained at a minimum and are functioning effectively. The said Board Committees at minimum shall include; a) Nominations and Governance Committee b) Remuneration Committee c) Audit Committee (To perform audit and risk functions) d) Related Party Transactions Review Committee.	LR 9.3.1	Committee reports	141 to 160
7.	The Bank shall comply with the composition, responsibilities and disclosures required in respect of the above Board Committees as set out in these Rules.	LR 9.3.2	Committee reports	141 to 160
8.	The Chairperson of the Board of Directors of the Bank shall not be the Chairperson of the Board Committees referred to in Section 9.3.1 above.	LR 9.3.3	Committee reports	141 to 160
9.	The Bank shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Bank. The Bank shall provide copies of the same at the request of the Exchange and/or the SEC. a) The number of shares in respect of which proxy appointments have been validly made; b) The number of votes in favour of the resolution; c) The number of votes against the resolution; and d) The number of shares in respect of which the vote was directed to be abstained	LR 9.4.1	Complied with.	
10.	Communication and relations with shareholders and investors; a) The policy on effective communication and relations with shareholders and investors. b) The contact person for such communication. c) The policy on relations with shareholders and investors on the process to make all Directors aware of major issues and concerns of shareholders.	LR 9.4.2	Corporate governance	137
11.	The Bank shall establish and maintain a formal policy governing matters relating to the Board of Directors. The policy shall include the contents specified under Section 9.5.1 of the Listing Rules.	LR 9.5.1	Complied with.	

	Disclosure requirement	Reference to the relevant statute/rule	Page reference for compliance and other necessary disclosures	Page/s
12.	Policy on matters relating to the Board of Directors.	LR 9.5.2	Corporate governance	137
13.	The Chairperson of the Bank shall be a Non-Executive Director and the positions of the Chairperson and CEO shall not be held by the same individual, unless otherwise a SID is appointed in terms of Rule 9.6.3 below.	LR 9.6.1	Complied with.	
14.	Where the Chairperson of a Listed Entity is an Executive Director and/or the positions of the Chairperson and CEO are held by the same individual, such entity shall make a market announcement within a period of one (1) month from the date of implementation of these rules or an Immediate Market Announcement if such date of appointment and/or combination of the said roles falls subsequent to the implementation of these rules.	LR 9.6.2	N/A	
15.	Report of Senior Independent Director (SID) demonstrating the effectiveness of duties.	LR 9.6.3	Corporate governance	137
16.	Rationale for appointing SID.	LR 9.6.4	Corporate governance	137
17.	The Bank shall take necessary steps to ensure that their Directors and the CEO are, at all times, fit and proper persons as required in terms of these Rules: In evaluating fitness and propriety of the persons referred in these Rules, the Bank shall utilise the 'Fit and Proper Assessment Criteria' set out in Section 9.7.3 below.	LR 9.7.1	Complied with.	
18.	The Bank shall ensure that persons recommended by the Nominations and Governance Committee for Directorship meet 'Fit and Proper' criteria as required in terms of these Rules before such nominations are placed at the shareholders' meeting or appointments are made.	LR 9.7.2	Complied with.	
19.	A Director or the CEO of the Bank shall not be considered 'Fit and Proper' if she or he does not possess the fit and proper assessment criteria specified under "Honesty, Integrity and Reputation", "Competence and Capability" and "Financial Soundness" in Section 9.7.3 (a), (b), and (c) respectively.	LR 9.7.3	Complied with.	
20.	The Bank shall obtain declarations from their Directors and CEO on an annual basis confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out in Section 9.7.3 during the financial year concerned and satisfies the said criteria as at the date of such confirmation.	LR 9.7.4	Complied with.	
21.	The Bank shall disclose in Annual Report, a) Statement on Directors and CEO satisfying Fit and Proper Assessment Criteria. b) Any non-compliance/s and remedial action taken.	LR 9.7.5	Corporate governance	137
22.	The Board of Directors of the Bank, at a minimum, consist of five (05) Directors.	LR 9.8.1	Complied with.	

Statement of Compliance

	Disclosure requirement	Reference to the relevant statute/rule	Page reference for compliance and other necessary disclosures	Page/s
23.	Minimum Number of Independent Directors a) The Board of Directors of the Bank shall include at least two (2) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Listed Entity at any given time, whichever is higher. b) Any change occurring to this ratio shall be rectified within ninety (90) days from the change.	LR 9.8.2	Complied with.	
24.	A Director shall not be considered independent if he/she does not fulfil the criteria defining independence under Section 9.8.3 of the Listing Rules.	LR 9.8.3	Complied with.	
25.	Process in place for the determination of 'Independence' of the Directors a) Each Director to submit a signed and dated declaration annually of his or her independence or non-independence b) Names of Directors determined to be 'independent'. c) Immediate market announcement to be made if the Board determines that the independence of an Independent Director has been impaired.	LR 9.8.5	Corporate governance	137
26.	Requirements to be complied in relation to 'Alternate Directors'.	LR 9.9	N/A	
27.	The Bank shall disclose its policy on the maximum number of directorships it's Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Entity shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 above.	LR 9.10.1	Complied with.	
28.	The Bank shall, upon the appointment of a new Director to its Board, make an immediate market announcement setting out the brief resume of such Director, his/her capacity of directorship; and, Statement by the Entity indicating whether such appointment has been reviewed by the Nominations and Governance Committee of the Bank.	LR 9.10.2		
29.	The Bank shall make an immediate market announcement regarding any changes to the composition of the Board Committees referred to in Section 9.3.1 above containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.	LR 9.10.3		

	Disclosure requirement	Reference to the relevant statute/rule	Page reference for compliance and other necessary disclosures	Page/s
30.	Directors details a) Name, qualifications and brief profile b) Nature of his/her expertise in relevant functional areas c) Whether either the Director or Close Family Members has any material business relationships with other Directors d) Whether Executive, Non-Executive and/or Independent Director e) Total number and names of companies in Sri Lanka in which the Director concerned serves as a Director and/or KMP stating whether listed or unlisted, whether functions as Executive or Non-Executive (If the directorships are within the Group names need not be disclosed) f) Number of Board meetings attended g) Names of Board Committees in which the Director serves as Chairperson or a member h) Attendance of Board Committee meetings	LR 9.10.4	Corporate governance	138
31.	Board Nominations and Governance Committee (BNGC) Bank shall have a Nominations and Governance Committee that conforms to the requirements set out in Rule 9.11.	LR 9.11.1	Committee reports	143 to 146
32.	The Bank shall establish and maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board through the Nominations and Governance Committee.	LR 9.11.2	Committee reports	143 to 146
33.	The Nominations and Governance Committee shall have a written Terms of Reference clearly defining the scope, authority, duties and matters pertaining to the quorum of meetings.	LR 9.11.3	Committee reports	143 to 146
34.	Composition of the Nominations and Governance Committee 1) The members of the Nominations and Governance Committee shall; a) Comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. b) Not comprise of Executive Directors of the Listed Entity. 2) An Independent Director shall be appointed as the Chairperson of the Nominations and Governance Committee by the Board of Directors. 3) The Chairperson and the members of the Nominations and Governance Committee shall be identified in the Annual Report of the Listed Entity.	LR 9.11.4	Committee reports	143 to 146
35.	The functions of the Nominations and Governance Committee.	LR 9.11.5	Committee reports	143 to 146

Statement of Compliance

	Disclosure requirement	Reference to the relevant statute/rule	Page reference for compliance and other necessary disclosures	Page/s
36.	Nominations and Governance Committee Report a) Names of Chairperson and members with nature of directorship. b) Date of appointment to the Committee. c) Availability of documented policy and processes when nominating Directors. d) Requirement of re-election at regular intervals at least once in 3 years. e) Board diversity. f) Effective implementation of policies and processes relating to appointment and re-appointment of Directors. g) Details of Directors re-elected. h) Periodic evaluation on the performance of the Board. i) Process adopted to inform Independent Directors of major issues. j) Induction/orientation programs for new Directors on corporate governance, Listing Rules, securities market regulations or an appropriate negative statement. k) Annual update for all Directors on corporate governance, Listing Rules, securities market regulations or an appropriate negative statement. l) Compliance with independence criteria. m) Statement on compliance with corporate governance rules, if non-compliant reasons and remedial actions.	LR 9.11.6	Corporate governance	138
37.	Remuneration Committee The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration.	LR 9.12.3	Committee reports	147 to 149
38.	Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired.	LR 9.12.4	Committee reports	147 to 149
39.	Remuneration Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.	LR 9.12.5	Committee reports	147 to 149

	Disclosure requirement	Reference to the relevant statute/rule	Page reference for compliance and other necessary disclosures	Page/s
40.	Composition of the Remuneration Committee 1) The members of the Remuneration Committee shall; a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. b) not comprise of Executive Directors of the Listed Entity. 2) In a situation where both the parent company and the subsidiary are listed entities, the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary. 3) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.	LR 9.12.6	Committee reports	147 to 149
41.	The functions of the Remuneration Committee	LR 9.12.7	Committee reports	149
42.	Remuneration Committee Report a) Names of Chairperson and members with nature of directorship. b) Statement regarding the Remuneration Policy. c) The aggregate remuneration of the Executive and Non-Executive Directors.	LR 9.12.8	Corporate governance	139
43.	Perform Audit and Risk functions specified in Section 9.13.4 of the Listing Rules.	LR 9.13.1		
44.	The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties.	LR 9.13.2	Committee reports	156 to 157

Statement of Compliance

	Disclosure requirement	Reference to the relevant statute/rule	Page reference for compliance and other necessary disclosures	Page/s
45.	Composition of the Audit Committee 1) The members of the Audit Committee shall; a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent Directors. b) not comprise of Executive Directors of the Listed Entity. 2) The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors. 3) The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market. 4) If both, the Parent Company and the subsidiary are 'Listed Entities', the Audit Committee of the Parent Company may function as the Audit Committee of the subsidiary. 5) An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors. 6) Unless otherwise determined by the Audit Committee, the CEO and the Chief Financial Officer (CFO) of the Listed Entity shall attend the Audit Committee meetings by invitation. Provided however, where the Listed Entity maintains a separate Risk Committee, the CEO shall attend the Risk Committee meetings by invitation. 7) The Chairperson of the Audit Committee shall be a Member of a recognised professional accounting body. Provided however, this Rule shall not be applicable in respect of Risk Committees where a Listed Entity maintains a separate Risk Committee and Audit Committee.	LR 9.13.3	Committee reports	156 to 157
46.	The functions of the Audit Committee	LR 9.13.4	Committee reports	156 to 157
47.	Disclosures in the Annual Report 1) The Bank shall prepare an Audit Committee Report which shall be included in the Annual Report 2) The Audit Committee Report shall contain disclosures set out in Section 9.13.5 (2)	LR 9.13.5	Corporate governance	139
48.	The Bank shall have a Related Party Transactions Review Committee that conforms to the requirements set out in Section 9.14.	LR 9.14.1	Committee reports	152 to 153

	Disclosure requirement	Reference to the relevant statute/rule	Page reference for compliance and other necessary disclosures	Page/s
49.	Composition of the Related Party Transactions Review Committee 1) The Related Party Transactions Review Committee shall comprise of a minimum of three(03) Directors of the Listed Entity, out of which two (02) members shall be Independent Directors of the Listed Entity. It may also include Executive Directors, at the option of the Listed Entity. An Independent Director shall be appointed as the Chairperson of the Committee.	LR 9.14.2	Committee reports	152 to 153
50.	Functions of the Related Party Transactions Review Committee as set out in Section 9.14.3.	LR 9.14.3	Committee reports	152 to 153
51.	General Requirements (1) The Related Party Transactions Review Committee shall meet at least once a calendar quarter. It shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors. (2) The members of the Related Party Transactions Review Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions, and where necessary, should obtain appropriate professional and expert advice from an appropriately qualified person. (3) Where necessary, the Committee shall request the Board of Directors to approve the Related Party Transactions which are under review by the Committee. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction. (4) If a Director of the Listed Entity has a material personal interest in a matter being considered at a Board Meeting to approve a Related Party Transaction as required in Rule 9.14.4(3), such Director shall not: (a) be present while the matter is being considered at the meeting; and, (b) vote on the matter	LR 9.14.4	Committee reports	152 to 153
52.	Review of Related Party Transactions by the Related Party Transactions Review Committee.	LR 9.14.5	Committee reports	152 to 153

Statement of Compliance

	Disclosure requirement	Reference to the relevant statute/rule	Page reference for compliance and other necessary disclosures	Page/s
53.	Shareholder approval The Bank shall obtain shareholder approval by way of a Special Resolution for the Related Party Transactions as set out in Section 9.14.6. The RPTs policy of the Bank provides for obtaining shareholder approval by way of a Special Resolution for non-recurrent and recurrent RPTs identified in this Section. There were no RPTs during the year which required Shareholder approval as set out in Section 9.14.6.	LR 9.14.6	Complied with.	
54.	The Bank shall make an immediate Market Announcement to the Exchange for RPTs as set out in Section 9.14.7 (a) and (b). The RPTs policy of the Bank provides for making an immediate Market Announcement to the Exchange for RPTs identified in this Section. There were no RPTs during the year which required immediate Market Announcement as set out in Section 9.14.7.	LR 9.14.7		
55.	Related Party Disclosures Non-recurrent RPT exceeding 10% of the Equity or 5% of the Total Assets, whichever is lower (in the specified format).	LR 9.14.8.(1)	Corporate governance	139
56.	Recurrent RPT exceeding 10% of the gross revenue/ income (in the specified format) Refer Note 51 to the Financial Statements on “Related Party Disclosures"	LR 9.14.8.(2)	Corporate governance	139
57.	Related Party Transactions Review Committee Report ◆ Names of the Directors comprising the Committee ◆ Statement that Committee has reviewed RPTs and communicated comments/observations to the Board ◆ Policies and procedures adopted by the Committee	LR 9.14.8.(3)	Corporate governance	139
58.	Affirmative declaration by the Board of Directors on compliance with RPT Rules or negative statement to that effect.	LR 9.14.8.(4)	Corporate governance	139
59.	Acquisition and disposal of assets from/ to Related Parties Except for transactions set out in Section 9.14.10, the Bank shall ensure that neither the Bank nor any of its subsidiaries, acquires a substantial asset from, or disposes of a substantial asset to, any Related Party of the Entity without obtaining the approval of the shareholders of the Entity by way of a Special Resolution.	LR 9.14.9		

	Disclosure requirement	Reference to the relevant statute/rule	Page reference for compliance and other necessary disclosures	Page/s
60.	Additional disclosures by Board of Directors Declaration on following; i) All material interests in contracts involving in the Bank and have refrained from voting on matters in which they were materially interested ii) Review of the internal controls covering financial, operational and compliance controls and risk management and obtained reasonable assurance of their effectiveness and successful adherence, and, if unable to make any of these declarations an explanation on why it is unable to do so; iii) Made themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions; iv) Disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations.	LR 9.16	Corporate governance	140

Financial Reports

Financial Calendar 2024/2025

ANNUAL GENERAL MEETINGS

13th Annual General Meeting	28 March 2025
12th Annual General Meeting	26 April 2024

Interim Financial Statements

Interim Financial Statements	Date released to CSE	Date published in newspapers		
		English	Sinhala	Tamil
Q4/ For the twelve months ended 31.12.2024	On or before 28 February 2025	On or before 31 March 2025	On or before 31 March 2025	On or before 31 March 2025
Q3/ For the nine months ended 30.09.2024	13 November 2024	14 November 2024	14 November 2024	14 November 2024
Q2/ For the six months ended 30.06.2024	13 August 2024	15 August 2024	15 August 2024	15 August 2024
Q1/ For the three months ended 31.03.2024	08 May 2024	10 May 2024	10 May 2024	10 May 2024
Q4/ For the twelve months ended 31.12.2023	28 February 2024	29 February 2024	29 February 2024	29 February 2024

Annual Financial Statements

Annual Financial Statements	released/ to be released to CSE
Annual Financial Statements for 2024	on or before 05 March 2025
Annual Financial Statements for 2023	01 April 2024

PROPOSED FINANCIAL CALENDAR 2025/2026 (TENTATIVE)

Interim Financial Statements

As per Rule 7.4 of the Listing Rules of the Colombo Stock Exchange (CSE), quarterly Financial Statements (un-audited) for the first three quarters should be released to the CSE as soon as the said statements are approved by the Board of Directors and in any event not later than 45 days from the end of each quarter and in respect of the final quarter, within two months from the end of the final quarter.

Interim financial statements will be released to the Colombo Stock Exchange (CSE) and published in newspapers in all three languages of Sinhala, Tamil and English within the stipulated regulatory deadlines.

Annual Financial Statements

Annual Financial Statements for 2025 will be released to CSE in March 2026
As per Rule 7.4 of the Listing Rules of the Colombo Stock Exchange (CSE), quarterly Financial Statements (un-audited) for the first three quarters should be released to the CSE as soon as the said statements are approved by the Board of Directors and in any event not later than 45 days from the end of each quarter and in respect of the final quarter, within two months from the end of the final quarter.

According to Rule 7.5 of the Listing Rules of the CSE, the audited Financial Statements should be published in accordance with the Sri Lanka Accounting Standards and audited in accordance with Sri Lanka Auditing Standards and shall comply with any other applicable regulatory requirements and the Annual Report should be sent to the shareholders and the CSE within five months from the close of the financial year.

In terms of the the Banking Act Direction No. 11 of 2007 - Corporate Governance for Licensed Commercial Banks, and Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks, the annual audited Financial Statements and quarterly Financial Statements should be prepared and published in accordance with the requirements of supervisory and regulatory authorities and applicable accounting standards and such statements must be published in the newspapers in an abridged form in Sinhala, Tamil and English.

Annual General Meeting

14th Annual General Meeting will be held in March 2026.

Directors' Responsibility for Financial Reporting

The responsibility of the Directors in relation to the Financial Statements of Cargills Bank PLC (the Bank) prepared in accordance with the provisions of the Companies Act No.07 of 2007 is set out in the following statements.

The responsibilities of the External Auditor in relation to the Financial Statements are set out in the Report of the Auditors given on pages 215 to 218 of the Annual Report.

In terms of Sections 150 (1) and 151 of the Companies Act No.07 of 2007 (Companies Act), the Directors of the Bank are responsible for ensuring that the Bank keeps proper books of account of all transactions and prepares Financial Statements that give a true and fair view of the financial position of the Bank as at end of each financial year and of the financial performance of the Bank for each financial year and place them before the Annual General Meeting for shareholders for their approval. The Financial Statements comprise the Statement of Financial Position as at the end of the financial year, the Statement of Profit or Loss, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity for the financial year ended, and Notes thereto.

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

a) the financial position of the Bank as of 31 December 2024; and

b) the financial performance of the Bank for the financial year ended 31 December 2024.

The Financial Statements of the Bank have been certified by the Bank's Head of Finance, the person responsible for their preparation, as required by the Companies Act. Financial Statements of the Bank have been signed by two Directors of the Bank on 25 February 2025 as required by Section 150 (1) of the Companies Act No.07 of 2007.

Under Section 148 (1) of the Companies Act, it is the overall responsibility of the Directors to oversee and ensure the keeping of proper accounting records which correctly record and explain the Bank's transactions with reasonable accuracy at any time and enable the Directors to prepare Financial Statements, in accordance with the said Act and also enable the Financial Statements to be readily and properly audited.

The Directors in preparing these Financial Statements are required to ensure that;

I. Appropriate accounting policies have been selected and applied in a consistent manner while material departures, if any, have been disclosed and explained;

II. The Financial Statements are presented in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) and are consistent with the underlying books of accounts;

III. Reasonable and prudent judgment and estimates have been made so that the form and substance of the transaction are properly reflected;

The Financial Statements provide the information required by the Companies Act, Banking Act No. 30 of 1988 (Banking Act) and amendments thereto and the Listing Rules of the Colombo Stock Exchange (CSE); and

IV. All applicable accounting standards have been followed.

The Directors are also required to ensure that the Bank has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements. The Financial Statements prepared and presented in the report are consistent with the underlying books of account and conform with the requirements of Sri Lanka Accounting Standards, the Companies Act No.7 of 2007, the Sri Lanka Accounting and Auditing Standards Act of No.15 of 1995, the Banking Act No.30 of 1988 and amendments thereto, and the listing Rule of the CSE.

The Board of Directors also wishes to confirm that, as required by Sections 166 (1) and 167 (1) of the Companies Act No. 07 of 2007, they have prepared this Annual Report in time and ensured that a copy thereof is sent to every Shareholder of the Bank, who have expressed desire to receive a printed copy or to other shareholders a soft copy is shared by way of a link containing Annual Report. The report has been circulated within the stipulated period of time as required by the Rule No. 7.5 (a) and (b) of Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange. The Directors also wish to confirm that all Shareholders have been treated equitably in accordance with the original terms of issue. Further, the Board of Directors wishes to confirm that the Bank has met all the requirements under the Section 07 on Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange and other regulations, laws and internal controls and there were no material non compliances.

Directors’ Responsibility for Financial Reporting

The Directors have taken adequate measures with regard to inspecting financial reporting systems through Audit Committee Meetings and granting approvals for the issuing of Interim Financial Statements. The Directors have also instituted effective and comprehensive systems of internal controls. These comprise internal checks, internal audits and the whole system of financial and other controls required to carry on the banking business in an orderly manner, while safeguarding assets, preventing and detecting frauds and other irregularities and as far as practicable securing the accuracy and reliability of records. The results of such reviews carried out during the year ended 31 December 2024 are given in ‘Directors’ Statement on Internal Controls over Financial Reporting’ on pages 209 and 210 of the Annual Report.

The Auditor’s Report on Internal Controls is given on pages 211 and 212 of the Annual Report.

The Bank’s External Auditors, Messrs. KPMG, conducted reviews and sample checks on the system of internal controls as they considered appropriate and necessary for expressing their opinion on the Financial Statements and maintaining accounting records. They have examined the Financial Statements made available to them together with all financial records, related data and minutes of the Shareholders’ and Directors’ meetings and expressed their opinion which appears as reported by them on pages 215 to 218 of this Annual Report.

The Directors are satisfied that all statutory payments in relation to regulatory and statutory authorities which were due and payable by the Bank were paid or where relevant provided for.

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

By Order of the Board,

Ms. Amendra de Silva
Company Secretary

Colombo
25 February 2025

Directors' Statement on Internal Controls over Financial Reporting

INTRODUCTION

Section 9.2 (b) of the Banking Act Direction No. 5 of 2024 requires the Board of Directors ("the Board") to report on 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. This Report is prepared in line with the said regulatory requirements and Principle D.1.5 of the Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

RESPONSIBILITY

The Board acknowledges the responsibility for the adequacy and effectiveness of the Cargills Bank ("the Bank") system of internal controls, which is designed to provide assurance on the maintenance of proper accounting records and the reliability of financial information generated and safeguarding of the assets of the Bank.

However, such systems are designed to manage the Bank's key exposures to risk within acceptable risk parameters rather than to eliminate the risk of failure to achieve the business goals and objectives of the Bank. Therefore, the system of internal controls can only provide reasonable and not absolute assurance against errors or material misstatement of management and financial information and records or against financial losses and frauds.

FRAMEWORK OF MANAGING MATERIAL RISKS OF THE BANK

The Board has set up an ongoing process for identifying, evaluating and managing the material risks faced by the Bank. This process has been in place for the year under review which includes enhancing the system of internal controls as and when there are changes to the business environment and regulatory guidelines.

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 in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

The process is regularly reviewed by the Board and is in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued by CA Sri Lanka. The Board has assessed the internal control over financial reporting taking into account relevant principles for the assessment of internal control over the financial reporting system as given in the guidance.

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

KEY FEATURES OF THE PROCESS ADOPTED IN APPLYING AND REVIEWING THE DESIGN AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM OVER FINANCIAL REPORTING

The Management assists the Board in implementing risk and control policies and procedures by identifying and assessing risks and designing, operating, and monitoring suitable internal controls to mitigate those risks.

- The Board of Directors has established various committees to assist in ensuring the effectiveness of the Bank's daily operations and to provide assurance that the Bank's operations are directed by corporate objectives, strategies and the annual budget, as well as policies and business directives that have been approved.
- The Bank's controls are designed to address current banking operations and ensure compliance with relevant laws and regulations. To this end, operational manuals, guidelines, and directives issued by the Bank are reviewed regularly.
- On an ongoing basis, the Bank's Internal Audit Department undertakes a comprehensive evaluation of the effectiveness of internal control systems to ensure adherence to established policies and procedures. This process involves the implementation of rotational procedures and sampling methods to identify instances of non-compliance. Significant findings and deviations observed are promptly highlighted, fostering a culture of accountability and compliance. Furthermore, the department diligently reviews the adequacy and appropriateness of existing procedures, ensuring alignment with applicable laws and regulations. To ensure the reliability and integrity of financial information and operational data, meticulous examinations are conducted. The Board Audit Committee holds the responsibility of reviewing and approving the annual internal audit plan, demonstrating the importance accorded to this function. The department's findings are systematically presented to the Audit Committee for review during their regular meetings.
- In 2024, Internal Audits were performed on selected Information Systems (IS) and reviews were conducted on credit management processes. Additionally, audits were carried out for all systemically important departments.
- The Board Audit Committee of the Bank reviews internal control issues identified by the Internal Audit Department, External Auditors, Regulatory Authorities, and Management and evaluates the adequacy and effectiveness of internal control systems. They also review internal audit functions focusing on the scope and quality of audits. Minutes of Board Audit Committee meetings are forwarded to the Board. Further details of the activities undertaken by the Board Audit Committee of the Bank are set out in the Audit Committee Report on pages 156 to 157.
- Apart from the Audit Committee, several Board committees have been established with appropriate empowerment to ensure effective oversight of the Bank's core areas of business operations and the management and supervision thereof.

Directors’ Statement on Internal Controls over Financial Reporting

- These Committees include the Integrated Risk Management Committee, the Strategic Planning Committee, the Human Resource and Remuneration Committee, the Nominations & Governance Committee, the Credit Committee, the Related Party Transactions Review Committee, the Capital Augmentation Steering Committee and the Information Technology Committee.
- Operational committees have also been established with appropriate empowerment to better ensure an effective management and supervision of the Bank’s core areas of business operations. These committees include the Asset and Liability Management Committee (ALCO), the Executive Credit Committee, the Executive Integrated Risk Management Committee, the Information Technology Steering Committee, and the Operational Risk Management Committee.

The Compliance Department has taken initiatives to implement a robust compliance process to address and monitor compliance with regulatory requirements.

CONTINUOUS MONITORING OF APPLICATION OF SLFRS 9: FINANCIAL INSTRUMENTS

The Bank adopted SLFRS 9 - “Financial Instruments” with effect from 1 January 2018. This standard had a significant impact on the Bank’s methodology for calculating impairment losses on loans and advances.
With the introduction of the concept of “Expected Credit Loss” under SLFRS 9, the Bank developed models to assess Expected Credit Losses (ECLs). These models are inherently complex and were developed with the assistance of an external consultant. Several key assumptions are made by the Bank in applying the requirements of SLFRS 9 to the models. These include selecting and using forward-looking information.

The Bank continues to focus on reviewing, calibrating, and testing the models developed. The Bank’s Risk Department reviews and tests these processes on an ongoing basis. Changes in the policies and procedures applied are documented and approved by the Board Audit Committee.

The Bank took necessary steps to further improve the models used for Impairment computations under the Sri Lanka Accounting Standard – SLFRS 9 on ‘Financial Instruments’ by incorporating the improvements highlighted by the external auditors. The required processes and controls have been designed to be in line with SLFRS - 9 and regulatory requirements. Also, adequate training and awareness sessions have been conducted for all stakeholders to where necessary.

The preparation of Financial Statements incorporating the necessary adjustments is based mainly on spreadsheet applications. The process followed by the Bank for quantification of adjustments is documented for clarity and auditability.

MANAGEMENT INFORMATION

The comments made by the External Auditors in connection with internal control system for the financial year ended 31 December 2023 were reviewed during the year and appropriate steps have been taken to rectify the same.

The recommendations made by the External Auditors in the financial year ended to 31 December 2024 in connection with the internal control system will be addressed in future.

The Directors are of the opinion that these recommendations are intended to further improve the internal control system and they do not in any way detract from the conclusion that the financial reporting system is reliable to provide reasonable assurance that the Financial Statements for external use are true and fair and complies with Sri Lanka Accounting Standards and the regulatory requirements of the Central Bank of Sri Lanka.

CONFIRMATION

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

Review of the Statement by External Auditors
The External Auditors, Messrs. KPMG, have formally reviewed the Directors’ Statement on Internal Controls over Financial Reporting, as included in the Bank’s Annual Report for the year ended 31 December 2024. They have subsequently reported to the Board that, based on their review, there is no evidence to suggest that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the design and effectiveness of the Bank’s internal controls over financial reporting.

The Assurance Report of the External Auditors in connection with Internal Controls over Financial Reporting is on pages 211 and 212.

Senarath Bandara
Managing Director/ Chief Executive Officer

Ms. Amendra de Silva
Company Secretary

Colombo
25 February 2025

Assurance Report on the Director's Statement on Internal Control

KPMG
(Chartered Accountants)
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THE BOARD OF DIRECTORS OF CARGILLS BANK PLC.

Report on the Directors' Statement on Internal Control

We were engaged by the Board of Directors of Cargills Bank PLC ("Bank") to provide assurance on the Director's Statement on Internal Control ("Statement") included in the annual report for the year ended 31st December 2024.

Management's responsibility

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

Our Independence and Quality Control

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

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

Our Responsibilities

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

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

This standard requires that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

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

Summary of work performed

Our engagement has been conducted to assess whether the Statement is both supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors have adopted in reviewing the system of internal control for the Bank.

To achieve this objective, appropriate evidence has been obtained by performing the following procedures:

(a) Enquired the Directors to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared their understanding to the Statement made by the Directors in the annual report.

(b) Reviewed the documentation prepared by the Directors to support their Statement made.

(c) Related the Statement made by the Directors to our knowledge of the Bank obtained during the audit of the financial statements.

(d) Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees.

(e) Attended meetings of the Audit Committee at which the annual report, including the Statement on Internal Control is considered and approved for submission to the Board of Directors.

(f) Considered whether the Director's Statement on Internal Control covers the year under review and that adequate processes are in place to identify any significant matters arising.

Assurance Report on the Director's Statement on Internal Control

KPMG

(g) Obtained written representations from Directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

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

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Bank, the event or transaction in respect of which the Statement has been prepared.
We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included on pages 209 to 210 of this annual report is inconsistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Bank.

CHARTERED ACCOUNTANTS
Colombo

26th February 2025

CEO's and CFO's Responsibility for Financial Reporting

The Financial Statements of Cargills Bank PLC (the Bank) for the year ended 31 December 2024 are prepared and presented in compliance with the following requirements;

- Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by The Institute of Chartered Accountants of Sri Lanka;
- Companies Act No. 7 of 2007 and amendments thereto;
- Sri Lanka Accounting and Auditing Standards Act No.15 of 1995;
- Banking Act No. 30 of 1988 and amendments thereto and the Directions, Determinations and Guidelines issued by the Central Bank of Sri Lanka (CBSL) including Section 3(8)(ii)(b) of the Banking Act Direction No. 11 of 2007 on Corporate Governance issued by the CBSL;
- The Listing Rules of the Colombo Stock Exchange (CSE);

The formats used in the preparation of the Financial Statements and disclosures made comply with the specified formats prescribed by the Central Bank of Sri Lanka which also complies with the disclosure requirements of Sri Lanka Accounting Standard - LKAS 1 (on Presentation of Financial Statement). The Bank presents the financial results to its shareholders on a quarterly basis.

The Accounting Policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Bank.

There are no material departures from the prescribed Accounting Standards in their adoption.

Comparative information has been reclassified wherever necessary to comply with the current presentation.

Material accounting policies and estimates that involved a high degree of judgement and complexity were discussed with the Audit Committee and the External Auditors. The Board of Directors and the Management of the Bank accept the responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis; to ensure the Financial Statements reflect in a true and fair manner, the form and substance of transactions and that the Bank's state of affairs is reasonably presented.

To ensure this, the Bank has taken proper and sufficient care in implementing a sound system of internal controls and accounting records with the use of a comprehensive core banking system, for safeguarding assets and to prevent and detect frauds as well as other irregularities, which is reviewed, evaluated, and updated on an ongoing basis. The Bank's Internal Audit Department has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Bank were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting. We confirm that, to the best of our knowledge, the Financial Statements, Significant Accounting Policies, and other financial information included in this Annual Report, fairly present in all material respects the financial position, results of the operations and the Cash Flows of the Bank during the year under review. We also confirm that the Bank has adequate resources to continue in operation and has applied the going concern basis in preparing these Financial Statements.

Further, the Board assessed the effectiveness of the Bank's Internal Controls over Financial Reporting during the year ended 31 December 2024, as required by the Banking Act Direction No.11 of 2007, the result of which is given in 'Directors' Statement on Internal Controls over Financial Reporting' on pages 209 and 210 of the Annual Report.

The 'Auditor's Report on Internal Controls' is given on pages 211 and 212 of the Annual Report.

The Financial Statements of the Bank were audited by Messrs. KPMG, Chartered Accountants, the independent External Auditors. Their report is given on pages 215 to 218 of the Annual Report. The Audit Committee of the Bank meets periodically with the Internal Audit team and the Independent External Auditor to review their audit plans, assess the manner in which the auditors discharge their responsibilities and discuss their reports on internal controls and financial reporting issues. To ensure complete independence, the External Auditor and the Internal Auditor have full and free access to the members of the Audit Committee to discuss any matter of substance.

CEO's and CFO's Responsibility for Financial Reporting

The Audit Committee approves audit and non-audit services provided by the External Auditors, Messrs. KPMG, to ensure that the provision of such services does not impair the independence of the External Auditors and does not contravene the guidelines issued by the CBSL on permitted non-audit services. Refer to 'Report of the Board Audit Committee' appearing on pages 156 to 157 for details.

The Bank has taken appropriate actions to implement new Sri Lanka Accounting Standards and Directions issued by the Central Bank of Sri Lanka on due dates and all the processes are in place to address the requirements of the Sri Lanka Accounting Standards and respective regulatory Directions.

We confirm to the best of our knowledge that;

- Prudential requirements have been satisfied and there are no material litigations that are pending against the Bank other than those disclosed in Note 46 to the Financial Statements;
- There are no material non-compliances; and
- All contributions, levies and taxes paid on behalf of the Bank and in respect of the employees of the Bank as of 31 December 2024 have been paid or where relevant provided for.

Senarath Bandara
Managing Director/ Chief Executive Officer

Mrs. Dilhani Gajanayaka
Head of Finance

Colombo
25 February 2025

Independent Auditor's Report

KPMG
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TO THE SHAREHOLDERS OF CARGILLS BANK PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cargills Bank PLC ("the Bank"), which comprise the statement of financial position as at December 31, 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the Code of Ethics for professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Bank's financial statements of the current period. These matters were addressed in the context of our audit of the Bank's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allowances for Expected Credit Losses	
Refer to the critical accounting estimates and judgements disclosures in relation to the allowance for expected credit losses in Note 2.12 (Use of Judgements and Estimates), Note 14 (Impairment losses on Financial Instruments and other Assets), and Note 28 (Financial assets at amortised cost - Loans and advances to customers), to these financial statements.	
Risk Description	**Our Responses**
Allowance for expected credit losses (ECL) is a key audit matter due to the significance of the loans and receivables balance to the financial statements and the inherent complexity of the Bank's ECL models used to measure ECL allowances. These models are reliant on data and estimates including multiple economic scenarios and key assumptions such as defining a significant increase in credit risk (SICR).	Our audit procedures to assess the allowances for ECL included the following: Testing key controls of the Bank in relation to: ◆ The ECL model governance and validation processes which involved assessment of model performance; ◆ The assessment and approval of the forward-looking macroeconomic assumptions and scenario weightings through challenge applied by internal governance processes; ◆ Reconciliation of the data used in the ECL calculation process to gross balances recorded within the general ledger as well as source systems;

Independent Auditor's Report

KPMG

Allowances for Expected Credit Losses Contd.	
Refer to the critical accounting estimates and judgements disclosures in relation to the allowance for expected credit losses in Note 2.12 (Use of Judgements and Estimates), Note 14 (Impairment losses on Financial Instruments and other Assets), and Note 28 (Financial assets at amortised cost - Loans and advances to customers), to these financial statements.	
Risk Description	**Our Responses**
SLFRS 9 *Financial Instruments requires* the Bank to measure ECLs on a forward-looking basis reflecting a range of economic conditions. Post-model adjustments are made by the Bank to address known ECL model limitations or emerging trends in the loan portfolios. Challenging the economic scenarios used and the judgmental post-model adjustments the Bank applies to the ECL results involves significant judgement. The Bank's criteria selected to identify a SICR are key areas of judgement within the Bank's ECL methodology as these criteria determine if a forward-looking 12 month or lifetime allowance is recorded. Additionally, allowances for individually significant loans exceeding specific thresholds are individually assessed by the Bank. Challenging the assessment of specific allowances based on the expected future cash repayments and estimated proceeds from the value of the collateral held by the Bank in respect of the loans along with the uncertainty associated with the impact of the economic outlook and its impact on customers, increasing our audit effort thereon.	*Assessing adequacy of impairment for individually significant customers (ISL)* Selecting a sample of customers (based on quantitative thresholds set by the bank and qualitative factors) and our procedures included the following: ◆ Evaluating management's assessment of recoverability of the forecasted cash flows by comparing them to the historical performance of the customers, their financial position and the expected future performance where applicable; ◆ Assessing external collaterals and comparing external valuations to values used in management's impairment assessments, forecasted timing of future cash flows in the context of underlying valuations and business plans ◆ Exercising our judgment, our procedures included using our understanding of relevant industries and the macroeconomic environment and comparing with the data and assumptions used by the Bank in recoverability assessment. Where relevant we assessed the forecast timing of future cash flows in the context of underlying valuations, and business plans and evaluating the key assumptions in the valuations; ◆ Testing the implementation of the Bank SICR methodology by re-performing the staging calculation for a sample of loans; ◆ For a sample of customer loans which were not identified as displaying objective evidence indicators assessed by management, we reassessed the conclusions by reviewing the historical performance of the customers and formed our own view whether any impairment indicators were present. *Assessing the adequacy of collective impairment included the following procedures:* ◆ Assessing the accuracy of the data used in the ECL models by checking a sample of data fields such as account balance, days past due, interest rate to relevant source systems. ◆ Working with our Financial Risk Management (FRM) specialist we carried out the following procedures: ◆ Assessed the accuracy of the ECL model estimates by re-performing, for a sample of loans and comparing this to the amount recorded by the Bank; ◆ Challenged the forward-looking macroeconomic assumptions and scenarios incorporated in the ECL models. We compared the forecast GDP, unemployment rates, interest rate, inflation rate to relevant publicly available macroeconomic information. ◆ Testing the implementation of SICR methodology by re-performing the staging calculation for a sample of loans taking into consideration movements from loan origination and comparing our result to actual staging applied on an individual account level in the ECL model; *Assessing the adequacy of post model adjustments* We challenged key assumptions in the components of the Bank's post-model adjustments to the ECL allowance balance. This included: ◆ Assessing post-model adjustments against the Bank's ECL model and data deficiencies identified by the Bank's ECL model validation processes, particularly in light of the significant volatility in economic scenarios; ◆ Assessing the completeness of post-model adjustments by checking the consistency of overlay criteria we identified in the loan portfolios against the Bank's assessment. We also assessed the appropriateness of the related disclosures in the financial statements using our understanding obtained from our testing and against the requirements of Sri Lanka Accounting Standards.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

KPMG

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Bank.

The Bank's financial position is in compliance with the provisions of the Banking Act No.30 of 1988 and the Banking (Amendment) Act No.24 of 2024 relating to the issuance of financial statements and disclosure provisions and, we have not noted any instance to call for an explanation or any information from any officer or agent of the bank in relation to Section 39 (1A).

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3272.

