

PRADESHIYA SANWARDANA BANK**STATEMENT OF PROFIT OR LOSS**

Year ended 31 December 2024

	Note	2024 Rs.	2023 Rs.
Gross income	7	<u>39,566,436,072</u>	47,586,934,542
Interest income		<u>37,908,734,038</u>	46,232,790,959
Interest expenses		<u>(18,367,644,729)</u>	(29,289,826,032)
Net interest income	8	<u>19,541,089,310</u>	16,942,964,926
Fee and commission income		<u>1,979,009,413</u>	1,572,076,450
Fee and commission expenses		<u>(592,829,930)</u>	(409,406,671)
Net fee and commission income	9	<u>1,386,179,483</u>	1,162,669,779
Net trading gain/(loss)	10	<u>(403,171,327)</u>	(234,954,348)
Other operating income (net)	11	<u>81,863,947</u>	17,021,481
Total operating income		<u>20,605,961,413</u>	17,887,701,838
Impairment (charges)/reversal	12	<u>507,150,989</u>	(2,162,850,997)
Net operating income		<u>21,113,112,402</u>	15,724,850,842
Less-Operating expenses			
Personnel expenses	13	<u>(11,944,838,711)</u>	(9,550,728,566)
Depreciation and amortization expenses		<u>(610,550,869)</u>	(592,566,813)
Other expenses	14	<u>(2,673,447,518)</u>	(2,073,288,768)
Operating profit before taxes		<u>5,884,275,304</u>	3,508,266,695
Less : Value Added Tax on Financial Services		<u>(2,563,160,705)</u>	(2,066,232,496)
Social Security Contribution Levy		<u>(352,407,719)</u>	(258,613,077)
Profit before Income tax expense		<u>2,968,706,880</u>	1,183,421,122
Income tax (expense) /reversal	15	<u>(1,493,771,655)</u>	(319,903,305)
Profit for the year		<u>1,474,935,226</u>	863,517,816
Earnings per share			
Basic Earnings per share	16.1	2.63	1.54
Diluted Earnings per share	16.2	2.63	1.54

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 06 to 72.

PRADESHIYA SANWARDANA BANK
STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2024

	Note	2024 Rs.	2023 Rs.
Profit for the year		1,474,935,226	863,517,816
Other Comprehensive income/(expenses)			
Other Comprehensive income not to be reclassified to profit or loss			
Actuarial gain on retirement benefit obligation	33.3	(1,075,753,719)	680,109,258
Deferred tax effect on above	27.1	322,726,116	(204,032,777)
Total Other Comprehensive income for the year, net of taxes		(753,027,603)	476,076,481
Total comprehensive income for the year		721,907,623	1,339,594,297

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 06 to 72.

PRADESHIYA SANWARDANA BANK
STATEMENT OF FINANCIAL POSITION
As at 31 December 2024

	Note	2024 Rs.	2023 Rs.
Assets			
Cash and cash equivalent	18	827,778,892	104,444,214
Placements with banks	19	18,339,705,502	6,005,330,402
Equity instruments at fair value through profit or loss	20	264,680	145,820
Financial assets at amortized cost - Loans and receivables from other customers	21	226,463,751,133	194,424,888,171
Financial assets at amortized cost - Debt & other instruments	22	67,995,195,057	86,964,714,682
Equity instruments at fair value through other comprehensive income	23	153,434,669	2,290,929
Property, plant and equipment	24	1,255,230,096	1,161,828,361
Intangible assets	25	77,206,661	112,402,355
Right of use assets	26.1	1,059,813,005	860,244,061
Deferred tax assets	27	3,389,963,940	2,960,017,043
Current tax assets	31	-	503,589,580
Other assets	28	4,586,350,838	6,617,542,021
Total assets		324,148,694,471	299,717,437,639
Liabilities			
Due to banks	29	36,412,871,655	46,208,479,283
Due to other customers	30	253,664,001,775	226,079,614,772
Current tax liabilities	31	632,423,516	-
Other liabilities	32	10,804,302,567	6,734,044,304
Retirement benefit obligation	33	4,047,465,661	2,829,577,605
Total liabilities		305,561,065,174	281,851,715,965
Equity			
Stated capital	34	8,521,864,568	8,521,864,568
Statutory reserve fund	35	962,170,518	888,423,757
Retained earnings		4,249,751,543	3,970,324,488
Other reserves	36	4,853,842,668	4,485,108,861
Total shareholders' equity		18,587,629,297	17,865,721,674
Total equity and liabilities		324,148,694,471	299,717,437,639
Contingent liabilities and commitments	39	487,685,401	612,027,693

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 06 to 72.

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

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P.S.Edirisuriya
Chief Financial Officer

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

The Board of Directors is responsible for these Financial Statements which were approved by the Board of Directors and signed on their behalf of;

.....
Chairman/ Director

.....
Director

29 January 2025
Colombo

PRADESHIYA SANWARDANA BANK**STATEMENT OF CASH FLOWS**

Year ended 31 December 2024

	Note	2024 Rs.	2023 Rs.
Cash flow from operating activities			
Profit before tax		2,968,706,880	1,183,421,122
Adjustment for:			
Non-cash items included in profit before tax			
Depreciation of property, plant and equipment/ Amortization of ROU	24/26.1	555,538,312	542,099,465
Amortization of intangible assets	25	55,118,663	62,778,029
Interest expense on leases	26.2	19,921,980	40,069,770
Interest expense on debentures		-	-
Dividend income	10	(4,906,869)	(3,279,463)
Impairment charges	12	(507,150,989)	2,162,850,997
Changes in equity Instruments at fair value through profit or loss	10	(118,860)	(25,540)
Exchange gain/ (loss)	10	408,197,056	238,259,352
Charge for retirement benefit obligation	33.1	522,460,641	708,495,411
(Profit) / loss on sale of Property, plant and equipment	11	880,401	1,221,778
Recoveries of NPL loans (Written Off)	11	(102,827)	(118,139)
Changes in operating assets			
Net change in loans and receivables from other customers		(31,540,888,058)	1,459,264,921
Net Change in other assets		2,049,523,043	812,427,181
Net change in Financial investments at amortized cost-Debt & other instruments		2,064,429,321	5,221,585,855
Changes in operating liabilities			
Net change in due to banks		(2,079,693,019)	2,341,574,441
Net change in due to other customers		27,584,387,003	15,778,291,304
Net change in other liabilities		3,482,263,059	(921,288,969)
Gratuity paid		(351,694,352)	(276,188,475)
Tax Paid		(464,979,339)	(1,474,291,933)
Net cash generated from/(used in) operating activities		4,761,892,044	27,877,147,105
Cash flows from investing activities			
Purchase of Property, plant and equipment	24	(402,413,181)	(462,912,300)
Purchase of intangible assets	25	(19,922,968)	(106,975,432)
Investment in Unit Trusts	22	(1,501,725,766)	-
Investment in Fixed deposits (more than three months)	22.2	4,557,466,935	6,583,774,836
Proceeds from the sale of property, plant and equipment		880,401	1,221,778
Dividend Income Received	10	4,906,869	3,279,463
Net cash (used in)/from investing activities		2,639,192,290	6,018,388,346
Cash flows from financing activities			
Payment of principal of Operating Lease	26.2	(364,606,031)	(361,732,641)
Net proceeds from the Term Loans	29	(9,795,607,628)	(1,262,227,773)
Redemption of Debentures		-	-
Interest paid on debentures		-	-
Net cash from financing activities		(10,160,213,660)	(1,623,960,415)
Net increase/(decrease) in cash & cash equivalents		(2,759,129,326)	32,271,575,036
Cash & cash equivalents at the beginning of the year		62,436,595,592	30,165,020,556
Cash and cash at the end of the year		59,677,466,266	62,436,595,592
Reconciliation of Cash & Cash Equivalents			
Cash and cash equivalent	18	1,993,732,971	1,761,270,949
Favorable balances with banks			
Placements with Banks		35,016,600,395	61,128,549,024
Fixed deposits less than three months	22.2	22,667,132,900	1,203,602,353
Unfavorable balances with banks		-	(1,656,826,734)
		59,677,466,266	62,436,595,592

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 06 to 72.

PRADESHIYA SANWARDANA BANK
STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2024

	Stated Capital	Statutory Reserve Fund	Special Reserve Fund	General Reserve Fund	Retained Earnings	Total
	Note 34	Note 35	Note 36	Note 36		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st January 2023	8,221,864,565	845,247,866	699,638,195	3,569,591,213	2,889,785,536	16,226,127,375
Total Comprehensive Income for the year						
Profit for the year	-	-	-	-	863,517,816	863,517,816
Other comprehensive Income, net of tax	-	-	-	-	476,076,481	476,076,481
Total comprehensive income for the year	-	-	-	-	1,339,594,297	1,339,594,297
Transactions with equity holders, recognized directly in equity						
Issued stated capital	300,000,002	-	-	-	-	300,000,002
Transferred to Statutory Reserve Fund	-	43,175,891	-	-	(43,175,891)	-
Transferred to Special Reserve Fund	-	-	43,175,891	-	(43,175,891)	-
Transferred to General Reserve Fund	-	-	-	172,703,563	(172,703,563)	-
Transactions with equity holders, recognized directly in equity	300,000,002	43,175,891	43,175,891	172,703,563	(259,055,345)	300,000,002
Balance as at 31st December 2023	8,521,864,568	888,423,757	742,814,085	3,742,294,776	3,970,324,488	17,865,721,674
Balance as at 01st January 2024	8,521,864,568	888,423,757	742,814,085	3,742,294,776	3,970,324,488	17,865,721,674
Total Comprehensive Income for the year						-
Profit for the year	-	-	-	-	1,474,935,226	1,474,935,226
Other comprehensive Income, net of tax	-	-	-	-	(753,027,603)	(753,027,603)
Total comprehensive income for the year	-	-	-	-	721,907,623	721,907,623
Transactions with equity holders, recognized directly in equity						
Issued stated capital	-	-	-	-	-	-
Transferred to Statutory Reserve Fund	-	73,746,761	-	-	(73,746,761)	-
Transferred to Special Reserve Fund	-	-	73,746,761	-	(73,746,761)	-
Transferred to General Reserve Fund	-	-	-	294,987,045	(294,987,045)	-
Transactions with equity holders, recognized directly in equity	-	73,746,761	73,746,761	294,987,045	(442,480,568)	-
Balance as at 31st December 2024	8,521,864,568	962,170,518	816,560,847	4,037,281,821	4,249,751,543	18,587,629,297

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Bank set out on pages 06 to 72.

PRADESHIYA SANWARDANA BANK
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2024

7 GROSS INCOME	2024	2023
	Rs.	Rs.
Interest income (Note 8.1)	37,908,734,038	46,232,790,959
Fee and commission income (Note 9)	1,979,009,413	1,572,076,450
Net trading gain/(loss) (Note 10)	(403,171,327)	(234,954,348)
Other operating income (Note 11)	81,863,947	17,021,481
Total Gross Income	39,566,436,072	47,586,934,542
8 NET INTEREST INCOME	2024	2023
	Rs.	Rs.
8.1 Interest Income		
Placements with banks	873,253,478	1,166,651,725
Financial assets at amortized cost		
Loans and receivables from other customers	29,014,857,316	32,217,022,242
Debt & other instruments	8,020,623,244	12,849,116,992
Total interest income	37,908,734,038	46,232,790,959
8.2 Interest expense		
Due to banks	(2,044,712,241)	(3,015,879,185)
Due to other customers	(16,304,613,767)	(26,233,102,258)
Interest expense on lease liabilities	(18,318,721)	(40,844,590)
Total interest expenses	(18,367,644,729)	(29,289,826,032)
Net interest income	19,541,089,310	16,942,964,926
9 NET FEE AND COMMISSION INCOME	2024	2023
	Rs.	Rs.
Fee and commission income	1,979,009,413	1,572,076,450
Fee and commission expenses	(592,829,930)	(409,406,671)
Net fee and commission income	1,386,179,483	1,162,669,779
Comprising		
Loans	1,467,728,816	1,071,934,838
Trade and remittances	12,330,653	12,417,741
Deposits	(470,833,593)	(363,319,354)
Others	376,953,608	441,636,553
Net fee and commission income	1,386,179,483	1,162,669,779
10 NET TRADING GAIN/(LOSS)	2024	2023
	Rs.	Rs.
Financial assets recognized through profit or loss - fair value change	118,860	25,540
Exchange (loss)/ gain	(408,197,056)	(238,259,352)
Dividend income	4,906,869	3,279,463
Total	(403,171,327)	(234,954,348)

PRADESHIYA SANWARDANA BANK
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2024

11 NET OTHER OPERATING INCOME	2024	2023
	Rs.	Rs.
Gain/ (Loss) on disposal of property, plant and equipment	880,401	1,221,778
Recovery of loans written off	102,827	118,139
Other income	80,880,719	15,681,564
Total	81,863,947	17,021,481
12 IMPAIRMENT CHARGES	2024	2023
	Rs.	Rs.
Financial assets at amortized cost - Loans and receivables from other customers (Note 21.2)	497,872,077	(2,124,110,205)
Financial assets measured at amortized cost - debt and other instruments (Note 22.3)	973,307	466,924
Undrawn credit commitments and financial guarantees (Note 39.1.1)	8,305,606	(39,207,716)
Net impairment (charge) / reversal for loans and other losses	507,150,989	(2,162,850,997)
13 PERSONNEL EXPENSES	2024	2023
	Rs.	Rs.
Salary and bonus	7,724,954,038	5,969,282,386
Contributions to EPF/ETF	1,130,316,993	873,336,033
Contributions to defined benefit plans	537,963,233	730,744,301
Others	2,551,604,448	1,977,365,846
Total	11,944,838,711	9,550,728,566
14 OTHER EXPENSES	2024	2023
	Rs.	Rs.
Directors' emoluments	3,455,852	1,992,667
Auditors' remunerations	3,248,292	3,000,000
Professional and legal expenses	9,708,381	3,407,807
Office administration and establishment expenses	2,098,381,032	1,654,932,566
Computerization expenses	331,800,166	175,457,973
Business tax expenses	2,905,451	1,698,544
Other commission paid	329,238	248,351
Deposit Insurance Premium	211,576,401	216,390,450
Crop insurance levy	6,037,256	8,635,031
Staff security deposits interest	6,000,526	7,492,218
Capital loss on pawning advance	4,923	33,162
Total	2,673,447,518	2,073,288,768

15 INCOME TAX EXPENSE	2024	2023
	Rs.	Rs.
15.1 Amounts Recognized in Profit or Loss		
Current Tax Expense		
Tax on current year's profits (Note 15.3)	1,573,279,907	129,272,120
Under/(Over) provision in respect of previous years	<u>27,712,529</u>	<u>(170,493,912)</u>
	<u>1,600,992,436</u>	<u>(41,221,792)</u>
Deferred Tax Expense		
Reversal on temporary differences (Note 27.2)	<u>(107,220,781)</u>	<u>361,125,098</u>
	<u>(107,220,781)</u>	<u>361,125,098</u>
Total income tax expense recognized in profit or loss	<u>1,493,771,655</u>	<u>319,903,305</u>
15.2 Amounts Recognized in Other Comprehensive Income		
Deferred Tax Expense		
Reversal on temporary differences (Note 27.2)	<u>(322,726,116)</u>	<u>204,032,777</u>
Total income tax expense recognized in other comprehensive income	<u>(322,726,116)</u>	<u>204,032,777</u>
15.3 Reconciliation of the accounting profit to income tax expense	2024	2023
	Rs.	Rs.
Profit before income tax expense	2,968,706,880	1,183,421,122
Exempt income		
Interest Income	(1,529,331,416)	(2,625,748,733)
Add : Disallowable expenses	4,812,459,774	6,841,510,876
Less : Allowable expenses	<u>(1,007,568,883)</u>	<u>(4,968,276,200)</u>
Taxable Income from Business	5,244,266,356	430,907,065
Tax liability for the year ending	30%/15%	30%/15%
Tax @ 30%	1,573,279,907	129,272,120
Tax @ 15%	<u>-</u>	<u>-</u>
Tax on current year's profits	1,573,279,907	129,272,120
Deferred tax reversal (Note 27.2)	<u>(107,220,781)</u>	<u>361,125,098</u>
Under/(Over) provision in respect of previous years	<u>27,712,529</u>	<u>(170,493,912)</u>
Income tax expense	1,493,771,655	319,903,305
Effective current tax rate	50.32%	27.03%

15.4 Reconciliation of effective tax rate	2024		2023	
	%	Rs.	%	Rs.
Profit before income tax expense		2,968,706,880		1,183,421,122
Income tax for the period	30.00%	890,612,064	30.00%	355,026,336
Tax effect of expenses that are not deductible for tax purposes	48.63%	1,443,737,932	173.43%	2,052,453,263
Tax effect of expenses that are deductible for tax purposes	-10.18%	(302,270,665)	-125.95%	(1,490,482,860)
Exempt income	-15.45%	(458,799,425)	-66.56%	(787,724,620)
Tax on Dividend Income	0.00%	-	0.00%	-
Deferred tax reversal (Note 27.2)	-3.6%	(107,220,781)	30.5%	361,125,098
(Over)/ under provision in respect of previous years	0.93%	27,712,529	-14.41%	(170,493,912)
Total Income Tax Expense	50.32%	1,493,771,655	27.03%	319,903,305

Except for the Dividend income receipts, current tax on profits from Banking and Leasing businesses has been computed at the rate of 30% for the year of assessment, dividend income taxed at the rate of 15%. Apart from that, Interest received on Foreign currency accounts are exempted from Income Tax.

The Bank applied the revised rate of 30% in line with the inland revenue amendments Act No.45 of 2022 to calculate the income tax liability and deferred tax assets/liabilities as at 31st December 2024.

16 EARNINGS PER SHARE

16.1 Basic Earnings per Share

Basic Earnings per Share has been calculated by dividing Profit after Tax attributable to Equity Holders of the Bank by the weighted average number of Ordinary Shares in issue (Both Voting and Non-Voting) during the year ended 31 December 2024 and 31 December 2023.

For the Year ended 31st December	2024	2023
Profit for the year attributable to ordinary equity holders of the Bank (Rs.)	1,474,935,226	863,517,816
Weighted average number of ordinary shares in issue (No.)	561,484,675	561,484,675
Basic earnings per ordinary share	<u>2.63</u>	<u>1.54</u>

16.2 Diluted Earnings per Share

Diluted Earnings per Share and the Basic Earnings per Share is the same due to non-availability of potentially dilutive Ordinary Shares.

17 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

As at 31 December 2024	Note	Financial assets measured at fair value through other profit or loss	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Total
		Rs.	Rs.	Rs.	Rs.
Financial Assets					
Cash and cash equivalent	18	-	827,778,892	-	827,778,892
Placements with banks	19	-	18,339,705,502	-	18,339,705,502
Equity Instruments at fair value through profit or loss	20	264,680	-	-	264,680
Financial assets at amortized cost-Loans and receivables from other customers	21	-	226,463,751,133	-	226,463,751,133
Financial investments at amortized cost-Debt & other instruments	22	-	67,995,195,057	-	67,995,195,057
Equity Instruments at fair value through other comprehensive income	23	-	-	153,434,669	153,434,669
Other financial assets	28	-	3,159,706,349	-	3,159,706,349
Total financial assets		264,680	316,786,136,932	153,434,669	316,939,836,281

As at 31 December 2024	Note	Financial Liabilities measured at fair value through other profit or loss	Financial Liabilities measured at amortized cost	Financial Liabilities measured at fair value through other comprehensive income	Total
		Rs.	Rs.	Rs.	Rs.
Financial Liabilities					
Due to banks	29	-	36,412,871,655	-	36,412,871,655
Due to other customers	30	-	253,664,001,775	-	253,664,001,775
Other liabilities	32	-	8,988,634,836	-	8,988,634,836
Total financial liabilities		-	299,065,508,267	-	299,065,508,267

As at 31 December 2023	Note	Financial assets measured at fair value through other profit or loss	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Total
		Rs.	Rs.	Rs.	Rs.
Financial Assets					
Cash and cash equivalent	18	-	104,444,214	-	104,444,214
Placements with banks	19	-	6,005,330,402	-	6,005,330,402
Financial assets held-for-trading/Equity Instruments at fair value through profit or loss	20	145,820	-	-	145,820
Financial assets at amortized cost-Loans and receivables from other customers	21	-	194,424,888,171	-	194,424,888,171
Financial assets at amortized cost-Debt & other instruments	22	-	86,964,714,683	-	86,964,714,683
Equity Instruments at fair value through other comprehensive income	23	-	-	2,290,929	2,290,929
Other financial assets	28	-	4,431,547,579	-	4,431,547,579
Total financial assets		145,820	291,930,925,050	2,290,929	291,933,361,799

As at 31 December 2023	Note	Financial Liabilities measured at fair value through other profit or loss	Financial Liabilities measured at amortized cost	Financial Liabilities measured at fair value through other comprehensive income	Total
		Rs.	Rs.	Rs.	Rs.
Financial Liabilities					
Due to banks	29	-	46,208,479,283	-	46,208,479,283
Due to other customers	30	-	226,079,614,772	-	226,079,614,772
Other liabilities	32	-	5,446,759,311	-	5,446,759,311
Total financial liabilities		-	277,734,853,367	-	277,734,853,367

PRADESHIYA SANWARDANA BANK
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2024

18	CASH AND CASH EQUIVALENTS	2024	2023
		Rs.	Rs.
	Cash in hand	1,057,585,796	959,534,987
	Other bank balances	(229,806,905)	(855,090,773)
		827,778,892	104,444,214

19	PLACEMENTS WITH BANKS	2024	2023
		Rs.	Rs.
	Money market placements	18,339,705,502	6,005,330,402
	Total placements with banks	18,339,705,502	6,005,330,402

20 EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024			2023		
	No. of Shares	Cost of Investment Rs.	Market Value Rs.	No. of Shares	Cost of Investment Rs.	Market Value Rs.
Quoted Equities						
PMF Finance PLC	600	5,160	4,680	600	2,820	2,820
Seylan Development PLC	10,000	140,000	260,000	10,000	143,000	143,000
	10,600	145,160	264,680	10,600	145,820	145,820

21 FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES FROM OTHER CUSTOMERS

	2024 Rs.	2023 Rs.
Gross loans and receivables (Note 21.1)	244,788,393,686	213,962,635,079
(Less): Staff loan fair value adjustment	<u>(911,447,410)</u>	<u>(1,625,890,408)</u>
	243,876,946,275	212,336,744,671
Less: Expected Credit Loss Allowance - Individual Impairment (Note 21.2.1)	(1,366,955,154)	(1,485,177,219)
Less: Expected Credit Loss Allowance - Collective Impairment (Note 21.2.2)	<u>(16,046,239,989)</u>	<u>(16,426,679,281)</u>
Net loans and receivables from other customers	<u>226,463,751,133</u>	<u>194,424,888,171</u>

21.1 Analysis of Financial Assets at Amortized Cost - Loans and Receivables from Other Customers

	2024 Rs.	2023 Rs.
21.1.1 By product		
Pawning	59,382,717,060	45,600,279,410
Staff loans	6,539,021,827	5,864,336,559
Leasing	1,752,917,987	896,814,460
Short-term	18,792,369,559	17,706,900,606
Long-term	158,321,367,252	143,894,304,044
Gross total	<u>244,788,393,686</u>	<u>213,962,635,079</u>
21.1.2 By currency		
Sri Lankan rupee	244,788,393,686	213,962,635,079
Gross total	<u>244,788,393,686</u>	<u>213,962,635,079</u>
21.1.3 By industry		
Agriculture and fishing	37,946,775,084	36,009,465,386
Manufacturing	32,715,057,687	29,347,624,658
Leasing	1,752,917,987	896,814,460
Transport	38,689,710	55,047,698
Construction /housing	13,802,551,910	15,448,706,881
Traders	28,901,233,498	30,321,114,853
Others (consumptions/against deposit/staff/tourism)	129,631,167,810	101,883,861,141
Gross total	<u>244,788,393,686</u>	<u>213,962,635,079</u>

	2024 Rs.	2023 Rs.
21.2 Expected Credit Loss Allowance		
21.2.1 Individual Impairment		
Balance as at 01 January	1,485,177,219	1,362,761,334
Net charge to profit or loss	(118,222,065)	122,415,885
Balance as at 31 December	1,366,955,154	1,485,177,219
21.2.2 Collective Impairment		
Balance as at 01 January	16,426,679,281	14,424,646,441
Net charge to profit or loss	(379,650,012)	2,001,694,320
Recoveries of Advances Written Off in Previous Year	(102,827)	
Other movements / Write off	(686,454)	338,520
Balance as at 31 December	16,046,239,989	16,426,679,281

21.3 Analysis of Loans and Receivables from Other Customers based on Exposure to Credit Risk

As at 31 December 2024	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Individually impaired loans	-	878,876,145	1,977,478,560	2,856,354,705
<u>Loans subjected to collective impairment</u>				
Term Loan Other	7,290,705,227	780,340,656	387,260,758	8,458,306,641
Term Loan Industrial	6,777,420,564	4,086,826,415	3,821,021,984	14,685,268,964
Term Loan Commercial	16,625,175,709	6,823,487,057	4,817,281,763	28,265,944,529
Term Loan Agriculture	14,392,360,780	4,836,656,952	3,570,023,341	22,799,041,072
Term Loan Housing	41,180,671,117	6,951,313,103	5,122,850,274	53,254,834,494
Refinance	15,634,181,904	11,283,979,077	4,808,572,787	31,726,733,768
Liyaisura	-	-	27,846,122	27,846,122
Pawning	55,901,448,812	3,417,723,023	82,245,548	59,401,417,383
Leasing	1,318,618,752	268,238,725	97,832,743	1,684,690,221
Staff loans	6,478,456,663	21,790,917	38,786,248	6,539,033,827
Loans Against Deposits	14,200,999,215	754,729,470	15,082,914	14,970,811,599
SME	-	-	118,110,361	118,110,361
Gross loans to & receivable from other customers	179,800,038,741	40,103,961,541	24,884,393,403	244,788,393,686
Impairment for expected credit losses	(3,733,097,175)	(3,663,098,331)	(10,016,999,638)	(17,413,195,144)
Net loans to & receivable from other customers *	176,066,941,566	36,440,863,210	14,867,393,765	227,375,198,542
As at 31 December 2023				
Individually impaired loans	-	1,458,354,115	2,153,713,083	3,612,067,199
<u>Loans subjected to collective impairment</u>				
Term Loan Other	5,597,069,140	739,454,899	422,471,364	6,758,995,404
Term Loan Industrial	4,065,980,847	5,083,674,724	4,443,670,695	13,593,326,266
Term Loan Commercial	8,715,895,035	9,192,642,333	5,378,584,661	23,287,122,029
Term Loan Agriculture	7,730,160,519	6,391,049,132	3,884,049,424	18,005,259,075
Term Loan Housing	29,581,970,227	8,598,480,015	5,997,021,267	44,177,471,509
Refinance	17,755,774,057	14,839,392,503	5,504,447,215	38,099,613,775
Liyaisura	345,591	247,160	30,045,318	30,638,070
Pawning	41,210,085,185	3,537,632,063	852,562,162	45,600,279,410
Leasing	476,973,380	205,991,581	78,141,527	761,106,488
Staff loans	5,797,009,241	41,504,149	25,835,170	5,864,348,559
Loans Against Deposits	12,900,747,141	615,558,439	537,991,355	14,054,296,935
SME	-	-	118,110,361	118,110,361
Gross loans to & receivable from other customers	133,832,010,363	50,703,981,114	29,426,643,602	213,962,635,079
Impairment for expected credit losses	(2,664,594,416)	(4,643,800,205)	(10,603,461,880)	(17,911,856,501)
Net loans to & receivable from other customers *	131,167,415,947	46,060,180,909	18,823,181,721	196,050,778,578