Colombo, Sri Lanka
26th February 2025

Statement of Profit or Loss

For the year ended 31 December	Note	Page No.	2024 Rs. '000	2023 Rs. '000	Change %
Gross income	7	239	11,322,766	12,907,417	(12)
Interest income			8,931,702	10,929,050	(18)
Less: Interest expense			5,342,922	7,547,659	(29)
Net interest income	8	239	3,588,780	3,381,391	6
Fee and commission income			1,382,879	1,283,432	8
Less: Fee and commission expense			488,607	484,664	1
Net fee and commission income	9	240	894,272	798,768	12
Net gains/(losses) from trading	10	242	387	324	19
Net gains/(losses) from financial assets at fair value through profit or loss	11	242	275,917	264,942	4
Net gains/(losses) from derecognition of financial assets	12	242	670,486	176,953	279
Net other operating income	13	242	61,395	252,716	(76)
Total operating income			5,491,237	4,875,094	13
Less: Impairment losses on financial instruments and other assets	14	243	607,360	848,792	(28)
Net operating income			4,883,877	4,026,302	21
Less: Expenses					
Personnel expenses	15	248	1,329,639	1,072,799	24
Depreciation and amortisation	16	249	320,815	331,904	(3)
Other operating expenses	17	250	1,547,082	1,486,894	4
Total operating expenses			3,197,536	2,891,597	11
Operating profit before taxes on financial services			1,686,341	1,134,705	49
Less: Taxes on financial services	18	250	536,649	404,829	33
Profit before income tax			1,149,692	729,876	58
Less: Income tax expense	19	250	498,894	289,856	72
Profit for the year			650,798	440,020	48
Profit attributable to:					
Equity holders of the Bank			650,798	440,020	48
Profit for the year			650,798	440,020	48
Basic earnings per share (Rs.)	20	252	0.69	0.50	38
Diluted earnings per share (Rs.)	20	252	0.69	0.50	38

The Notes to the Financial Statements disclosed on pages 224 to 314 form an integral part of these Financial Statements.

Financial Report

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December	Note	Page No.	2024 Rs. '000	2023 Rs. '000	Change %
Profit for the year			650,798	440,020	48
Other comprehensive income, net of tax					
Items that will never be reclassified to profit or loss					
Net actuarial gains/(losses) on defined benefit obligations	40	278	(24,055)	4,503	(634)
Change in fair value of investment in equity instrurments measured at fair value through other comprehensive income	22.2.1	257	3,121	2,672	17
Deferred tax (charge)/reversal related to the above	34.2	274	6,280	(2,153)	392
Net other comprehensive income			(14,654)	5,022	(392)
Items that are or may be reclassified to profit or loss					
Net gains/(losses) on investment in debt instruments measured at fair value through other comprehensive income					
Fair value gains/(losses) arose during the year			82,923	1,995,983	(96)
Fair value (gains)/losses realised to Statement of Profit or Loss on disposal			(670,486)	(176,953)	(279)
Net gains/(losses) on re-measuring Financial Instruments at FVOCI			(587,563)	1,819,030	(132)
Deferred tax (charge)/reversal related to the above	34.2	274	176,269	(541,594)	133
Net other comprehensive income/(loss) for the year, items that are or may be reclassifed to profit or loss			(411,294)	1,277,436	(132)
Total other comprehensive income/(loss) for the year, net of tax			(425,948)	1,282,458	(133)
Total comprehensive income for the year			224,850	1,722,478	(87)
Attributable to:					
Equity holders of the Bank			224,850	1,722,478	(87)
Total comprehensive income for the year			224,850	1,722,478	(87)

The Notes to the Financial Statements disclosed on pages 224 to 314 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 December	Note	Page No.	2024 Rs. '000	2023 Rs. '000	Change %
ASSETS					
Cash and cash equivalents	23	260	1,715,116	1,963,321	(13)
Balances with Central Bank of Sri Lanka	24	260	764,150	432,805	77
Securities purchased under resale agreements	25	261	700,862	730,566	(4)
Derivative financial instruments	26	261	-	6	(100)
Financial assets measured at fair value through profit or loss	27	261	2,324,912	2,468,401	(6)
Financial assets at amortised cost - Loans and advances to other customers	28	262	46,103,638	40,559,438	14
Financial assets at amortised cost - Debt and other financial instruments	29	265	3,266,362	2,050,119	59
Financial assets measured at fair value through other comprehensive income	30	265	22,400,969	17,779,520	26
Property, plant and equipment and right-of-use assets	31	266	843,022	462,706	82
Intangible assets	32	271	202,059	283,445	(29)
Deferred tax assets	34	273	523,232	284,090	84
Other assets	35	275	1,408,080	2,944,760	(52)
Total assets			80,252,402	69,959,177	15
LIABILITIES					
Due to banks	36	275	2,032,393	781,950	160
Derivative financial instruments	37	275	-	27	(100)
Financial liabilities at amortised cost - Due to depositors	38	276	59,426,888	50,664,570	17
Financial liabilities at amortised cost - Other borrowings	39	277	3,011,001	3,669,925	(18)
Retirement benefit obligations	40	278	151,655	108,605	40
Lease liability	33	272	599,355	335,781	78
Other liabilities	41	280	2,863,477	2,455,536	17
Total liabilities			68,084,769	58,016,394	17
EQUITY					
Stated capital	42	280	11,894,421	11,894,421	-
Statutory reserve fund	44	281	111,315	78,775	41
Retained earnings/(losses)	43	281	(575,548)	(1,176,968)	51
Other reserves	44	281	737,445	1,146,555	(36)
Total equity attributable to equity holders of the Bank			12,167,633	11,942,783	2
Total liabilities and equity			80,252,402	69,959,177	15
Contingent liabilities & commitments	45	281	19,111,448	16,697,057	14
Net assets value per share (Rs.)	47	283	12.87	12.63	2
Memorandum Information					
Number of employees			690	623	
Number of branches			24	24	

The Notes to the Financial Statements disclosed on pages 224 to 314 form an integral part of these Financial Statements.

Certification

These Financial Statements have been prepared in compliance with requirements of the Companies Act No. 07 of 2007.

D. Gajanayaka
Head of Finance

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Board.

K.B.S. Bandara
Managing Director/Chief Executive Officer

H.A. Pieris
Chairman

Colombo
25 February 2025

Statement of Changes in Equity

	Note	Page No.	Stated Capital Rs. '000	Statutory Reserve Fund Rs. '000	Retained earnings/ (losses) Rs. '000	Other Reserves (Fair Value through Other Comprehensive Income Reserve) Rs. '000	Total Rs. '000
Balance as at 01 January 2023			11,394,421	56,774	(1,598,139)	(132,751)	9,720,305
Total comprehensive income for the year 2023							
Profit for the year			-	-	440,020	-	440,020
Other comprehensive income, net of tax	43, 44	281	-	-	3,152	1,279,306	1,282,458
Total comprehensive income for the year 2023			-	-	443,172	1,279,306	1,722,478
Transactions with equity holders recognised directly in equity							
Issue of shares	42	280	500,000	-	-	-	500,000
Transfer to the statutory reserve fund	44	281	-	22,001	(22,001)	-	-
Total transactions with equity holders			500,000	22,001	(22,001)	-	500,000
Balance as at 31 December 2023			11,894,421	78,775	(1,176,968)	1,146,555	11,942,783
Balance as at 01 January 2024			11,894,421	78,775	(1,176,968)	1,146,555	11,942,783
Total comprehensive income for the year 2024							
Profit for the year			-	-	650,798	-	650,798
Other comprehensive income, net of tax	43, 44	281	-	-	(16,838)	(409,110)	(425,948)
Total comprehensive income for the year 2024			-	-	633,960	(409,110)	224,850
Transactions with equity holders recognised directly in equity							
Issue of shares	42	280	-	-	-	-	-
Transfer to the statutory reserve fund	43, 44	281	-	32,540	(32,540)	-	-
Total transactions with equity holders			-	32,540	(32,540)	-	-
Balance as at 31 December 2024			11,894,421	111,315	(575,548)	737,445	12,167,633

Statement of Cash Flows

For the year ended 31 December	Note	Page No.	2024 Rs. '000	2023 Rs. '000
Cash flows from operating activities				
Profit/(loss) before income tax			1,149,692	729,876
Adjustments for:				
Non-cash items included in profit/(loss) before tax	52	291	1,153,174	1,443,309
Dividend income	13	242	(1,282)	(1,571)
Interest paid on lease liabilty	33.4	272	(75,545)	(44,442)
Benefits paid on defined benefit plans	40	278	(16,775)	(18,599)
Operating profits before changes in operating assets and liabilities			2,209,264	2,108,573
Net (increase)/decrease in operating assets	53	291	(11,071,882)	(14,479,307)
Net (increase)/decrease in operating liabilities	54	291	10,105,228	13,896,768
Cash generated from/(used in) operating activities before income tax			1,242,610	1,526,034
Income taxes paid	41.1	280	(279,678)	-
Net cash generated from/(used in) operating activities			962,932	1,526,034
Cash flows from investing activities				
Net purchase of property, plant and equipment	31	266	(231,473)	(97,096)
Proceeds from sale of property, plant and equipment			2,028	336
Net purchase of intangible assets	32	271	(34,680)	(79,675)
Dividends received	13		1,282	1,571
Net cash generated from/(used in) investing activities			(262,842)	(174,864)
Cash flows from financing activities				
Payment of lease liability	33.5	272	(101,145)	(95,951)
Interest paid	8.2	240	(223,350)	(469,651)
Change in securities sold under repurchase agreements	25	261	(658,924)	(18,999)
Net cash generated from/(used in) financing activities			(983,419)	(584,601)
Net increase/(decrease) in cash and cash equivalents			(283,328)	766,569
Cash and cash equivalents at the beginning of the year			2,026,909	1,260,340
Cash and cash equivalents at the end of the year			1,743,581	2,026,909
Reconcilliation of cash and cash equivalents				
Cash and cash equivalents	23	260	1,743,581	2,026,909
Cash and cash equivalents at the end of the year (Gross)	23	260	1,743,581	2,026,909
Less: Impairment charges	23.1	260	(28,465)	(63,588)
Cash and cash equivalents at the end of the year (Net)	23	260	1,715,116	1,963,321

The Notes to the Financial Statements disclosed on pages 224 to 314 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. REPORTING ENTITY

1.1 Domicile and Legal Form

Cargills Bank PLC, formerly known as Cargills Bank Limited, (the Bank) is a Public Limited Company incorporated on 03 November 2011, listed on the Colombo Stock Exchange and domiciled in Sri Lanka under the Companies Act No. 07 of 2007 for the purpose of carrying out banking activities in Sri Lanka. It is a Licensed Commercial Bank registered under the Banking Act No. 30 of 1988 and amendments thereto. The registered office of the Bank is located at No. 696, Galle Road, Colombo 3.

The Bank does not have an identifiable Parent of its own. Further, the Bank does not hold any investments in the form of a subsidiary, joint venture or an associate. Corporate information is presented in the inner back cover of this Annual Report.

1.2 Principal Activities and Nature of Operations

On 21 January 2014, in terms of Section 5 of the Banking Act No. 30 of 1988 (as amended from time to time), the Bank has been issued with a commercial banking license by the Central Bank of Sri Lanka (CBSL) to carry on domestic banking business and off-shore banking business. The Bank provides a comprehensive range of financial services encompassing accepting deposits, corporate and retail banking, project financing, trade finance, treasury services, issuing of credit cards and debit cards, off-shore banking, resident and non-resident foreign currency operations, invoice discounting, pawning, electronic banking services such as: telephone banking, internet banking, mobile banking and money remittance facilities, etc.

1.3 Number of Employees

The total number of employees of the Bank as at 31 December 2024 was 690 (2023 - 623).

2. BASIS OF ACCOUNTING

2.1 Statement of Compliance

The Financial Statements of the Bank have been prepared and presented in accordance with the Sri Lanka Accounting Standards (LKAS/SLFRS) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 and the Banking Act No. 30 of 1988, as amended.

2.2 Statement of Presentation

These Financial Statements also provide appropriate disclosures as required by the listing rules of the Colombo Stock Exchange (CSE). The Bank has also complied with the directions/ guidelines issued by the Central Bank of Sri Lanka (CBSL) including Direction No. 14 of 2021 which were effective from 1 January 2022. The details of material accounting policies are disclosed in Note 3.

These Financial Statements except for information in the Statement of Cash Flows have been prepared following the accrual basis of accounting. The Bank did not adopt any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the Financial Statements. These SLFRSs and LKASs are available at the website of CA Sri Lanka – www.casrilanka.com.

The formats used in the preparation of the Financial Statements and the disclosures made therein also comply with the specified formats prescribed by the CBSL for the preparation, presentation and publication of Annual Audited Financial Statements of Licensed Commercial Banks. The Bank also published annual and quarterly financial information and other disclosures in the Annual Report, Press and the Website in compliance with Section 4.2 of the Circular No. 02 of 2019 dated January 18, 2019, on "Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks".

2.2 Responsibility for Financial Statements

The Board of Directors of the Bank is responsible for the preparation and presentation of the Financial Statements of the Bank as per the provisions of the Companies Act No. 7 of 2007 and listing rules of the Colombo Stock Exchange and the Sri Lanka Accounting Standards (SLFRS and LKAS).

The Board of Directors acknowledges their responsibility for Financial Statements as set out in the 'Annual Report of the Board of Directors' on the Affairs of the Bank', 'Directors' Responsibility for Financial Reporting' and the certification on the 'Statement of Financial Position' on pages 161 to 166, 207 to 208 and 221, respectively.

These Financial Statements include the following components,

- Statement of Profit or Loss, Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Bank for the year under review (Refer pages 219 and 220).
- Statement of Financial Position (SOFP) providing the information on the financial position of the Bank as at the year end (Refer page 221).
- Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Bank (Refer page 222).
- Statement of Cash Flows providing the information to the users, on the ability of the Bank to generate cash and cash equivalents and the need to utilise those cash flows (Refer page 223).
- Notes to the Financial Statements comprising Material Accounting Policies and other explanatory information (Refer pages 224 to 314).

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Bank for the year ended 31 December 2024 (Including the comparatives for 2023) have been approved and authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 25 February 2025.

2.4 Basis of Measurement

The Financial Statements of the Bank have been prepared on the historical cost basis except for the following material items in the Statement of Financial Position:

Financial Instruments			
Items	Basis of Measurement	Note	Pages
Derivative financial instruments	Fair Value	26 & 37	261, 275
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)	Fair value	27	261
Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI)	Fair value	30	265
Net defined benefit (asset)/liability	Present value of the defined benefit obligation	40	278
Non-Financial Assets/Liabilities			
Retirement benefit obligations	Recognised at the present value of the defined benefit obligations less the fair value of the assets of the plan	40	278

2.5 Going Concern Basis of Accounting

The economic recovery that began in 2023 continued throughout 2024 with the support of the Government and the Central Bank of Sri Lanka. The Bank observed strong performance in multiple sectors including tourism and IT-BPO sectors and a partial recovery in certain import-related trades. Despite the political uncertainty of the general election in 2024, the year marked significant progress in Sri Lanka's economic and financial stabilisation, supported by the IMF-EFF programme. The completion of most of the debt restructuring process facilitated improved relations with creditors and external partners followed by in Moody's upgrade of Sri Lanka's long-term foreign currency issuer rating to Caa1 (stable outlook) in December 2024.

Cognizant of the foregoing reinforced by the strong performance during the preceding years, the Board of Directors of the Bank have made an assessment of the Bank's ability to continue as a going concern and is satisfied that it has the resources to continue in business for a foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Bank.

Therefore, the Financial Statements of the Bank continue to be prepared on the going concern basis. Accordingly, the Management is satisfied itself that the going concern basis is appropriate.

2.6 Functional and Presentation Currency

The Financial Statements of the Bank are presented using the currency of the primary economic environment in which the Bank operates (the Functional Currency). These Financial Statements are presented in Sri Lankan Rupees, the Bank's Functional and Presentation Currency.

2.7 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all the amounts in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter-period comparability.

The comparative information is reclassified whenever necessary to conform with the current year's presentation and to be in compliance with the Circular No. 05 of 2024 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. Details of Comparative Information are given in Note 56 to the Financial Statements on page 292.

2.8 Presentation of Financial Statements

The assets and liabilities of the Bank presented in its 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 for inflationary factors affecting the Financial Statements.

Notes to the Financial Statements

An analysis regarding the 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 48 on page 284 and 285.

2.9 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 1 on "Presentation of Financial Statements".

2.10 Offsetting

Financial assets and financial liabilities are off-set, and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by an Accounting Standard or an interpretation (issued by the SLFRS Interpretations Committee and Standard Interpretations) and as if specifically disclosed in the Material Accounting Policies of the Bank.

Accordingly, the debit and credit balances pertaining to an identical counterparty and deferred tax assets and liabilities of the same entity have been offset and reported at net carrying amount in the Financial Statements.

2.11 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the LKAS 1 on 'Presentation of Financial Statements' and amendments to the LKAS 1 on "Disclosure Initiative" which was effective from January 1, 2016.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Bank. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.12 Use of Judgements and Estimates

In preparing these Financial Statements, management has made judgements, estimates and assumptions which affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures, as well as the disclosure of contingent liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Significant areas of critical judgements, assumptions and estimation uncertainty, in applying the Accounting Policies that have material effects on the amounts recognised in the Financial Statements of the Bank have been further explained from Note 2.12.1 and 2.12.2.

2.12.1 Significant Accounting Judgements

Information about judgements made in applying accounting policies that have material effects on the amounts recognised in the Financial Statements is included in the following Notes;

- Note 3.2.1.4: Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are Solely Payment of Principal and Interest (SPPI) on the principal outstanding.
- Note 14: Assessment of credit risk establishing the criteria for determining whether credit risk on the financial asset has increased significantly since the initial recognition, determining methodology for incorporating forward-looking information into measurement of Expected Credit Loss and selection and approval of models used to measure ECL.

2.12.2 Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments included in the following notes;

- Note 22: Determination of the fair value of financial instruments with significant unobservable inputs. The Bank measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. Methodologies used for valuation of financial instruments and fair value hierarchy are stated in Note 22 on pages 254 to 259.
- Note 57.3: Determination of inputs into the Expected Credit Loss measurement model including key assumptions used in estimating recoverable cash flows and incorporating forward-looking information.
- Note 31: Property, Plant and Equipment and Right of Use Assets: Key assumptions of economic useful life and residual value.
- Note 32: Intangible Assets: Key assumptions of economic useful life and residual value.
- Note 34.3: Recognition of deferred tax assets: Availability of future taxable profit against which carry forward tax losses can be utilised.

- Note 3.3 – Leases: Determination of lease term for lease contracts with renewal and termination options, estimation of incremental borrowing rate.
- Note 40.2: Measurement of defined benefit obligations: key actuarial assumptions.

2.13 Commitment and Contingent Liabilities

All discernible risks are accounted for in determining the amount of all known and measurable 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 recognised in the Statement of Financial Position but are disclosed unless its considered remote that the Bank will be liable to settle the possible obligation.

2.14 Financial Risk Management

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities.

A detailed write-up on the way in which the risk management is carried out within the Bank's Risk Management Framework with due consideration given to factors such as governance, identification, assessment, monitoring, reporting and mitigation are discussed in the Section on "Risk Management" on pages 168 to 180. The said write-up on "Risk Management" does not form a part of the Financial Statements.

The Bank exposure to risks arising out of financial activities which it undertakes in engaging in its operations are described more in Note 57: Financial Risk Management.

2.15 Events After the Reporting Period

Events after the Reporting Period are those events, favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorised for issue.

In this regard, all material and important events that occurred after the reporting period are considered and appropriate disclosures are made, where necessary in Note 55 to the Financial Statements.

3. MATERIAL ACCOUNTING POLICIES

The Material Accounting Policy Information set out below have been applied consistently to all periods presented in the Financial Statements of the Bank, except if mentioned otherwise.

Set out below is an index of Material Accounting Policies, the details of which are available on the pages that follow:

Notes to the Financial Statements

Index of Material Accounting Policies

3.1 Foreign Currency Transactions and Balances

Foreign currency transactions are translated into the Functional Currency, which is Sri Lankan Rupees (LKR), using the exchange rates prevailing at the dates of the transactions. In this regard, the Bank's practice is to use the middle rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the Functional Currency at the middle exchange rate of the Functional Currency ruling at the reporting date. The resulting foreign currency gain or loss on monetary items is the difference between amortised cost in the Functional Currency at the beginning of the year adjusted for payments and effective interest during the year and the amortised cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the Functional Currency at the spot exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currency that are measured in terms of historical cost are translated using the exchange rate prevailed at the date of the transaction.

Foreign currency differences arising on translation are recognised in profit or loss, except for differences arising on the translation of FVOCI equity instruments or qualifying cash flow hedges, which are recognised in Other Comprehensive Income.

3.2 Financial Instruments – SLFRS 9

The Bank applies the requirements under SLFRS 9 Financial Instruments in classifying, measuring, re-classifying and de-recognition of financial instruments.

3.2.1 Initial Recognition, Classification and Subsequent Measurement

The classification of financial instruments at initial recognition depends on their business model for managing the instruments and cash flow characteristics as described in Note 3.2.1.4 to the financial statements.

3.2.1.1 Date of Recognition

The Bank initially recognises loans and advances, deposits, debt securities issued, subordinated liabilities, etc. on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date.

The trade date refers to the date that the Bank becomes a party to the contractual provisions of the instruments. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and receivables to other customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to depositors when funds are transferred to the Bank.

3.2.1.2 Initial Measurement of Financial Instruments

The classification of financial instrument at initial recognition depends on their business model and cash flow characteristics of managing the instruments as described in Note 3.2.1.4 for further details on Classification and Subsequent Measurement of Financial Assets.

A financial asset or financial liability is initially be measured at fair value plus, for items not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally at its transaction price.

The transaction cost in relation to financial assets and financial liabilities at Fair Value Through Profit or Loss (FVTPL) are dealt with through the Income Statement.

Trade receivables that do not have a significant financing component are measured at their transaction price at initial recognition as defined in SLFRS 15.

When the fair value of financial instruments (except trade receivables that do not have a significant financing component) at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

3.2.1.3 "Day 1" Profit or Loss

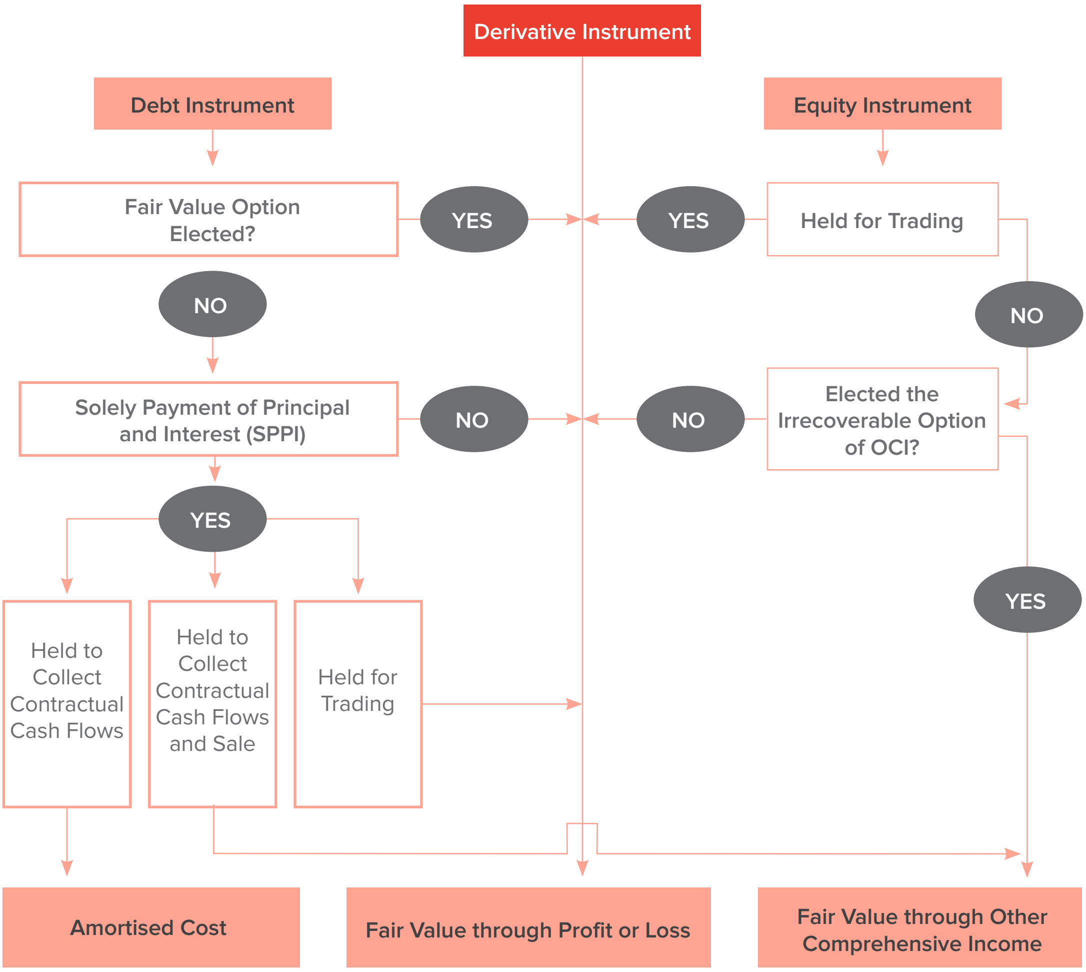
When the transaction price of the instrument differs from the fair value at origination and fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net gains/(losses) from trading. In those cases, where the fair value is based on models for which some inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

The "Day 1 loss" arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) in "Interest income" and "Personnel expenses" over the remaining service period of the employees or tenure of the loan whichever is shorter in line with the SLFRS 9 and Sri Lanka Accounting Standard on "Employee Benefits" (LKAS 19).

Notes to the Financial Statements

3.2.1.4 Classification and Subsequent Measurement of Financial Assets

As per SLFRS 9 on initial recognition, a financial asset is classified as measured at: Amortised cost, FVOCI or FVTPL. Based on the business model for managing the assets and the asset's contractual terms. The following diagram depicts how the Bank classifies the financial assets.



Refer Notes 3.2.1.4.1 and 3.2.1.4.2 for further explanation on Business Model Assessment and Contractual Cash Flow Assessment.

A summary of the recognition and measurement criteria pertaining to different types of financial assets recognised within the statement of financial position are as follows.

Financial Assets Classification	Criteria	Type of Assets Measured as per the specified Assets Classification	Note Reference
Financial Assets measured at Amortised Cost	A financial asset is measured at amortised cost if both of the following conditions are met and is not designated as a FVTPL. ◆ The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and ◆ The contractual terms of the financial asset give rise to cash flows that are SPPI, on specific date.	Cash and cash equivalents	23
		Balance with Central Bank of Sri Lanka	24
		Securities purchases under resale agreements	25
		Financial assets at amortised cost - Loans and advances to other customers	28
		Financial assets at amorised cost- Debt and other instruments	29

Financial Assets Classification	Criteria	Type of Assets Measured as per the specified Assets Classification	Note Reference
Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI)	A debt instrument is measured at FVOCI when both of the following condition are met: ◆ The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and ◆ The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI. On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment- by- investment basis.	Financial assets measured at Fair Value through Other Comprehensive Income	30
Financial assets measured at Fair Value through Profit or Loss (FVTPL)	Financial assets are measured at FVTPL unless it is measured at amortised cost or FVOCI.	Derivative financial instruments Financial assets measured at Fair Value through Profit or Loss	26 27

3.2.1.4.1. Business Model Assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level (not assessed on instrument-by-instrument basis) because this best reflects the way the business is managed and information is provided to Management.

The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether Management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's Management; the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how Managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activities. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

If the cash flows after initial recognition are realized in a way that is different from the 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.

3.2.1.4.2 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 assets to identify whether they meet SPPI test. The characteristics of the contractual cash flows are that of solely payments of the principal amount and interest (referred to as "SPPI").

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (ex: if there are repayments of principal or amortisation of the premium/discount).

Notes to the Financial Statements

"Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instruments. This includes assessing whether the financial asset contains a contractual term that could change the timing or contractual cash flows such that it would not meet this condition. In making the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Bank holds a portfolio of long-term fixed rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

3.2.1.5 Securities purchased under resale agreements (Reverse Repos)

When the Bank purchases a financial asset and simultaneously enters into an agreement to resale the asset (or a similar asset) at a fixed price on a future date (Reverse Repo), the arrangement is accounted for as a financial asset in the Statement of Financial Position reflecting the transaction's economic substance as a loan granted by the Bank.

Subsequent to initial recognition, these securities issued are measured at their amortised cost using the EIR method with the corresponding interest receivable being recognised as interest income in profit or loss.

3.2.2 Recognition and Measurement of Financial Liabilities on Initial Recognition

The Bank classifies financial liabilities, other than financial guarantees and loan commitments, into one of the following categories:

- Financial liabilities at Amortised Cost; and
- Financial liabilities at Fair Value Through Profit or Loss,

A financial liability is measured initially at fair value plus, transaction costs that are directly attributable to its acquisition or issue. Subsequent measurement of financial liability is at fair value or amortised cost. The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount.

A summary of the recognition and measurement criteria pertaining to different types of financial liabilities recognised within the statement of financial position are as follows. Refer Notes 3.2.2.1 for further explanation on classification and subsequent measurement of financial liabilities.

Financial Liability	Criteria	Type of Liabilities Measured as per the Specified Liability classification	Note Reference
Financial liabilities at amortised cost	The financial liabilities issued that are not designated at FVTPL are classified as financial liabilities measured at amortised cost.	Due to bank Financial Liabilities at amortised cost - Due to depositors Financial Liabilities at amortised cost - Due to other borrowers	36 38 39
Financial liabilities at Fair Value Through Profit or Loss (FVTPL)	Financial liabilities measured at FVTPL include: Financial Liabilities held for trading Financial Liabilities designated at FVTPL	Derivate financial instrument	37

3.2.2.1 Classification and subsequent measurement of financial liabilities

The subsequent measurement of financial liabilities depends on their classification.

3.2.2.1.1 Financial liabilities at amortised cost

Financial Liabilities issued by the Bank that are not designated at fair value through profit or loss are recognised initially at fair value plus any directly attributable transaction costs, by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method. Deposit liabilities including savings deposits, current deposits, fixed/time deposits, call deposits, certificates of deposit are classified as financial liabilities measured at amortised cost.

The EIR amortisation is included in "Interest expense" in the Statement of Profit or Loss. Gains and losses too are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR amortisation process.

3.2.2.1.2 Financial liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss include derivative liabilities held for risk management purposes.

3.2.3 Reclassification of Financial Assets and Liabilities

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Bank changes its objective of the business model for managing such financial assets.

Consequent to the change in the business model, the Bank reclassifies all affected assets prospectively following the change in the business model (the reclassification date). Accordingly, prior periods are not restated. The bank has not reclassified any financial asset subsequent to their initial recognition.
Financial liabilities are not reclassified, as such reclassifications are not permitted by Accounting Standard SLFRS 9 on Financial Instruments.

3.2.4 Derecognition of Financial Assets and Financial Liabilities

3.2.4.1 Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.

  The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and 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.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained, substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

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

3.2.4.2 Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as 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 recognised in profit or loss.

3.2.5 Modification of Financial Assets and Financial Liabilities

Modification of Financial Assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or as a part of the gain or loss on recognition.

Notes to the Financial Statements

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (refer write- off policy).

This approach impacts the result of the quantitative evaluation and means that the recognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in recognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred, and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Modification of Financial Liabilities

The Bank derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different.

In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non- financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as recognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re- computing the effective interest rate on the instrument.

3.2.6 Offsetting Financial Instruments

Financial assets and financial liabilities are offset 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 recognised amounts and there is an intention to settle on a net basis, or to realise 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 as gross in Statement of Financial Position.

3.2.7 Amortised cost and gross carrying amount

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus cumulative amortization using the EIR method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL allowance.

The "gross carrying amount of a financial asset" is the amortised cost of a financial asset before adjusting for any ECL allowance.

3.2.8 Identification and measurement of impairment of financial assets

The bank records an allowance for ECL for loans and advances to other customers, debt and other financial instruments measured at amortised cost, debt instruments measured at FVOCI, any other financial assets at amortised cost, loan commitments and financial guarantee contracts. SLFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition.

The bank calculates ECL either on a collective or an individual basis. Asset classes where the Bank calculates ECL on individual basis include;

- Credit impaired facilities and facilities identified with SICR which are impaired based on individual impairment assessment

The treasury, trading and interbank relationships (such as due from Banks, money at call and short notice, placements with Banks, government securities, investments in debentures etc.

Those financial assets for which the Bank determines that no provision is required under individual impairment are then collectively assessed for ECL. For the purpose of ECL calculation on collective basis, financial assets are grouped on the basis of similar risk characteristics. Loans and advances to other customers are grouped into homogeneous portfolios, based on a combination of products and customer characteristics.

Refer Note 14 – Impairment losses on financial instruments and other assets for further explanation on ECL.

3.3 Leases

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 a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has substantive substitution right, then the asset is not identified;

  The Bank has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Bank has the right to direct the use of the asset, when it has the decision- making rights that are most relevant to changing how and for what purpose the asset is used.

At inception or on reassessment 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 standalone prices. However, for leases of land and buildings in which it is a lease, the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Bank recognises 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 on or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right- of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Details of right-of-use assets are given in Note 31 to the Financial Statements as a part of property, plant and equipment.

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.

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

- fixed payments, including substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or a 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 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 amortised 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 the rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, an extension or a termination option.

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.

Details of lease liability are given in Note 33 to the Financial Statements.

Short-term leases and leases with low- value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low- value assets, if any. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.4 Impairment of Non-Financial Assets

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use, that is largely independent of the cash inflows of other assets or Cash Generating Units (CGU).

Notes to the Financial Statements

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in Statement of Profit or Loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.5 Employee Benefits

3.5.1 Defined Contribution Plans (DCP)

Employees' Provident Fund and Employees' Trust Fund

A DCP is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments are available. Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in accordance with the respective statutes and regulations.

The Bank contributes 12% and 3% of gross emoluments of employees to the Employees' Provident Fund and Employees' Trust Fund, respectively.

3.5.2 Defined Benefit Plan (DBP) - Gratuity

A DBP is a post-employment benefit plan other than a DCP as defined in the Sri Lanka Accounting Standard - LKAS 19 on "Employee Benefits". Based on the Sri Lanka Accounting Standard LKAS19 - Employee Benefits, the Bank has adopted the actuarial valuation method for employee benefit liability. An actuarial valuation is carried out every year to ascertain the full liability. A separate fund is not maintained for this purpose.

The principal assumptions, which have the most significant effects on the valuation are; the rate of discount, rate of increase in salary, rate of turnover at the selected ages, rate of disability, death benefits and expenses.

The liability is measured on an actuarial basis using the projected unit credit method, adjusted for unrecognised actuarial gains and losses.
The defined benefit plan liability is discounted using rates equivalent to the market yields at the date of statement of financial position that are denominated in the currency in which benefits will be paid, and that have a maturity approximating to the terms of the related pension liability.

The Bank recognises all actuarial gains and losses arising from the defined benefit plan in Other Comprehensive Income (OCI) and all other expenses related to defined benefit plans are recognise as personnel expenses in the Statement of Profit or Loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss from curtailment is recognised immediately in profit or loss. The Bank recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Details of Defined Benefit Plan - Gratuity are given in Note 40 to the Financial Statements.

3.5.3 Short-Term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.5.4 Terminal Benefits

Termination benefits are expensed at the earlier of when the Bank can no longer withdraw the offer of those benefits and when the Bank recognise costs for a restructuring. If benefits are not expected to be wholly settled within 12-months of the reporting date, then they are discounted.

3.6 Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.7 Restructuring

Provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

3.8 Onerous Contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract is lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

3.9 Bank Levies

A provision for bank levies is recognized when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

3.10 Stated Capital and Reserves

3.10.1 Debt Vs Equity

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Distributions thereon are recognised as interest or dividend depending on the debt or equity classification.

3.11 Expenditure Recognition

Expenditure is recognised in the financial statements as they are incurred and recognised on an accrual basis. All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to the profit or loss.

Details of personnel expenses, depreciation and amortisation, and other operating expenses are given in Notes 15, 16 and 17, respectively, to the Financial Statements.

3.12 Tax Expenses

The Bank is subject to income tax, value added tax (VAT) and other applicable taxes. A judgement 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 applicable tax laws at the time of preparing these Financial Statements.

3.12.1 Income Tax Expense

3.12.1.1 Current tax

Details of "Income tax expense" are given in Note 19 to the Financial Statements.

Income tax rate of 30% was applied on the taxable income for the financial year ended December 31, 2024.

3.12.1.2 Deferred tax

Details of "Deferred tax assets and liabilities" are given in Note 34 to the Financial Statements.

3.12.2 Crop Insurance Levy (CIL)

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

Currently, the CIL is payable at 1% of the profit after tax.

3.12.3 Taxes on Financial Services

Details of Taxes on Financial Services are given in Note 18 to the Financial Statements.

3.12.4 Social Security Contribution Levy (SSCL)

The Bank is liable to pay SSCL on financial services at the rate of 2.5% on the value addition attributable to the financial services. Further, non-financial services are made liable on the turnover at the rate of 2.5%.

4. STATEMENT OF CASH FLOWS

The Cash Flow Statement has been prepared using the 'Indirect Method' of preparing Cash Flows in accordance with the LKAS 7 - 'Statement of Cash Flows. Cash and cash equivalents comprise 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. Investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition.

5. MATERIAL ACCOUNTING POLICY INFORMATION

The Bank does not have changes in material accounting policies in the current annual reporting period.

6. STANDARDS ISSUED BUT NOT EFFECTIVE

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted. However, the Bank has not early adopted the new and amended accounting standards, stated below, in preparing these financial statements.

SLFR S1 General Requirements for Disclosure of Sustainability-related Financial Information and SLFRS S2 Climate-related Disclosures

These standards aligned with the International Sustainability Standards Board (ISSB) aim to equip stakeholders with comprehensive, relevant, and comparable sustainability-related financial disclosures. To identify our current state in 2024, the Bank undertakes a gap analysis to assess compliance with SLFRS S1 & S2. The ongoing analysis has initially revealed key areas that need

Notes to the Financial Statements

to be addressed for effective implementation of the SLFRS S1 and S2 standards on its effective date.

The effective date of the SLFRS S 1 and SLFRS S2 for the first 100 listed entities of the Colombo Stock Exchange (CSE) in terms of the market capitalization as of 1 January 2025 is for the annual reporting period beginning on or after 1 January 2025. The Bank is not within the aforesaid first 100 list as of 1 January 2025 and hence, the effective date of reporting of the SLFRS S1 & S2 will commence from the annual reporting period beginning on or after 1 January 2026.

Refer Section on Adopting Sustainability Reporting Standards: Our Next Steps on pages 48 to 50 for more information in this regard.

Other Accounting Standards

SLFRS 17 on Insurance Contracts which will be effective for annual reporting periods beginning on or after 1 January 2026 and the Lack of Exchangeability (Amendments to IAS 21) are not expected to have a significant impact on the Bank's financial statements.

7 GROSS INCOME

Accounting Policy

The gross income represents the interest income and the non-interest income earned by the Bank during the year.

Gross income is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The specific recognition criteria, for each type of gross income are given under the respective notes.

For the year ended 31 December	Note	2024 Rs. '000	2023 Rs. '000
Interest income	8	8,931,702	10,929,050
Fees and commission income	9	1,382,879	1,283,432
Net gains/(losses) from trading	10	387	324
Net gains/(losses) from financial assets at fair value through profit or loss	11	275,917	264,942
Net gains from derecognition of financial assets	12	670,486	176,953
Net other operating income	13	61,395	252,716
Total gross income		11,322,766	12,907,417

8 NET INTEREST INCOME

Accounting Policy

Interest income and expenses are recognised in the Statement of Profit or Loss under the effective interest method.

Effective Interest Rate (EIR)

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than Purchased or Originated Credit Impaired (POCI) financial assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For POCI financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs, fees paid or received 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 financial liability.

Amortised cost and gross carrying amount

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus principal repayments, plus or minus cumulative amortisation using the effective interest method of any difference between that initial amount and maturity amount, and for financial assets, adjusted for any expected credit loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset, before adjusting for any Expected Credit Loss (ECL) allowance.

Calculation of interest income and interest expense

The effective interest rate of a financial asset or liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect the movements in market rates of interest.

However, for financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial asset and Bank ceases the recognition of interest income on assets when it is probable that economic benefits associated will no longer flow to the Bank. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit impaired on initial recognition, interest income is calculated by applying the credit adjusted effective interest to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Notes to the Financial Statements

Presentation

Interest income and expenses are recognised in the Statement of Profit or Loss and OCI includes;

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on financial assets measured at Fair Value through Other Comprehensive Income (FVOCI) calculated on an effective interest basis;
- interest expense on financial liabilities measured at amortised cost calculated using EIR method.

For the year ended 31 December	Note	2024 Rs. '000	2023 Rs. '000
Interest income	8.1	8,931,702	10,929,050
Less: Interest expense	8.2	5,342,922	7,547,659
Net interest income		3,588,780	3,381,391

8.1 Interest Income

Placements with banks	23,931	22,404
Reverse repurchase agreements	86,618	96,556
Investments in debenture	18,761	35,133
Financial assets at amortised cost - Loans and advances to other customers	5,459,880	7,098,811
Financial assets at amortised cost - Debt and other financial instruments	367,708	350,807
Financial assets measured at fair value through other comprehensive income	2,974,804	3,325,339
Total interest income (a)	8,931,702	10,929,050

8.2 Interest Expense

Due to banks	14,358	22,823
Financial liabilities at amortised cost - Due to depositors	4,846,777	6,697,753
Financial liabilities at amortised cost - Other borrowings	223,350	469,650
Repurchase agreements	258,437	357,433
Total interest expense (b)	5,342,922	7,547,659
Net interest income (a-b)	3,588,780	3,381,391

9. NET FEE AND COMMISSION INCOME

Accounting Policy

Fee and commission income and expenses that are integral part to the Effective Interest Rate (EIR) of a financial asset or financial liability are capitalised and included in the measurement of the EIR and recognised in the Statement of Profit or Loss over the expected life of the instrument.

Other fee and commission income, including account servicing fees, investment management fees, sales commission, and placement fees are recognised as the related services are performed. If a loan commitment is not expected to result in the drawdown of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fee and commission expenses related mainly to transaction and service fees, which are expensed as the services are received.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of SLFRS 9 and partially in the scope of SLFRS 15. If this is the case, then the Bank first applies SLFRS 9 to separate and measure the part of the contract that is in the scope of SLFRS 9 and then applies SLFRS 15 to the residual.

As per SLFRS 15, the Bank adopts the following principles based five steps model for revenue recognition. Accordingly, the revenue is recognised only when all of the following criteria are met for the aforesaid residual;

(i) The parties to the contract have approved the contract;

(ii) The entity can identify each party's rights regarding the services to be transferred;

(iii) The entity can identify the payment terms for the services to be transferred;

(iv) The contract has commercial substance;

(v) It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Performance Obligations and Revenue Recognition Policies

Fee and commission income from contracts with customers is measured based on the consideration specified in the contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

Fee and commission income from contracts with customers is measured based on the consideration specified in the contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under SLFRS 15
Retail and corporate banking services	The Bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees	Revenue from account service and servicing fees is recognised over time as the services are provided. Fees for guarantees and trade related commissions are recognised on a straight-line basis over the period of contract
	Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates on a periodic basis.	Revenue related to transactions is recognised at the point in time when the transaction takes place.
	Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place.	Revenue related to transactions is recognised at the point in time when the transaction takes place.
	Servicing fees are charged on a monthly basis.	
Insurance service	Insurance contract policyholders are charged for policy administration services and other contract fees	These fees are recognised as income upon receipt or when they become due.

The applicability of SLFRS 15 to the Bank is limited for fee and commission income.

For the year ended 31 December	Note	2024 Rs. '000	2023 Rs. '000
Fee and commission income	9.1	1,382,879	1,283,432
Less: Fee and commission expenses	9.2	488,607	484,664
Net fee and commission income		894,272	798,768

9.1 Fee and Commission Income

	2024	2023
Loans and advances to other customer	63,633	43,792
Cards	675,497	659,630
Trade and remittances	314,890	274,458
Deposits	54,292	30,899
Guarantees	99,865	93,267
Other financial services	174,702	181,386
Total fee and commission income (a)	1,382,879	1,283,432

9.2 Fee and Commission Expense

	2024	2023
Cards	400,133	385,215
Brokerage fee	3,934	5,258
Other financial services	84,540	94,191
Total fee and commission expenses (b)	488,607	484,664
Net fee and commission income (a-b)	894,272	798,768

Notes to the Financial Statements

10 NET GAINS/(LOSSES) FROM TRADING

Accounting Policy

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Derivative financial instruments		
Inter bank	387	324
Total net gains/(losses) from trading	387	324

11 NET GAINS/(LOSSES) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting Policy

Net gains/(losses) from financial assets at Fair Value Through Profit or Loss (FVTPL) comprises all realised and unrealised fair value changes, related capital gains and losses derived from the financial assets classified as financial assets at FVTPL.

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Investment in unit trusts	275,917	264,942
Total net gains/(losses) from financial assets at fair value through profit or loss	275,917	264,942

12 NET GAINS/(LOSSES) FROM DERECOGNITION OF FINANCIAL ASSETS

Accounting Policy

As per SLFRS 9, on derecognition of a financial asset in its entirety, the difference between the carrying amout (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) shall be recognised in the Statement of Profit or Loss.

Accordingly, all the realised gains or losses from derecognition of financial assets measured at Fair Value through Other Comprehensive Income are given below.

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Government securities	670,486	176,953
Total net gains/(losses) from derecognition of financial assets	670,486	176,953

The Bank did not de-recognise investments in equity instruments measured at Fair Value through Other Comprehensive Income during the reporting period.

13 NET OTHER OPERATING INCOME

Accounting Policy

Net other operating income includes foreign exchange gains and losses, dividend income from equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI), gains/losses on disposal of property, plant and equipment, and rental and other income.

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Gains/(losses) on sale of property, plant and equipment and other assets	1,741	99
Gains/(losses) on foreign exchange	54,608	246,707
Inter bank	30,181	30,181
Others	24,427	216,526
Dividend income	1,282	1,571
Rent and other income	3,764	4,339
Total net other operating income	61,395	252,716

14 IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS AND OTHER ASSETS

Accounting Policy

Overview of Expected Credit Loss and Staging

The Bank recognises the impairment (Expected Credit Loss) on financial instruments in terms of the requirements of the SLFRS 9 - "Financial Instruments". Further, the Bank also recognises an impairment loss when the carrying amount of a non-financial asset exceeds the estimated recoverable amount from that asset as morefully described in Notes 31, 32 & 35 Impairment of non-financial assets.

The Bank recognises impairment (Expected Credit Loss) on the following financial instruments except on equity investments and on the financial instruments that are measured at Fair Value Through Profit or Loss (FVTPL) ;

- Cash and cash equivalents;
- Placements with banks;
- Financial assets that are loans and advances;
- Financial assets that are debt instruments;
- Financial guarantee contracts issued; and
- Undrawn credit commitments.

The Bank records the loss allowance for Expected Credit Loss (ECL) at an amount equal to lifetime ECL, except for the following, for which the ECL is measured as 12-month ECL:

- Investments in debt securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition.

As per SLFRS 9, the Bank adopts a three stage model for impairment based on changes in credit quality since initial recognition.

The 12-month ECL is the portion of life time ECLs that represent the ECLs that result from default events on a financial instruments that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as "Stage 1 financial Instruments". Financial instruments allocated to stage 1 have not undergone a SICR since initial recognition and are not credit-impaired.

Life Time ECL (LTECL) is the ECL that results from all possible default events over the expected life of the financial instrument. Financial instruments with a significant increase in credit risk since inception are referred to as "Stage 2 financial Instruments". Financial instruments allocated to stage 2 are those that have experienced a SICR since initial recognition, but are not credit-impaired.

Credit-impaired instruments are with probability of default at 100% and are referred to as "Stage 3 financial instruments". A loan that has been renegotiated due to a deterioration in the borrower's worthiness is usually considered to be credit- impaired unless there is an evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In addition, the Banking Act Direction No. 13 of 2021 on Classification, Recognition, and Measurement of Credit Facilities in a Licensed Banks too requires credit facility where contractual payments are past due for more than 90 days, contracts restructured for more than 2 times (other than upgraded facilities), and rescheduled contract (other than upgraded facilities) are to be classified as credit impaired contracts.

Treasury bills and bonds denominated in local currency, issued by the Government of Sri Lanka, are classified under Stage 1 based on the Banking Act Direction No. 14 of 2021, issued by the Central Bank of Sri Lanka, requiring a LGD of zero to these Government securities. Based on the continuous settlement of these securities by the Government and implications of the Domestic Debt Optimization (which excluded these securities) and the said Direction, the Bank's overall Expected Credit Loss (ECL) on these instruments is also zero.

Both Life time ECLs and 12 months ECLs are calculated either on an individual basis or a collective basis, based on a predetermined threshold of customer exposures. If a particular loan is credit impaired under individual impairment, the amount of loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows. If the individually assessed asset is determined that it is not credit impaired under individual impairment, such financial assets are then collectively assessed for any impairment along with other portfolios with homogeneous risk characteristics under collective impairment.

Notes to the Financial Statements

Calculation of Expected Credit Loss (ECL)

The calculation of ECLs, both Life time and 12 months are performed either on an individual basis or a collective basis, based on a predetermined threshold of customer exposures (Refer Note 57.3.3.4 for details).

Calculation of Individual Impairment

The Bank calculates the ECL on an individual basis for Corporate, SME and Retail exposures identified as individually significant loans and investments in debt instruments. In respect of all loans considered individually significant, the Bank on a case by case basis assesses, whether there is/are objective evidence/s of impairment.

Criteria used by the Bank in determining whether there is such objective evidence include (but not limited to) the following;

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties; and
- other indicators exist that suggest the borrower will not be able to service the loan as agreed.

If a particular loan is credit impaired under individual impairment, the amount of loss is measured as the shortfall of the present value of estimated future cash flows over its carrying amount.

If the individually assessed asset is determined that it is not credit impaired under individual impairment, such financial assets are then collectively assessed for any impairment along with other portfolios having similar risk characteristics under collective impairment.

Calculation of Collective Impairment

The collective assessment is performed for exposures as follows;

- Exposures that have not been individually assessed i.e.falling below the individually significant threshold;
- Exposures that have been assessed individually for existance of Objective Evidence of Incurred Loss and were found to have no such evidence/ indicators; and
- Exposures that have been individually assessed and were found not to be impaired on an individual basis based on the cash flow estimation

Key Elements of the ECL Calculation

Key elements of the ECL calculation are outlined below;

Exposure at Default (EAD)

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest whether scheduled by contract or otherwise, expected drawdowns on committed facilities. To calculate EAD for a stage 1 loan, the Bank assesses the possible default events within 12 months. For all other loans, the EAD is considered for default events over the life time of the financial instruments.

Loss Given Default (LGD)

LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

Probability of Default (PD)

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

Additional explanations are avaible in Note 57.3.3.1 to the Financial Risk Management.

Forward looking information

The Bank incorporates forward looking information into impairment assessment in measuring whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. When estimating the ECLs, the Bank considers three economic scenarios (base case, best case and worse case). Quantitative economic factors are based on economic data and forecasts published by CBSL and other reliable sources. In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- Quantitative factors - GDP growth, Unemployment rate, rate of Inflation and Interest rate, etc.
- Qualitative factors - Government policies, average loan to value ratio and management outlook on delinquencies etc.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the Financial Statements.

Restrucutured/Rescheduled Financial Assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its recognition.

This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of recognition to the reporting date using the original effective interest rate of the existing financial asset.

Purchased or Originated Credit Impaired (POCI) Financial Assets;

The Bank perform an assessment of whether any 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. Financial assets which are credit impaired on initial recognition are categorised within Stage 3 with a carrying value already reflecting the Life Time Expected Credit Loss (LTECL)

The Bank does not have Purchased or Originated Credit Impaired (POCI) loans as at the reporting date.

Undrawn Credit Facilities

The undrawn amounts including credit cards and financial guarantees are converted into likely future exposures using Credit Conversion Factors (CCF) as specified in the BASEL III guidelines and included within the collective model which will reflects the days past due, Probability of Default (PD) and Loss Given Default (LGD).

Loan Commitments and Letters of Credit

When estimating life-time ECL for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR of the loan. For loan commitments and letters of credit, the ECL is recognised within other liabilities.

Financial Guarantee Contracts

The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Statement of Profit or Loss and the ECL allowance. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holders for a credit loss that it incurs. The shortfalls are discounted by the risk adjusted interest rate relevant to the exposure. The ECLs related to financial guarantee contracts are recognised within other liabilities.

Notes to the Financial Statements

Impairment of Debt and other Financial Assets

The Bank does not have historical loss experience on debt instruments at amortised cost and debt instruments at FVOCI. Thus the Bank considers PDs based on the rating scales of external rating agencies as at the reporting date. LGD for all debt instruments are based on the guideline issued by the Central Bank of Sri Lanka. Further, the Bank applied the Economic Factor Adjustment (EFA) based on the macro economic factor model. EAD of a debt instrument is its gross carrying amount.

Collaterals Held and Other Credit Enhancement, Their Valuation and Collaterals Repossessed

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and are updated regularly. Collaterals are generally not held over loans and advances to banks, except when securities are held as a part of reverse repurchase and securities borrowing activity. Collaterals are not held against investment securities.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained include mortgages over residential properties and real estate properties, cash, inventory and trade receivables, shares, motor vehicles, gold, etc.

Management monitors the market value of collateral and will request additional collateral if the market values are not sufficient in accordance with the underlying agreement. It is the Bank's policy to dispose repossessed properties in an orderly manner. The proceeds are used to recover the outstanding claim.

The Bank holds collaterals and other credit enhancements against its credit exposures.

The Bank's policy is to dispose collaterals repossessed at the earliest possible opportunity.

Significant Accounting Judgements, Estimates and Assumptions on Impairment Allowance on Financial Assets

The measurement of impairment allowance under SLFRS 9 across all categories of financial assets requires Judgement in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of impairment allowances. Accounting judgements, estimates and assumptions are reviewed regularly and revisions to the same are recognised prospectively

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 judgements and estimates include;

- The Bank's criteria for assessing if there has been a significant increase in credit risk and hence 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.

Sensitivity Analysis on Impairment Allowances

A sensitivity analysis of impairment allowance to feasible changes in various factors used has been disclosed in the Note 57.3.3.6.3 of Financial Risk Management.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in “Impairment losses on financial instruments and other assets” in the Statement of Profit or Loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank’s procedures for recovery of amounts due.

Management Overlays on Impairment Allowances

The management has considered overlays, on need basis, at the end of the each reporting period to mitigate any unforseen increased in credit risk in addition to the expected credit loss resulted from individual and collective impairment computations.

Presentation of Allowance for Expected Credit Loss (ECL) in the Statement of Financial Position

Loss allowances for ECLs are presented in the Statement of Financial Position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: as a provision under other liabilities;
- Debt instruments measured at FVOCI: no loss allowance is recognised in the Statement of Financial Position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Impairment Charges for the Year

For the year ended 31 December	Note	2024 Rs. ‘000	2023 Rs. ‘000
Financial assets at amortised cost - Loans and advances to other customers	28.2	489,554	821,898
Financial assets at amortised cost - Debt and other financial instruments	29.2	(9,013)	2,928
Cash and cash equivalents	23.1	(35,123)	35,520
Impairment charge on SDA reimbursement under SDA Scheme	35	141	-
Contingent liabilities and commitments	45.1.2	39,328	(39,210)
Total impairment charges		484,887	821,136
Direct write-offs		22,197	27,333
Impairment charges for other assets		100,276	323
Total impairment charges for financial instruments and other assets		607,360	848,792

In determining the individual impairment provision, the Bank followed a scientific approach which included obtaining and assessing business cash flows from individual customers, employing a multiple probability weighted scenario-based approach in determining the impairment provision, etc., in addition to mere reliance on a single assumption such as cash flows agreed with the customers or recovery of forced sale value of mortgage property, etc. As such, the individual impairment provisions determined based on the aforesaid scientific approach contained impairment reversals as well as additional provisions, where necessary. The Bank estimated its Expected Credit Loss (ECL) under collective impairment as at 31 December 2024, based on updated Probability of Default (PD) flow rates adjusted for revised Economic Factor Adjustment (EFA) as at 31 December 2024 and updated LGD. In instances where an adequate number of loss cases to compute a meaningful LGD was not available for a given product segment, the Bank applied a regulatory minimum LGD rate of 45% for those product segments in terms of the Banking Act Direction No. 13 of 2021 on Classification, Recognition and Measurement of Credit Facilities in Licensed Banks which results on a model overlay.

Notes to the Financial Statements

14.1 Analysis of Impairment Changes - Stage Wise Impairment

For the year ended 31 December	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
(a) 2024				
Financial assets at amortised cost - Loans and advances to other customers	32,542	(231,123)	688,135	489,554
Financial assets at amortised cost - Debt and other financial instruments	-	(9,013)	-	(9,013)
Cash and cash equivalents	(18,814)	-	(16,309)	(35,123)
Impairment charge on SDA reimbursement under SDA Scheme	-	-	141	141
Contingent liabilities and commitments	19,811	33,951	(14,434)	39,328
Total impairment charges	33,539	(206,185)	657,533	484,887
(b) 2023				
Financial assets at amortised cost - Loans and advances to other customers	95,540	(313,235)	1,039,593	821,898
Financial assets at amortised cost - Debt and other financial instruments	2,928	-	-	2,928
Cash and cash equivalents	15,498	20,022	-	35,520
Contingent liabilities and commitments	1,987	(32,412)	(8,785)	(39,210)
Total impairment charges	115,953	(325,625)	1,030,808	821,136

15 PERSONNEL EXPENSES

Accounting Policy

Personnel expenses include salaries and bonus, terminal benefit charges and other related expenses. The provisions for bonus is recognised when 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 on the amount of the obligation.

Defined Contribution Plans

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).

Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions, in accordance with the respective statutes and regulations. The Bank contributes 12% and 3% of gross salaries of employees to the Bank's Employees' Provident Fund and the Employees' Trust Fund respectively. The above expenses are identified as contributions to 'Defined Contribution Plans' as defined in the Sri Lanka Accounting Standard - LKAS 19.

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Accordingly, staff gratuity were considered as defined benefit plans as per Sri Lanka Accounting Standard - LKAS 19, Employee Benefits. The contributions to the defined benefit plans are recognised in the Statement of Profit or Loss, based on an actuarial valuation carried out for the gratuity liability in accordance with LKAS 19.

The basis of measurement, assumptions used in actuarial valuations are given in detail in Note 40 to these Financial Statements.

For the year ended 31 December	Note	2024 Rs. '000	2023 Rs. '000
Salary and bonus		964,191	767,980
Contributions to defined contribution plans	15.1	128,315	106,149
Contribution to defined benefit obligations - Own employees	40	36,247	34,901
Contribution to defined benefit obligations - Seconded employees		3,844	-
Other staff related expenses		197,042	163,769
Total personnel expenses		1,329,639	1,072,799

15.1 Personnel expenses reported above include emoluments and post employment benefit expenses incurred on behalf of Executive Directors amounting to Rs. 44.8 Mn and Rs. 12.9 Mn, respectively (2023 - Rs. 45.8 Mn and 6.7 Mn, respectively).

16 DEPRECIATION AND AMORTISATION

Accounting Policy

Useful Life Time of Property, Plant & Equipment and Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

The estimated useful lives and depreciation rates of the assets for the year ended 31 December 2024 and 2023 are as follows:

Class of asset	Period	Depreciation Precentage per annum
Furniture and Fittings	5 years	20%
Office Equipment	5 years	20%
Computer Hardware	4 years	25%
Motor Vehicle	4 years	25%
Machinery	5 years	20%
Improvements to Leasehold Buildings	4 - 10 years	6.67% - 12.5%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and depreciation commences when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised.

All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year and other relevant information are given in Note 31 to the Financial Statements.

Amortisation of Intangible Assets

Intangible Assets include software acquired by the Bank. Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative period is 4-8 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

Depreciation of Right of Use Asset

Depreciation is calculated using the straight line method over the tenure of the lease agreement and its recognised in the Statement of Profit or Loss.

An analysis of the depreciation and amortisation expenses are given below,

For the year ended 31 December	Note	2024 Rs. '000	2023 Rs. '000
Depreciation of property, plant and equipment*	31	214,602	200,523
Amortisation of intangible assets	32	106,213	131,381
Total depreciation and amortisation expenses		320,815	331,904

* *Depreciation of property, plant and equipment includes Rs. 126.2 Mn (2023 - 100.2 Mn) recognised in respect of depreciation of Right-of-Use Assets.*

Notes to the Financial Statements

17 OTHER OPERATING EXPENSES

Accounting Policy

These expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income and are recognised on an accrual basis.

For the year ended 31 December	Note	2024 Rs. '000	2023 Rs. '000
Directors' emoluments	17.1	25,860	21,140
Auditors' remunerations		12,149	11,622
Audit fees and expenses		4,850	3,100
Audit related fees and expenses		1,317	2,812
Non-audit fees and expenses		5,982	5,710
Professional and legal expenses		82,621	83,894
Contribution to Sri Lanka Deposit Insurance Scheme		51,121	41,655
Office administration and establishment expenses		1,375,331	1,328,583
Total Other operating expenses		1,547,082	1,486,894

17.1 Directors' emoluments represent the fee paid to Non-Executive Directors of the Bank.

18 TAXES ON FINANCIAL SERVICES

Accounting Policy

Tax on Financial Services include Value Added Tax and Social Security Contribution Levy on financial services.

Value Added Tax (VAT) on Financial Services

Value Added Tax (VAT) on financial services is calculated in accordance with Value Added Tax Act, No. 14 of 2002 and subsequent amendments thereto. The base for the computation of Value Added Tax on financial services is the accounting profit before income tax and emoluments payable to employees, which is adjusted for the depreciation of property, plant & equipment computed at the prescribed rates. The emoluments payable include aggregate of both benefits in money and benefits not in money payable to the employees and any contribution or provision in relating to terminal benefits. The regulatory tax rate applicable is 18%.

Social Security Contribution Levy (SSCL) on Financial Services

SSCL on financial services is calculated in accordance with Social Security Contribution Levy Act, No. 25 of 2022. The base applicable for Value Added Tax on financial services is as explain above applied for the computation of the SSCL on financial services and the regulatory tax rate is 2.5%.

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Value Added Tax (VAT) on financial services	471,813	347,417
Social Security Contribution Levy	64,836	57,412
Total	536,649	404,829

19 INCOME TAX EXPENSE

Accounting Policy

As per Sri Lanka Accounting Standard - LKAS 12, Income Taxes, income 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 recognised in the Statement of Profit or Loss, except to the extent it relates to items recognised directly in equity or other comprehensive income in which case it is recognised in equity or in other comprehensive income.

The Bank has determined that interest and penalties, if any related to income tax including uncertain tax treatments do not meet the definition of Income Tax, and therefore are accounted under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Current Taxation

Current tax' comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Accordingly, provision for taxation is made on the basis of the accounting profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto, at the rates specified.

IFRIC Interpretation 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 with uncertain 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

Deferred Taxation

Refer Note 34 to the Financial Statements.

Details of current and deferred tax expenses are given below,

For the year ended 31 December	Note	2024 Rs. '000	2023 Rs. '000
Current tax expense			
Income tax on current year profit	19.1	541,882	161,972
Under /(over) provision in respect of previous years		13,605	-
Deferred tax expense			
Origination and reversal of temporary differences	34	(56,593)	127,884
Total income tax expenses		498,894	289,856

19.1 Reconciliation of the Accounting Profit/(Loss) to Income Tax Expense

A reconciliation between taxable income and the accounting profit/(loss) multiplied by the statutory tax rate is given below:

	2024		2023	
For the year ended 31 December	Rs. '000	%	Rs. '000	%
Accounting profit/(loss) before tax from operations	1,149,692	-	729,876	-
Tax effect at the statutory income tax rate	344,908	30	218,963	30
Tax effect of exempt income	-	-	-	-
Tax effect of non-deductible expenses	511,240	44.47	503,459	69
Tax effect of deductible expenses	(313,744)	(27.29)	(314,494)	(43)
Taxable profit/(loss) on disposal of lease/fixed assets	(522)	(0.05)	(30)	(0)
Tax losses utilised during the year	-	-	(192,576)	(26)
Tax losses utilised during the year	-	-	(53,350)	(7)
Income tax on current year profit	541,882	-	161,972	-
Under/(Over) provision in respect of previous years	13,605	-	-	-
Deferred tax expense/(reversal)	(56,593)	-	127,884	-
Income tax expense/(reversal)	498,894	-	289,856	-
Effective tax rate (including deferred tax) (%)	43.39	-	39.71	-
Effective tax rate (Excluding deferred tax) (%)	48.32	-	22.19	-

Notes to the Financial Statements

19.2 In terms of provision of Inland Revenue Act No.24 of 2017 and amendments thereto, the Bank is liable for income tax at 30% for the year of 2024 (2023 - 30%).

19.3 Tax Expense Recognised in Other Comprehensive Income

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Deferred tax on net actuarial gains/(losses) on defined benefit plans	7,216	(1,351)
Deferred tax on net gains/(losses) on investment in financial assets measured at fair value through other comprehensive income	175,333	(542,396)
Total recognised in other comprehensive income	182,549	(543,747)

19.4 Tax Losses/Credits Carried Forward

Tax losses brought forward	-	672,458
Adjustment to tax losses	-	(30,537)
Less: Tax losses utilized during the year	-	(641,921)
Unutilised Tax losses/credits carried forward	-	-

20 EARNINGS PER SHARE

Accounting Policy

The Bank presents basic and diluted Earnings Per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is 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 that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

20.1 Basic Earnings Per Share

For the year ended 31 December	Note	2024 Rs. '000	2023 Rs. '000
Amount used as the numerator			
Profit after tax attributable for equity holders of the Bank		650,798	440,020
Amount used as the denominator			
Weighted average number of ordinary shares in issue during the year	20.1.1	945,642,858	884,512,721
Basic earning/(loss) per share (Rs.)		0.69	0.50

20.1.1 Weighted average number of ordinary shares

Issued ordinary shares at 1 January	945,642,858	883,142,858
Add:-Weighted average effect of number of ordinary shares issued an initial public offering (Note 42.2)	-	1,369,863
Weighted average number of ordinary shares as at 31 December	945,642,858	884,512,721

20.2 Diluted Earnings Per Share

Potential ordinary shares on conversion of Fifteen Million (15,000,000) Basel III Additional Tier 1 Compliant Unlisted Unsecured Subordinated Perpetual Convertible Debentures (Note 39.2.1) are anti-dilutive and hence excluded from the calculation of diluted EPS. In the event, the aforesaid perpetual debenture could be dilutive, the effect of dilution of EPS would be disclosed as appropriately in future periods.

There was no dilution of ordinary shares outstanding. Therefore, diluted earnings per share is the same as basic earnings per share as shown in Note 20.1.

21 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Accounting Policy

Financial instruments in the Statement of Financial Position are measured on an ongoing basis either at fair value or at amortised cost. The Accounting Policies describe how each category of financial instrument is measured and how income and expenses, including fair value gains and losses are recognised.

The tables below provide a reconciliation between line items in the Statement of Financial Position and categories of financial assets and financial liabilities of the Bank.

As at 31 December	Note	Fair Value through P/L Rs. '000	Fair Value through OCI Rs. '000	Amortised Cost Rs. '000	Total Rs. '000
(a) 2024					
Financial Assets					
Cash and cash equivalents	23	-	-	1,715,116	1,715,116
Balances with Central Bank of Sri Lanka	24	-	-	764,150	764,150
Securities purchased under resale agreements	25	-	-	700,862	700,862
Derivative financial instruments	26	-	-	-	-
Financial assets measured at fair value through profit or loss	27	2,324,912	-	-	2,324,912
Financial assets at amortised cost - Loans and advances to other customers	28	-	-	46,103,638	46,103,638
Financial assets at amortised cost - Debt and other financial instruments	29	-	-	3,266,362	3,266,362
Financial assets at fair value through other comprehensive income - Government securities	30	-	22,377,160	-	22,377,160
Financial assets at fair value through other comprehensive income - Equity instruments	30	-	23,809	-	23,809
Other assets*	35	-	-	855,974	855,974
Total financial assets		2,324,912	22,400,969	53,406,102	78,131,983
Financial Liabilities					
Due to banks	36	-	-	2,032,393	2,032,393
Derivative financial instruments	37	-	-	-	-
Financial liabilities at amortised cost - Due to depositors	38	-	-	59,426,888	59,426,888
Financial liabilities at amortised cost - Other borrowings	39	-	-	3,011,001	3,011,001
Lease liability	33	-	-	599,355	599,355
Other liabilities**	41	-	-	1,833,271	1,833,271
Total financial liabilities		-	-	66,902,908	66,902,908

Notes to the Financial Statements

As at 31 December	Note	Fair Value through P/L Rs. '000	Fair Value through OCI Rs. '000	Amortised Cost Rs. '000	Total Rs. '000
(b) 2023					
Financial Assets					
Cash and cash equivalents	23	-	-	1,963,321	1,963,321
Balances with Central Bank of Sri Lanka	24	-	-	432,805	432,805
Securities purchased under resale agreements	25	-	-	730,566	730,566
Derivative financial instruments	26	6	-	-	6
Financial assets measured at fair value through profit or loss	27	2,468,401	-	-	2,468,401
Financial assets at amortised cost - Loans and advances to other customers	28	-	-	40,559,438	40,559,438
Financial assets at amortised cost - Debt and other financial instruments	29	-	-	2,050,119	2,050,119
Financial assets at fair value through other comprehensive income - Government securities	30	-	17,758,832	-	17,758,832
Financial assets at fair value through other comprehensive income - Equity instruments	30	-	20,688	-	20,688
Other assets*	35	-	-	2,397,395	2,397,395
Total financial assets		2,468,407	17,779,520	48,133,644	68,381,571
Financial Liabilities					
Due to banks	36	-	-	781,950	781,950
Derivative financial instruments	37	27	-	-	27
Financial liabilities at amortised cost - Due to depositors	38	-	-	50,664,570	50,664,570
Financial liabilities at amortised cost - Other borrowings	39	-	-	3,669,925	3,669,925
Lease liability	33	-	-	335,781	335,781
Other liabilities**	41	-	-	1,765,656	1,765,656
Total financial liabilities		27	-	57,217,882	57,163,169

* Other assets only include other receivables.

** Other liabilities exclude accrued expenditure and impairment on commitments and contingencies.

22 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Accounting Policy

Fair Value Hierarchy

The Bank measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

- Level 1 : Fair value measurement using unadjusted quoted market prices

Inputs that are quoted market prices (unadjusted) in an active market for identical instruments.

- Level 2 : Fair value measurement using significant observable inputs

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using;

(a) quoted prices in active markets for similar instruments,

(b) quoted prices for identical or similar instruments in markets that are considered to be less active, or

(c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

- Level 3 : Fair value measurement using significant unobservable inputs

Inputs that are unobservable.

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Bank believes that a third party market participant would take them into account in pricing a transaction.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk and are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. These portfolio level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Notes to the Financial Statements

22.1 Financial Instruments Measured at Fair Value - Fair Value Hierarchy

The following table provides an analysis of assets and liabilities measured at fair value as at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. These amounts were based on the values recognised in the Statement of Financial Position.

As at 31 December	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
(a) 2024					
Financial Assets					
Derivative financial instruments	26	-	-	-	-
Financial assets measured at fair value through profit or loss	27		2,324,912	-	2,324,912
Financial assets measured at fair value through other comprehensive income	30				
Government securities		22,377,160	-	-	22,377,160
Equity securities		-	-	23,809	23,809
Total assets at fair value		22,377,160	2,324,912	23,809	24,725,881
Liabilities					
Derivative financial instruments	37	-	-	-	-
Total liabilities at fair value		-	-	-	-
(b) 2023					
Financial Assets					
Derivative financial instruments	26	-	6	-	6
Financial assets measured at fair value through profit or loss	27	-	2,468,401	-	2,468,401
Financial assets measured at fair value through other comprehensive income	30	-	-	-	-
Government securities		17,758,832	-	-	17,758,832
Equity securities		-	-	20,688	20,688
Total assets at fair value		17,758,832	2,468,407	20,688	20,247,927
Liabilities					
Derivative financial instruments	37	-	27	-	27
Total liabilities at fair value		-	27	-	27

There were no transfers between levels during the year under review (2023-Nil).

22.2 Valuation Techniques and Inputs in Measuring Fair Values

Table below provides information on the valuation techniques and inputs used in measuring the fair values of derivative financial assets and liabilities in the Level 2 and Level 3 of the fair value hierarchy as given in Note 22.1 above.

Level	Type of Financial Instruments	Fair Value as at		Valuation Technique	Significant Valuation inputs
		31 December 2024 (Rs.'000)	31 December 2023 (Rs.'000)		
Level 2	Derivative Financial Assets	-	6	Adjusted Forward Rate Approach is used and this approach considers the present value of projected forward exchange rate as at the reporting date as the fair value. The said forward rate is projected based on the spot exchange rate and the forward premium/discount calculated using extrapolated interest rates of the currency pairs under consideration. In computing the present value, interest rate differential between two currencies under consideration is used as the discount rate.	Below valuation inputs were considered in the comparative period. Spot exchange rate between Rs. 319/USD to 329/USD Interest rate differencials between currencies under consideration
	Derivative Financial Liabilities	-	27		
Level 3	Unquoted Equities	23,809	20,688	Fair value is based on net assets value per share as per latest audited Financial Statements of these companies as at following dates; Lanka Clear (Pvt) Limited - 31 March 2024 Credit Information Bureau - 31 December 2023 The investments and related gains/losses are not material to the Bank.	Net asset value per share are between Rs. 250 to Rs. 350 range and Rs. 20,000 to Rs. 25,000 range respectively.

22.2.1 Reconcilliation of Level 3 asset balance

	2024 Rs. '000	2023 Rs. '000
Balance as at 01 January	20,688	18,016
Total gains/(losses) recognised in other comprehensive income	3,121	2,672
Balance as at 31 December	23,809	20,688

Notes to the Financial Statements

22.3 Financial Instruments not Measured at Fair Value

For financial assets and liabilities with short term maturities or with short term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity.

The following table sets out the fair values of financial assets and liabilities not measured at fair value and analyses them by the level in fair value hierarchy into which each fair value measurement is categorised.

As at 31 December	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Fair Value Rs. '000	Carrying Amount/ Fair value Rs. '000
(a) 2024						
Assets						
Cash and cash equivalents	23	-	1,715,116	-	1,715,116	1,715,116
Balances with Central Bank of Sri Lanka	24	-	764,150	-	764,150	764,150
Securities purchased under resale agreements	25	-	700,862	-	700,862	700,862
Financial assets at amortised cost - Loans and advances to other customers	28	-	-	51,377,998	51,377,998	46,103,638
Financial assets at amortised cost - Debt and other financial instruments	29	3,457,936	-	-	3,457,936	3,266,362
Other assets	35	-	-	855,974	855,974	855,974
Total financial assets not at fair value		3,457,936	3,180,128	52,233,972	58,872,036	53,406,102
Liabilities						
Due to banks	36	-	2,032,393	-	2,032,393	2,032,393
Financial liabilities at amortised cost - Due to depositors	38	-	-	61,072,851	61,072,851	59,426,888
Financial liabilities at amortised cost - Other borrowings	39	-	3,011,001	-	3,011,001	3,011,001
Lease liability	33	-	-	599,355	599,355	599,355
Other liabilities	41	-	-	1,833,271	1,833,271	1,833,271
Total financial liabilities not at fair value		-	5,043,394	63,505,477	68,548,871	66,902,908
(b) 2023						
Assets						
Cash and cash equivalents	23	-	1,963,321	-	1,963,321	1,963,321
Balances with Central Bank of Sri Lanka	24	-	432,805	-	432,805	432,805
Securities purchased under resale agreements	25	-	730,566	-	730,566	730,566
Financial assets at amortised cost - Loans and advances to other customers	28	-	-	49,388,812	49,388,812	40,559,438
Financial assets at amortised cost - Debt and other financial instruments	29	2,204,263	-	-	2,204,263	2,050,119
Other assets	35	-	-	2,174,513	2,174,513	2,174,513
Total financial assets not at fair value		2,204,263	3,126,692	51,563,325	56,894,280	47,910,762
Liabilities						
Due to banks	36	-	717,667	-	717,667	781,950
Financial liabilities at amortised cost - Due to depositors	38	-	-	54,742,938	54,742,938	50,664,570
Financial liabilities at amortized cost - Other borrowings	39	-	3,669,925	-	3,669,925	3,669,925
Lease liability	33	-	-	335,781	335,781	335,781
Other liabilities	41	-	-	1,710,916	1,710,916	1,710,916
Total financial liabilities not at fair value		-	4,387,592	56,789,635	61,177,227	57,163,142

*Other assets only include other receivables.
**Other liabilities exclude accrued expenditure and impairment on commitments and contingencies.

Given below is the basis adopted by the Bank in determining the fair values of the financial instruments;

Cash and Cash Equivalents, Balances with Central Bank of Sri Lanka, Placements with Banks and Securities Purchased under Resale Agreements

Carrying amounts of cash and cash equivalents and placements with banks approximate their fair value as the remaining maturities of these balances are less than three months from the Reporting date.

Financial Assets at Amortised Cost - Loans and Advances to Other Customers

Since the floating rate loans are frequently repriced on a monthly, quarterly, and semi-annual basis in tandem with the market rates, fair values of these loans approximate their respective carrying amounts. The fair values of fixed loans are computed at the market rates of loans with similar risk characteristics.

Financial Assets at Amortised Cost – Debt and Other Financial Instruments

Fair values of investments in Government securities classified as Held to Maturity are measured with reference to market interest rates of Government securities published as at the Reporting date. Fair values of the floating rate debenture investment repriced at quarterly intervals approximate their fair value as there is no active market for the quoted debenture.

Due to Banks

The carrying value of amounts due to banks approximate their fair value as the remaining maturities of these balances are less than one year.

Fair values of fixed rate refinance borrowings based on interest rates specific to each refinancing arrangement approximate the carrying amounts since such specific rates are considered to be the market rates.

Financial Liabilities at Amortised Cost - Due to Depositors

The carrying values of deposits with a remaining maturity less than one year approximate their fair value. Fair values of deposits with remaining maturities of more than one year are estimated using discounted cash flows applying current interest rates offered for deposits of similar maturities.
The fair value of a deposit repayable on-demand is assumed to be the amount payable on-demand at the Reporting date and the savings account balances are repriced frequently to match with the current market rates . And hence, the carrying amounts of the demand and saving deposits approximate the fair values as at the reporting date.

Financial Liabilities at Amortised Cost - Other Borrowings

The fair value of the securities sold under repurchase agreements approximate their respective carrying amounts as the remaining maturities of these balances are less than one year from the reporting date.
The fair value of Additional Tier 1 Compliant Unlisted Unsecured Subordinated Perpetual Convertible Debentures approximates the market rate as the same was issued at a floating rate.

Other Financial Assets and Liabilities

The carrying values of other financial assets and other financial liabilities are reasonable approximation of their fair values since, those are short term in nature or re-priced to current market rates frequently.

Notes to the Financial Statements

23 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents include cash in hand, placements with banks and at short notice that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments. These items are brought to Financial Statements at face values or the gross values, where appropriate.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

As at 31 December	Note	2024 Rs. '000	2023 Rs. '000
Cash in hand			
Coins and notes held in local currency		902,142	940,465
Coins and notes held in foreign currency		25,126	9,933
Balances with banks		816,313	1,076,511
Gross cash and cash equivalents		1,743,581	2,026,909
Less: Provision for impairment	23.1	(28,465)	(63,588)
Total cash and cash equivalents		1,715,116	1,963,321

Provision for impairment on cash and cash equivalent balances are measured based on PDs determined with reference to S&P credit ratings and regulatory loss given default rates.