* before zero rated loan and staff loan adjustments

				2024	2023		
				Rs.	Rs.		
22	FINANCIAL ASSETS AT AMORTISED COST-DEBT AND OTHER INSTRUMENTS						
	Quoted debentures (Note 22.1)			1,661,984,952	623,946,610		
	Government debt securities-Treasury Bills			16,676,894,894	55,123,218,622		
	Government debt securities-Treasury Bonds			5,385,443,416	5,355,440,338		
	Investment In Unit Trust			1,501,725,766	-		
	Investment in Fixed Deposits (Note 22.2)			42,770,532,521	25,864,468,910		
	Total financial assets at amortized cost			67,996,581,549	86,967,074,481		
	Less: Expected Credit Loss Allowance (Note 22.3)			(1,386,491)	(2,359,798)		
	Net financial assets at amortized cost			67,995,195,057	86,964,714,683		
22.1	Quoted Debentures						
		2024		2023			
	No of Debentures	Cost of Investment Rs.	Amortized Cost Rs.	No of Debentures	Cost of Investment Rs. Amortized Cost Rs.		
	DFCC	5,000,000	500,000,000	508,630,137	5,000,000	500,000,000	508,630,137
	Seylan Bank	1,077,200	107,720,000	115,316,473	1,077,200	107,720,000	115,316,473
	Bank of Ceylon	10,000,000	1,000,000,000	1,038,038,341			
	Total	16,077,200	1,607,720,000	1,661,984,952	6,077,200	607,720,000	623,946,610
	As at 31 December			2024	2023		
				Rs.	Rs.		
22.2	Investment in Fixed Deposits						
	Fixed deposits less than three months			22,667,132,900	1,203,602,353		
	Fixed deposits more than three months			20,103,399,621	24,660,866,557		
	Total			42,770,532,521	25,864,468,910		
22.2.1	Analysis of Financial Assets at Amortised Cost - Debt and Other Instruments						
22.2.1.1	By Currency						
	Sri Lankan Rupee			24,627,980,380	2,120,013,928		
	United States Dollar			18,142,552,141	23,744,454,982		
	Total Financial assets measured at amortised cost			42,770,532,521	25,864,468,910		
22.2.1.2	By Collateralisation						
	Pledged as collateral			1,985,570,901	9,161,484,023		
	Unencumbered			40,784,961,620	16,702,984,887		
	Total Financial assets measured at amortised cost			42,770,532,521	25,864,468,910		
22.2.1.3	Reconciliation for Financial Assets Measured at Amortised Cost - Debt and Other Instruments						
	Balance as at 1 January			61,100,245,774	12,126,553,139		
	Net Acquisitions and Maturities during the Year			(35,874,196,746)	48,976,052,432		
	Less: Expected Credit Loss Allowance (Note 22.3)			(1,386,491)	(2,359,798)		
	Balance as at 31 December			25,224,662,537	61,100,245,774		
22.3	Expected Credit Loss Allowance						
	Balance as at 1st January			2,359,798	2,826,721		
	Net Charge (Reversal) for the year			(973,307)	(466,924)		
	Balance as at 31 December			1,386,491	2,359,798		
23	EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME						
	As at 31st December			2024	2023		
				Rs.	Rs.		
	Unquoted Equity Securities (Note 23.1)			153,434,669	2,290,929		
				153,434,669	2,290,929		
23.1	Unquoted Equity Securities						
		2024		2023			
	As at 31st December	No. of Shares/ Percentage	Cost of Investment Rs. Market Value Rs.	No. of Shares	Cost of Investment Rs. Market Value Rs.		
	CRIB	1,821	2,289,919	2,289,919	1,821	2,289,919	2,289,919
	NCGI	15,114,475	15,115,485	151,144,750	100	1,010	1,010
	Total	15,116,296	17,405,404	153,434,669	1,921	2,290,929	2,290,929

24 PROPERTY, PLANT AND EQUIPMENT

	2024								
	Land and Buildings	Leasehold properties	Computer, Hardware	Office, Equipment, Furniture and Fittings	Motor Vehicles	Partition & Fittings	Work-in Progress	Other	Total
	Rs.		Rs.	Rs.	Rs.	Rs.			Rs.
Cost									
Opening balance as at 01 January 2024	726,085,636		1,076,462,080	1,470,703,090	387,032,835	531,207,385	67,337,917	657,900	4,259,486,845
Additions	87,607,823		190,091,893	77,278,669	-	47,434,796	-		402,413,181
Disposals	(94,869)		(15,517,536)	(3,146,986)	(673,527)	(623,524)			(20,056,442)
Write off	-		-	-	-	-	-		-
Transfers during the Year	-		-	-	-	-	(61,261,754)	-	(61,261,754)
Reclassification Adjustments			(445,448)	(675,786)	-	91,964	-		(1,029,270)
Closing balance as at 31 December 2024	813,598,590	-	1,250,590,990	1,544,158,987	386,359,308	578,110,621	6,076,164	657,900	4,579,552,559
(Less): Accumulated depreciation									
Opening balance as at 01 January 2024	255,277,965		743,722,281	1,290,939,341	386,944,823	420,774,072	-		3,097,658,483
Charge for the year	27,154,786		111,904,827	60,167,627	3,799	45,698,846	-		244,929,885
Disposals	(94,868)		(15,508,070)	(3,146,797)	(673,516)	(623,510)	-		(20,046,762)
Written off	-		-	-	-	-	-		-
Transfers during the Year	-		-	0	-	-	-		0
Reclassification Adjustments			(16,411)	1,723,753	-	73,514	-		1,780,856
Closing balance as at 31 December 2024	282,337,883	-	840,102,628	1,349,683,924	386,275,106	465,922,922	-	-	3,324,322,464
Net book value as at 31 December 2024	531,260,707	-	410,488,362	194,475,063	84,202	112,187,699	6,076,164	657,900	1,255,230,096

24 PROPERTY, PLANT AND EQUIPMENT (Contd...)

	2023								
	Land and Buildings	Leasehold properties	Computer Hardware	Office, Equipment, Furniture and Fittings	Motor Vehicles	Working Progress	Partition & Fittings	Other	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost									
Opening balance as at 01 January 2023	707,918,496		807,585,212	1,414,304,409	387,254,915	497,042,625	6,924,347	657,900	3,821,687,905
Additions	18,167,140		283,576,100	62,929,806	-	37,005,500	61,233,754		462,912,300
Disposals	-		(7,612,533)	(15,718,396)	(476,000)	(1,347,640)			(25,154,569)
Written off	-		-	-	-	-	-		-
Transfers during the Year	-		(121,420)	121,420	-	-	-	-	(0)
Reclassification Adjustments			(6,965,279)	9,065,850	253,920	(1,493,099)	(820,184)		41,208
Closing balance as at 31 December 2023	726,085,636	-	1,076,462,080	1,470,703,090	387,032,835	531,207,385	67,337,917	657,900	4,259,486,845
(Less): Accumulated depreciation									
Opening balance as at 01 January 2023	230,259,640		663,327,610	1,231,216,723	389,163,206	377,720,727	-		2,891,687,906
Charge for the year	25,018,326		86,529,572	74,456,627	(2,376,813)	43,870,735	-		227,498,447
Disposals	-		(5,844,818)	(15,057,123)	(475,995)	(941,105)	-		(22,319,041)
Written off	-		-	-	-	-	-		-
Transfers during the Year	-		-	0	-	-	-		0
Reclassification Adjustments	-		(290,082)	323,114	634,425	123,715	-		791,172
Closing balance as at 31 December 2023	255,277,965	-	743,722,281	1,290,939,341	386,944,823	420,774,072	-	-	3,097,658,483
Net book value as at 31 December 2023	470,807,671	-	332,739,799	179,763,749	88,012	110,433,313	67,337,917	657,900	1,161,828,361

24.1 Fully Depreciated Property, Plant and Equipment

A class-wise analysis of the initial cost of fully depreciated property, plant and equipment of the Bank which are still in use as at reporting date is as follows.

As at 31 December	2024	2023
Asset Class	Rs.	Rs.
Building	8,215,520	8,100,812
Computer, Hardware	562,676,819	535,902,044
Office, Equipment, Furniture and Fittings	940,067,406	943,567,960
Motor Vehicles	315,365,532	365,599,547
Partition & Fittings	324,675,399	281,402,581
Software	366,809,102	241,895,254
	<u>2,517,809,777</u>	<u>2,376,468,198</u>

24.2 Title restrictions on property, plant and equipment

There were no title restrictions on property, plant and equipment of the Bank as at the reporting date.

24.3 Property, plant and equipment pledged as security for liabilities

No freehold property, plant and equipment have been pledged as security for any liability.

24.4 Compensation from third parties for items of property, plant and equipment

There were no compensation received/ receivable from third parties for items of property, plant and equipment which were impaired of given up.

24.5 Temporally idle property, plant and equipment

There were no temporally idle property, plant and equipment as at the reporting date.

PRADESHIYA SANWARDANA BANK
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2024

24.6 Freehold Lands and Buildings

The details of freehold land and buildings held by the Bank as at 31st December 2024 are as follows:

Name of Premises and address	Extent (Perches)	Building (Square feet)	Date of valuation	Cost of Land	Cost of Building	Total Value	Accumulated Depreciation	Written down value
				Rs	Rs	Rs	Rs	Rs
H/O - No 933, Kandy Rd, Wedamulla, Kelaniya	50.4	5,375	March 5, 2012	142,244,280	140,192,136	282,436,416	77,779,444	204,656,973
Central Province						-		-
Matale -No 62, Main Street, Matale	4.8	2,280	December 26, 2014	-	11,915,631	11,915,631	5,965,977	5,949,654
Dambulla - No734, Anuradhapura Road, Dambulla	8.2	2,210	December 18, 2003	565,000	21,277,952	21,842,952	3,108,546	18,734,406
Wilgamuwa -Hettipola, Wilgamuwa	38.0	1,740	August 24, 2009	-	10,469,862	10,469,862	6,495,889	3,973,973
Agarapathana - No158, Hoolbrook, Agarapatana	10.8	1,598	August 17, 2012	-	1,260,000	1,260,000	719,999	540,001
Naula - 26,Dambulla Road,Naula	20.0	1,640	February 25, 1998	2,471,252	8,600,539	11,071,791	4,731,216	6,340,576
Laggala-New Town -Laggala	40.0	3,261		-	23,565,250	23,565,250	6,585,357	16,979,892
North Central Province						-		-
Mihinthale - Trincomalee Road, Mihinthale	20.0	6,359	December 30, 2005	0	25,337,078	25,337,078	9,232,167.92	16,104,910
Medawachchiya - Mannar Road, Madawachchiya	34.0	4,371	March 19, 2013	-	16,192,223	16,192,223	9,715,333.80	6,476,889
Galenbidunuwewa - Pola Road, Galenbidunuwewa	70.0	1,687	March 14, 2013	-	5,820,073	5,820,073	3,255,329.89	2,564,743
Medirigiriya - Main Street, Madirigiriya	40.0	-	December 31, 2007	-	9,643,650	9,643,650	8,205,746.12	1,437,904
Siripura - New Town, Siripura	30.0	4,973	February 24, 2016	-	22,291,625	22,291,625	9,866,785.01	12,424,840
Thirappane - Kandy Road, Thirappane	65.4	8,030	December 8, 2016	-	46,435,602	46,435,602	14,485,461.95	31,950,140
No.343,Mosque Road,Stage 01,Anuradhapura					125,000	125,000	37,500.00	87,500
North Western Province						-		-
Mawathagama - Kandy Road, Mawathagama	21.5	-	March 3, 2016	10,801,311	-	10,801,311	-	10,801,311
P/O Kurunegala - No 155, Negombo Rd, Kurunegala	14.0	8,484	December 29, 2004	-	18,227,912	18,227,912	12,135,595.98	6,092,316
Polpithigama - Kurunegala Road,Polpithigama	20.0	2,784	December 30, 2014	-	16,782,785	16,782,785	8,203,608.52	8,579,176
Mampuri - Kalpitiya Road, Mampuri	80.0	15,181	December 30, 2014	-	25,188,128	25,188,128	12,383,910.85	12,804,217
Palakuda - Kalpiti Road, Thalawila	20.3	2,244	March 25, 2003	-	5,792,157	5,792,157	4,336,886.61	1,455,271
Nattandiya - Marawila Road, Nattthandiya	15.7	1,200	February 11, 2003	-	36,799,082	36,799,082	11,035,814.48	25,763,267
Wariyapola-No 29/4,Adhikari Mawatha,Wariyapola.	10.0	6,208	November 12, 2013	-	35,609,963	35,609,963	15,176,316.20	20,433,647
29/4 Adikari Mawatha, Wariyapola - District office	17.3	-	July 2, 2023	9,586,744	-	9,586,744	-	9,586,744
Puttalm 618/Puttalam South - Lease hold Building	51.0			-	19,490,931	19,490,931	1,168,427.78	18,322,503
NWP - New Land				22,008,250		22,008,250		22,008,250
Southern Province						-		-
Kekanadura - Weherahena Rd, Kekanadura	12.0	1,704	May 10, 2004	1,418,000	1,194,535	2,612,535	1,134,536	1,477,999
Akmeemana - Ganegoda, Akmeemana	6.5	1,614	October 2, 1993	-	1,039,150	1,039,150	624,242	414,908
Galle Branch - No 301, Matara rd, Magalle, Galle	30.0	1,224	October 9, 1999	-	8,894,553	8,894,553	4,679,847	4,214,706
Katuwana - Uda Gomadiya Road, Katuwana	39.1	3,150	March 22, 2001	1,320,000	7,406,958	8,726,958	7,034,919	1,692,039
Tangalle - 81, Beliatta Road, Tangalle	16.0	1,200	May 5, 2005	1,620,667	1,675,534	3,296,201	1,675,533	1,620,668
Uragasmanhandiya - Kosgoda Road,Uragasmanhandiya	20.0	1,940	April 10, 2012	-	13,354,618	13,354,618	7,829,831	5,524,787
Ambalantota - 139,Hambantota Road,Ambalantota	25.0	2,568	August 30, 2004	2,000,000	3,070,100	5,070,100	2,915,894	2,154,206
Agunakolapelessa,Ranna Road,Agunakolapelessa	12.0	2,371	August 27, 2001	-	3,470,348	3,470,348	2,638,746	831,603
D/O Galle - No 301, Matara rd, Magalle, Galle	30.0	2,000	October 8, 1999	1,750,000	4,884,716	6,634,716	4,362,080	2,272,636
No.01,Galwala Road,Hambantota	237.0	16,315			48,160,824	48,160,824	18,779,443	29,381,381
Thalgaswala			May 26, 2022	3,004,320		3,004,320		3,004,320
Uva Province						-		-
Girandurukotte - Development Centre,Girandurukotte	10.1	1,661	November 30, 2011		3,227,674.2	3,227,674	2,169,686	1,057,988
Monaragal D/O-Monaragala Road,Buttala.	34.0	1,706	October 22, 1999	3,162,263		3,162,263	3,022,424	139,839
Bandarawela Lease hold Premises	7.7		February 18, 2013	1,150,000	-	1,150,000	-	1,150,000
Sabaragamuwa Province						-		-
Balangoda - No17,Rest House Approach Road,Balangoda	20.0	-	February 18, 2013	6,679,574		6,679,574	-	6,679,574
Eastern Province						-		-
Swiss Village, Batticaloa,				173,370		173,370		173,370
Clock tower junction, front of bus stand, Ampara				468,550		468,550		468,550
Eastern Province - Dehiattakandiya					5,778,419	5,778,419	845,391	4,933,029
Total				210,423,581	603,175,009	813,598,590	282,337,883	531,260,707

25 INTANGIBLE ASSETS

As at 31st December	2024	2023
	Rs.	Rs.
Computer Software		
Cost		
Balance as at 1st January	475,107,341	368,796,128
Additions	19,922,968	106,975,432
Written off		(662,792)
Reclassification Adjustments	-	-
Disposals	-	-
Balance as at 31st December	495,030,309	475,108,768
Accumulated Amortization		
Balance as at 1st January	362,704,986	299,928,384
Charge for the year	55,118,663	62,778,029
Disposals	-	-
Balance as at 31st December	417,823,649	362,706,413
Net book value	77,206,661	112,402,355

25.1 There were no restriction on the title of the intangible assets of the Bank as at the reporting date. Further, there were no items pledged as securities for liabilities.