23.1 Movement in provision for impairment during the year

	Note	2024	2023
Stage 1			
Balance as at 01 January		63,588	28,068
Charge/(write back) to Statement of Profit or Loss	14	(35,123)	35,520
Balance as at 31 December		28,465	63,588

24 BALANCES WITH CENTRAL BANK OF SRI LANKA

Accounting Policy

Balances with Central Bank consist of Statutory/Non-statutory balances with Central Bank and are carried at amortised cost in the Statement of Financial Position.

The Monetary Law Act requires that all commercial banks operating in Sri Lanka to maintain a statutory reserve on all deposit liabilities denominated in Sri Lankan Rupees. As required by the provisions of the Monetary Law Act, a cash balance is maintained with the Central Bank of Sri Lanka. Balances with Central Bank of Sri Lanka is carried at amortised cost in the statement of Financial Position

The minimum cash reserve requirement to be maintained by the Bank during the year was as follows;

	2024		2023	
	Period	Reserve Requirement (SRR)	Period	Reserve Requirement (SRR)
All rupee deposit liabilities	01.01.2024 - 31.12.2024	2%	01.01.2023 - 15.08.2023	4%
			16.08.2023 - 31.12.2023	2%

There is no reserve requirement for foreign currency deposits liabilities of the Domestic Banking Unit (DBU) and the deposit liabilities of the Offshore Banking Centre (OBC) in Sri Lanka.

As at 31 December	2024 Rs. '000	2023 Rs. '000
Statutory Balances with Central Bank of Sri Lanka	764,150	432,805
Total balances with Central Bank of Sri Lanka	764,150	432,805

25 SECURITIES PURCHASED UNDER RESALE AGREEMENTS

As at 31 December	2024 Rs. '000	2023 Rs. '000
Securities purchased under resale agreements	700,862	730,566
Total Securities purchased under resale agreements	700,862	730,566

Refer Note 50 for further disclosures made in terms of the directive No. 1 of 2019 on repurchase and reverse repurchase transacations of dealer direct participants in scripless treasury bonds and scripless treasury bills issue by the Central Bank of Sri Lanka.

26 DERIVATIVE FINANCIAL INSTRUMENTS

Accounting Policy

- A derivative is a financial instrument or other contract with all three of the following characteristics: Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract.
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank enters into derivative transactions with various counterparties. These mainly include, cross-currency swaps, forward foreign exchange contracts, etc.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The changes in the fair value of any derivative instrument which do not qualify for hedge accounting are recognised immediately in 'Net gains/(losses) from trading' in the Statement of Profit or Loss.

As at 31 December	2024 Rs. '000	2023 Rs. '000
Foreign currency derivatives		
Forward foreign exchange contracts	-	6
Total derivative financial instruments	-	6

27 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting Policy

The Bank classifies financial assets as financial assets recognised through profit or loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking.

Financial assets recognized through profit or loss are recorded and measured in the Statement of Financial Position at fair value. The changes in fair value are recognised in the Statement of Profit or Loss under Net gains/(losses) from financial assets at fair value through profit or loss.

Financial assets recognised through profit or loss consist of investment in unit trusts, private equity funds, etc. that have been acquired principally for the purpose of selling or repurchasing in the near term and are recorded at fair values based on the change in the net asset value of the funds and is recognised through profit or loss.

As at 31 December	2024 Rs. '000	2023 Rs. '000
Investments in unit trusts	2,324,912	2,468,401
Total financial assets measured at fair value through profit or loss	2,324,912	2,468,401

Notes to the Financial Statements

27.1 Unquoted Units in Unit Trust

As at 31 December	2024 Number of Units	2024 Cost Rs. '000	2024 Fair value Rs. '000	2023 Number of Units	2023 Cost Rs. '000	2023 Fair value Rs. '000
CT CLSA Asset Management (Pvt) Ltd.	27,073,857	500,000	501,300	19,569,188	300,000	324,790
JB Financial (Pvt) Ltd.	11,727,949	500,000	566,653	11,727,949	500,000	505,862
Capital Alliance Investments Ltd.	15,508,320	500,000	551,214	-	-	-
Ceylon Asset Management Company Ltd.	7,404,994	200,000	202,292	-	-	-
First Capital Asset Management Ltd.	153,402	500,000	503,453	-	-	-
NDB Wealth Management Ltd.	-	-	-	51,683,593	1,500,000	1,637,750
		2,200,000	2,324,912		2,300,000	2,468,401

28 FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES TO OTHER CUSTOMERS

Accounting Policy

Financial assets at amortised cost - Loans and advances to other customers includes, loans and advances portfolio of the Bank.

As per SLFRS 9, “Loans and advances to other customers” are assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows and the contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

After initial measurement, loans and advances to other customers are subsequently measured at gross carrying amount using the EIR, less provision for impairment, except when the Bank designates loans and advances at fair value through profit or loss. EIR is calculated by taking into account any discount or premium on acquisition and fees and costs. The amortisation is included in “Interest Income”, while the losses arising from impairment are recognised in “Impairment losses on financial instruments and other assets” in the Statement of Profit or Loss.

As at 31 December	2024 Stage 01 Rs.'000	2024 Stage 02 Rs.'000	2024 Stage 03 Rs.'000	2024 Total Rs.'000	2023 Stage 01 Rs.'000	2023 Stage 02 Rs.'000	2023 Stage 03 Rs.'000	2023 Total Rs.'000
Individually impaired loans	-	7,805,784	8,567,684	16,373,468	-	6,134,244	7,338,220	13,472,464
Collectively impaired loans	31,804,450	1,941,517	1,319,217	35,065,184	27,806,354	2,856,887	1,417,389	32,080,630
Total gross loans and receivables to other customers (a)	31,804,450	9,747,301	9,886,901	51,438,652	27,806,354	8,991,131	8,755,609	45,553,094
Individual impairment provision	-	309,055	4,185,454	4,494,509	-	519,340	3,597,563	4,116,903
Collective impairment provision	219,164	165,923	455,418	840,505	188,024	190,394	498,335	876,753
Total impairment provision (b)	219,164	474,978	4,640,872	5,335,014	188,024	709,734	4,095,898	4,993,656
Net loans and receivables to other customers (a-b)	31,585,286	9,272,323	5,246,029	46,103,638	27,618,330	8,281,397	4,659,711	40,559,438

28.1 Analysis of Financial Assets at Amortised Cost - Gross Loans and Advances to Other Customers

As at 31 December	2024 Rs. '000 Amount	2023 Rs. '000 Amount
Overdrafts	6,491,097	6,191,438
Trade finance	6,126,940	4,119,620
Housing loans	1,113,713	1,067,547
Personal loans	2,920,334	2,805,144
Staff loans	403,308	305,365
Term loans	20,863,754	18,470,654
Loans against property	1,534,296	1,519,567
Agriculture loans	739,462	592,400
Money market loans/Revolving loans	8,734,527	8,203,896
Vehicle loans	206,661	96,927
Credit cards	1,627,028	1,640,656
Micro finance	48,146	41,896
Others	609,386	497,984
Total gross loans and advances to other customers	51,438,652	45,553,094

28.1.2 Gross Loans and Advances to Other Customers - By currency

As at 31 December	2024 Rs. '000 Amount	2023 Rs. '000 Amount
Sri Lankan Rupee	45,896,077	41,350,868
United States Dollar	5,508,075	4,156,079
Great Britain Pounds	7,827	10,075
Singapore Dollars	26,673	36,072
Total gross loans and advances to other customers	51,438,652	45,553,094

28.1.3 Gross Loans and Advances to Other Customers - By industry

As at 31 December	2024 Rs. '000 Amount	2024 %	2023 Rs. '000 Amount	2023 %
Agriculture and fishing	6,618,599	12.88	7,157,004	15.71
Manufacturing	2,183,528	4.24	1,847,140	4.05
Tourism	3,052,568	5.93	3,330,522	7.31
Transport	362,821	0.71	394,620	0.87
Construction	9,090,247	17.67	6,593,140	14.47
Traders	9,115,823	17.72	9,214,834	20.23
New economy	1,477,280	2.87	351,897	0.77
Financial and business services	9,214,895	17.91	7,440,463	16.33
Infrastructure	19,231	0.04	18,333	0.04
Other services	1,878,223	3.65	1,792,350	3.93
Other customers	8,425,437	16.38	7,412,791	16.27
Total gross loans and advances to other customers	51,438,652	100.00	45,553,094	100.00

Notes to the Financial Statements

28.1.4 Gross Loans and Advances to Other Customers - By province

As at 31 December	2024 Rs. '000	2023 Rs. '000
Western Province	40,775,913	36,315,577
Central Province	3,042,397	2,498,680
North Western Province	2,423,061	1,794,303
Southern Province	1,699,811	1,759,375
North Central Province	1,401,678	1,394,016
Northern Province	1,116,460	619,883
Uva Province	425,808	616,194
Sabaragamuwa Province	384,716	434,122
Eastern Province	168,808	120,944
Total gross loans and advances to other customers	51,438,652	45,553,094

28.2 Impairment Allowance for Loans and Advances to Other Customers at Amortised Cost - Stage Wise Analysis

	Note	Stage 1	Stage 2	Stage 3	Total
(a) 2024					
Balance as at 01 January		188,024	709,734	4,095,898	4,993,656
Charge/(Write back) to Statement of Profit or Loss	14.1	32,542	(231,123)	688,135	489,554
Write off during the year		-	-	(71,085)	(71,085)
Exchange rate variance on foreign currency provision		(1,403)	(3,613)	(72,076)	(77,113)
Balance as at 31 December		219,164	474,977	4,640,872	5,335,014
(b) 2023					
Balance as at 01 January		132,422	1,026,985	3,130,230	4,289,637
Charge/(Write back) to Statement of Profit or Loss	14.1	95,540	(313,235)	1,039,593	821,898
Exchange rate variance on foreign currency provision		(39,938)	(4,016)	(73,925)	(117,879)
Balance as at 31 December		188,024	709,734	4,095,898	4,993,656

28.3 Movement in Impairment Allowance During the Year

	Note	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
(a) 2024					
Loans and advances to other customers at amortised cost					
Balance as at 01 January		188,025	709,734	4,095,898	4,993,656
Transfer to Stage 1		39,045	(26,283)	(12,762)	-
Transfer to Stage 2		(22,256)	243,553	(221,297)	-
Transfer to Stage 3		(1,358)	(3,412,095)	3,413,452	-
Net remeasurement of loss allowance		(51,485)	2,936,307	(2,666,527)	218,295
Impairment on new loans granted during the year		126,475	128,808	552,936	808,220
Financial assets that have been derecognised		(59,282)	(105,047)	(449,743)	(614,072)
Write offs		-	-	(71,085)	(71,085)
Balance as at 31 December		219,164	474,978	4,640,872	5,335,014

	Note	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
(b) 2023					
Balance as at 01 January		132,422	1,026,985	3,130,230	4,289,637
Transfer to Stage 1		43,150	(17,475)	(25,675)	-
Transfer to Stage 2		(8,626)	128,135	(119,509)	-
Transfer to Stage 3		(1,230)	(252,496)	253,726	-
Net remeasurement of loss allowance		(36,724)	(93,116)	669,224	539,384
Impairment on new loans granted during the year		98,180	363,965	665,783	1,127,928
Financial assets that have been derecognised		(39,148)	(446,264)	(505,214)	(990,626)
Write offs		-	-	27,333	27,333
Balance as at 31 December		188,024	709,734	4,095,898	4,993,656

29 FINANCIAL ASSETS AT AMORTISED COST - DEBT AND OTHER FINANCIAL INSTRUMENTS

Accounting Policy

As per SLFRS 9, financial assets are measured at amortised cost if it meets both of the following conditions and is not designated at Fair Value Through Profit or Loss (FVTPL):

The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these assets are subsequently measured at amortised cost (gross carrying amount using the EIR, less provision for impairment). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in interest income while the losses arising from impairment are recognised in "Impairment losses on financial instruments and other assets" in the Statement of Profit or Loss.

As at 31 December	Note	2024 Rs. '000	2023 Rs. '000
Government treasury bonds		3,119,166	1,910,262
Investment in Debentures	29.1	154,338	156,012
Gross financial assets at amortised cost		3,273,503	2,066,274
Less: Provision for impairment	29.2	(7,142)	(16,155)
Net financial assets at amortised cost		3,266,362	2,050,119

29.1 Investment in Debenture

	2024	2023
Resus Energy PLC	154,337	156,012
Total investment in debentures	154,337	156,012

29.2 Movement in Provision for Impairment During the Year

	2024	2023
Stage 1		
Balance as at 01 January	16,155	13,227
Charge/(Write back) to Statement of Profit or Loss	(9,013)	2,928
Balance as at 31 December	7,142	16,155

30 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

Accounting Policy

As per SLFRS 9, this comprises debt instruments measured at Fair Value through Other Comprehensive Income (FVOCI) and equity instruments designated at FVOCI.

Debt instruments measured at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL :

- The instrument is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

Notes to the Financial Statements

- 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.

Debt instruments at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income, foreign exchange gains and losses, ECL and reversals are recognised in Statement of Profit or Loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to Statement of Profit or Loss.

Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the definition of Equity under LKAS 32 "Financial Instruments: Presentation" and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in statement of profit or loss in "Net other operating income" when the right to receive payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

As at 31 December	Note	2024 Rs. '000	2023 Rs. '000
Government securities			
Treasury bills		9,795,598	7,172,401
Treasury bonds		12,581,562	10,586,431
Total government securities		22,377,160	17,758,832
Equity securities			
Unquoted shares	30.1	23,809	20,688
Total Equity securities		23,809	20,688
Financial assets measured at fair value through other comprehensive income		22,400,969	17,779,520

30.1 Unquoted Shares

	2024			2023	
As at 31 December	No. of Shares	Market Value	Cost	Market Value	Cost
Lanka Clear (Pvt) Ltd	50,000	16,735	3,500	14,328	3,500
Credit Information Bureau of Sri Lanka	300	7,074	2,383	6,360	2,383
Total Unquoted shares	50,300	23,809	5,883	20,688	5,883

None of these strategic investments were disposed of during the year ended 31 December 2024 (2023-Nil) and there were no transfers of any cumulative gain or loss within equity relating to these investments (2023-Nil).

31 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Accounting Policy

The Bank applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 on "Property, Plant and Equipment" in accounting for its owned assets which are held for and used in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

Basis of recognition

Property, plant and equipment is recognised if it is probable that future economic benefits associated with the asset will flow to the Bank and cost of the asset can be reliably measured.

Basis of measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding the costs of day-to-day servicing) as explained below.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software which is integral to the functionality of the related equipment is capitalised as part of Computer Equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Cost Model

The Bank applies the Cost Model to all property, plant and equipment and these are recorded at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and accumulated impairment losses, if any.

Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

Capital work-in-progress

These are expenses of capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. These are stated in the Statement of Financial Position at cost less any accumulated impairment losses. Capital work-in-progress is transferred to the relevant asset when it is in the location and condition necessary for it to be capable of operating in the manner intended by Management (i.e., available for use).

The accounting policy and the estimates used in the computation of depreciation of the property, plant and equipment are expalined in detail in note 16 on page 249.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset), is recognised in “Net other operating income” in the Statement of Profit or Loss in the year the asset is derecognised.

When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised as required by Sri Lanka Accounting Standard – LKAS 16 on “Property, Plant and Equipment”.

Borrowing Costs

As per the Sri Lanka Accounting Standard - LKAS 23 on “Borrowing costs”, the Bank capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognized in the profit or loss in the period in which they occur.

Right-of-use assets

Right-of-Use Assets are presented together with property, plant and equipment in the Statement of Financial Position.

Depreciation and Amortization

The accounting policy and the judgements and estimates used in the computation of depreciation and amortisation of property plant and equipment are explained in Note 16 page 249.

Notes to the Financial Statements

31.1 The movement in Property Plant and Equipments

	Improvements to Leasehold Buildings Rs. '000	Computer Hardware Rs. '000	Office Equipment, Furniture & Fittings Rs. '000	Motor Vehicles Rs. '000	Machinery Rs. '000	Work in Progress Rs. '000	Right-of-Use Asset Rs. '000	Total Rs. '000
(a) 2024								
Cost								
Balance as at 01 January	125,037	845,123	298,290	22,960	96,498	1,486	910,758	2,300,152
Additions during the year	6,755	149,105	51,865	-	25,235		366,554	599,514
Disposals during the year	(310)	(60,301)	(5,625)	-	(2,230)	-	-	(68,466)
Transfers/ Adjustments	-	-	-	-	-	(1,486)	(2,025)	(3,511)
Write-off	(1,209)	(3,019)	(16,906)	-	(1,753)	-	-	(22,887)
Balance as at 31 December	130,273	930,908	327,624	22,960	117,750	-	1,275,287	2,804,802
Accumulated Depreciation								
Balance as at 01 January	111,425	741,029	245,937	19,932	88,454	-	630,080	1,836,857
Initial adj from SLFRS 16	-	-	-	-	-	-	-	-
Charge for the year (Note 16)	6,219	54,497	20,429	2,028	5,147	-	126,282	214,602
Disposals during the year	(231)	(60,234)	(5,565)	-	(2,149)	-	-	(68,179)
Transfers/ Adjustments	-	-	-	-	-	-	-	-
Write-off	(766)	(2,686)	(16,296)	-	(1,752)	-	-	(21,500)
Balance as at 31 December	116,647	732,606	244,505	21,960	89,700	-	756,362	1,961,780
Less: Provision for Impairment								
Balance as at 01 January	-	-	589	-	-	-	-	589
Charge/(write back) to income statement	-	-	(589)	-	-	-	-	(589)
Balance as at 31 December	-	-	-	-	-	-	-	-
Carrying amount as at 31 December 2024	13,626	198,302	83,119	1,000	28,050	-	518,925	843,022

	Improvements to Leasehold Buildings Rs. '000	Computer Hardware Rs. '000	Office Equipment, Furniture & Fittings Rs. '000	Motor Vehicles Rs. '000	Machinery Rs. '000	Work in Progress Rs. '000	Right-of-Use Asset Rs. '000	Total Rs. '000
(b) 2023								
Cost								
Balance as at 01 January	125,037	771,682	278,574	22,960	92,970	1,486	819,568	2,112,277
Additions during the year		73,647	19,922		3,528		91,190	188,287
Disposals during the year		(206)	(206)					(412)
Transfers/ Adjustments	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-
Balance as at 31 December	125,037	845,123	298,290	22,960	96,498	1,486	910,758	2,300,152
Accumulated Depreciation								
Balance as at 01 January	99,974	684,796	221,309	17,905	82,718	-	529,807	1,636,509
Charge for the year (Note 16)	11,451	56,350	24,686	2,027	5,736	-	100,273	200,523
Disposals during the year		(117)	(58)	-				(175)
Transfers/ Adjustments	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-
Balance as at 31 December	111,425	741,029	245,937	19,932	88,454	-	630,080	1,836,857
Less: Provision for Impairment								
Balance as at 01 January	-	-	589	-	-	-	-	589
Charge/(write back) to income statement	-	-	-	-	-	-	-	-
Balance as at 31 December	-	-	589	-	-	-	-	589
Carrying amount as at 31 December 2023	13,612	104,094	51,764	3,028	8,044	1,486	280,678	462,706

31.2 Title Restrictions on Property, Plant and Equipment

There were no restrictions on the title of the property, plant and equipment of the Bank as at the reporting date (2023 - Nil).

31.3 Property, Plant and Equipment Pledged as Security for Liabilities

There were no items of Property, plant and equipment pledged as securities for liabilities of the Bank as at the reporting date (2023- Nil).

31.4 Borrowing Costs

There were no capitalized borrowing cost related to the acquisition of property plant and equipment during the year 2024 (2023 - Nil).

Notes to the Financial Statements

31.5 Cost of Fully Depreciated Property, Plant and Equipment and Intangible Assets

The cost of fully depreciated property, plant and equipment of the Bank which are still in use are as follows:

As at 31 December	2024 Rs. '000	2023 Rs. '000
Improvements to leasehold buildings	88,764	23,978
Computer hardware	656,078	620,850
Office equipment, furniture and fittings	208,204	201,006
Machinery	82,469	80,385
Motor vehicles	14,850	14,850
Core Banking system	191,111	191,111
Computer software	709,771	332,801
Total	1,951,247	1,464,981

31.6 Right of Use Assets and Lease Liability

Accounting Policy

Basis of Recognition

The Bank applies Sri Lanka Accounting Standard SLFRS 16 "Leases" in accounting for all lease hold rights except for short term leases, which are held for use in the provision of services.

Basis of Measurement

The Bank recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-use assets are measured at cost less any accumulated amortisation and impairment losses and adjusted for any re- measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortised on a straight line basis over the term of the lease.

Lease Liability

Refer Note 33 for the detailed explanation.

Right of Use Asset

As at 31 December	2024 Rs. '000	2023 Rs. '000
Balance as at 1 January	280,678	289,761
Additions during the year	366,554	91,190
Terminations	-	-
Adjustments	(2,025)	-
Depreciation charge during the year	(126,282)	(100,273)
Balance as at 31 December	518,925	280,678

The right-of-use assets are depreciated over 04 - 15 Years. Incremental Borrowing rates used range between 6%-21%, (2023 -6%-21%)

Refer Note 33 to the Financial Statements for lease liability.

32 INTANGIBLE ASSETS

Accounting Policy

The Bank's intangible assets include the value of computer software and software under development

Basis of Recognition

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard – LKAS 38 on "Intangible Assets".

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, these assets are stated in the Statement of Financial Position at cost, less accumulated amortisation and accumulated impairment losses, if any.

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent Expenditure

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Useful economic lives and amortisation

The useful economic lives of intangible assets are assessed to be either finite or indefinite. Useful economic lives, amortisation and impairment of finite intangible assets are described below;

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative period is 4-8 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The Bank did not hold intangible assets with indefinite useful-life as at the reporting date.

(a) 2024	Core Banking Software Rs. '000	Other Computer Software Rs. '000	Other Computer Software-Work In Progress Rs. '000	Total Rs. '000
Cost				
Balance as at 01 January	350,095	857,003	20,806	1,227,904
Additions during the year	-	10,799	23,881	34,680
Transfers	-	-	-	-
Balance as at 31 December	350,095	867,802	44,687	1,262,584
Accumulated Depreciation				
Balance as at 01 January	230,874	713,585	-	944,459
Charged for the year	31,738	74,475	-	106,213
Balance as at 31 December	262,612	788,060	-	1,050,672
Less: Provision for impairment				
Balance as at 01 January	-	-	-	-
Charge/(write back) to income statement	-	-	9,853	9,853
Balance as at 31 December	-	-	9,853	9,853
Carrying amount as at 31 December 2024	87,483	79,742	34,834	202,059

Notes to the Financial Statements

(b) 2023	Core Banking Software Rs. '000	Other Computer Software Rs. '000	Other Computer Software-Work In Progress Rs. '000	Total Rs. '000
Cost				
Balance as at 01 January	330,773	796,650	20,806	1,148,229
Additions during the year	19,322	60,353	-	79,675
Transfers	-	-	-	-
Balance as at 31 December	350,095	857,003	20,806	1,227,904
Accumulated Depreciation				
Balance as at 01 January	198,582	614,497	-	813,079
Charged for the year	32,292	99,088	-	131,380
Balance as at 31 December	230,874	713,585	-	944,459
Carrying amount as at 31 December 2023	119,221	143,418	20,806	283,445

Other computer software - work in progress includes the software under development

33 LEASE LIABILITY

Accounting Policy

At the commencement date of the lease, the Bank recognises lease liabilities, measured at present value of lease payments to be made over the lease term. The Bank applied modified retrospective approach in accordance with SLFRS 16 when accounting for right-of-use assets and operating lease liabilities. The interest expense on the lease liabilities and the depreciation expense on the right-of-use assets are recognised separately in the Statement of Profit or Loss in line with the requirements of SLFRS 16 - Leases Further the lease liabilities will be remeasured upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The Bank will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Set out below are the carrying amounts of lease liabilities disclosed in terms of SLRS 16 - Leases.

33.1 Movement During the Year

	2024 Rs. '000	2023 Rs. '000
Balance as at 01 January	335,781	340,542
Additions	366,554	91,190
Accretion of interest	75,545	44,442
Adjustments	(1,835)	-
Payments	(176,690)	(140,393)
Balance as at 31 December	599,355	335,781

33.2 Maturity Analysis - Contractual Undiscounted Cash Flows

Less than one year	173,349	114,188
One to five years	600,418	315,249
More than five years	81,413	78,080
Total undiscounted lease liability	855,180	507,517

33.3 Lease Liability Recognised in the Statement of Financial Position

Current	98,694	71,857
Non-current	500,661	263,924
Total	599,355	335,781

33.4 Amounts Recognised in the Income Statement

Interest on lease liabilities	75,545	44,442
Total	75,545	44,442

	2024 Rs. '000	2023 Rs. '000

33.5 Amounts recognised in the Statement of Cash Flows

	2024 Rs. '000	2023 Rs. '000
Total cash outflow of leases	176,690	140,393
Total	176,690	140,393

33.6 Sensitivity Analysis of Lease liabilities

Asset Class	Increase/ (Decrease) in Interest Rate %	Sensitivity Effect on the Profit or loss Increase/ (Decrease) for the Year Rs.'000	Sensitivity Effect on the Financial position Increase/ (Decrease) in Lease Liabilities Rs.'000
Land and Building	1	227	(12,680)
	-1	(622)	34,671

34 DEFERRED TAX ASSETS

Accounting Policy

Deferred tax is recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, 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.

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credits and unused tax losses (if any), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary differences arising 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.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is probable that sufficient taxable profit will be available to allow the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable 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 realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intentions to settle on a net basis and it is allowed under the tax laws of the relevant jurisdiction.

34.1 Summary of Net Deferred Tax Assets/(Liabilities)

As at 31 December	Note	2024 Rs. '000	2023 Rs. '000
Recognised under assets	34.2	523,232	284,090
Recognised under liabilities		-	-
Net deferred tax assets		523,232	284,090

Notes to the Financial Statements

34.2 Movement in Net Deferred Tax Assets/(Liabilities)

	Note	2024 Temporary difference Rs. '000	2024 Tax effect Rs. '000	2023 Temporary difference Rs. '000	2023 Tax effect Rs. '000
Balance as at 01 January		1,181,543	284,090	3,420,312	955,721
Recognised in profit or loss					
Amount recognised during the year	34.3	188,644	56,593	(426,280)	(127,884)
Recognised in other comprehensive income					
Effect on actuarial (gains)/losses on defined benefit plans	34.3	24,055	7,216	(4,503)	(1,351)
Effect on fair value (gains)/ losses on financial investments measured at FVOCI	34.3	587,563	176,269	(1,805,314)	(541,594)
Effect on fair value (gains)/losses on equity instruments measured at FVOCI	34.3	(3,121)	(936)	(2,672)	(802)
Balance as at 31 December		1,978,684	523,232	1,181,543	284,090

34.3 Reconciliation of Net Deferred Tax Asset

For the year ended/as at 31 December	Statement of Financial Position 2024 Rs.'000	Statement of Financial Position 2023 Rs.'000	Statement of Profit or Loss 2024 Rs.'000	Statement of Profit or Loss 2023 Rs.'000	Statement of Profit or Loss and Other Comprehensive Income 2024 Rs.'000	Statement of Profit or Loss and Other Comprehensive Income 2023 Rs.'000
Deferred Tax Assets on:						
Defined benefit plans	45,496	32,582	5,698	4,890	7,216	(1,351)
Unrealised loss on financial assets measured at Fair Value through Other Comprehensive Income (FVOCI)	-	-	-	-	-	(53,751)
Carried forward tax losses	-	-	-	(201,737)	-	-
Impairment provision	765,919	752,354	13,565	60,574	-	-
Impact from SLFRS 16 - Leases Liability	179,807	100,734	79,072	(1,428)	-	-
Short-term employee benefits	31,100	-	31,100	-	-	-
	1,022,322	885,670	129,435	(137,701)	7,216	(55,102)
Deferred Tax Liabilities on:						
Accelerated depreciation for tax purposes	29,241	27,873	1,368	(7,091)	-	-
Unrealised gains on Financial assets measured at Fair Value through Other Comprehensive Income - Financial investments	311,574	487,843	-	-	(176,269)	487,843
Unrealised gains on Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI) - Equity instruments	2,597	1,661	-	-	936	802
Impact from SLFRS 16 - Right of use assets	155,677	84,203	71,474	(2,726)	-	-
	499,089	601,580	72,842	(9,817)	(175,333)	488,645
Deferred tax effect on Statement of Profit or Loss and Other Comprehensive Income			56,593	(127,884)	182,549	(543,747)
Net deferred tax asset as at 31 December	523, 232	284,090		-		-

34.4 The total temporary differences arising from tax losses and tax credits is nil (2023 - nil). The aforesaid temporary difference as at 31 December 2023 was nil and the resulting deferred tax asset was nill. The same was recognised in the Financial Statements for the comparative period based on an internal cash flow assessment carried out by the Board of Directors.

35 OTHER ASSETS

Accounting Policy

The Bank classifies other assets as “other financial assets” and “other non-financial assets”. Other assets mainly comprise of deposits and prepayments, unamortised staff costs and sundry receivables. Deposits are carried at historical cost less impairment allowance. Prepayments are amortised during the period in which they are utilised and are carried at historical cost less impairment allowance.

As all staff loans granted at below market interest rates are recognised at fair value, the difference between the fair value and the amount disbursed was treated as the Day 1 difference. The Day 1 difference is classified as “unamortised staff cost” and is amortised over the loan period by using the Effective Interest Rate (EIR). The staff loans are subsequently measured at amortised cost.

As at 31 December	2024 Rs.'000	2023 Rs.'000
Deposits and prepayments	375,119	325,233
Other receivables	855,975	2,397,395
Prepaid staff cost	176,120	131,484
Tax recoverable	86,681	90,648
Reimbursement under Special Deposit Account (SDA) Scheme	313	-
Total	1,494,208	2,944,760
(-) Impairment provision for other assets	(85,987)	-
(-) Impairment provision on SDA Reimbursement under SDA Scheme	(141)	-
Total other assets	1,408,080	2,944,760

36 DUE TO BANKS

Accounting Policy

These represent refinance borrowings, call money borrowings, credit balances in Nostro Accounts and borrowings from financial institutions. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method. Interest paid/payable on these borrowings is recognised in the Statement of Profit or Loss.

As at 31 December	2024 Rs. ‘000	2023 Rs. ‘000
Borrowings		
Local currency borrowings	2,032,393	484,508
Foreign currency borrowings	-	297,442
Total due to banks	2,032,393	781,950

37 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial liabilities are classified as held for trading. This category includes derivative financial instruments entered into by the Bank that are not designated as hedging instruments in hedge relationships.

Derivatives are recorded at fair value with corresponding gains or losses are recognised in net gains/(losses) on trading in the Statement of Profit or Loss. Refer Note 26 for more details of the accounting policy.

As at 31 December	2024 Rs. ‘000	2023 Rs. ‘000
Derivative financial liabilities - Held for trading		
Forward foreign exchange contracts	-	27
Total	-	27

Notes to the Financial Statements

38 FINANCIAL LIABILITIES AT AMORTISED COST - DUE TO DEPOSITORS

Accounting Policy

These include non-interest bearing deposits, savings deposits, term deposits, deposits payable at call, certificates of deposit and other deposits. Subsequent to initial recognition, deposits are measured at amortised cost using the EIR method, except where the Bank designates liabilities at Fair Value Through Profit or Loss. Interest paid/payable on these deposits is recognised in "Interest expense" in the Statement of Profit or Loss.

As at 31 December	2024 Rs. '000	2023 Rs. '000
Local currency deposits	53,929,465	46,724,433
Foreign currency deposits	5,497,423	3,940,137
Total due to depositors	59,426,888	50,664,570

38.1 Analysis of Due to Depositors

38.1.1 Financial Liabilities at Amortised Cost - Due To Depositors - By Product

As at 31 December	2024 Rs. '000	2023 Rs. '000
Demand deposits	3,861,438	2,825,286
Savings deposits	10,614,114	9,259,694
Time deposits	44,791,698	38,490,886
Certificate of deposits	69,525	66,237
Margin deposits	90,113	22,467
Total due to depositors	59,426,888	50,664,570

38.1.2 Financial Liabilities at Amortised Cost - Due To Depositors - By Currency

As at 31 December	2024 Rs. '000	2023 Rs. '000
Sri Lanka Rupees	53,929,465	46,724,433
United States Dollars	5,444,610	3,876,460
Great Britain Pound	4,158	4,557
Euro	17,470	15,252
Australian Dollars	11,906	13,175
Other currencies	19,279	30,691
Total due to depositors	59,426,888	50,664,570

38.1.3 Financial Liabilities at Amortised Cost - Due To Depositors - By Institution/Customers

As at 31 December	2024 Rs. '000	2023 Rs. '000
Deposits from banks	2,039,819	946,954
Deposits from finance companies	1,535,068	1,396,603
Deposits from other corporates	18,484,436	16,349,630
Deposits from other customers	37,367,565	31,971,383
Total due to depositors	59,426,888	50,664,570

38.1.4 Financial Liabilities at Amortised Cost - Due To Depositors - By Province

As at 31 December	2024 Rs. '000	2023 Rs. '000
Central Province	3,886,996	2,573,477
Eastern Province	161,461	100,309
North Province	5,892,121	4,564,691
North Central Province	1,127,872	583,952
North Western Province	3,155,526	1,848,176
Sabaragamuwa Province	788,129	644,162
Southern Province	2,332,207	1,820,392
Uwa Province	987,005	731,120
Western Province	41,095,571	37,798,291
Total due to depositors	59,426,888	50,664,570

39 FINANCIAL LIABILITIES AT AMORTISED COST - OTHER BORROWINGS

Accounting Policy

Other borrowings include funds borrowed by the Bank for long-term and short-term liquidity funding requirements and includes repo borrowing, debt securities issued and other funds borrowed by the Bank. Subsequent to initial recognition, these are measured at thier amortised cost using the EIR method. Interest paid/payable on these borrowing is recognised in Interest Expense in the Statement of Profit or Loss.

As at 31 December	Note	2024 Rs. '000	2023 Rs. '000
Securities sold under repurchase (repo) agreements	39.1	1,511,001	2,169,925
Perpetual Debenture	39.2	1,500,000	1,500,000
Total other borrowings		3,011,001	3,669,925

39.1 Securities Sold Under Repurchase (Repo) Agreements

Refer Note 50 for further disclosures made in terms of the directive No. 1 of 2019 on repurchase and reverse repurchase transacations of dealer direct participants in scripless treasury bonds and scripless treasury bills issue by the Central Bank of Sri Lanka.

39.2 Perpetual Debenture

As at 31 December	Note	2024 Rs. '000	2023 Rs. '000
Debenture issued	39.2.1	1,500,000	1,500,000
		1,500,000	1,500,000

39.2.1 The principal terms of the debenture is as follows:

The Bank issued Fifteen Million (15,000,000) Basel III Additional Tier 1 Compliant Unlisted Unsecured Subordinated Perpetual Convertible Debentures with a conversion at the option of the debenture holder and Non-Viability Conversion upon the occurrence of a trigger event at the par value of Sri Lankan Rupees One Hundred (LKR 100/-).

The interest is cumulative and will be paid only if the Bank has distributable profits. The Bank has discretion at all times to cancel the interest payments and any such cancellation of interest in accordance with No (7) (i) of the Web Based Return Code 20.2.2.1.1.1 of the Banking Act Direction No.1 of 2016 will not result in an event of default. However, such interest shall be paid as soon as the underlying factors for the non-payment are no longer prevalent. Therefore, the Bank can not avoid its obligation to pay interest.

"The debenture holder has the right to convert the debenture to ordinary shares of the Bank during the conversion period. The conversion option does not meet the fixed-for-fixed requirement as a variable number of shares would be issued."

Based on the above factors, the Bank has classified this debenture as a liability.

These Debentures are included within the Bank's regulatory capital base as Tier 1 capital in terms of the directions issued by the Central Bank of Sri Lanka.

The Bank did not have any default of principal or interest or other breaches with respect to its debentures for the years ended 31 December 2024 and 2023.

Interest Rate (Per Annum)	Tenor	Date of Issue	Floor Rate on the Interest Rate	Interest Payment Frequency	No. of Debentures	Face Value Rs. '000	Amortised Cost Rs. '000 2024	Amortised Cost Rs. '000 2023
Weighted Average Twelve-Month Net Treasury Bill Rate + 2% p.a.	Perpetual	15-Dec-21	9.50% p.a. (2023 - 9.50% p.a.)	Annually	15,000,000	1,500,000	1,500,000	1,500,000

40 RETIREMENT BENEFIT OBLIGATIONS

Accounting Policy

Retirement benefit obligations include the provisions made for retirement gratuity in compliance with the Gratuity Act No. 12 of 1983. The costs of retirement gratuities are determined by a qualified Actuary using the projected unit credit method. Actuarial gains and losses are recognised as income or expense within the other comprehensive income of the Statement of Comprehensive Income, during the financial year in which it arose.

Basis of Measurement

The cost of the defined benefit plan is determined using an actuarial valuation. The actuarial valuation involves making various assumptions, which may differ from actual developments in the future. These include the determination of discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainties. All assumptions are reviewed at each reporting date. The assumptions used to arrive at the value of defined benefit obligation is given in Note 40.2. In determining the appropriate discount rate, the 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. Estimated future salary increases are based on expected future inflation rates and the policy on salary revisions of the Bank.

	Note	2024 Rs. '000	2023 Rs. '000
Balance as at 31 December		108,605	96,806
Expenses recognised in the Statement of Profit or Loss	40.1	36,247	34,901
Amounts paid on defined benefits plan		(16,775)	(18,599)
Benefits payable for those who left during the period		(477)	-
Actuarial (gains)/losses recognised in OCI		24,055	(4,503)
(Gains)/losses due to change in experience assumptions		28,713	(2,352)
(Gains)/losses due to change in financial assumptions		(2,555)	(2,412)
(Gains)/losses due to change in demographic assumptions		(2,103)	261
Balance as at 31 December		151,655	108,605

40.1 Expense Recognised in the Statement of Profit or Loss – Contribution to Defined Benefit Obligations

Current service cost	22,128	17,476
Past service cost	-	-
Interest cost	14,119	17,425
	36,247	34,901

40.2 Details of Actuarial Assumptions

Type of Assumption	Criteria	Description
Demographic Assumption	Mortality - in Service	A 1967/70 Mortality Table issued by the Institute of Actuaries, London.
	Staff Turnover	The staff turnover rate at an age represents the probability of an employee leaving within one year of that age due to reasons other than death, ill health and normal retirement. Staff turnover rates used for the valuation is based on the staff turnover statistics of the Bank.
	Disability	The disability rate at an age represents the probability of an employee leaving with one year of that age due to ill health/ disability. Assumptions similar to those used in other comparable plans for disability were used as the data required to do a "Scheme Specific" study was not available.
	Normal Retirement Age	60 years (2023 - 60 years)
Financial Assumption	Rate of Discount	Long term discount rate of 9% per annum (2023 - 13% p.a.)
	Expected Salary Escalation Rate	A salary increment rate of 7% p.a. (2023- 11% p.a.) has been used in respect of the active employees.

The discount rate used as at 31 December 2024 was determined with reference to applicable market interest rates on Government Securities adjusted for anticipated long-term rate of inflation and other factors, where applicable.

Staff turnover, the probability of a member withdrawing from the employment prior to the retirement age was considered in arriving at the above liability.

As at 31 December 2024, the weighted-average duration of the defined benefit obligation of the permanent cadre was 4 years (2023- 4 years).

An actuarial valuation of the retirement benefit obligation was carried out as at 31 December 2024 by Mr. M. Poopalanathan, AIA, of Messrs Actuarial and Management Consultants (Pvt) Ltd, a firm of professional actuaries. The valuation method used by the actuary to value the fund is the 'Projected Unit Credit Method (PUC)', the method prescribed by the Sri Lanka Accounting Standard LKAS 19 on 'Employee Benefits'.

The liability is not externally funded.

40.3 Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Sensitivity effect on defined benefit obligation	
	2024	2023
As at 31 December	Rs. '000	Rs. '000
1% increase in discount rate	(145,922)	(105,151)
1% decrease in discount rate	157,873	112,286
1% increase in salary escalation rate	158,487	112,755
1% decrease in salary escalation rate	(145,252)	(104,649)

40.4 The expected benefit payout in the future years for retirement gratuity

	2024	2023
As at 31 December	Rs. '000	Rs. '000
Within the next 12 months	28,314	21,330
Between 1 and 2 years	17,162	16,957
Between 2 and 5 years	68,405	49,144
Beyond 5 years	37,774	21,174
	151,655	108,605

Notes to the Financial Statements

41 OTHER LIABILITIES AND PROVISION

Accounting Policy

Other liabilities include other financial liabilities and other non-financial liabilities. These include accrued expenses, amounts payable for deposit insurance and other provisions. These liabilities are recorded at amounts expected to be payable at the reporting date.

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, 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.

Details of other liabilities are summarised below:

As at 31 December	Note	2024 Rs. '000	2023 Rs. '000
Accrued expenditure		478,304	452,943
Cheques sent on clearing and payorders & drafts issued		423,858	275,848
Impairment provision in respect of undrawn credit committments and financial guarantees	45.1.2	114,123	74,964
Current tax liability		437,781	161,973
Other payables*		1,409,411	1,489,808
Total other liabilities		2,863,477	2,455,536

Other payables included operational balances of inward CEFT and SLIPS accounts amounting to Rs. 625 Mn (2023 - Rs. 970 Mn).

41.1 Current Tax Liabilities

	2024	2023
Balance as at 01 January 2024	161,973	-
Provision for the year	541,880	161,973
Over/(Under) provision	13,606	-
Self assessment payments made	(279,678)	-
Balance as at 31 December 2024	437,781	161,973

42 STATED CAPITAL

Accounting Policy

Ordinary shares of the Bank are recognised at the amount paid per ordinary share after deducting incremental costs that are directly attributable to the issue of the equity instrument.

As at 31 December	2024 Rs. '000	2023 Rs. '000
Balance as at 01 January*	11,894,421	11,394,421
Issue of ordinary shares through the Initial Public Offering (IPO)	-	500,000
Balance as at 31 December	11,894,421	11,894,421

42.1 Movement in Number of Ordinary Shares

	2024	2023
Balance as at 01 January	945,642,858	883,142,858
Issue of ordinary shares through the Initial Public Offering (IPO)	-	62,500,000
Balance as at 31 December	945,642,858	945,642,858

* No voting right will be exercised by Cargills (Ceylon) PLC and CT Holdings PLC on any shares held in excess of 30% of the issued capital of the Bank carrying voting rights.

42.2 Issue of New Shares

The Bank successfully concluded its Initial Public Offering of ordinary voting shares in December 2023, where a total of 62,500,000 shares were alloted at Rs. 8.00 per share as approved by the shareholders of the Bank at the Extraordinary General Meeting held on 27 September 2023.

Accordingly, Rs. 500 Mn was raised through the Initial Public Offering.

The ordinary shares of the Bank are now listed on the Main Board of the Colombo Stock Exchange (CSE) from 09 January 2024.

43 RETAINED EARNINGS/(LOSSES)

As at 31 December	2024 Rs. '000	2023 Rs. '000
Balance as at 01 January	(1,176,968)	(1,598,139)
Total comprehensive income		
Profit/(loss) for the year	650,798	440,020
Other comprehensive income	(16,838)	3,152
Transfer to statutory reserves	(32,540)	(22,001)
Balance as at 31 December	(575,548)	(1,176,968)

44 OTHER RESERVES

44.1 Statutory Reserve Fund

The statutory reserve fund is maintained in terms of the requirements of Section 20 (1) of the Banking Act No. 30 of 1988. Accordingly, the fund is built up by allocating a sum equivalent to not less than 5% of the profit after tax, before declaring any dividend or any profits that are transferred elsewhere until the reserve is equal to 50% of the Bank's stated capital and thereafter a further sum equivalent to 2% of such profit until the amount of the said reserve fund is equal to the stated capital of the Bank.

The balance in the statutory reserve fund will be used only for the purpose specified in the Section 20(2) of the Banking Act No.30 of 1988.

As at 31 December	2024 Rs. '000	2023 Rs. '000
Balance as at 01 January	78,775	56,774
Transfers during the year, net of tax	32,540	22,001
Balance as at 31 December	111,315	78,775

44.2 Fair Value through Other Comprehensive Income Reserve (FVOCI Reserve)

The fair value revserve comprises the cumulative net change in the fair value of equity securities measured at FVOCI and the cumulative net change in the fair value of debt securities measured at FVOCI until the assets are derecognised or reclassified.

As at 31 December	2024 Rs. '000	2023 Rs. '000
Balance as at 01 January	1,146,555	(132,751)
Net change in fair value during the year in equity instruments	2,184	1,870
Net change in fair value during the year in debt instruments	(411,294)	1,277,436
Net impact during the year	(409,110)	1,279,306
Balance as at 31 December	737,445	1,146,555

45 CONTINGENT LIABILITIES & COMMITMENTS

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 an uncertain future event or present obligation where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard - LKAS 37 on 'Provisions, Contingent Liabilities and Contingent Assets'.

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Letters of credit and guarantees commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

No any pending legal claims against the Bank form a part of contingencies as at 31 December 2024. (Refer Note 46)

45.1 Contingent Liabilities

As at 31 December	Note	2,024 Rs. '000	2,023 Rs. '000
Guarantees	45.1.1	7,288,252	6,422,420
Documentary credits		2,777,631	1,545,523
Bills for collection		20,709	87,886
Forward exchange contracts		0	0
Other		43,788	44,151
Total gross contingent liabilities		10,130,380	8,099,980
Undrawn commitments		8,982,281	8,626,315
Capital commitments			
Commitments in relation to property, plant & equipment		39,950	12,855
Commitments in relation to intangible assets		72,960	32,870
Total capital commitments		112,910	45,725
Total gross commitments		9,095,191	8,672,040
Total gross contingent liabilities and commitments		19,225,571	16,772,020
Less: Provision for impairment	45.1.2	(114,123)	(74,963)
Total net contingent liabilities		19,111,448	16,697,057

45.1.1 Guarantees and loan commitments

'Financial guarantees' are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

45.1.2 Movement in provision for impairment during the year

	Stage 1	Stage 2	Stage 3	Total
(a) 2024				
Balance as at 01 January	48,239	10,872	15,853	74,964
Charge/(write back) to Statement of Profit or Loss	19,811	33,951	(14,434)	39,328
Write off during the year	-	-	(169)	(169)
Balance as at 31 December	68,050	44,823	1,250	114,123
(b) 2023				
Balance as at 01 January	46,252	43,284	24,637	114,173
Charge/(write back) to Statement of Profit or Loss	1,987	(32,412)	(8,784)	(39,210)
Balance as at 31 December	48,239	10,872	15,853	74,963

Refer Note 57.3.3.5.2 - Credit Quality Analysis for stage wise breakdown of the off-balance sheet credit exposures

46 LITIGATION AGAINST THE BANK

In the normal course of business, the Bank is a party to various types of litigation, including litigation with borrowers who are in default in terms of their facility agreements. Based on the assessment carried out, the Bank is of the view that the legal cases filed against the Bank will not have a material impact on the reported financial results or the future operations of the Bank.

46.1 Tax matters

Income Tax - Year of Assessment 2013/2014

The Commissioner General of Inland Revenue (CGIR) issued a Notice of Assessment for the Year of Assessment 2013/2014 disallowing some expenses and capital allowances stating that the Bank was not in its commercial operations to deduct such expenses to arrive at Taxable Income.

The Bank has appealed to the Court of Appeal and the Bank awaits the hearing.

Management is of the opinion that the above will not have an unfavorable impact to the Bank.

Income Tax - Year of Assessment 2017/2018, 2019/2020 and 2020/2021

The Commissioner General of Inland Revenue (CGIR) issued Notices of Assessment for the above years of assessments. The Bank has lodged appeals against the said assessments. The appeals are currently at the determination stage of the Inland Revenue Department.

Management is of the opinion that the above will not have unfavorable impacts to the Bank.

NBT on Financial Service - Year of Assessment 2017/2018

The Commissioner General of Inland Revenue (CGIR) issued the above notice, disallowing some expenses and capital allowances to arrive at NBT on Financial Services.

The Bank has appealed to the Tax Appeals Commission and the Bank awaits the hearing of the Appeal from the Tax Appeals Commission for the NBT on Financial Service YA 2017/2018.

The management is of the opinion that the above will not have an unfavorable impact to the Bank.

47 NET ASSETS VALUE PER SHARE

As at 31 December	2024	2023
Amount used as the numerator		
Total equity attributable to equity holders of the Bank (Rs.'000)	12,167,633	11,942,783
Amount used as the denominator		
Total number of ordinary shares	945,642,858	945,642,858
Net assets value per ordinary share (Rs.)	12.87	12.63

Notes to the Financial Statements

48 ANALYSIS OF ASSETS AND LIABILITIES BY REMAINING CONTRACTUAL MATURITIES

The table below summarises the maturity profile of the discounted cash flows of the Bank's assets and liabilities;

48.1

As at 31 December 2024	Up to 3 Months Rs. '000	3 to 12 Months Rs. '000	1 to 3 Years Rs. '000	3 to 5 Years Rs. '000	More than 5 Years Rs. '000	Total as at 31-Dec-24 Rs. '000
Interest earning assets						
Derivative financial instruments	-	-	-	-	-	-
Securities purchased under resale agreements	700,862	-	-	-	-	700,862
Financial assets measured at fair value through profit or loss	2,324,912	-	-	-	-	2,324,912
Financial assets at amortised cost - Loans and advances to other customers	17,968,043	7,123,887	10,709,972	5,860,204	4,441,532	46,103,638
Financial assets at amortised cost - Debt and other financial instruments	4,337	-	-	150,000	3,112,025	3,266,362
Financial assets - measured at fair value through other comprehensive income	1,368,040	12,058,520	5,780,484	3,170,116	-	22,377,160
Total interest earning assets	22,366,194	19,182,407	16,490,456	9,180,320	7,553,557	74,772,934
Non-interest earning assets						
Cash and cash equivalents	1,715,116	-	-	-	-	1,715,116
Balances with Central Bank of Sri Lanka	330,184	266,935	71,780	47,741	47,511	764,150
Financial assets - measured at fair value through other comprehensive income	-	-	-	-	23,809	23,809
Property, plant and equipment and right-of-use assets	-	-	-	-	843,022	843,022
Intangible assets	-	-	-	202,059	-	202,059
Deferred tax assets	-	-	-	-	523,232	523,232
Other assets	1,408,080	-	-	-	-	1,408,080
Total non-interest earning assets	3,453,370	266,935	71,780	249,800	1,437,574	5,479,468
Total assets	25,819,574	19,449,343	16,562,235	9,430,120	8,991,130	80,252,402
Interest bearing liabilities						
Due to banks	1,814,459	65,328	110,243	37,598	4,765	2,032,393
Derivative financial instruments	-	-	-	-	-	-
Financial liabilities at amortised cost - Due to depositors	25,677,791	20,759,196	5,582,229	3,712,784	3,694,888	59,426,888
Financial liabilities at amortised cost - Other borrowings	1,511,001	-	-	-	1,500,000	3,011,001
Total interest bearing liabilities	29,003,251	20,824,524	5,692,472	3,750,382	5,199,653	64,470,282
Non-interest bearing liabilities						
Derivative financial instruments	-	-	-	-	-	-
Retirement benefit obligations	-	-	-	-	151,655	151,655
Lease liability	38,044	81,500	325,519	80,047	74,245	599,355
Other liabilities	2,863,477	-	-	-	-	2,863,477
Stated capital	-	-	-	-	11,894,421	11,894,421
Statutory reserves	-	-	-	-	111,315	111,315
Accumulated losses	-	-	-	-	(575,548)	(575,548)
Other Reserves	-	-	-	-	737,445	737,445
Total non-interest bearing liabilities and equity	2,901,521	81,500	325,519	80,047	12,393,534	15,782,120
Total liabilities and equity	31,904,772	20,906,024	6,017,991	3,830,429	17,593,187	80,252,402

48.2

As at 31 December 2023	Up to 3 Months Rs. '000	3 to 12 Months Rs. '000	1 to 3 Years Rs. '000	3 to 5 Years Rs. '000	More than 5 Years Rs. '000	Total as at 31-Dec-23 Rs. '000
Interest earning assets						
Derivative financial instruments	6	-	-	-	-	6
Securities purchased under resale agreement	730,566	-	-	-	-	730,566
Financial assets measured at fair value through profit or loss	2,468,401	-	-	-	-	2,468,401
Financial assets at amortised cost - Loans and advances to other customers	15,315,131	6,235,575	9,156,333	5,096,811	4,755,588	40,559,438
Financial assets at amortised cost - Debt and other financial instruments	6,011	-	-	133,845	1,910,263	2,050,119
Financial assets - measured at fair value through other comprehensive income	3,070,610	4,424,076	6,272,601	3,640,172	351,373	17,758,832
Total interest earning assets	21,590,725	10,659,651	15,428,934	8,870,828	7,017,224	63,567,362
Non-interest earning assets						
Cash and cash equivalents	1,963,321	-	-	-	-	1,963,321
Balances with Central Bank of Sri Lanka	195,181	130,449	41,809	39,405	25,961	432,805
Financial assets - measured at fair value through other comprehensive income	-	-	-	-	20,688	20,688
Property, plant and equipment	-	-	-	-	462,706	462,706
Intangible assets	-	-	-	283,445	-	283,445
Deferred tax assets	-	-	-	-	284,090	284,090
Other assets	2,944,760	-	-	-	-	2,944,760
Total non-interest earning assets	5,103,262	130,449	41,809	322,850	793,445	6,391,815
Total assets	26,693,987	10,790,100	15,470,743	9,193,678	7,810,668	69,959,177
Interest bearing liabilities						
Due to banks	562,255	62,156	106,911	50,628	-	781,950
Derivative financial instruments	27	-	-	-	-	27
Financial liabilities at amortised cost - Due to depositors	22,812,703	15,289,840	4,900,431	4,618,663	3,042,933	50,664,570
Financial liabilities at amortised cost - Other borrowers	2,169,925	-	-	-	1,500,000	3,669,925
Total interest bearing liabilities	25,544,910	15,351,996	5,007,342	4,669,291	4,542,933	55,116,472
Non-interest bearing liabilities						
Retirement benefit obligations	-	-	-	-	108,605	108,605
Lease liability	36,982	34,875	143,251	58,134	62,539	335,781
Other liabilities	2,455,536	-	-	-	-	2,455,536
Stated capital	-	-	-	-	11,894,421	11,894,421
Statutory reserves	-	-	-	-	78,775	78,775
Accumulated losses	-	-	-	-	(1,176,968)	(1,176,968)
Other Reserves	-	-	-	-	1,146,555	1,146,555
Total non-interest bearing liabilities and equity	2,492,518	34,875	143,251	58,134	12,113,927	14,842,705
Total liabilities and equity	28,037,428	15,386,871	5,150,593	4,727,425	16,656,860	69,959,177

49 OPERATING SEGMENTS

Accounting Policy

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components, whose operating results are reviewed regularly by the Corporate Management Team headed by the Managing Director/ Chief Executive Officer (being the Chief Operating Decision Maker - CODM) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Bank's CEO (being the CODM) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items

Notes to the Financial Statements

comprise mainly corporate assets (primarily the Bank's headquarters), head office expenses and tax assets and liabilities.

In accordance with the Sri Lankan Accounting Standard - SLFRS 8 Operating Segment, segmental information is presented in respect of the Bank based on the Bank's management and internal reporting structure.

The Bank has the following strategic divisions which are reportable segments. These divisions offer different business products and services and are managed separately based on the Bank's management and internal reporting structure.

- Banking
- Treasury and Investments
- Unallocated

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment's performance is evaluated based on operating profit or loss of respective segment.

The following table presents the income, profit and asset and liability information on the Bank's business segments.

For the year ended 31 December	Banking		Treasury and Investments		Unallocated		Total	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Net interest income	2,787,495	3,367,377	801,285	14,014	-	-	3,588,780	3,381,391
Net fees and commission income	885,778	790,469	8,494	8,299	-	-	894,272	798,768
Net gains/(losses) from trading	22,504	(128,828)	(22,117)	129,152	-		387	324
Net gains/(losses) from financial assets at fair value through profit or loss	-		275,917	264,942	-		275,917	264,942
Net gains/(losses) from derecognition of financial assets	-		670,487	176,953	-		670,486	176,953
Net other operating income	54,875	249,484	-		6,520	3,232	61,395	252,716
Operating income by segment	3,750,653	4,278,502	1,734,064	593,360	6,520	3,232	5,491,237	4,875,094
Impairment losses on financial instruments and other assets	(658,497)	(810,344)	51,138	(38,448)	-	-	(607,360)	(848,792)
Net operating income	3,092,156	3,468,158	1,785,202	554,912	6,520	3,232	4,883,877	4,026,302
Personnel expenses	(1,052,934)	(1,056,368)	(276,705)	(16,431)	-	-	(1,329,639)	(1,072,799)
Depreciation /amortisation and other write off	(223,107)	(331,736)	(97,708)	(168)	-	-	(320,815)	(331,904)
Other operating expenses	(1,179,116)	(1,475,592)	(367,367)	(11,302)	-	-	(1,547,082)	(1,486,894)
Total operating expenses	(2,455,757)	(2,863,696)	(741,780)	(27,901)	-	-	(3,197,537)	(2,891,597)
Operating profit/(loss) before tax on financial services	636,399	604,462	1,043,422	527,011	6,520	3,232	1,686,340	1,134,705
Less: Taxes on financial services	301,243	404,829	235,406	-	-	-	536,649	404,829
Segment result	335,156	199,633	808,016	527,011	6,520	3,232	1,149,692	729,876
Income tax expense							498,894	289,856
Profit for the year							650,798	440,020
Other information								
Segment assets	52,101,150	47,690,507	28,151,252	22,268,670	-	-	80,252,402	69,959,177
Segment liabilities	66,674,118	54,249,154	1,410,650	3,767,240	-	-	68,084,769	58,016,394

50 REPURCHASE AND REVERSE REPURCHASE TRANSACTIONS IN SCRIPLESS TREASURY BONDS AND SCRIPLESS TREASURY BILLS

Directive No. 1 of 2019, issued by the Central Bank of Sri Lanka, requires licensed banks/primary dealers to disclose following additional information on repurchase and reverse repurchase transactions in scripless treasury bonds and bills.

50.1 Carrying Value of Securities Allocated for Repurchase Transactions

	Amortised Cost		Fair Value	
	2024	2023	2024	2023
As at 31 December	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value through other comprehensive income	1,503,152	1,904,776	1,554,195	2,327,050

50.2 Market Value of Securities Received for Reverse Repurchase Transactions

	Amortised Cost		Fair Value	
	2024	2023	2024	2023
As at 31 December	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value through other comprehensive income	700,000	705,000	808,292	818,742

50.3 Bank's Policy on Haircuts for Repurchase and Reverse Repurchase Transactions

In terms of the minimum haircut for Repo (Borrowing) and Reverse repo (Lending) transactions, security allocation is carried out based on remaining maturity of the security and it is required to offer and accept Treasury Bills and Bonds only with maturity of less than 03 years.

At the time of entering into a Repo/Reverse repo transaction, the market value of eligible securities should adequately cover the maturity value of transaction and hair cut requirement should be 10% from the dirty price and should not fall less than the below mentioned CBSL haircut levels over its tenor.

Remaining Term to Maturity of the Eligible Security	Minimum Haircut requirement (%)
Up to 1 Year	4
More than 1 year and up to 3 years	6

50.4 Any Penalties Imposed During the Period Under Review

None (2023 - Nil).

51 RELATED PARTY DISCLOSURES

51.1 Parent and ultimate controlling party

The Bank does not have identifiable parent of its own.

51.2 Terms and Conditions

The Bank carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures', except for the transactions that the Key Management Personnel (KMP) have availed under schemes uniformly applicable to all staff at concessionary rates.

The pricing applicable to such transactions is based on the risk and pricing model of the Bank and is comparable with what is applied to transactions between the Bank and its unrelated customers.

51.3 Key Management Personnel (KMP) and their Close Family Members (CFMs)

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank directly or indirectly. Accordingly, the Bank's KMP include the Board of Directors (Including Executive and Non-Executive Directors).

Close Family Members of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the Bank. They include KMP's domestic partner and children, children of the KMP's domestic partner and dependents of the KMP or the KMP's domestic partner who are identified as related parties of the Bank.

Notes to the Financial Statements

51.4 Transactions with Key Management Personnel (KMP)

51.4.1 Compensation of directors

For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Non Executive Director emoluments	25,860	21,140
Executive Director emoluments	44,850	45,791
Post employee benefits	12,904	6,698
	83,614	73,629

In addition to the salaries, the Bank also provides non cash benefits to Key Management Personnel.

51.5 Transactions, Arrangements and Agreements Involving KMP, and their CFMs

As at 31 December	2024 Rs. '000	2023 Rs. '000
Items in the Statement of Financial Position		
Assets		
Financial assets at amortised cost - Loans and advances to other customers	-	-
Credit cards	249	76
Total	249	76
Liabilities		
Financial liabilities at amortised cost - Due to depositors	29,365	41,698
Total	29,365	41,698
Commitments and contingencies		
Undrawn commitments	1,751	1,924
Total	1,751	1,924
Net accommodation as a percentage of the Bank's regulatory capital		
Direct and indirect accommodations	0.002%	0.001%
Items in the Statement of Profit or Loss		
Interest income	3	13
Interest expense	(3,843)	(9,126)
Fee and commission income	30	27
Compensation to KMP	(83,614)	(73,629)
Total	(87,424)	(82,716)
Shareholdings of KMP and CFM		
Number of shares	112,500	160,800
Shareholding %	0.01	0.02

51.6 Transactions with Related Companies

The Bank carries out transactions with parties who are defined as related parties in Sri Lanka Accounting Standard - LKAS - 24 "Related Party Disclosures", the details of which are disclosed below.

51.6.1 Transactions with Significant Shareholders

As at 31 December/ For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Items in the Statement of Financial Position		
Assets		
Financial assets at amortised cost - Loans and advances to other customers	704	73
Other receivables	4,611	4,611
Total	5,315	4,684
Liabilities		
Financial liabilities at amortised cost - Due to depositors	565,384	938,036
Perpetual Debenture	1,500,000	1,500,000
Other payables	6,228	6,005
Total	2,071,612	2,444,041
Commitments and contingencies		
Undrawn commitments	1,296	1,927
Total	1,296	1,927
Net accommodation as a percentage of the Bank's regulatory capital		
Direct and indirect accommodations	0.006%	0.001%
Items in the Statement of Profit or Loss		
Interest income	-	-
Interest expense	(254,225)	(508,476)
Fee and commission income	525	13
Fee and commission expense	-	-
Rent expense	(8,229)	(9,549)
Reimbursement of expenses	(23,484)	(25,056)
Other expenses	(2,178)	(150)
Total	(287,591)	(543,218)
Shareholdings of related companies		
Number of shares	574,042,858	574,042,858
Shareholding %	60.70	60.70
Voting rights %	30	30

51.6.2 Transactions with Subsidiaries of Significant Shareholders

As at 31 December/ For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Items in the Statement of Financial Position		
Assets		
Financial assets at amortised cost - Loans and advances to other customers	36,517	2,139
Other receivables	-	3,526
Total	36,517	5,665
Liabilities		
Financial liabilities at amortised cost - Due to depositors	1,757,023	1,598,742
Other payables	46,393	18,641
Total	1,803,416	1,617,383
Commitments and contingencies		
Other off-balance sheet exposures	74,173	308,635
Undrawn commitments	973,024	923,987
Total	1,047,197	1,232,622

51.6.2 Transactions with Subsidiaries of Significant Shareholders Contd.

As at 31 December/ For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Net accommodation as a percentage of the Bank's regulatory capital		
Direct and indirect accommodations	0.29%	0.02%
Items in the Income statement		
Interest income	5,213	38,152
Interest expense	(143,512)	(289,946)
Fee and commission income	28,483	36,023
Fee and commission expense	-	-
Rent expense	(32,115)	(36,177)
Reimbursement of expenses	(15,151)	(6,093)
Other expenses	(86,082)	(62,685)
Total	(243,164)	(320,726)
Shareholdings of related companies		
Number of shares	-	-
Shareholding %	0%	0%

51.6.3 Transactions with Provident Fund of Significant Shareholders

As at 31 December/ For the year ended 31 December	2024 Rs. '000	2023 Rs. '000
Items in the Statement of Financial Position		
Assets		
Financial assets at amortised cost- Loans and advances to other customers	-	-
Other receivables	-	-
Total	-	-
Liabilities		
Financial liabilities at amortised cost - Due to depositors	2,200	14,282
Other investments	-	-
Other payables	-	-
Total	2,200	14,282
Commitments and contingencies		
Undrawn commitments	-	-
Total	-	-
Net accommodation as a percentage of the Bank's regulatory capital		
Direct and indirect accomodations	0%	0%
Items in the Income statement		
Interest income	421	267
Interest expense	(194)	(201,414)
Net gains from derecognition of financial assets	8,687	3,715
Total	8,914	(197,432)
Shareholdings of related companies		
Number of shares	-	-
Shareholding %	0%	0%

52 NON-CASH ITEMS INCLUDED IN PROFIT BEFORE TAX

As at 31 December	Note	2024 Rs. '000	2023 Rs. '000
Depreciation of property, plant and equipment	16	214,602	200,523
Impairment provisions over PPE and intangible assets		9,264	-
Amortisation of intangible assets		106,213	131,381
Adjustments to fixed assets		1,574	-
Interest cost - Leases	33	75,545	44,442
Realised gain on financial assets at fair value through profit or loss		(119,070)	(168,401)
Disposal profit on fixed assets		(1,741)	(99)
Impairment losses on loans and advances	14	566,667	861,108
Provisions for contingencies		39,328	(39,210)
Foreign exchange Revaluation gain/(losses)		(77,113)	(117,880)
Impairment losses on other financial instruments		(43,995)	(762)
Write off other assets	14	100,276	323
Interest cost - Perpetual Debenture	8	223,350	469,650
Direct Write-offs	14	22,027	27,333
Charge for defined benefit plans	15	36,247	34,901
Total		1,153,174	1,443,309

53 CHANGE IN OPERATING ASSETS

As at 31 December	2024 Rs. '000	2023 Rs. '000
Change in balances with Central Bank of Sri Lanka	(331,345)	879,121
Change in Derivative financial instruments	6	(6)
Change in securities purchased under resale agreements	29,704	(730,566)
Change in Financial assets -at fair value through profit or loss	262,561	(2,300,000)
Change in repurchase agreement	-	26,001
Change in loans and advances to other customers	(6,055,953)	(5,276,044)
Change in debt and other instruments	(1,207,229)	(56,097)
Change in Financial assets -at fair value through OCI	(5,205,891)	(5,531,871)
Change in other assets	1,436,264	(1,489,845)
Total	(11,071,882)	(14,479,307)

54. CHANGE IN OPERATING LIABILITIES

As at 31 December	2024 Rs. '000	2023 Rs. '000
Change in derivative financial instruments	(27)	(3)
Change in deposits from banks, customers and debt securities issued	10,012,761	13,129,647
Change in other liabilities	92,495	767,124
Total	10,105,228	13,896,768

55 EVENTS OCCURRING AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue.

No circumstances have arisen since the reporting date which would require adjustments to or disclosure in the Financial Statements. (2023-Nil)

Notes to the Financial Statements

56 COMPARATIVE INFORMATION

The information has been reclassified with the current year's classification in order to provide a better presentation.

Statement of Financial Position	Current presentation	As disclosed previously
Other assets	2,944,760	2,721,878
Due to banks	781,950	717,667
Financial liabilities at amortised cost - Due to depositors	50,664,570	50,728,853
Other liabilities	2,455,536	2,232,654

57 FINANCIAL RISK MANAGEMENT

This note presents the information about the Bank's exposure to financial risks and the Bank's management of capital.

57.1 Introduction

Risk is inherent in any activity that the Bank undertakes to fulfill a broader spectrum of stakeholder expectations. It is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

The risk appetite, limits, and tolerance levels are closely tied to the Bank's strategic objectives, as Bank aims to balance risk and reward to maximise financial soundness while ensuring the safety and knitted of their operations.

Strategically, the Bank employs various methods to manage and mitigate risks, including diversification of their loan portfolio across different sectors and geographies, implementing robust risk management frameworks, and employing sophisticated financial instruments such as derivatives to hedge against adverse market movements.

Risk management involves identifying, assessing, and monitoring various types of risks, including;

- Credit risk;
- Market risk;
- Operational risk; and
- Liquidity risk;

Banks use quantitative models, stress testing, and scenario analysis to measure and evaluate these risks, allowing them to make informed decisions about capital allocation and risk tolerance.

Pursuing higher returns often entails taking on more risk, which may expose the Bank to potential losses during economic downturns or adverse market conditions. Conversely, adopting overly conservative risk management practices may limit profitability and hinder growth opportunities.

Capital allocation plays a crucial role in managing risk, as the Bank must allocate sufficient capital to support their risk-bearing activities while maintaining regulatory capital requirements and satisfying investor expectations. Banks optimize capital allocation by weighing the potential returns of various business lines against their associated risks, ensuring that capital is deployed efficiently to maximize shareholder value. Ultimately, the effectiveness of a bank's risk management practices directly impacts its profitability and long-term viability. By carefully balancing associated risks with prudent risk management, banks are able to enhance its soundness while safeguarding against adverse outcomes and maintaining the trust and confidence of stakeholders.

57.2 Risk Management Framework

The Board has delegated its authority to the Board Integrated Risk Management Committee (BIRMC) for the overall Risk Management approach and for approving the Risk Management strategies and principles.

The overarching responsibility for capital and risk management approaches, along with the approval of risk management strategies and principles, lies with the Board of Directors. An oversight body known as the Integrated Risk Management Committee (IRMC), appointed by the Board, is tasked with monitoring and supervising the Bank's overall risk processes. This committee holds the primary responsibility for formulating the risk strategy and implementing associated frameworks, policies, and limits. Additionally, the IRMC manages risks, tracks risk levels, and provides quarterly reports to the Board.

Execution and maintenance of risk-related procedures to ensure an independent control process are the purview of the Risk Management Department (RMD). Collaborating closely with the IRMC, this department ensures procedural compliance within the overarching framework. Moreover, the RMD oversees adherence to risk principles, policies, and limits across the Bank, ensuring comprehensive risk capture within measurement and reporting systems. Any exceptions identified are reported as necessary on a period basis to the IRMC or its sub-committees, with requisite actions to be taken to address exceptions and rectify weaknesses.

Material data related to risk management by business units undergoes thorough analysis and processing to promptly identify and manage risks. This information is then presented to the relevant Risk Committees, IRMC and ultimately to the Board of Directors. Regular reports cover a range of aspects including aggregate credit exposures, credit concentration, operational and market risks, liquidity ratios, and stress test results. Detailed assessments of industry, customer, and geographic risks are conducted quarterly. Senior management reviews the adequacy of credit loss provisions on a monthly basis. On monthly basis comprehensive risk reports are submitted to the Board to facilitate informed decision-making regarding the Bank's risk profile. The IRMC meets once in two months or as and when necessary to review and assess the Bank's overall risk profile, to focus on policy recommendations and strategies in an integrated manner and the Board of Directors are duly updated of its activities as per the regulatory guidelines.

Notes to the Financial Statements

Detailed insights over the Bank's risk management infrastructure and governance framework are discussed in the section on Risk Management (Pages 168 to 180)

57.3 Credit risk

Credit risk is the risk of financial loss to the Bank in the event a customer or counter-party 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 investments in debt securities and other financial instruments. In addition to the credit risk from direct funding exposure (i.e. on balance sheet exposure), indirect liabilities such as Letter of Credit, Guarantees etc. also would expose the Bank to credit risk. The objective of credit risk management is to optimize the Bank's risk-adjusted return by keeping credit risk exposure within acceptable boundaries. The Bank therefore oversees the credit risk across the entire portfolio as well as in individual transactions, ensuring that it remains within manageable levels. Additionally, Bank analyzes the interplay between credit risk and other types of risks. Successful credit risk management is integral to a holistic risk management strategy and is fundamental to the sustained success of any banking institution.

The Bank ensures stringent credit risk management practices to manage overall elements of credit risk exposures (such as individual obligor default risk, country and sector concentration risks etc.). Loans typically represent the primary and most conspicuous source of credit risk for the Bank. However, credit risk pervades various facets of a bank's operations, extending beyond traditional lending activities. It manifests in both the banking book and the trading book, as well as on and off the balance sheet. Nowadays, the Bank encounters credit risk, also known as counter-party risk, in a multitude of financial instruments beyond loans. The diverse nature of these exposures underscores the necessity for the Bank to adopt comprehensive risk management practices to effectively identify, assess, and mitigate credit risk across their entire spectrum of activities.

57.3.1 Credit Related Commitments Risks

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These may include acceptances, interbank transactions, trade financing, foreign exchange transactions, financial derivatives, as well as in the provision of commitments and guarantees, and the settlement of transactions. Even though these obligations may not be recognised as part of on balance sheet exposures, they do contain credit risk and are therefore part of the overall risk of the Bank.

57.3.2 Consideration of the Market Conditions

The economic recovery that began in 2023 continued throughout 2024 with the support of the Government and the Central Bank of Sri Lanka. The Bank observed strong performance in tourism and IT-BPO sectors and a partial recovery in certain import-related trades. The construction sector also experienced expansion in the final quarter of the year. However, the ongoing challenges posed by the high cost of living, which continues to strain people's spending capacity prevail. While negative inflation has been reported, it is crucial to acknowledge that this stems from a high base, and many individuals are still feeling economic pressure. Furthermore, sectors, such as select construction projects, vehicle imports and smaller import/ local trades, have yet to fully recover. It is likely that while interest rate reductions stimulated borrowings and investment, the dampened demand due to limitations of spending capacity impact such businesses.

Despite the political uncertainty of the general election in 2024, the year marked significant progress in Sri Lanka's economic and financial stabilisation, supported by the IMF-EFF programme. The completion of most of the debt restructuring process facilitated improved relations with creditors and external partners, culminating in Moody's upgrade of Sri Lanka's long-term foreign currency issuer rating to Caa1 (stable outlook) in December 2024.

The Bank undertook a comprehensive analysis of various sectors to proactively manage potential stresses within its lending portfolio. As part of this initiative, the Bank diversified its lending portfolio in alignment with the Central Bank of Sri Lanka's (CBSL) designated sectors.

Continual assessment of sectors experiencing stress is a key aspect of the Bank's risk management strategy. By closely monitoring these sectors, the Bank aims to identify emerging risks and potential defaults in its lending activities. As part of this process, the Bank makes necessary adjustments to its Expected Credit Loss (ECL) models to accurately reflect the increased impairment provisions required to mitigate credit risk.

This proactive approach allows the Bank to adapt swiftly to changing economic conditions and sector-specific challenges, thereby enhancing its ability to mitigate potential credit losses. By closely aligning its lending practices with the CBSL sectors and regularly reassessing stressed sectors, the Bank seeks to strengthen its risk management framework and safeguard its financial stability in the face of economic uncertainties. Considering the stressed economic condition of the country, the Bank performed a detailed analysis of sectors with a view of managing portfolio stresses. In this regard, the Bank diversifies the lending portfolio considering the CBSL sectors. The Bank makes continuous assessment on stressed sector to manage the probable default of the lending and considers necessary adjustment to ECL models on a need basis, to capture additional to impairment provision in order to mitigate the credit risk.

57.3.3 Impairment assessment

At each reporting date, a loss allowance or Expected Credit Loss (ECL) will be recognised based on either 12-month ECLs or lifetime ECLs, depending on whether or not there has been a significant increase in credit risk of the financial instrument since initial recognition. The changes in the loss allowance are recognised in profit or loss as an impairment charge or reversal.

Input, assumptions and techniques used for estimating impairment under SLFRS 9 is disclosed under accounting policies and Note 14 to the Financial Statements.

57.3.3.1 Key input into the measurement of ECL

The key input 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)

Probability of Default (PD)

Probability of Default (PD) is the estimate of the likelihood of default over a given time horizon. A default may only happen at a time horizon if the facility has not been previously derecognised and is still in the portfolio.

The Bank use an average of 07 years of PD data to assess credit risk. This approach helps smooth out short term fluctuations and provides a more stable estimation of a borrower's likelihood of default.

12 Months PD (12M PD)

This is the estimated probability of default occurring within the next 12 months. The 12 months PD is applied for the "Current" and "1-30 days" buckets since there is no significant deterioration in credit risk.

Age Bucket	Probability of Default
Current	12 Months PD
1- 30 Days	12 Months PD

Lifetime PD (LTPD)

This is the estimated probability of default occurring over the remaining life of the financial instrument. The lifetime PD is applied for the 31-60 days and 61-90 days buckets since there is a significant deterioration in credit risk.

Age Bucket	Probability of Default
31 – 60 Days	Lifetime PD
61 – 90 Days	Lifetime PD
Above 90 Days*	Lifetime PD

* The PD for the above 90 days category is 100% since there is objective evidence of impairment as the default has occurred.

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, if any.

To measure ECLs on revolving facilities, such as credit cards, and other revolving facilities, it will be necessary to estimate several components that make up the EAD.

- The contracts which have exceeded 90 days past due
- The Credit Utilisation Rate or Credit Conversion Factor

These components are estimated based on past experience, for sections of the portfolio that are segmented so that they have similar credit characteristic. The Bank considered the regulatory ratios as per the BASEL III direction as credit conversion factor to arrive the EAD of the revolving facility.

Notes to the Financial Statements

Loss Given Default (LGD)
Loss Given Default (LGD) is the magnitude of likely loss on exposure and is expressed as a percentage of exposure. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Bank segments its 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.

For each year, closed contracts which have crossed above 90 days at least once in their lifetime are considered for LGD. LGD will factor in all cash flows subsequent to the point of default until the full settlement of the loan.

Virtually closed contracts are also added to this data set. Virtually closed contracts are active loans which have been long outstanding. A contract is determined to be virtually closed at the point the Bank determines that the cash flows have dried up.

57.3.3.2 Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information, based on the Bank's historical experience and expert credit assessment and including forwardlooking information. The Bank uses a backstop of 30 days past due for determining whether there is a significant increase in credit risk.

The Bank continuously monitors all assets subject to Expected Credit Losses (ECLs). In order to determine whether an instrument or a portfolio of instruments is subject to 12M ECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition.

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 having been restructured.

57.3.3.3 Staging of credit facilities

The Bank applies the following in the categorization of credit facilities/ exposures into stages for computation of expected credit losses.

Stage 1	All accounts which have not shown any sign of deterioration since origination. All accounts which have been identified as Low Credit Risk (LCR) (under low credit risk expedient) shall be classified as Stage 1. The Bank computes ECLs based on the delinquency method where all facilities which are less than or equal to 30 days past due are considered under Stage 1. 12 months ECL shall be calculated for stage 1 facilities
Stage 2	All accounts which have shown a significant deterioration in credit quality since origination. Lifetime losses are computed for all accounts classified as Stage 2. The Bank computes ECLs based on the delinquency method where all facilities which are more than 30 days past due upto 90 days past due are considered under Stage 2 and the qualitative factors that are being considered to classify as stage 2 are as follows, - Loans that have been restructured once or twice (Subject to upgrading) - Exitance of any other objective evidences other than mentioned for stage 3 classification
Stage 3	All impaired assets (purchased impaired and originally credit impaired assets). Lifetime losses are computed for all accounts classified as Stage 3. The Bank computes ECLs based on the delinquency method and the qualitative factors that are being considered to classify as stage 3 are as follows; - Loans that have been restructured more than twice (subject to upgrading) - All rescheduled credit facilities,other than upgraded credit facilities. - NPCF Facilities less than 90 DPD awaiting upgrading to PCF - Exitance of any of the following objective evidence indicator, ◆ The auditors have qualified their audit opinion due to a going concern issue ◆ Liquidation has already been commenced or is about to commence ◆ The Borrower is diseased (or permanently disabled)/ insolvent.