26 LEASES

Leases as lessee

Bank has obtained certain branches and office premises under Lease. The leases generally run for a period of 05 years, with an option to renew the lease after that date.

26.1 Right of Use Assets

	2024		
	Building	Motor Vehicles	Total
	Rs.	Rs.	Rs.
Cost			
Balance as at 1 January 2024	2,205,669,332	70,539,460	2,276,208,792
Opening balance modifications - Buildings	(581,052)	-	(581,052)
Additions and Improvements	526,609,546	-	526,609,546
Balance as at 31 December 2024	2,731,697,826	70,539,460	2,802,237,286
Accumulated Amortization			
Balance as at 1 January 2024	1,345,425,271	70,539,459	1,415,964,731
Prepayment's amortization	16,432,176	-	16,432,176
Opening Balance Modifications	(581,052)	-	(581,052)
Charge for the Period	310,608,426	-	310,608,426
Balance as at 31 December 2024	1,671,884,821	70,539,459	1,742,424,281
Net book Value as at 31 December 2024	1,059,813,005	0	1,059,813,005
	2023		
	Building	Motor Vehicles	Total
	Rs.	Rs.	Rs.
Cost			
Balance as at 1 January 2023	1,748,920,951	70,539,460	1,819,460,411
Opening balance modifications - Buildings	53,856,651	-	53,856,651
Additions and Improvements	402,891,729	-	402,891,729
Balance as at 31 December 2023	2,205,669,332	70,539,460	2,276,208,792
Accumulated Amortization			
Balance as at 1 January 2023	1,044,175,417	57,188,296	1,101,363,713
Charge for the Period	301,249,854	13,351,164	314,601,018
Balance as at 31 December 2023	1,345,425,271	70,539,459	1,415,964,731
Net book Value as at 31 December 2023	860,244,061	0	860,244,061

26.2 Lease Liabilities

	2024		
	Building	Motor Vehicles	Total
	Rs.	Rs.	Rs.
Balance as at 1 January 2024	938,468,152	-	938,468,152
Opening balance modifications - Buildings	(1,603,260)	-	(1,603,260)
Additions	504,114,646	-	504,114,646
Accretion of Interest	19,921,980	-	19,921,980
Payments	(364,606,031)	-	(364,606,031)
Balance as at 31 December 2024	1,096,295,487	-	1,096,295,487
	2023		
	Building	Motor Vehicles	Total
	Rs.	Rs.	Rs.
Balance as at 1 January 2023	799,247,478	13,408,327	812,655,805
Opening balance modifications - Buildings	55,328,487	-	55,328,487
Additions	392,146,729	-	392,146,729
Accretion of Interest	39,812,098	257,672	40,069,770
Payments	(348,066,641)	(13,666,000)	(361,732,641)
Balance as at 31 December 2023	938,468,152	(1)	938,468,151

26.2.1 Maturity Analysis of Lease Liability - Contractual Undiscounted Cashflows

	2024	2023
	Rs.	Rs.
Less than one year	25,998,283	51,397,916
One to five years	1,070,297,204	887,070,235
	1,096,295,487	938,468,151

26.3 Amounts Recognized in Profit or Loss

Interest on lease liability	19,921,980	40,069,770
Amortization charge for the year	310,608,426	314,601,018
	330,530,406	354,670,788

26.4 Amounts Recognized in Statement of Cash Flows

Lease rental payments	364,606,031	361,732,641
	364,606,031	361,732,641

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27 DEFERRED TAX ASSETS/ LIABILITIES

As at 31st December

	2024 Rs.	2023 Rs.
Deferred tax asset	(3,480,352,633)	(3,082,238,219)
Deferred tax liability	90,388,694	122,221,176
Net deferred tax (asset)/ liability	<u>(3,389,963,939)</u>	<u>(2,960,017,043)</u>

27.1 Amounts recognized in the Income Statement

Recognized in profit or loss	(107,220,781)	361,125,098
Recognized in other comprehensive income	<u>(322,726,116)</u>	<u>204,032,777</u>

27.2 Movement in deferred tax balances

2024	Net Balance as at 01st January 2024	Recognized in profit or loss	Recognized in OCI	Net Balance at 31st December 2024	Deferred Tax Asset	Deferred Tax Liability
Property, Plant and Equipment	90,179,852	(12,316,483)	-	77,863,369	-	77,863,369
Leases	32,041,324	(19,515,999)	-	12,525,325	-	12,525,325
Allowance for loan losses	(2,209,897,710)	(45,270,481)	-	(2,255,168,191)	(2,255,168,191)	-
Employee Benefits	(848,873,281)	(42,640,301)	(322,726,116)	(1,214,239,698)	(1,214,239,698)	-
Operating Lease	(23,467,227)	12,522,483	-	(10,944,745)	(10,944,745)	-
	<u>(2,960,017,043)</u>	<u>(107,220,781)</u>	<u>(322,726,116)</u>	<u>(3,389,963,939)</u>	<u>(3,480,352,633)</u>	<u>90,388,694</u>

2023	Net Balance as at 01st January 2023	Recognized in profit or loss	Recognized in OCI	Net Balance at 31st December 2023	Deferred Tax Asset	Deferred Tax Liability
Property, Plant and Equipment	99,661,788	(9,481,936)	-	90,179,852	-	90,179,852
Leases	39,351,625	(7,310,301)	-	32,041,324	-	32,041,324
Allowance for loan losses	(2,765,081,722)	555,184,012	-	(2,209,897,710)	(2,209,897,710)	-
Employee Benefits	(927,474,341)	(125,431,718)	204,032,777	(848,873,281)	(848,873,281)	-
Operating Lease	28,367,732	(51,834,959)	-	(23,467,227)	(23,467,227)	-
	<u>(3,525,174,918)</u>	<u>361,125,098</u>	<u>204,032,777</u>	<u>(2,960,017,043)</u>	<u>(3,082,238,219)</u>	<u>122,221,176</u>

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28 OTHER ASSETS

As at 31st December	2024 Rs.	2023 Rs.
Cost		
Financial Assets		
Receivables	2,850,608,492	4,187,904,177
Deposits and Advances	22,557,735	17,961,962
Sundry Debtors	68,600,512	40,030,372
Others	217,939,610	185,651,069
	<u>3,159,706,349</u>	<u>4,431,547,579</u>
Non Financial Assets		
Prepayment	168,224,437	140,330,226
Others	1,258,420,051	2,042,579,792
Tax Receivables	-	3,084,424
	<u>1,426,644,488</u>	<u>2,185,994,442</u>
Total other assets	<u>4,586,350,838</u>	<u>6,617,542,021</u>

29 DUE TO BANKS

	2024 Rs.	2023 Rs.
Borrowings	18,392,787,902	26,688,177,339
Leasing (Note 29.1)	96,000	96,000
Refinance	18,019,987,753	19,520,205,944
Total due to banks	<u>36,412,871,655</u>	<u>46,208,479,283</u>

Maturity of the leasing

As at 31st December	2024 Rs.	2023 Rs.
Not later than 1 year	96,000	96,000
	<u>96,000</u>	<u>96,000</u>
Less - Interest in suspense	-	-
Total	<u>96,000</u>	<u>96,000</u>

30 FINANCIAL LIABILITIES AT AMORTISED COST - DUE TO OTHER CUSTOMERS

	2024 Rs.	2023 Rs.
Due to other customers	253,664,001,775	226,079,614,772
Total financial liabilities at amortized cost - due to other customers	<u>253,664,001,775</u>	<u>226,079,614,772</u>

30.1 Analysis of financial liabilities at amortized cost - due to other customers

30.1.1 By product	2024 Rs.	2023 Rs.
Savings deposits	57,537,143,671	44,208,976,801
Long term savings	28,193,155,501	25,856,165,440
Fixed deposits	167,933,702,604	156,014,472,532
Total financial liabilities at amortized cost	<u>253,664,001,775</u>	<u>226,079,614,772</u>

30.1.2 By currency	2024 Rs.	2023 Rs.
Sri Lankan rupee	253,664,001,775	226,079,614,772
Total financial liabilities at amortized cost	<u>253,664,001,775</u>	<u>226,079,614,772</u>

30.1.3 By maturity	2024 Rs.	2023 Rs.
Due within one year	248,309,775,121	192,704,887,810
Due after one year	5,354,226,654	33,374,726,962
Total financial liabilities at amortized cost	<u>253,664,001,775</u>	<u>226,079,614,772</u>

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	2024	2023
	Rs.	Rs.
31 CURRENT TAX LIABILITIES		
Balance as at 1st January	(503,589,580)	1,011,924,146
Current tax based on profit for the year (Note 15)	1,573,279,907	129,272,120
Under/(Over) provision in respect of previous years (Note 15)	27,712,529	(170,493,912)
Surcharge tax	-	-
Payment of tax	(464,979,339)	(1,474,291,933)
Balance as at 31 December	632,423,516	(503,589,580)
32 OTHER LIABILITIES		
Financial Liabilities		
Sundry creditors	336,146,290	387,530,967
Other payables	7,681,838,619	4,119,557,073
Inter bank transaction in transit	(125,645,559)	1,203,121
Operating Lease Liability (Note 26.2)	1,096,295,487	938,468,151
	8,988,634,836	5,446,759,311
Non Financial Liabilities		
Other payables	1,777,882,765	1,241,194,421
Impairment provision for expected credit losses - credit related commitment and contingencies	37,784,966	46,090,572
	1,815,667,730	1,287,284,993
Total	10,804,302,567	6,734,044,304

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33 RETIREMENT BENEFIT OBLIGATION

As at 31 December	2024 Rs.	2023 Rs.
Retirement Benefit Obligation (Note 33.1)	<u>4,047,465,661</u>	<u>2,829,577,605</u>
	<u>4,047,465,661</u>	<u>2,829,577,605</u>

33.1 Net Asset /(Liability) recognized in the Statement of Financial Position

As at 31 December	2024 Rs.	2023 Rs.
Opening balance as at 01 January	2,829,577,604	3,091,581,136
Provision made during the year (Note 33.2)	522,460,641	708,495,411
Payable for resigned employees	(28,631,951)	(14,201,210)
Net Actuarial (Gain)/Loss on obligation (Note 33.3)	<u>1,075,753,719</u>	<u>(680,109,258)</u>
	4,399,160,013	3,105,766,079
Benefits paid by the Bank	(351,694,352)	(276,188,475)
Balance as at 31 December	<u>4,047,465,661</u>	<u>2,829,577,604</u>

33.2 Amount Recognized in Statement of Profit or Loss

As at 31st December	2024 Rs.	2023 Rs.
Current Service cost	160,274,708	152,010,807
Interest Cost	362,185,933	556,484,604
Total amount recognized in Statement of Profit or Loss	<u>522,460,641</u>	<u>708,495,411</u>

33.3 Amount Recognized in Statement of Other Comprehensive Income

As at 31 December	2024 Rs.	2023 Rs.
Net Actuarial (Gain)/Loss on obligation	<u>1,075,753,719</u>	<u>(680,109,258)</u>
Total amount recognized in Other Comprehensive Income	<u>1,075,753,719</u>	<u>(680,109,258)</u>

33.4 An actuarial valuation of the gratuity fund was carried out as at 31st December 2024 by Actuarial & Management Consultants (Pvt) Ltd, a firm of professional actuaries. The valuation method used by the actuary to value the fund is the “Projected Unit Credit Method (PUC)”, recommended by Sri Lanka Accounting Standard – LKAS 19 (Employee Benefits).

<u>Actuarial Assumptions</u>	2024	2023
Discount rate as at 31st December	11.50%	12.80%
Future salary increment rate	8% P.A.	8% P.A.
Mortality	A1967/70 Mortality Table issued by the Institute of Actuaries	A1967/70 Mortality Table issued by the Institute of Actuaries
Retirement age	60 Years	60 Years

33.5 Sensitivity of Assumptions Used in the Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the total comprehensive income and statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on to total comprehensive income and employment benefit obligation for the year.

Increase/ (Decrease) in Discount Rate	Increase/ (Decrease) in Salary Increment Rate	2024		2023	
		Sensitivity Effect on Income Statement Increase /(Reduction) in results for the year Rs.	Present value of Defined Benefit Obligation Increase /(Decrease) in the Liability Rs.	Sensitivity Effect on Income Statement Increase /(Reduction) in results for the year Rs.	Present value of Defined Benefit Obligation Increase /(Decrease) in the Liability Rs.
+1%	-	221,218,986	(221,218,986)	156,926,268	(156,926,268)
-1%	-	(250,609,069)	250,609,069	(177,150,113)	177,150,113
-	+1%	(275,115,966)	275,115,966	(196,503,326)	196,503,326
-	-1%	246,340,319	(246,340,319)	176,268,820	(176,268,820)

34 STATED CAPITAL

	2024 Rs.	2023 Rs.
Ordinary shares		
Balance as at 1st January	8,521,864,568	8,221,864,565
Issue of shares	-	300,000,002
Balance as at 31st December	8,521,864,568	8,521,864,568

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the bank.