It is the Bank's policy to consider a financial instrument as 'cured' and therefore reclassified out of a higher stage to a lower stage (e.g. from stage 3 to stage 2) other than normal movement of a contract based on the change of DPD on an exceptional basis:

- Credit facilities in Stage 3 other than restructured credit facilities in Stage 3 and rescheduled credit facilities are upgraded if due payments are fully settled by the customer
- Rescheduled and restructured contracts are upgraded only upon satisfactory performance during the relevant monitoring period where customer complies with the applicable terms of repayment

57.3.3.4 Assessment of impairment allowances

Bank calculates ECLs either on a individual or collective basis.

For the loans and advances above a predetermined threshold, the Bank individually assesses for significant increase in credit risk.

Exposures that are assessed for individual impairment and for which an impairment provision has been recognised are not included in the collective assessment of impairment. If it is determined that no objective evidence of expected loss exists for an individually assessed exposure, or assessed for objective evidence and there is no requirement for individual impairment, whether significant or not, this is included in a group of exposures with similar credit risk characteristics that are collectively assessed for impairment under the relevant bucket.

A collective assessment is performed for exposures as follows:

- Exposures that have not been individually assessed i.e. falling below the individually significant threshold.
- Exposures that have been assessed for Objective Evidence of incurred loss and indicators of increase in credit risk and were found to have no such evidence/ indicators.
- Exposures that have been individually assessed and were found not to be impaired on an individual basis based on the cash flow estimation.

The Bank groups these exposures into homogeneous portfolios to the extent possible, so as to ensure that data points are available for meaningful calculations.

57.3.3.5 Analysis of risk concentration

The Bank ensures stringent credit risk management practices to manage overall elements of credit risk exposures (such as individual obligor default risk, country and sector concentration risks, etc.). The Bank's concentration of risks are managed by business segment and industry sector

Notes to the Financial Statements

57.3.3.5.1 Industry Analysis

As at 31 December 2024	Agriculture & fishing Rs. '000	Manufacturing Rs. '000	Tourism Rs. '000	Transport Rs. '000	Construction Rs. '000	Traders Rs. '000	New economy Rs. '000	Financial & business services Rs. '000	Government Rs. '000	Infrastructure Rs. '000	Other services Rs. '000	Other customers Rs. '000	Total Rs. '000
Financial Assets													
Cash and cash equivalents	-	-	-	-	-	-	-	1,743,581	-	-	-	-	1,743,581
Balances with Central Bank of Sri Lanka	-	-	-	-	-	-	-	-	764,150	-	-	-	764,150
Securities purchased under resale agreements	-	-	-	-	-	-	-	700,862	-	-	-	-	700,862
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets measured at fair value through profit or loss	-	-	-	-	-	-	-	2,324,912	-	-	-	-	2,324,912
Financial assets at amortised costs - Loans and Advances to other customers													
-Business Banking	3,865,970	670,256	1,396,827	109,400	728,469	2,658,143	439,496	5,956,820	-	-	573,570	338,764	16,737,716
-Business Revival Unit	200,638	-	-	31,091	650,702	365,861	-	-	-	-	-	-	1,248,293
-SME	1,497,128	1,493,245	1,655,740	186,768	2,897,078	5,854,957	1,028,197	3,258,015	-	19,231	1,281,915	337,211	19,509,485
-Retail Banking	22,832	18,734	-	35,562	4,800,806	231,415	9,587	61	-	-	22,738	7,675,776	12,817,511
-Agri	1,032,031	1,293	-	-	13,192	5,447	-	-	-	-	-	73,687	1,125,650
Gross loans and receivables to other customers	6,618,599	2,183,528	3,052,567	362,821	9,090,247	9,115,823	1,477,280	9,214,896	-	19,231	1,878,223	8,425,438	51,438,655
Financial assets at amortised cost - Debt and other financial instruments	-	-	-	-	-	-	-	3,273,503	-	-	-	-	3,273,503
Financial assets -measured at fair value through other compre-hensive income	-	-	-	-	-	-	-	23,809	22,377,160	-	-	-	22,400,969
Total	6,618,600	2,183,528	3,052,567	362,821	9,090,247	9,115,823	1,477,280	17,281,563	23,141,310	19,231	1,878,223	8,425,438	82,646,632

As at 31 December 2023	Agriculture & fishing Rs. '000	Manufacturing Rs. '000	Tourism Rs. '000	Transport Rs. '000	Construction Rs. '000	Traders Rs. '000	New economy Rs. '000	Financial & business services Rs. '000	Government Rs. '000	Infrastructure Rs. '000	Other services Rs. '000	Other customers Rs. '000	Total Rs. '000
Financial Assets													
Cash and cash equivalents	-	-	-	-	-	-	-	2,026,909	-	-	-	-	2,026,909
Balances with Central Bank of Sri Lanka	-	-	-	-	-	-	-	-	432,805	-	-	-	432,805
Securities purchased under resale agreements								730,566					730,566
Derivative financial instruments	-	-	-	-	-	-	-	6	-	-	-	-	6
Financial assets measured at fair value through profit or loss								2,468,401					2,468,401
Financial assets at amortised costs- Loans and Advances to other customers													
-Business Banking	4,641,725	800,316	1,593,295	154,226	1,970,661	3,241,724	183,422	4,996,216	-	-	625,754	73,803	18,281,142
-SME	1,560,948	1,001,804	1,737,227	192,918	1,152,514	5,711,394	164,059	2,351,169	-	18,333	1,145,511	282,870	15,318,747
-Retail Banking	160,861	35,960	-	47,476	3,465,353	255,173	4,416	93,078	-	-	21,011	7,019,507	11,102,835
-Agri	793,470	9,061	-	-	4,612	6,543	-	-	-	-	74	36,610	850,370
Gross loans and receivables to other customers	7,157,004	1,847,141	3,330,522	394,620	6,593,140	9,214,834	351,897	7,440,463	-	18,333	1,792,350	7,412,790	45,553,094
Financial assets at amortised costs - Debt and other financial instruments	-	-	-	-	-	-	-	2,066,274	-	-	-	-	2,066,274
Financial assets -measured at fair value through other comprehensive income	-	-	-	-	-	-	-	20,688	17,758,831	-	-	-	17,779,520
	7,157,004	1,847,141	3,330,522	394,620	6,593,140	9,214,834	351,897	14,753,307	18,191,636	18,333	1,792,350	7,412,790	71,057,575

Notes to the Financial Statements

57.3.3.5.2 Credit quality analysis

The following table sets out the information about the credit quality of financial assets measured at amortised cost, debt instruments measured at FVOCI and contingent liabilities and commitments.

On Balance Sheet

As at 31 December	2024					2023
	Carrying Amount	Not Subject to ECL	Subject to			
			12-Month ECL (Stage 1)	Life-time ECL- Not Credit Impaired - (Stage 2)	Life-time ECL- Credit Impaired - (Stage 3)	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash and cash equivalents (balances with Banks) *						
Balances with local banks	277,381	-	235,366	-	42,015	482,405
Balances with foreign banks	538,931	-	538,080	-	851	594,106
Total balances with banks	816,312	-	773,446	-	42,866	1,076,511
Expected credit loss allowance	(28,464)	-	(9,174)	-	(19,290)	(63,587)
Net balances with banks	787,848	-	764,272	-	23,576	1,012,924
Balances with Central Bank of Sri Lanka*	764,150	764,150	-	-	-	432,805
Financial assets at amortised cost - Loans and advances to other customers						
Grade 0 – 2 performing loans	41,547,211	-	31,797,087	9,750,124	-	36,797,485
Grade 3: NPCF special mention	3,992,385	-	-	-	3,992,385	3,043,473
Grade 4: NPCF substandard	505,598	-	-	-	505,598	143,035
Grade 5: NPCF doubtful	108,423	-	-	-	108,423	680,804
Grade 6: NPCF loss	5,285,034	-	-	-	5,285,034	4,888,297
Total gross loans and advances	51,438,651	-	31,797,087	9,750,124	9,891,440	45,553,094
Expected credit loss allowance/impairment	(5,335,013)	-	(219,164)	(474,977)	(4,640,872)	(4,993,656)
Total net loans and advances	46,103,638	-	31,577,923	9,275,147	5,250,568	40,559,438

57.3.3.5.2 Credit quality analysis Contd.

On Balance Sheet

As at 31 December	2024 Carrying Amount Rs.'000	2024 Not Subject to ECL Rs.'000	2024 Subject to 12-Month ECL (Stage 1) Rs.'000	2024 Subject to Life-time ECL-Not Credit Impaired - (Stage 2) Rs.'000	2024 Subject to Life-time ECL-Credit Impaired - (Stage 3) Rs.'000	2023 Rs.'000
Investment in Debenture	154,337	-	-	-	154,337	156,011
Treasury bonds	3,119,166	3,119,166	-	-	-	1,910,262
Total debt and other financial instruments	3,273,503	3,119,166	-	-	154,337	2,066,273
Expected credit loss allowance/impairment	(7,141)	-	-	-	(7,141)	(16,155)
Net debt and other financial instruments	3,266,362	3,119,166	-	-	147,196	2,050,118
Financial assets measured at fair value through other comprehensive income						
Government securities**	22,377,160	22,377,160	-	-	-	17,758,832
Equity securities	23,809	23,809	-	-	-	20,688
Total Financial assets measured at fair value through other comprehensive income	22,400,969	22,400,969	-	-	-	17,779,520
Off Balance Sheet						
Contingent liabilities and commitments						
Gross contingent liabilities and commitments						
(i) Contingent Liabilities						
Grade 0 – 2 performing loans	9,873,439	-	8,645,797	1,227,642	-	7,519,293
Grade 3: NPCF special mention	242,090	-	-	-	242,090	536,535
Grade 4: NPCF substandard	5	-	-	-	5	-
Grade 5: NPCF doubtful	14,623	-	-	-	14,623	-
Grade 6: NPCF loss	223	-	-	-	223	-
Gross carrying amount	10,130,380	-	8,645,797	1,227,642	256,941	8,055,828
(ii) Undrawn commitments						
Grade 0 – 2 performing loans	9,059,990	112,910	8,533,382	413,698	-	8,665,615
Grade 3: NPCF special mention	24,125	-	-	-	24,125	35,137
Grade 4: NPCF substandard	1,562	-	-	-	1,562	3,750
Grade 5: NPCF doubtful	545	-	-	-	545	1,707
Grade 6: NPCF loss	8,968	-	-	-	8,968	9,984
Gross carrying amount	9,095,190	112,910	8,533,382	413,698	35,200	8,716,193
Total gross contingent liabilities and undrawn commitments (Excluding capital commitments)	19,225,570	112,910	17,179,179	1,641,340	292,141	16,772,021
Expected credit loss allowance	(114,123)	-	(68,049)	(44,823)	(1,250)	(74,964)
Total net contingent liabilities and commitments	19,111,447	112,910	1,711,130	1,596,517	290,891	16,697,057

* External risk gradings as at 31 December 2024 and 2023 were investment grading or above.

** Subject to sovereign guarantees. Refer Note 14 on impairment losses on financial instruments and other assets for details.

Notes to the Financial Statements

57.3.3.5.3. Sensitivity analysis of impairment provision on loans and advances to other customers

In the computation of impairment, the Bank formulates multiple economic scenarios to reflect base case, best case and worst case.

The scenario probability weightings applied in measuring ECL are as follows.

	2024			2023		
As at 31 December	Base	Best	Worse	Base	Best	Worse
Scenario probability weighting (%)	15%	5%	80%	15%	5%	80%

The economic factor scenario weights were kept unchanged in 2024.

Economic factor scenario weightage was changed in 2022 for Base Case (decrease from 58% to 15%), Best Case (decrease from 14% to 5%) and Worst Case (increase from 28% to 80%), in response to the adverse economic condition prevailed, and Bank continued to use the same weightages for the year under review. The Bank endeavours to reassess the weightages in 2025 in light of the improvements in the economic environment and to make necessary adjustments, where necessary.

The key drivers for credit risk are GDP growth, unemployment rates, inflation rates and interest rates.

The table below lists the macroeconomic assumptions used in the base, best and worse scenarios over the five-year forecasted period. The assumptions represent the absolute percentages,

Year	GDP Growth	Inflation (YoY) (CCPI)	Interest Rate (RF)	Unemployment
Base case				
Average 5-year forecast				
2023	-3.60%	17.90%	12.93%	5.00%
2024	5.50%	1.20%	10.42%	4.10%
Best Case				
Average 5-year forecast				
2023	-2.60%	16.90%	11.93%	4.00%
2024	6.50%	0.20%	9.42%	3.10%
Worst Case				
Average 5-year forecast				
2023	-4.60%	18.90%	13.93%	6.00%
2024	4.50%	2.20%	11.42%	5.10%

57.3.3.5.4. Sensitivity of ECL to future economic conditions

The table below shows the loss allowance on loans and advances to corporate and retail customers coming under collective impairment assuming each forward-looking scenario (e.g. Best, Base and Worse) was weighted 100% instead of applying scenario probability weights across the three scenarios. For ease of comparison, the table also includes the probability-weighted amounts that are reflected in the financial statements. The amounts are inclusive of post-model adjustments, as appropriate to each scenario.

	2024				2023			
As at 31 December	Best	Base	Worst	Probability weighted	Best	Base	Worst	Probability weighted
Exposure (Rs. 000)								
Corporate	24,281,273	24,281,273	24,281,273	24,281,273	22,082,719	22,082,719	22,082,719	22,082,719
Retail	10,783,911	10,783,911	10,783,911	10,783,911	9,997,911	9,997,911	9,997,911	9,997,911
Loss Allowance (Rs. 000)								
Corporate	247,787	288,290	335,034	323,516	250,741	297,177	349,992	337,077
Retail	429,024	479,794	529,169	516,988	495,223	519,868	546,024	539,675
Loss Allowance as % of Exposure								
Corporate	1%	1%	1%	1%	1%	1%	2%	2%
Retail	4%	4%	5%	5%	5%	5%	5%	5%

57.3.4 Collaterals held & other credit enhancement and their valuation

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are as follows:

- Reverse repurchase transactions, cash or securities
- For corporate and small business lending, cash, charges over real estate properties, inventory and trade receivables and, in special circumstances, government guarantees
- For retail lending, cash, mortgages over residential properties

The Management monitors the market value of collateral and will request additional collateral if the market values are not sufficient in accordance with the underlying agreement. The Bank's Collateral Policy is covered in the Bank's Credit Policy Manual and is reviewed annually. There have been no significant changes to the collateral policy.

The tables below demonstrates the maximum exposure to credit risk by class of financial assets, the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

As at 31st December	2024				2023			
Rs. 000	Total Maximum exposure to credit risk	Value of Collateral	Stage 3 - Maximum exposure to credit risk	Stage 3 - Value of Collateral	Total Maximum exposure to credit risk	Value of Collateral	Stage 3 - Maximum exposure to credit risk	Stage 3 - Value of Collateral
Financial Assets								
Cash and cash equivalent	1,743,581	-	-	-	2,026,909	-	-	-
Securities purchased under resale agreements	700,862	-	-	-	730,566	-	-	-
Derivative financial instruments	-	-	-	-	6	-	-	-
Financial assets - fair value through profit or loss	2,324,912	-	-	-	2,468,401	-	-	-
Financial assets at amortised cost								
Loans and advances	51,438,652	21,795,563	9,886,901	5,052,947	45,553,094	18,757,095	8,755,609	3,781,197
Debt and other financial instruments	3,266,362	-	-	-	2,050,119	-	-	-
Financial assets - fair value through comprehensive income	22,400,969	-	-	-	17,779,520	-	-	-
Other assets	1,408,080	-	-	-	2,944,760	-	-	-
	83,283,418	21,795,563	9,886,901	5,052,947	73,553,375	18,757,095	8,755,609	3,781,197

Approximately 17% and 7% of the total loans and advances of the Bank are secured against immovable properties and cash/deposits held within the Bank respectively. Further 20% of the loans & advances are secured against other securities including movable properties, gold, stocks, etc. Approximately 20% of stage 3 loans & advances of the Bank are secured against immovable properties, cash/deposits held within the Bank.

Extend to which the loans and advances were covered by cash/deposits held within the Bank, no loss allowance has been recognised in the Financial Statements. Value of the cash collateral held as at 31 December 2024 was stood at Rs. 3,366 Mn. (2023 Rs. 2,519 Mn)

The Bank held cash and cash equivalents of Rs. 1,744 Mn as at 31 December 2024 (2023 - Rs. 2,027 Mn), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks, which are rated AAA to CCC/C by external rating agencies.

Notes to the Financial Statements

The table below sets out the carrying amount and the value of identifiable collateral (mainly residential and commercial properties) held against loans and advances to customers at amortised cost, other than reverse sale and repurchase agreements. For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

As at 31 December	2024		2023	
Rs' 000	Carrying amount	Collateral value	Carrying amount	Collateral value
Stage 1	31,804,450	12,321,023	27,806,354	10,307,126
Stage 2	9,747,301	4,421,593	8,991,131	4,668,772
Stage 3	9,886,901	5,052,947	8,755,609	3,781,197
	51,438,652	21,795,563	45,553,094	18,757,095

Collateral Repossessed

The Bank's policy is to dispose collaterals repossessed at the earliest possible opportunity and 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 in the Statement of Financial Position and not treated as non-current assets held for sale.

The Bank holds collateral and other credit enhancements against its credit exposures. The following tables sets out the principal types of collateral held and their approximate collateral percentages against different types of financial assets.

Type of credit exposure	Principal type of collateral held for secured lending	Percentage of exposure that is subject to collateral requirements 2024	2023
Loans and advances to retail customers			
Mortgage lending	Residential properties	100%	100%
Credit cards	None/Limited cash deposits	-	-
Personal loans	None/Guarantors	-	-
Loans and advances to corporate customers			
Corporate loans	Commercial properties, Floating charges over other loans and advances	42%*	41%

* Based on the exposure covered with collateral.

By setting various concentration limits under different criteria within the established risk appetite framework (i.e., single borrower/ group, industry sectors, product, counterparty and country etc.), the Bank ensures that an acceptable level of risk diversification is maintained on an ongoing basis. These limits are continuously monitored and periodically reviewed by the Credit Policy Committee (CPC), the Executive Integrated Risk Management Committee (EIRMC) and the Board Integrated Risk Management Committee (BIRMC) to capture the developments in market, political and economical environment both locally and internationally to strengthen the dynamic portfolio management practices and to provide an early warning on possible credit concentrations.

57.4 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Bank's income or the value of its holdings of financial instruments. The main objective of the Cargills Bank's market risk management is to manage and control market risk exposures within acceptable levels in order to ensure the Bank's solvency while maximizing the returns.

The Bank has completed only ten and half years since commencing operations as such the relative exposures lies at a very low level. However, necessary policies and procedures are in place to regularly assess its assets and liability profile in terms of interest rate and other risks and depending on this assessment, realignments of assets and liability structure are undertaken where necessary.

The market risk could be further sub-divided into trading and non-trading risks.

57.4.1 Exposure to Market Risk - Trading and Non-Trading Portfolio

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios:

As at 31 December	Note	2024 Carrying Amount Rs. '000	2024 Market Risk Measurement Trading Portfolios Rs. '000	2024 Market Risk Measurement Non-Trading Portfolios Rs. '000	2023 Carrying Amount Rs. '000	2023 Market Risk Measurement Trading Portfolios Rs. '000	2023 Market Risk Measurement Non-Trading Portfolios Rs. '000
Assets Subject to Market Risk							
Placements with banks	25	-	-	-	-	-	-
Derivative financial instruments	26	-	-	-	6	6	-
Financial assets measured at fair value through profit or loss	27	2,324,912	2,324,912	-	2,468,401	2,468,401	-
Financial assets at amortised cost - Loans and advances to other customers	28	46,103,638	-	46,103,638	40,559,438	-	40,559,438
Financial assets at amortised cost - Debt and other financial instruments	29	3,266,362	-	3,266,362	2,050,119	-	2,050,119
Financial assets measured at fair value through other comprehensive income	30	22,400,969	-	22,400,969	17,779,520	-	17,779,520
Total		74,095,881	2,324,912	71,770,969	62,857,484	2,468,407	60,389,077
Liabilities Subject to Market Risk							
Due to banks	36	2,032,393	-	2,032,393	781,950	-	781,950
Derivative financial instruments	37	-	-	-	27	27	-
Financial liabilities at amortised cost - Due to depositors	38	59,426,888	-	59,426,888	50,664,570	-	50,664,570
Financial liabilities at amortised cost - Other borrowings	39	3,011,001	-	3,011,001	3,669,925	-	3,669,925
Total		64,470,282	-	64,470,282	55,116,472	27	55,116,445

57.4.2 Exposure to interest rate risk– Sensitivity Analysis

(a) Exposure to Interest Rate Risk – Non-Trading Portfolio

The possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments gives rise to interest rate risk. The Bank's policy is to continuously monitor portfolios and adopt hedging strategies to ensure that interest rate risk is managed within prudent levels.

The following is a summary of the Bank's interest rate gap position on non-trading portfolios. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Bank's balance sheet based on either (i) the next repricing date or the maturity date if floating rate or (ii) the maturity date if fixed rate.

Notes to the Financial Statements

As at 31 December 2024	Up to 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 Years Rs. '000	3 to 5 Years Rs. '000	More than 5 Years Rs. '000	Non- Sensitive Rs. '000	Total as at 31.12.2024 Rs. '000
Financial Assets							
Cash and Cash Equivalents	-	-	-	-	-	1,715,116	1,715,116
Balance with Central Bank of Sri Lanka	-	-	-	-	-	764,150	764,150
Securities purchased under resale agreements	700,862	-	-	-	-	-	700,862
Derivative financial instruments	-	-	-	-	-	-	-
Financial assets measured at fair value through profit or loss	2,324,912	-	-	-	-	-	2,324,912
Financial assets at amortised cost - Loans and advances to other customers	31,124,909	3,361,707	3,945,719	4,978,719	2,494,096	198,488	46,103,638
Financial assets at amortised cost - Debt and other financial instruments	4,337	-	-	150,000	3,112,025	-	3,266,362
Financial assets measured at fair value through other comprehensive income	1,368,039	12,058,520	5,780,484	3,170,116	-	23,809	22,400,969
Other assets	-	-	-	-	-	1,408,080	1,408,080
Total Financial Assets	35,523,059	12,058,520	9,726,203	8,298,835	5,606,121	4,109,643	78,684,089
Financial Liabilities							
Due to banks	1,814,459	65,328	110,243	37,598	4,765	-	2,032,393
Derivative Financial Instruments	-	-	-	-	-	-	-
Financial liabilities at amortised cost - Due to depositors	31,031,438	15,392,320	4,122,768	973,580	2,594,606	5,312,176	59,426,888
Financial liabilities at amortised cost - Other borrowings	1,511,001	-	-	-	1,500,000	-	3,011,001
Retirement benefit obligations	-	151,655	-	-	-	-	151,655
Lease liability	-	-	-	-	-	599,355	599,355
Other liabilities	-	-	-	-	-	2,863,477	2,863,477
Total Financial Liabilities	34,356,898	15,609,303	4,233,011	1,011,178	4,099,371	8,775,008	68,084,769
Interest rate sensitivity gap	1,166,161	(189,076)	5,493,192	7,287,657	1,506,751	(4,665,364)	10,599,321
1% increase	11,662	(1,891)	54,932	72,877	15,068	-	152,648
1% decrease	(11,662)	1,891	(54,932)	(72,877)	(15,068)	-	(152,648)

As at 31 December 2023	Up to 3 months Rs. '000	3 to 12 months Rs. '000	1 to 3 Years Rs. '000	3 to 5 Years Rs. '000	More than 5 Years Rs. '000	Non- Sensitive Rs. '000	Total as at 31.12.2023 Rs. '000
Financial Assets							
Cash and Cash Equivalents	-	-	-	-	-	1,963,322	1,963,322
Balance with central banks	-	-	-	-	-	432,805	432,805
Reverse repo agreements	730,566	-	-	-	-	-	730,566
Derivative financial instruments	6	-	-	-	-	-	6
Financial assets measured at fair value through profit or loss	2,468,401	-	-	-	-	-	2,468,401
Financial assets at amortised cost - Loans and advances to Banks	-						-
Financial assets at amortised cost - Loans and advances to other customers	22,741,852	11,365,480	2,308,969	1,967,521	1,818,963	356,653	40,559,438
Financial assets at amortised cost - Debt and other financial instruments	6,011	-	-	133,845	1,910,263	-	2,050,119
Financial assets measured at fair value through other comprehensive income	3,070,610	4,424,076	6,272,601	3,640,172	351,372	20,688	17,779,519
Other assets	-	-	-	-	-	2,944,760	2,944,760
Total Financial Assets	29,017,446	15,789,556	8,581,570	5,741,538	4,080,598	5,718,227	68,928,936
Financial Liabilities							
Due to banks	264,813	62,156	106,911	50,628	-	297,442	781,950
Derivative Financial Instruments	27	-	-	-	-	-	27
Financial liabilities at amortised cost - Due to depositors	20,495,166	10,525,313	627,646	137,078	4,593,081	14,286,286	50,664,570
Financial liabilities at amortised cost - Other borrowings	2,169,925	-	-	-	1,500,000	-	3,669,925
Retirement benefit obligations	-	108,605	-	-	-	-	108,605
Lease liability	-	-	-	-	-	335,781	335,781
Other liabilities	-	-	-	-	-	2,455,536	2,455,536
Total Financial Liabilities	22,929,931	10,696,074	734,557	187,706	6,093,081	17,375,045	58,016,394
Interest rate sensitivity gap	6,087,517	5,093,482	7,847,014	5,553,832	(2,012,483)	(11,656,818)	10,912,542
1% increase	60,875	50,935	78,470	55,538	(20,125)		225,694
1% decrease	(60,875)	(50,935)	(78,470)	(55,538)	20,125		(225,694)

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered include a 100bp parallel fall or rise in all yield curves across the board. The above table contains the Bank's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position.

Notes to the Financial Statements

57.4.2.(b) Exposure to interest rate risk

As at 31 December	2024 Rs. '000	2023 Rs. '000
(b) Exposure to interest rate risk		
Savings deposits	10,614,114	9,259,694
Time deposits	44,791,698	38,490,886
Certificate of deposits	69,525	66,237
Total	55,475,337	47,816,817

As at the reporting date, there were no significant foreign currency exposures in the non-trading book, other than following foreign currency exposure as set out in the table below. The below table further contains the Bank's sensitivity to 5% depreciation or appreciation in foreign currencies in the forex market, assuming no asymmetrical movement in other variables and a constant financial position.

57.4.3 Exposure to currency risk

	Sensitivity		2024	2023
			Amount	Amount
As at 31 December	5% increase	5% decrease	Rs. 000	Rs. 000
Foreign exchange position - USD	24	(24)	470	151
Foreign exchange position - AUD	0	(0)	1	25
Foreign exchange position - AED	-	-	-	1
Foreign exchange position - EUR	0	(0)	5	9
Foreign exchange position - THB	-	-	-	-
Foreign exchange position - SGD	8	(8)	167	155
Foreign exchange position - GBP	2	(2)	42	12
Foreign exchange position - JPY	32	(32)	631	297
Foreign exchange position - CAD	0	(0)	0	0
Foreign exchange position - SEK	0	(0)	0	0
Foreign exchange position - DKK	-	-	-	0
Foreign exchange position - CNY	3	(3)	53	2
Foreign exchange position - MYR	0	(0)	1	-
Foreign exchange position - INR	20	(20)	393	207
Foreign exchange position - SAR	0	(0)	0	-

57.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or external events. This definition includes legal risk but excludes strategic and reputational risk. It encompasses a wide range of potential issues, including fraudulent activities, human error, technology failures, and external events like natural disasters or cyberattacks. Cargills Bank PLC aims to manage and mitigate these risks in a cost-effective manner, aligned with the bank's overall risk appetite.

Oversight and Direction: The BIRMC, the apex body established by the Board provides the overall direction to the Bank's risk management activities and its risk appetite. The Operational Risk Management Committee (ORMC) oversees and directs operational risk management for the Bank. This committee is supported by the Operational Risk Management Unit (ORMU) within the Integrated Risk Management Department (IRMD).

Tools and Controls: The bank employs a variety of tools and controls to manage operational risk. These include the segregation of duties with defined authority limits, internal and external audits, and strict monitoring facilitated by the technology platform. The bank also maintains information backup facilities.

Monitoring and Reporting: Risk Management Department continuously monitors Risk and Control Self-Assessment (RCSA) and Key Risk Indicators (KRIs). Trend analysis of operational risk incidents is also conducted and reviewed by the ORMC. Corrective actions are taken when risk tolerance levels are exceeded. The overall Risk governance structure is supported by the Branch and department coordinators.

Review of Human Resources: The risk management department assesses and reviews HR-related aspects and provides suitable, strategic presentations to senior management from an operational risk perspective.

Product and Process Reviews: Regular reviews of products and processes are conducted to identify operational risks and recommend changes. Operational risks associated with new product developments are also evaluated.

Business Continuity and Disaster Recovery: The Department supports Business Continuity Planning and Disaster Recovery (DR) processes. Results of DR drills are reviewed to provide recommendations for future improvements.

Information Security: The ORMU actively participates in Information Security Committee (ISC) meetings, providing analyses, information, and recommendations on information security aspects. This includes contributing to the identification, assessment, and mitigation of information security risks, staying abreast of cybersecurity threats and vulnerabilities, and advising on security best practices and compliance requirements.

57.6 Liquidity Risk and Fund Management

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or and other financial asset. Liquidity risks stems from mismatched cash flows related to assets and liabilities as well as the behavioural characteristics of certain products such as savings and current accounts and non-fixed term deposits.

The Bank understands the importance of a vigorous liquidity risk management policy and constantly monitors the liquidity position of the Bank in line with the regulatory guidelines.

57.6.1 Exposure to Liquidity Risk

As per the section 5 of Banking Act Determination No. 01 of 2024 issued by CBSL, all the regulatory requirements relating to Statutory Liquid Assets Ratio by licensed banks are discontinued with effect from 15 June 2024. Therefore, the Bank uses Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for managing the liquidity risk.

In accordance with the Basel III guidelines and the amendment of Banking Act Determination No. 01 of 2024, the Bank is required to maintain both LCR and NSFR at levels not less than 100%. Details of the reported ratio of liquidity as at the reporting date are as follows:

	2024 %	2023 %
Liquidity Coverage Ratio (LCR)*		
Rupee	459.23	359.50
All Currency	313.34	289.04
Net Stable Funding Ratio (NSFR)**	136.28	122.82

As at 31 December	LCR - Rupee		LCR - All		NSFR	
	2024 %	2023 %	2024 %	2023 %	2024 %	2023 %
Average for the period	480.49	272.72	320.66	206.23	129.28	121.22
Maximum for the period	788.28	395.30	520.41	289.04	136.28	122.82
Minimum for the period	261.23	156.00	228.84	122.81	121.09	119.50

* LCR determines the ability of the Bank to withstand adverse shocks (i.e. sudden withdrawal of a significant portion of deposits) by holding high quality liquid assets in a 30 days.

* NSFR measures the availability of stable funds against the required funds of the Bank. NSFR, requires banks to maintain stable funding profile by creating additional incentives to fund their activities with more stable sources of funding on an ongoing basis, over a longer time horizon.

Notes to the Financial Statements

57.6.2 Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the discounted cash flows of the Bank's financial assets and liabilities as at 31 December 2024 and 2023.

As at 31 December 2024	Up to 3 Months Rs. '000	3 to 12 Months Rs. '000	1 to 3 Years Rs. '000	3 to 5 Years Rs. '000	More than 5 Years Rs. '000	Total as at 31-Dec-24 Rs. '000
Interest earning assets						
Derivative financial instruments	-	-	-	-	-	-
Securities purchased under resale agreements	700,862	-	-	-	-	700,862
Financial assets measured at fair value through profit or loss	2,324,912	-	-	-	-	2,324,912
Financial assets at amortised cost - Loans and advances to other customers	17,968,044	7,123,887	10,709,972	5,860,204	4,441,532	46,103,638
Financial assets at amortised cost - Debt and other financial instruments	4,337	-	-	150,000	3,112,025	3,266,362
Financial assets - measured at fair value through other comprehensive income	1,368,039	12,058,520	5,780,484	3,170,116	-	22,377,160
Total interest earning assets	22,366,194	19,182,408	16,490,456	9,180,320	7,553,556	74,772,934
Non-interest earning assets						
Total non-interest earning assets	3,453,379	266,936	71,780	249,800	1,437,574	5,479,468
Total assets	25,819,573	19,449,344	16,562,235	9,430,120	8,991,130	80,252,402
Interest bearing liabilities						
Due to banks	1,814,459	65,328	110,243	37,598	4,765	2,032,393
Derivative financial instruments	-	-	-	-	-	-
Financial liabilities at amortised cost - Due to depositors	25,677,791	20,759,196	5,582,229	3,712,784	3,694,888	59,426,888
Financial liabilities at amortised cost - Other borrowings	1,511,001	-	-	-	1,500,000	3,011,001
Total interest bearing liabilities	29,003,250	20,824,524	5,692,473	3,750,382	5,199,653	64,470,283
Non-interest bearing liabilities						
Total non-interest bearing liabilities and equity	2,901,526	81,500	325,519	80,047	12,393,529	15,782,120
Total liabilities and equity	31,904,770	20,906,024	6,017,991	3,830,429	17,593,187	80,252,402

Rs. 000	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total as at 31-Dec-23
Interest earning assets						
Cash and cash equivalents	-	-	-	-	-	-
Placements with banks	-	-	-	-	-	-
Derivative financial instruments	6	-	-	-	-	6
Reverse repo agreements	730,566	-	-	-	-	730,566
Financial assets measured at fair value through profit or loss	2,468,401	-	-	-	-	2,468,401
Financial assets at amortised costs- Loans & Advances to Banks						-
Financial assets at amortised cost - Loans and advances to other customers	15,315,131	6,235,575	9,156,333	5,096,812	4,755,587	40,559,438
Financial assets at amortised cost - Debt and other financial instruments	6,011	-	-	133,845	1,910,263	2,050,119
Financial assets - measured at fair value through other comprehensive income	3,070,610	4,424,076	6,272,601	3,640,172	351,372	17,758,831
Total interest earning assets	21,590,725	10,659,651	15,428,934	8,870,829	7,017,222	63,567,361
Non-interest earning assets						
Total non-interest earning assets	5,103,261	130,449	41,809	322,850	793,445	6,391,815
Total assets	26,693,987	10,790,100	15,470,743	9,193,679	7,810,667	69,959,177
Interest bearing liabilities						
Due to banks	562,255	62,156	106,911	50,628	-	781,950
Derivative financial instruments	27	-	-	-	-	27
Financial liabilities at amortised cost - Due to depositors	22,812,703	15,289,840	4,900,431	4,618,663	3,042,933	50,664,570
Financial liabilities at amortised cost - Due to borrowers	2,169,925	-	-	-	1,500,000	3,669,925
Total interest bearing liabilities	25,544,910	15,351,996	5,007,342	4,669,291	4,542,933	55,116,472
Non-interest bearing liabilities						
Total Non-interest bearing liabilities	2,492,518	34,875	143,251	58,134	12,113,927	14,842,706
Total Liabilities and Equity	28,037,427	15,386,871	5,150,593	4,727,425	16,656,860	69,959,177

The Bank's policy is to monitor portfolios and adopt appropriate hedging strategies to ensure that liquidity risk is maintained within prudent levels. Liquidity risk is mainly monitored through a stock approach and a flow approach. Under the stock approach liquidity is measured in terms of key ratios showing the liquidity stored on the Balance Sheet. Under the flow approach the Bank monitors contractual and behavioral liquidity mismatches through static and dynamic maturity analyses. Less than 1-year buckets include a sizable proportion of savings balances which may not be withdrawn within a short period of time based on its behavioral pattern.

Notes to the Financial Statements

57.6.3 Undiscounted cash flow of financial assets and financial liabilities

The following table shows the expected undiscounted cash flows for financial assets and financial liabilities at 31 December 2024 and 2023.

Rs. '000	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total as at 31-Dec-2024
Financial assets						
Cash and cash equivalents	1,715,116	-	-	-	-	1,715,116
Balances with Central Bank of Sri Lanka	331,740	265,977	71,522	47,570	47,341	764,150
Securities purchased under resale agreements	778,006	-	-	-	-	778,006
Derivative financial instruments	-	-	-	-	-	-
Financial assets measured at fair value through profit or loss	2,324,912	-	-	-	-	2,324,912
Financial assets at amortized costs - Loans and Advances to other customers	16,205,280	10,728,168	15,358,506	9,212,906	4,655,318	56,160,178
Financial assets at amortized costs - Debt and other financial instruments	239,645	539,645	2,070,554	1,563,157	-	4,413,002
Financial assets -at fair value through other comprehensive income	1,058,156	10,017,309	4,988,940	3,336,195	-	19,400,600
Financial Liabilities						
Due to banks	-	56,578	93,903	21,020	-	171,501
Derivative financial instruments	-	-	-	-	-	-
Financial liabilities at amortized cost - Due to depositors	38,370,723	18,505,788	4,187,983	1,672,557	-	62,737,051
Financial liabilities at amortized cost - Other borrowings	1,621,356	-	-	-	1,500,000	3,121,356
Lease liability	39,014	87,897	398,181	97,915	90,819	713,825

Rs. '000	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total as at 31-Dec-2023
Financial assets						
Cash and cash equivalents	1,963,321	-	-	-	-	1,963,321
Balances with Central Bank of Sri Lanka	195,180	130,449	41,809	39,405	25,962	432,805
Securities purchased under resale agreements	754,041	-	-	-	-	754,041
Derivative financial instruments	6	-	-	-	-	6
Financial assets measured at fair value through profit or loss	2,468,401	-	-	-	-	2,468,401
Financial assets at amortized costs - Loans and Advances to other customers	14,774,298	8,438,770	15,589,635	5,312,788	10,238,402	54,353,892
Financial assets at amortized costs - Debt and other financial instruments	153,843	200,448	954,581	1,928,420	180,000	3,417,292
Financial assets -at fair value through other comprehensive income	3,263,295	5,044,483	3,058,844	4,321,952	314,207	16,002,780
Financial Liabilities						
Due to banks	342,931	113,137	56,616	232,124	-	744,808
Derivative financial instruments	27	-	-	-	-	27
Financial liabilities at amortized cost - Due to depositors	33,338,278	13,824,270	3,376,177	4,086,682	-	54,625,407
Financial liabilities at amortized cost - Other borrowings	2,131	-	-	-	1,500,000	1,502,131
Lease liability	38,761	39,710	202,510	82,183	88,410	451,574

57.7 Capital Management

57.7.1 Objective

The Bank is required to manage its capital taking into account the need to meet the regulatory requirements as well as the current and future business needs, stakeholder expectations and available options for raising capital.

57.7.2 Regulatory Capital

Capital Adequacy Ratio (CAR) is calculated based on the CBSL Directions stemming from Basel III Accord. These guidelines require the Bank to maintain a Capital Adequacy Ratio (CAR) of not less than 7% with Common Equity Tier I capital (CET I) in relation to total risk-weighted assets and a minimum overall CAR of 12.50% inclusive of Tier I and Tier II in relation to total risk-weighted assets.