35 STATUTORY RESERVE FUND

	2024 Rs.	2023 Rs.
Balance as at 1st January	888,423,757	845,247,866
Transfer during the period	73,746,761	43,175,891
Balance as at 31st December	962,170,518	888,423,757

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36 OTHER RESERVES

Balance as at 31 December 2024	Opening balance as at 01 January 2024	Movement/ transfers	Closing balance as at 31 December 2024
	Rs.	Rs.	Rs.
General reserve Fund	3,742,294,776	294,987,045	4,037,281,821
Special Reserve Fund	742,814,085	73,746,761	816,560,847
Total	4,485,108,861	368,733,806	4,853,842,667

Balance as at 31 December 2023	Opening balance as at 01 January 2023	Movement/ transfers	Closing balance as at 31 December 2023
	Rs.	Rs.	Rs.
General reserve Fund	3,569,591,213	172,703,563	3,742,294,776
Special Reserve Fund	699,638,195	43,175,891	742,814,085
Total	4,269,229,407	215,879,454	4,485,108,861

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37 RELATED PARTY DISCLOSURES

The Bank has entered into transactions with the parties who are defined as related parties in Sri Lanka Accounting Standard - LKAS 24 - "Related Party Disclosures" i.e. significant investors, Key Management Personnel (KMPs), Close Family Members (CFMs) of KMPs and other related entities. Those transactions include lending activities, acceptance and placements, off balance sheet transactions and provision of other banking and financial services that are carried out in the ordinary course of business on an arm's length basis at commercial rates, except for the transactions that KMPs have availed under schemes uniformly applicable to all the staff at concessionary rates.

37.1 Key Management Personnel of the Bank

As per the Sri Lanka Accounting Standard -LKAS 24 - "Related Party Disclosures", the KMPs includes those who are having authority and responsibility for planning, directing and controlling the activities of the Bank. KMPs include the members of the Board of Directors of the Bank, the Chief Executive Officer, Deputy General Managers, Senior Assistant General Managers, Regional General Managers, Compliance Officer, Chief Internal Auditor and Board Secretary.

37.1.1 Key Management Personnel Compensation

Key management personnel compensation comprised the following;

	2024 Rs.	2023 Rs.
Short term employment benefits	213,744,121	114,446,682
Post employment benefits	-	-
	<u>213,744,121</u>	<u>114,446,682</u>

37.1.2 Transactions, arrangements and agreements involving KMP and their Close Family Members (CFM)

The aggregate values of transactions and outstanding balances related to key management personnel were as follows;

	2024 Rs.	2023 Rs.
Items in the Statement of Financial Position		
Assets		
Loans and receivables	<u>107,197,363</u>	63,520,164
	<u>107,197,363</u>	<u>63,520,164</u>
Liabilities		
Deposits	<u>118,398,289</u>	109,537,568
	<u>118,398,289</u>	<u>109,537,568</u>
Items in the Statement of Profit or Loss		
Interest income	13,399,670	1,263,637
Interest expenses	<u>4,528,865</u>	8,446,504
	<u>17,928,536</u>	<u>9,710,141</u>

37.1.2.1 Terms and conditions of the accommodation granted to KMPs and their CFMs

Type of the Loan	Other Terms and Conditions	Balance as at 31.12.2024	Security Details Type	31.12.2024 Value
Staff Housing Loans	Terms are similar to comparable transactions with	45,903,299	Property	189,000,000
Staff Vehicle Loans	an unrelated parties with the exception of staff loans which	26,580,612	Motor Vehicle	56,000,000
Cash Backed Loans	are under approved schemes uniformly applicable to all or	18,955,450	Fixed Deposit/ Savings Deposits	36,364,482
Consumptions and Loans	Other specific categories of employees.	15,758,002	Personal Guarantee & Gold	8,071,538
		<u>107,197,363</u>		<u>289,436,020</u>

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Type of the Loan	Other Terms and Conditions	Balance as at 31.12.2023	Security Details 31.12.2023	
			Type	Value
Staff Housing Loans	Terms are similar to comparable transactions with an unrelated parties with the exception of staff loans which are under approved schemes uniformly applicable to all or specific categories of employees.	17,517,740	Property	123,600,000
Staff Vehicle Loans		16,717,697	Motor Vehicle	41,050,000
Cash Backed Loans		13,526,725	Fixed Deposit/ Savings Deposits	25,949,917
Consumptions and Loans		15,758,002	Personal Guarantee & Gold	6,099,813.00
		63,520,164		196,699,730

Total exposure to KMPs and their CFMs represents 0.46% of bank's regulatory capital.

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37.2 Transactions with the Government of Sri Lanka/ Entities Controlled, Jointly Controlled, Significantly Influenced by the Government of Sri Lanka

In accordance with Sri Lanka Accounting Standard LKAS 24 on "Related Party Disclosures", the Bank has exempted from the disclosure requirements under paragraph 18 on transactions with Government of Sri Lanka, significant investor and its related entities.

A number of entities in which the Government of Sri Lanka has an interest, have significant interests in the Bank.

The Bank has disclosed individually significant transactions and other transactions collectively, but not individually with significant investor and related entities under LKAS 24. The Bank has entered into transactions, arrangements and agreements with the Government of Sri Lanka and its related entities. The significant financial dealings during the year and as of the date of the Statement of Financial Position are as follows:

	2024 Rs.	2023 Rs.
Items in the Statement of Financial Position		
Assets		
Loans and receivables	242,406,677	229,817,083
	<u>242,406,677</u>	<u>229,817,083</u>
Liabilities		
Deposits	28,909,494,931	16,542,321,512
	<u>28,909,494,931</u>	<u>16,542,321,512</u>
Items in the Statement of Profit or Loss		
Interest income	-	-
Interest expenses	1,750,799,936	2,749,060,923
	<u>1,750,799,936</u>	<u>2,749,060,923</u>

37.2.1 Further transactions as detail below, relating to the ordinary course of business, are entered into with the Government of Sri Lanka and its related entities:

- Investment in Treasury Bills and money market placements
- Payment of statutory rates and taxes
- Payment for utilities mainly comprising of telephone, electricity and water
- Payment for employment retirement benefits - (EPF ,ETF)

37.3 Pricing Policy with Related Parties

The Bank enters into transactions with related parties in the ordinary course of business on terms similar to comparable transactions with an unrelated comparable counterparty with the exception of accommodation granted to Key Management Personnel under approved schemes uniformly applicable to all or specific categories of employees.

38 ASSETS PLEDGED AS SECURITY

The total financial assets recognized in the statement of financial position that had been pledged as collateral for liabilities as at 31 December 2024 and 2023 is shown in the following table:

2024	Type of Facility	Amount of Facility Rs. Mn	Nature of Security	Value of Security Rs. Mn	Balance as at 31 December 2024 Rs. Mn
1	Over Draft - BOC	606	FD 74619066	413	-
			FD 80912939	891	
2	Over Draft - PB	200	FD- 055-60-01-00035863-2	290	-

2023	Type of Facility	Amount of Facility Rs. Mn	Nature of Security	Value of Security Rs. Mn	Balance as at 31 December 2023 Rs. Mn
1	Over Draft - BOC	606	FD 74619066	413	-
			FD 80912939	891	
2	Over Draft - PB	200	FD- 055-60-01-00035863-2	290	-

39 CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business, the Bank undertakes commitments and incurs contingent liabilities with legal recourse to its customers to accommodate the financial and investment needs of clients, to conduct trading activities, and to manage its own exposure to risk. These financial instruments generate interest or fees and carry elements of credit risk in excess of those amounts recognized as assets and liabilities in the Statement of Financial Position. However no material losses are anticipated as a result of these transactions.

These contingencies and commitments are quantified below:

As at 31 December	2024	2023
		Rs.
Guarantees and performance bonds	440,431,022	366,098,463
Other contingent items	85,039,345	292,019,801
Less : Impairment for expected credit losses-Guarantees	(37,784,966)	(46,090,572)
Total	<u>487,685,401</u>	<u>612,027,693</u>

39.1 Analysis of Commitment and Contingency Exposure to Credit Risk

As at 31 December 2024	Stage 1	Total
	Rs.	Rs.
Guarantees and performance bonds	440,431,022	440,431,022
Other contingent items	85,039,345	85,039,345
Expected Credit Loss Allowance (Note 39.1.1)	(37,784,966)	(37,784,966)
	<u>487,685,401</u>	<u>487,685,401</u>

As at 31 December 2023	Stage 1	Total
	Rs.	Rs.
Guarantees and performance bonds	366,098,463	366,098,463
Other contingent items	292,019,801	292,019,801
Expected Credit Loss Allowance (Note 39.1.1)	(46,090,572)	(46,090,572)
	<u>612,027,693</u>	<u>612,027,693</u>

39.1.1 Expected Credit Loss Allowance

	2024	2023
	Rs.	Rs.
Balance as at 1st January	46,090,572	6,882,856
Net Charge for the year	(8,305,606)	39,207,716
Balance as at 31st December	<u>37,784,966</u>	<u>46,090,572</u>

39.2 Assessment Received by the Bank

Following assessments were received by the bank from the Department of Inland Revenue.

Income Tax

Notice of assessments issued for the year of assessment, 2017/18 LKR.1,023 Mn (0201718001), 2018/19 LKR.246 Mn. (0201819002) and 2019/20 LKR.292 Mn. (0201920002) discussions are going with the authorities on for settlement.

Value Added Tax

Value Added Tax on Financial Services for the years 2016 (VATFS/BFSU/2019/1002), 2018 (075018190002), 2019 (07501920002) and 2020 (7502021002) were respectively LKR.173.5 Mn.

40 LITIGATIONS AGAINST THE BANK

Litigation is a common occurrence in the banking industry due to nature of the business undertaken. The bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of possible losses reasonably estimated, the bank makes adjustments to accounts for adverse effects for which the claims may have on its financial standing. As at 31.12.2024, the Bank has 42 legal claims against the Bank and all material claims have been adequately provided for. The Legal Department of the Bank is of the view that currently pending litigations against the Bank will not have a material impact on the reported financial results or the future operations of the bank.

41 EVENTS AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements.

42 CURRENT VS NON CURRENT ANALYSIS

As at 31 December 2024

Assets	Within 12 Months Rs.	After 12 Months Rs.	Total Rs.
Cash and cash equivalent	827,778,892	-	827,778,892
Placements with banks	18,339,705,502	-	18,339,705,502
Equity Instruments at fair value through profit or loss	264,680	-	264,680
Financial assets at amortised cost-Loans and receivables from other customers	78,175,086,620	148,288,664,513	226,463,751,133
Financial assets at amortised cost-Debt & other instruments	62,609,751,641	5,385,443,416	67,995,195,057
Equity Instruments at fair value through other comprehensive income	-	153,434,669	153,434,669
Property, plant and equipment	-	1,255,230,096	1,255,230,096
Intangible assets	-	77,206,661	77,206,661
Right of use assets	-	1,059,813,005	1,059,813,005
Deferred tax assets	-	3,389,963,940	3,389,963,940
Other assets	2,301,294,137	2,285,056,700	4,586,350,838
Total assets	162,253,881,471	161,894,813,001	324,148,694,471
Liabilities			
Due to banks	3,745,186,434	32,667,685,221	36,412,871,655
Due to other customers	177,184,305,460	76,479,696,316	253,664,001,775
Current tax liabilities	632,423,516	-	632,423,516
Other liabilities	3,732,121,974	7,072,180,592	10,804,302,567
Retirement benefit obligation	28,631,951	4,018,833,710	4,047,465,661
Total liabilities	185,322,669,335	120,238,395,838	305,561,065,174
Maturity Gap	(23,068,787,865)	41,656,417,163	18,587,629,297
Cumulative Gap	(23,068,787,865)	18,587,629,298	-

As at 31 December 2023

Assets	Within 12 Months Rs.	After 12 Months Rs.	Total Rs.
Cash and cash equivalent	104,444,214	-	104,444,214
Placements with banks	6,005,330,402	-	6,005,330,402
Equity Instruments at fair value through profit or loss	145,820	-	145,820
Financial assets at amortised cost-Loans and receivables from other customers	88,522,864,760	105,902,023,411	194,424,888,171
Financial assets at amortised cost-Debt & other instruments	81,609,274,344	5,355,440,338	86,964,714,682
Equity Instruments at fair value through other comprehensive income	-	2,290,929	2,290,929
Property, plant and equipment	-	1,161,828,361	1,161,828,361
Intangible assets	-	112,402,355	112,402,355
Right of use assets	-	860,244,061	860,244,061
Deferred tax assets	-	2,960,017,044	2,960,017,044
Other assets	3,414,214,447	3,706,917,155	7,121,131,601
Total assets	179,656,273,987	120,061,163,653	299,717,437,640
Liabilities			
Due to banks	3,514,258,294	42,694,220,989	46,208,479,283
Due to other customers	166,274,427,218	59,805,187,554	226,079,614,772
Debt issued and other borrowed funds	-	-	-
Current tax liabilities	-	-	-
Other liabilities	3,732,121,974	3,001,922,329	6,734,044,303
Retirement benefit obligation	299,493,340	2,530,084,265	2,829,577,605
Total liabilities	173,820,300,826	108,031,415,137	281,851,715,964
Maturity Gap	5,835,973,161	12,029,748,516	17,865,721,675
Cumulative Gap	5,835,973,161	17,865,721,677	-

43 FINANCIAL RISK MANAGEMENT

43.1 Introduction and Overview

The Bank has exposure to the following risks from financial instruments:

- Credit Risk
- Liquidity risk
- Market risk
- Operational risk

43.1.1 Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board discharges its governance responsibility through the Board Integrated Risk Management Committee and the Board Audit Committee. Board Integrated Risk Management Committee consists of non-executive members who report regularly to the Board of Directors on their activities. There are several executive management sub committees such as the Executive Management Committee, Asset and Liability Committee (ALCO), Executive Credit Management Committee and IT Steering Committee, which focus on specialized risk areas that support the Board Integrated Risk Management Committee.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board Integrated Risk Management Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures. The Board Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit Committee.

43.1.2 Asset and Liability Committee (ALCO)

ALCO is chaired by the General Manager and has representatives from Finance Department, Credit Department, Operation Department and Risk Department. The Committee meets regularly to monitor and manage the assets & liabilities of the Bank and also overall liquidity position to keep the Bank's liquidity at healthy levels, whilst satisfying regulatory requirements.

43.1.3 Risk Measurement & Reporting

The Bank's risks are measured using appropriate techniques based on the type of risk, and industry best practices. The Bank also carries out Stress Testing to identify the effect of extreme events/worst case scenarios in most of the major type of risks and the results are reported to Integrated Risk Management Committee on a periodic basis. Monitoring and controlling risks is primarily performed based on policies, limits & thresholds established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept (Risk Appetite).

43.1.4 Risk Mitigation

As part of its overall risk management, the Bank obtains various types of collaterals to mitigate the risk. Details such as nature of the collateral that could be accepted, required security margin etc are clearly defined in the Credit Policy of the Bank and any deviations require specific approval. However, respective approving authorities would take into account the availability of security only as the secondary source of repayment.

43.2 Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

For risk management purposes, credit risk arising on trading assets (FVTPL) is managed independently and information thereon is disclosed below. The market risk in respect of changes in fair value in trading assets (FVTPL) arising from changes in market credit spreads applied to debt securities and derivatives included in trading assets is managed as a component of market risk, further details are provided in market risk section.

Management of Credit Risk

The Board of Directors has delegated responsibility for the oversight of credit risk to its Board Credit Committee (Discontinued with effect from June 2021). Bank Credit Administration Unit reporting to the Executive Credit Management Committee through the Chief Risk Officer is responsible for management of the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by Heads of Credit, Board Credit Committee (Discontinued with effect from June 2021) or the Board of Directors as appropriate.

- Reviewing and assessing credit risk. Head of Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Head of Credit who may require appropriate corrective action to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.
- Regular audits of business units and Bank credit processes are undertaken by Internal Audit.

Exposure to Credit Risk

The table below set out information about credit quality of financial assets and allowance for impairment/ expected credit losses held by the Bank against those assets.

Credit Quality Analysis

The Bank's Delinquency status

Delinquency status	Description
Stage 1	
Regular	Performing
1 - 30 days	Performing
Stage 2	
31-60 days	Under Performing
61-90 days	Under Performing
Stage 3	
Above 90 days	Non- performing

As at December

	2024				2023			
	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Financial investments at amortized cost-Debt & other instruments								
Quoted debentures	1,661,984,952	-	-	1,661,984,952	623,946,610	-	-	623,946,610
Government debt securities-treasury bills & bonds	22,062,338,310	-	-	22,062,338,310	60,478,658,961	-	-	60,478,658,961
Investment in fixed deposits	42,770,532,521	-	-	42,770,532,521	25,864,468,910	-	-	25,864,468,910
Total debt and other instruments	66,494,855,783	-	-	66,494,855,783	86,967,074,481	-	-	86,967,074,481
Expected credit loss allowance	(1,386,491)	-	-	(1,386,491)	(2,359,798)	-	-	(2,359,798)
Net debt and other instruments	66,493,469,292	-	-	66,493,469,292	86,964,714,683	-	-	86,964,714,683
Placements with banks								
Money market placements	18,339,705,502	-	-	18,339,705,502	6,005,330,402	-	-	6,005,330,402
Total placements with banks	18,339,705,502	-	-	18,339,705,502	6,005,330,402	-	-	6,005,330,402
Expected credit loss allowance	-	-	-	-	-	-	-	-
Net placements with banks	18,339,705,502	-	-	18,339,705,502	6,005,330,402	-	-	6,005,330,402
Commitments and Contingencies *								
Bank Guarantee	440,431,022	-	-	440,431,022	366,098,463	-	-	366,098,463
Bills Sent for Collection	85,039,345	-	-	85,039,345	292,019,801	-	-	292,019,801
Total commitments and contingencies	525,470,367	-	-	525,470,367	658,118,265	-	-	658,118,265
Expected credit loss allowance	(37,784,966)	-	-	(37,784,966)	(46,090,572)	-	-	(46,090,572)
Net commitments and contingencies	487,685,401	-	-	487,685,401	612,027,693	-	-	612,027,693

* To meet the financial needs of customers, the Bank enters into various commitments and contingent liabilities. Even though these obligations may not be recognized on the Statement of Financial Position, they do contain credit risk and are, therefore, part of the overall risk of the Bank.

43.2.1 Measurement of Expected Credit Losses (ECL)

Inputs, assumptions and techniques used for estimating impairment under SLFRS 9 is disclosed under Accounting Policies Note 5.1.2.5.

Significant increase in Credit Risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. Bank determines significantly increase credit risk when customers exceed 30 days past due.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne.

Incorporation of Forward-Looking Information

The Bank incorporates forward looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key drivers for credit risk are GDP growth, unemployment rates, inflation, exchange rates and interest rates.

The Bank formulates multiple economic scenarios to reflect base case, best case and worst case.

Analysis of inputs to the ECL model under multiple economic scenarios per geographic regions

An overview of the approach to estimating ECLs is set out in Note 2 Summary of significant accounting policies and in Note 2.1 Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Bank obtains the data used from third party sources (CBSL) and a team of economists within its Risk Department verifies the accuracy of inputs to the Bank' ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Bank's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios, as at 31 December 2024.

In preparing the Economic Factor Adjustment (EFA) for 2024, the Bank has utilized the figures from the previous year. This approach was adopted due to the reversal observed in the current year's EFA, which required reliance on the prior year's data to ensure accuracy and consistency in financial reporting. This adjustment aligns with the Bank's commitment to maintaining transparency and reliability in its financial disclosures.

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario.

As at 31 December

Key drivers	ECL Scenario	2025	2026	2027	2028	Subsequent Years
		%	%	%	%	
GDP growth %	Base Case	1.60%	1.60%	1.60%	1.60%	1.60%
	Best Case	3.51%	4.06%	4.62%	5.18%	5.59%
	Worse Case	2.14%	2.22%	2.26%	2.25%	2.26%
Inflation Rates %	Base Case	4.00%	4.00%	4.00%	4.00%	4.00%
	Best Case	2.55%	2.19%	1.87%	1.60%	1.27%
	Worse Case	5.55%	7.02%	8.86%	11.18%	13.07%
Interest Rate %	Base Case	12.13%	12.13%	12.13%	12.13%	12.13%
	Best Case	11.14%	10.83%	10.53%	10.23%	9.81%
	Worse Case	12.85%	13.41%	13.99%	14.60%	15.02%
Exchange rates (USD \$ to LKR)	Base Case	350.00	350.00	350.00	350.00	350.00
	Best Case	288.96	257.77	229.95	205.13	182.99
	Worse Case	350.00	350.00	350.00	350.00	350.00
Unemployment rates %	Base Case	4.70%	4.70%	4.70%	4.70%	4.70%
	Best Case	4.64%	4.63%	4.61%	4.59%	4.56%
	Worse Case	4.74%	4.77%	4.79%	4.82%	4.84%

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and Stage 3 the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The SLFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Treasury, trading and interbank relationships

The Bank's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, primary-dealers, exchanges and clearing-houses. For these relationships, the Bank's Treasury Unit analyses publicly available information such as financial information.

Sector classification of loans

The loan classification of the bank for reporting purpose has been incorporated as per the sectorial classification of Central Bank of Sri Lanka.

Of the total sector classification, this report categorized them in top major sectors, in accordance to the size of the portfolios.

The highest sector under this classification as per the banks closing books, 2024 is the Pawning advances followed by Housing, Refinance, Commercial, Agriculture, Industrial, Other Loans, Loans against deposits, Staff loans, Leasing, SME, Liya Isura Loans.

Sector wise portfolios	Rs.
Pawning	59,401,417,383
Term Loan - Housing	53,318,912,329
Refinance	33,008,681,869
Term Loan - Commercial	28,381,204,446
Term Loan - Agriculture	23,044,992,352
Term Loan - Industrial	15,752,430,198
Loan Against Deposit	14,970,811,599
Term Loan - Other	8,472,035,215
Staff	6,539,033,827
Leasing	1,752,917,987
SME	118,110,361
Liya Isura	27,846,122

Corporate loans (Services, Manufacturing and Industry loans)

For corporate loans, the borrowers are assessed by specialized credit employees of the Bank. The credit risk assessment is based on the behaviour of the customer and credit quality based on the past due status. Further, the bank considers following aspects while assessing the risk of a customer :

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realized and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties are captured, which includes information provided by Credit Information Bureau. This includes external rating grades issued by rating agencies, independent analyst reports, press releases and articles, which contains relevant information of clients/industry and applicable to the credit analysis and decision making processes.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

Consumer lending and retail loans

Consumer lending comprises Housing Loans, Consumer loans and Personal Loan. These products along with retail mortgages and some of the less complex small business lending are rated by (Corporate and retail credit scoring models) primarily driven by days past due (Credit Information Bureau reports). Other key inputs into the models are:

- Consumer lending products: use of limits and volatility thereof, economic condition, changes in personal income/salary levels based on records of repayment capacity, repayment sources, personal indebtedness and expected interest repricing.
- Retail mortgages: GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing.

Grouping financial assets measured on a collective basis

Asset classes where the Bank calculates ECL on an individual basis includes all customers above the individually significant threshold of LKR 10 mn of the total exposure.

Asset classes where the Bank calculates ECL on a collective basis include:

- Customers below the Individually Significant threshold of LKR 10mn.

The Bank groups these exposures into smaller homogeneous portfolios as described below:

- Product Type
- Interest Rate

43.2.2 Collateral held and Other Credit Enhancements

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, inventories and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and are updated regularly. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

Definition of Past Due

Banks consider that any amounts uncollected thirty one days or more beyond their contractual due date are 'past due'.

An estimate made at the time of borrowing of the fair value of collateral and other security enhancements held against loans and advances to customers is given below and the value of collateral has been restricted to the value of the loans outstanding balances.

As at 31 December

	2024 Rs.	2023 Rs.
Collateral Type		
Land & Buildings	29,819,388,903	28,705,668,268
Machinery	208,685,103	901,920,842
Motor Vehicles	836,892,388	948,270,386
Gold	59,401,417,383	45,605,107,198
Fixed Deposits	14,970,811,599	14,327,361,268
Personal Guarantees	125,009,928,617	112,964,945,642
Bank Guarantees	288,780	500,448
Others	14,540,980,913	10,508,861,028
	244,788,393,686	213,962,635,079

As at 31 December

	2024		2023	
	Maximum Exposure to Credit Risk Rs.	Exposure Net of Collateral Rs.	Maximum Exposure to Credit Risk Rs.	Exposure Net of Collateral Rs.
Cash and cash equivalent	827,778,892	827,778,892	104,444,214	104,444,214
Placements with Banks	18,339,705,502	18,339,705,502	6,005,330,402	6,005,330,402
Equity Instruments at fair value through profit or loss	264,680	264,680	145,820	145,820
Financial assets at amortised cost-Loans and receivables from other customers	244,788,393,686	169,117,480,416	213,962,635,079	186,062,148,016
Financial investments at amortised cost-Debt & other instruments	67,995,195,057	67,995,195,057	86,964,714,682	86,964,714,682
Equity Instruments at fair value through profit or loss	153,434,669	153,434,669	2,290,929	2,290,929
Other assets	3,159,706,349	3,159,706,349	4,431,547,579	4,431,547,579

As at 31 December

	Forced Sale Value of Foreclosed Collateral	
	2024 Rs.	2023 Rs.
Foreclosed Properties		
Balance as at 01 January	180,680,145	165,450,000
Additions during the year	-	15,230,145
Disposals during the year	-	-
Valuation changes	-	-
Balance as at 31 December	180,680,145	180,680,145

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner.

Loan-to-value ratio (LTV)

Residential Mortgage lending

The tables below stratify credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan - or the amount committed for loan commitments - to the value of the collateral. The gross amounts exclude any impairment allowance. The valuation of the collateral excludes adjustment for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

As at 31 December

	2024 Rs.	2023 Rs.
LTV ratio		
Less than 50%	24,376,906,363	12,800,091,156
51-70%	3,287,982,755	4,388,489,979
71-90%	771,538,642	888,656,046
91-100%	836,735,781	9,369,892,053
More than 100%	546,225,361	1,258,539,035
Total	29,819,388,903	28,705,668,268

43.2.3 Concentration of Credit risk

The Bank monitors concentrations of credit risk by industry and by geographic location.

Concentrations of credit risk

An analysis of concentrations of credit risk for loans and advances, lending commitments, financial guarantees and investment securities is shown below.

	Loans and Advances to Customers		Investment debt securities		Lending commitments and financial guarantees	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Carrying amount	244,788,393,686	213,962,635,079	67,996,581,549	86,967,074,481	525,470,367	658,118,265
Amounts committed/ guaranteed						
Concentration by sector						
Corporate:						
Other	-	-	-	-	525,470,367	658,118,265
Government	-	-	22,062,338,310	60,478,658,961	-	-
Banks	-	-	45,934,243,239	26,488,415,520	-	-
Retail:						
Personal Guarantee	125,009,928,617	112,964,945,642	-	-	-	-
Mortgages	105,237,484,156	90,488,828,409	-	-	-	-
Unsecured lending	14,540,980,913	10,508,861,028	-	-	-	-
	<u>244,788,393,686</u>	<u>213,962,635,079</u>	<u>67,996,581,549</u>	<u>86,967,074,481</u>	<u>525,470,367</u>	<u>658,118,265</u>

43.3 Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulties in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Hence the bank may be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

Management of Liquidity Risk

The Bank sets the strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to ALCO. ALCO approves the Bank's liquidity policies and procedures. Central Treasury manages the Bank's liquidity position on a day-to-day basis and reviews daily reports. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO. The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The key elements of the Bank's liquidity strategy are as follows.

- * Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingency facilities.
- * Carrying a portfolio of highly liquid assets, diversified by currency and maturity.
- * Monitoring liquid ratios, maturity mismatches, behavioral characteristics of the Bank's financial assets and financial liabilities, and the extent to which the Bank's assets are encumbered and so not available as potential collateral for obtaining funding.
- * Carrying out stress testing of the Bank's liquidity position.

The most important of these is to maintain the minimum 100% of Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) to meet the regulatory requirement. Liquid assets consist of cash, short-term bank deposits and liquid debt securities available for immediate sale.

43.3.1 Exposure to Liquidity Risk

With the discontinuation of regulatory requirements relating to Statutory Liquid Assets Ratio as per the Banking Act Determination No 01 of 2024, with effect from 13th June 2024 in terms of Sections 21(1) and 76H of the Banking Act, No. 30 of 1988, as amended, the Central Bank of Sri Lanka has determined that every licensed commercial bank and licensed specialized bank shall maintain Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as the statutory liquidity ratios at all times, in accordance with "Basel III: International Framework for Liquidity Risk Measurement by the Basel Committee on Banking Supervision. Details of the reported bank ratios of LCR & NSFR at the reporting dates during the year were as follows.