As at 31 December	2024 Rs. '000	2023 Rs. '000
Common Equity Tier 1 (CET 1) Capital		
Paid-up ordinary shares/Common stock/Assigned capital	11,894,421	11,894,421
Statutory reserve fund	111,315	78,775
Published retained profits/(accumulated losses)	(575,548)	(1,176,968)
Accumulated other comprehensive income (OCI)	725,418	682,027
	12,155,605	11,478,255
Deductions/Adjustments		
Net deferred tax assets	(523,232)	(284,090)
Other intangible assets	(202,059)	(283,445)
Advances granted to employees of the Bank for the purchase of shares of the Bank (ESOP)	-	-
50% of Investments in unconsolidated banking and financial subsidiary companies	-	-
50% Investments in the capital of other banks and financial institutions	-	-
Qualifying Additional Tier 1 Capital Instruments	1,500,000	1,500,000
Total Tier 1 Capital	12,930,314	12,410,720
Tier II Capital		
Revaluation reserves (as approved by Central Bank of Sri Lanka)	-	-
General provisions	456,652	283,221
Approved subordinated term debt		
Deductions/Adjustments	-	-
50% of investments in unconsolidated banking and financial subsidiary companies	-	-
50% investments in the capital of other banks and financial institutions	-	-
Total Tier II Capital	456,652	283,221
Total Capital	13,386,966	12,693,941
Capital adequacy ratios		
Common Equity Tier 1 Capital Ratio (%)	19.16	19.89
Tier 1 Capital Ratio (%)	21.68	22.63
Total Capital Ratio (%)	22.44	23.15

Notes to the Financial Statements

57.7.2.1 Minimum capital requirement

As per the directives, issued by the CBSL regarding the enhancement of minimum capital requirements for banks, locally incorporated licensed commercial banks are mandated to maintain a minimum capital of LKR 20 Bn. The Monetary Board has granted an extension to Cargills Bank until 31 December 2025 to meet the minimum capital requirement stipulated by the CBSL. The Bank should maintain Total Tier 1 Capital Ratio 250 basis points above the minimum applicable until it complies with the regulatory minimum capital requirement of LKR 20 Bn by end 2025.

In order to meet the said requirement, the Bank in December 2021 issued 15 Mn Basel III Additional Tier 1 Compliant Unlisted Unsecured Subordinated Perpetual Convertible Debentures at the par value of Rs. 100.00 totaling to Rs. 1.5 Bn with a conversion at the option of the debenture holder and non-viability conversion upon the occurrence of a trigger event.

The Bank raised a further sum of Sri Lanka Rupees Five Hundred Million (LKR 500,000,000/-) via an initial public offering of Sixty-Two Million Five Hundred Thousand (62,500,000) new Ordinary Voting Shares in the month of December 2023.

The Board Capital Augmentation Steering Committee, the report of which Committee is available on pages 159 and 160 of this Annual Report, was formed during the year to advise the Board on the Capital Augmentation Plan of the Bank. The mandate of the Committee includes analysing multiple options for raising capital taking into consideration critical factors such as the Bank’s performance trajectory, trends in the capital markets, and broader economic developments, etc. Based on the recommendations made by the Committee, a Capital Augmentation Plan is approved by the Board.

Basel III - Pillar III Market Disclosures

Disclosures under pillar III as per the Banking Act Direction No. 01 of 2016 mainly include the regulatory capital requirements and liquidity, risk weighted assets, discussion on adequacy to meet current and future capital requirements of banks and linkages between financial statements and regulatory exposures. It is required to disclose the templates specified by the Central Bank of Sri Lanka as per Basel III – Minimum disclosure requirements with effective from 1 July 2017.

TEMPLATE 01

Key Regulatory Ratios - Capital and Liquidity

Item	2024	2023
Regulatory Capital (Rs. '000)		
Common Equity Tier 1	11,430,314	10,910,720
Tier 1 Capital	12,930,314	12,410,720
Total Capital	13,386,966	12,693,941
Regulatory Capital Ratios (%)*		
Common Equity Tier 1 Capital Ratio (Minimum Requirement – 2024: 7 & 2023: 7)	19.16	19.89
Tier 1 Capital Ratio (Minimum Requirement – 2024: 8.5 & 2023: 8.5)	21.68	22.63
Total Capital Ratio (Minimum Requirement – 2024: 12.5 & 2023: 12.5)	22.44	23.15
Leverage Ratio (Minimum Requirement - 2024: 3 & 2023: 3)	13.00	14.67
Regulatory Liquidity		
Statutory Liquid Assets (Rs. '000)**	N/A	19,717,993
Statutory Liquid Ratio (Minimum Requirement – 20%)		
Domestic Banking Unit (%)**	N/A	39.45
Off-Shore Banking Unit (%)**	N/A	90.65
Statutory Liquid Assets Ratio - Bank (%)**	N/A	39.82
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement – 2024: 100 & 2023: 100)	459.23	359.50
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement – 2024: 100 & 2023: 100)	313.34	289.04
Net Stable Funding Ratio (Minimum Requirement - 2024: 100 & 2023: 100)	136.28	122.82

* The Bank should maintain Total Tier 1 Capital Ratio 250 basis points above the minimum applicable until it complies with the regulatory minimum capital requirement of LKR 20 Bn by end 2025.

** As per the section 5 of Banking Act Determination No. 01 of 2024 issued by CBSL, all the regulatory requirements relating to Statutory Liquid Assets Ratio by licensed banks are discontinued with effect from 15 June 2024.

Basel III - Pillar III Market Disclosures

TEMPLATE 02

Basel III Computation of Capital Ratios

Item	2024 Rs. '000	2023 Rs. '000
Common Equity Tier 1 (CET1) Capital after Adjustment	11,430,314	10,910,720
Common Equity Tier 1 (CET1) Capital	12,155,605	11,478,255
Equity Capital (Stated Capital)/Assigned Capital	11,894,421	11,894,421
Reserve Fund	111,315	78,775
Published Retained Earnings/(Accumulated Retained Losses)	(575,548)	(1,176,968)
Published Accumulated Other Comprehensive Income (OCI)	725,418	682,027
General and other Disclosed Reserves	-	-
Unpublished Current Year's Profit/Loss and Gains reflected in OCI	-	-
Ordinary Shares issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to CET1 Capital	725,295	567,535
Goodwill (net)	-	-
Intangible Assets (net)	202,059	283,445
Others (specify) – Deferred tax asset	523,232	284,090
Additional Tier 1 (AT1) Capital after Adjustments	1,500,000	1,500,000
Additional Tier 1 (AT1) Capital	1,500,000	1,500,000
Qualifying Additional Tier 1 Capital Instruments	1,500,000	1,500,000
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to AT1 Capital	-	-
Investment in Own Shares	-	-
Others (Specify)	-	-
Tier 2 Capital after Adjustments	456,652	283,221
Tier 2 Capital	456,652	283,221
Qualifying Tier 2 Capital Instruments	-	-
Revaluation Gains	-	-
Loan Loss Provisions	456,652	283,221
Instruments issued by Consolidated Banking and Financial Subsidiaries of the Bank and held by Third Parties	-	-
Total Adjustments to Tier 2	-	-
Investment in Own Shares	-	-
Others (Specify)	-	-
CET1 Capital	12,155,605	11,478,255
Total Tier 1 Capital	12,930,314	12,410,720
Total Capital	13,386,966	12,693,941

	2024 Rs. '000	2023 Rs. '000
Total Risk Weighted Assets (RWA)		
RWAs for Credit Risk	53,784,232	47,226,113
RWAs for Market Risk	440	2,972,977
RWAs for Operational Risk	5,858,807	4,645,715
CET1 Capital Ratio (Including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	19.16	19.89
Of which: Capital Conservation Buffer (%)	2.50	2.50
Of which: Countercyclical Buffer (%)	-	-
Of which: Capital Surcharge on D-SIBs (%)	-	-
Total Tier 1 Capital Ratio	21.68	22.63
Total Capital Ratio (Including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs) (%)	22.44	23.15
Of which: Capital Conservation Buffer (%)	2.50	2.50
Of which: Countercyclical Buffer (%)	-	-
Of which: Capital Surcharge on D-SIBs (%)	-	-

TEMPLATE 03
Computation of Leverage Ratio

Item	2024 Rs. '000	2023 Rs. '000
Tier 1 Capital	11,430,314	10,910,720
Total Exposures	87,912,467	74,380,070
On-Balance Sheet Items (Excluding Derivatives and Securities Financing Transactions, but including Collateral)	79,527,109	69,168,754
Derivative Exposure	-	-
Securities Financing Transaction Exposure	-	-
Other Off-Balance Sheet Exposure	8,385,358	5,211,317
Basel III Leverage Ratio (%) (Tier 1/ Total Exposure)	13.00	14.67

TEMPLATE 04
4.1 Basel III Computation of Liquidity Coverage Ratio (Rupee)

Item	2024 Rs. '000		2023 Rs. '000	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High Quality Liquid Assets (HQLA)	26,285,715	26,285,715	19,139,573	19,139,573
Total Adjusted Level 1 Assets	26,275,860	26,275,860	19,025,831	19,025,831
Level 1 Assets	26,285,715	26,285,715	19,139,573	19,139,573
Total Adjusted Level 2A Assets	-	-	-	-
Level 2 Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	69,546,942	13,671,955	60,295,311	12,976,806
Deposits	39,266,400	3,926,640	32,702,620	3,270,262
Unsecured Wholesale Funding	14,498,985	9,359,229	12,709,369	9,131,745
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	15,781,557	386,086	14,883,323	574,798
Additional Requirements	-	-	-	-
Total Cash Inflows	12,202,593	7,948,049	11,730,268	7,652,825
Maturing Secured Lending Transactions Backed by Collateral	-	-	-	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	12,202,593	7,948,049	11,730,268	7,652,825
Operational Deposits	-	-	-	-
Other Cash Inflows	-	-	-	-
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100	-	459.23	-	359.50

Basel III - Pillar III Market Disclosures

TEMPLATE 04

4.2 Basel III Computation of Liquidity Coverage Ratio (All Currency)

Item	2024 Rs. '000		2023 Rs. '000	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
Total Stock of High Quality Liquid Assets (HQLA)	26,310,841	26,310,841	19,149,507	19,149,507
Total Adjusted Level 1 Assets	26,300,986	26,300,986	19,035,765	19,035,765
Level 1 Assets	26,310,841	26,310,841	19,149,507	19,149,507
Total Adjusted Level 2A Assets	-	-	-	-
Level 2 Assets	-	-	-	-
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	78,369,270	16,579,289	66,089,010	14,571,662
Deposits	41,022,249	4,102,225	35,034,242	3,503,424
Unsecured Wholesale Funding	18,324,868	11,946,210	14,473,384	10,414,423
Secured Funding Transactions	-	-	-	-
Undrawn Portion of Committed (Irrevocable) Facilities and Other Contingent Funding Obligations	19,022,153	530,854	16,581,384	653,815
Additional Requirements	-	-	-	-
Total Cash Inflows	13,383,201	8,182,264	12,238,232	7,946,491
Maturing Secured Lending Transactions Backed by Collateral	-	-	-	-
Committed Facilities	-	-	-	-
Other Inflows by Counterparty which are Maturing within 30 Days	12,628,748	8,182,264	12,238,232	7,946,491
Operational Deposits	754,453	-	574,091	-
Other Cash Inflows	-	-	-	-
Liquidity Coverage Ratio (%) (Stock of High Quality Liquid Assets/Total Net Cash Outflows over the Next 30 Calendar Days) * 100	-	313.34	-	289.04

TEMPLATE 04

4.3 Net Stable Funding Ratio (NSFR)

Item	2024 Rs. '000	2023 Rs. '000
Total available stable funding (ASF)	52,614,906	44,295,242
Total required stable funding (RSF)	38,607,969	36,064,555
Required stable funding – On balance sheet assets	38,237,786	35,708,546
Required stable funding – Off balance sheet items	370,183	356,009
NSFR (Minimum Requirement – 2024: 100 & 2023: 100)	136.28	122.82

TEMPALTE 05
Main Features of Regulatory Capital Instruments

Description of the Capital Instrument	BASEL III Additional Tier 1 Compliant Unlisted Unsecured Subordinated Perpetual Convertible Debentures
Issuer	Cargills Bank PLC
Governing Law(s) of the Instrument	Companies Act No. 07 of 2007, Banking Act No. 30 of 1988 and other applicable laws and regulations
Original Date of Issuance	15 December 2021
Par Value of Instrument	LKR 100/-
Perpetual or Dated	Perpetual
Original Maturity Date, if Applicable	N/A
Amount Recognised in Regulatory Capital (in Rs. '000 as at the Reporting Date)	1,500,000
Accounting Classification (Equity/Liability)	Liability
Issuer Call subject to Prior Supervisory Approval	
Optional Call Date, Contingent Call Dates and Redemption Amount (Rs. '000)	*
Subsequent Call Dates, if Applicable	1 May to 31 May of each year from 2028 to 2031
Coupons/Dividends	
Fixed or Floating Dividend/Coupon	Floating
Coupon Rate and any Related Index	Weighted average twelve-month Net Treasury Bill rate + 2.00% p.a with the floor rate of 9.5% p.a.
Non-Cumulative or Cumulative	Cumulative
Convertible or Non-Convertible	Convertible
If Convertible, Conversion Trigger (s)	*
If Convertible, Fully or Partially	*
If Convertible, Mandatory or Optional	*
If Convertible, Conversion Rate	*

* The debenture may be covertible by the debenture holder (subject to satisfaction of regulatory requirements), at any time during the conversion periods after a minimum of 05 years from the date of issue or a non viability conversion arising from an occurrence of a trigger event at a par value of LKR 100 per debenture.

TEMPLATE 06
Summary Discussion on Adequacy/Meeting Current and Future Capital Requirements

The Bank has set up an internal threshold on minimum CARs and ensures that appropriate measures are employed to maintain the CARs above the said threshold when preparing the budget. The Bank has a well established monitoring mechanism to periodically ensure the level of achievement against the predetermined targets and corrective action is taken for any deviations.

Methods of improving the CARs are being evaluated on an ongoing basis and in extreme situations, the Bank will deliberate on strategically curtailing the expansion of risk weighted assets. Prior to taking such decisions, the Bank will assess the impact on the internally developed thresholds of minimum CARs resulting from the short-term asset expansion plans. The Bank takes every endeavour to ensure maintaining the internal CAR thresholds.

Further, in December 2021, The Bank issued Fifteen Million (15,000,000) Basel III Additional Tier 1 Compliant Unlisted Unsecured Subordinated Perpetual Convertible Debentures with a conversion option to raise Rs. 1.5 Bn to meet the regulatory minimum capital requirement.

Basel III - Pillar III Market Disclosures

TEMPLATE 07

Credit Risk under Standardised Approach Approach

Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects

Asset Class	Amount as at 31 December 2024 (Rs. '000)					
	Exposure before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA & RWA Density (%)	
	On-Balance Sheet Amount	Off-Balance Sheet Amount	On-Balance Sheet Amount	Off-Balance Sheet Amount	RWA	RWA Density
Claims on Central Government and CBSL	26,260,474	-	26,260,474	-	-	0.00%
Claims on Foreign Sovereigns and Their Central Banks	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks Exposures	787,849	-	787,849	-	188,219	23.89%
Claims on Financial Institutions	5,298,826	50,284	5,298,826	50,284	4,486,232	83.87%
Claims on Corporates	20,653,765	15,074,590	20,653,765	5,340,723	25,154,863	96.77%
Retail Claims	14,140,001	4,100,697	14,140,001	2,928,315	14,497,853	84.94%
Claims Secured by Residential Property	1,294,479	-	1,341,035	44,691	1,339,170	96.64%
Claims Secured by Commercial Real Estate	-	-	-	-	-	-
Non-Performing Assets (NPAs)	5,241,875	-	5,195,319	21,345	5,866,794	112.46%
High-risk Categories	-	-	-	-	-	-
Cash Items and Other Assets	3,178,370	-	3,178,370	-	2,251,102	70.83%
Total	76,855,638	19,225,571	76,855,638	8,385,358	53,784,232	63.10%

TEMPLATE 08

Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights

	Amount as at 31 December 2024 (Post CCF and CRM) (Rs. '000)							
Risk Weight / Asset Classes	0%	20%	50%	75%	100%	150%	>150%	Total Credit Exposure Amount
Claims on Central Government and CBSL	26,260,474	-	-	-	-	-	-	26,260,474
Claims on Foreign Sovereigns and Their Central Banks	-	-	-	-	-	-	-	
Claims on Public Sector Entities	-	-	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-	-	-
Claims on Banks Exposures	-	764,272	-	-	-	23,577	-	787,849
Claims on Financial Institutions	-	19,536	1,694,498	-	3,635,076	-	-	5,349,110
Claims on Corporates	-	769,146	999,830	-	23,674,298	551,214	-	25,994,488
Retail Claims	-	-	-	10,281,851	6,786,465	-	-	17,068,315
Claims Secured by Residential Property	-	-	-	-	1,339,170	-	-	1,339,170
Claims Secured by Commercial Real Estate	-	-	-	-	-	-	-	-
Non-Performing Assets (NPAs)	-	-	35,566	-	3,984,941	1,242,713	-	5,263,220
High-risk Categories	-	-	-	-	-	-	-	-
Cash Items and Other Assets	927,268	-	-	-	2,251,102	-	-	3,178,370
Total	27,187,742	1,552,954	2,729,894	10,281,851	41,671,051	1,817,504	-	85,240,995

TEMPLATE 09

Market Risk under Standardised Measurement Method

Item	RWA Amount Rs. '000 As at 31 December 2024
(a) RWA for Interest Rate Risk	440
General Interest Rate Risk	
i. Net Long or Short Position	0
ii. Horizontal Disallowance	-
iii. Vertical Disallowance	-
iv. Options	-
Specific Interest Rate Risk	-
(b) RWA for Equity	-
i. General Equity Risk	-
ii. Specific Equity Risk	-
(c) RWA for Foreign Exchange & Gold	55
Capital Charge for Market Risk [(a) + (b) + (c)] * CAR	55

TEMPLATE 10

Operational Risk under Basic Indicator Approach/ The Standardised Approach/ The Alternative Standardised Approach

Business Lines	Capital Charge Factor	Fixed Factor	Gross Income as at 31 December 2024 (Rs. '000)		
			1st Year	2nd Year	3rd Year
Basic Indicator Approach	15%		5,491,237	4,875,095	4,280,687
The Standardised Approach					
Corporate Finance	18%		-	-	-
Trading and Sales	18%		-	-	-
Payment and Settlement	18%		-	-	-
Agency Services	15%		-	-	-
Asset Management	12%		-	-	-
Retail Brokerage	12%		-	-	-
Retail Banking	12%		-	-	-
Commercial Banking	15%		-	-	-
The Alternative Standardised Approach					
Corporate Finance	18%		-	-	-
Trading and Sales	18%		-	-	-
Payment and Settlement	18%		-	-	-
Agency Services	15%		-	-	-
Asset Management	12%		-	-	-
Retail Brokerage	12%		-	-	-
Retail Banking	12%	0.035	-	-	-
Commercial Banking	15%	0.035	-	-	-
Capital Charge for Operational Risk (Rs. '000)					
The Basic Indicator Approach	732,351				
The Standardised Approach	-				
The Alternative Standardised Approach	-				
Risk Weighted Amount for Operational Risk (Rs. '000)					
The Basic Indicator Approach	5,858,807				
The Standardised Approach	-				
The Alternative Standardised Approach	-				

Supplementary Information

Basel III - Pillar III Market Disclosures

TEMPLATE 11

Differences between Accounting and Regulatory Scopes and Mapping of Financial Statement Categories with Regulatory Risk Categories - Bank Only

Item	Amount as at 31 December 2024 (Rs. '000)				
	a	b	c	d	e
	Carrying Values as Reported in Published Financial Statements	Carrying Values under Scope of Regulatory Reporting	Subject to Credit Risk Framework	Subject to Market Risk Framework	Capital Requirements or Subject to Deduction from Capital
Assets					
Cash and Cash Equivalents	1,707,834	1,707,834	1,707,834		
Balances with Central Banks	764,150	764,150	764,150		
Placements with Banks	-	-	-		
Derivative Financial Instruments	-	-		-	
Financial Assets Designated at Fair Value through Profit or Loss	2,324,912	2,324,912	2,324,912		
Loans and Receivables to Banks	-	-			
Loans and Receivables to Other Customers	46,103,638	46,103,638	46,103,638		8,582,287
Financial Investments - Available-For-Sale	22,400,969	22,400,969	22,400,969	22,400,969	
Financial Investments - Held-To-Maturity	3,273,817	3,273,817	3,273,817	-	
Investments in Subsidiaries	-	-			
Investments in Associates and Joint Ventures	-	-			
Property, Plant and Equipment	843,022	843,022	843,022		
Investment Properties	-	-			
Goodwill and Intangible Assets	211,912	211,912			211,912
Deferred Tax Assets	523,233	523,233			523,233
Other Assets	1,398,054	1,927,146	1,927,146		
Liabilities					
Due to Banks	1,818,285	140,349			
Derivative Financial Instruments	-	-			
Other Financial Liabilities Held-For-Trading	-	-			
Financial Liabilities Designated at Fair Value Through Profit or Loss	-	-			
Due to Other Customers	59,640,997	59,640,999			
Other Borrowings	3,011,001	4,688,937			
Debt Securities Issued	-	-			
Current Tax Liabilities	-	-			
Deferred Tax Liabilities	-	-			
Other Provisions	151,655	151,655			
Other Liabilities	3,462,828	3,462,828			
Due to Subsidiaries	-	-			
Subordinated Term Debts	-	-			
Off-Balance Sheet Liabilities					
Guarantees	7,288,252	7,288,252	7,288,252		
Performance Bonds	-	-			
Letters of Credit	2,777,631	2,777,631	2,777,631		
Other Contingent Items	64,498	64,498	64,498		
Undrawn Loan Commitments	6,645,797	6,645,797	6,645,797		
Other Commitments	112,910	112,910			

TEMPLATE 11 Contd.

Item	Amount as at 31 December 2024 (Rs. '000)				
	a	b	c	d	e
	Carrying Values as Reported in Published Financial Statements	Carrying Values under Scope of Regulatory Reporting	Subject to Credit Risk Framework	Subject to Market Risk Framework	Capital Requirements or Subject to Deduction from Capital
Shareholders' Equity					
Equity Capital (Stated Capital)/ (Assigned Capital)	11,894,421	13,394,421			
of which Amount Eligible for CET1	11,894,421	11,894,421			
of which Amount Eligible for AT1	-	1,500,000			
Retained Earnings	(580,426)	(580,426)			
Accumulated Other Comprehensive Income	742,326	742,326			
Other Reserves	111,315	111,315			
Total Shareholders' Equity	12,167,636	13,667,635			

"* The difference is due to the BASEL III Additional Tier 1 Compliant Unlisted Unsecured Subordinated Perpetual Convertible

Debentures issued in December 2021 (Refer Template 05)"

Supplementary Information

Investor Relations

The Bank committed to providing transparency, accountability, and sustainable value creation for our shareholders and stakeholders. The Investor Relations section of this annual report provides a comprehensive overview of our engagement with the investment community, key financial highlights, shareholder information, and regulatory compliance.

SHAREHOLDER ENGAGEMENT AND COMMUNICATION

As the responsible Bank, we communicate continuously with our shareholders, ensuring they are well informed about the Bank's performance, strategic direction, and market developments through different communication channels. In 2024, we enhanced our investor engagement through digital communication channels, regulatory disclosures, and timely updates on key corporate developments. This section includes the following essential information:

- Major shareholders
- Public holding percentage
- Shareholding structure and distribution
- Fund utilisation of initial public offering
- Share performance and market trends
- Compliance with the Colombo Stock Exchange (CSE) ruling

Regulatory Compliance and Governance

The Bank complies with all applicable CSE listing requirements and regulatory guidelines. We ensure compliance with corporate governance best practices, financial reporting standards, and investor protection frameworks. Our governance structure is designed to uphold the highest levels of integrity and accountability.

Our Future Outlook for Investors

As we accelerate our digital transformation journey, our focus is on driving long-term shareholder value through innovation, operational efficiency, and sustainable growth. We are committed to keeping investors informed and engaged as we navigate new opportunities in the evolving financial landscape.

This section reflects our dedication to building strong investor confidence and maintaining our position as a trusted financial institution.

1) 20 LARGEST REGISTERED SHAREHOLDERS OF THE BANK AS AT 31 DECEMBER

Ordinary Shareholders Share Information - Voting

No.	2024			2023		
	Full Name	No of Shares	%	Full Name	No of Shares	%
1	Cargills (Ceylon) PLC*	350,696,905	37.09	Cargills (Ceylon) PLC*	350,696,905	37.09
2	CT Holdings PLC*	223,345,953	23.62	CT Holdings PLC*	223,345,953	23.62
3	Employee's Provident Fund	44,000,000	4.65	Monetary Board of Sri Lanka – on behalf of EPF	44,000,000	4.65
4	Mulitex Investment Limited	30,800,000	3.26	Mulitex Investment Limited	30,800,000	3.26
5	MJF Foundation Investments (Pvt) Ltd	28,000,000	2.96	MJF Foundation Investments (Pvt) Ltd	28,000,000	2.96
6	Softlogic Life Insurance PLC Account Number 03/Life Shareholders Fund	26,600,000	2.81	Softlogic Life Insurance PLC	26,600,000	2.81
7	MAS Amaliya (Private) Limited	22,000,000	2.33	MAS Amaliya (Private) Limited	22,000,000	2.33
8	People's Leasing and Finance PLC/ Suhada Gas Distributors (Pvt) Ltd	20,000,000	2.11	Rosewood (Pvt) Ltd	17,477,900	1.85
9	Rosewood (Pvt) Ltd - Account No.1	13,477,900	1.43	Phoenix Ventures (Private) Limited	13,200,000	1.40
10	Assetline Finance Limited/Suhada Gas Distributors (Pvt) Ltd	11,094,766	1.17	Aindri Holdings Pte Ltd	11,000,000	1.16
11	Aindri Holdings Pte Ltd	11,000,000	1.16	A I A Holdings Lanka (Pvt) Ltd	11,000,000	1.16
11	A I A Holdings Lanka (Pvt) Ltd	11,000,000	1.16	Softlogic Holdings PLC	10,000,000	1.06
13	Distilleries Company of Sri Lanka PLC	9,593,555	1.01	Gardiya Lokuge Harris Premaratne	9,089,000	0.96
14	Gardiya Lokuge Harris Premaratne	9,089,000	0.96	Merrill Joseph Fernando (Late)	7,800,000	0.82
15	Malik Joseph Fernando	7,540,000	0.80	Softlogic Capital PLC	7,400,000	0.78
16	GF Capital Global Limited	7,210,900	0.76	Distilleries Company of Sri Lanka PLC	7,312,700	0.77
17	Dilhan Crishantha Fernando	6,260,000	0.66	GF Capital Global Limited	6,410,900	0.68
18	Melstacorp PLC	5,854,200	0.62	Melstacorp PLC	5,854,200	0.62

No.	2024			2023		
	Full Name	No of Shares	%	Full Name	No of Shares	%
19	Sri Lanka Insurance Corporation Ltd-Life Fund	5,086,470	0.54	Periyasamipillai Barathakumar	4,400,000	0.47
20	Sri Lanka Insurance Corporation Ltd-General Fund	5,065,870	0.54	Periyasamipillai Muruganandhan	4,400,000	0.47
				Periyasamipillai Anandarajah	4,400,000	0.47
				Periyasamipillai Devaraj	4,400,000	0.47
				Periyasamipillai Barathamanickam	4,400,000	0.47
				Ishara Chinthaka Nanayakkara	4,400,000	0.47
				Lalan Rubber Holdings (Pvt) Ltd	4,400,000	0.47
	Sub Total	847,715,519	89.64	Sub Total	862,787,558	91.24
	Other Shareholders	97,927,339	10.36	Other Shareholders	82,855,300	8.76
	TOTAL	945,642,858	100.00	TOTAL	945,642,858	100.00

*No voting rights will be exercised by Cargills (Ceylon) PLC and CT Holdings PLC on any shares held in excess of 30% of the issued capital of the Bank carrying voting rights.

2) PERCENTAGE OF THE SHARES HELD BY THE PUBLIC

	As at 31 December 2024	As at 31 December 2023*
Float adjusted market capitalization (total market capital-share not available for trading)* share price	3,146,059,224.28	N/A
Public holding percentage (%)	39.14	39.13
Number of public shareholders	2,664	2,247
Option the Listed Entity complies with the Minimum Public Holding requirement	Option 4	N/A

* The ordinary shares were listed on the Main Board of the Colombo Stock Exchange on 09 January 2024.

3) NUMBER OF SHARES REPRESENTING THE ENTITY'S STATED CAPITAL AS AT 31 DECEMBER 2024

Year	Details	No. of Shares	Stated capital Rs
2011	Share issue	2	20
2013	Share issue	439,999,998	4,968,849,980
2015	Rights issue	43,000,000	623,500,000
2016	Rights issue	400,142,858	5,802,071,441
2023	Initial Public Offering	62,500,000	500,000,000
2024	-	-	-
Total		945,642,858	11,894,421,441

The Initial Public Offering of the Company for 62,500,000 Ordinary Voting Shares at Rs. 8/- per share opened on 14 December 2023 and the Issue having been oversubscribed closed on the same day. The Company was listed on the Main Board of the Colombo Stock Exchange on 09 January 2024.

3.1) Utilisation of IPO Proceeds as at 31 December 2023 is as follows.

Objective of the IPO as per prospectus	Amount allocated as per prospectus (Rs. '000)	Proposed date of utilisation as per prospectus	Amount allocated upon the receipt of proceeds (Rs. '000)	As a % of total proceeds	Amount Utilised in the objective (Rs. '000)	% of utilisation against allocation	Clarification if not fully utilised including where the funds are invested
To enhance the capital base of the Bank with the intention of complying with the minimum capital requirement as specified in the Banking Act Directions No. 05 of 2017.	500,000	Within three months	500,000	100%	IPO proceeds were transferred to the Bank on 02 January 2024		

Investor Relations

4) ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 31 DECEMBER

4.1) Distribution of Shareholding

Share Holding Range	As at 31 December 2024				As at 31 December 2023			
	No of shareholders	%	No of Shares	%	No of shareholders	%	No of Shares	%
1-1,000	1,215	45.37	431,945	0.04	510	22.51	269,500	0.03
1,001-10,000	803	29.99	3,804,673	0.40	866	38.22	4,898,900	0.52
10,001-100,000	568	21.21	17,194,980	1.82	796	35.13	19,071,400	2.02
100,001-1,000,000	49	1.83	14,164,660	1.50	47	2.07	14,461,600	1.53
Over 1,000,000	43	1.61	910,046,600	96.24	47	2.07	906,941,458	95.91
Total	2,678	100	945,642,858	100	2,266	100	945,642,858	100

4.2) Resident/ Non-resident Shareholding

Share Holding Range	As at 31 December 2024				As at 31 December 2023			
	No of shareholders	%	No of Shares	%	No of shareholders	%	No of Shares	%
Resident	2,663	99.44	889,520,119	94.06	2,256	99.56	890,437,258	94.16
Non-resident	15	0.56	56,122,739	5.94	10	0.44	55,205,600	5.84
Total	2,678	100	945,642,858	100	2,266	100	945,642,858	100

4.3) Individual/Institutional Shareholding

Share Holding Range	As at 31 December 2024				As at 31 December 2023			
	No of shareholders	%	No of Shares	%	No of shareholders	%	No of Shares	%
Individuals	2,604	97.24	103,296,229	10.92	2,194	96.82	102,828,600	10.87
Institutions	74	2.76	842,346,629	89.08	72	3.18	842,814,258	89.13
Total	2,678	100	945,642,858	100	2,266	100	945,642,858	100

5) SHARE PRICE INFORMATION

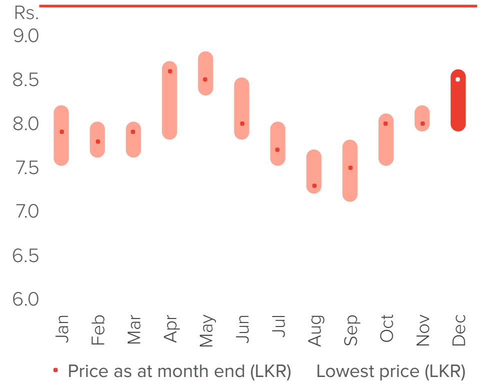
	As at 31 December 2024	As at 31 December 2023
Highest price (Rs.)	8.80	N/A
Lowest price (Rs.)	7.10	N/A
Last Traded Price (Rs.)	8.50	N/A

5.1) Share Price Movement Over the Year

Share Price Movement

Month	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
Highest price (Rs.)	8.2	8.0	8.0	8.7	8.8	8.5	8.0	7.7	7.8	8.1	8.2	8.6
Lowest price (Rs.)	7.5	7.6	7.6	7.8	8.3	7.8	7.5	7.2	7.1	7.5	7.9	7.9
Price as at month end (Rs.)	7.9	7.8	7.9	8.6	8.5	8.0	7.7	7.3	7.5	8.0	8.0	8.5

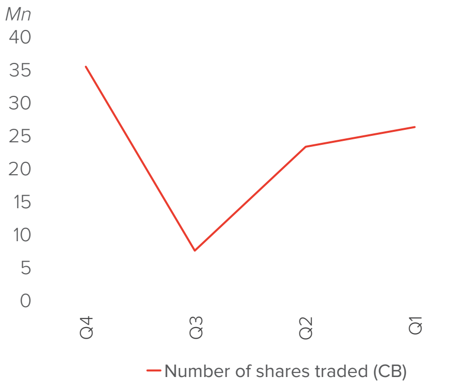
Monthly Share Price Movement During the Year 2024



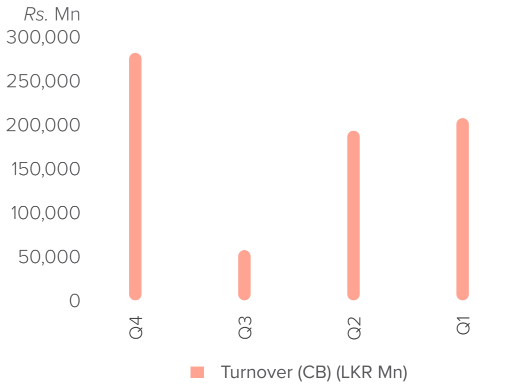
Share trading details

Year/Quarter	2024	Q4	Q3	Q2	Q1
Number of trades (CB)	12,496	3,336	2,438	2,899	3,823
Percentage of total market trades (%)	0.35	0.23	0.43	0.34	0.62
Number of shares traded (CB)	92,136,586	35,264,132	7,504,415	23,185,639	26,182,400
Percentage of total shares traded in the market (%)	0.40	0.32	0.26	0.42	0.71
Turnover - (LKR Mn) (CB)	738,432	281,865	56,292	193,030	207,246
Average daily turnover (LKR Mn)	3,129	4,546	894	3,328	3,910
Percentage of total market turnover (%)	0.14	0.11	0.08	0.16	0.25

Number of shares traded (CB)



Turnover (CB)



6) KEY SHAREHOLDER RETURN INDICATORS

Year	2024	2023	2022	2021	2020	2019
Net asset value per share (Rs.)	12.87	12.63	11.01	10.56	11.02	11.81
Market value per share (Rs)	8.70	-	-	-	-	-
Return on equity %	5.42	4.12	5.28	(2.99)	(7.14)	5.96
Return on assets (before income tax) %	1.47	1.10	0.36	(0.74)	(2.03)	(2.41)
Net interest margin %	4.86	5.61	5.99	3.97	3.88	5.55
Credit Rating of the Bank (Fitch)	A (lka)	A (lka)	A (lka)	AA- (lka)	AA- (lka)	-

7) DEBT SECURITIES

7.1) Details of the debenture issued by the Bank are given in the Note 39.2.1 to the financial statements.

7.2) Key indicators of liquidity position of the Bank

	2024	2023
Debt to Equity (Times)	5.18	4.48
Interest Cover (Times)	1.22	1.10
Statutory Liquid Assets Ratio - Bank (%) (Minimum Requirement -20%)	N/A	39.82
Domestic Banking Unit (%) (Minimum Requirement -20%)	N/A	39.45
Off-Shore Banking Unit (%) (Minimum Requirement -20%)	N/A	90.65
Liquidity Coverage Ratio (%) - Rupee (Minimum Requirement - (2024 - 100%, 2023 - 100%)	459.23	360
Liquidity Coverage Ratio (%) - All Currency (Minimum Requirement – (2024 - 100%, 2023 - 100%)	313.34	289

As per the section 05 of the Banking Act Determination No. 01 of 2024 issued by CBSL, all the regulatory requirements relating to Statutory Liquid Assets Ratio by licensed banks are discontinued with effect from 15 June 2024.

Investor Relations

8. TEN YEAR SUMMARY

8.1 STATEMENT OF PROFIT OR LOSS

As at 31 December (Rs. '000)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Operational result										
Gross income	604,478	1,701,713	3,611,813	4,300,243	4,959,253	4,774,212	4,994,170	9,488,610	12,907,417	11,322,766
Interest income	531,928	1,540,488	2,850,581	3,903,955	4,390,508	4,117,856	4,099,607	8,002,096	10,929,050	8,931,702
Interest expenses	(207,059)	(586,998)	(1,369,924)	(1,874,648)	(2,346,857)	(2,553,081)	(2,259,926)	(4,797,845)	(7,547,659)	(5,342,922)
Net fees and commission income	36,580	79,223	113,633	158,058	223,926	248,713	492,081	862,368	798,768	894,272
Other opertating income	25,299	58,042	602,036	170,616	184,737	199,450	126,745	214,068	694,935	1,008,185
Total operating income	386,748	1,090,755	2,196,326	2,357,981	2,452,314	2,012,938	2,458,507	4,280,687	4,875,094	5,491,237
Operating expenses,impairement and tax on Financial Service	702,956	1,147,025	1,575,189	2,196,537	3,339,728	2,899,474	2,827,162	4,074,250	4,145,218	4,341,545
Profit/(loss) before tax	(316,208)	(56,270)	621,137	161,444	(887,414)	(886,536)	(368,655)	206,437	729,876	1,149,692
Income tax expenses	-	(68,337)	108,278	38,639	(220,814)	(142,589)	(91,528)	(281,327)	(289,856)	(498,894)
Profit/(loss) for the year	(316,208)	12,067	512,859	122,805	(666,600)	(743,947)	(277,127)	487,764	440,020	650,798
Net interest Margin %	3.22	6.47	5.53	5.88	5.55	3.88	3.97	5.99	5.61	4.86
Regulatory Ratios										
Tier 1 Capital Adequacy Ratio	47.74	51.93	34.39	32.27	26.37	20.72	22.75	22.32	22.63	21.68
Tier 1 & 2 Capital Adequacy Ratio	45.32	50.81	34.76	32.62	26.87	21.28	23.47	22.85	23.15	22.44
Liquid Assest Ratio	93.27	55.98	43.99	23.34	32.65	33.63	26.30	26.70	39.82	N/A
Share information										
Basic earnings / (loss) per share	(0.72)	0.02	0.58	0.14	(0.75)	(0.84)	(0.31)	0.55	0.50	0.69
Net assest value per share	10.03	12.06	12.68	12.48	11.81	11.02	10.56	11.01	12.63	12.87
Other information										
Number of employees	266	430	451	586	650	632	622	598	623	690
No of delivery point	-	15	17	19	20	20	21	23	24	24
No of touch point	-	310	350+	380+	400+	450+	500+	500+	500+	550+
Fitch rating	-	-	-	-	-	AA-(lka)	AA-(lka)	A(lka)	A(lka)	A(lka)
Customer base	-	-	-	-	-	150000+	175000+	199000+	215000+	245000+

8.2 STATEMENT OF FINANCIAL POSITION

As at 31 December (Rs. '000)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
ASSETS										
Cash and cash equivalents	174,129	618,120	2,805,145	1,231,655	993,133	1,420,123	1,214,754	1,232,272	1,963,321	1,715,116
Balances with Central Bank of Sri Lanka	139,342	417,161	925,719	994,405	1,040,397	443,993	567,802	1,311,926	432,805	764,150
Placements with Banks	2,018,773	2,118,462	1,916,178	-	689,336	-	601,151	-	-	-
Securities Purchased under resale agreements	1,668,581	1,350,759	-	-	-	-	-	-	730,566	700,862
Other financial instruments held for trading	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	1,272	24	386	3,658	3,200	-	6	-
Loans and receivables to banks	-	158,367	44,131	-	-	-	-	-	-	-
Financial assets measured at fair value through profit or loss	-	-	-	-	-	1,596,166	-	-	2,468,401	2,324,912
Loans & receivables to other customers	6,537,966	13,424,038	-	-	-	-	-	-		-
Financial investments available for sale	1,604,080	1,569,722	-	-	-	-	-	-	-	-
Financial assets at amortised costs- Loans & Advances to other customers	-	-	20,797,560	23,917,397	27,013,673	29,079,121	40,490,736	35,960,080	40,559,438	46,103,638
Financial assets at amortised costs - Debt and other Instruments	-	-	-	524,002	477,663	436,049	15,528	1,996,950	2,050,119	3,266,362
Financial assets measured at fair value through other comprehensive income	-	-	4,751,412	5,548,169	6,667,681	11,533,615	10,783,609	10,253,496	17,779,520	22,400,969
Investment in Subsidiary	459,200	566,917			-	-			-	-
Property, plant and equipment	242,350	213,253	347,234	488,148	858,304	657,912	518,272	475,180	462,706	843,022
Intangible assets	194,515	166,728	340,493	474,374	457,570	357,739	258,942	335,150	283,445	202,059
Deferred tax assets	120,815	200,360	139,752	168,776	366,648	498,536	637,588	955,721	284,090	523,232
Other assets	288,640	185,411	443,815	456,170	573,743	505,622	675,479	1,232,034	2,944,760	1,408,080
Total assets	13,448,391	20,989,298	32,512,711	33,803,120	39,138,534	46,532,534	55,767,061	53,752,809	69,959,177	80,252,402
LIABILITIES										
Due to banks	5,347	282,533	961,253	1,364,712	1,517,942	1,556,948	926,405	514,193	781,950	2,032,393
Derivative financial instruments	-	2,915	1,397	15,004	2,281	149	3,009	30	27	-
Financial liabilities at amortised cost - Due to depositors	3,870,200	9,435,089	18,808,432	19,902,741	25,042,562	31,997,601	40,182,402	37,802,680	50,664,570	59,426,888
Financial liabilities at amortised cost - Due to other borrowers	-	-	742,994	662,523	948,298	2,121,192	3,969,617	3,688,924	3,669,925	3,011,001
Retirement benefit obligations	-	-	16,455	51,233	43,577	64,763	81,336	96,806	108,605	151,655
Securities sold under repurchase agreements	1,993,383	340,702	-	-	-	-	-	-	-	-
Lease Liability	-	-	-	-	444,214	339,985	332,675	340,542	335,781	599,355
Other liabilities	2,736,216	274,880	787,849	782,945	707,195	717,594	946,756	1,589,329	2,455,536	2,863,477
Total liabilities	8,605,146	10,336,119	21,318,380	22,779,158	28,706,069	36,798,232	46,442,200	44,032,504	58,016,394	68,084,769
EQUITY										
Stated capital	5,592,350	11,394,421	11,394,421	11,394,421	11,394,421	11,394,421	11,394,421	11,394,421	11,894,421	11,894,421
Statutory reserves		603	26,246	32,386	32,386	32,386	32,386	56,774	78,775	111,315
Retained Earnings/(losses)	(737,703)	(725,747)	(236,882)	(374,608)	(1,030,112)	(1,772,667)	(2,055,814)	(1,598,139)	(1,176,968)	(575,548)
Other Reserves	(11,402)	(16,098)	10,546	(28,237)	35,770	80,162	(46,132)	(132,751)	1,146,555	737,445
Total equity attributable to equity holders of the bank	4,843,245	10,653,179	11,194,331	11,023,962	10,432,465	9,734,302	9,324,861	9,720,305	11,942,783	12,167,633
Total equity and liabilities	13,448,391	20,989,298	32,512,711	33,803,120	39,138,534	46,532,534	55,767,061	53,752,809	69,959,177	80,252,402
Contingent liabilities & commitments	5,807,041	10,619,325	18,751,069	17,891,677	11,638,569	16,089,767	18,687,750	22,292,738	16,697,057	19,111,448

Above summarized financial information and its extraction from the audited financial statements, is the responsibility of the Board of Directors.

Investor Relations

9) COMPLIANCE REPORT IN TERMS OF SECTION 7.6 - CONTENTS OF THE ANNUAL REPORT IN TERMS OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE

Tabulated below is the manner in which the Bank complied with the contents of the Annual Report as specified in Section 7.6 of the Listing Rules issued by the Colombo Stock Exchange. The table provides the disclosure requirements of Section 7.6, together with a reference to the respective section within this Annual Report.

Rule no	Disclosure Requirement	Reference Page/s in this Annual Report
7.6 (i)	Names of persons who during the financial year were Directors of the Entity	23 - 27
7.6 (ii)	Principal activities of the Entity and its subsidiaries during the year and any changes therein	224
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares denominated in LKR or any other class of shares denominated in Foreign Currency and the percentage of such shares held.	324 - 325
7.6 (iv)	(a) Public holding details for LKR denominated Shares and related information. (b) Public holding details for Foreign Currency denominated Shares - public holding percentage (%) - number of public shareholders	325
7.6 (v)	A statement of each director's holding and Chief Executive Officer's holding in each class of shares of the Entity denominated in LKR and in Foreign Currency (as applicable).	164
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	41, 168 - 183
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity	51 - 61
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	N/A
7.6 (ix)	Number of shares representing the Entity's stated capital	280
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	326
7.6 (xi)	The following ratios and market price information: 1. Dividend per share 2. Dividend pay out 3. Net asset value per share 4. Market value per share (highest and lowest values recorded during the financial year, value as at the end of financial year) DEBT (only if listed) 1. Interest rate of comparable government security 2. Debt/equity ratio 3. Interest cover 4. Quick asset ratio 5. Debt service coverage ratio 6. The market prices and yield during the year (ex: interest) (Highest price, Lowest price, Last traded price 7. Any changes in credit rating (for the Entity or any other instrument issued by the Entity), if applicable	327

Rule no	Disclosure Requirement	Reference Page/s in this Annual Report
7.6 (xii)	Significant changes of entity and subsidiaries' fixed assets including substantial difference between market value and book value of lands.	266 - 270
7.6 (xiii)	Details of funds raised via IPO and further issues (a) The manner in which the funds of such issue/s have been utilised in conformity with the format provided by the Exchange from time to time; (b) If any shares or debentures have been issued, the number, class and consideration received and the reason for the issue; and (c) Any material change in the use of funds raised through an issue of Securities	325
7.6 (xiv)	(a) Details of Employee Share Option Schemes (ESOS) (b) Details of Employee Share Purchase Schemes (ESPS)	N/A
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of the listing Rules	114 - 140
7.6 (xvi)	Related party transactions exceeding 10% of equity or 5% of total assets as per audited Financial Statements, whichever is lower	
7.6 (xvii)	Relevant details, if Foreign Currency Denominated Securities are listed	
7.6 (xviii)	Relevant details, if Sustainable Bonds are listed	
7.6 (xix)	Relevant details, if Perpetual Debt Securities are listed	
7.6 (xx)	Relevant details, if Infrastructure Bonds are listed	
7.6 (xxi)	Relevant details, if Shariah Compliant Debt Securities are listed	

Supplementary Information

GRI Content Index

Statement of use	Cargills Bank PLC has reported in accordance with the GRI Standards for the period 1 January 2024 - 31 December 2024
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not applicable

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GENERAL DISCLOSURES						
GRI 2: General Disclosures 2021	2-1 Organizational details	353	*A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.*			
	2-2 Entities included in the organization's sustainability reporting	4				
	2-3 Reporting period, frequency and contact point	4,5				
	2-4 Restatements of information	4				
	2-5 External assurance	Sustainability reporting is not externally assured				
	2-6 Activities, value chain and other business relationships	32, 33, 81				
	2-7 Employees	53				
	2-8 Workers who are not employees	53				
	2-9 Governance structure and composition	23, 117				
	2-10 Nomination and selection of the highest governance body	117, 143 - 146				
	2-11 Chair of the highest governance body	23				
GRI 2: General Disclosures 2021	2-12 Role of the highest governance body in overseeing the management of impacts	144				
	2-13 Delegation of responsibility for managing impacts	117				
	2-14 Role of the highest governance body in sustainability reporting	38				
	2-15 Conflicts of interest	152 - 153				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	2-16 Communication of critical concerns	64				
	2-17 Collective knowledge of the highest governance body	23 - 27				
	2-18 Evaluation of the performance of the highest governance body	120, 143 - 146				
	2-19 Remuneration policies	59, 147 - 149				
	2-20 Process to determine remuneration	147 - 149				
	2-21 Annual total compensation ratio		2-21	Confidentiality constraints	Confidentiality constraints	
	2-22 Statement on sustainable development strategy	19				
	2-23 Policy commitments	52, 53, 72, 76, 86, 120				
	2-24 Embedding policy commitments	52, 53, 72, 76, 77, 80, 120				
	2-25 Processes to remediate negative impacts	64				
	2-26 Mechanisms for seeking advice and raising concerns	64				
GRI 2: General Disclosures 2021	2-27 Compliance with laws and regulations	117 - 136				
	2-28 Membership associations	87				
	2-29 Approach to stakeholder engagement	34				
	2-30 Collective bargaining agreements	61				

GRI Content Index

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
MATERIAL TOPICS						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	41	*A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.*			
	3-2 List of material topics	42 - 46				
Economic performance						
GRI 3: Material Topics 2021	3-3 Management of material topics	12				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	14				
	201-2 Financial implications and other risks and opportunities due to climate change		201-1	Information unavailable/ incomplete	The Bank does not track this information	
	201-3 Defined benefit plan obligations and other retirement plans	59, 278				
	201-4 Financial assistance received from government		201-4	Not applicable	Cargills Bank does not receive financial assistance from the government	
Indirect economic impacts						
GRI 3: Material Topics 2021	3-3 Management of material topics	77				
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	82				
	203-2 Significant indirect economic impacts	82				
Anti-corruption						
GRI 3: Material Topics 2021	3-3 Management of material topics	51				
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	52				
	205-2 Communication and training about anti-corruption policies and procedures	52				
	205-3 Confirmed incidents of corruption and actions taken	52				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Anti-competitive behavior						
GRI 3: Material Topics 2021	3-3 Management of material topics	51				
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	52				
Tax						
GRI 3: Material Topics 2021	3-3 Management of material topics	89				
GRI 207: Tax 2019	207-1 Approach to tax	89				
	207-2 Tax governance, control, and risk management	89				
	207-3 Stakeholder engagement and management of concerns related to tax	36				
	207-4 Country-by-country reporting		207-4	Not applicable	The Bank does not have operations overseas	
Energy						
GRI 3: Material Topics 2021	3-3 Management of material topics	71				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	71				
GRI 302: Energy 2016	302-2 Energy consumption outside of the organization		302-2	Information unavailable/ incomplete	The Bank does not track this information	
	302-3 Energy intensity		302-3	Information unavailable/ incomplete	The Bank does not track this information	
	302-4 Reduction of energy consumption	72				
	302-5 Reductions in energy requirements of products and services	72				
Emissions						
GRI 3: Material Topics 2021	3-3 Management of material topics	71				

GRI Content Index

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions		305-1	Information unavailable/ incomplete	The Bank does not track this information	
	305-2 Energy indirect (Scope 2) GHG emissions		305-2	Information unavailable/ incomplete	The Bank does not track this information	
	305-3 Other indirect (Scope 3) GHG emissions		305-3	Information unavailable/ incomplete	The Bank does not track this information	
	305-4 GHG emissions intensity		305-4	Information unavailable/ incomplete	The Bank does not track this information	
	305-5 Reduction of GHG emissions		305-5	Information unavailable/ incomplete	The Bank does not track this information	
	305-6 Emissions of ozone-depleting substances (ODS)		305-6	Information unavailable/ incomplete	The Bank does not track this information	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		305-7			
Waste						
GRI 3: Material Topics 2021	3-3 Management of material topics	71				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	73				
GRI 306: Waste 2020	306-2 Management of significant waste-related impacts	73				
	306-3 Waste generated	73				
	306-4 Waste diverted from disposal	73				
	306-5 Waste directed to disposal	73				
Supplier environmental assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	77				
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	86				
	308-2 Negative environmental impacts in the supply chain and actions taken	86				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Employment						
GRI 3: Material Topics 2021	3-3 Management of material topics	51				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	56				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	59				
	401-3 Parental leave	61				
Labor/management relations						
GRI 3: Material Topics 2021	3-3 Management of material topics	51				
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	52				
Training and education						
GRI 3: Material Topics 2021	3-3 Management of material topics	51				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	57				
GRI 404: Training and Education 2016	404-2 Programs for upgrading employee skills and transition assistance programs	57				
	404-3 Percentage of employees receiving regular performance and career development reviews	58				
Diversity and equal opportunity						
GRI 3: Material Topics 2021	3-3 Management of material topics	51				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	60				
	405-2 Ratio of basic salary and remuneration of women to men		405-2	Confidentiality constraints	Confidentiality constraints	

GRI Content Index

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Non-discrimination						
GRI 3: Material Topics 2021	3-3 Management of material topics	51				
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	60				
Freedom of association and collective bargaining						
GRI 3: Material Topics 2021	3-3 Management of material topics	51				
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	61				
Child labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	51				
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	52				
Forced or compulsory labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	51				
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	52				
Local communities						
GRI 3: Material Topics 2021	3-3 Management of material topics	77				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	84				
	413-2 Operations with significant actual and potential negative impacts on local communities		413-2	Not applicable	The Bank does not exhert any negative impact on local communities	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Supplier social assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	77				
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	86				
	414-2 Negative social impacts in the supply chain and actions taken	86				
Customer health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	77				
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	78				
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	78				
Marketing and labeling						
GRI 3: Material Topics 2021	3-3 Mana+gement of material topics	77				
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	78				
	417-2 Incidents of non-compliance concerning product and service information and labeling	75				
	417-3 Incidents of non-compliance concerning marketing communications	75				
Customer privacy						
GRI 3: Material Topics 2021	3-3 Management of material topics	77				
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	80				

Glossary of Financial and Banking Terms

A

Acceptances
Promise to pay, created when the drawee of a time draft, stamps or writes the word 'accepted' above his signature and a designated payment date.

Accounting Policies
The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis
Recognising the effects of transaction and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Actuarial Gain/Loss
Gains or losses arising from the difference between estimates and actual experience in the entity's pension plan and retirement gratuity.

Actuarial Assumptions
An entity's unbiased and mutually compatible best estimates of the demographic and financial variable that will determine the ultimate cost of providing post-employment benefits.

Amortisation
The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Amortised Cost
The amount at which the financial asset or financial liability is measured at initial recognition minus principal prepayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Asset and Liability Committee (ALCO)
A risk-management committee in a bank that generally comprises the Senior Management of the institution. The ALCO's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure. Among the factors considered are liquidity risk, interest rate risk, operational risk and external events that may affect the Bank's forecast and strategic balance sheet allocations.

Average Weighted Deposit Rate (AWDR)
AWDR is calculated by the Central Bank weekly, based on Commercial bank's deposit rates offered to their prime customers during the week.

Average Weighted PRIME Lending Rate (AWPLR)
AWPLR is calculated by the Central Bank weekly based on commercial banks' lending rates offered to their prime customers during the week.

B

Basel III
The Basel Committee on Banking Supervision (BCBS) issued the Basel III rules text, which represent the details of strengthened global regulatory standards on Bank capital adequacy and liquidity

Basis point (bps)
One hundredth of a percentage point, i.e. 100bps equals 1%, used in quoting movements in interest rates, security yields, etc.

C

Capital Adequacy Ratios
The relationship between capital and risk weighted assets as defined in the framework developed by the Bank for International Settlements (BIS) and as modified by the Central Bank of Sri Lanka to suit local requirements.

Capitals
Refer to any stock of value such as customer base, staff strength, relationships with the community, etc. that will increase, decrease or transform through the activities of an organisation and that will help it generate earnings in the future.

Cash Equivalents
Short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Flows
Cash flows are inflows and outflows of cash and cash equivalents.

Cash Generating Unit (CGU)
The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Collectively Assessed Impairment Allowance
Provisions Also known as portfolio impairment provisions. Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses that has been incurred but has not yet been identified at the reporting date. Typically assets within the Retail Banking business (housing, personal, leasing, credit cards etc.) are assessed on a portfolio basis.

Commitments
Credit facilities approved but not yet utilised by the clients at the date of the Statement of Financial Position.

Contract
An agreement between two or more parties that creates enforceable rights and obligations.

Contingencies
A condition or situation existing at the date of the Statement of Financial Position where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

Contractual Maturity
Contractual Maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.

Control
Control is the power over an investee, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its powers over the investee to affect the amount of the investor's returns.

Corporate Governance
The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

Cost to Income Ratio
Operating expenses excluding impairment for loans and receivables and other losses as a percentage of total operating income.

Credit Ratings
An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk
Credit risk or default risk is most simply defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions.

Credit Risk Mitigation
A technique to reduce the credit risk associated with an exposure by application of credit risk mitigates such as collateral, guarantee and credit protection.

Currency Risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency swaps
The simultaneous purchase of an amount of currency for spot settlement and the sale of the same amount of the same currency for forward settlement.

Customers Deposits
Money deposited by account holders. Such funds are recorded as liabilities.

D

Debt Restructuring/Rescheduling
This is when the terms and provisions of outstanding debt agreements are changed. This is often done in order to improve cash flow and the ability of the borrower to repay the debt. It can involve altering the repayment schedules as well as debt or interest charge reduction.

Deferred Taxation
Sum set aside for tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year.

Delinquency
A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and receivables are considered to be delinquent when consecutive payments are missed. Also known as 'Arrears'.

Depreciation
The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition
Removal of a previously recognised financial asset or financial liability from an entity's Statement of Financial Position.

Derivatives
A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (e.g., an interest rate).

Discount Rate
A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

Documentary Credits
Commercial letters of credit provided for payment by a bank to the named beneficiary usually the seller of merchandise, against delivery of documents specified in the credit.

E

Earnings per Share (EPS)
Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.

Effective Interest Rate (EIR)
Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate a shorter period to the net carrying amount of the financial asset or financial liability.

Glossary of Financial and Banking Terms

Embedded Derivatives
An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand- alone derivative.

Equity risk
The risk arising from positions, either long or short, in equities or equity-based instruments, which create exposure to a change in the market price of the equities or equity instruments.

Equity Instrument
Equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Events after the Reporting Period
Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue.

Expected Credit Loss
The amount expected to be lost on an exposure over the life of the asset. ECL is calculated by multiplying the Probability of Default (a percentage) by the Exposure at Default (an amount) and Loss Given Default (a percentage).

Exposure
A claim, contingent or position which carries a risk of financial loss.

F

Fair Value
The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair Value Measurement
An adjustment to the fair value of a financial instrument which is determined using a valuation technique (level 2 and level 3) to include additional factors that would be considered by a market participant that are not incorporated within the valuation model.

Fair Value Through Profit or Loss
A financial asset/liability: Acquired/incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of a shortterm profit taking, or a derivative (except for a derivative that is a financial guarantee contract).

Financial Assets
Any assets that is cash, equity instrument of another entity, a contractual right to receive cash or contractual right to receive another financial asset from another entity

Financial Instruments
A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial Liabilities
A contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Financial Risk
The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates or credit rating or credit index or other variable that the variable is not specific to the party to the contract

Foreign Exchange Income
The realised gains recorded when assets or liabilities denominated in foreign currencies are translated into Sri Lankan rates which differ from those rates in force at inception or on the previous reporting date. Foreign exchange income also arises from trading in foreign currencies.

Forward Exchange Contract
Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

G

Global Reporting Initiative (GRI)
GRI is a leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

Going Concern
The Financial Statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially or the scale of its operations.

Group
A Group is a parent and all its subsidiaries and associates.

Guarantees
Three party agreement involving a promise by one party (the guarantor) to fulfil the obligations of a person owing a debt if that person fails to perform.

H

Hedging
A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements (Interest rate, Prices and Commodities, etc.).

Held-for-Trading
Debt and equity investments that are purchased with the intent of selling them within a short period of time (usually less than one year).

Held-to-Maturity
Investments and debt securities that a Company has the ability and intent to hold until maturity.

High Quality Liquid Assets (HQLA)
HQLA are assets that can be easily and immediately converted into cash at little or no loss of value that can be readily sold or used as collateral to obtain funds in a range of stress scenarios and are unencumbered, i.e. without legal, regulatory or operational impediments.

Historical Cost
Historical cost is the original nominal value of an economic item.

I

Impaired Loans
Loans where identified impairment allowances have been raised and also include loans which are collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing.

Impairment charges for Loans and advances
Amounts set aside against possible losses on loans, receivables and other credit facilities as a result of such facilities becoming partly or wholly uncollectible.

Impairment
This occurs when recoverable amount of an asset is less than its carrying amount.

Impairment Allowances
Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred (under LKAS 39)/expected (under SLFRS 9) loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio).

Individually Significant Loans
Exposures which are above a certain threshold decided by the Bank's management which should be assessed for objective evidence, measurement, and recognition of impairment on an individual basis.

Intangible Asset
An intangible asset is an identifiable non monetary asset without physical substance.

Integrated Reporting
A methodology of reporting an organisation's strategy, governance, financial performance and prospects in relation to the creation of value over the short, medium and long term in its economic, social and environmental context

Interest Cover
A ratio showing the number of times interest charges is covered by earnings before interest and tax.

Interest Margin
Net interest income expressed as a percentage of average interest earning assets.

Interest Rate Risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

K

Key Management Personnel (KMP)
Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity and key employees who are holding directorships in subsidiary companies and other key employees who meet the criteria mentioned above.

L

Liquid Assets
Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, Bills of Exchange, Treasury Bills and Bonds.

Liquidity coverage ratio (LCR)
Ratio of stock of high quality liquid assets available to total net cash outflows over next 30 calendar days. LCR is expected to improve the banking sector's ability to absorb shocks arising from financial and economic stress, thus, reducing the risk of spillover from the financial sector to the real economy.

Loss Given Default (LGD)
The estimated ratio (percentage) of the loss on an exposure to the amount outstanding at default (EAD) upon default of counterparty.

Liquidity Risk
The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Glossary of Financial and Banking Terms

Loan-to-Value Ratio
The loan-to-value (LTV) ratio is a financial term used by lenders to express the ratio of a loan to the value of an asset purchased. The term is commonly used to represent the ratio of the first mortgage lien as a percentage of the total appraised value of real property.

M

Market Capitalisation
Number of ordinary shares in issue multiplied by the market value of a share as at a date.

Market Risk
This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Materiality
The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

N

Net Assets Value per Share
Shareholders' funds divided by the number of ordinary shares in issue.

Net Interest Income (NII)
The difference between the amounts a bank earns on assets such as loans and securities and the amount it pays on liabilities such as deposits, refinance funds and inter-bank borrowings.

Net Interest Margins (NIM)
Net interest income expressed as a percentage of average interest earning assets.

Net Stable Funding Ratio (NSFR)
The ratio of available stable funding to required stable funding over a one year time horizon, assuming a stressed scenario. Available stable funding would include items such as equity capital, preferred stock with a maturity of over one year and liabilities with an assessed maturity of over one year. The Basel III rules require this ratio to be over 90% with effect from 01 January 2019. The NSFR is still subject to an observation period and review to address any unintended consequences.

Non-Performing Credit Facilities (NPCF)
A loan or a receivable placed on cash basis (i.e. Interest income is only recognised when cash is received) because, in the opinion of management, there is reasonable doubt regarding the collectability of principal or interest.

Nostro Account
A bank account held in a foreign country by a domestic bank, denominated in the currency of that country. Nostro accounts are used to facilitate the settlement of foreign exchange trade transactions.

O

Operational Risk
This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

P

Past Due
A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Probability of Default (PD)
The probability that an obligor will default on an obligation within a given period of time.

Projected Unit Credit Method (PUC)
An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. (sometimes known as the accrued benefit method pro-rated on service or as the benefit/ years of service method). Prudence Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

R

Related Parties
Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Related Party Transactions (RPT)
RPT is a transfer of resources, services or obligations between a reporting entity and a related party, regardless whether a price is charged.

Remittances
A remittance is a transfer of money by a foreign worker to an individual in his or her home country

Repurchase Agreement
Contract to sell and subsequently repurchase securities at a specified date and price.

Return on Average Assets (ROA)
Profit after tax divided by the average assets.

Return on Average Equity (ROE)
Net profit for the year, less preference share dividends, if any, expressed as a percentage of average ordinary shareholders' equity

Risk-Weighted Assets
The sum total of assets as per the Statement of Financial Position and the credit equivalent of assets that are not on the Statement of Financial Position multiplied by the relevant risk weighting factors.

S

Segment Reporting
Segment reporting indicates the contribution to the revenue derived from business segments such as banking operations, leasing operations, stock broking and securities dealing, property and insurance.

Shareholders' Funds
Total of stated capital and reserves.

Statutory Reserve Fund
A capital reserve created as per the provisions of the Banking Act, No. 30 of 1988.

T

Tier I Capital
Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses

Tier II Capital
Supplementary capital representing revaluation reserves, general provisions and other capital instruments, which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

Total Capital
Capital base is summation of the core capital (Tier I) and the supplementary capital (Tier II).

Transaction Costs
Incremental costs that is directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

U

Unit Trust
An undertaking formed to invest in securities under the terms of a trust deed.

Useful Life
Useful life is the period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

V

Value Added
Value of wealth created by providing banking and other related services less the cost of providing such services.

Acronyms and Abbreviations

&	And
12mECL	12 Months Expected Credit Loss
24/7, 365	At any time, all year round
1H/2H	First Half/Second Half
AED	United Arab Emirates Dirham
AGM	Annual General Meeting
ALCO	Asset and Liability Management Committee
AML	Anti-Money Laundering
AT1	Additional Tier I
ATL	Above the Line
ATM	Automated Teller Machine
AUD	Australian Dollar
AWPLR	Average Weighted Prime Lending Rate
BAC	Board Audit Committee
BHRRC	Board Human Resources and Remuneration Committee
BIRMC	Board Integrated Risk Management Committee
BIS	Bank for International Settlement
Bn	Billion
BNC	Board Nomination Committee
bps	Basis Points
BRPTRC	Board Related Party Transactions Review Committee
BTL	Below the Line
CA Sri Lanka/ ICASL	Institute of Chartered Accountants of Sri Lanka
CAD	Credit Adminstration Department
CAPEX	Capital Expenditure
CAR	Capital Adequacy Ratio
CASA	Current Accounts and Savings Accounts
CBSL	Central Bank of Sri Lanka
CCC	Customer Care Centre
CCPI	Colombo Consumer Price Index
CEFT	Common Electronic Fund Transfer
CEO	Chief Executive Officer
CET I	Common Equity Tier I
CFM	Close Family Members
CFO	Chief Financial Officer
CIO	Chief Information Officer
CRM	Cash Recycler Machine
CSE	Colombo Stock Exchange
CSP	Customer Security Programme
CSR	Corporate Social Responsibility
DBU	Domestic Banking Unit
DPD	Days Past Due
D-SIB	Domestic Systemically Important Bank
EAD	Exposure at Default
ECL	Expected Credit Loss
EDB	Export Development Board
EIR	Effective Interest Rate
EMDE	Emerging Market and Developing Economies
EPF	Employees' Provident Fund
EPS	Earnings per Share

ESG	Environmental, Social and Governance
ESMS	Environmental and Social Management System
ESOP	Employee Share Ownership/ Option Plan
ESOS	Employee Share Option Scheme
ESPS	Employee Share Purchase Scheme
EUR	Euro
FD	Fixed Deposit
FMCG	Fast-Moving Consumer Goods
FVOCI	Fair Value through Other Comprehensive Income
FVPL	Fair Value Through Profit or Loss
FX/FOREX	Foreign Exchange
FY	Financial Year
GBP	British Pound Sterling
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
HQLA	High Quality Liquid Assets
HR	Human Resources
HRIS	Human Resource Information System
i.e.	That is
ICAAP	Internal Capital Adequacy Assessment Process
IFC	International Finance Corporation
IMF	International Monetary Fund
IMF-EFF	International Monetary Fund-Extended Fund Facility
IPG	Internet Payment Gateway
IR	Integrated Reporting
IRR	Interest Rate Risk
ISO	International Organisation for Standardisation
IT	Information Technology
JPY	Japanese Yen
Kg	Kilograms
KMP	Key Management Personnel
KPI	Key Performance Indicators
KRI	Key Risk Indicators
kWh	Kilowatt-hour
KYC	Know-Your-Customer
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LKR	Sri Lankan Rupee
LTECL	Life Time Expected Credit Loss
MD	Managing Director
MIS	Management Information System
Mn	Million
MSME	Micro, Small and Medium Scale Entrepreneurs
MTM	Mark to Market
NIC	National Identity Card
NII	Net Interest Income
NIM	Net Interest Margin
NPA	Non-Performing Advances
NSFR	Net Stable Funding Ratio
OBU	Offshore Banking Unit

OCI	Other Comprehensive Income
OD	Overdraft
OTP	One-Time-Password
p.a.	Per Annum
PAM	Privileged Access Management
PAT	Profit After Tax
PBT	Profit Before Tax
PD	Probability of Default
PLC	Public Limited Company
PPE	Property, Plant and Equipment
PUC	Projected Unit Credit
PVBP	Present Value Basis Points
Q1/Q2/Q3/Q4	Quarter 1/Quarter 2/Quarter 3/ Quarter 4
RBP	Risk Based Pricing
RCSA	Risk and Control Self-Assessment
ROA	Return on Assets
ROE	Return on Equity
RPT	Related Party Transactions
RWA	Risk Weighted Assets
SGD	Singapore Dollar
SLAR	Statutory Liquid Assets Ratio
SLDB	Sri Lanka Development Bond
SLFRS/LKAS	Sri Lanka Accounting Standards
SLSAE	Sri Lanka Standard on Assurance Engagements
SME	Small and Medium-sized Enterprises
SMS	Short Message/Messaging Service
SOC	Security Operation Centre
SPPI	Solely Payments of Principal and Interest
Sri Lanka NCPC	National Cleaner Production Centre of Sri Lanka
SRR	Statutory Reserve Ratio
SWIFT	Society for Worldwide Interbank Financial Telecommunications
T-Bill	Treasury Bill
T-Bond	Treasury Bond
Tn	Trillion
UK	United Kingdom
US	United States
USD/US$	United States Dollar
VaR	Value at Risk
VAT	Value Added Tax
Vis-à-vis	In relation to, counterpart
w.e.f.	With Effect From
YoY	Year-on-Year

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting of Cargills Bank PLC will be held at the Institute of Chartered Accountants of Sri Lanka, No: 30 A, Malalasekara Mawatha, Colombo 07, on Friday, 28 March 2025 at 10.00 a.m. for the following purposes;

1. To receive and consider the Annual Report of the Board of Directors and Statement of Audited Accounts for the year ended 31 December 2024 with Report of the Auditors thereon.
2. To re-elect as a Director Ms. Marianne Page who retires by rotation in terms of Article 86 of the Articles of Association of the Bank.
3. To re-elect as a Director Mr. Buwanekabahu Perera who retires by rotation in terms of Article 86 of the Articles of Association of the Bank.
4. To re-appoint Messrs. KPMG, Chartered Accountants, as Auditors of the Bank for the ensuing financial year at a remuneration to be determined by the Directors.

By Order of the Board,

Ms. Amendra de Silva
Company Secretary

25 February 2025
Colombo

Notes:

1. A shareholder is entitled to attend and vote at the meeting or appoint a Proxy holder to attend and vote at the meeting instead of him/her. The Proxy holder need not be a shareholder of the Company.
2. A Form of Proxy accompanies this notice.
3. The completed Form of Proxy must be lodged at the Registered Office of the Company not less than 48 hours before the meeting.
4. Shareholders/Proxy holders attending the meeting are requested to bring their National Identity Cards.
5. Voting at a Meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by-
   (i) The Chairman of the meeting; or
   (ii) Not less than five persons present in person or by attorney or representative or by proxy and entitled to vote; or
   (iii) A Member or Members present in person or by attorney or representative or by proxy and representing not less than one-tenth of the total voting rights of all the Members having the right to vote at the Meeting.

   A demand for a poll may be withdrawn. Unless a poll be demanded (and the demand be not withdrawn) a declaration by the Chairman of the Meeting that a resolution has been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution.
6. If a poll is taken, every member who is present in person or by proxy or by attorney or by representative shall be entitled to one vote for each share held by him subject to any rights or restrictions for the time being attached to the shares. In the case of an equality of votes, whether on a show of hands or poll, the Chairman of the Meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.

Form of Proxy

I/We..of

....

being a Member/Members of Cargills Bank PLC hereby appoint...

....

(holder of NIC No : ....) of...or failing him/her ;

Mr. Asoka Pieris (Chairman)	or failing him
Mr. Senarath Bandara (MD/CEO)	or failing him
Ms. Marianne Page	or failing her
Mr. Yudhishtran Kanagasabai	or failing him
Mr. Buwanekabahu Perera	or failing him
Mr. Ravindra Jayawardena	or failing him
Mrs. Shanti Gnanapragasam	or failing her
Mr. Arjuna Herath	

as my/our Proxy to represent me/us to speak and vote whether on a show of hands or on a poll for me/us and on my/our behalf at the thirteenth Annual General Meeting of the Bank to be held on 28 March 2025 and at any adjournment thereof and at every poll which may be taken in consequence thereof (Please indicate your preference with "✓");

		For	Against
1.	To re-elect as a Director Ms. Marianne Page who retires by rotation in terms of Article 86 of the Articles of Association of the Bank.		
2.	To re-elect as a Director Mr. Buwanekabahu Perera who retires by rotation in terms of Article 86 of the Articles of Association of the Bank.		
3	To re-appoint Messrs. KPMG, Chartered Accountants, as Auditors of the Bank for the ensuing financial year at a remuneration to be determined by the Directors.		

Signed on this .... day of 2025

....

Signature/s of Shareholder/s *NIC/PP/ Co. Reg. No. of Shareholder/s*

Note:
1. A Proxy holder need not be a shareholder of the Company.
2. Instructions as to completion of this form are given overleaf.

Form of Proxy

INSTRUCTIONS AS TO COMPLETION OF THE PROXY FORM

1. Please perfect the Form of Proxy by filling legibly your full name and address, by signing in the space provided and filling in the date of signature.

   The completed Form of Proxy should be deposited at the registered office of the Bank, No: 696, Galle Road, Colombo - 03 or scan of the signed document emailed to amendra.d@cargillsbank.com with the subject title "Annual General Meeting - Cargills Bank PLC" or sent to facsimile number + 94 117640507 not less than 48 hours before the time appointed for holding of the meeting.

2. If the Proxy Form is signed by an Attorney, the relevant Power of Attorney or a notarially certified copy thereof, should also accompany the completed Form of Proxy, if it has not already been registered with the Bank.

3. If the appointer is a Company or Corporation, this form must be executed under the Common Seal or in such other manner prescribed by its Articles of Association or other constitutional documents.

4. In the case of joint holders, only one need to sign.

Notes

Corporate Information

Name of the Company
Cargills Bank PLC

Legal Form
A public limited liability company incorporated in Sri Lanka on 3 November 2011 under the Companies Act No.7 of 2007.

A licensed Commercial Bank under the Banking Act No. 30 of 1988 as amended from time to time.

Stock Exchange Listing
The ordinary shares are listed on the Colombo Stock Exchange

Registration Number
PQ00293614 (Previously PB 4847)

Accounting Year-End
December 31

Head Office and Registered Office
No. 696, Galle Road,
Colombo 03,
Sri Lanka

Telephone
+9411 - 7 640 000

Facsimile
+9411 - 7 640 507

Swift Code
CGRBLKLX

E-MAIL
info@cargillsbank.com

Web Page
www.cargillsbank.com

Credit Rating
A(lka)

Taxpayer Identification Number(Tin)
134048476

VAT Registration Number:
134048476 - 7000

Board of Directors
Asoka Pieris - Chairman
Senarath Bandara (MD/CEO)
Ms. Marianne Page
Yudhishtran Kanagasabai
Buwanekabahu Perera
Ravindra Jayawardena
Mrs. Shanti Gnanapragasam
Arjuna Herath

Board Sub-Committees

Board Human Resources and Remuneration Committee
Mrs. Shanti Gnanapragasam- Committee Chairperson
Asoka Pieris
Ravindra Jayawardena
Arjuna Herath
Ms. Amendra de Silva - Secretary

Board Integrated Risk Management Committee
Yudhishtran Kanagasabai - Committee Chairman
Asoka Pieris
Mrs. Shanti Gnanapragasam
Senarath Bandara -MD/CEO
Prabhu Mathavan-COO
Chandradasa Amarasinghe- DGM Retail and Business Banking
Wimal Karunaarachchi - Head of Risk Management
Gayantha Wijekoon - AGM - Compliance - Secretary

Board Nominations & Governance Committee
Buwanekabahu Perera - Committee Chairman
Asoka Pieris
Yudhishtran Kanagasabai
Arjuna Herath
Ms. Amendra de Silva - Secretary

Board Audit Committee
Arjuna Herath - Committee Chairman
Yudhishtran Kanagasabai
Buwanekabahu Perera
Mrs. Shanti Gnanapragasam
Sanjaya Mallawarachchi - Secretary

Board Credit Committee
Buwanekabahu Perera - Committee Chairman
Asoka Pieris
Ms. Marianne Page
Mrs. Shanti Gnanapragasam
Wimal Karunaarachchi - Secretary

Board Strategic Planning Committee
Asoka Pieris - Committee Chairman
Senarath Bandara - MD/CEO
Ms. Marianne Page
Yudhishtran Kanagasabai
Buwanekabahu Perera
Ravindra Jayawardena
Mrs. Shanti Gnanapragasam
Arjuna Herath
Ms. Amendra de Silva - Secretary

Board Related Party Transactions Review Committee
Yudhishtran Kanagasabai - Committee Chairman
Mrs. Shanti Gnanapragasam
Arjuna Herath
Ms. Amendra de Silva – Secretary

Board Information Technology Committee

Arjuna Herath - Committee Chairman
Yudhishtran Kanagasabai
Mrs. Shanti Gnanapragasam
Senarath Bandara (MD/CEO)
Prabhu Mathavan - COO
Indika Fernando - CIO
Kusala Karunaratne - AGM - Operations
Wimal Karunaarachchi - Head of Risk Management - Secretary

Board Capital Augmentation Steering Committee

Asoka Pieris - Committee Chairman
Ms. Marianne Page
Arjuna Herath
Senarath Bandara (MD/CEO)
Prabhu Mathavan (COO)
Talaal Maruzook (CSO) - Secretary

OTHER INFORMTION

Auditors

KPMG
Chartered Accountants,
No. 32A, Sir Mohamed Macan Markar Mw,
Colombo 03
Sri Lanka

Lawyers

Julius & Creasy
No. 371, R.A. de Mel Mawatha,
Colombo 03
Sri Lanka

Compliance Officer

Gayantha Wijekoon

Company Secretary

Ms. Amendra de Silva
No. 696, Galle Road,
Colombo 03
Sri Lanka

amendra.d@cargillsbank.com
+9411 - 7 640 170

Registrar

S S P Corporate Services (Pvt) Ltd,
No. 101 Inner Flower Road,
Colombo 03
Sri Lanka
Tel : +9411 - 2 513 894
Fax : +9411 - 2 573 609
E-mail : sspsec@sltnet.lk

Queries on the 2024 Annual Report

Ms. Dilhani Gajanayaka
Head of Finance
No. 696, Galle Road,
Colombo 03
Sri Lanka

dilhani.g@cargillsbank.com
+9411 - 7 640 140

On Investor Relations

Mr. Talaal Maruzook
Chief Strategy Officer
No. 696, Galle Road,
Colombo 03
Sri Lanka

talaal.m@cargillsbank.com
+9411 - 7 640 510

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a great equation