	2024			2023		
	Rupee Liquidity LCR	All Currency Liquidity Requirement	NSFR	Rupee Liquidity LCR	All Currency Liquidity Requirement	NSFR
1 st Quarter	633%	633%	156%	239%	239%	103%
2 nd Quarter	590%	590%	175%	523%	523%	148%
3 rd Quarter	716%	716%	164%	438%	438%	101%
4 th Quarter	402%	402%	152%	976%	976%	174%

43.3.2 Analysis of Financial Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the undiscounted cash flows of the Bank's financial liabilities as at 31 December 2024. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date it could be required to pay and the table does not reflect the expected cash flows indicated by its deposit retention history.

As at 31 December 2024	Carrying Value	Total	Less than 3 months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Non - Derivative Liabilities							
Due to banks	36,412,871,655	36,412,871,655	899,752,360	2,845,434,074	7,764,585,571	7,901,787,922	17,001,311,727
Due to other customers	253,664,001,775	253,664,001,775	81,036,303,555	96,148,001,904	18,506,718,984	18,863,568,590	39,109,408,742
Other liabilities	10,804,302,567	10,803,396,381	1,941,747,618	4,036,322,708	1,773,124,481	2,070,379,164	981,822,409
Total Non - Derivative Liabilities	300,881,175,997	300,880,269,811	83,877,803,534	103,029,758,687	28,044,429,036	28,835,735,677	57,092,542,878
As at 31 December 2023							
	Carrying Value	Total	Less than 3 months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Non - Derivative Liabilities							
Due to banks	46,208,479,283	46,208,479,283	772,199,475	2,742,058,819	5,483,925,638	13,849,520,901	23,360,774,450
Due to other customers	226,079,614,772	226,079,614,772	56,226,684,689	110,047,742,530	11,643,421,155	16,465,228,165	31,696,538,235
Debt issued and other borrowed funds	-	-	-	-	-	-	-
Other liabilities	6,734,044,304	6,734,044,304	949,813,113	1,342,693,165	1,702,442,543	1,258,158,953	1,480,936,529
Total Non - Derivative Liabilities	279,022,138,360	279,022,138,360	57,948,697,277	114,132,494,513	18,829,789,337	31,572,908,019	56,538,249,214

43.3.3 Contractual Maturities of Commitments and Contingencies

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

As at 31 December 2024

Contingent Liabilities	On Demand	Less than 3	3 to 12	1 to 5	Over 5	Total
	Rs.	Months	Months	Years	Years	Rs.
Bank guarantee (without impairment)		1,703,902	406,663,561	32,063,559	-	440,431,022
Other Contingent items-Bills sent for collection	85,039,345	-	-	-	-	85,039,345
Total Contingent Liabilities	85,039,345	1,703,902	406,663,561	32,063,559	-	525,470,367

As at 31 December 2023

Contingent Liabilities	On Demand	Less than 3	3 to 12	1 to 5	Over 5	Total
	Rs.	Months	Months	Years	Years	Rs.
Bank guarantee (without impairment)		1,416,330	338,030,015	26,652,118	-	366,098,463
Other Contingent items-Bills sent for collection	292,019,801	-	-	-	-	292,019,801
Total Contingent Liabilities	292,019,801	1,416,330	338,030,015	26,652,118	-	658,118,265

43.3.4 Liquidity Reserve

The table below sets out the components of Bank's liquid assets that are held for the liquidity purpose.

	2024	
	Carrying Amount	Fair Value
Cash and Cash equivalents	827,778,892	827,778,892
Placements with banks	3,339,705,502	3,339,705,502
Repo	15,000,000,000	15,000,000,000
Fixed Deposits	42,770,532,521	42,770,532,521
	61,938,016,914	61,938,016,914

* The carrying amounts approximate their fair values as they are short term in nature (less than twelve months).

43.3.5 Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)

The Liquidity Coverage Ratio (LCR) as defined by the regulator is intended to promote the short-term resilience of a bank's liquidity risk profile over a 30 day period. The ratio is defined as the amount of High Quality Liquid Assets (HQLA) that could be used to raise liquidity, measured against the total volume of net cash outflows, arising from both actual and contingent exposures, in a stressed scenario.

The LCR complements the Bank's stress testing framework. By maintaining a ratio in excess of minimum regulatory requirements, the LCR seeks to ensure that the Bank holds adequate liquidity resources to mitigate a short-term liquidity stress.

NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. The amount of available and required stable funding are calibrated to reflect the presumed degree of stability of liabilities and liquidity of assets.

Minimum Requirement - 100%

The following were the Liquidity Coverage Ratios (%) and Net Stable Funding Ratio (%) of the Bank as at 31 December:

	2024	2023
Liquidity Coverage Ratio (%) - Rupee	402	976
Net Stable Funding Ratio (%)	151	174

43.3.6 Statutory Liquid Assets Ratio

	2024	2023
For the month of December 2024	In complying with Banking Act determination No 01 of 2024 regulatory requirements relating to Statutory Liquid Assets Ratio was discontinued from 13th June 2024.	Nil
For the month of December 2023		103.00%

43.3.7 Due to Banks & Due to Other Customers (Deposits) to Loans and Receivables from Banks & Other Customers (Advances) Ratio

The Bank is aware of the importance of due to banks & other customers as a source of funds for its lending operations.

This is monitored using the following ratio, which compares loans and receivables to customers as a percentage of due to banks & Due to other customers (Deposits).

Due to banks & due to other customers to Loans and receivables from banks & other customers Ratio.

	2024	2023
As at 31st December 2024		89.09%
As at 31st December 2023		86.58%

The table below sets out the availability of financial and non-financial assets held by the Bank on the basis of being encumbered or unencumbered as of 31.12.2024 and 31.12.2023.

	2024			2023		
	Encumbered	Unencumbered	Total	Encumbered	Unencumbered	Total
	Pledged as collateral	Other	Other	Pledged as collateral	Other	Other
Cash and cash equivalent	-	-	827,778,892	-	-	104,444,214
Placements with banks	-	-	18,339,705,502	-	-	6,005,330,402
Equity Instruments at fair value through profit or loss	-	-	264,680	-	-	145,820
Financial assets at amortised cost-Loans and receivables from other customers	-	-	226,463,751,133	-	-	194,424,888,169
Financial assets at amortised cost-Debt & other instruments	1,985,570,901	-	66,009,624,156	1,593,912,059	-	85,370,802,623
Equity Instruments at fair value through other comprehensive income	-	-	153,434,669	-	-	2,290,929
Other assets	-	-	4,586,350,838	-	-	6,617,542,021
Total	1,985,570,901	-	316,380,909,868	1,593,912,059	-	294,119,356,237

43.4 Market Risk

Market risk' is the risk that changes in market prices - such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to the changes in the obligator's/ issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the bank's solvency while optimizing the return on risk.

Overall authority for market risk is vested in ALCO. ALCO sets up limits for each type of risk in aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios.

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios:

As at 31st December 2024	Carrying amount	Market risk measure	
		Trading portfolios	Non-trading portfolios
Assets subject to Market risk			
Cash and cash equivalent	827,778,892	-	827,778,892
Placements with banks	18,339,705,502	-	18,339,705,502
Equity Instruments at fair value through profit or loss	264,680	264,680	-
Financial investments at amortised cost-Debt & other instruments	67,995,195,057	-	67,995,195,057
Financial assets at amortised cost-Loans and receivables from other customers	226,463,751,133	-	226,463,751,133
Equity Instruments at fair value through other comprehensive income	153,434,669	-	153,434,669
Other assets	3,159,706,349	-	3,159,706,349
Liabilities subject to Market risk			
Due to banks	36,412,871,655	-	36,412,871,655
Due to other customers	253,664,001,775	-	253,664,001,775
Debt issued and other borrowed funds	-	-	-
Current tax liabilities	632,423,516	-	632,423,516
Other liabilities	8,988,634,836	-	8,988,634,836

As at 31st December 2023	Carrying amount	Market risk measure	
		Trading portfolios	Non-trading portfolios
Assets subject to Market risk			
Cash and cash equivalent	104,444,214	-	104,444,214
Placements with banks	6,005,330,402	-	6,005,330,402
Equity Instruments at fair value through profit or loss	145,820	145,820	-
Financial investments at amortised cost-Debt & other instruments	86,964,714,682	-	86,964,714,682
Financial assets at amortised cost-Loans and receivables from other customers	194,424,888,169	-	194,424,888,169
Equity Instruments at fair value through other comprehensive income	2,290,929	-	2,290,929
Other assets	4,431,547,579	-	4,431,547,579
Liabilities subject to Market risk			
Due to banks	46,208,479,283	-	46,208,479,283
Due to other customers	226,079,614,772	-	226,079,614,772
Debt issued and other borrowed funds	-	-	-
Current tax liabilities	-	-	-
Other liabilities	5,446,759,311	-	5,446,759,311

Management of Market Risk

Market risk management reporting creates transparency on the risk profile and facilitates the understanding of core market risk drivers to all levels of the Bank. The Management and Board Committees receive regular reporting, as well as ad hoc reporting as required, on market risk, the impact on capital and earnings through stress testing. The Operation Risk Management Committee (ORMC) and Asset and Liability Committee (ALCO) receive risk information at a number of frequencies, including monthly and quarterly.

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are mainly held by the Bank's Treasury Department, and include positions arising from market making and also held with a view to earn a profit of financial assets and liabilities that are managed on a fair value basis.

The Bank employs a range of tools to monitor and limit market risk exposures.

Non - Trading Market Risk

Non trading market risk arises primarily from outside the activities of our trading units, in our banking book and from certain off-balance sheet items. Significant market risk factors the Bank is exposed to and are overseen by risk management committees are:

- Interest rate risk (including risk from embedded optionality and changes in behavioural patterns for certain product types)
- Market risks from off-balance sheet items such as foreign exchange risk of the hedging instruments such as SWAPs.

43.4.1 Interest Rate Risk

Interest rate risk is the potential impact on the Bank's earnings and net asset values due to changes in market interest rates. Interest rate risk arises when the Bank's principal and interest cash flows (including final maturities), both on and off balance sheet, have mismatched re-pricing dates. The amount of risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. The Bank's lending, funding, and investment activities give rise to interest rate risk.

Interest rate risk management is conducted within the context of a comprehensive business strategy. The bank has developed and implemented effective and comprehensive procedures to manage and control interest rate risk in accordance with the strategies in managing interest rate risk. These procedures are in accordance to the size and complexity of the Bank's interest rate risk-taking activities.

The Bank manages interest rate risk through the re-pricing maturity mis-match gaps by using Funds Transfer Pricing (FTP) techniques to take advantage in optimal gains. Through the FTP, portfolios are hedged; through this approach the Bank ensures that interest rate risk between lending and funding in each time bucket remains low. The majority of the Bank's interest rate risk, therefore, stems from the unhedged portion of assets and liabilities.

Typically interest rate risk is split into two components: traded interest rate risk and non-traded interest rate risk. While the traded interest rate risk is relevant to trading activities and its affects, the latter is often referred to as interest rate risk on the balance sheet or to the banking book and arises from the Bank's core banking activities.

Interest Rate Risk in the Banking Book (IRRBB)

Interest rate risk in the banking book is the risk to both the Bank's capital and earnings, arising from movements in interest rates, which affect the banking book exposures. This includes maturity mis-matches of the interest bearing assets and liabilities which describes the impact of relative changes in interest rates for financial instruments that are priced using different interest rate curves.

Interest rate risk is also the risk that the Bank will experience in deterioration in its financial positions as interest rates move over time.

The interest rate position of the Bank is that the duration of the liabilities to some extent is lesser than the duration of the assets in the shorter tenors of the reprising profile. Given this mismatch, under normal circumstances increasing interest rates will have a negative impact on the interest income of the Bank. On the other hand, as liabilities re-price more quickly than assets, the average interest rates paid on liabilities would adapt more quickly to lower market interest rates. This would then support the Bank's net interest income.

During the current year as well as the preceding year banking industry faced unprecedented challenges as a result of fiscal and monetary stimulus. Due to the spread of the pandemic it was increasingly becoming evident that the domestic economic activities during the year 2023, was affected due to uncertainty and the various policies and regulations which were put into place from time to time to mitigate the adverseness of the economic conditions.

In this sense the Bank manages the Interest Rate Risk in the Banking Book (IRRBB) exposures using both Earnings at Risk (EAR) and Economic Value of Equity (EVE) measures. The Treasury division is delegated to manage the interest rate risk centrally on an ongoing basis, where Risk Management Unit acts as the second line of defence on an independent oversight function.

Economic value based measures look at the change in economic value of banking book of assets, liabilities and off-balance sheet exposures resulting from interest rate movements, independent of the accounting treatment. Thereby the Bank measures the change in Economic Value of Equity (EVE) of the banking book under standard scenarios for the ICAPP process as defined by Basel Committee on Banking Supervision.

Earnings-based measures look at the expected change in Net Interest Income (NII), compared to some defined benchmark scenarios, over a defined time horizon resulting from interest rate movements. Thereby the Bank measures the sensitivity of the Bank's interest sensitive assets and liabilities to a parallel shift to various interest rate scenarios.

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43.4. Maturity Gaps

The Management and Board defines the liquidity and funding risk strategy for the Bank, as well as the risk appetite, based on recommendations made by the Risk Committee. At least annually the Board Risk Management Committee reviews and approves the limits which are applied to the Bank to measure and control liquidity risk as well as our long-term funding plan.

While such risk monitoring is mainly based on the stock approach through ratios and risk levels approved as per the risk appetite of the Bank, another method of managing and monitoring liquidity risk is using the flow approach tools which is the popular maturity mis-match or Maturity Gap analysis.

A summary of the Bank's total assets and liabilities as at 31 December 2024, based on the remaining period at the reporting date to the respective Cash flow/ Maturity dates together with the maturity gaps are given below.

As at 31 December 2024	Carrying amount	Up to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years
	Rs.	Rs.	Rs.	Rs.	Rs.
Interest Earning Assets					
Cash and balances with central bank	827,778,892	827,778,892	-	-	-
Placements with banks	18,339,705,502	18,339,705,502	-	-	-
Financial assets at amortised cost-Loans and receivables from other customers	244,788,393,686	36,392,835,664	71,700,581,876	111,810,585,889	24,884,390,257
Financial investments at amortised cost-Debt & other instruments	67,996,581,549	34,254,111,705	27,859,597,798	4,750,600,724	1,132,271,322
Financial assets-fair value through other comprehensive income	153,434,669	-	-	-	153,434,669
Total Assets	332,105,894,297	89,814,431,761	99,560,179,674	116,561,186,613	26,170,096,248
Interest Bearing Liabilities					
Due to banks	36,412,871,655	899,752,360	2,845,434,074	15,666,373,493	17,001,311,727
Due to other customers	253,664,001,775	81,036,303,555	96,148,001,904	37,370,287,574	39,109,408,742
Total Liabilities	290,076,873,430	81,936,055,915	98,993,435,979	53,036,661,067	56,110,720,469
Gaps	42,029,020,866	7,878,375,846	566,743,695	63,524,525,546	(29,940,624,221)
As at 31 December 2023					
	Carrying amount	Up to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years
	Rs.	Rs.	Rs.	Rs.	Rs.
Interest Earning Assets					
Cash and balances with central bank	104,444,214	104,444,214	-	-	-
Placements with banks	6,005,330,402	6,005,330,402	-	-	-
Financial assets at amortised cost-Loans and receivables from other customers	213,962,635,079	20,765,534,350	68,158,625,869	88,021,524,268	37,016,950,592
Financial investments at amortised cost-Debt & other instruments	86,967,074,481	44,558,271,660	36,460,255,964	618,993,939	5,329,552,919
Financial assets-fair value through other comprehensive income	2,290,929	-	-	-	2,290,929
Total Assets	307,041,775,105	71,433,580,626	104,618,881,833	88,640,518,207	42,348,794,440
Interest Bearing Liabilities					
Due to banks	46,208,479,283	772,199,475	2,742,058,819	19,333,446,539	23,360,774,450
Due to other customers	226,079,614,772	56,226,684,689	110,047,742,530	28,108,649,320	31,696,538,235
Total Liabilities	272,288,094,056	56,998,884,163	112,789,801,349	47,442,095,858	55,057,312,684
Gaps	34,753,681,049	14,434,696,462	(8,170,919,516)	41,198,422,349	(12,708,518,246)

Interest Rate Benchmark Reforms

Interest rate benchmarks such as interbank offered rates (IBORs) play an important role in global as well as local financial markets. A fundamental reform of major interest rate benchmarks is being undertaken globally, replacing some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Bank has exposure to certain IBORs on its financial instruments that are being reformed as part of these market-wide initiatives globally.

The main risks to which the Bank has been exposed as a result of IBOR reform are operational. For example, the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform and regulatory risks. Financial risk is predominantly limited to interest rate risk.

The Bank through ALCO intends to manage its transition to alternative rates from the use of IBOR's. The contracts which have fallen due since end 2021 is re-priced at alternate rates mostly based on fixed pricing, the five US dollar LIBOR settings which will continue to be calculated using panel bank submissions until mid-2023, is used if required to re-price longer tenor advances which have frequent re-pricing dates. However, using these LIBOR's for new business is restricted from end-2021.

Going forward, RMU as a risk management functionality, will evaluate the extent to which loans advanced, loan commitments, liabilities and derivatives reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR. These findings will be reported to ALCO and Treasury to support the management of interest rate risk and works closely to identify operational and regulatory risks arising from these IBOR reforms and how to manage communication about IBOR reform with counterparties. These findings will be reported to BIRMC quarterly and will collaborate with other business functions as needed.

43.4. Exposure to Other Market Risks

Foreign Currency Risk

Foreign exchange rate risk arises from the movement of the rate of exchange of one currency against another, leading to an adverse impact on the Bank's earnings or equity. Bank is exposed to foreign currency risk resulting from foreign currency assets and liabilities taken over from former Lanka Puthra Development Bank and loan from Asian Development Bank. Necessary precautions are in place in order to avoid/mitigate possible foreign currency risk in the near future.

During the year, the banking sector experienced uncertainty in market situations due to the lack of foreign currency liquidity especially the US dollars. This mostly led to the banking industry being unable to meet the expected levels in liability conversion transactions especially trade related transactions. The market also experienced a drop in asset conversion transaction such as the inward remittance and export bills. This situation led to depreciation of USD/ LKR rates which was mostly a controlled exchange rate which traded around 200 to 363 levels.

The Bank ensures all market risk measures are adhered as laid down in the latest directions published by the Central Bank as well as according to best market practices followed locally and globally.

Given below are the foreign currency exposures and their rupee equivalent in the major currencies, in which the Bank trades in.

<i>As at 31 December</i>	In Original Foreign Currency		Functional Currency of the Bank	
	2024	2023	2024	2023
	USD	USD	Rs.	Rs.
Net Foreign Currency Exposure				
Financial assets denominated in foreign currency	61,977,219	73,300,451	18,140,732,013	23,747,880,017
Financial liabilities denominated in foreign currency	61,343,117	62,295,743	17,955,130,355	20,182,575,095

An impact analysis of the foreign currency Net Open Position (NOP) was carried out applying shock levels of 5%, 10% and 15%, for depreciation on the current exchange rate and the impact on the overall foreign currency NOP (in USD) and the impact on Income Statement is shown in the table below.

<i>As at 31 December</i>	2024		2023	
	USD	Rs.	USD	Rs.
Net Open Position (NOP)	634,102	185,601,658	11,004,707	3,565,304,922
At Shocks Level of	Revised Rupee position	Effect on income statement	Revised Rupee position	Effect on income statement
5%	194,881,741	9,280,083	3,743,570,168	178,265,246
10%	204,161,824	18,560,166	3,921,835,414	356,530,492
15%	213,441,907	27,840,249	4,100,100,660	534,795,738

43.5 Operational Risk

'Operational risk' is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and innovation. In all cases, Bank policy requires compliance with all applicable legal and regulatory requirements.

The board of directors has delegated responsibility for operational risk to its Bank Operational Risk Committee, which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is cost effective.

44 CAPITAL MANAGEMENT

44.1 Regulatory Capital

The Bank's lead regulator the Central Bank of Sri Lanka sets and monitors capital requirements for the Bank as a whole. The individual banking operations are directly supervised by the lead regulators. The Bank capital management goals are as follows;

- a. Ensure regulatory minimum capital adequacy of 12.5% requirements are not compromised.
- b. Bank to maintain its international and local credit rating and to ensure that no downgrading occurs as a result of deterioration of risk capital of the Bank.
- c. Ensure above industry average Capital Adequacy Ratio for the banking sector is maintained.
- d. Ensure maintaining of quality capital.
- e. Ensure capital impact of business decisions are properly assessed and taken into consideration during product planning and approval process.
- f. Ensure capital consumption by business actions are adequately priced.
- g. Ensure Bank's average long-term dividend pay-out ratio is maintained.

Central Bank of Sri Lanka sets and monitors regulatory capital requirement on solo basis. The Bank is required to comply with the provisions of the Basel II and Basel III in respect of regulatory capital.

Capital Management

Capital Adequacy is a measure of a bank's ability to withstand the associated risks of its business. Regulators find it necessary that every bank holds adequate capital to absorb unexpected losses as a going concern, while they price their products and services to take care of expected risks. Capital Adequacy Ratio (CAR) is measured under Basel II till 30 June 2017 and thereafter Basel-III and takes into account the Credit, Market and Operations risks. Keeping with the international standards of Basel Committee on Banking Regulations and Supervisory Practices, Sri Lanka has been following Basel III CAR calculation from 1 July 2017.

44.2 Capital allocation

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements, but in some cases the regulatory requirements do not fully reflect the varying degree of risk associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by Bank Risk and Bank Credit, and is subject to review by the Bank Asset and Liability Management Committee (ALCO).

Although maximization of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer-term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the board of directors.

44.3 Available Capital

Basel III accord recognises three capital elements, namely CET 1 Capital, Additional Tier1 Capital and Tier 2 capital.

CET 1 capital includes equity capital, reserve fund, published retained earnings (accumulated retained losses), general and other reserves, and unpublished current year's profit/ (losses) and gains reflected in OCI. Goodwill (net), other intangible assets, revaluation losses of PPE, deferred tax assets, cash flow hedge reserve, shortfall of the cumulative impairment to specific provisions, defined benefit pension fund assets, investments in own shares, investments in the capital of banking and financial institutions and other adjustments as per the regulatory directions are deducted as applicable in arriving at CET 1 capital.

Additional Tier 1 capital includes qualifying instruments as per the regulatory directions. Investments in own shares, investments in the capital of banking and financial institutions and other adjustments as per the regulatory directions are deducted as applicable in arriving at Additional Tier I capital.

Tier 2 capital includes qualifying tier 2 capital instruments, revaluation gains, and general provisions etc. Investments in own shares, investments in the capital of banking and financial institutions and other adjustments as per the regulatory directions are deducted as applicable in arriving at Tier 2 capital.

• Every licensed specialised bank shall maintain, at all times, the minimum capital ratios prescribed in the table below and shall ensure compliance with Schedule I to the Banking Act Directions No 01 of 2016 on Capital Requirements under Basel III for licensed banks.

• Licensed specialised banks which are determined as Domestic Systemically Important Banks (D-SIBs) from time to time shall maintain Higher Loss Absorbency (HLA) requirements as specified by the Monetary Board in the form of Common Equity Tier 1(CET1), as given in the table below.

Components of Capital	Capital Adequacy Ratio to be maintained by Licensed Banks
Common Equity Tier 1 including Capital Conservation Buffer	7.00%
Total Tier 1 including Capital Conservation Buffer	8.50%
Total Capital Ratio including Capital Conservation Buffer	12.50%

The Bank Capital Adequacy (Basel III) details as at 31 December 2024 are given below.

As at December	2024 Rs.	Basel III 2023 Rs.
Assets		
Total Risk Weighted Amount (including Off- Balance Sheet Items)	154,306,013,574	139,300,627,344
Risk Weighted amount of Off-Balance Sheet Exposure	487,685,401	183,044,933
Capital		
Common Equity Tier 1 Capital	14,010,109,602	14,050,486,780
Total Tier 1 Capital	14,010,109,602	14,050,486,780
Total Capital	23,122,737,014	24,069,017,123
Capital Adequacy Ratios		
Common Equity Tier 1 Capital Ratio (%)	9.08%	10.09%
Tier 1 Capital Ratio (%)	9.08%	10.09%
Total Capital Ratio (%)	14.98%	17.28%

45 FAIR VALUE OF FINANCIAL INSTRUMENTS

45.1 Determining Fair Values

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1 – Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3 – Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

45.2 Valuation Models

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

45.3 Valuation Framework

The Bank has an established control framework with respect to the measurement of fair values. This framework includes an oversight by the Market Risk function, which is independent of front office management. Market Risk has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- * Verification of observable pricing;
- * Re-performance of model valuations;
- * A review and approval process for new models and changes to models involving both product control and group market risk;
- * Quarterly calibration and back-testing of models against observed market transactions;
- * Analysis and investigation of significant daily valuation movements; and
- * Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of level 3 instruments compared with the previous period.

When third party information, such as broker quotes or pricing services, is used to measure fair value, market risk assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRSs/ LKASs. This includes:

- * Verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of Financial Instrument;
- * Understanding how the fair value has been arrived at, the extent to which it represents actual market transactions and whether it represents a quoted price in an active market for an identical instrument;
- * When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- * If a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

45.4 Financial Instruments Measured at Fair Value – Fair Value Hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the Statement of Financial Position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

As at 31 December

	Level 1	Level 2	2024 Level 3	Total
	Rs.	Rs.	Rs.	Rs.
Equity Instruments at fair value through profit or loss	264,680	-	-	264,680
Financial assets-fair value through other comprehensive income	-	-	153,434,669	153,434,669
	264,680	-	153,434,669	153,699,349

As at 31 December

	Level 1	Level 2	2023 Level 3	Total
	Rs.	Rs.	Rs.	Rs.
Equity Instruments at fair value through profit or loss	145,820	-	-	145,820
Financial assets-fair value through other comprehensive income	-	-	2,290,929	2,290,929
	145,820	-	2,290,929	2,436,749

45.5 Trading assets and other assets measured at fair value

Financial assets measured at fair value are quoted equities and unquoted equities. For quoted equities, the Bank uses quoted market price in active markets as at the reporting date. Unquoted equities are measured at cost because the fair value cannot be measured reliably.

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45.6 Financial Instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

	Fair value hierarchy	2024		2023	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets		Rs.	Rs.	Rs.	Rs.
Cash and cash equivalent	Level 2	827,778,892	827,778,892	104,444,214	104,444,214
Placements with Banks	Level 2	18,339,705,502	18,339,705,502	6,005,330,402	6,005,330,402
Financial assets at amortised cost - Debt & other instruments	Level 2	67,995,195,057	67,931,272,504	86,964,714,682	86,964,714,682
Financial assets at amortised cost - Loans and receivables from other customers					
Pawning	Level 2	59,382,717,060	59,382,717,060	45,600,279,410	45,600,279,410
Staff loans	Level 2	6,539,021,827	6,539,021,827	5,864,336,559	5,864,336,559
Short-term	Level 2	18,792,369,559	18,792,369,559	17,706,900,606	17,706,900,606
Long-term	Level 2	158,321,367,252	158,321,367,252	143,894,304,044	143,894,304,044
Other assets	Level 2	3,159,706,349	3,159,706,349	4,431,547,579	4,431,547,579
		333,357,861,498	333,293,938,945	310,571,857,496	310,571,857,496
Financial liabilities					
Due to banks	Level 2	36,412,871,655	36,412,871,655	46,208,479,283	46,208,479,283
Due to other customers	Level 2	253,664,001,775	253,664,001,775	226,079,614,772	226,079,614,772
Other liabilities	Level 2	8,988,634,836	8,988,634,836	5,446,759,311	5,446,759,311
		299,065,508,267	299,065,508,267	277,734,853,367	277,734,853,367

Basis of measurement for the fair value of financial assets and liabilities not carried at fair value

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than one year) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to savings accounts without a specific maturity.

Loans and Receivables to customers

More than 36% of the total portfolio of loans and advances to customers have a remaining contractual maturity of less than one year. Therefore fair value of short term loans and advances to customers approximates to their carrying value as at the reporting date.

The fair value of fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognized.

Due to Customers

Around 68% of the customer deposits are either repayable on demand or have a remaining contractual maturity of less than one year. Customer deposits with a contractual maturity of more than one year are subject to pre mature upliftment. Amounts paid to customers in the event of pre mature upliftment would not be materially different to its carrying value as at date. Therefore fair value of customer deposits approximates to their carrying value as at the reporting date.

The fair value of financial investment held to maturity is estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments.