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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

BAN/A/NSB/FA/2024/01

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

28 February 2025

Chairman

National Savings Bank

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the National Savings Bank and its subsidiaries for the year ended 31 December 2024 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Opinion

The audit of the Financial Statements of the National Savings Bank (the “Bank”) and the Consolidated Financial Statements of the Bank and its subsidiaries (the “Group”) for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the Financial Statements, including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No.38 of 1971. My report to parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

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



1.2 Basis for Opinion

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

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

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

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

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

1.4 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Bank and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

2. Report on Other Legal and Regulatory Requirements

2.1 The Section 39 of the Banking Act No. 30 of 1988 (as amended by Banking Act No.24 of 2024) includes specific provisions for following requirement.

2.1.1 The disclosures made in the accompanying financial statements are in accordance with the requirements of Circular No.05 of 2024 issued by Central Bank of Sri Lanka.

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

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

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

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

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

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

- 2.3.2 to state that the Bank has not complied with any applicable written law, general and special directions issued by the governing body of the Bank as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018.
- 2.3.3 to state that the Bank has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.
- 2.3.4 to state that the resources of the Bank had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.



W.P.C. Wickramaratne

Auditor General



31.12.2024

FINANCIAL STATEMENTS

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INCOME STATEMENT

For the year ended 31 December	Note	Bank			Group		
		2024	2023	Change	2024	2023	Change
		Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%
Gross income	3	207,636,948	232,064,322	(11)	213,417,164	238,824,651	(11)
Interest income		203,748,274	226,967,227	(10)	208,632,122	231,204,088	(10)
Less: Interest expenses		130,966,199	197,402,011	(34)	133,360,073	199,266,982	(33)
Net interest income	4	72,782,075	29,565,216	146	75,272,049	31,937,106	136
Fee and commission income		2,078,830	1,593,415	30	2,085,090	1,605,521	30
Less: Fee and commission expenses		328,272	317,046	4	328,737	317,292	4
Net fee and commission income	5	1,750,558	1,276,369	37	1,756,353	1,288,229	36
Net gain/(loss) from trading	6	911,630	1,425,791	(36)	1,791,936	3,701,827	(52)
Net fair value gains/(losses) from financial instruments at fair value through profit or loss	7	-	-	-	-	-	-
Net gains/(losses) from derecognition of financial assets	8	442,273	1,820,617	(76)	442,273	1,820,617	(76)
Net other operating income	9	455,941	257,272	77	465,743	492,598	(5)
Total operating income		76,342,477	34,345,265	122	79,728,354	39,240,377	103
Less: Impairment charges	10	11,206,056	4,258,828	163	11,193,684	4,159,978	169
Net operating income		65,136,421	30,086,437	116	68,534,670	35,080,399	95
Less: Expenses							
Personnel expenses	11	20,306,147	16,110,458	26	20,846,003	16,424,824	27
Depreciation and amortization expenses		1,674,524	1,432,520	17	1,689,188	1,448,489	17
Other expenses	12	7,377,618	6,954,619	6	7,588,394	7,097,612	7
Operating profit before VAT & SSCL on financial services		35,778,132	5,588,840	540	38,411,085	10,109,474	280
Less: Value Added Tax (VAT) on financial services		8,207,522	1,142,716	618	8,683,243	1,832,755	374
Less: Social Security Contribution Levy (SSCL) on financial services		1,139,934	158,708	618	1,205,905	254,298	374
Operating profit after VAT & SSCL on financial services		26,430,676	4,287,416	516	28,521,937	8,022,421	256
Share of profits of associates and joint ventures		-	-	-	-	-	-
Profit before income tax		26,430,676	4,287,416	516	28,521,937	8,022,421	256
Less: Income tax expenses	13	10,145,432	(2,929,067)	446	10,862,124	(1,594,388)	781
Profit for the year		16,285,244	7,216,483	126	17,659,813	9,616,809	84
Profit attributable to:							
Equity holders of the Bank		16,285,244	7,216,483	126	17,659,813	9,616,809	84
Non-controlling interests		-	-	-	-	-	-
Profit for the year		16,285,244	7,216,483	126	17,659,813	9,616,809	84
Earnings per share on profit							
Basic earnings per ordinary share (Rs.)	14	17.32	7.68	126	18.79	10.23	84
Diluted earnings per ordinary share (Rs.)		17.32	7.68	126	18.79	10.23	84
Profit for the year		16,285,244	7,216,483	126	17,659,813	9,616,809	84

The Notes to the Financial Statements disclosed on pages 8 to 123 are integral parts of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Bank			Group		
	2024	2023	Change	2024	2023	Change
	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%
Profit for the year	16,285,244	7,216,483	126	17,659,813	9,616,809	84
Items that will be reclassified to income statement						
Exchange differences on translation of foreign operations	-	-	-	-	-	-
Net gains/(losses) on cash flow hedges	-	-	-	-	-	-
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income	-	-	-	-	-	-
Share of profits of associates and joint ventures	-	-	-	-	-	-
Debt instruments at fair value through other comprehensive income	996,856	3,742,285	(73)	1,053,092	3,919,079	(73)
Fair value gains/(losses) transferred to income statement on disposal of debt instrument at fair value through other comprehensive income	(442,273)	(1,820,617)	(76)	(442,273)	(1,820,617)	(76)
Deferred tax effect on above	(166,375)	(576,501)	(71)	(183,246)	(629,539)	(71)
Total items that will be reclassified to income statement	388,208	1,345,167	(71)	427,573	1,468,923	(71)
Items that will not be reclassified to income statement						
Change in fair value on investments in equity instruments designated at fair value through other comprehensive income	2,538,631	1,971,371	29	2,705,001	2,070,885	31
Change in fair value attributable to change in the Bank's own credit risk on financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-
Re-measurement of post-employment benefit obligations	(2,228,542)	(6,107,248)	(64)	(2,231,825)	(6,106,664)	(63)
Deferred tax effect on above	486,042	1,723,862	(72)	487,027	1,723,503	(72)
Re-measurement of post employment benefit obligations (net of taxes)	(1,742,500)	(4,383,386)	(60)	(1,744,798)	(4,383,161)	(60)
Changes in revaluation surplus	-	2,075,948	(100)	-	2,333,511	(100)
Deferred tax effect on above	-	(623,608)	(100)	-	(623,608)	(100)
Changes in revaluation surplus (net of taxes)	-	1,452,340	(100)	-	1,709,903	(100)
Share of profits of associates and joint ventures	-	-	-	-	-	-
Total items that will not be reclassified to income statement	796,131	(959,675)	183	960,203	(602,373)	259
Other comprehensive income for the year, net of taxes	1,184,339	385,492	207	1,387,776	866,550	60
Total comprehensive income for the year	17,469,583	7,601,975	130	19,047,589	10,483,359	82
Attributable to:						
Equity holders of the Bank	17,469,583	7,601,975	130	19,047,589	10,483,359	82
Non-controlling interests	-	-	-	-	-	-
Total comprehensive income for the year	17,469,583	7,601,975	130	19,047,589	10,483,359	82

The Notes to the Financial Statements disclosed on pages 8 to 123 are integral parts of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December		Bank			Group		
		2024	2023	Change	2024	2023	Change
		Note	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000
Assets							
Cash and cash equivalents	16	8,358,742	9,508,563	(12)	8,544,416	9,546,756	(10)
Balances with central banks	17	357,054	246,998	45	357,117	247,232	44
Placements with banks	18	14,794,637	22,576,750	(34)	14,794,637	23,618,966	(37)
Derivative financial instruments	19	9,131	924	888	54,892	11,231	389
Financial assets recognized through profit or loss	20						
- measured at fair value		21,086,781	17,748,501	19	46,749,528	40,189,162	16
- designated at fair value		-	-	-	-	-	-
Financial assets at amortised cost							
- loans and advances	21	532,379,013	526,520,530	1	527,715,322	523,809,104	1
- debt and other instruments	22	1,039,034,572	943,704,684	10	1,048,965,769	953,056,324	10
Financial assets measured at fair value through other comprehensive income	23	53,469,178	61,924,412	(14)	55,306,512	62,694,519	(12)
Investments in subsidiaries	24	7,311,000	7,311,000	-	-	-	-
Investments in associates and joint ventures	25	-	-	-	-	-	-
Property, plant and equipment	26	17,415,792	17,248,961	1	18,556,112	18,389,400	1
Right-of-used assets	27	1,041,185	1,164,595	(11)	1,066,014	1,193,161	(11)
Investment properties	28	-	-	-	349,000	349,000	-
Goodwill and intangible assets	29	2,183,860	744,715	193	2,185,087	747,225	192
Deferred tax assets	30	4,995,021	5,885,288	(15)	4,995,021	5,885,288	(15)
Other assets	31	50,002,248	72,378,671	(31)	50,127,502	72,570,357	(31)
Total assets		1,752,438,214	1,686,964,592	4	1,779,766,929	1,712,307,725	4
Liabilities							
Due to banks	32	487,521	8,984,779	(95)	487,521	15,399,100	(97)
Derivative financial instruments	33	258,409	201	128,421	258,409	201	128,421
Financial liabilities recognized through profit or loss	34	-	-	-	-	-	-
Financial liabilities at amortised cost	35						
- due to depositors		1,556,270,863	1,482,532,430	5	1,556,681,918	1,482,951,028	5
- due to debt securities holders		-	-	-	-	-	-
- due to other borrowers		48,190,057	61,611,014	(22)	66,049,093	72,891,598	(9)
Lease liability	36	1,281,561	1,365,547	(6)	1,314,177	1,400,575	(6)
Debt securities issued	37	16,966,482	23,806,514	(29)	17,039,651	23,879,683	(29)
Retirement benefit obligations	38	17,489,868	18,100,399	(3)	17,597,407	18,169,106	(3)
Current tax liabilities	39	3,648,729	-	100	4,054,844	305,869	1,226
Deferred tax liabilities	30	-	-	-	61,869	58,630	6
Other provisions	40	-	-	-	-	-	-
Other liabilities	41	9,002,109	9,189,455	(2)	9,387,245	9,463,508	(1)
Due to subsidiaries	42	-	-	-	-	-	-
Total liabilities		1,653,595,599	1,605,590,339	3	1,672,932,134	1,624,519,298	3
Equity							
Stated capital/assigned capital	43	9,400,000	9,400,000	-	9,400,000	9,400,000	-
Statutory reserve fund	44	5,694,877	5,369,172	6	5,810,742	5,464,218	6
Retained earnings	45	28,462,305	14,408,118	98	33,771,814	18,605,719	82
Other reserves	46	55,285,433	52,196,963	6	57,852,239	54,318,490	7
Total shareholders' equity		98,842,615	81,374,253	21	106,834,795	87,788,427	22
Non-controlling interests	47	-	-	-	-	-	-
Total equity		98,842,615	81,374,253	21	106,834,795	87,788,427	22
Total equity and liabilities		1,752,438,214	1,686,964,592	4	1,779,766,929	1,712,307,725	4
Contingent liabilities and commitments	48	15,042,447	9,884,874	52	15,050,755	9,928,995	52

Memorandum information

Number of employees	4,212	4,358
Number of branches	262	262

Note: Amounts stated are net of impairment and depreciation.

The Notes to the Financial Statements disclosed on pages 8 to 123 are integral parts of these Financial Statements.

Certification

I certify that the above Financial Statements give a true and fair view of the state of affairs of National Savings Bank and the Group as at 31 December 2024 and its profit for the year ended.

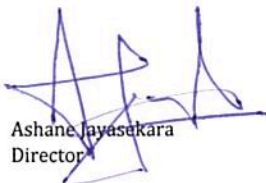


K Raveendran
Senior Deputy General Manager

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Board,



Dr. Harsha Cabral, PC.
Chairman



Ashane Jayasekara
Director



Shashi Kandambi
General Manager/CEO

28 February 2025
Colombo
Sri Lanka



STATEMENT OF CHANGES IN EQUITY
Bank

	Stated capital / assigned capital Rs. '000	Statutory reserve fund Rs. '000	Revaluation reserve Rs. '000	OCI reserve Rs. '000	Other reserves Rs. '000	Retained earnings Rs. '000	Total equity Rs. '000
Balance as at 1 January 2023	9,400,000	5,224,842	6,493,876	(1,669,876)	42,084,235	11,359,152	72,892,229
Profit for the year 2023	-	-	-	-	-	7,216,483	7,216,483
Other comprehensive income (net of tax)	-	-	1,452,340	2,956,339	-	(4,023,187)	385,492
Total comprehensive income for the year	-	-	1,452,340	2,956,339	-	3,193,296	7,601,975
Transactions with equity holders, recognized directly in equity							
Transfers to/from reserves during the year	-	144,330	-	-	-	(144,330)	-
Contribution to consolidated fund-dividend/levy	-	-	-	-	-	-	-
Contribution to national insurance trust fund	-	-	-	-	-	-	-
Transfers to unclaimed deposits reserve	-	-	-	-	880,049	-	880,049
Total transactions with equity holders	-	144,330	-	-	880,049	(144,330)	880,049
Balance as at 31 December 2023	9,400,000	5,369,172	7,946,216	1,286,463	42,964,284	14,408,118	81,374,253
Profit for the year 2024	-	-	-	-	-	16,285,244	16,285,244
Other comprehensive income (net of tax)	-	-	-	2,926,839	-	(1,742,500)	1,184,339
Total comprehensive income for the year	-	-	-	2,926,839	-	14,542,744	17,469,583
Transactions with equity holders, recognized directly in equity							
Transfers to/from reserves during the year	-	325,705	-	-	-	(325,705)	-
Contribution to consolidated fund-dividend/levy	-	-	-	-	-	-	-
Contribution to national insurance trust fund	-	-	-	-	-	(162,852)	(162,852)
Transfers to unclaimed deposits reserve	-	-	-	-	161,631	-	161,631
Total transactions with equity holders	-	325,705	-	-	161,631	(488,557)	(1,221)
Balance as at 31 December 2024	9,400,000	5,694,877	7,946,216	4,213,302	43,125,915	28,462,305	98,842,615

The Notes to the Financial Statements disclosed on pages 8 to 123 are integral parts of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Group

	Stated capital / assigned capital Rs. '000	Statutory reserve fund Rs. '000	Revaluation reserve Rs. '000	OCI reserve Rs. '000	Other reserves Rs. '000	Retained earnings Rs. '000	Total equity Rs. '000
Balance as at 1 January 2023	9,400,000	5,281,952	6,932,981	(1,765,659)	42,951,306	13,589,101	76,389,681
Prior year adjustment*	-	-	-	19,900	-	15,438	35,338
Restated opening balance as at 1 January 2023	9,400,000	5,281,952	6,932,981	(1,745,759)	42,951,306	13,604,539	76,425,019
Profit for the year 2023	-	-	-	-	-	9,616,809	9,616,809
Other comprehensive income (net of tax)	-	-	1,709,903	3,179,609	-	(4,022,962)	866,550
Total comprehensive income for the year	-	-	1,709,903	3,179,609	-	5,593,847	10,483,359
Transactions with equity holders, recognized directly in equity							
Transfers to/from reserves during the year	-	182,266	-	-	410,401	(592,667)	-
Contribution to consolidated fund-dividend/levy	-	-	-	-	-	-	-
Contribution to national insurance trust fund	-	-	-	-	-	-	-
Transfers to unclaimed deposits reserve	-	-	-	-	880,049	-	880,049
Total transactions with equity holders	-	182,266	-	-	1,290,450	(592,667)	880,049
Balance as at 31 December 2023	9,400,000	5,464,218	8,642,884	1,433,850	44,241,756	18,605,719	87,788,427
Profit for the year 2024	-	-	-	-	-	17,659,813	17,659,813
Other comprehensive income (net of tax)	-	-	-	3,132,574	-	(1,744,798)	1,387,776
Total comprehensive income for the year	-	-	-	3,132,574	-	15,915,015	19,047,589
Transactions with equity holders, recognized directly in equity							
Transfers to/from reserves during the year	-	346,524	-	-	239,544	(586,068)	-
Contribution to consolidated fund-dividend/levy	-	-	-	-	-	-	-
Contribution to national insurance trust fund	-	-	-	-	-	(162,852)	(162,852)
Transfers to unclaimed deposits reserve	-	-	-	-	161,631	-	161,631
Total transactions with equity holders	-	346,524	-	-	401,175	(748,920)	(1,221)
Balance as at 31 December 2024	9,400,000	5,810,742	8,642,884	4,566,424	44,642,931	33,771,814	106,834,795

* Please refer Note 53 for details of prior year adjustment.

The Notes to the Financial Statements disclosed on pages 8 to 123 are integral parts of these Financial Statements.

Statement of Cash Flow

For the year ended 31 December		Bank		Group	
		2024	2023	2024	2023
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Note					
Cash flows from operating activities					
Interest receipts		202,040,657	213,131,665	207,054,865	217,040,151
Interest payments		(141,113,474)	(214,047,888)	(120,872,004)	(215,725,905)
Net commission receipts		1,750,558	1,276,369	1,756,353	1,288,229
Trading income		1,319,972	3,025,719	2,050,386	3,864,848
Payment to employees		(19,229,579)	(13,670,876)	(19,753,044)	(13,985,920)
VAT and SSCL on financial services		(9,495,582)	(1,676,459)	(10,045,524)	(2,452,649)
Receipts from other operating activities		341,384	263,012	351,186	347,353
Payment on other operating activities		(6,999,833)	(6,962,648)	(7,212,338)	(7,076,615)
Operating profit before change in operating assets and liabilities		28,614,103	(18,661,106)	53,329,880	(16,700,508)
(Increase) / decrease in operating assets					
Placements with banks		7,060,549	(11,652,088)	8,026,324	(12,248,452)
Derivative financial instrument		(241,327)	80,310	(276,780)	77,223
Financial assets at FVPL		(3,106,029)	(3,521,905)	(6,325,589)	(15,034,040)
Financial assets at amortised cost – loans and advances		(15,430,619)	23,620,755	(13,466,139)	26,461,823
Financial assets at amortised cost - debt and other instrument		(91,233,762)	(13,316,612)	(91,744,837)	(13,853,444)
Proceeds from the sale and maturity of financial investments		-	-	-	-
Other assets		17,754,749	(2,500,591)	17,794,102	(2,482,936)
		(85,196,439)	(7,290,131)	(85,992,919)	(17,079,826)
Increase / (decrease) in operating liabilities					
Due to bank		(8,750,000)	4,750,000	(20,625,367)	2,518,067
Derivative financial instrument	33	258,208	201	258,208	201
Financial liabilities at amortised cost - due to depositors		85,708,062	9,809,431	85,696,513	11,156,350
Financial liabilities at amortised cost - due to debt securities holders		-	-	-	-
Financial liabilities at amortised cost - due to other borrowers		(12,579,138)	44,462,152	(23,170,978)	53,457,442
Debt securities issued	37	(6,323,000)	-	(6,323,000)	3,617
Other liabilities		(5,895,370)	2,109,889	(5,757,565)	2,073,966
		52,418,762	61,131,673	30,077,811	69,209,643
Net cash generated from operating activities before income tax		(4,163,574)	35,180,436	(2,585,228)	35,429,309
Income tax paid		(5,035,397)	(2,403,112)	(5,637,408)	(2,739,667)
Net cash (used in) / from operating activities		(9,198,971)	32,777,324	(8,222,636)	32,689,642
Cash flows from investing activities					
Purchase of property, plant and equipment		(620,581)	(1,145,156)	(630,105)	(1,147,412)
Proceeds from the sale of property, plant and equipment		7,287	3,438	7,287	3,438
Net (increase)/decrease in finance instruments at fair value through other comprehensive income		11,877,564	(30,021,350)	11,058,062	(29,937,745)
Proceeds from the sale and maturity of financial investments		-	-	-	-
Net purchase of intangible assets		(177,346)	(344,272)	(177,346)	(344,272)
Net purchase/improvement to investment properties		-	-	-	-
Net cash flow from acquisition of investment in subsidiaries and associates		-	-	-	-
Dividends received from investment in subsidiaries and associates		-	-	-	-
Net cash (used in)/from investing activities		11,086,924	(31,507,340)	10,257,898	(31,425,991)
Cash flows from financing activities					
Net proceeds from the issue of ordinary share capital		-	-	-	-
Net proceeds from the issue of subordinated debt		-	-	-	-
Repayment of subordinated debt		-	-	-	-
Interest paid on subordinated debt		(3,223,872)	(600,000)	(3,223,872)	(604,003)
Contribution to consolidated fund - dividend/levy		-	-	-	-
Net cash from financial activities		(3,223,872)	(600,000)	(3,223,872)	(604,003)
Net increase/(decrease) in cash and cash equivalents		(1,335,919)	669,984	(1,188,610)	659,648
Cash and cash equivalents at the beginning of the year		9,564,741	8,894,757	9,603,169	8,943,521
Exchange difference in respect of cash and cash equivalent		-	-	-	-
Cash and cash equivalents at the end of the year		8,228,822	9,564,741	8,414,559	9,603,169
Reconciliation of cash and cash equivalents					
Cash in hand	16	4,496,582	2,991,147	4,499,644	2,994,088
Balances with banks	16	3,645,461	6,185,654	3,828,073	6,220,907
Money at call and short notice	16	217,246	333,054	217,246	333,054
Balances with Central Banks	17	357,054	246,998	357,117	247,232
Due to banks	32	(487,521)	(192,112)	(487,521)	(192,112)
		8,228,822	9,564,741	8,414,559	9,603,169

The Notes to the Financial Statements disclosed on pages 8 to 123 are integral parts of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

1.1 Corporate Information

National Savings Bank (NSB) is a licensed specialised Bank incorporated in 1972 under the National Savings Bank Act No. 30 of 1971 and domiciled in Sri Lanka. It is a licensed specialized bank regulated under the Banking Act No. 30 of 1988 and amendments thereto. The registered office of the Bank is located at No. 255, “Savings House”, Galle Road, Colombo 03, Sri Lanka.

Staff Strength

	2024	2023
Bank	4,212	4,358
Group	4,331	4,479

Corporate information is presented in the inner back cover of the Annual Report.

The Bank possesses 262 Branches, 295 ATMs, and 122 CRMs of its Service Outlets and 652 Post Offices and 3,354 Sub-Post Offices as its agency network.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements for the year ended 31 December 2024 comprise of the Bank (Parent) and its two fully owned Subsidiaries, NSB Fund Management Company Ltd. and Sri Lanka Savings Bank Limited. (together referred to as the “Group” and individually as “Bank”)

The Bank is fully owned by the Government of Sri Lanka. The Bank is the ultimate parent of the Group. The Financial Statements of the Bank and its Subsidiaries have a common financial year which ends on 31 December. The Financial Statements of the “Bank” and the “Group” are prepared for the twelve months period ended 31 December each year to be tabled in Parliament.

1.3 Principal Activities and Nature of Operations

Bank

The principal activities of the Bank continued to be the promotion of savings among the people of Sri Lanka and profitable investment of savings so mobilized. NSB is providing wide range of solutions such as accepting deposits, corporate and retail credit, trade financing, loans to government project, pawning, internet banking, SMS banking etc. As per the National Savings Bank Act No 30 of 1971, the Bank is required to invest in government securities a minimum of 60% out of its deposits.

Subsidiaries

NSB Fund Management Company Ltd.

NSB Fund Management Company Ltd., acts as a primary dealer and engaged in dealing in Government Securities.

Sri Lanka Savings Bank Limited

The principal activities of the Bank were mobilising savings and time deposits, providing loans, lease, hire purchase, pawning, and other credit facilities, and settling of the deposit liabilities of defaulted Pramuka Saving and Development Bank Limited (PSDBL) with reconstruction of loan accounts of PSDBL.

Sri Lanka Savings Bank (SLSB) was refrained from granting new loans, accepting deposits, recruiting new staff and entering into new contracts with any party since 2021, due to merger process with NSB. SLSB will merge with National Savings Bank on 31st March 2025 and SLSB will be liquidated after absorption of assets, liabilities, and staff of SLSB in to NSB.

2. Accounting Policies

The accounting policies set out below have been applied consistently in all periods when presenting the Financial Statements, unless otherwise indicated. These policies of the Bank are also consistently applied by the Group where applicable and deviations if any have been disclosed accordingly.

2.1 Basis of Preparation**2.1.1 Statement of Compliance**

The consolidated Financial Statements of the group and the separated Financial Statements of the Bank which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards (LKASs and SLFRSs) issued by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the information required by the Banking Act No. 30 of 1988 and subsequent amendments thereto. These Financial Statements, except for the information in Cash Flow have been prepared following the accrual basis of accounting.

The formats used in the preparation of Financial Statements and the disclosures made therein also comply with the specified formats prescribed by the Central Bank of Sri Lanka in the Circular No. 02 of 2019 dated January 18, 2019, on “Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks” for the preparation, presentation, and publication of Annual Audited Financial Statements of Licensed Banks.

2.1.2 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Group and the Bank as per the provisions of the National Savings Bank Act No. 30 of 1971 and amendments thereto and the Sri Lanka Accounting Standards.

The Board of Directors acknowledges their responsibility for Financial Statements as set out in the “Annual Report of the Board of Directors”, “Statement of Directors’ Responsibility for Financial Reporting” and the certification on the Statement of Financial Position.

These Financial Statements include the following components:

- i. Income Statement and Other Comprehensive Income providing the information on the financial performance of the Group and the Bank for the year under review. (Pages 1 and 2)
- ii. Statement of Financial Position (SOFP) providing the information on the financial position of the Group and the Bank as at the year end. (Pages 3 and 4)
- iii. Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and the Bank. (pages 5 and 6)
- iv. Statement of Cash Flows providing the information to the users, on the ability of the Group and the Bank to generate cash and cash equivalents and utilisation of those cash flows. (Page 7)
- v. Notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information. (Pages 8 to 92)

2.1.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Bank and the Group for the year ended 31 December 2024 (including comparatives for 2023) were approved and authorized for issue on 28 February 2025 by the Board of Directors. (The Financial Statements of the Group and the Bank for the year ended December 31, 2023, were approved, and authorized for issue by the Board of Directors on 20 March 2024).

2.1.4 Basis of Measurement

The Consolidated Financial Statements have been prepared on a historical cost basis, except for the following material items in the Statement of Financial Position, which are measured at fair value.

- (i) Financial assets measured at Fair Value through Other Comprehensive Income (Note 23)
- (ii) Derivative financial instruments (Notes 19 and 33)
- (iii) Financial assets and liabilities recognized through profit or loss (Notes 20 and 34)
- (iv) Financial assets and liabilities designated at fair value through profit or loss (Note 20)
- (v) Land and buildings which are measured at cost at the time of acquisition subsequently measured at revalued amounts, which are the fair values at the date of revaluation. (Note 26)
- (vi) Investment properties are initially recognized at cost and subsequently measured at fair value. (Note 28)
- (vii) Liability for employee defined benefits obligations are recognized at the present value of the defined benefit obligation less the fair value of the plan assets. (Note 38). Net liability for defined benefit obligations are recognised as the present value of the defined benefit obligation, less net total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost, and unrecognised actuarial losses

2.1.5 Functional and Presentation Currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees (Rs.) which is the currency of the primary economic environment in which Group operates, and all values are rounded to the nearest thousand Rupees, unless indicated otherwise. There was no change in the Group's presentation and functional currency during the year under review.

2.1.6 Presentation of Financial Statements

The assets and liabilities of the Bank and the Group presented in the Statement of Financial Position are grouped by their nature and listed in an order that reflects their relative liquidity and maturity pattern.

No adjustment has been made for inflationary factors affecting the Financial Statements. An analysis of maturity patterns of assets and liabilities of the Bank and the Group is presented in Note 55 on pages 115 to 116.

2.1.7 Going Concern

The Board of Directors/Management of the Bank has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, no material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements are prepared on the going concern basis.

2.1.8 Materiality and Aggregation

Each material class of similar items are presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 01 on "Presentation of Financial Statements".

2.1.9 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The comparative information is re-classified where necessary for the better presentation and to conform to the current year's presentation. Comparative information is presented in Note 53 on page 92.

2.1.10 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 1 on "Presentation of Financial Statements" (LKAS 1).

2.1.11 Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the Statement of Financial Position (SOF), only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the IFRS Interpretations Committee and Standard Interpretations Committee) and as specifically disclosed in the Significant Accounting Policies of the Bank.

2.1.12 Significant Accounting Judgments, Estimates and Assumptions

The preparation of Financial Statements of the Bank and the Group in conformity with Sri Lanka Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The significant areas of estimation, critical judgments, and assumptions in applying accounting policies that have most significant effect on the amounts recognized in the Financial Statements of the Bank and the Group are as follows:

A. Significant accounting judgement

Information about judgements made in applying Accounting Policies that have the most significant effects on the amounts recognized in these Financial Statements is included in Notes 2.1.12.1 below:

2.1.12.1 Classification of financial assets and liabilities

As per SLFRS 9, the Significant Accounting Policies of the Group provide scope for financial assets to be classified and measured into different categories, namely, at Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVPL) based on the following criteria:

- The entity's business model for managing the financial assets as set out in Note 2.5.1.4.1 on page 21.
- The contractual cash flow characteristics of the financial assets as set out in Note 2.5.1.4.2 on page 21.

2.1.12.2 Classification of investment property

Management uses its judgement to determine whether a property qualifies as an investment property. A property that is held either to earn rental income or for capital appreciation or both and thus generates cash flows largely independently of the other assets held by the Group are classified as Investment Property. On the other hand, a

property used in the production or supply of goods and services or for administrative purposes and thus generates cash flows that are attributable not only to that property but also to other assets used in the production or supply process are classified as property, plant and equipment. The Group assesses, on an annual basis, the accounting classification of its investment properties, taking into consideration the current use of such properties

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are included in Notes 2.1.12.2 to 2.1.12.9 below.

2.1.12.3 Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using the valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

Methodologies used for valuation of financial instruments and Fair Value Hierarchy are described in more detail in Note 56 to the Financial Statements on page 117.

2.1.12.4 Impairment losses on financial assets

The measurement of impairment losses both under SLFRS 9 and LKAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future Cash Flows and collateral values when determining impairment losses.

Accordingly, the Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided in the Income Statement. In particular, the Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made.

The individual impairment provision applies to financial assets evaluated individually for impairment and is based on Management's best estimate of the present value of the future cash flows that are expected to be received. In estimating these cash flows, Management makes judgements about a borrower's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable.

A collective impairment provision is established for:

- groups of homogeneous loans and advances that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired.

As per SLFRS 9, the Group's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's criteria for qualitatively assessing whether there has been a significant increase in credit risk and if so allowances for financial assets measured on a Life Time Expected Credit Loss (LTECL) basis;
- Segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various statistical formulas and the choice of inputs.
- Determination of associations between macro-economic inputs, such as GDP growth, inflation, interest rates, exchange rates and unemployment and the effect on Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD);
- Selection of forward-looking macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

2.1.12.5 Impairment of non-financial assets

The Group assess at each reporting date whether there is an indication that an asset other than deferred tax asset, may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.1.12.6 Revaluation of property, plant and equipment

The Group measures land and buildings at revalued amounts with changes in fair value being recognized in equity through OCI.

The Group engaged independent professional valuers to determine the fair value of freehold land and buildings in terms of Sri Lanka Accounting Standard (SLFRS 13) "Fair Value Measurement".

The methods and key assumptions used to determine the fair value of the freehold land and buildings are further explained in Note 2.3 to the Financial Statements.

2.1.12.7 Useful lifetime of property, plant and equipment

The Group reviews the residual values, useful lives and methods of depreciation of property, plant and equipment at each reporting date. Judgement of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

2.1.12.8 Deferred tax assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profits will be available against which such tax losses can be utilized. Judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with the future tax-planning strategies.

2.1.12.9 Defined benefit obligation.

The cost of the defined benefit plans and the present value of their obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases.

Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

In determining the appropriate discount rate, Management considers yield of a high-quality corporate bond similar to the remaining weighted average duration of the pension fund. If matching high quality corporate bonds are not available in the market, similar tenure risk adjusted Government bond yield has been used as the discount rate.

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

2.1.12.10 Provisions for liabilities & losses , commitments, and contingencies

The Group receives legal claims against it in the normal course of business. Management makes judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the possible outflow of economic benefits. Timing and cost ultimately depend on the due process in respective legal jurisdiction. Provisions are made for all losses identified in the normal business operation during the year.

2.1.12.11 Leases-(SLFRS 16)

The Bank assesses at the inception of a contract, whether a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration as per the guidelines of SLFRS 16. This assessment considers whether, throughout the period of use, the lessee has both the right to obtain all of the economic benefits from the use of the identified asset and the right to direct how and for what purpose the identified asset is used.

After the assessment of whether a contract is, or contains, a lease, the Bank determines whether it contains additional lease or non-lease (service) components based on the detailed guidance provided in SLFRS 16. Accordingly, the right to use of an identifying asset is a separate lease component if the lessee can benefit from the use of underlying asset either on its own or together with other resources readily available to the lessee and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

2.1.12.11.1 Right -Of -Use Assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

2.1.12.11.2 Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

The Bank uses the interest rate implicit in the lease or if that rate is not readily available, the treasury bond rate (The tenure of the Treasury Bond should be identical to the lease term) at the lease commencement as the discount rate in calculating present value of future cash flows.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

The Group presents right-of-use assets in the face of the statement of financial position and lease liabilities within “other liabilities” in the statement of financial position.

2.1.12.11.3. Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term. The Bank considers the leases

of low value assets, if the value of the underlying asset is less than or equal to Rs. 1 Mn.

2.1.12.11.4. Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew. The Group uses hindsight in determining the lease term where the contract contains options to extend or terminate the lease. Accordingly, Group identified the lease term as the number of years based on the period covered by the Rent Agreement signed by the Group and the lessor.

2.2 Changes in Accounting Policies

There is no major change in accounting policies during the year 2024.

2.3 Fair Value Measurement

“Fair value” is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted pricing in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would consider in pricing a transaction.

The fair value of an asset or a liability is measured using the assumptions that market participants would use the fair value hierarchy when pricing the asset or liability, if market participants act in their economic best interest.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. External professional valuers are involved for valuation of significant assets such as land and building.

An analysis of fair value measurement of financial assets and liabilities is provided in Note 56 on pages 117 to 121.

2.4 Significant Accounting policies – General

2.4.1 Basis of Consolidation

The Financial Statements of the Bank and the Group comprise of the Financial Statements of the Bank and its Subsidiaries in terms of the SLFRS 10 – “Consolidated Financial Statements” and LKAS 27 – “Consolidated and Separate Financial Statements”.

2.4.1.1 Business Combinations

Business combinations are accounted for using the acquisition method when control is transferred to the Group as per Sri Lanka Accounting Standard – SLFRS 3 on “Business Combinations” (SLFRS 3). The consideration transferred in the acquisition and identifiable net assets acquired are measured at fair value. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

2.4.1.2 Non-Controlling Interests (NCI)

Details of NCI are given in Note 47 on page 87.

2.4.1.3 Subsidiaries

The Financial Statements of the subsidiaries are fully consolidated from the date on which control is transferred to the Bank and continued to be consolidated until the date when such control ceases. The Control exists where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Financial Statements of the Bank's subsidiaries for the purpose of consolidation are prepared for the same reporting period as that of National Savings Bank, using consistent accounting policies.

2.4.1.4 Loss of control

When the Group loses control over a subsidiary, it de-recognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

2.4.1.5 Associates

Details are given in the Note 25 on page 64.

2.4.1.6 Transactions eliminated on consolidation

All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full in preparing the Consolidated Financial Statements. Refer Note 49.3 and 49.4 – Transaction with subsidiary companies on pages 88 and 89 respectively.

2.4.2 Foreign Currency Transactions and Balances

All foreign currency transactions are translated into the functional currency, which is Sri Lankan Rupees, using the exchange rates prevailing at the dates on which the transactions were affected.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Sri Lankan Rupees using the middle exchange rate ruling at that date. All exchange differences arising on the settlement of monetary items or on translating monetary items at rates different to those at which they are initially recorded are recognized in the Income Statement in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to functional currency using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.5 Significant Accounting Policies – Recognition of Assets and Liabilities

Financial Instruments

SLFRS 9 – “Financial Instrument” replaces LKAS 39 for annual periods on or after 1 January 2018. The Bank elected, as a policy choice permitted under SLFRS 9, to continue to apply hedge accounting in accordance with LKAS 39.

2.5.1 Financial Instruments - Initial Recognition, Classification and Subsequent Measurement

2.5.1.1 Date of recognition

The Group initially recognises loans and advances, deposits and subordinated liabilities, etc., on the date on which they are originated. Loans and advances to customers are recognised when funds are transferred to the customers’ accounts. The Bank recognises

balances due to depositors when funds are transferred to the Bank. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

2.5.1.2 Recognition and Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 2.5.1.4.1 and 2.5.1.4.2.

Financial instruments are initially measured at their fair value (as defined in Note 56), except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank and the Group accounts for the Day 1 profit or loss, as described below:

2.5.1.3 “Day 1” Profit or Loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or fair value based on a valuation technique whose variables include only data from observable markets, the Group immediately recognizes the difference between the transaction price and fair value (a “Day 1” profit or loss). In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the Statement of Comprehensive Income when the inputs become observable, or when the instrument is derecognized the difference between transaction price and fair value is recognized in Income Statement. The “Day 1 loss” arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) in “Interest Income and Personnel Expenses” over the remaining service period of the employees or tenure of the loan whichever is shorter.

2.5.1.4 Classification and Subsequent measurement of financial assets

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

- Amortised cost,
- Fair Value Through Other Comprehensive Income (FVOCI),
- Fair Value through Profit or Loss (FVPL)

The Bank and the group classifies and measures its derivative and trading portfolio at FVPL as explained in Note 2.5.1.6. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

2.5.1.4.1 Business model assessment

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

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

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

The business model assessment is based on reasonably expected scenarios without taking “worst case” or “stress case” scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2.5.1.4.2 Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

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

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

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

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

Refer Notes 2.5.1.4.3 to 2.5.1.4.5 below for details on different types of financial assets recognised on the Statement of Financial Position.

2.5.1.4.3 Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets measured at amortised cost are given below:

(a) Cash and cash equivalents

Details of “Cash and cash equivalents” are given in Note 16 on page 51.

(b) Balances with central banks

Details of “Balances with central banks” are given in Note 17 on page 51.

(c) Placement with banks

Details of “Placement with banks” are given in Note 18 on page 51.

(d) Financial assets at amortised cost - Loan and advances

Details of “Loan and advances” are given in Note 21 on page 55.

(e) Financial assets at amortised cost - Debt and other instruments

Details of “Debt and other instruments” are given in Note 22 on page 59.

2.5.1.4.4 Financial assets measured at FVOCI

Financial assets measured at FVOCI include debt and equity instruments measured at fair value through other Comprehensive Income.

Financial assets measured at FVOCI are given in Notes (a) and (b) below:

(a) Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the asset’s cash flows represent payments that are solely payments of principal and interest on principal outstanding.

Details of “Debt instruments at FVOCI” are given in Note 23 on pages 62 to 65.

(b) Equity instruments designated at FVOCI

Upon initial recognition, the Group elects to classify irrevocably some of its equity investments held for strategic and statutory purposes as equity instruments at FVOCI. Details of “Equity instruments at FVOCI” are given in Note 23 on pages 61 to 63.

2.5.1.4.5 Financial assets measured at FVPL

As per SLFRS 9, all financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss which are discussed in below.

(a) Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss are recorded in the SOFP at fair value. Changes in fair value are recorded in “Net gain or loss on financial assets and liabilities designated at fair value through profit or loss”. Interest earned is accrued in “Interest Income”, using the EIR, while dividend income is recorded in “Other operating income” when the right to receive the payment has been established.

The Group do not have any designated financial assets upon initial recognition as fair value through profit or loss as at the end of the reporting period.

2.5.1.5 Classification and Subsequent Measurement of Financial Liabilities

As per SLFRS 9, the Group classifies financial liabilities, other than financial guarantees and loan commitments into one of the following categories:

- Financial liabilities at fair value through profit or loss, and within this category as:
 - Held-for-trading; or
 - Designated at fair value through profit or loss:
- Financial liabilities measured at amortised cost.

The subsequent measurement of financial liabilities depends on their classification. SLFRS 9, largely retains the existing requirements in LKAS 39 for the classification of financial liabilities.

2.5.1.5.1 Financial liabilities at fair value through profit or loss

The Group do not have any designated financial liabilities as at fair value through profit or loss as at the end of the reporting period.

2.5.1.5.2 Financial liabilities at amortised cost

Financial liabilities issued by the Group that are not designated at FVPL are classified as financial liabilities at amortised cost under “Due to banks”, “Due to depositors”, “Due to debt securities holders”, “due to other borrowers”, or “Debt security issued” as appropriate, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

After initial recognition, such financial liabilities are subsequently measured at amortised cost using the EIR (Effective Interest Rate) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included in “Interest expense” in the Income Statement. Gains and losses too are recognised in the Income Statement when the liabilities are derecognised as well as through the EIR amortisation process.

(a) Due to banks

Details of “Due to banks” are given in Note 32 on page 73.

(b) Due to depositors

Details of “Due to depositors” are given in Note 35 on page 74.

(c) Due to debt securities holders

Details of “Due to debt securities holders” are given in Note 35 on page 74.

(d) Due to other borrowers

Details of “Due to other borrowers” are given in Note 35 on page 74.

(e) Debt security issued

Details of “Debt security issued” are given in Note 37 on pages 75 to 77.

2.5.1.6 Derivative Assets and Liabilities

A derivative is a financial instrument or other contract with all three of the following characteristics:

1. Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the “underlying”).
2. It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
3. It is settled at a future date.

The Bank enters derivative transactions with various counterparties. These include interest rate swaps, credit default swaps, cross-currency swaps, forward foreign exchange contracts and foreign currencies. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed separately in Note 19. Changes in the fair value of derivatives are included in net trading income unless hedge accounting is applied.

2.5.1.6.1 Derivative recorded at fair value through profit or loss

Derivative financial assets are recorded at fair value. Changes in the fair value of derivatives are included in “Net Gains/(Losses) from Trading” in the Income Statement.

2.5.1.6.2 Derivative held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets and liabilities. Derivatives held for risk management purposes are measured at fair value in the SOFP.

2.5.1.7 Reclassification of financial assets and liabilities

As per SLFRS 9, Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Group changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

2.5.1.7.1 Measurement of reclassification of financial assets

2.5.1.7.1.1 Reclassification of Financial Instruments at “Fair value through profit or loss”

- to Fair value through other comprehensive income
The fair value on reclassification date becomes the new gross carrying amount. The EIR is calculated based on the new gross carrying amount. Subsequent changes in the fair value is recognized in OCI.

- to Amortised Cost
The fair value on reclassification date becomes the new carrying amount. The EIR is calculated based on the new gross carrying amount.

2.5.1.7.1.2 Reclassification of Financial Instruments at “Fair value through other comprehensive income”

- to fair value through profit or loss
The accumulated balance in OCI is reclassified to profit and loss on the reclassification date.
- to amortised cost
The financial asset is reclassified at fair value. The cumulative balance in OCI is removed and is used to adjust fair value on the reclassification date. The adjusted amount becomes the amortised cost.

EIR determined at initial recognition and gross carrying amount are not adjusted as a result of reclassification.

2.5.1.7.1.3 Reclassification of financial instruments at “Amortised Cost”

- to fair value through other comprehensive income
The asset is remeasured to fair value, with any difference recognised in OCI. EIR determined at initial recognition is not adjusted as a result of reclassification.
- to fair value through profit or loss
The fair value on the reclassification date becomes the new carrying amount. The difference between amortised cost and fair value is recognised in profit and loss.

Bank and the Group do not have any reclassification of financial instrument for the reporting period.

2.5.1.8 De-recognition of financial assets and financial liabilities

2.5.1.8.1 Financial assets

The Group derecognises a financial asset (or where applicable a part thereof) when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset de-recognised) and the sum of the consideration received (including any new asset obtained less and new liability assumed) and any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

However, cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities as per SLFRS 9. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its SOFP, but retains either all or substantially all risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on the basis that reflected the rights and obligations that the Group has retained.

2.5.1.8.2 Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expired.

2.5.1.9 Modification of financial assets and financial liabilities

2.5.1.9.1 Modification of Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value.

As per SLFRS 9, if the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in de-recognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

2.5.1.9.2 Modification of Financial Liabilities

Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the

financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

2.5.1.10 Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the SOFP if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Bank and the group do not offset any financial instrument for the reporting period.

2.5.1.11 Amortised cost and gross carrying amount

The “amortised cost” of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL allowance.

The “gross carrying amount of a financial asset” is the amortised cost of a financial asset before adjusting for any ECL allowance.

2.5.1.12 Fair value of financial instruments

Fair value measurement of financial instruments including the fair value hierarchy is explained in Note 2.3 and 56 on pages 17 and 117.

2.5.2 Impairment of financial assets

2.5.2.1 Overview of the Expected Credit Loss (ECL) principles

From 1 January 2018, the Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as “financial instruments”. Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months’ expected credit loss (12mECL). The Bank’s policies for determining if there has been a significant increase in credit risk are set out in Note 2.5.2.7 on page 32.

The 12m ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

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

Stage 1:

- When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, but not originally credit impaired on initial recognition and the loan has been reclassified from Stage 2.

Stage 2:

- When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 1.
- Credit facilities, where contractual payments of a customer are more than 30 days past due, other than the credit facilities categorized under Stage 3 below, subject to the rebuttable presumption as stated in SLFRS 9.

Stage 3:

- Credit facilities where contractual payments of a customer are more than 90 days past due, subject to the rebuttable presumption as stated in SLFRS 9.
- All restructured loans, which are restructured more than twice.
- All rescheduled loans.
- All credit facilities/customers classified as non-performing as per CBSL Directions.
- When the risk rating of a customer or an instrument has been downgraded to B+ by an external credit rating agency and/or when there is a two-notch downgrade in the banks internal rating system.
- Credit facilities/customers in which Significant Increase in Credit Risk (refer Note 2.5.2.7).

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

2.5.2.2 The calculation of ECL

The Group calculates ECL to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanism of the ECL calculations is outlined below and the key elements are, as follows:

- **Probability of Default (PD)**

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

- **Exposure at Default (EAD)**

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

- **Loss Given Default (LGD)**

The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier. Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarized below:

- **Stage 1:**

The 12m ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

- **Stage 2:**

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

- **Stage 3:**

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

2.5.2.3 Individual assessment of impairment

For financial assets above a pre-determined threshold (i.e. for individually significant financial assets), if there is objective evidence that an impairment loss had been

incurred, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that had not been incurred).

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure was probable. Detail of Individual assessment of impairment are given in Note 21. (d) on page 56.

2.5.2.4 Individually significant assessment and not impaired individually.

Loans which are individually significant but not impaired will be assessed collectively for impairment either under Stage 1 or Stage 2 based on the criteria whether there has been significant credit deterioration since origination.

While establishing significant credit deterioration the Bank will consider the following criteria:

- Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated.
- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instrument.
- Other Information related to the borrower, such as changes in the price of a borrower's debt/equity instrument.
- An actual/expected internal credit rating downgrade for the borrower or decrease in behavioural score used to assess credit risk internally.
- Existing or forecast adverse changes in business, financial or economic condition that are expected to cause significant change in the borrower's ability to meet its obligation.
- An Actual or expected significant change in the operating results of the borrower in relating to actual/expected decline in revenue, increase in operating risk, working capital deficiency, decrease in asset quality, Increase in gearing, liquidity management problems.
- Significant increase in credit risk on other financial instruments of the same borrower.
- An Actual or expected significant adverse change in the regulatory, economic or technological environment of the borrower that result in a significant change in the borrower's ability to meet the debt obligation.

2.5.2.5 Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the SOFP, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets. Bank and the group do not have any debt instrument measured at fair value through OCI subject to impairment as at reporting period.

2.5.2.6 Forward looking information

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

- GDP growth
- Unemployment rates
- Inflation rates
- Exchange rates
- Interest rates

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

2.5.2.7 Significant increase in credit risk

The Group continuously monitors all assets subject to ECL, in order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assess whether there has been a significant increase in credit risk since initial recognition. The Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis based on the Banks historical experience and expert credit assessment and including forward looking information. Accordingly, the Group considers the significant increase in credit risk when one of the following factors/conditions are met.

- Contractual payments of the facility are past due for more than 30 days (Indication of SICR)
- A fall of 50% or more in the turnover or profit before tax of the borrowing entity when compared to the previous year for two consecutive years (Indication of SICR)
- Erosion of net-worth of the borrowing entity by more than 25% when compared to previous financial year. (Indication of SICR)
- External Credit rating of a borrowing entity has been subsequently downgraded to BB+ or below (Indication of SICR) (Subsequent downgrading of the original credit rating (at the time of granting) should be considered)
- A two-notch downgrade under internal rating (Indication of SICR)
- Credit Facility was restructured up to 2 times other than upgraded credit facility
- Delay in commencement of business operations/projects by more than two years from the originally agreed date (Could be both SICR or default criteria depending on the customer risk)
- Value of collateral is significantly reduced (more than 25%) or realizability of collateral is doubtful based on specific indication for particular property. (Property index) (Indication of SICR)
- Frequent changes in the Board of Directors and Senior Management-Based on the publicly available information (Indication of SICR)
- Direct evidence is available that the borrower is using loan proceeds for a purpose other than the purpose specified in the loan agreement
- Withdrawal of Guarantee by Guarantor without any risk mitigation action

- Significant increase (25%) in project cost from estimated cost until the completion point of project. This factor is relevant for assessment until the project is commenced.
- A one notch downgrade from current external rating excluding the rating from AAA to BBB-.
- Direct evidence is available that the borrower is subject to litigation that significantly affect the performance of the credit facility based on credible information. (Could be both SICR or default criteria depending on the customer risk)
- Significant change in the geographical location or Natural catastrophes that directly impact the performance of the credit facility where settlement of dues could be prevented. (Could be both SICR or default criteria depending on the customer risk)
- Deterioration of the macroeconomic outlook to the extent that would impair the repayment capacity of the project/facility for which the loan was granted or to the industry in which the project is operating. This includes the impact from new regulations/government policies which would prevent the operations to repay the debt as agreed. (Could be both SICR or default criteria depending on the customer risk)
- Modification of terms resulting in concessions, including extensions, deferment of payments, waiver of covenants etc. Which have negative impact on the repayment of the facility. (Could be both SICR or default criteria depending on the customer risk)
- Unable to contact or find the borrower (Default indicator)
- Credit facilities are restructured more than 2 times other than upgraded credit facilities (Indication of credit impaired)
- Reschedule credit facilities other than upgraded credit facilities
- Contractual payments of facility are past due for more than 90 days
- The auditor has qualified the audit opinion due to going concern issues or has issued a disclaimer or adverse opinion
- Direct evidence is available that the borrower is insolvent/the liquidation action has already commenced or about to commence (Default indicator)

2.5.2.8 Definition of default and credit-impaired assets

The Group considers loans and advances to other customers be defaulted when:

- The borrower is unlikely to pay its obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The borrower becomes 90 days past due on its contractual payments.
-

In addition, the Group classifies the financial investments under Stage 3 when the external credit rating assigned to the particular investment is “default”.

2.5.3 Property, plant and equipment (PPE)

Details of property, plant and equipment are given in Note 26 on Page 65.

2.5.3.1 Depreciation

Details of “Depreciation” are given in Note 26 on page 65.

2.5.3.2 Borrowing costs

As per the Sri Lanka Accounting Standard – LKAS 23 on “Borrowing Costs”, the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the profit or loss in the period in which they occur. Bank and the Group do not capitalize any borrowing cost for the reporting period.

2.5.4 Intangible assets

Details of Intangible assets are given in Note 29 on pages 69 to 71.

2.5.5 Impairment of non-financial assets

The Group assess at each reporting date whether there is an indication that an asset other than deferred tax asset, may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.5.6 Retirement benefit obligation

2.5.6.1 Defined Benefit Pension Plans

2.5.6.1.1 Staff Pension Fund – I

The Bank operates a defined benefit pension plan, for the permanent staff members who have joined the Bank prior to 1 October 1995, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit pension plan-I is determined using the Projected Unit Credit actuarial valuation method. Actuarial gains and losses are recognised in the Other Comprehensive Income in the period in which they arise.

The defined benefit asset or liability is calculated as the present value of the defined benefit obligation less past service costs not yet recognised and less the fair value of planned assets out of which the obligations are to be settled directly, less actuarial losses not yet recognised. The value of the defined benefit liability is borne by the Bank and recognized in the profit or loss. The value of any asset is restricted to the sum of any actuarial losses and past service cost not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

The latest actuarial valuation was carried out as of 31 December 2024, by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries.

The principal financial assumptions used in the valuation as at 31 December 2024 are as follows:

Interest/Discount rate	11% p.a.
Increase in cost-of-living allowances	6.5% p.a.
Increase in average basic salary	8% p.a.

The assets of the fund are held separately from these of the Bank and are independently administrated by the Trustees as per the provisions of the Trust Deed and are subject to annual audit by Independent External Auditors. The Financial Statements of the pension I as well as the Auditor's Report are tabled and reviewed by the Board of Trustees and Board of Directors of the Bank. They are also submitted for review of the disclosure of the Bank, as the Bank has an obligation of ensuring that funding is made at optimum levels. Pension is payable monthly as long as the participant is alive.

Details of Staff pension fund I are given in Note 38. (a) 1 on pages 78 to 80.

The past service cost not funded is recognized in Other Comprehensive Income immediately upon actuarial valuation. The actuarial valuation as at 31 December 2024 indicated a deficit in net obligation of Rs. 12,899 Mn which has been provided in full. The details of unfunded pension liability are given in Note 38(a) 1 on pages 78 to 80.

2.5.6.1.2 Staff Pension Fund – II

The Bank established and operated a defined benefit pension plan, for the permanent staff members who have joined the Bank on or after 1 October 1995, which requires the Bank to monthly contribute 12% of members' gross salary to a separately administered fund. The cost of providing benefits under the defined benefit pension plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in the Other Comprehensive Income in the period in which they arise.

The defined benefit asset or liability is calculated as the present value of the defined benefit obligation less past service costs not yet recognised and less the fair value of planned assets out of which the obligations are to be settled directly, less actuarial losses not yet recognised. The value of the defined benefit liability is borne by the Bank and recognized in the profit or loss. The value of any asset is restricted to the sum of any actuarial losses and past service cost not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

The latest actuarial valuation was carried out as of 31 December 2024, by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries.

The principal financial assumptions used in the valuation as at 31 December 2024 are as follows:

Interest/Discount rate	11% p.a.
Increase in cost-of-living allowances	6.5 % p.a.
Increase in average basic salary	8 % p.a.

The assets of the fund are held separately from assets of the Bank and are independently administrated by the Trustees as per the provisions of the Trust Deed and are subject to annual audit by Independent External Auditors. The Financial Statements of the pension II as well as the Auditor's Report are tabled and reviewed by the Board of Trustees and Board of Directors of the Bank. They are also submitted for review of the disclosure of the Bank,

as the Bank has an obligation of ensuring that funding is made at optimum levels. Pension is payable monthly as long as the participant is alive.

Details of Staff pension fund II are given in Note 38 (a) 2 on pages 80 to 82.

The past service cost not funded is recognized in Other Comprehensive Income immediately upon actuarial valuation. The actuarial valuation as at 31 December 2024 indicated a deficit in net obligation of Rs. 447 Mn which has been recognized. The details of advance payment to Pension II are given in Note 38 (a) 2 on pages 80 to 82.

2.5.6.1.3 Widows'/Widowers' and Orphans' Pension Fund

Effective from 2013 December, the Bank has established a "Widows'/Widowers' and Orphans" Pension Scheme for the members of Pension scheme - II. Members of Pension Scheme II are opting for be members of the Widows'/Widowers' and Orphans Pension Scheme. The Bank does not contribute to the Fund while Bank's employees monthly contribute 5% of their basic salary, to the Fund.

2.5.6.2 Gratuity

With the establishment of Staff Pension Scheme II, employees who joined the Bank on or after 1 October 1995 become members of the Pension Scheme II, thus they are not entitle to the rights and privileges under Service Gratuity Scheme. However, a minimum period of 120 months uninterrupted active service in the Bank at the time of retirement is required to be eligible for any retirement benefit under this pension scheme. Therefore, employees who retire before 10 years of service and whose services are terminated after five years other than by retirement are eligible to receive a terminal gratuity under the Payment of Gratuity Act No. 12 of 1983, at the rate of half of the gross salary applicable to the last month of the financial year, for each year of continuous service.

Probability of occurrence of such event is rare according to Management's judgment and past experiences. A gratuity provision is not maintained in the Financial Statements unless a significant liability is estimated at reporting date. Where a gratuity is paid to an employee in such event under Payment of Gratuity Act No. 12 of 1983, it is recognised as a gratuity expense in the Income Statement in the same year.

2.5.6.3 Post-employment medical benefits

The Bank has a contributory medical assistance scheme for the retired employees. The assets of the plan are held independently of the Bank's assets and administered by Boards of Trustees, representing the Management and the employees, as provided in the trust deed of the fund. The cost of providing benefits under the defined benefit pension plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized in the Other Comprehensive Income in the period in which they arise.

The Bank contributes to the contributory medical scheme an amount determined by the Management of the Bank based on actuarial recommendations made from time to time. Accordingly, a sum of Rs. 788 Mn has been provided from the profit of 2024.

The latest actuarial valuation was carried out as of 31 December 2024, by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of

professional Actuaries. The principal financial assumptions used in the valuation as at 31 December 2024 are as follows:

Interest/Discount rate	11.5 % p.a.
Medical cost inflation rate	8 % p.a.

The assets of the fund are held separately from these of the Bank and are independently administered by the Trustees as per the provisions of the Trust Deed and are subject to annual audit by Independent External Auditors. The Financial Statements of the pension II as well as the Auditor's Report are tabled and reviewed by the Board of Trustees and Board of Directors of the Bank. They are also submitted for review of the disclosure of the Bank, as the Bank has an obligation of ensuring that funding is made at optimum levels. Pension is payable monthly as long as the participant is alive.

Details of Post-employment medical benefits are given in Note 38 (a) 3 on pages 82 to 83.

The past service cost not funded is recognized in Other Comprehensive Income immediately upon actuarial valuation. The actuarial valuation as at 31 December 2024 indicated a deficit in net obligation of Rs. 5,143 Mn which has been provided in full. The details of Unfunded Liability are given in Note 38 (a) 3 on pages 82 to 83.

2.5.6.4 Defined contribution plans

Details of defined contribution plans are given in Note 11 on page 45.

2.5.7 Other liabilities

Details of other liabilities are given in Note 41 on page 84.

2.5.8 Provisions

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

2.5.8.1 Provision for fraudulent withdrawals

The total value of fraudulent withdrawals identified as at 31 December 2024 was Rs. 290 Mn. And ex-gratia payment Rs. 15 Mn received from insurance. A provision of Rs. 275 Mn has been made for the balance fraudulent withdrawals as at as at 31 December 2024.

2.5.9 Contingent liabilities and commitments

This includes Bank guarantees, Letter of credit, undrawn credit facilities, other indirect credit facilities and capital commitment. The Bank guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Undrawn loan commitments and Letters of Credits are

commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer.

Effective from 1 January 2018, these contracts are subject to the assessment of impairment under SLFRS 09.

Details of Contingent liabilities and Commitments are given in Note 48 on page 87.

2.5.10 Earnings per share (EPS)

Details of “Basic and Diluted EPS” are given in Note 14 on page 48

2.6 Significant accounting policies - recognition of income and expenses for financial instruments

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Details of “income and expenses” are given in Notes 3 to 14 on pages 40 to 48.

2.6.1 Interest income and expenses

Details of “interest income and expenses” are given in Note 3 to 4 on pages 40 to 42.

2.6.2 Fee and commission income

Details of “Commission income and expenses” are given in Note 5 on page 42.

2.6.3 Net trading income

Details of “Net gains/ (losses) from trading” are given in Note 6 on page 43.

2.6.4 Dividend income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Details of “Dividend income” is given in Note 9 on page 43.

2.6.5 Rent income

Rent income is recognized in profit or loss on an accrual basis. Details of “Rent income” is given in Note 9 on page 43.

2.7 Significant accounting policies - taxation

2.7.1 Current taxation

Details of Current taxation are given in Note 13 on page 47.

2.7.2 Deferred taxation

Details of deferred taxation are given in Notes 13 and 30 on pages 47 and 71 respectively.

2.7.3 Value added tax on financial services (VAT)

VAT on financial services is calculated in accordance with section 25A of Value Added Tax Act No. 14 of 2002 and subsequent amendments thereto. VAT on financial services is

payable at 18% on operating profit before value added tax and social security contribution levy on financial services adjusted for emoluments of employees and economic depreciation.

2.7.4 Social Security Contribution Levy (SSCL)

The Social Security Contribution Levy (SSCL) is imposed with effect from 1 October 2022 under the Social Security Contribution Levy Act No. 25 of 2022. The Levy shall be charged at the rate of 2.5% on the value of the article ascertained for the purpose of the Value Added Tax under Section 6 of the Value Added Tax Act No. 14 of 2002.

2.8 Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the “Direct Method” of preparing cash flows in accordance with the LKAS 7. Cash and cash equivalents comprise short term, highly liquid investment that is readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in hand, balances with banks and money at call and short notice. The Statement of Cash Flows is given on page 7.

2.9 Regulatory provisions

2.9.1 Deposit insurance scheme

The Bank calculates the insurance premium on eligible deposit base at the rate of 0.10% which is the applicable statutory rate based on capital adequacy ratio of the Bank. The Bank has remitted the applicable premium within a period of 15 days from the end of each quarter as stipulated by the Direction.

2.9.2 Crop Insurance Levy (CIL)

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

2.10 Events after the reporting period

Details of events after reporting date are given in Note 52 on page 92.

2.11 Accounting standards issued but not yet effective as at reporting date.

There were no new or amended standards and interpretations that are issued but not yet effective, up to the date of issuance of the Bank's/ group's Financial Statements that results in a material impact to Bank or Group.

Sri Lanka Accounting Standard – SLFRS 17 on “Insurance Contracts” (SLFRS 17) is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, SLFRS 17 will replace Sri Lanka Accounting Standard – SLFRS 4 on “Insurance Contracts” (SLFRS 4) that was issued in 2005. SLFRS 17 is effective for annual reporting periods beginning on or after January 01, 2026. The Group does not expect this will result in a material impact on its Financial Statements.

03. Gross income**Accounting policy**

Gross revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The specific recognition criteria must also be met before revenue recognition is discussed under respective income notes.

For the year ended 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest income	203,748,274	226,967,227	208,632,122	231,204,088
Fee and commission income	2,078,830	1,593,415	2,085,090	1,605,521
Net gain/(loss) from trading	911,630	1,425,791	1,791,936	3,701,827
Net fair value gains/(losses) from financial instruments at fair value through profit or loss	-	-	-	-
Net gains/(losses) from de-recognition of financial assets	442,273	1,820,617	442,273	1,820,617
Net other operating income	455,941	257,272	465,743	492,598
Gross income	207,636,948	232,064,322	213,417,164	238,824,651

04. Net interest income**Accounting policy****Recognition of interest income and interest expenses**

For all financial instruments measured at amortised cost, interest-bearing financial assets classified as fair value through other comprehensive income and financial instruments measured at fair value through profit or loss, interest income or expense is recorded using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, pre-payment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

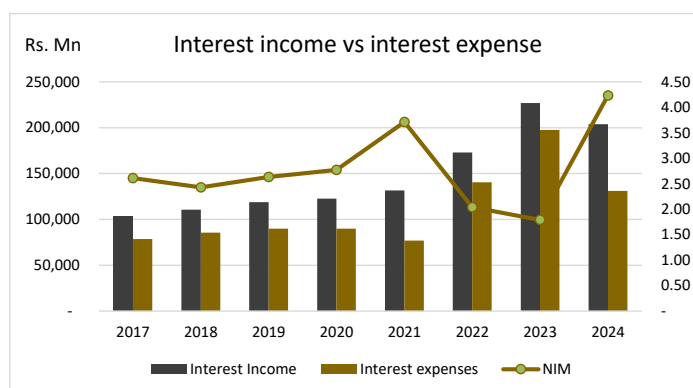
The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as interest income for financial assets and interest expense for financial liabilities. However, for a reclassified financial asset for which the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase are recognized as an adjustment to the EIR from the date of the change in estimate.

When calculating the EIR for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses (ECLs). For credit-impaired financial assets which are classified under Stage 3, a credit-adjusted EIR is calculated using estimated future cash flows including ECLs. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost. Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

For the year ended 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
04.(a) Interest income				
Cash and cash equivalents	66,042	186,984	69,056	196,588
Balances with central banks	-	-	-	-
Placements with banks	1,300,589	1,260,615	1,349,728	1,416,223
Derivative financial instruments	-	-	-	-
Financial assets recognized through profit or loss				
- Measured at fair value	2,193,865	3,214,030	5,374,556	5,797,276
- Designated at fair value	-	-	-	-
Financial assets at amortised cost				
- loans and advances	68,747,284	87,805,226	68,824,412	87,768,331
- debt and other instruments	127,020,632	127,897,236	128,501,143	129,337,433
Financial assets measured at fair value through other comprehensive income	4,419,862	6,603,136	4,513,227	6,688,235
Others	-	-	-	-
Total interest income	203,748,274	226,967,227	208,632,122	231,204,088

04.(b) Interest expenses

Due to banks	337,623	699,246	509,448	1,685,203
Financial liabilities recognized through profit or loss	-	-	-	-
Financial liabilities at amortised cost				
- due to depositors	123,882,172	185,701,754	123,892,009	185,556,313
- due to debt securities holders	-	-	-	-
- due to other borrowers	3,427,151	3,443,789	5,639,363	4,468,243
Debt securities issued	3,319,253	7,557,223	3,319,253	7,557,223
Total interest expenses	130,966,199	197,402,011	133,360,073	199,266,982
Net interest income	72,782,075	29,565,216	75,272,049	31,937,106

**04.(c) Net interest income from Sri Lanka Government Securities**

Interest income and interest expenses on Government Securities given below have been extracted from interest income and interest expenses given in Notes 4. (a) and 4. (b) respectively and disclosed separately, as required by the Guidelines issued by the Central Bank of Sri Lanka.

For the year ended 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest income				
Financial assets recognized through profit or loss				
- measured at fair value	2,193,865	3,214,030	5,374,556	5,797,276
- designated at fair value	-	-	-	-
Financial assets at amortised cost				
- loans and advances (Securities purchased under resale agreements)	930,973	802,154	930,103	680,788
- debt and other instruments	109,630,388	95,565,494	110,756,375	96,550,554
Financial assets measured at fair value through other comprehensive income	4,419,862	6,603,136	4,513,227	6,688,235
	117,175,088	106,184,814	121,574,261	109,716,853
Less: Interest expenses				
Due to banks (Securities sold under repurchase agreements)	337,623	699,246	509,448	1,618,294
Due to other borrowers (Securities sold under repurchase agreements)	3,427,152	3,443,789	5,635,552	4,455,234
	3,764,775	4,143,035	6,145,000	6,073,529
Net interest income from Sri Lanka Government Securities	113,410,313	102,041,779	115,429,261	103,643,325

04.(d) Debt Moratorium and Deferment impact to Interest Income

The bank has given its debt moratorium and payment deferment to all of its customers other than who refused to have debt moratorium or payment deferments. The moratorium has been given at the concessionary rate of seven percent and the payments are deferred until the end of the loan period. The moratorium period has been varied from two months to six months and in a very limited scenario it has been extended to more than six months.

During the Financial year 2024 bank has recognized Rs. 105.9 Mn interest income from deferred day one loss of Rs. 1,391 Mn on day one in 2020 and deferred day one loss was recorded as Rs. 379.8 Mn as at 31.12.2024. It was due to timing difference and early payment of customer.

04.(e) Domestic Debt Optimisation (DDO) program impact to Interest Income

Under the Domestic Debt Optimisation (DDO) program the Bank has converted Sri Lanka Development Bond portfolio in full to the LKR Bonds under option III in year 2023.

As per the common framework issued by the Institute of Chartered Accountants of Sri Lanka for the determination of day 1 difference arising from the DDO program of the Government of Sri Lanka, the Bank has recognized Rs. 155.3 Mn of day one loss as at 31.12.2024.

05. Net fee and commission income**Accounting Policy**

The Group earns fee and commission income from range of services it provides to customers which can be divided in to the following two categories.

(a) Fee and commission income earned from services that are provided over a certain period of time:

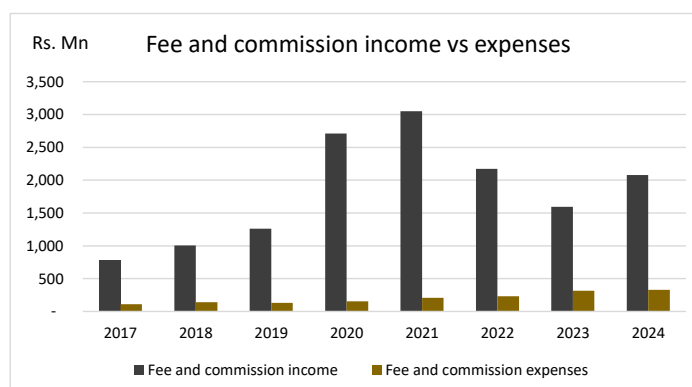
Fee and commission earned for the provision of services over a period of time are accrued over that period.

(b) Fee and commission income from providing transaction services:

Fee and commission income arising from renegotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised as the related services are performed.

Fees and commission expenses relating to transactions and services are expensed as the services are received. Fee and commission expenses are recognised on an accrual basis.

For the year ended 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Fee and commission income	2,078,830	1,593,415	2,085,090	1,605,521
Fee and commission expenses	(328,272)	(317,046)	(328,737)	(317,292)
Net fee and commission income	1,750,558	1,276,369	1,756,353	1,288,229
Comprising				
Loans	721,275	501,788	721,476	502,091
Cards	492,917	446,578	492,917	446,578
Trade and remittances	426,474	237,369	426,474	237,369
Corporate banking	8,767	4,000	8,767	4,000
Deposits	48,636	45,900	48,636	45,900
Guarantees	17,038	22,178	17,038	22,178
Others	35,451	18,557	41,045	30,114
Net fee and commission income	1,750,558	1,276,369	1,756,353	1,288,229



06. Net gain/(loss) from trading**Accounting Policy**

Net trading income includes all gains and losses and related dividend for "financial assets recognized through profit or loss" other than interest income and include income from foreign exchange.

Dividend income is recognised when the Group's right to receive the payment is established.

For the year ended 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Foreign exchange				
From other customers	(33,967)	200,367	(33,967)	200,367
Fixed income securities	623,483	836,455	1,468,336	3,109,403
Equity securities	555,233	335,908	555,233	335,908
Derivative financial instruments	(233,119)	53,062	(197,666)	56,150
Total	911,630	1,425,791	1,791,936	3,701,827

07. Net fair value gains/(losses) from financial instruments at fair value through profit or loss**Accounting Policy**

Net fair value gains/(losses) includes all unrealized gains and losses from changes in fair value of "financial assets and financial liabilities recognized through profit or loss".

For the year ended 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gains on financial assets at fair value through profit or loss	-	-	-	-
Losses on financial assets at fair value through profit or loss	-	-	-	-
Gains on financial liabilities at fair value through profit or loss	-	-	-	-
Losses on financial liabilities at fair value through profit or loss	-	-	-	-
Total	-	-	-	-

08. Net gains/(losses) from de-recognition of financial assets**Accounting Policy**

"Net gains/(losses) from de-recognition of financial assets' comprise gains less losses related to financial assets measured at fair value through other comprehensive income and de-recognized asset at amortised cost.

For the year ended 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Recognised at:				
Fair value through profit or loss	-	-	-	-
Amortised cost	-	-	-	-
Fair value through other comprehensive income	442,273	1,820,617	442,273	1,820,617
Total	442,273	1,820,617	442,273	1,820,617

09. Net other operating income**Accounting Policy****i. Gain/(loss) on disposal of property, plant and equipment**

The gains or losses on the disposal of property, plant and equipment is determined on the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, net of disposal costs. This is recognised in other operating income in the year in which significant risks and rewards of ownership are transferred to the buyer.

ii. Foreign exchange gain/(loss)

Foreign currency positions are revalued at each reporting date. Gains and losses arising from changes in exchange rates are included in Income Statement in the period in which they arise.

iii. Dividend income

Dividend earned from financial assets measured at fair value through other comprehensive income is recognised when the Group's right to receive the payment is established.

For the year ended 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gain/(loss) on investment properties	-	-	-	-
Gain/(loss) on sale of property, plant and equipment	4,439	2,311	4,396	2,311
Gain/(loss) on revaluation of foreign exchange	105,430	(8,652)	105,430	(8,652)
Revaluation gain on investment properties	-	-	-	144,023
Recovery of loans written off	-	-	9,381	11,908
Less: Loans written off	-	-	-	-
Dividend income	164,373	106,614	167,331	107,276
Rent income	25,305	31,106	19,255	31,149
Other income	156,394	125,892	159,950	204,582
Total	455,941	257,272	465,743	492,598

10. Impairment charges

Accounting Policy

The Group recognises the changes in the impairment provisions for all financial instruments, which are assessed as per Sri Lanka Financial Reporting Standard - SLFRS 9 on "Financial Instrument". The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The methodology adopted for impairment is explained in Note 21 (d) to the Financial Statements.

For the year ended 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Impairment charge	11,163,749	4,213,060	11,151,377	4,111,956
Loan write-off/waive-off	42,307	45,768	42,307	48,022
Total	11,206,056	4,258,828	11,193,684	4,159,978

10.1 Impairment charges

For the year ended 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents				
Stage 1	(746)	153	(746)	153
Placement with banks				
Stage 1	1,252	(14)	1,100	113
Stage 2	-	2,847	-	2,847
Financial assets at amortised cost - loans and advances [Note 21(d)]				
Stage 1	274,093	(264,912)	268,455	(278,552)
Stage 2	(1,372,754)	878,398	(1,391,335)	858,756
Stage 3	7,655,975	4,535,471	7,668,017	4,467,493
Financial assets at amortised cost - debt instruments [Note 22(b)]				
Stage 1	3,260	(10)	3,217	19
Stage 2	-	(938,873)	-	(938,873)
Stage 3	-	-	-	-
Financial assets measured at fair value through other comprehensive income [Note 23(b)]	-	-	-	-
Contingent liabilities and commitments (Note 48)	-	-	-	-
Investment in subsidiaries [Note 24(d)]	-	-	-	-
Investments in associates and joint ventures (Note 25)	-	-	-	-
Property, plant and equipment (Note 26)	-	-	-	-
Investment properties (Note 28)	-	-	-	-
Others (Note 31.1)	-	-	-	-
Receivable from treasury (Note 31.2)	4,602,669	-	4,602,669	-
Total	11,163,749	4,213,060	11,151,377	4,111,956

10.2 Impact of Management Overlay to impairment charges**Impact to ECL due to Management Overlay**

Retail loans and advances of selected sectors which were initially grouped under Stage 1 moved to Stage 2. As a result, Loans and Advances amounting to Rs. 5,791.1 Mn were moved from state 1 to stage 2 and provision for impairment was increased by Rs. 556.7 Mn for the year ended 31 December 2024.

Movement of loans and advances from Stage 1 to Stage 2

	Stage 1	Stage 2	Net Impact
Exposure (Rs. '000)	(5,791,068)	5,791,068	-
Impairment Provision(Rs. '000)	(94,070)	650,812	556,742

Retail loans and advances of selected sectors which were initially grouped under Stage 2 moved to Stage 3. As a result, Loans and Advances amounting to Rs. 416.3 Mn were moved from State 2 to Stage 3 and provision for impairment was increased by Rs. 118.2 Mn for the year ended 31 December 2024.

Movement of loans and advances from Stage 2 to Stage 3

	Stage 2	Stage 3	Net Impact
Exposure (Rs. '000)	(416,274)	416,274	-
Impairment provision(Rs. '000)	(46,441)	164,593	118,152

Refer Note 21 (f) Forward looking information relating to Loan and Advances and ECL provision for more detail on page 58.

11. Personnel Expenses**Accounting Policy****i. Defined contribution plans**

The Group operates a defined contribution plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Group by the employees and is recorded as an expense under "Personnel expenses". Unpaid contributions are recorded as a liability. The Group contributes to the following defined contribution plans:

(a). Employees' Provident Fund

The Bank and employees contribute 12% and 8% respectively of the employee's monthly gross salary (excluding overtime) to the Provident Fund. The Bank's Provident Fund is an approved fund under the Employees' Provident Fund Act. The Bank guarantees 8% p.a. return to the members of the Employees' Provident Fund.

Subsidiary Companies and its employees contribute 12% and 8% respectively to the Employees Provident Fund (EPF) maintained by Central Bank of Sri Lanka.

(b). Employees' Trust Fund

The Group contributes 3% of the employee's monthly gross salary (excluding overtime) to the Employees' Trust Fund maintained by the Employees Trust Fund Board.

ii. Defined benefit plans

Contribution to defined benefit plans are recognised in the Income Statement based on an independent actuarial valuation carried out separately for each defined benefit plan in accordance with Sri Lanka Accounting Standard LKAS-19 on "Employee Benefits".

For the year ended 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Salary and bonus	15,662,688	12,602,261	16,053,927	12,872,160
Contributions to defined contribution plans	1,417,025	1,143,867	1,448,931	1,169,720
Contributions to defined benefit plans [Note(11.a,b,c,d)]	2,806,163	2,107,483	2,843,838	2,123,031
Share based expenses	-	-	-	-
Others	420,271	256,847	499,307	259,913
Total	20,306,147	16,110,458	20,846,003	16,424,824

11.(a) Contribution - National Savings Bank Employees Pension scheme I

For the year ended 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Amount recognised as expense (Note No 38.a.1)	1,750,753	1,623,871	1,750,753	1,623,871

Actuarial valuation was carried out as of 31 December 2024, by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries. (Refer Note 38.a 1 on page 78)

11. Personnel expenses (Contd.)**11.(b) Contribution - National Savings Bank Employees Pension scheme II**

For the year ended 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Amount recognised as expense (Note No 38.a 2)	267,143	(249,176)	268,430	(247,891)

Pension scheme II has been established for the employees who joined the Bank on or after 1st October 1995. Actuarial valuation was carried out by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries, on 31 December 2024. (Refer Note 38.a 2 on page 80)

11.(c) Contribution - Medical Assistance Scheme for the Retired Employees of NSB

For the year ended 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Amount recognized as expense (Note 38.a.3)	788,267	732,788	788,267	732,788

Retired staff medical scheme has been established for the all employees of the Bank. Actuarial valuation was carried out by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries, on 31 December 2024. (Refer Note 38.a.3 on page 82)

11.(d) Contribution - Gratuity

For the year ended 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Amount recognized as expense (Note 38.a.4)	-	-	40,957	15,549

The staff members of the subsidiary companies are not entitled for pension scheme and hence they are continue to the members of Gratuity Plan as per the provision of Gratuity Act No. 12 of 1983. (Refer Note 38.a.4 on page 83).

12. Other expenses**Accounting policy**

Other operating expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and maintaining the property, plant and equipment in a state of efficiency has been charged to the Income Statement in arriving at the profit of the year. Provisions in respect of other expenses are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Expenses of depreciation and amortization of property plant & equipment and intangible assets are separated from other expenses and disclosed in the face of income statement.

For the year ended 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Directors' emoluments	2,413	1,563	7,641	6,042
Auditors' remunerations	8,473	6,095	14,569	11,640
Non-audit fees to auditors	-	-	-	-
Professional and legal expenses	47,753	21,019	66,491	33,053
Deposit Insurance Premium paid to the CBSL	1,413,300	1,460,374	1,413,488	1,460,591
Special fees paid to Treasury	320,000	320,000	320,000	320,000
Office administration and establishment expenses	4,613,329	4,289,781	4,685,660	4,364,486
Others	972,350	855,787	1,080,545	901,800
Total	7,377,618	6,954,619	7,588,394	7,097,612

13. Tax expenses**Accounting policy**

As per Sri Lanka Accounting Standard - LKAS 12 on "Income taxes", tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxes. Income tax expense is recognised in Income Statement, except to the extent it relates to items recognised directly in Equity or Other Comprehensive Income (OCI).

Current taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current as well as prior years. The tax rates and tax laws used to compute the amount are those that are enacted or subsequently enacted at the reporting date. Accordingly, provision for taxation is made on the basis of the accounting profit for the year as adjusted for taxation purpose in accordance with the provision of the Inland Revenue Act No. 24 of 2017 and the amendment thereto, at the rates specified in Note 13. (a).

Deferred taxation

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which they can be used.

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

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply in the year when the assets are realized or the liabilities are settled, based on tax rates and tax laws that have been enacted or subsequently enacted at the Reporting date.

For the year ended 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Current tax expenses				
Current year	8,935,497	-	9,770,215	527,665
Prior years' (over)/under provision	-	(460,517)	(105,378)	(460,813)
Deferred tax expense				
Effect of change in tax rates	-	-	-	-
Temporary differences [Refer Note 13(b)]	1,209,935	(2,468,550)	1,197,287	(1,641,339)
Prior years' (over)/under provision [Refer Note 13(b)]	-	-	-	(19,900)
Total	10,145,432	(2,929,067)	10,862,124	(1,594,388)
Effective tax rate (%)	38.39	(68.32)	38.08	(19.87)
Effective tax rate (excluding deferred tax) (%)	33.81	(10.74)	33.89	0.83

13.(a) Reconciliation of tax expenses

For the year ended 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit before tax	26,430,676	4,287,416	28,521,937	8,022,421
Income tax for the period (Accounting profit @ tax rate)	7,929,203	1,286,225	8,556,581	2,406,726
Add: Tax effect of expenses that are not deductible for tax purposes	6,452,494	2,181,865	6,675,894	2,432,342
: Unused tax losses	-	2,060,914	-	2,060,914
(Less): Tax effect of expenses that are deductible for tax purposes	2,880,047	5,315,160	2,896,107	5,389,567
: Tax effect of exempt income	505,239	213,844	505,239	213,844
: Utilised tax losses	2,060,914	-	2,060,914	768,906
Tax expense for the year	8,935,497	-	9,770,215	527,665
Tax rate (%)	30	30	30	30

13.(b) The deferred tax (credit)/charge in the Income Statement comprise of the following:

For the year ended 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred tax assets	1,209,935	(2,468,550)	1,199,900	(2,471,349)
Deferred tax liabilities	-	-	(2,613)	810,110
Deferred tax (credit)/charge to Income Statement	1,209,935	(2,468,550)	1,197,287	(1,661,239)

14. Earnings per share**Accounting policy**

The Group presents basic and diluted Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss for the year attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. The Bank does not have dilutive potential ordinary shares as at 31 December 2024.

For the year ended 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Net profit attributable to ordinary equity holders	16,285,244	7,216,483	17,659,813	9,616,809
Net profit attributable to ordinary equity holders adjusted for the effect of dilution	16,285,244	7,216,483	17,659,813	9,616,809
Weighted average number of ordinary shares for basic earnings per share	940,000	940,000	940,000	940,000
Effect of dilution	-	-	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	940,000	940,000	940,000	940,000
Basic earnings per ordinary share	17.32	7.68	18.79	10.23
Diluted earnings per ordinary share	17.32	7.68	18.79	10.23

14. (a) Weighted average number of ordinary shares for basic and diluted earnings per share

For the year ended 31 December	Outstanding number of Shares		Weighted average number of Shares	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Number of shares in issue as at 1 January	940,000	940,000	940,000	940,000
Add: Number of shares issued during the year	-	-	-	-
Number of ordinary shares for basic and diluted earning per share	940,000	940,000	940,000	940,000

15. Analysis of financial instruments by measurement basis**Accounting policy**

The carrying amounts of financial instruments by category as defined in Sri Lanka Accounting Standard - SLFRS 09 on "Financial Instruments" under headings of the Statement of Financial Position are summarised below.

15.(a) Bank - 2024

	Note	AC	FVPL	FVOCI	Total
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Cash and cash equivalents	16	8,358,742	-	-	8,358,742
Balances with central banks	17	357,054	-	-	357,054
Placements with banks	18	14,794,637	-	-	14,794,637
Derivative financial instruments	19	-	9,131	-	9,131
Loans and advances	21	532,379,013	-	-	532,379,013
Debt instruments	20, 22 and 23	1,039,034,572	20,874,049	47,900,345	1,107,808,966
Equity instruments	20 and 23	-	212,732	5,568,833	5,781,565
Total financial assets		1,594,924,018	21,095,912	53,469,178	1,669,489,108

	Note	AC	FVPL	Total
		Rs. '000	Rs. '000	Rs. '000
Liabilities				
Due to banks	32	487,521	-	487,521
Derivative financial instruments	33	-	258,409	258,409
Financial liabilities				
- Due to depositors	35	1,556,270,863	-	1,556,270,863
- Due to debt securities holders	35	-	-	-
- Due to other borrowers	35	48,190,057	-	48,190,057
Debt securities issued	37	16,966,482	-	16,966,482
Total financial liabilities		1,621,914,923	258,409	1,622,173,332

AC - Financial assets/liabilities measured at amortised cost

FVPL - Financial assets/liabilities measured at fair value through profit or loss

FVOCI - Financial assets measured at fair value through other comprehensive income

15.(b) Bank - 2023

	Note	AC	FVPL	FVOCI	Total
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Cash and cash equivalents	16	9,508,563	-	-	9,508,563
Balances with central banks	17	246,998	-	-	246,998
Placements with banks	18	22,576,750	-	-	22,576,750
Derivative financial instruments	19	-	924	-	924
Loans and advances	21	526,520,530	-	-	526,520,530
Debt instruments	20, 22 and 23	943,704,684	16,923,123	58,894,210	1,019,522,017
Equity instruments	20 and 23	-	825,378	3,030,202	3,855,580
Total financial assets		1,502,557,525	17,749,425	61,924,412	1,582,231,362

	Note	AC	FVPL	Total
		Rs. '000	Rs. '000	Rs. '000
Liabilities				
Due to banks	32	8,984,779	-	8,984,779
Derivative financial instruments	33	-	201	201
Financial liabilities				
- Due to depositors	35	1,482,532,430	-	1,482,532,430
- Due to debt securities holders	35	-	-	-
- Due to other borrowers	35	61,611,014	-	61,611,014
Debt securities issued	37	23,806,514	-	23,806,514
Total financial liabilities		1,576,934,737	201	1,576,934,938

15.(c) Group - 2024

	Note	AC	FVPL	FVOCI	Total
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Cash and cash equivalents	16	8,544,416	-	-	8,544,416
Balances with central banks	17	357,117	-	-	357,117
Placements with banks	18	14,794,637	-	-	14,794,637
Derivative financial instruments	19	-	54,892	-	54,892
Loans and advances	21	527,715,322	-	-	527,715,322
Debt instruments	20, 22 and 23	1,048,965,769	46,536,796	49,366,765	1,144,869,330
Equity instruments	20 and 23	-	212,732	5,939,747	6,152,479
Total financial assets		1,600,377,261	46,804,420	55,306,512	1,702,488,193

	Note	AC	FVPL	Total
		Rs. '000	Rs. '000	Rs. '000
Liabilities				
Due to banks	32	487,521	-	487,521
Derivative financial instruments	33	-	258,409	258,409
Financial liabilities				-
- Due to depositors	35	1,556,681,918	-	1,556,681,918
- Due to debt securities holders	35	-	-	-
- Due to other borrowers	35	66,049,093	-	66,049,093
Debt securities issued	37	17,039,651	-	17,039,651
Total financial liabilities		1,640,258,183	258,409	1,640,516,592

15.(d) Group - 2023

	Note	AC	FVPL	FVOCI	Total
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Cash and cash equivalents	16	9,546,756	-	-	9,546,756
Balances with central banks	17	247,232	-	-	247,232
Placements with banks	18	23,618,966	-	-	23,618,966
Derivative financial instruments	19	-	11,231	-	11,231
Loans and advances	21	523,809,104	-	-	523,809,104
Debt instruments	20, 22 and 23	953,056,324	39,363,784	59,459,820	1,051,879,928
Equity instruments	20 and 23	-	825,378	3,234,699	4,060,077
Total financial assets		1,510,278,382	40,200,393	62,694,519	1,613,173,294

	Note	AC	FVPL	Total
		Rs. '000	Rs. '000	Rs. '000
Liabilities				
Due to banks	32	15,399,100	-	15,399,100
Derivative financial instruments	33	-	201	201
Financial liabilities				-
- Due to depositors	35	1,482,951,028	-	1,482,951,028
- Due to debt securities holders	35	-	-	-
- Due to other borrowers	35	72,891,598	-	72,891,598
Debt securities issued	37	23,879,683	-	23,879,683
Total financial liabilities		1,595,121,409	201	1,595,121,610

16. Cash and cash equivalents**Accounting policy**

Cash and cash equivalents includes cash in hand, balances with banks, money at call and short notice that are subject to an insignificant risk of change in their value. They are recorded in the Financial Statements at their gross values less impairment. The Group has calculated impairment provision as per SLFRS 9 - "Financial Instrument" based on external rating of particular bank.

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash in hand	4,496,582	2,991,147	4,499,644	2,994,088
Balances with banks	3,645,461	6,185,654	3,828,073	6,220,907
Money at call and short notice	217,246	333,054	217,246	333,054
Gross cash and cash equivalents (*)	8,359,289	9,509,855	8,544,963	9,548,049
Impairment for expected credit losses	(547)	(1,292)	(547)	(1,293)
Net cash and cash equivalents (*)	8,358,742	9,508,563	8,544,416	9,546,756

(*) Gross cash and cash equivalents are reported in the Statement of Cash Flows.

17. Balances with central banks

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Non-Statutory balances with central banks				
Central Bank of Sri Lanka	357,054	246,998	357,117	247,232
Total	357,054	246,998	357,117	247,232

18. Placements with banks**Accounting policy**

Placement with banks include short-term deposits placed in banks that are subjected to insignificant risk of changes in fair value, and are used by the Bank and the Group in the management of its short-term commitments. They are recorded in the Financial Statements at their face values or the gross values less impairment, where appropriate. The group has calculated impairment provision as per SLFRS 9 on "Financial Instrument" based on external rating of particular bank.

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Placements with banks - Sri Lanka				
Sri Lankan Rupee (LKR)	-	-	-	1,042,367
American Dollar (USD)	9,775,159	16,243,898	9,775,159	16,243,898
EURO (EUR)	1,790,922	2,009,359	1,790,922	2,009,359
Great British Pound (GBP)	1,964,241	1,764,938	1,964,241	1,764,938
Australian Dollar (AUD)	1,272,894	1,827,454	1,272,894	1,827,454
Placements with banks - Outside Sri Lanka				
American Dollar (USD)	-	738,430	-	738,430
Gross placements with banks	14,803,216	22,584,079	14,803,216	23,626,446
Impairment for expected credit losses	(8,579)	(7,329)	(8,579)	(7,480)
Net placements with banks	14,794,637	22,576,750	14,794,637	23,618,966

19. Derivative financial instruments**Accounting policy**

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. Derivatives are categorised as 'trading' unless they are designated as hedging instruments. The Group uses derivatives such as interest rate swaps and forward foreign exchange contracts.

Derivatives recorded at fair value through profit or loss

Derivatives except for derivatives used as hedging instruments are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in "Net trading income".

19. Derivative financial instruments (contd.)**Accounting policy (contd.)****Derivatives used as hedge instruments**

The Group entered into derivative contracts to hedge against the foreign exchange rate or interest rate. These derivatives are measured at fair value. The Group adopts hedge accounting mismatch to eliminate the accounting resulting from volatility in the Financial Statements between derivatives measured at fair value and the financial asset or liability (hedge exposure) measured at cost/amortised cost, if hedge is efficient.

Cash flow hedge

Cash flow hedge is measured at fair value at the end of each reporting period.

If a hedge of the exposure to variability in cash flow, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in Other Comprehensive Income within "cash flow hedge" – fair value gain/(loss). Any gain or losses in fair value relating to an ineffective portion is recognized immediately in the Income Statements.

The accumulated gains and losses recognized in Other Comprehensive Income are reclassified to the Income Statement in the periods in which the hedged item will affect profit or loss. However, when the forecast transaction that is hedged result in the recognized of a non-financial assets or a non-financial liability, the gains and losses previously recognized in Other Comprehensive Income are removed from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meet the criteria for hedge accounting, any cumulative gain or loss recognized in Other Comprehensive Income at that time remains in equity until the forecast transaction is eventually recognized in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognized in Other Comprehensive Income is immediately reclassified to the Income Statement.

19.1 Derivative assets

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Foreign currency derivatives				
Currency swaps (Note 48.2)	9,131	924	9,131	924
Forward foreign exchange contracts	-	-	45,761	10,307
Total	9,131	924	54,892	11,231

20. Financial assets recognized through profit or loss**Accounting policy**

Financial assets are classified as financial assets recognized through profit or loss if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking and recorded to fair value. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or fair value through other comprehensive income as per SLFRS 9 on "Financial Instruments".

Financial assets recognized through profit or loss are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognized in "Net gain/(loss) from trading" while interest income and expenses are recorded in "Net interest income" according to the terms of the contract, or when the right to the payment has been established. Dividend income and realised gain or losses are recorded in "Net gain/(loss) from trading".

The Group evaluates its financial assets recognized through profit or loss, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and Management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets, in rare circumstances.

20. Financial assets recognized through profit or loss (contd.)

As at 31 December	Bank		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Measured at fair value				
Sri Lanka Government Securities				
Treasury Bills	20,141,100	13,916,242	30,774,770	28,560,671
Treasury Bonds	732,949	3,006,881	15,762,026	10,803,113
Equity securities [Note 20.(b)]	212,732	825,378	212,732	825,378
Unit trust	-	-	-	-
Subtotal	21,086,781	17,748,501	46,749,528	40,189,162
Designated at fair value	-	-	-	-
Total	21,086,781	17,748,501	46,749,528	40,189,162

20.(a) Analysis

As at 31 December	Bank		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
By collateralisation				
Pledged as collateral	-	-	25,662,748	19,493,329
Unencumbered	21,086,781	17,748,501	21,086,780	20,695,833
Total	21,086,781	17,748,501	46,749,528	40,189,162
By Currency				
Sri Lankan Rupee	21,086,781	17,748,501	46,749,528	40,189,162
United States Dollar	-	-	-	-
Total	21,086,781	17,748,501	46,749,528	40,189,162

20.(b) Equity securities (quoted) - Bank and Group

As at 31 December	2024			2023		
	Number of Shares	Cost Rs. '000	Market Value Rs. '000	Number of Shares	Cost Rs. '000	Market Value Rs. '000
1. Banks						
Commercial Bank of Ceylon PLC (NV)	-	-	-	430,634	35,420	34,623
DFCC Bank	-	-	-	529,196	45,434	42,124
Hatton National Bank PLC(NV)	-	-	-	624,232	91,537	87,393
Sampath Bank PLC	-	-	-	1,000,000	71,750	70,500
Seylan Bank PLC (NV)	-	-	-	500,000	21,500	17,750
Nation Trust Bank PLC	-	-	-	500,000	54,100	53,750
National Development Bank PLC	-	-	-	960,522	70,683	62,338
Subtotal		-	-		390,424	368,478
2. Capital Goods						
Access Engineering PLC	2,016,000	62,271	69,552	-	-	-
ACL Cables PLC	-	-	-	1,594,338	169,711	109,691
Lanka Walltiles PLC	-	-	-	644,999	45,868	27,219
Royal Ceramics Lanka PLC	-	-	-	950,000	66,918	25,080
Subtotal		62,271	69,552		282,497	161,990
3. Consumer Services						
John Keells Hotels PLC	5,300,000	102,849	119,780	-	-	-
Subtotal		102,849	119,780		-	-
4. Diversified Financials						
Vallibel Finance PLC	-	-	-	650,000	26,386	20,800
Subtotal		-	-		26,386	20,800
5. Energy						
Lanka IOC PLC	-	-	-	538,630	35,957	54,940
Subtotal		-	-		35,957	54,940
6. Food Beverage and Tobacco						
Ceylon Cold Stores PLC	-	-	-	200,000	9,600	8,480
Subtotal		-	-		9,600	8,480
7. Materials						
Tokyo Cement Company (Lanka) PLC (NV)	-	-	-	150,000	5,475	5,700
Dipped Products PLC	-	-	-	1,393,313	72,042	38,873
CIC Holdings PLC	-	-	-	1,005,257	88,030	64,337
Chevron Lubricants Lanka PLC	-	-	-	709,957	84,781	64,109
Subtotal		-	-		250,328	173,019
8. Telecommunication Services						
Dialog Axiata PLC	2,000,000	22,400	23,400	-	-	-
Subtotal		22,400	23,400		-	-
9. Transportation						
Expolanka Holdings PLC	-	-	-	124,846	17,432	17,884
Subtotal		-	-		17,432	17,884
10. Utilities						
LVL Energy Fund PLC	-	-	-	3,597,704	35,977	19,787
Subtotal		-	-		35,977	19,787
Total		187,520	212,732		1,048,601	825,378

21. Financial assets at amortised cost - Loans and advances**Accounting policy**

Loans and advances include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Group intends to sell immediately or in the near term and those that the Group, upon initial recognition, designates as at fair value through profit or loss
- Those that the Group, upon initial recognition, designates financial assets measured at fair value through other comprehensive income

"Loans and advances" include amounts due from banks and other customers. After initial measurement, loans and advances are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in "Interest income" in the Income Statement. The losses arising from impairment are recognised in "impairment charge for loans and other losses" in the Income Statement.

From 1 January 2018, the Bank only measures loans and advances at amortised cost if both of the following conditions are met:

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

Details of business model and SPPI test are given in Notes 2.5.1.4.1 and 2.5.1.4.2 on page 21.

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross loans and advances				
Stage 1	492,507,588	490,248,344	487,777,387	487,393,234
Stage 2	19,128,165	31,529,180	19,183,611	31,657,602
Stage 3	49,677,946	27,120,378	51,077,085	28,545,272
Gross loan and advances	561,313,699	548,897,902	558,038,083	547,596,108
(Less): Accumulated impairment under:				
Stage 1	4,700,749	4,426,656	4,703,623	4,435,168
Stage 2	2,129,055	3,501,809	2,133,932	3,525,267
Stage 3	22,104,882	14,448,907	23,485,206	15,826,569
Total impairment	28,934,686	22,377,372	30,322,761	23,787,004
Net loans and advances	532,379,013	526,520,530	527,715,322	523,809,104

Loans and advances for the year 2024 includes treasury guaranteed loans of Rs. 65,981 Mn for which impairment provision amounted to zero, as the LGD applied for such loans is zero.

21.(a) Analysis by product

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
By product				
Trade finance	-	-	-	-
Lease rental and hire purchase receivable (21.e)	-	-	25,911	74,111
Pawning	119,692,775	94,935,475	119,692,803	94,935,503
Staff Loans	16,307,926	15,219,547	16,648,714	15,557,481
Term loans				
Short-term	95,669	206,092	95,669	206,092
Long-term	384,286,416	428,838,174	385,812,874	430,466,687
Others				
Sri Lanka Government Securities	-	-	-	-
Loan to Government	-	-	-	-
Securities purchased under resale agreements	40,930,913	9,698,614	35,762,112	6,356,234
Gross total	561,313,699	548,897,902	558,038,083	547,596,108

21. Financial assets at amortised Cost - Loans and advances (contd.)**21.(b) Analysis by currency****By currency**

Sri Lankan Rupee	557,795,130	545,097,593	554,519,514	543,795,799
United States Dollar	3,518,569	3,800,309	3,518,569	3,800,309
Gross total	561,313,699	548,897,902	558,038,083	547,596,108

21.(c) Analysis by industry**By industry**

Agriculture and fishing	36,406,612	33,935,917	36,572,677	34,249,380
Manufacturing	-	-	587,812	569,274
Tourism	70,349	73,354	115,389	125,031
Transport	-	16,019	15,415	53,126
Construction/housing	173,805,328	180,302,455	174,296,676	180,635,738
Trades	-	-	391,901	369,412
New economy	-	-	27,269	21,717
Others				
Financial and business services	42,893,107	9,908,156	42,893,107	9,908,156
Infrastructure	53,544,313	61,075,939	53,544,313	61,075,939
Power and energy	4,026,768	5,698,971	4,026,768	5,698,971
Education	8,764,010	8,876,295	8,764,010	8,876,295
Personal/Pawning/Other	241,803,212	249,010,796	236,802,746	246,013,069
Gross total	561,313,699	548,897,902	558,038,083	547,596,108

21.(d) Movements in impairment during the year**Accounting policy****Individual assessment of impairment**

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as financial assets at amortised cost - debt and other instruments), the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of a impairment provision account and the amount of the loss is recognized in the Income Statement. Interest income continues to be accrued on the carrying amount at the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Interest and similar income".

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Group has reclassified trading assets to loans and receivables, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increased or decreased because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to "other operating income".

Collective assessment of impairment

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

21.(d) Movements in impairment during the year (contd.)**Accounting policy (contd.)**

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of expected loss experience for assets with credit risk characteristics similar to those in the Group. Expected loss experience is adjusted on the basis of current observable data to reflect the effect of current conditions on which the historical loss experience is based and to remove the effect of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Write-off of loans and advances

The Group's accounting policy for write-off under SLFRS 9 remains the same as it was under LKAS 39. Loans (and the related impairment allowance accounts) are normally written off, either partially or in entirety, when there is no realistic prospect of recovery and all possible steps have been exhausted in recovering dues. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. If a write-off is later recovered, the recovery is credited to "other operating income".

Collateral valuation

The Group uses collateral where possible to mitigate the risk on financial assets. The collateral comes in various forms such as cash, gold, Government Securities. To the extent possible, the Group uses active market data for valuing financial assets held as collaterals.

Detail of impairment policy are given in Note 2.5.2 on page 28.

As at 31 December	Bank		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Stage 1				
Balance as at 1 January	4,426,656	4,691,568	4,435,168	4,713,720
Charge/(Write back) to Income Statement	274,093	(264,912)	268,455	(278,552)
Write-off during the year	-	-	-	-
Other movements	-	-	-	-
Balance as at 31 December	4,700,749	4,426,656	4,703,623	4,435,168
Stage 2				
Balance as at 1 January	3,501,809	2,623,411	3,525,267	2,666,511
Charge/(Write back) to Income Statement	(1,372,754)	878,398	(1,391,335)	858,756
Write-off during the year	-	-	-	-
Other movements	-	-	-	-
Balance as at 31 December	2,129,055	3,501,809	2,133,932	3,525,267
Stage 3				
Balance as at 1 January	14,448,907	9,913,436	15,826,569	11,370,985
Charge/(Write back) to Income Statement	7,698,282	4,581,239	7,710,325	4,515,514
Write-off during the year	(42,307)	(45,768)	(42,307)	(48,022)
Other movements	-	-	(9,381)	(11,908)
Balance as at 31 December	22,104,882	14,448,907	23,485,206	15,826,569
Total impairment provision as at 31 December	28,934,686	22,377,372	30,322,761	23,787,004

21.(e) Lease and hire purchase receivable

As at 31 December	Bank		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Gross lease and hire purchased receivables	-	-	26,570	74,770
Unearned interest asset	-	-	6,592	13,819
Unearned interest liability	-	-	(7,251)	(14,478)
Net lease and hire purchased receivables	-	-	25,911	74,111

21.(f) Forward Looking Information

Significant judgment is involved in determining which forward-looking information variables are relevant for portfolios and in determining the extent by which through-the-cycle parameters should be adjusted for forward-looking information to determine point-in-time parameters. While changes in the set of forward-looking information variables used to convert through-the-cycle PDs, LGDs and EADs into point-in-time parameters can either increase or decrease ECL allowances in a particular period, changes to the mapping of forward-looking information variables to particular portfolios are expected to be infrequent. However, changes in the particular forward-looking information parameters used to quantify point-in-time parameters will be frequent as our forecasts are updated on a quarterly basis. Increases in the level of pessimism in the forward-looking information variables will cause increases in ECL, while increases in the level of optimism in the forward-looking information variables will cause decreases in ECL. These increases and decreases could be significant in any particular period and will start to occur in the period where our outlook of the future changes. With respect to the lifetime of a financial instrument, the maximum period considered when measuring ECL is the maximum contractual period over which we are exposed to credit risk.

Key forward-looking information variables include GDP growth, Inflation, Interest rate, Exchange rates and unemployment. For most of our loan portfolios, our forecast of forward-looking information variables is established from a "base case" or most likely scenario that is used internally by management for planning and forecasting purposes. In forming the base case scenario, we consider the forecasts of international organizations and monetary authorities such as the International Monetary Fund (IMF), and the Central Bank of Sri Lanka, as well as private sector economists. We then derive reasonably possible "upside case" and "downside case" scenarios using external forecasts that are above and below our base case and the application of management judgment. A probability weighting is assigned to our base case, upside case and downside case scenarios based on management judgment.

In contrast, an improvement in our outlook on forecasted forward-looking information, an increase in the probability of the upside case scenario occurring, or a decrease in the probability of the downside case scenario occurring will have the opposite impact. It is not possible to meaningfully isolate the impact of changes in the various forward-looking information variables for a particular scenario because of both the interrelationship between the variables and the interrelationship between the level of pessimism inherent in a particular scenario and its probability of occurring. The following table provides weightage used for the base case, upside case and downside case scenario forecasts for select forward-looking information variables used to estimate our ECL.

Scenario probability weighting (Bank)

As at 31 December	2024	2023
	%	%
Base case	20	10
Upside case	5	10
Downside case	75	80

Use of management overlays

Management overlays to ECL allowance estimates are adjustments which we use in circumstances where we judge that our existing inputs, assumptions and model techniques do not capture all relevant risk factors. The emergence of new macroeconomic, microeconomic or political events, along with expected changes to parameters, models or data that are not incorporated in our current parameters, internal risk rating migrations, or forward-looking information are examples of such circumstances.

All the Corporate clients were assessed individually based on their historical payment patterns, Economic impact to their sector and geographical area, expected recovery of the sector, financial strength of the entity, government and CBSL support, and other holistic factors. Based on the assessment some borrowers were moved from stage one to stage two (SICR) and some borrowers were moved from stage two to stage three (due to expected cashflow impairment) despite of their past due status.

The portfolio level impairment assessments were carried out for the retail borrowers. The borrowers were allocated between stages based on their sector and management judgement. Based on the assessment some borrowers were moved from stage one to stage two (SICR) and some borrowers were moved from stage two to stage three (due to expected cashflow impairment) despite of their past due status.

21.(f) Forward Looking Information (contd.)**Impact to ECL due to Management Overlay****Movement of loans and advances from Stage 1 to Stage 2**

Retail loans and advances of selected sectors which were initially grouped under stage 1 moved to stage 2. As a result, Loans and Advances amounting to Rs. 5,791.1 Mn were moved from stage 1 to stage 2 and provision for impairment was increased by Rs. 556.7 Mn for the year ended 31 December 2024.

	Stage 1	Stage 2	Net Impact
	Rs. '000	Rs. '000	Rs. '000
Exposure	(5,791,068)	5,791,068	-
Impairment Provision	(94,070)	650,812	556,742

Movement of loans and advances from Stage 2 to Stage 3

Retail loans and advances of selected sectors which were initially grouped under stage 2 moved to stage 3. As a result, Loans and Advances amounting to Rs. 416.3 Mn were moved from stage 2 to stage 3 and provision for impairment was increased by Rs. 118.2 Mn for the year ended 31 December 2024.

	Stage 2	Stage 3	Net Impact
	Rs. '000	Rs. '000	Rs. '000
Exposure	(416,274)	416,274	-
Impairment Provision	(46,441)	164,593	118,152

22. Financial assets at amortised cost - Debt and other instruments**Accounting policy**

Financial assets at amortised cost - debt and other instruments are non-derivative financial assets with fixed or determinable payments and fixed maturities, for which, the Group has the intention and ability to hold to maturity. After initial measurement, financial assets at amortised cost - debt and other instruments are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in "Interest and similar income" in the Income Statement. The losses arising from impairment of such investments are recognized in the Income Statement under "Impairment charges".

As at 31 December	Bank		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Sri Lanka Government securities				
Treasury Bills	143,755,805	81,381,441	146,718,039	83,062,596
Treasury Bonds	760,751,681	728,230,365	767,251,459	735,219,630
Sri Lanka Development Bonds (SLDB)	-	-	-	-
Securities purchased under resale agreements	-	-	-	50,041
Debentures (Treasury Guarantee)*	125,964,603	131,860,577	125,964,603	131,860,577
Corporate debt instruments (22.1)	2,739,086	2,232,945	3,208,422	2,864,318
Commercial papers	-	-	6,000	6,000
Trust Certificates	5,827,302	-	5,827,302	-
Other investment	-	-	165,595	165,595
Gross total	1,039,038,477	943,705,329	1,049,141,420	953,228,757
Impairment for expected credit losses	(3,905)	(645)	(175,651)	(172,433)
Net total	1,039,034,572	943,704,684	1,048,965,769	953,056,324

*Treasury guarantee Debentures amounted to Rs. 26,491.4 Mn is classified in to stage 3, but impairment provision is zero due to zero LGD applied.

22.1 Corporate Debt Instruments - Bank

As at 31 December	Bank		Bank	
	2024 Number of debentures	2024 Carrying value Rs. '000	2023 Number of debentures	2023 Carrying value Rs. '000
People's Leasing PLC	2,064,900	214,005	2,064,900	214,025
LOLC Finance PLC	7,500,000	775,615	7,500,000	780,336
Hayleys PLC	-	-	5,000,000	535,142
Commercial Credit and Finance PLC	1,000,000	107,402	1,000,000	107,422
Nations Trust Bank PLC	3,212,800	335,375	3,212,800	335,375
Resus Energy PLC	2,500,000	257,386	2,500,000	260,645
Commercial Bank of Ceylon PLC	2,105,800	224,305	-	-
Bank of Ceylon	5,000,000	520,527	-	-
Vallibel Finance PLC	3,000,000	304,471	-	-
Net total		2,739,086		2,232,945

22. Financial assets at amortised cost - Debt and other instruments (contd.)**22.1 Corporate Debt Instruments - Group**

As at 31 December	Group			
	2024	2024	2023	2023
	Number of debentures	Carrying value Rs. '000	Number of debentures	Carrying value Rs. '000
People's Leasing PLC	4,633,600	480,376	6,203,600	642,460
LOLC Finance PLC	7,500,000	775,615	7,500,000	780,336
Hayleys PLC	-	-	5,000,000	535,142
Commercial Credit and Finance PLC	1,000,000	107,402	1,000,000	107,422
Nations Trust Bank PLC	3,212,800	335,375	3,212,800	335,375
Resus Energy PLC	2,500,000	257,386	2,500,000	260,645
Seylan Bank PLC	1,000,000	107,052	1,000,000	107,033
Siyapatha Finance PLC	929,500	95,913	929,500	95,905
Commercial Bank of Ceylon PLC	2,105,800	224,305	-	-
Bank of Ceylon	5,000,000	520,527	-	-
Vallibel Finance PLC	3,000,000	304,471	-	-
Net total		3,208,422		2,864,318

22.2 Analysis

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
By collateralisation				
Pledged as collateral	40,408,287	47,437,615	47,367,819	55,926,347
Unencumbered	998,630,190	896,267,714	1,001,773,601	897,302,410
Gross total	1,039,038,477	943,705,329	1,049,141,420	953,228,757
By Currency				
Sri Lankan Rupee	1,039,038,477	943,705,329	1,049,141,420	953,228,757
United States Dollar	-	-	-	-
Gross total	1,039,038,477	943,705,329	1,049,141,420	953,228,757

22.3 Movements in impairment during the year

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Stage 1				
Opening balance as at 1 January	645	655	839	820
Charge/(write back) to Income Statement	3,260	(10)	3,217	19
Write-off during the year	-	-	-	-
Other movements	-	-	-	-
Balance as at 31 December	3,905	645	4,056	839
Stage 2				
Balance as at 1 January	-	938,873	-	938,873
Charge/(write back) to Income Statement	-	(938,873)	-	(938,873)
Write-off during the year	-	-	-	-
Other movements	-	-	-	-
Balance as at 31 December	-	-	-	-
Stage 3				
Balance as at 1 January	-	-	171,595	171,595
Charge/(write back) to Income Statement	-	-	-	-
Write-off during the year	-	-	-	-
Other movements	-	-	-	-
Balance as at 31 December	-	-	171,595	171,595
Total impairment provision as at 31 December	3,905	645	175,651	172,433

23. Financial assets at fair value through other comprehensive income

Accounting policy

Financial Assets at fair value through other comprehensive income include equity and debt securities. Equity investments classified as fair value through other comprehensive income are those which are held as strategic investment. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, financial assets at fair value through other comprehensive income are subsequently measured at fair value. Financial assets at fair value through other comprehensive income can be divided into two category as follows:

i. Equity instruments fair value through other comprehensive income

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under LKAS 32 on "Financial Instruments: Presentation" and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Unrealized gains and losses are recognized directly in equity (Other Comprehensive Income) in the "OCI reserve". Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Equity investments under FVOCI that do not have quoted market price and whose fair value cannot be reliably measured shall be measured at cost.

ii. Debt instruments at fair value through other comprehensive income

The Group applies the new category under SLFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income, ECL and reversals are recognised in profit or loss. On de-recognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

As at 31 December	Bank		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Sri Lanka Government securities (Note 23.c)				
Treasury Bills	24,302,555	42,428,135	24,302,555	42,428,135
Treasury Bonds	23,597,790	16,466,074	25,064,210	17,031,685
Equity securities				
Quoted equity securities (Note 23.d)	5,195,626	2,772,958	5,564,375	2,975,291
Unquoted equity securities (Note 23.e)	373,207	257,244	417,848	301,885
(Less): Impairment	-	-	(42,476)	(42,476)
Net financial assets at fair value through other comprehensive income	53,469,178	61,924,412	55,306,512	62,694,519

23.(a) Analysis

By collateralisation

Pledged as collateral	-	-	1,466,421	460,888
Unencumbered	53,469,178	61,924,412	53,840,091	62,233,632
Gross total	53,469,178	61,924,412	55,306,512	62,694,519

By currency

Sri Lankan Rupee	53,469,178	61,924,412	55,306,512	62,694,519
United States Dollar	-	-	-	-
Gross total	53,469,178	61,924,412	55,306,512	62,694,519

23.(b) Movements in impairment during the year

No impairment movement during the year.

23. Financial assets at fair value through other comprehensive income**23. (c) Sri Lanka Government Securities**

	Bank					
	2024			2023		
	Cost of investment			Cost of investment		
	Face value Rs. '000	Rs. '000	Fair value Rs. '000	Face value Rs. '000	Rs. '000	Fair value Rs. '000
Sri Lanka Government Securities- Treasury Bills	25,258,719	24,077,917	24,302,555	43,805,328	41,226,853	42,428,135
Sri Lanka Government Securities-Treasury Bonds	21,838,510	21,156,839	23,597,790	15,724,930	14,875,308	16,466,074
		45,234,756	47,900,345		56,102,161	58,894,209

	Group					
	2024			2023		
	Cost of investment			Cost of investment		
	Face value Rs. '000	Rs. '000	Fair value Rs. '000	Face value Rs. '000	Rs. '000	Fair value Rs. '000
Sri Lanka Government Securities- Treasury Bills	25,258,719	24,077,917	24,302,555	43,805,328	41,226,853	42,428,135
Sri Lanka Government Securities-Treasury Bonds	23,186,832	22,375,888	25,064,210	16,237,616	15,288,000	17,031,685
		46,453,805	49,366,765		56,514,853	59,459,820

23.(d) Quoted investments - Equity securities - Bank and Group

	Bank					
	2024			2023		
	Cost			Cost		
	No. of shares	Rs. '000	Fair value Rs. '000	No. of shares	Rs. '000	Fair value Rs. '000
Hatton National Bank PLC	13,083,066	1,730,274	4,183,310	12,815,744	1,730,274	2,169,065
People's Leasing & Finance PLC	59,547,976	832,312	1,012,316	56,438,626	832,312	603,893
		2,562,586	5,195,626		2,562,586	2,772,958

	Group					
	2024			2023		
	Cost			Cost		
	No. of shares	Rs. '000	Fair value Rs. '000	No. of shares	Rs. '000	Fair value Rs. '000
Hatton National Bank PLC	13,083,066	1,730,274	4,183,310	12,815,744	1,730,274	2,169,065
People's Leasing Company PLC	59,547,976	832,312	1,012,316	56,438,626	832,312	603,893
National Development Bank	19,076	1,448	2,160	18,340	1,401	1,190
Commercial Bank PLC	245	11	36	241	11	23
Lanka Orix Leasing Company	200	1	138	200	1	71
Sampath Bank PLC	11,095	325	1,312	11,095	325	782
Watawala Plantation PLC	4,046	21	508	4,046	21	292
Trans Asia Hotel PLC	4,000	35	178	4,000	35	156
Lanka Ceramic PLC	917	24	137	917	24	86
Lanka Walltile PLC	585	2	34	585	2	25
Kelani Valley Plantation PLC	11,000	198	1,063	11,000	198	799
Hapugastenna Plantation PLC	100	3	5	100	3	3
Aitken Spence PLC	18,000	160	2,610	18,000	160	2,088
Pan Asia Bank PLC	10,298,499	96,012	360,448	10,298,499	96,012	196,701
Hatton Plantations PLC	4,000	30	120	4,000	30	116
		2,660,856	5,564,375		2,660,810	2,975,291

23. Financial assets at fair value through other comprehensive income (Contd.)**23. (e) Unquoted investments - Equity securities**

	Bank					
	2024			2023		
	No. of shares	Cost Rs. '000	Cost/Fair value Rs. '000	No. of shares	Cost Rs. '000	Cost/Fair value Rs. '000
Investment -Credit Information Bureau	30,450	57,364	57,364	30,450	57,364	57,364
Investment -Associated Newspapers of Ceylon Limited	20,000	127	127	20,000	127	127
Investment -Regional Development Bank (RDB)	16,452,126	164,521	315,716	16,452,126	164,521	199,753
(Less): Impairment Provision		-	-		-	-
		222,012	373,207		222,012	257,244
Group						
	2024			2023		
	No. of shares	Cost Rs. '000	Cost/Fair value Rs. '000	No. of shares	Cost Rs. '000	Cost/Fair value Rs. '000
Investment -Credit Information Bureau	30,650	57,528	57,528	30,650	57,528	57,528
Investment -Associated Newspapers of Ceylon Limited	20,000	127	127	20,000	127	127
Investment -Regional Development Bank (RDB)	16,452,126	164,521	315,717	16,452,126	164,521	199,753
Investment-Sri Lankan Financial Services Bureau Ltd.	200,000	2,000	2,000	200,000	2,000	2,000
Pramuka Merchant Corporation	500,000	5,000	5,000	500,000	5,000	5,000
Prime Development & Constructions	230,000	2,300	2,300	230,000	2,300	2,300
Janashakthi Life	2,500,000	25,000	25,000	2,500,000	25,000	25,000
Janashakthi Holding	1,000,000	10,000	10,000	1,000,000	10,000	10,000
Vanik Incorporation	17,000	176	176	17,000	176	176
Gross Total		266,652	417,848		266,652	301,885
(Less): Impairment provision		-	(42,476)		-	(42,476)
Net Total		266,652	375,372		266,652	259,408

All unquoted equities in financial assets measured at fair value through other comprehensive income (except RDB) are recorded at cost, since its fair value can not be reliably estimated. There is no active market for these investments and Group intends to hold it for the long-term. The investment in RDB shares have been fair valued using a valuation model based on observable data.

24. Investments in subsidiaries**Accounting policy**

Investments in subsidiary companies are accounted at cost less allowance for impairment in Financial Statements of the Bank. The net assets of subsidiary companies are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of investment is estimated and the impairment loss is recognised to the extent of its loss in net assets.

As at 31 December	2024	2023	2024	2023		
	%	%	Cost Rs. '000	Valuation* Rs. '000	Cost Rs. '000	Valuation* Rs. '000
Unquoted equity investments						
NSB Fund Management Co. Ltd. (420,000,000 ordinary shares of Rs. 10.00 each.)	100	100	4,200,000	6,496,550	4,200,000	5,501,307
Sri Lanka Savings Bank Limited (8,204,464 ordinary shares)	100	100	3,111,000	8,806,628	3,111,000	8,223,865
(Less): Impairment (Note 24.3)			-	-	-	-
Net total			7,311,000	15,303,178	7,311,000	13,725,172

* The Valuation of investments in subsidiaries have been carried out on net asset basis as at 31 December 2024 based on audited Financial Statements.

24.1 Acquisition and disposal of subsidiary

No acquisition or disposal have been occurred during the year 2024.

24.2 Interest Income and profit of acquire

No acquisition or disposal have been occurred during the year 2024.

24.3 Movements in Impairment during the year

No impairment movements during the year 2024.

25. Investment in associates and joint ventures**Accounting policy**

Associates are those entities in which the Group has significant influence, but not control, over the variable returns through its power over the investee. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost, in terms of Sri Lanka Accounting Standards – LKAS 28 on “Investments in Associates and Joint Ventures”. Under the Equity Method, investments in associates are carried at cost plus post-acquisition changes in the Group’s share of net assets of the associates and are reported as a separate line item in the Statement of Financial Position. The Income Statement reflects the Group’s share of the results of operations of the associates. Any change in OCI of those investees is presented as part of the Group’s OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in Equity through OCI. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in associate.

The Group discontinues the use of the Equity Method from the date that it ceases to have significant influence over an associate and accounts for such investments in accordance with the Sri Lanka Accounting Standard – SLFRS 9 on “Financial Instruments”. Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

No investment in associates and joint ventures as at 31 December 2024.

26. Property, plant and equipment

Accounting policy

Basis of recognition

Property, plant and equipment are recognised if it is probable that future benefits associated with the asset will flow to the Group and cost of the asset can be reliably measured. Property, plant and equipment are initially measured at cost including costs directly attributable to the acquisition of the asset.

Basis of measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs. The self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bring the asset to a working condition for its intended use and the cost of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software which is integral to the functionality of the related equipment is capitalised as part of computer equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Cost Model

The Group applies cost model to property, plant and equipment except for freehold land and buildings and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Revaluation model

The Group applies the revaluation model to the entire class of freehold land and buildings. Such properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and buildings of the Group are revalued every three years or more frequently, if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ materially from the fair values at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised in other comprehensive income and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to Income Statement. In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the income statement or debited in the other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under revaluation reserves. Any balance remaining in the Revaluation Reserve in respect of an asset is transferred directly to Retained Earnings on retirement or disposal of the asset.

Derecognition

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in "Other operating income" in the Income Statement in the year the asset is de-recognised.

Capital work in progress

These are expenses of capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. These are stated in the Statement of Financial Position at cost less any accumulated impairment losses. Capital work in progress is transferred to the relevant asset when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Borrowing Costs

There were no capitalized borrowing costs related to the acquisition of property, plant and equipment by the Group.

Improvement to rent/leasehold building

Effective from 01.01.2017 the Bank has decided to capitalized the improvement to rent/leasehold building. The improvement will be amortised over the lease period effective from the same date.

26. Property, plant and equipment (Contd.)**Accounting policy (contd.)****Depreciation**

Depreciation is recognised in profit or loss on the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. Depreciation rates for the identified classes of assets are as follows:

Category of asset	Depreciation period
Leasehold properties, improvement to rent/leasehold	over the period of lease
Freehold buildings	20 - 50 years
Office, sundry equipment and furniture and fittings	5 - 10 years
Motor vehicles	5 years
Computer hardware	4 - 5 years
Computer software	4 - 5 years

The Group provides depreciation of an asset commencing from the date when they are available for use to the date of disposal of the asset.

26.(a) Property, plant and equipment - Bank - 2024

	Land and Buildings	Leasehold properties, improvement to rent/leasehold buildings*	Computer hardware	Office, Sundry equipment, furniture and fittings **	Motor vehicle	Building work-in-progress	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/fair value							
Opening balance as at 1 January 2024	14,423,000	928,559	4,736,369	2,572,835	445,416	47,860	23,154,039
Additions	3,451	31,052	636,186	322,962	-	6,278	999,929
Revaluation gain/(loss) [Note 26. C]	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-
Disposals	-	-	(83,975)	(55,971)	-	-	(139,946)
Transfers/adjustment	-	-	-	4,326	-	(3,451)	875
Closing balance as at 31 December 2024	14,426,451	959,611	5,288,580	2,844,152	445,416	50,687	24,014,897
(Less): Accumulated depreciation							
Opening balance as at 1 January 2024	-	358,909	3,225,533	1,849,517	435,889	-	5,869,848
Charge for the year	116,143	46,272	502,019	157,232	9,328	-	830,994
Depreciation adjustment for revalued assets [Note 26. C]	-	-	-	-	-	-	-
Disposals	-	-	(83,912)	(53,185)	-	-	(137,097)
Transfers/adjustment	-	214	(120)	42	(3)	-	133
Closing balance as at 31 December 2024	116,143	405,395	3,643,520	1,953,606	445,214	-	6,563,878
(Less): Impairment	-	-	-	-	-	35,228	35,228
Net book value as at 31 December 2024	14,310,308	554,216	1,645,061	890,546	202	15,458	17,415,792

26.(a) Property, plant and equipment - Bank - 2023

Cost/fair value							
Opening balance as at 1 January 2023	12,603,413	868,735	3,821,259	2,544,477	447,254	63,351	20,348,490
Additions	21,208	90,730	1,041,511	54,111	-	17,477	1,225,037
Revaluation gain/(loss) (Note 26.C)	1,801,405	-	-	-	-	-	1,801,405
Disposals	-	-	(126,401)	(9,699)	(1,838)	-	(137,938)
Transfers/adjustment	(3,026)	(30,906)	-	(16,054)	-	(32,968)	(82,954)
Closing balance as at 31 December 2023	14,423,000	928,559	4,736,369	2,572,835	445,416	47,860	23,154,039
(Less): Accumulated depreciation							
Opening balance as at 1 January 2023	186,965	308,772	2,944,334	1,701,654	415,761	-	5,557,486
Charge for the year	90,661	50,137	407,292	156,736	21,966	-	726,792
Depreciation adjustment for revalued assets (Note 26.C)	(277,626)	-	-	-	-	-	(277,626)
Disposals	-	-	(126,100)	(8,874)	(1,838)	-	(136,812)
Transfers/adjustment	-	-	7	1	-	-	8
Closing balance as at 31 December 2023	-	358,909	3,225,533	1,849,517	435,889	-	5,869,849
(Less): Impairment	-	-	-	-	-	35,228	35,228
Net book value as at 31 December 2023	14,423,000	569,650	1,510,836	723,317	9,527	12,631	17,248,961

* Leasehold properties, improvement to rent/leasehold buildings include working progress of improvement to rent/leasehold building amounting Rs. 30 Mn as at 31.12.2024.

** Office, sundry equipment and furniture and fittings include working progress of office equipment amounting Rs. 8.2 Mn as at 31.12.2024.

26.(b) Property, plant and equipment - Group - 2024

	Land and buildings	Leasehold Properties, improvement to rent/leasehold buildings	Computer hardware	Office sundry equipment, furniture and fittings **	Motor vehicle	Building work-in-progress	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/fair value							
Opening balance as at 1 January 2024	15,545,275	933,635	4,798,023	2,619,285	492,361	47,860	24,436,438
Additions	3,651	31,052	645,401	323,115	-	6,278	1,009,497
Revaluation gain/(loss)	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-
Disposals	-	-	(83,975)	(55,971)	-	-	(139,946)
Transfer from investment properties	-	-	-	-	-	-	-
Transfers/adjustment	-	-	-	4,248	-	(3,451)	797
Closing balance as at 31 December 2024	15,548,926	964,687	5,359,449	2,890,677	492,360	50,687	25,306,787
(Less): Accumulated depreciation							
Opening balance as at 1 January 2024	6,850	358,910	3,277,499	1,890,477	478,075	-	6,011,811
Charge for the year	116,486	46,272	507,688	158,481	11,708	-	840,635
Depreciation adjustment for revalued assets	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-
Disposals	-	-	(83,912)	(53,185)	-	-	(137,097)
Transfers/adjustment	-	214	(120)	7	(3)	-	98
Closing balance as at 31 December 2024	123,336	405,396	3,701,155	1,995,780	489,780	-	6,715,447
(Less): Impairment	-	-	-	-	-	35,228	35,228
Net book value as at 31 December 2024	15,425,591	559,291	1,658,294	894,897	2,580	15,459	18,556,112

26.(b) Property, plant and equipment - Group - 2023

Cost/fair value							
Opening balance as at 1 January 2023	13,468,125	873,811	3,887,883	2,604,330	494,199	63,351	21,391,701
Additions	21,208	90,730	1,042,178	55,703	-	17,477	1,227,295
Revaluation gain/(loss)	2,058,968	-	-	-	-	-	2,058,968
Write-off	-	-	(5,637)	(14,995)	-	-	(20,633)
Disposals	-	-	(126,401)	(9,699)	(1,838)	-	(137,938)
Transfers/adjustment	(3,026)	(30,906)	-	(16,054)	-	(32,968)	(82,954)
Closing balance as at 31 December 2023	15,545,275	933,635	4,798,023	2,619,285	492,361	47,860	24,436,439
(Less): Accumulated depreciation							
Opening balance as at 1 January 2023	193,440	308,773	2,996,830	1,756,131	455,567	-	5,710,741
Charge for the year	91,036	50,137	412,398	158,212	24,346	-	736,129
Depreciation adjustment for revalued assets	(277,626)	-	-	-	-	-	(277,626)
Write-off	-	-	(5,636)	(14,993)	-	-	(20,629)
Disposals	-	-	(126,100)	(8,874)	(1,838)	-	(136,812)
Transfers/adjustment	-	-	7	1	-	-	8
Closing balance as at 31 December 2023	6,850	358,910	3,277,499	1,890,477	478,075	-	6,011,811
(Less): Impairment	-	-	-	-	-	35,228	35,228
Net book value as at 31 December 2023	15,538,425	574,725	1,520,524	728,808	14,286	12,632	18,389,400

26. (c) Revaluation/fair valuation of the land and buildings

The Bank revalue its land and buildings, by professionally qualified independent valuers in every three years. (Land and buildings revalued on 31.12.2023 and recorded revaluation of Rs. 2,076 Mn as at 31.12.2023)

26. (d) Land and buildings of the Bank

Land and building include freehold land value of Rs. 10,975 Mn as at 31 December 2024.

26. (e) Property, plant and equipment pledged as security for liabilities

There were no items of property, plant and equipment pledged as securities for liabilities.

26. (f) Fully-depreciated property, plant and equipment

The initial cost of fully-depreciated property, plant and equipment, which are still in use as at reporting date are as follows:

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Computer hardware	2,506,768	2,200,393	2,547,146	2,239,676
Office equipment, furniture and fittings	387,427	596,463	418,294	627,088
Sundry equipments/motor vehicles and others	878,301	753,792	924,055	799,350
Total	3,772,496	3,550,648	3,889,495	3,666,114

27. Right-of-used assets**Accounting policy**

The Group's right-of-used assets consist of the value of capitalised lease agreement held.

Basis of recognition

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date as specified in the Lease Agreement), which is the present value of lease payments to be made over the lease term.

Basis of measurement

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, and lease payments made at or before the commencement date less any lease incentives received.

Useful economic life and amortisation

Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

27.(a) Capitalized value of right-of-used assets

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Opening balance	2,713,267	2,403,399	2,779,515	2,469,647
Addition	237,659	293,958	237,659	293,958
Adjustments	-	15,910	-	15,910
Less:				
Disposal	-	-	-	-
Termination/transfers	-	-	-	-
Impairment	-	-	-	-
Closing balance	2,950,926	2,713,267	3,017,174	2,779,515

27.(b) Accumulated amortization of right-of-used assets

Opening balance	1,548,672	1,189,749	1,586,354	1,223,265
Charge for the year	361,068	358,923	364,806	363,090
Disposal	-	-	-	-
Adjustments	-	-	-	-
Termination/transfers	-	-	-	-
Closing balance	1,909,741	1,548,672	1,951,160	1,586,354
Carrying value as at 31 December	1,041,185	1,164,595	1,066,014	1,193,161

28. Investment properties**Accounting policy**

Investment on land or a building or part of a building or both, held to earn rentals or capital appreciation or both, are classified as investment property.

Cost model

Investment properties excluding Investment buildings are measured (initially) at cost (LKAS 40 Sec. 56), including transaction costs. Fair value of investment properties is measured by the Management on annual basis and is disclosed separately in Notes to the Financial Statement.

Fair value

After recognition as Investment buildings, whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciations and subsequent accumulated impairment losses. Revaluation shall be made at every three (3) years to ensure that the carrying amount does not differ materially from that, which would be determined using fair value at the end of the reporting period. Rent receivable is spread on a straight-line basis over the period of the lease. Where an incentive (such as a rent-free period) is given to a tenant, the carrying value of the investment property excludes any amount reported as a separate asset as a result of recognising rental income on this basis.

28.(a) Fair value of investment properties

As at 31 December	Bank		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Land				
Opening balance	-	-	341,000	195,785
Addition	-	-	-	-
Disposal	-	-	-	-
Revaluation gain	-	-	-	145,215
Transfer from property, plant and equipment	-	-	-	-
Transfer to property, plant and equipment	-	-	-	-
Impairment	-	-	-	-
Closing balance	-	-	341,000	341,000
Building				
Opening balance	-	-	8,000	9,192
Addition	-	-	-	-
Revaluation gain/(loss)	-	-	-	(1,192)
Transfer from property, plant and equipment	-	-	-	-
Transfer to property, plant and equipment	-	-	-	-
Impairment	-	-	-	-
Closing balance	-	-	8,000	8,000

28. (b) Accumulated depreciation of investment properties

Opening balance	-	-	-	-
Charge for the year	-	-	-	-
Transfer from property, plant and equipment	-	-	-	-
Transfer to property, plant and equipment	-	-	-	-
Closing balance	-	-	-	-
Net book value as at 31 December	-	-	349,000	349,000

Fair value gain of investment property has been recognized under other operating income.

SLSB has adopted policy to revalue Investment properties by every three (3) years time, thus Investment properties are measured at fair value as per the LKAS 40 and revaluation done every three years time.

29. Goodwill and intangible assets**Accounting policy**

The Group's intangible assets consist of the value of purchased computer software.

Basis of recognition

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

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

29. Goodwill and intangible assets (contd.)**Accounting policy (contd.)****Useful economic life and amortisation**

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

De-recognition

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in "Other operating income" in the Income Statement in the year the asset is de-recognised.

The Group does not possess intangible assets with indefinite useful economic life. The estimated economic life of the Group's computer software is four to five years (20% to 25% per annum).

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Computer software

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally-developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

The Bank and Group do not have any intangible assets except computer software purchased which has been disclosed below:

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Computer software (Note 29.1)	2,178,638	715,222	2,179,865	717,732
Software under development (Note 29.2)	5,222	29,493	5,222	29,493
Total	2,183,860	744,715	2,185,087	747,225

29.1 Computer Software

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/valuation				
Opening balance	3,011,622	2,674,623	3,034,516	2,697,517
Additions during the year	1,946,216	336,999	1,946,216	336,999
Disposal during the year	-	-	-	-
Adjustments	(337)	-	(337)	-
Closing balance	4,957,501	3,011,622	4,980,395	3,034,516

As at 31 December	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Less : Accumulated amortisation				
Opening balance	2,296,399	1,949,595	2,316,784	1,967,516
Charge for the year	482,464	346,805	483,746	349,268
Disposal	-	-	-	-
Closing balance	2,778,863	2,296,399	2,800,530	2,316,784
(Less): Impairment	-	-	-	-
Net book value	2,178,638	715,222	2,179,865	717,732

29.2 Software under development

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/valuation				
Opening balance	29,493	22,220	29,493	22,220
Additions during the year	98,016	13,608	98,016	13,608
Disposal during the year	-	-	-	-
Transfer/adjustment	(122,286)	(6,335)	(122,286)	(6,335)
Closing balance	5,222	29,493	5,222	29,493

29.3 Fully-amortised intangible assets

The initial cost of fully-amortised intangible assets (computer software), which are still in use as at reporting date are as follows:

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Intangible assets/computer software	1,862,575	1,538,107	1,879,070	1,554,602
Total	1,862,575	1,538,107	1,879,070	1,554,602

30. Deferred tax (assets)/liabilities**Accounting policy**

Net deferred tax (asset)/liability of an entity cannot be set-off against another entity's deferred tax (asset)/liabilities as there is no legally enforceable right to set-off. Detailed on deferred tax accounting policy is given in Note 13 on page 47.

The following table shows deferred tax recorded in the Statement of Financial Position and changes recorded in the income tax expense:

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Recognised under assets (30.(a))	(4,995,021)	(5,885,288)	(4,995,021)	(5,885,288)
Recognised under liabilities (30.(b))	-	-	61,869	58,630
Net deferred tax (asset)/ Liability [30.(c) and 30.(d)]	(4,995,021)	(5,885,288)	(4,933,152)	(5,826,658)

30.(a). Deferred tax assets

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Opening balance	5,885,288	2,892,984	5,885,288	3,663,879
Convert to deferred tax liabilities	-	-	-	(770,894)
Charge for the year recognized in				
- Income Statement [Note 13(b)]	(1,209,935)	2,468,550	(1,209,935)	2,468,549
- Prior year adjustment	-	-	-	-
- Other comprehensive income	319,668	523,754	319,668	523,754
Closing balance	4,995,021	5,885,288	4,995,021	5,885,288

30.(b) Deferred tax liabilities

Opening balance	-	-	58,630	4,155
Convert to deferred tax assets	-	-	-	(770,894)
Charge for the year recognized in				
- Income Statement [Note 13(b)]	-	-	(12,647)	807,310
- Prior year adjustment [Note 13(b)]	-	-	-	(35,338)
- Other comprehensive income	-	-	15,886	53,397
Closing balance	-	-	61,869	58,630

30. Deferred tax (assets)/liabilities (contd.)**30. (c) Reconciliation of net deferred tax (assets)/liabilities - Bank**

As at 31 December	Statement of Financial Position		Profit or Loss		Other Comprehensive Income	
	2024	2023	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred tax liability on:						
Accelerated depreciation for tax purpose	974,526	883,565	90,961	122,732	-	-
Revaluation surplus/(Loss) on freehold land and building	3,402,330	3,402,330	-	102	-	623,608
Unrealized gain/(loss) on financial assets measured at fair Value through other comprehensive Income	419,050	252,675	-	-	166,375	252,675
Prior year adjustment	-	-	-	-	-	-
	<u>4,795,906</u>	<u>4,538,570</u>	<u>90,961</u>	<u>122,834</u>	<u>166,375</u>	<u>876,282</u>
Deferred tax asset on:						
Retirement benefit obligations	5,246,960	4,760,918	-	-	486,042	1,723,862
Impairment provision	4,543,967	3,602,026	941,941	530,470	-	-
Unrealized gain/(loss) on financial assets measured at fair value through other comprehensive income	-	-	-	-	-	(323,826)
Unused tax losses	-	2,060,914	(2,060,914)	2,060,914	-	-
Prior year adjustment	-	-	-	-	-	-
	<u>9,790,927</u>	<u>10,423,858</u>	<u>(1,118,973)</u>	<u>2,591,383</u>	<u>486,042</u>	<u>1,400,036</u>
Deferred tax effect on profit or loss and other comprehensive income for the year	-	-	(1,209,934)	2,468,549	319,667	523,754
Net deferred tax (asset)/liability	(4,995,021)	(5,885,288)	-	-	-	-

30. (d) Reconciliation of net deferred tax (assets)/liabilities - Group

As at 31 December	Statement of Financial Position		Profit or Loss		Other Comprehensive Income	
	2024	2023	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred tax liability on:						
Accelerated depreciation for tax purpose	1,018,648	929,668	88,980	164,425	-	-
Revaluation surplus/(loss) on freehold land and building	3,402,330	3,402,330	-	102	-	623,608
Unrealized gain/(loss) on financial assets measured at fair value through other comprehensive income	469,059	285,813	-	-	183,246	285,813
Prior year adjustment	-	-	-	-	-	19,900
	<u>4,890,037</u>	<u>4,617,812</u>	<u>88,980</u>	<u>164,527</u>	<u>183,246</u>	<u>929,321</u>
Deferred tax asset on:						
Retirement benefit obligations	5,279,222	4,766,092	10,665	3,289	487,027	1,723,503
Unused tax losses	-	-	-	(768,906)	-	-
Impairment provision	4,543,967	3,602,026	941,941	530,470	-	-
Unrealized gain/(loss) on financial assets measured at fair value through other comprehensive income	-	-	-	-	-	(323,826)
Lax losses	-	2,060,914	(2,060,914)	1,580,887	-	-
Prior year adjustment	-	15,438	-	-	-	-
	<u>9,823,189</u>	<u>10,444,470</u>	<u>(1,108,308)</u>	<u>1,345,740</u>	<u>487,027</u>	<u>1,399,677</u>
Deferred tax effect on profit or loss and other comprehensive income for the year	-	-	(1,197,288)	1,181,213	303,781	470,356
Net deferred tax (asset)/liability	(4,933,152)	(5,826,658)	-	-	-	-

31. Other assets

As at 31 December	Bank		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Cost				
Income tax receivable	-	191,020	-	191,020
Receivables (Note 31.1)	2,366,903	2,211,424	2,387,029	2,252,758
Receivable from treasury (Note 31.2)	32,737,108	51,125,514	32,826,048	51,214,454
Deposits and prepayments	532,909	2,621,994	538,234	2,627,202
Advance payment to treasury (Note 31.3)	2,240,000	2,560,000	2,240,000	2,560,000
Advance payment made to pension II (Note 38)	-	2,230,673	-	2,230,673
Sundry debtors	76,492	23,037	76,492	23,037
Unamortised cost on staff loans (Day 1 difference)	11,804,409	11,167,699	11,804,409	11,167,699
Other assets	244,426	247,310	255,290	303,514
Total	50,002,248	72,378,671	50,127,502	72,570,357

31.1 Receivables

As at 31 December	Bank		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Cost				
Receivables	2,491,275	2,335,796	2,531,856	2,397,585
Less: Impairment	(124,372)	(124,372)	(144,827)	(144,827)
Net receivables	2,366,903	2,211,424	2,387,029	2,252,758

31.2 Receivable from treasury**Accounting policy**

The estimated future cashflows of treasury receivables were discounted at treasury bill / treasury bond rate matching with corresponding expected cashflows of treasury receivables and the difference between carrying value and present value of future cashflows is recognised as impairment charges on treasury receivables.

As at 31 December	Bank		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Receivable from treasury on interest	20,353,308	33,644,685	20,442,247	33,733,625
Other Receivable from treasury	13,673,000	13,673,000	13,673,000	13,673,000
SWAP Cost Receivable from Treasury	2,894,487	2,894,487	2,894,487	2,894,487
Foreign Currency Change Incentive Receivable	225,530	79,599	225,530	79,599
Dormant A/C receivable	193,452	833,743	193,452	833,743
Gross Total	37,339,777	51,125,514	37,428,717	51,214,454
Less: Impairment	(4,602,669)	-	(4,602,669)	-
Net Total	32,737,108	51,125,514	32,826,048	51,214,454

31.3 Advance payment to treasury

At the request of Treasury, the Bank paid an advance of Rs. 6,000 Mn in 2012 and Rs.2,000 Mn in 2013 as confirmed by the Treasury to be set-off against the profit within a period of six years starting from 2014. Effective from 01st January 2016, Treasury has agreed to set-off the balance amount of Rs. 5,333 Mn against the profit within a period of 10 years. Thereafter Treasury has agreed to set-off the balance amount of Rs. 4,800 Mn against the profit within a period of 15 years effective from 1 January 2017.

32. Due to banks**Accounting policy**

Due to banks represents overdrafts, call money borrowings, borrowing from banks and Repos by the subsidiaries. Subsequent to initial recognition deposits are measured at their amortised cost using EIR method. Interest paid/payable on these dues are recognised in the Income Statement under interest expense. Foreign currency borrowings as at the reporting date are translated to the functional currency at the middle exchange rate of the functional currency at that date. Foreign currency differences arising on retranslation at the reporting date are recognised in profit or loss.

As at 31 December	Bank		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Foreign currency borrowings	-	-	-	-
Securities sold under repurchase (Repo) agreements	-	8,792,667	-	15,206,988
Other facilities	487,521	192,112	487,521	192,112
Total	487,521	8,984,779	487,521	15,399,100

33. Derivative financial instruments**Bank and Group****As at 31st December**

	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Foreign currency derivatives				
Currency swaps (Note 48.2)	258,272	-	258,272	-
Forward contracts	137	201	137	201
Total	258,409	201	258,409	201

34. Financial liabilities recognized through profit or loss

The Bank and Group do not have instruments under the financial liabilities recognized through profit or loss as at 31 December 2024.

35. Financial liabilities at amortised cost**Accounting policy****i. Due to depositors**

Due to depositors include savings and term deposits. Subsequent to initial recognition deposits are measured at their amortised cost using EIR method. Interest paid/payable on deposits are recognised in the Income Statement under Interest Expense.

ii. Securities sold under repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not de-recognized from the Statement of Financial Position as the Group retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the Consolidated Statement of Financial Position as financial liability reflecting as a loan received by the Group, including accrued interest as a liability within "Securities sold under repurchase agreements", reflecting the transaction's economic substance. The difference between the sale and repurchase prices is treated as interest expenses and is accrued over the life of agreement using the EIR.

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Due to depositors (Note 35.1)	1,556,270,863	1,482,532,430	1,556,681,918	1,482,951,028
Due to debt securities holders	-	-	-	-
Due to other borrowers (Note 35.2)	48,190,057	61,611,014	66,049,093	72,891,598
Total	1,604,460,920	1,544,143,444	1,622,731,011	1,555,842,626

35.1 .Analysis of amount due to depositors**35.1 (a) By product**

Savings deposits	302,544,813	278,206,152	302,637,392	278,309,807
Fixed deposits	1,253,726,050	1,204,326,278	1,254,044,526	1,204,641,221
Total	1,556,270,863	1,482,532,430	1,556,681,918	1,482,951,028

35.1 (b) By currency

Sri Lankan Rupee	1,530,649,011	1,455,659,625	1,531,060,066	1,456,078,223
United State Dollar	20,932,437	21,387,114	20,932,437	21,387,114
Euro	2,072,504	2,402,742	2,072,504	2,402,742
Great Britain Pound	1,620,031	1,819,611	1,620,031	1,819,611
Australian Dollar	994,285	1,261,910	994,285	1,261,910
Japanese Yen	2,595	1,428	2,595	1,428
Total	1,556,270,863	1,482,532,430	1,556,681,918	1,482,951,028

35.2 Due to other borrowers

Loan facility from Central Bank of Sri Lanka	-	33,481,521	-	33,481,521
Other borrowers	48,190,057	28,129,494	66,049,093	39,410,078
Total	48,190,057	61,611,014	66,049,093	72,891,598

36. Lease Liabilities**Accounting policy****Initial measurement of lease liability**

The lease liability is initially measured at the present value of the future lease rentals over the remaining lease period at commencement date.

Subsequent measurement of lease liability

The lease liability subsequently is measured by increasing the lease interest and reducing the lease payments.

Discount rate

The discount rate applied to determine the present value of future rentals is the Treasury Bond Rates for periods which are similar to lease periods published by the Central Bank. The period of the Treasury Bond is identical to lease tenure. If the Treasury Bond Rate is not available for the applicable tenure, the rate of the tenure which is lower than the lease tenure is applied.

36.(a) Lease liabilities

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Opening balance	1,365,547	1,377,229	1,400,575	1,414,959
Addition during the year	234,958	266,776	234,958	266,776
Lease interest for the year	199,122	197,040	202,942	201,146
Less: Paid during the year	(518,066)	(483,745)	(524,298)	(490,551)
Adjustment	-	8,245	-	8,245
Closing balance	1,281,561	1,365,547	1,314,177	1,400,575

36.(b) Maturity analysis - Lease liabilities

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Amount payable within one year	317,675	315,726	320,330	318,137
Amount payable within one to three years	587,253	529,854	594,736	536,041
Amount payable within three to five years	272,627	364,452	282,856	372,940
Amount payable after five years	104,006	155,515	116,254	173,456
Total	1,281,561	1,365,547	1,314,176	1,400,575

37. Debt securities issued

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Subordinated liabilities				
Debenture issued by the Bank (Note 37.1)	5,100,532	5,108,493	5,100,532	5,108,493
Debenture issued by other subsidiaries	-	-	73,169	73,169
	5,100,532	5,108,493	5,173,701	5,181,662
Non-subordinated liabilities (Note 37.2)				
Debenture issued by the Bank	11,865,950	18,698,020	11,865,950	18,698,020
Total	16,966,482	23,806,514	17,039,651	23,879,683
Due within 1 year	425,482	7,265,514	498,650	7,338,683
Due after 1 year	11,541,000	11,541,000	11,541,000	11,541,000
Perpetual	5,000,000	5,000,000	5,000,000	5,000,000
Total	16,966,482	23,806,514	17,039,650	23,879,683

37. Debt securities issued (Contd.)**37.1 Subordinated liabilities****Accounting policy**

These represent the funds borrowed by the Group for long-term funding requirements. Subsequent to initial recognition these are measured at their amortised cost using the EIR method, except where the Group designates them at fair value through profit or loss. Interest paid/payable is recognised in profit or loss.

As at 31 December	Bank		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Balance as at 1 January	5,000,000	5,000,000	5,000,000	5,000,000
Amount borrowed during the year	-	-	-	-
Repayments/redemptions during the year	-	-	-	-
Sub total	5,000,000	5,000,000	5,000,000	5,000,000
Exchange rate variance	-	-	-	-
Balance as at 31 December (before adjusting for amortised interest and transaction cost)	5,000,000	5,000,000	5,000,000	5,000,000
Unamortised transaction cost	-	-	-	-
Net effect of amortised interest payable	100,532	108,493	100,532	108,493
Amortised cost as at 31 December	5,100,532	5,108,493	5,100,532	5,108,493
Subordinated liabilities				
Floating rate subordinated liabilities(Note 37.1.1)	5,100,532	5,108,493	5,100,532	5,108,493
Total	5,100,532	5,108,493	5,100,532	5,108,493

37.1.1 Floating rate subordinated liabilities**Detail of debenture issue**

Primary objective of issuing debenture is to increase the capital of the Bank in order to enhance additional tier 1 Capital of the Bank and finance the lending activities of the Bank.

Outstanding subordinated liabilities of the Bank as at 31 December 2024 consisted of Rs. 5,000 Mn Unlisted, Unsecured, Subordinated, Perpetual, Rated debentures of Rs. 100/- issued on 27th October 2020 as Private Placement under the provision of the NSB Act No. 30 of 1971. The debenture carry AA rating from Lanka Rating.

Category	Face value (Rs. '000)	Interest rate %	Repayment terms	Issue date	Maturity date	Effective annual yield		Bank		Group	
						2024 %	2023 %	2024 Rs. 000	2023 Rs. 000	2024 Rs. 000	2023 Rs. 000
Issued by the Bank											
Floating rate	5,000,000	Six (06) month T Bill rate + 1.50% p.a.	Perpetual	27 October 2020	Perpetual	11.46	12.36	5,000,000	5,000,000	5,000,000	5,000,000
Interest payable								100,532	108,493	100,532	108,493
Total								5,100,532	5,108,493	5,100,532	5,108,493

* Interest payment term is semi-annual.

In the event of the winding-up of the issuer, the above liabilities would be subordinated to the claims of depositors and all other creditors of the issuer.

37.2 Non-subordinated liabilities**Accounting policy**

These represent the funds borrowed by the Group for long-term funding requirements. Subsequent to initial recognition these are measured at their amortised cost using the EIR method, except where the Group designates them at fair value through profit or loss. Interest paid/payable is recognised in profit or loss.

As at 31 December	Bank		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Balance as at 1 January	17,864,000	17,864,000	17,864,000	17,864,000
Amount borrowed during the year	-	-	-	-
Repayments/redemptions during the year	(6,323,000)	-	(6,323,000)	-
Sub total	11,541,000	17,864,000	11,541,000	17,864,000
Exchange rate variance	-	-	-	-
Balance as at 31 December (before adjusting for amortised interest and transaction cost)	11,541,000	17,864,000	11,541,000	17,864,000
Unamortised transaction cost	-	-	-	-
Net effect of amortised interest payable	324,950	834,020	324,950	834,020
Amortized cost as at 31 December	11,865,950	18,698,020	11,865,950	18,698,020
Non-subordinated liabilities				
Debenture issued in 2019 (Rs. 6.323 Bn) (Note 37.2.1)	-	6,543,222	-	6,543,222
Debenture issued in 2021 (Rs. 11.5 Bn) Note 37.2.2)	11,865,950	12,154,798	11,865,950	12,154,798
Total	11,865,950	18,698,020	11,865,950	18,698,020

37.2.1 Debenture issued in 2019 (Rs. 6.323 Bn)**Detail of debenture issue**

The objective of the issue of the Debenture is to partly finance the funding requirement of unwinding the USD/LKR Swap agreement with Central Bank of Sri Lanka. This Rs. 6,323 Mn Unlisted, Rated, Senior, Unsecured, Redeemable debentures of Rs. 100/- each issued on 10 September 2019 as Private Placement under the provision of the NSB Act No. 30 of 1971. NSB Fund Management Co. Ltd. is act as Trustee for the issue and carry AA+ rating from Lanka Rating. This Debenture was matured on 10th September 2024.

Category	Face value (Rs. '000)		Interest rate %	Repayment terms	Issue date	Maturity date	Effective annual yield		Bank		Group	
							2024 %	2023 %	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Issued by the Bank												
Fixed rate 5 year	6,323,000	11.25% p.a.		At Maturity	10-Sep-19	10-Sep-24	11.25	11.25	-	6,323,000	-	6,323,000
Interest payable									-	220,222	-	220,222
Total	6,323,000								-	6,543,222	-	6,543,222

* Interest payment term is annual.

37.2.2 Debenture issued in 2021 (Rs. 11.5 Bn)**Detail of debenture issue**

The funds raised through the Debenture Issue will provide the necessary stable funding for five years and more and to further expand the lending portfolio of the Bank. Debenture proceeds will be disbursed in the ordinary course of business subject to all applicable regulations. Outstanding debenture of the Bank as at 31 December 2024 consisted of Rs. 11,541 Mn Unlisted, Rated, Redeemable, Senior Debentures of Rs. 100/-each issued on 23 September 2021 as Private Placement under the provision of the NSB Act No. 30 of 1971. NSB Fund Management Co. Ltd. is act as Trustee for the issue and carry AA+ rating from Lanka Rating.

Category	Face value (Rs. '000)		Interest rate %	Repayment terms	Issue date	Maturity date	Effective annual yield		Bank		Group	
							2024 %	2023 %	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Issued by the Bank												
Fixed rate 5 year	1,016,000	8.50%		At Maturity	24 September 2021	23 September 2026	8.68	8.68	1,016,000	1,016,000	1,016,000	1,016,000
Floating rate 5 year	9,000,000	06 months AWPLR + 1.00%		At Maturity	24 September 2021	23 September 2026	11.00	21.99	9,000,000	9,000,000	9,000,000	9,000,000
Floating rate 7 year	1,525,000	06 months AWPLR + 1.00%		At Maturity	24 September 2021	23 September 2028	11.00	21.99	1,525,000	1,525,000	1,525,000	1,525,000
Interest payable									324,950	613,798	324,950	613,798
Total	11,541,000								11,865,950	12,154,798	11,865,950	12,154,798

* Interest payment term is annual.

38. Retirement benefit obligations**Accounting Policy**

Obligation identifies on defined benefit plans for post employment benefits are recognised as retirement benefit obligations. Accordingly National Savings Bank employee pension scheme I, pension scheme II and Medical assistance scheme for retired employees of NSB were considered as defined plans as per the LKAS - 19 " Employee Benefits"

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Provision for pension scheme I [Note 38.(a).1]	12,899,271	12,987,377	12,899,271	12,987,377
Provision for pension scheme II [Note 38(a).2]	447,200	-	447,200	-
Provision for retired medical assistance scheme [Note 38.(a).3]	4,143,397	5,113,022	4,143,397	5,113,022
Provision for gratuity [Note 38.(a).4]	-	-	107,539	68,707
Total	17,489,868	18,100,399	17,597,407	18,169,106

38. (a). Defined benefit plans

The Bank has two separate pension schemes established, Pension Scheme I for permanent employees joined before 1st October 1995 and Pension Scheme II for permanent employees joined on or after 1st October 1995 and a retired medical assistance scheme for retired employees.

The assets of these schemes are held independently of the Bank's assets and administered by Boards of Trustees/ Managers, representing the Management and the employees, as provided in the trust deed/rules of the respective funds.

All the funds are subject to annual audits independent to the audit of the Bank, by a firm of Chartered Accountants appointed by the members and actuarial valuations are carried out at least once in every two years, as per the rules governing these funds.

A summary of retirement benefit obligations of the bank as at 31 December 2024 are given below:

	Pension scheme I	Pension scheme II	Retired medical assistance scheme	Total
As at 31 December 2024	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Present value of defined benefit obligation (PVDBO)	(25,617,802)	(10,471,351)	(5,781,264)	(41,870,417)
Fair value of plan assets	12,718,531	10,024,151	1,637,866	24,380,548
Net asset / (liability) recognised for defined benefit obligation	(12,899,271)	(447,199)	(4,143,398)	(17,489,868)

A summary of retirement benefit obligations of the Bank as at 31 December 2023 are given below:

	Pension scheme I	Pension scheme II	Retired medical assistance	Total
As at 31 December 2023	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Present value of defined benefit obligation (PVDBO)	(25,058,641)	(5,813,536)	(6,131,827)	(37,004,004)
Fair value of plan assets	12,071,264	8,044,209	1,018,805	21,134,278
Net asset / (liability) recognised for defined benefit obligation	(12,987,377)	2,230,673	(5,113,022)	(15,869,726)

38.(a) 1 National Savings Bank Employees' Pension Scheme I**Pension Scheme I**

The actuarial valuation of the Pension Scheme I was carried out as at 31 December 2024 by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries, on 31 December 2024.

Projected Unit Credit Method was used to allocate the actuarial present value of the projected benefits earned by employees to date of 31 December 2024.

	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(a) Net asset/(liability) recognised in Statement of Financial Position				
Present value of defined benefit obligation	(25,617,802)	(25,058,641)	(25,617,802)	(25,058,641)
Fair value of plan assets	12,718,531	12,071,264	12,718,531	12,071,264
Net asset / (liability) recognised for defined benefit obligation	(12,899,271)	(12,987,377)	(12,899,271)	(12,987,377)

38.(a) 1 National Savings Bank Employees' Pension Scheme I (Contd.)**(b) Amount recognised in Income Statement**

Past service cost	-	-	-	-
Current service cost	62,394	46,228	62,394	46,228
Interest on obligation	3,257,623	3,412,958	3,257,623	3,412,958
Expected return on plan assets	(1,569,264)	(1,835,315)	(1,569,264)	(1,835,315)
Net benefit expense	1,750,753	1,623,871	1,750,753	1,623,871

(c) Amount recognised in Other Comprehensive Income (OCI)

Provision adjustment	(24)	(169)	(24)	(169)
Experience (gain)/loss	(1,241,193)	(528,477)	(1,241,193)	(528,477)
(Gain)/ loss due to changes in assumptions	1,387,491	5,989,744	1,387,491	5,989,744
Actuarial (gain)/loss on plan assets	(367,168)	(1,933,902)	(367,168)	(1,933,902)
Total	(220,894)	3,527,196	(220,894)	3,527,196

(d) Changes in fair value of plan assets are as follows:

Opening fair value of plan assets	12,071,264	10,196,196	12,071,264	10,196,196
Expected return on plan assets	1,569,264	1,835,315	1,569,264	1,835,315
Actual employer contribution	1,617,990	928,538	1,617,990	928,538
Benefits paid	(2,907,155)	(2,822,688)	(2,907,155)	(2,822,688)
Actuarial gain/(loss) on plan assets	367,168	1,933,902	367,168	1,933,902
Closing fair value of plan assets	12,718,531	12,071,264	12,718,531	12,071,264

(e) Changes in present value of defined benefit obligation are as follows:

Opening defined benefit obligation	25,058,641	18,960,877	25,058,641	18,960,877
Interest cost	3,257,623	3,412,958	3,257,623	3,412,958
Past service cost	-	-	-	-
Current service cost	62,394	46,228	62,394	46,228
Benefits paid	(2,907,154)	(2,822,688)	(2,907,154)	(2,822,688)
(Gain)/loss due to changes in assumptions	1,387,491	5,989,744	1,387,491	5,989,744
Actuarial (gain)/loss on obligation	(1,241,193)	(528,477)	(1,241,193)	(528,477)
Closing defined benefit obligation	25,617,802	25,058,641	25,617,802	25,058,641

(f) Plan assets consist of followings:

Treasury Bonds	5,975,510	7,298,141	5,975,510	7,298,141
Treasury Bills	3,248,245	1,337,136	3,248,245	1,337,136
Commercial Papers	-	256,503	-	256,503
Fixed deposits	707,926	-	707,926	-
Securities purchased under resale agreements	18,128	1,208,498	18,128	1,208,498
Debentures	2,556,122	2,054,856	2,556,122	2,054,856
Trust certificates	342,931	123,054	342,931	123,054
Cash at Bank	12,094	2,043	12,094	2,043
Other assets/(liabilities)	(142,425)	(208,967)	(142,425)	(208,967)
Total	12,718,531	12,071,264	12,718,531	12,071,264

(g) Maturity profile of defined benefit obligation-present value of expected accrued benefit payments

Distribution of present value of defined benefit obligation in future years	Bank and Group	
	2024	2023
	Rs. '000	Rs. '000
Less than one year	2,725,386	2,742,349
Between 1-2 years	4,897,419	4,840,534
Between 3-5 years	5,848,703	5,748,414
Between 6-10 years	6,261,783	6,084,505
Beyond 10 years	5,884,511	5,642,841
Total	25,617,802	25,058,642

(h) Actuarial assumption

	Pension Scheme I	
	2024	2023
Future salary increment rate (%)	8.00	10.00
Discount rate (%)	11.00	13.00
Increase in future Cost of Living Allowance (COLA) (%)	6.50	8.00
Mortality	GA 1983 Mortality table	GA 1983 Mortality table
Retirement age	60 years	60 years
Normal form of payment	Monthly	Monthly

38.(a) 1 National Savings Bank Employees' Pension Scheme I (Contd.)**(h) Actuarial assumption (Contd.)**

Turnover rate	2024	2023
Age	%	%
20	0.3	0.3
25	0.3	0.3
30	0.3	0.3
35	0.3	0.3
40	0.3	0.3
45	0.3	0.3
50	0.3	0.3
55	0.3	0.3
56	0.3	0.3
57	0.3	0.3
58	0.3	0.3
59	0.3	0.3

(i) Increase/decrease in the following assumptions will have an impact on the present value of defined benefit obligation as illustrated below :

	Pension Scheme I (Bank and the Group)			
	2024		2023	
	1% increase	1% decrease	1% increase	1% decrease
Future salary increment rate	25,658,720	25,577,925	25,095,642	25,022,769
Discount rate	24,034,486	27,405,593	23,550,975	26,756,705

38.(a) 2 National Savings Bank Employee's Pension Scheme II

The actuarial valuation of the Pension Scheme II was carried out as at 31 December 2024 by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries, on 31 December 2024.

Projected Unit Credit Method was used to allocate the actuarial present value of the projected benefits earned by employees to date of 31 December 2024.

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(a) Net asset/(liability) recognised in Statement of Financial Position				
Present value of defined benefit obligation	(10,471,351)	(5,813,536)	(10,471,351)	(5,813,536)
Fair value of plan assets	10,024,151	8,044,209	10,024,151	8,044,209
Total	(447,200)	2,230,673	(447,200)	2,230,673
(b) Amount recognised in Income Statement				
Past service cost	-	-	-	-
Current service cost	557,131	177,880	557,131	177,880
Interest on obligation	755,760	432,235	755,760	432,235
Expected return on plan assets	(1,045,747)	(858,006)	(1,045,747)	(858,006)
FMC contribution	(1,287)	(1,285)	-	-
Net benefit expense	265,856	(249,176)	267,143	(247,891)
(c) Amount recognised in Other Comprehensive Income (OCI)				
Provision adjustment	(816)	(566)	(816)	(566)
Experience (gain)/loss	764,440	(221,714)	764,440	(221,714)
(Gain)/ loss due to changes in assumptions	2,666,051	3,070,510	2,666,051	3,070,510
Actuarial (gain)/loss on plan assets	44,864	(1,592,719)	44,864	(1,592,719)
Total	3,474,539	1,255,510	3,474,539	1,255,510
(d) Changes in fair value of plan assets are as follows:				
Opening fair value of plan assets	8,044,209	4,766,699	8,044,209	4,766,699
Expected return on plan assets	1,045,747	858,006	1,045,747	858,006
Actual employer contribution	1,064,626	873,466	1,064,626	873,466
Benefits paid	(85,567)	(46,681)	(85,567)	(46,681)
Actuarial gain/(loss) on plan assets	(44,864)	1,592,719	(44,864)	1,592,719
Closing fair value of plan assets	10,024,151	8,044,209	10,024,151	8,044,209

38.(a) 2 National Savings Bank Employee's Pension Scheme II (Contd.)**(c) Changes in present value of defined benefit obligation are as follows:**

	Bank		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Opening defined benefit obligation	5,813,536	2,401,307	5,813,536	2,401,307
Interest cost	755,760	432,235	755,760	432,235
Past service cost	-	-	-	-
Current service cost	557,131	177,880	557,131	177,880
Benefits paid	(85,567)	(46,681)	(85,567)	(46,681)
(Gain)/loss due to changes in assumptions	2,666,051	3,070,510	2,666,051	3,070,510
Actuarial (gain)/loss on obligation	764,440	(221,714)	764,440	(221,714)
Closing defined benefit obligation	10,471,351	5,813,536	10,471,351	5,813,536

(f) Plan assets consist of followings:

Treasury Bonds	7,164,043	5,355,564	7,164,043	5,355,564
Treasury Bills	1,462,343	1,441,195	1,462,343	1,441,195
Commercial Papers	-	153,902	-	153,902
Debentures	709,292	799,000	709,292	799,000
Fixed Deposits	445,851	-	445,851	-
Trust Certificates	282,121	49,608	282,121	49,608
Securities purchased under resale agreements	9,104	381,389	9,104	381,389
Savings	62,926	1	62,926	1
Other assets/(liabilities)	(111,529)	(136,450)	(111,529)	(136,450)
Total	10,024,151	8,044,209	10,024,151	8,044,209

(g) Maturity profile of defined benefit obligation-present value of expected accrued benefit payments

	Bank and Group	
	2024 Rs. '000	2023 Rs. '000
Distribution of present value of defined benefit obligation in future years		
Less than one year	87,860	78,002
Between 1-2 years	243,439	182,962
Between 3-5 years	620,591	374,418
Between 6-10 years	1,305,471	866,826
Beyond 10 years	8,213,990	4,311,328
Total	10,471,351	5,813,536

(h) Actuarial assumption

	Pension Scheme II	
	2024	2023
Future salary increment rate (%)	8.00	8.00
Discount rate (%)	11.00	13.00
Increase in future Cost of Living Allowances (COLA) (%)	6.50	8.00
Mortality	GA 1983 Mortality table	GA 1983 Mortality table
Retirement age	60 years	60 years
Normal form of payment	Monthly	Monthly
Turnover rate	2024	2023
Age	%	%
20	0.3	0.3
25	0.3	0.3
30	0.3	0.3
35	0.3	0.3
40	0.3	0.3
45	0.3	0.3
50	0.3	0.3
55	0.3	0.3
56	0.3	0.3
57	0.3	0.3
58	0.3	0.3
59	0.3	0.3

38.(a) 2 National Savings Bank Employee's Pension Scheme II (Contd.)

(i) Increase/decrease in the following assumptions will have an impact on the present value of defined benefit obligation as illustrated below :

	Pension Scheme II (Bank and Group)			
	2024		2023	
	1% increase	1% decrease	1% increase	1% decrease
Future salary increment rate	11,592,466	9,530,274	6,397,178	5,539,676
Discount rate	8,714,046	12,725,640	5,026,700	7,077,691

38.(a) 3 Retired medical assistance scheme for the retired employees of NSB

The actuarial valuation of the retired medical assistance scheme for the retired employees was carried out as at 31 December 2024 by Mr M Poopalanathan, AIA, of Messrs Actuarial & Management Consultants (Pvt) Ltd., a firm of professional Actuaries, on 31 December 2024.

Projected Unit Credit Method was used to allocate the actuarial present value of the projected benefits earned by employees to date of 31 December 2024.

As at 31 December	Bank and Group	
	2024	2023
	Rs. '000	Rs. '000
(a) Net asset/(liability) recognised in Statement of Financial Position		
Present value of defined benefit obligation	(5,781,264)	(6,131,827)
Fair value of plan assets	1,637,866	1,018,805
Total	(4,143,398)	(5,113,022)
(b) Amount recognised in Income Statement		
Past service cost	-	-
Current service cost	123,575	62,427
Interest on obligation	797,137	752,029
Expected return on plan assets	(132,444)	(81,668)
Net benefit expense	788,268	732,788
(c) Amount recognised in Other Comprehensive Income (OCI)		
Experience (gain)/loss	(753,765)	(352,611)
(Gain)/ loss due to changes in assumptions	(77,377)	1,937,426
Actuarial (gain)/loss on plan assets	(174,149)	(235,369)
Contribution from employees	(19,812)	(24,902)
Total	(1,025,103)	1,324,543
(d) Changes in fair value of plan assets are as follows:		
Opening fair value of plan assets	1,018,805	453,708
Expected return on plan assets	132,444	81,668
Actual employer contribution	732,789	668,541
Actual participants' contribution	19,812	24,902
Benefits paid	(440,133)	(445,384)
Actuarial gain/(loss) on plan assets	174,149	235,369
Closing fair value of plan assets	1,637,866	1,018,805
(e) Changes in present value of defined benefit obligation are as follows:		
Opening defined benefit obligation	6,131,827	4,177,939
Interest cost	797,137	752,029
Past service cost	-	-
Current service cost	123,575	62,427
Benefits paid	(440,133)	(445,384)
(Gain)/loss due to changes in assumptions	(77,377)	1,937,426
Actuarial (gain)/loss on obligation	(753,765)	(352,611)
Closing defined benefit obligation	5,781,264	6,131,827
(f) Plan assets consist of followings:		
Treasury Bonds	1,444,855	759,440
Treasury Bills	203,854	224,967
Fixed Deposits	257,380	-
Securities purchased under resale agreements	3,833	326,534
Trust certificates	-	-
Debentures	174,219	153,177
Savings	149	5,041
Other payable	(446,424)	(450,355)
Total	1,637,866	1,018,804

38.(a) 3 Retired medical assistance scheme for the retired employees of NSB (Contd.)**(g) Maturity profile of defined benefit obligation-present value of expected accrued benefit payments**

Distribution of present value of defined benefit obligation in future years	Bank and Group	
	2024 Rs. '000	2023 Rs. '000
Less than one year	425,424	438,074
Between 1-2 years	770,005	803,310
Between 3-5 years	974,024	1,038,303
Between 6-10 years	1,213,585	1,316,655
Beyond 10 years	2,398,226	2,535,485
Total	5,781,264	6,131,827

(h) Actuarial assumption

	2024	2023
	%	%
Medical cost inflation rate	6.50	8.00
Discount rate	11.50	13.00

(i) Increase/decrease in the following assumptions will have an impact on the present value of defined benefit obligation as illustrated below :

	Bank and Group			
	2024		2023	
	1% increase	1% decrease	1% increase	1% decrease
Medical cost escalation rate	6,539,494	5,158,846	6,914,862	5,485,560
Discount rate	5,208,970	6,486,382	5,536,917	6,860,759

38. (a) 4 Gratuity plan - Bank and Group**Bank**

With the establishment of Pension Scheme II, employees who joined the Bank on or after 1st October 1995 are become members of the Pension Scheme II, thus are not entitled to the rights and privileges under Service Gratuity Scheme. However, where there are payments of termination gratuity before the entitlement pension, the Bank recognises the expense on cash basis.

Group

The staff members of the subsidiary companies are not entitled for pension scheme and hence, they continue to the members of Gratuity Plan as per the provision of the Gratuity Act No. 12 of 1983.

As at 31 December	Bank		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
(a) Net benefit expense (recognised under personal expenses)				
Current service cost	-	-	36,804	14,554
Interest cost on benefit obligation	-	-	4,153	995
Net benefit expense	-	-	40,957	15,549
(b) Provision for gratuity				
Defined benefit obligation as at 1st January	-	-	68,707	58,939
Interest cost	-	-	4,153	995
Current service cost	-	-	36,804	14,554
Benefits paid	-	-	(2,125)	(5,197)
Actuarial (gain)/loss on obligation (recognized in OCI)	-	-	-	(584)
Defined benefit obligation as at 31 December	-	-	107,539	68,707

(c) Actuarial assumption

	FMC		SLSB	
	2024 %	2023 %	2024 %	2023 %
Future salary increment rate	10.00	10.00	10.00	10.00
Discount rate	11.00	13.30	13.00	13.00
Mortality	-	-	A67/70	A67/70

Staff turnover rate and average future working lifetime

	FMC - 2024		
Age group	25-34	35-44	45<
Staff turnover rate %	0	0	0
Average future working lifetime - years	26.9	14.8	5.7

38. (a) 4 Gratuity plan - Bank and Group (Contd.)**(d) Increase/decrease in the following assumptions will have an impact on the present value of defined benefit obligation (PVDBO) as illustrated below :**

Values appearing in the Financial Statements are very sensitive to the changes in financial and non-financial assumptions used.

Net impact to PVDBO has been illustrated below:

	FMC			
	2024		2023	
	1% increase	1% decrease	1% increase	1% decrease
Future salary increment rate	1,146	(1,020)	666	(600)
Discount rate	(1,002)	1,146	(578)	652

Assumptions

Financial assumptions - Rate of discount, salary increment rate

Demographic assumptions - Mortality, staff turn over, disability, retirement age

39 Current tax liabilities

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 January	-	2,760,857	305,869	2,943,314
Tax receivable (WHT)	(60,351)	(88,248)	(192,812)	(88,248)
Charge for the year	8,935,497	-	9,770,215	66,852
Charge/(reversal) for previous years	-	(460,517)	-	-
Payment during the year	(5,035,397)	(2,403,112)	(5,637,408)	(2,739,667)
Transfer to / (from) tax receivable	(191,020)	191,020	(191,020)	123,618
Balance as at 31 December	3,648,729	-	4,054,844	305,869

40 Other provisions

No value to be disclosed under other provision as at 31 December 2024.

41 Other liabilities**Accounting Policy**

Other liabilities include provisions made in account of fees and expenses, salary related, and other expenses. These liabilities are recorded at amounts expected to be payable at the reporting date.

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sundry creditors	333,659	385,244	335,283	386,708
Interest payable	-	-	68,926	66,985
Salary related payable	2,866,461	2,061,830	2,867,111	2,061,830
Other tax payable	599,583	935,396	640,292	962,820
Other payables	5,202,405	5,806,985	5,475,633	5,985,165
Total	9,002,109	9,189,455	9,387,245	9,463,508

42 Due to subsidiaries

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Payable to FMC	-	-	-	-
Total	-	-	-	-

Refer Note 49.3 and 49.4 - Related party transaction on pages 88 and 89.

43. Stated capital/assigned capital

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Authorized				
1 Bn ordinary shares of Rs. 10.00 each as at 1 January	10,000,000	10,000,000	10,000,000	10,000,000
Balance as at 1 January (issued and fully paid)				
940 Mn ordinary shares of Rs. 10.00 each	9,400,000	9,400,000	9,400,000	9,400,000
Issue of ordinary shares during the year	-	-	-	-
Total	9,400,000	9,400,000	9,400,000	9,400,000

44. Statutory reserve fund

The statutory reserve fund is maintained as per the requirements under section 20 (1) of the Banking Act No. 30 of 1988. Accordingly, the fund is built up by allocating a sum equivalent to not less than 5% of the profit after tax, but before declaring any dividend or any profit that are transferred to elsewhere until the reserve is equal to 50% of the Bank's stated capital and thereafter sum equivalent to 2% of such profit until the amount of said reserve fund is equal to the stated capital of the Bank.

The balance in the statutory reserve fund will be used only for the purposes specified in the section 20 (2) of The Banking Act No. 30 of 1988.

As at 31 December	Bank		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Opening balance	5,369,172	5,224,842	5,464,218	5,281,952
Transfer during the period - 2% of profit after tax	325,705	144,330	346,524	182,266
Closing balance	5,694,877	5,369,172	5,810,742	5,464,218

45. Retained earnings

As at 31 December	Bank		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Balance as at 01 January	14,408,118	11,359,152	18,605,719	13,589,101
Opening balance adjustment*	-	-	-	15,438
Restated opening balance as at 01 January	14,408,118	11,359,152	18,605,719	13,604,539
Profit for the year	16,285,244	7,216,483	17,659,813	9,616,809
Other comprehensive income	(1,742,500)	(4,023,187)	(1,744,798)	(4,022,962)
Transfers to other reserves (statutory/other)	(325,705)	(144,330)	(586,068)	(592,667)
Contribution to National Insurance Trust Fund	(162,852)	-	(162,852)	-
Dividend/levy	-	-	-	-
Balance as at 31 December	28,462,305	14,408,118	33,771,814	18,605,719

* Please refer note 53 comparative figures.

46. Other reserves

Bank - 2024			
	Opening balance at 1 January 2024	Movement/transfers	Closing balance at 31 December 2024
	Rs. '000	Rs. '000	Rs. '000
General reserve	37,740,877	-	37,740,877
Revaluation reserve (net of tax)	7,946,216	-	7,946,216
OCI reserve	1,286,463	2,926,839	4,213,302
Foreign currency translation reserve	-	-	-
Other reserves (Refer Note 46.1, 46.2)	5,223,407	161,631	5,385,038
Total	52,196,963	3,088,470	55,285,433

Bank - 2023			
	Opening balance at 1 January 2023	Movement/transfers	Closing balance at 31 December 2023
	Rs. '000	Rs. '000	Rs. '000
General reserve	37,740,877	-	37,740,877
Revaluation reserve(net of tax)	6,493,876	1,452,340	7,946,216
OCI reserve	(1,669,876)	2,956,339	1,286,463
Foreign currency translation reserve	-	-	-
Other reserves (Refer Note 46.1, 46.2)	4,343,358	880,049	5,223,407
Total	46,908,234	5,288,728	52,196,963

Group - 2024			
	Opening balance at 1 January 2024	Movement/transfers	Closing balance at 31 December 2024
	Rs. '000	Rs. '000	Rs. '000
General reserve	37,740,877	-	37,740,877
Revaluation reserve (net of tax)	8,642,884	-	8,642,884
OCI reserve	1,433,850	3,132,574	4,566,424
Foreign currency translation reserve	-	-	-
Other reserves (Refer Note 46.1, 46.2, 46.3)	6,500,879	401,175	6,902,054
Total	54,318,490	3,533,749	57,852,239

Group - 2023			
	Opening balance at 1 January 2023	Movement/transfers	Closing balance at 31 December 2023
	Rs. '000	Rs. '000	Rs. '000
General reserve	37,740,877	-	37,740,877
Revaluation reserve (net of tax)	6,932,981	1,709,903	8,642,884
OCI reserve	(1,765,659)	3,199,509	1,433,850
Foreign currency translation reserve	-	-	-
Other reserves (Refer Note 46.1, 46.2, 46.3)	5,210,429	1,290,450	6,500,879
Total	48,118,628	6,199,862	54,318,490

46.1 Unclaimed deposit reserve

	Bank		Group	
	2024	2023	2024	2023
As at 31 December	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Opening balance	5,221,226	4,341,177	5,221,226	4,341,177
Transferred to share capital	-	-	-	-
Transferred during the year	161,631	880,049	161,631	880,049
Closing balance	5,382,857	5,221,226	5,382,857	5,221,226

In terms of the Section 47 of the National Savings Bank Act No. 30 of 1971 as amended by the Section 30 of the National Savings Bank (Amendment) Act No. 28 of 1995, where an amount lying dormant in a savings or deposit account for a period of ten years, it should be transferred to, Unclaimed Deposit Reserve. Accordingly amount transferred (net) to the reserve during the year 2024, was Rs. 161.63 Mn.

46.2 Special reserve

	Bank		Group	
	2024	2023	2024	2023
As at 31 December	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Opening balance	2,181	2,181	2,181	2,181
Transferred during the year	-	-	-	-
Closing balance	2,181	2,181	2,181	2,181

The special reserve represents the amount transferred from the dormant accounts of customers where the aggregate of the amount dormant is less than Rs. 10.00 (Ten rupees)

The whole or such part of the monies lying to the credit of "Special Reserve" and "Unclaimed Deposit Reserve" may be capitalised and shares to the value of money capitalised may be issued in the name of Secretary to the Treasury. The entirety of the issue and fully paid share capital of Rs. 9,400 Mn reflected in the Statement of Financial Position was issued by capitalising the Unclaimed Deposit Reserve time to time.

46.3 Special risk reserve - (NSB Fund Management Company Limited)

	Bank		Group	
	2024	2023	2024	2023
As at 31 December	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Opening balance	-	-	1,277,472	867,071
Transferred during the year - 25% of profit after tax	-	-	239,544	410,401
Closing balance	-	-	1,517,016	1,277,472

In order to promote the safety, soundness and the stability of the Primary Dealer (PD) system and to build up PD capital base, Primary Dealers (PDs) are required to annually transfer a percentage of their profit after tax to a Special Risk Reserve as follows, with effect from July 1, 2004:

- I. 50% of the profit after tax annually by the PDs who maintain capital funds less than Rs. 400 Mn.
- II. 25% of the profit after tax annually by the PDs who maintain capital funds in excess of Rs. 400 Mn.

Other reserves				
	Bank		Group	
	2024	2023	2024	2023
As at 31 December	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Total other reserves	5,385,038	5,223,407	6,902,054	6,500,879

47 Non-controlling interest

Bank has two fully-owned subsidiaries. Therefore no values to be disclosed under non-controlling interest.

48 Contingent liabilities and commitments**Accounting Policy**

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future event or present obligation where the transfer of economic benefit is not probable or cannot be reliably measured as defined in the Sri Lanka Accounting Standard - LKAS 37 on "Provisions, Contingent Liabilities and Contingent Assets".

To meet the financial needs of customers, the Bank enters in to various irrevocable commitments and contingent liabilities. This includes finance guarantees, letters of credit and other undrawn commitments to lend. Letters of credit and guarantees commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

As at 31 December	Bank		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Commitments				
Commitments for unutilised credit facilities	3,459,333	3,500,994	3,459,333	3,503,957
Other commitments indirect credit facilities	1,043,688	1,158,055	1,043,688	1,158,055
Capital commitments (Note 48.1)	619,267	1,322,696	627,575	1,363,854
Subtotal	5,122,288	5,981,745	5,130,596	6,025,866
Contingent liabilities				
Documentary credit	-	452,690	-	452,690
Bank guarantees	1,295,768	2,104,277	1,295,768	2,104,277
Other contingencies (Note 48.2)	8,624,391	1,346,162	8,624,391	1,346,162
Subtotal	9,920,159	3,903,129	9,920,159	3,903,129
Total commitment and contingencies	15,042,447	9,884,874	15,050,755	9,928,995

48.1 Capital commitments

Capital expenditure approved by the Board of Directors, for which provisions have not been made in the Financial Statements are detailed below:

As at 31 December	Bank		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Commitments in relation to property, plant and equipment				
Approved and contracted for	12,040	130,827	12,040	130,827
Approved but not contracted for	-	-	-	-
Subtotal	12,040	130,827	12,040	130,827
Commitments in relation to intangible asset				
Approved and contracted for	607,227	1,191,869	615,535	1,233,027
Approved but not contracted for	-	-	-	-
Subtotal	607,227	1,191,869	615,535	1,233,027
Total	619,267	1,322,696	627,575	1,363,854

48.2 Other contingencies

As at 31 December	Bank		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Derivatives				
Others	-	-	-	-
Forward exchange contracts				
Forward exchange sales	8,624,391	1,346,162	8,624,391	1,346,162
Total	8,624,391	1,346,162	8,624,391	1,346,162

49. Related party disclosures**Accounting policy**

The Bank carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as related parties as per the Sri Lanka Accounting Standard – LKAS 24 – “Related Party Disclosures” i.e. Government of Sri Lanka, subsidiaries, post employment benefit plans for the Bank's employees, Key Management Personnel (KMPs). Those transactions include lending activities, 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, other than, transactions that the Key Management Personnel (KMP) have availed under schemes uniformly applicable to all staff at concessionary rates. Particulars of transactions with related parties are tabulated below:

49. Related party disclosures (Contd.)**49.1 Parent and ultimate controlling party**

National Savings Bank is a Government-owned bank.

49.2 Transactions with Government of Sri Lanka (Parent) and state-controlled entities

The financial dealings carried out with the Government of Sri Lanka and state-controlled entities for the year are disclosed below:

49.2.1 Transactions which are collectively significant

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets				
Loans to Government	-	-	-	-
Investments made on Government Securities	973,281,879	885,429,139	1,009,873,059	917,105,830
Investments on state and state-controlled entities	202,892,138	228,532,408	203,183,541	229,593,775
Securities purchased under resale agreements	966,088	1,774,349	966,088	1,774,349
Tax receivable	-	191,020	-	191,020
Postmaster-General's current account	627,795	-	627,795	-
Advance payment to Government	2,240,000	2,560,000	2,240,000	2,560,000
Other receivables from Government	37,339,777	51,125,514	37,428,717	51,214,454
Total	1,217,347,678	1,169,532,831	1,254,319,200	1,202,359,829
Liabilities				
Securities sold under repurchase agreements	2,509,798	-	2,618,006	8,479,722
Postmaster-General's current account	-	43,266	-	43,266
Tax payable	-	-	4,054,844	305,869
Total	2,509,798	43,266	6,672,850	8,828,857

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Commitment				
Undrawn loan commitment	3,323,970	3,323,970	3,323,970	3,323,970
Tax paid				
Income tax	8,935,497	(460,517)	9,664,837	66,851
Value added tax	8,207,522	1,142,716	8,683,243	1,832,755
SSCL on financial services	1,139,934	158,708	1,205,905	254,298
Contribution to consolidated fund - dividend / levy	-	-	-	-
Total	18,282,953	840,906	19,553,985	2,153,904

49.2.2 Transactions which are individually significant

Since the bank is government own entity and as per NSB Act, Bank should invest 60% of its deposit in Government Securities. Therefore the bank has significant transactions with GOSL in day-to-day operation which are collectively represent on above. Individually significant transactions other than day-to-day operations are as follows:

49.3 Transactions with subsidiary company (NSB Fund Management Company Limited)

The Bank has contributed Rs. 4,200 Mn towards the share capital of the Company. The Company invested its funds in Treasury Bills, Treasury Bonds and Repos during the year on a regular basis. All investment in Treasury Bills and Treasury Bonds of the Bank are being made through the NSB Fund Management Company Limited on which no service charges/custodian fee has been made for the year 2024 (Rs. 0.98 Mn Mn service charges/custodian fees in 2023).

The Bank holds following balances with NSB Fund Management Company Limited, at the Reporting date:

As at 31 December	Bank	
	2024	2023
	Rs. '000	Rs. '000
Assets		
Securities purchased under resale agreements	5,491,547	3,502,933
Loans and Advances	-	-
Other receivable	2,684	2,305
Total	5,494,231	3,505,238
Liabilities		
Other payable	-	-
Commitment		
Undrawn loan commitment	-	-
Regulatory capital	75,660,059	60,998,920
Balance as a percentage of the Bank's regulatory capital (%)	7.3	5.7

49.3 Transactions with subsidiary company (NSB Fund Management Company limited) (Contd.)

The above outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties. Particulars of income and expenses with related parties are tabulated below:

For the year ended 31 December	Bank	
	2024 Rs. '000	2023 Rs. '000
Income		
Legal Fee and shared Services	1,525	300
Interest income on loans and advances	-	64,670
Rent	6,096	6,096
Dividend	-	-
Interest income reverse repo	117,630	74,782
Total	125,251	145,848
Expenses		
Service charges/custodian fees	-	980
Real time gross settlement charges	-	-
Trustee fees	300	1,050
Interest expenses on repo's	-	-
Total	300	2,030

49.4 Transactions with subsidiary company (Sri Lanka Savings Bank Limited)

The Sri Lanka Savings Bank Limited (SLSBL) was established in July 2006 under the Banking Act and incorporated under the provision of the Companies Act. The Sri Lanka Savings Bank commenced business on 10 March 2008 as a state-owned Licensed Specialized Bank. The Bank has acquired SLSBL as fully-owned subsidiary by paying Rs. 3,111 Mn on 11 October 2019. The CBSL has given special approval to acquisition as per the budget proposal of 2016.

The Bank holds following balances with Sri Lanka Savings Bank Limited at the Reporting date.

As at 31 December	Bank	
	2024 Rs. '000	2023 Rs. '000
Liabilities		
Securities sold under repurchase agreements	-	-
Securities sold under repurchase agreements - Interest payables	-	-
Due to Depositors	146	264
Due to Depositors -Interest payables	-	-
Total	146	264

The above outstanding balances arose in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with third-party counterparties. Particulars of income and expenses with related parties are tabulated below:

For the year ended 31 December	Bank	
	2024 Rs. '000	2023 Rs. '000
Expenses		
Interest expenses on securities sold under repurchase agreements	-	2,238
Interest expenses on due to depositors	13	155,582
Total	13	157,820

49.5 Transactions with key managerial persons**49.5.1 Compensation to Key Management Personnel (KMPs)**

As per the Sri Lanka Accounting Standard -LKAS 24 - "Related Party Disclosures", the KMPs include those who are having authority and responsibility for planning, directing and controlling the activities of the Bank. Accordingly, Key managerial persons include members of the Board of Directors of the Bank and key employees of the Bank holding directorships in subsidiaries, NSB Fund Management Company Ltd and Sri Lanka Savings Bank Limited, Chairman's, Directors', GM/CEO's, DGM's and senior management personnel reporting directly to the chief executive officer.

For the year ended 31 December	Bank and Group	
	2024 Rs. '000	2023 Rs. '000
Short-term employee benefit	208,853	161,428
Post-employment benefit	18,733	18,157
Total	227,586	179,585

In addition to the above, the Bank has also provided non-cash benefits to the KMPs in line with the approved benefit plans of the Bank.

Chairman's, Directors', GM/CEO's, DGM's and senior management personnel reporting directly to the chief executive officer emoluments and fees amounted to Rs. 208.8 Mn in 2024. (Rs. 161.4 Mn in 2023).

49.5.2 Transactions, arrangements, and agreements Involving Key Management Personnel (KMPs)

As at 31 December	Bank and Group	
	2024	2023
	Rs. '000	Rs. '000
Assets		
Loans and Advances	153,110	140,299

49.5.3 Net accommodation granted to related parties

(Disclosure under rule 3 (8) (ii) (e) of the Governance Direction of No. 12 of 2007 issued by the Central Bank of Sri Lanka).

As at 31 December	Bank and Group	
	2024	2023
	Rs. '000	Rs. '000
Key Managerial Persons		
Loan and advances	153,110	140,299
Total net accommodation	153,110	140,299
Regulatory capital	75,660,059	60,998,920
Net accommodation as a percentage of the Bank's regulatory capital (%)	0.2	0.2

49.6 Transactions with post-employment benefit plans of the Bank

Transactions (SOPF) which were taken place between the Bank and post-employment benefit plans of the Bank as at the year end are summarized below:

The Bank holds following balances with post-employment benefit plans at the reporting date.

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Liabilities				
National Savings Bank Employees' Provident Fund				
Due to depositors - (Fixed deposits)	1,400,000	-	1,400,000	-
Due to other borrowers (Securities purchased under resale agreements)	-	595,089	127,790	595,089
Debt securities issued (Debentures)	1,050,000	1,250,000	1,050,000	1,250,000
National Savings Bank Employees' Pension Scheme I				
Due to depositors - (Fixed deposits)	638,000	-	638,000	-
Due to other borrowers (Securities purchased under resale agreements)	1,300	1,200,565	19,407	1,200,565
Debt securities issued (Debentures)	250,000	550,000	250,000	550,000
National Savings Bank Employees' Pension Scheme II				
Due to depositors - (Fixed deposits)	400,000	-	400,000	-
Due to other borrowers (Securities purchased under resale agreements)	-	375,710	9,097	375,710
Debt securities issued (Debentures)	500,000	500,000	500,000	500,000
Medical Assistance Scheme for the Retired Employees of NSB				
Due to depositors - (Fixed deposits)	234,318	-	234,318	-
Due to other borrowers (Securities purchased under resale agreements)	-	327,822	3,829	327,822
Debt securities issued (Debentures)	25,000	25,000	25,000	25,000
Widows'/Widowers' and Orphans' Pension Fund				
Due to depositors - (Fixed deposits)	250,000	-	250,000	-
Due to other borrowers (Securities purchased under resale agreements)	-	11,635	15,373	11,635
Debt securities issued (Debentures)	100,000	100,000	100,000	100,000

49.6 Transactions with post-employment benefit plans of the Bank (Contd.)

Transactions (IS) which were taken place between the Bank and post-employment benefit plans of the Bank as at the year end are summarized below in view of Bank:

For the year ended 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest Income				
National Savings Bank Employees' Provident Fund	-	-	-	-
National Savings Bank Employees' Pension Scheme I	-	-	-	-
Interest Expenses				
National Savings Bank Employees' Provident Fund	161,509	346,909	194,033	346,909
National Savings Bank Employees' Pension Scheme I	77,895	315,725	178,710	315,725
National Savings Bank Employees' Pension Scheme II	87,407	187,345	100,402	187,345
Medical Assistance Scheme for the Retired Employees of NSB	4,677	43,049	10,711	43,049
Widows'/Widowers' and Orphans' Pension Fund	17,648	40,975	19,542	40,975

49.7 Due from other related parties

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Securities purchased under resale agreements-Entrust Securities PLC	-	32,772	-	32,772
Receivable from Entrust Securities PLC	859,160	859,160	859,160	859,160
Impairment	(124,372)	(124,372)	(124,372)	(124,372)
Total	734,788	767,560	734,788	767,560

49.8 Due to other related parties

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Other payable - Entrust Securities PLC	734,788	734,788	734,788	734,788
Total	734,788	734,788	734,788	734,788

50. Net assets value per ordinary share

As at 31 December	Bank		Group	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Amount used as the numerator				
Shareholders' funds	98,842,615	81,374,253	106,834,795	87,788,427
Number of ordinary shares used as the denominator				
Total number of shares	940,000	940,000	940,000	940,000
Net assets value per ordinary share (Rs.)	105.15	86.57	113.65	93.39

51. Litigation against the Bank and the Group

Litigation is a common occurrence in the banking industry due to the nature of the business. The Bank has an established protocol for dealing with such legal claims. Once professional advice has been obtained on the certainty of the outcome and the amount of damages reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. The unresolved court cases against the Bank as at the year end for which adjustments to the Financial Statements have not been made due to the uncertainty of its outcome are as follows:

As at 31 December	Bank	
	2024	2023
	Number	Number
Tribunal/Court		
Labour Tribunal	14	10
District Court	58	90
High Court/Civil Appellate High Court/Provincial High Court	2	5
Court of Appeal	4	7
Supreme Court	-	4
Human Rights Commission	40	-
Commercial High Court	2	-
Arbitration	2	-

52. Events occurring after the reporting date

Accounting policy

Events occurring after the reporting date are those events, both favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorised for issue.

Where necessary all material events after the reporting date have been considered and appropriate adjustments/disclosures have been made in the Financial Statements as per the LKAS 10 on "Events after the Reporting Period".

No circumstances have arisen since the reporting date which would require adjustments or disclosure in the Financial Statements except those disclosed below.

In accordance with the absorption process of SLSB by NSB, all assets and liabilities of SLSB are to be transferred to the National Savings Bank (NSB) as directed by the Central Bank of Sri Lanka. Accordingly, SLSB transferred an investment maturity amounting to Rs. 1,011,058,275.53 to NSB on January 24, 2025.

53. Comparative figures

The comparative information is reclassified wherever necessary, to comply with current year's classification in order to provide better presentation.

53.1 OCI reserve and Other reserve

The deferred tax on OCI reserve amounting Rs. 19.9 Mn pertaining to subsidiary company (NSB Fund Management Company Ltd) and deferred tax on retirement benefit obligations amounting Rs. 15.4 Mn pertaining to subsidiary company (Sri Lanka Savings Bank Ltd) have been adjusted as a prior year adjustment in the Financial Statement as at 31/12/2023.

54. Financial risk management

OVERVIEW

The Group is exposed to financial risk and non financial risks arising from its operations. The Group manages these risks through its Risk Management Framework , which evolves to accommodate changes in the business operating environment, best practices and regulatory requirements.

Risk management framework

Integrated Risk Management Framework of NSB encompasses policies and procedures covering various risks, mechanism to identify such risks, and effective measures to manage and mitigate risks.
Risk Management Framework of the Bank begins with the oversight of the Board of Directors. It has set up Board Integrated Risk Management Committee(BIRMC) to assist the Board of Directors in discharging its risk management responsibility. The Risk Management Division (RMD) independently reports to the Board through BIRMC. Bank's Management Committees review regular reports from respective Business Divisions and RMD, to ensure adequacy and effectiveness of Bank's risk management with meticulous focus.

The following Management Committees, are responsible for the coordination of risk matters for each of the areas of risk management with rigorous focus / unwavering attention:

Management level risk Management Committees

- Credit Committee (CC)
- Asset and Liability Management Committee (ALCO)
- Operational Risk Management Committee (ORMC)
- Investment Committee (IC)
- Information Security Committee (ISC)

Other Management Committees

- IT Steering Committee (ITSC)
- Human Resource Committee (HRC)
- Branch Operation Steering Committee (BOSC)
- Performance Review Committee
- Marketing Committee
- Corporate Management Committee (CMC)
- Information Security Committee (ISC)

Internal Audit Division engages both regular and ad-hoc reviews of risk management controls and procedures and the findings are reported to the Board Audit Committee (BAC).

Material risk types

Description	Governing Policies and Key Management Committee	Key controls and mitigation strategies
Credit Risk	Governing Policies Credit Policies and Credit Risk Management Policy	i. Credit Procedure manuals and Circular Instructions. ii. Delegation of Authority for credit approval. iii. Obtain quality collateral and maintaining LTV at policy levels. iv. Internal Ratings v. Risk appetite Framework : Monitoring of KRIs/KPIs against risk appetite framework and reporting to BIRMC and Board.
Credit risk is the potential for loss arising from the failure of a counterparty to meet their contractual obligations to the Group. The Group is primarily exposed to credit risk through:		

54. Financial risk management (Contd.)

Description	Governing Policies and Key Management Committee	Key controls and mitigation strategies
Credit Risk (Contd.) <ul style="list-style-type: none"> • Lending against property mortgage; • Other retail lending (Personal Guarantee); • Loans against deposits • Loans against movable assets • Pawning; • Commercial lending; <p>Large corporate (institutional) lending and market exposures; Large Lending for Government Institution; Lending for companies incorporated outside the Sri Lanka;</p>	Key Management Committee Credit Committee	<ul style="list-style-type: none"> > Assets Quality limits : Retail NPA, Corporate NPA, Stage 3 Provision Cover > Portfolio Return limits : Retail Credit Return, Corporate Credit Return. > Concentration limits : sector concentration, Name concentration > Off - Balance sheet commitments to total assets <p>vii. Credit Limit Monitoring Framework: Portfolio and transaction level monitoring and reporting to CC/IC/BIRMC/Board.</p> <ul style="list-style-type: none"> > Sector Exposure Limits. > Limits for risk weighted asset classes > limits for Investments in Corporate Debt Instruments. <p>viii. Credit Monitoring Framework : Portfolio and transaction level monitoring and reporting to CC/IC/BIRMC and Board.</p> <p>ix. Loan Review Mechanism (LRM).</p> <p>x. Capital allocation under Standardised Approach.</p> <p>xi. Continues training of credit staff at the Credit division and branch level.</p>
Market risk (including equity risk) <p>Market risk is the risk that market rates and prices will change and that may have an adverse effect on the profitability and/or net worth of the Group. The bank exposures to market risk arise from both trading book and non-trading book.</p> <p>There are three key market risk components :</p> <ul style="list-style-type: none"> >Interest Rate Risk >Equity Risk >Foreign Exchange Risk 	Governing Policies Market Risk and Liquidity Risk Management Policy	<p>i. Asset and Liability Management best practices</p> <p>ii Risk appetite Framework : Monitoring of KRIs/KPIs against risk appetite framework and reporting to BIRMC and Board.</p> <p>iii. Risk Monitoring Framework : Monitoring of Interest Rate Risk , Equity Risk and Foreign Exchange Risk using risk assesemnt tool,s techniques and modles and reporting to ALCO/IC/BIRMC and Board.</p> <ul style="list-style-type: none"> > Marking to market > Modified duration > VaR >Sensitivity Analysys and Stress Testing <p>iv. Dealing room voice recordings are monitored on daily basis to ensure sound market conduct.</p> <p>v. Limit Monitoring Framework: Middle Office Monitoring against the Limit framwork</p> <p>vi Monitors Rate sensitive gaps against limits and access impact on earnings and capital using EAR and EVA methods</p> <p>Vii. Capital allocation under Standardised Measurement Method</p>

54. Financial risk management (Contd.)

Description	Governing Policies and Key Management Committee	Key controls and mitigation strategies
<p>Liquidity and funding risk</p> <p>Liquidity risk is the combined risks of not being able to meet financial obligations as they fall due (funding liquidity risk), and that liquidity in financial markets, such as the market value for debt equity securities, may reduce significantly (market liquidity risk). The Group is exposed to liquidity risk primarily through:</p> <ul style="list-style-type: none"> •The funding mismatch between the Group's loans, investments and sources of funding. 	<p>Governing Policies Market Risk and Liquidity Risk Management Policy</p> <p>Key Management Committee ALCO</p>	<p>i. Statutory requirement to maintain the investments in Government Securities (60% of deposits).</p> <p>ii. Cash flow management by Treasury Division.</p> <p>iii. Liquidity Contingency Planning.</p> <p>iv. Monitor statutory Liquidity Ratios such as SLAR, LCR, and NSFR against regulatory minimum requirements.</p> <p>v. Monitor ratios under stock approach and funding liquidity risk under liquidity risk monitoring tools such as concentration on funding by significant counterparty and products as per Basel III and report to ALCO/BIRMC and Board.</p> <p>vi. Monitor Maturity gaps against Risk Limits.</p>
<p>Operational risk</p> <p>Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. The Group is exposed to operational risk primarily through:</p> <ul style="list-style-type: none"> • Internal Frauds • External Frauds • Employment practices and workplace safety. • Client, products and business practices. • Damage to physical assets. • Business disruption and system failures. • Execution, Delivery and Process Management. 	<p>Governing Policy Operational Risk Management (ORM) Policy</p> <p>Other Policies related to ORM * Outsourcing Policy * Information Security Policy * Business Continuity Management System Policy * Anti-Bribery and Corruption Policy</p> <p>*Whistle Blowing Policy</p> <p>Key Management Committee Operational Risk Management Committee (ORMC)</p>	<p>Fraud risk</p> <p>i Fraud risk management abd whistle -blowing process.</p> <p>ii. Internal control structure.</p> <p>iii. Daily checks/audits.</p> <p>iv. Key Operational Risk Indicators (KORIs) monitoring.</p> <p>v. Loss event data monitoring.</p> <p>vi. Risk Control Self - assessment (RCSA).</p> <p>vii. Root Cause Analysis.</p> <p>viii. Anti-Bribery & Corruption (AB&C) risk assessment.</p> <p>IT Risk</p> <p>1. Adherence to regulatory directions, standards and best practices in technology risk management and resilience.</p> <p>ii Establishing Information security management governance structure, process and systems</p> <p>iii. KORIs monitoring</p> <p>iv. Incident reporting</p> <p>v. Risk and Control Self Assessment (RCSA)</p>

54. Financial risk management (Contd.)

Description	Governing Policies and Key Management Committee	Key controls and mitigation strategies
Operational risk (Contd.) 		Legal risk i. Provide legal clearance by legal division when entering into business and contractual obligations. ii. KORI monitoring Business Continuity Management (BCM) Risk i. KORI monitoring i. Comply on regulations, standards and best practices on Disaster Recovery and BCM.
Compliance risk Compliance risk is the risk of sanctions and financial loss the Group may suffer as a result of the Group's failure to comply with laws, regulations, rules, statements of regulatory policy, and codes of conduct applicable to its business activities. The Group is exposed to compliance risk primarily through: <ul style="list-style-type: none"> • Regulatory and licensing obligations, including privacy and conflicts of interest obligations; • Financial crime, Anti-Money Laundering (AML), Counter Terrorism Financing (CTF), Anti-Bribery and Corruption (AB&C), and Sanctions • Poor conduct (product design and distribution, market conduct and employee misconduct). 	Governing Policies 1. Compliance Policy 2. AML Policy 3. Related Party Transaction Policy. Key Management Committee Operational Risk Management Committee	i. Compliance programme and examination ii. In-house systems/processes for AML and KYC monitoring. iii. KORI Monitoring.

54. Financial risk management (Contd.)

Description	Governing Policies and Key Management Committee	Key controls and mitigation strategies
Strategic risk Strategic risk is the risk of material stakeholder value destruction or less than planned value creation. The Group is exposed to strategic risk primarily through: <ul style="list-style-type: none"> • Changes in the Group's external and internal operating environments (including macroeconomic conditions, competitive forces, technology, regulatory, political and social trends, customer expectations and the environment); and • Risk associated with the process for strategy development and monitoring of strategy implementation. 	Governing Policies Integrated Risk Management Policy Strategic Business Plan Key Management Committee Operational Risk Management Committee Corporate Management Committee	i. Senior Management oversight. ii. Strategic Plan and Budgeting Process. iii. Monitor within Risk Appetite Frame work (RAF).
Reputational risk Reputational risk is the risk of adverse impact on brand value due to negative stakeholder perception of the Bank's activities, business practices, products, services etc. Reputational risk indirectly impacts on the Groups earnings & assets.	Governing Policies Integrated Risk Management Policy. Key Management Committee Operational Risk Management Committee Corporate Management Committee	i. Senior Management oversight. ii. Marketing Division takes action to enhance brand value and stakeholder perception. iii. Monitor within Risk Appetite Frame work (RAF).

54. Financial risk management (contd.)**Material risk types (contd.)****Broad risk categories in focus**

The Bank is exposed to the following key risks from financial instruments:

54.1 Credit risk**54.1.1 Credit quality analysis**

54.1.1.(a) Net exposure to credit risk by class of financial assets

54.1.1.(b) Management of the credit portfolio

54.1.1.(c) Credit quality (past due) by classes of financial assets

54.1.1.(d) Credit quality by classes of financial asset - stage wise

54.1.1.(e) Credit quality by rating of counterparty/obligor

54.1.1.(f) Bank Guarantees, letter of credit and other undrawn commitment

54.2 Liquidity risk

54.2.1 Concentration of liquid assets

54.2.2 Remaining contractual period to maturity

54.2.3 Financial assets available to support future funding

54.3 Market risk

54.3.1 Market risk - Trading & non trading exposure

54.3.2 Foreign exchange risk

54.3.3 Equity risk

54.3.4 Interest rate risk

54.4 Operational risk**54.1 Credit risk**

Credit Risk is the risk of losses resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Bank which could materialise from both On or Off Balance Sheet. The On-Balance sheet credit risk arises mainly from notional value of financial products such as retail loans, corporate loans, loans to banks & financial institutions, loans to State Owned Enterprises (SOEs). The Off-Balance sheet credit risk arises from commitments and contingencies.

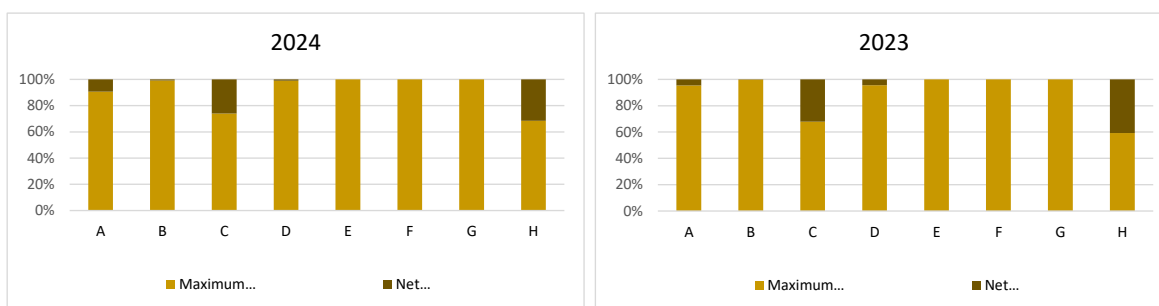
Credit risk exposures of the Bank

The total credit exposure which is 30.4% of the Bank's total assets is the second major line of business (The investment in risk free securities is 62.8% of total assets). Hence the magnitude of credit risk is comparatively moderate to the Bank, albeit the fact that the Bank considers credit risk as a major type of risk.

54.1.1 Credit quality analysis**54.1.1 (a) Net exposure to credit risk by class of financial assets**

The following tables show the maximum exposure and net exposure (fair value of any collateral held, value of risk free investments, Government guarantees and impairment provision made were deducted in arriving the net exposure) to credit risk by class of financial assets:

As at 31 December	Note	2024		2023	
		Maximum exposure to credit risk	Net exposure	Maximum exposure to credit risk	Net exposure
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Bank					
Cash and cash equivalents	16	8,358,742	3,862,161	9,508,563	6,517,416
Balances with central banks	17	357,054	357,054	246,998	246,998
Placements with banks	18	14,794,637	14,794,637	22,576,750	22,576,750
Derivative financial instruments	19	9,131	9,131	924	924
Financial assets recognized through profit or loss	20				
- measured at fair value		21,086,781	212,732	17,748,501	825,378
- designated at fair value		-	-	-	-
Financial assets at amortised cost					
- loans and advances	21	532,379,013	187,863,004	526,520,530	248,730,754
- debt and other instruments	22	1,039,034,572	8,566,388	943,704,684	2,232,945
Financial assets measured at fair value through other comprehensive income	23	53,469,178	5,568,833	61,924,412	3,030,202
Total		1,669,489,108	221,233,940	1,582,231,362	284,161,368

54.1.1 (a) Net exposure to credit risk by class of financial assets (Contd.)**Net exposure to credit risk -Bank**

A Financial assets measured at FVOCI
 B Debt and other instruments
 C Loans and advances
 D Financial assets recognized through profit or loss

E Derivative financial instruments
 F Placements with banks
 G Balances with central banks
 H Cash and cash equivalents

As at 31 December		2024		2023	
	Note	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000
Group					
Cash and cash equivalents	16	8,544,416	4,044,772	9,546,756	6,552,668
Balances with central banks	17	357,117	357,117	247,232	247,232
Placements with banks	18	14,794,637	14,794,637	23,618,966	23,618,966
Derivative financial instruments	19	54,892	54,892	11,231	11,231
Financial assets recognized through profit or loss	20				
- measured at fair value		46,749,528	212,732	40,189,162	825,378
- designated at fair value		-	-	-	-
Financial assets at amortised cost					
- loans and advances	21	527,715,322	183,198,950	523,809,104	249,361,707
- debt and other instruments	22	1,048,965,769	9,207,318	953,056,324	2,661,260
Financial assets measured at fair value through other comprehensive income	23	55,306,512	5,939,747	62,694,519	3,234,699
Total		1,702,488,193	217,810,165	1,613,173,294	286,513,141

54.1.1 (b) Management of the credit portfolio**54.1.1.(b).1 Collateral and other credit enhancement**

The amount and type of collateral required depends as an assessment of the credit risk of the counterparty. Guidelines are in place covering the accessibility and valuation of each type of collateral.

The main type of collateral obtained are as follows:

- for-corporate lending - government guarantees, mortgages over immovable and movable fixed assets, corporate guarantees.
- for retail lending - mortgage over residential property, gold, cash, personal guarantees, vehicles, deposits.

The Bank monitors the market/forced sale value of collateral and will request additional collateral in accordance with the underlying agreement.

Collateral held

Loan-to-value ratio of residential mortgage lending

The table below stratifies eligible credit exposures by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the amortised cost of the loan to the value of the collateral, which is used for the computation of Capital Adequacy Ratios. The value of the collateral for residential mortgage loan is based on the forced sale value determined by professional valuers.

As at 31 December	2024		2023	
	Rs. '000	Composition (%)	Rs. '000	Composition (%)
LTV ratio				
Less than 50%	65,085,140	80.75%	50,095,520	78.12%
51% - 70%	12,611,782	15.65%	10,937,494	17.06%
71% - 90%	2,273,675	2.82%	2,527,642	3.94%
91% - 100%	177,576	0.22%	302,120	0.47%
More than 100%	448,712	0.56%	261,741	0.41%
	80,596,885	100.00%	64,124,517	100.00%

54.1.1 (b) Management of the credit portfolio (Contd.)**Assets obtained by taking the possession of collaterals**

In its normal course of business, the Bank engages external agents to recover funds from repossessed properties or other assets in its retail portfolio, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet and not treated as non-current assets held for sale.

54.1.1.(b) 2 Concentration of credit risk by product and sector

By setting various concentration limits under different criteria within the established risk appetite framework (i.e. single borrower/group, industry sectors, name, concentration limits etc.), the Bank ensures that an acceptable level of risk diversification is maintained on an ongoing basis.

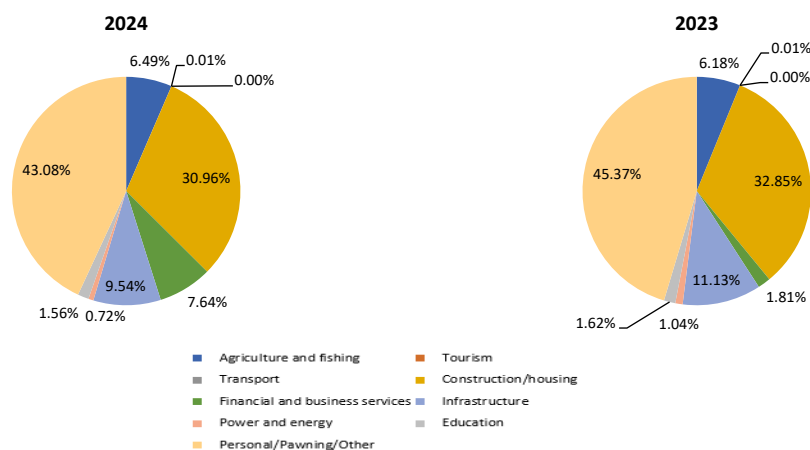
The Bank monitors the concentration of credit risk by product and sectors. An analysis of concentration risk of the Bank portfolio (Loans and advances) is given below:

Concentration by product

As at 31 December	Bank		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Loans and Advances				
Lease rental and receivable	-	-	25,911	74,111
Pawning	119,692,775	94,935,475	119,692,803	94,935,503
Staff Loans	16,307,926	15,219,547	16,648,714	15,557,481
Term loans				
Short-term	95,669	206,092	95,669	206,092
Long-term	384,286,416	428,838,174	385,812,874	430,466,687
Others				
Sri Lanka Government Securities	-	-	-	-
Loan to Government	-	-	-	-
Securities purchased under resale agreement	40,930,914	9,698,614	35,762,112	6,356,234
Gross total	561,313,699	548,897,902	558,038,083	547,596,108

Concentration by sector

As at 31 December	Bank		Group	
	2024 Rs '000	2023 Rs '000	2024 Rs '000	2023 Rs '000
Loans and Advances				
Agriculture and fishing	36,406,612	33,935,917	36,572,677	34,249,380
Manufacturing	-	-	587,812	569,274
Tourism	70,349	73,354	115,389	125,031
Transport	-	16,019	15,415	53,126
Construction/housing	173,805,328	180,302,455	174,296,676	180,635,738
Traders	-	-	391,901	369,412
New economy	-	-	27,269	21,717
Others				
Financial and business services	42,893,107	9,908,156	42,893,107	9,908,156
Infrastructure	53,544,313	61,075,939	53,544,313	61,075,939
Power and energy	4,026,768	5,698,971	4,026,768	5,698,971
Education	8,764,010	8,876,295	8,764,010	8,876,295
Personal/Pawning/Other	241,803,212	249,010,796	236,802,746	246,013,069
Gross total	561,313,699	548,897,902	558,038,083	547,596,108

Sector classification of loans and advances - Bank

54.1.1.(c) Credit quality (past due) by classes of financial assets - Bank

As at 31 December 2024		Neither past due nor Individually impaired	Past due but not Individually impaired	Individually impaired	Total
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Cash and cash equivalents (gross)*	16	8,359,289	-	-	8,359,289
Balances with central banks	17	357,054	-	-	357,054
Placements with banks (gross)*	18	14,803,216	-	-	14,803,216
Derivative financial instruments	19	9,131	-	-	9,131
Financial assets recognized through profit or loss					
- measured at fair value	20	21,086,781	-	-	21,086,781
- designated at fair value		-	-	-	-
Financial assets at amortised cost					
- loans and advances (gross)*	21	466,707,508	90,851,635	3,754,556	561,313,699
- debt and other instruments (gross)*	22	1,039,038,477	-	-	1,039,038,477
Financial assets measured at fair value through other comprehensive income	23	53,469,178	-	-	53,469,178
Total		1,603,830,634	90,851,635	3,754,556	1,698,436,825

* Collectively assessed for the impairment.

Aging analysis of past due (i.e. facilities in arrears of one day and above) but not impaired loans, by class of financial assets.

Past due but not impaired					
	1 to 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
As at 31 December 2024	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets at amortised cost - loans and advances (Gross)*	45,553,716	12,987,587	7,450,004	24,860,328	90,851,635
	50%	14%	8%	27%	100%
Facilities in arrears of one day and above considered as "past due"					

As at 31 December 2023		Neither past due nor Individually impaired	Past due but not Individually impaired	Individually impaired	Total
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Cash and cash equivalents (gross)*	16	9,509,855	-	-	9,509,855
Balances with central banks	17	246,998	-	-	246,998
Placements with banks (Gross)*	18	22,584,079	-	-	22,584,079
Derivative financial instruments	19	924	-	-	924
Financial assets recognized through profit or loss					
- measured at fair value	20	17,748,501	-	-	17,748,501
- designated at fair value		-	-	-	-
Financial assets at amortised cost					
- loans and advances (gross)*	21	477,436,042	67,399,734	4,062,127	548,897,902
- debt and other instruments (gross)*	22	943,705,329	-	-	943,705,329
Financial assets measured at fair value through other comprehensive income	23	61,924,412	-	-	61,924,412
Total		1,533,156,139	67,399,734	4,062,127	1,604,618,000

* Collectively assessed for the impairment.

Aging analysis of past due (i.e. facilities in arrears of one day and above) but not impaired loans, by class of financial assets.

Past due but not impaired					
	1 to 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
As at 31st December 2023	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets at amortised cost - loans and advances (Gross)*	32,687,296	11,391,618	5,351,707	17,969,113	67,399,734
	48%	17%	8%	27%	100%
Facilities in arrears of one day and above considered as "past due"					

54. Financial risk management (Contd.)**54.1.1.(d) Credit quality by classes of financial asset - stage-wise - Bank**

As at 31 December 2024	Note	Amortised cost					Impairment provision				As per financial position
		Not subject to ECL	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Assets											
Cash and cash equivalents	16	4,496,500	3,862,789	-	-	8,359,289	547	-	-	547	8,358,742
Balances with central banks	17	357,054	-	-	-	357,054	-	-	-	-	357,054
Placements with banks	18	-	14,803,216	-	-	14,803,216	56	8,523	-	8,579	14,794,637
Derivative financial instruments	19	9,131	-	-	-	9,131	-	-	-	-	9,131
Financial assets recognized through profit or loss	20										
- measured at fair value		21,086,781	-	-	-	21,086,781	-	-	-	-	21,086,781
- designated at fair value		-	-	-	-	-	-	-	-	-	-
Financial assets at amortised cost											
- loans and advances	21	-	492,507,588	19,128,165	49,677,946	561,313,699	4,700,749	2,129,055	22,104,882	28,934,686	532,379,013
- debt and other instruments	22	904,507,485	134,530,992	-	-	1,039,038,477	3,905	-	-	3,905	1,039,034,572
Financial assets measured at fair value through other comprehensive income	23	53,469,178	-	-	-	53,469,178	-	-	-	-	53,469,178
Total		983,926,129	645,704,585	19,128,165	49,677,946	1,698,436,825	4,705,257	2,137,578	22,104,882	28,947,717	1,669,489,108

Loans and advances for the year 2024 includes treasury guaranteed loans of Rs. 65,981 Mn for which impairment provision amounted to zero, as the LGD applied for such loans is zero.

54.1.1 (d) Credit quality by classes of financial asset - stage-wise - Bank

As at 31 December 2023	Note	Amortized cost					Impairment provision				As per financial position
		Not subject to ECL	Stage 1*	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Assets											
Cash and cash equivalents	16	3,084,472	6,425,383	-	-	9,509,855	1,292	-	-	1,292	9,508,563
Balances with central banks	17	246,998	-	-	-	246,998	-	-	-	-	246,998
Placements with banks	18	-	22,584,079	-	-	22,584,079	114	7,214	-	7,329	22,576,750
Derivative financial instruments	19	924	-	-	-	924	-	-	-	-	924
Financial assets recognized through profit or loss	20										
- measured at fair value		17,748,501	-	-	-	17,748,501	-	-	-	-	17,748,501
- designated at fair value		-	-	-	-	-	-	-	-	-	-
Financial assets at amortised cost											
- loans and advances	21	-	490,248,344	31,529,180	27,120,378	548,897,902	4,426,656	3,501,809	14,448,907	22,377,372	526,520,530
- debt and other instruments	22	809,611,807	134,093,522	-	-	943,705,329	645	-	-	645	943,704,684
Financial assets measured at fair value through other comprehensive income	23	61,924,412	-	-	-	61,924,412	-	-	-	-	61,924,412
Total		892,617,113	653,351,329	31,529,180	27,120,378	1,604,618,000	4,428,708	3,509,023	14,448,907	22,386,638	1,582,231,362

* Stage 1 loans for the year 2023 includes treasury guaranteed loans of Rs. 66,105.7 Mn for which impairment provision amounted to zero, as the LGD applied for such loans is zero.

54. Financial risk management (Contd.)**54.1.1.(e) Credit quality by rating of counter party/obligor - 2024**

Ratings	Cash at Banks			Placement with Banks			Loan & Advances			Debt and other instruments		
	Exposure	ECL Provision	ECL Coverage	Exposure	ECL Provision	ECL Coverage	Exposure	ECL Provision	ECL Coverage	Exposure	ECL Provision	ECL Coverage
	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%
AAA	221,671	1.20	0.001	-	-	-	71,639,990	45.70	0.000	125,964,607	-	-
AA+	-	-	-	-	-	-	-	-	-	-	-	-
AA	5,518	0.10	0.002	-	-	-	-	-	-	-	-	-
AA-	6,526	0.23	0.004	-	-	-	-	-	-	-	-	-
A+	308,469	19.75	0.006	-	-	-	-	-	-	-	-	-
A	3,245,905	503.99	0.016	2,622,461	460.80	0.018	-	-	-	1,520,447	221.35	0.015
A-	74,700	21.46	0.029	8,564,725	2,392.47	0.028	-	-	-	549,379	150.86	0.027
BBB+	-	-	-	-	-	-	-	-	-	5,571,920	2,721.55	0.049
BBB	-	-	-	-	-	-	2,000,000	1,844.50	0.092	924,639	811.66	0.088
BBB-	-	-	-	3,616,030	5,725.72	0.158	1,778,483	2,758.47	0.155	-	-	-
BB+	-	-	-	-	-	-	4,026,768	-	-	-	-	-
BB	-	-	-	-	-	-	-	-	-	-	-	-
BB-	-	-	-	-	-	-	-	-	-	-	-	-
B+	-	-	-	-	-	-	-	-	-	-	-	-
B	-	-	-	-	-	-	-	-	-	-	-	-
B-	-	-	-	-	-	-	-	-	-	-	-	-
CCC	-	-	-	-	-	-	-	-	-	-	-	-
CC	-	-	-	-	-	-	-	-	-	-	-	-
DDD	-	-	-	-	-	-	-	-	-	-	-	-
D	-	-	-	-	-	-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-	3,754,556	3,754,555.87	100.000	-	-	-
	3,862,789	546.74	0.014	14,803,216	8,578.99	0.058	83,199,797	3,759,204.54	4.518	134,530,992	3,905.42	0.003

Note:

- Both individually & collectively assessed corporate loans have been considered for above rating based analysis.
- Sovereign rating of the country has been used for cross boarder corporate loans for which rating is not available.
- For USD denominator lending and investment, LGD is considered as 20% while PD applicable to sovereign rating is used.
- Unless State Own Enterprises (SOE) does not have specific rating, those entities are considered as AAA rating Enterprises.
- For treasury guaranteed loans & debentures, zero LGD was applied to calculate ECL.

54. Financial risk management (Contd.)**54.1.1.(e) Credit quality by rating of counter party/obligor - 2023**

Ratings	Cash at Banks			Placement with Banks			Loan & Advances			Debt and other instruments		
	Exposure	ECL Provision	ECL Coverage	Exposure	ECL Provision	ECL Coverage	Exposure	ECL Provision	ECL Coverage	Exposure	ECL Provision	ECL Coverage
	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%
AAA	244,698	1.47	0.001	-	-	-	78,253,050	2,488.76	0.003	132,395,720	2.90	0.000
AA+	-	-	-	-	-	-	-	-	-	-	-	-
AA	21,732	0.45	0.002	-	-	-	-	-	-	-	-	-
AA-	11,582	0.42	0.004	-	-	-	-	-	-	-	-	-
A+	93,957	6.98	0.007	-	-	-	-	-	-	-	-	-
A	5,006,226	849.72	0.017	11,860,266	1,947.86	0.016	2,053,766	309.39	0.015	780,336	124.03	0.016
A-	791,175	220.30	0.028	9,182,936	2,699.98	0.029	-	-	-	549,400	166.36	0.030
BBB+	-	-	-	-	-	-	386,529	202.23	0.052	-	-	-
BBB	253,465	206.68	0.082	-	-	-	2,000,000	1,890.02	0.095	368,066	351.66	0.096
BBB-	-	-	-	1,540,877	2,680.74	0.174	-	-	-	-	-	-
BB+	2,549	6.30	0.247	-	-	-	-	-	-	-	-	-
BB	-	-	-	-	-	-	-	-	-	-	-	-
BB-	-	-	-	-	-	-	-	-	-	-	-	-
B+	-	-	-	-	-	-	-	-	-	-	-	-
B	-	-	-	-	-	-	5,698,971	7,374.60	0.129	-	-	-
B-	-	-	-	-	-	-	-	-	-	-	-	-
CCC	-	-	-	-	-	-	-	-	-	-	-	-
CC	-	-	-	-	-	-	-	-	-	-	-	-
DDD	-	-	-	-	-	-	-	-	-	-	-	-
D	-	-	-	-	-	-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-	4,062,127	4,062,127.05	100.000	-	-	-
	6,425,383	1,292.32	0.020	22,584,079	7,328.59	0.032	92,454,444	4,074,392.06	4.407	134,093,522	644.95	0.0005

54. Financial risk management (Contd.)**54.1.1 (f) Bank Guarantees, Letter of Credit and Other Undrawn Commitment****Bank Guarantees**

A bank guarantee is a kind of guarantee from a lending organization. The Bank guarantee signifies that the lending institution ensures that the liabilities of a debtor are going to be met. In other words, if the debtor fails to perform the obligation, the Bank will cover it. Group issue bank guarantee with 100% or more cash back in savings accounts or fixed deposits. Therefore Bank guarantees are not expose to credit risk and not subject to ECL.

Letter of Credits

A letter of credit, also known as a documentary credit or bankers commercial credit, or letter of undertaking, is a payment mechanism used in international trade to provide an economic guarantee from a creditworthy bank to an exporter of goods.

Group issue letter of credit with 100% or more cash back in savings accounts or fixed deposits. Therefore letter of credits are not expose to credit risk and not subject to ECL.

Undrawn Credit Commitments

Undrawn Commitment refers to the loans that the lender has agreed to be made available to the borrower under a revolving credit facility or a delayed draw term facility that the borrower has either not drawn, or has drawn and repaid. Bank calculates ECL for undrawn credit commitment considering it as part and partial of the credit facility.

As at 31 December 2024	Note	Exposure				Total
		Not subject to ECL	Stage 1	Stage 2	Stage 3	
Documentary Credit	48	-	-	-	-	-
Bank Guarantees	48	1,295,768	-	-	-	1,295,768
Undrawn Credit Commitments	48	323,970	2,124,670	1,000,000	10,693	3,459,333
Total		1,619,738	2,124,670	1,000,000	10,693	4,755,101

As at 31 December 2024	Note	Expected Credit Loss (ECL)				Total
		Not subject to ECL	Stage 1	Stage 2	Stage 3	
Documentary Credit		-	-	-	-	-
Bank Guarantees		-	-	-	-	-
Undrawn Credit Commitments		-	3,844	3	2,551	6,398
Total		-	3,844	3	2,551	6,398

As at 31 December 2023	Note	Exposure				Total
		Not subject to ECL	Stage 1	Stage 2	Stage 3	
Documentary Credit	48	452,690	-	-	-	452,690
Bank Guarantees	48	2,104,277	-	-	-	2,104,277
Undrawn Credit Commitments	48	-	2,119,238	1,005,822	375,934	3,500,994
Total		2,556,967	2,119,238	1,005,822	375,934	6,057,961

As at 31 December 2023	Note	Expected Credit Loss (ECL)				Total
		Not subject to ECL	Stage 1	Stage 2	Stage 3	
Documentary Credit		-	-	-	-	-
Bank Guarantees		-	-	-	-	-
Undrawn Credit Commitments		-	3,717	868	1,191	5,776
Total		-	3,717	868	1,191	5,776

54. Financial risk management (Contd.)**54.2 Liquidity risk**

Liquidity risk is the Bank's inability to meet "on" or "off" balance sheet contractual and contingent financial obligations as they fall due, without incurring material losses.

54.2.1 Concentration of liquid assets

The Bank's mandatory requirement to invest 60% of its deposits in Government Securities forces the Bank to maintain a high regulatory liquidity ratios. Currently, the Bank maintains well above regulatory liquidity requirement ratios, which statutory requirement of 100%

Regulatory Liquidity Requirement

As at 31 December	Bank	
	2024	2023
	%	%
<u>Liquidity Coverage Ratio (Rupee) -</u>		
Year end	351.33	299.20
30-Jun	318.64	254.75
Year beginning	299.20	195.54
<u>Liquidity Coverage Ratio (All Currency) -</u>		
Year end	344.55	293.71
30-Jun	314.37	258.92
Year beginning	293.71	193.49
<u>Net Stable Funding Ratio</u>		
Year end	193.53	180.49
30-Jun	184.18	172.19
Year beginning	180.49	180.51

The above details are given as per regulatory reporting.

54.2.2 Remaining contractual period to maturity - Bank & the Group

Disclosures are given in the Note 55 on pages 115 to 116.

54. Financial risk management (Contd.)**54.2.3 Financial assets available to support future funding**

The table below sets out the availability of the Bank's financial assets to support future funding:

As at 31 December 2024	Note	Bank					Group				
		Encumbered		Unencumbered		Total *	Encumbered		Unencumbered		Total *
		Pledge as collateral	Other	Available as collateral	Other	Rs. '000	Pledge as collateral	Other	Available as collateral	Other	Rs. '000
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents	16	-	-	8,359,289	-	8,359,289	-	-	8,544,963	-	8,544,963
Balances with central banks	17	-	357,054	-	-	357,054	-	357,117	-	-	357,117
Placements with banks	18	-	-	14,803,216	-	14,803,216	-	-	14,803,216	-	14,803,216
Derivative financial instruments	19	-	-	-	9,131	9,131	-	-	-	54,892	54,892
Financial assets recognized through profit or loss	20	-	-	-	-	-	-	-	-	-	-
- measured at fair value		-	-	21,086,781	-	21,086,781	25,662,748	-	21,086,780	-	46,749,529
- designated at fair value		-	-	-	-	-	-	-	-	-	-
Financial assets at amortised cost		-	-	-	-	-	-	-	-	-	-
- loans and advances	21	-	-	561,313,699	-	561,313,699	-	-	558,038,083	-	558,038,083
- debt and other instruments	22	40,408,287	-	998,630,190	-	1,039,038,477	47,367,819	-	1,001,773,601	-	1,049,141,420
Financial assets measured at fair value through other comprehensive income	23	-	-	53,469,178	-	53,469,178	1,466,421	-	53,840,091	-	55,306,513
Total		40,408,287	357,054	1,657,662,353	9,131	1,698,436,825	74,496,988	357,117	1,658,086,735	54,892	1,732,995,733

As at 31 December 2023	Note	Bank					Group				
		Encumbered		Unencumbered		Total *	Encumbered		Unencumbered		Total *
		Pledge as collateral	Other	Available as collateral	Other	Rs. '000	Pledge as collateral	Other	Available as collateral	Other	Rs. '000
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and cash equivalents	16	-	-	9,509,855	-	9,509,855	-	-	9,548,049	-	9,548,049
Balances with central banks	17	-	246,998	-	-	246,998	-	247,232	-	-	247,232
Placements with banks	18	-	-	22,584,079	-	22,584,079	-	-	23,626,446	-	23,626,446
Derivative financial instruments	19	-	-	-	924	924	-	-	-	11,231	11,231
Financial assets recognized through profit or loss	20	-	-	-	-	-	-	-	-	-	-
- measured at fair value		-	-	17,748,501	-	17,748,501	19,493,329	-	20,695,833	-	40,189,162
- designated at fair value		-	-	-	-	-	-	-	-	-	-
Financial assets at amortised cost		-	-	-	-	-	-	-	-	-	-
- loans and advances	21	-	-	548,897,902	-	548,897,902	-	-	547,596,108	-	547,596,108
- debt and other instruments	22	47,437,615	-	896,267,714	-	943,705,329	55,926,347	-	897,302,410	-	953,228,757
Financial assets measured at fair value through other comprehensive income	23	-	-	61,924,412	-	61,924,412	460,888	-	62,233,632	-	62,694,519
Total		47,437,615	246,998	1,556,932,462	924	1,604,618,000	75,880,563	247,232	1,561,002,477	11,231	1,637,141,503

* Figures are stated before the impairment provisions.

54. Financial risk management (Contd.)**54.3 Market risk**

Market risk to the Bank stems from movements in market prices, in particular, changes in interest rates, foreign exchange rates and equity prices. Market risk is often propagated by other forms of financial risk such as credit and market-liquidity risk. The risk of losses would arise from on-balance sheet as well as off-balance sheet activities.

Component of market risk to NSB :

- * Repricing risk
- * Yield curve risk
- * Basis risk
- * FX risk
- * Equity price risk
- * Commodity price risk

54.3.1 Market risk - trading & non-trading exposure

Following table present the assets and liabilities subject to market risk between fair value through profit or loss and other than fair value through profit or loss.

		Bank			Group		
		Carrying amount	Amount exposure	Non-trading	Carrying amount	Amount exposure to	Non-trading
		Rs. '000	to trading Rs. '000	exposure Rs. '000	Rs. '000	trading Rs. '000	exposure Rs. '000
As at 31 December 2024		Note					
Assets subject to market risk							
Cash and cash equivalents	16	8,358,742	-	8,358,742	8,544,416	-	8,544,416
Balances with central banks	17	357,054	-	357,054	357,117	-	357,117
Placements with banks	18	14,794,637	-	14,794,637	14,794,637	-	14,794,637
Derivative financial instruments	19	9,131	-	9,131	54,892	-	54,892
Financial assets recognized through profit or loss	20						
- measured at fair value		21,086,781	21,086,781	-	46,749,528	46,749,528	-
- designated at fair value		-	-	-	-	-	-
Financial assets at amortised cost							
- loans and advances	21	532,379,013	-	532,379,013	527,715,322	-	527,715,322
- debt and other instruments	22	1,039,034,572	-	1,039,034,572	1,048,965,769	-	1,048,965,769
Financial assets measured at fair value through other comprehensive income	23	53,469,178	-	53,469,178	55,306,512	-	55,306,512
Total		1,669,489,108	21,086,781	1,648,402,327	1,702,488,193	46,749,528	1,655,738,665
Liabilities subject to market risk							
Due to banks	32	487,521	-	487,521	487,521	-	487,521
Derivative financial instruments	33	258,409	-	258,409	258,409	-	258,409
Financial liabilities recognized through profit or loss	34	-	-	-	-	-	-
Financial liabilities at amortised cost	35						
- due to depositors		1,556,270,863	-	1,556,270,863	1,556,681,918	-	1,556,681,918
- due to debt securities holders		-	-	-	-	-	-
- due to other borrowers		48,190,057	-	48,190,057	66,049,093	-	66,049,093
Lease liability	36	1,281,561	-	1,281,561	1,314,177	-	1,314,177
Debt securities issued	37	16,966,482	-	16,966,482	17,039,651	-	17,039,651
Total		1,623,454,893	-	1,623,454,893	1,641,830,769	-	1,641,830,769

* Figures are stated after the impairment provisions.

54. Financial risk management (Contd.)**54.3.1 Market risk - trading & non-trading exposure (contd.)**

		Bank			Group		
		Carrying amount	Amount exposure	Non-trading	Carrying amount	Amount exposure to	Non-trading
		Rs. '000	to trading Rs. '000	exposure Rs. '000	Rs. '000	trading Rs. '000	exposure Rs. '000
As at 31 December 2023	Note						
Assets subject to market risk							
Cash and cash equivalents	16	9,508,563	-	9,508,563	9,546,756	-	9,546,756
Balances with central banks	17	246,998	-	246,998	247,232	-	247,232
Placements with banks	18	22,576,750	-	22,576,750	23,618,966	-	23,618,966
Derivative financial instruments	19	924	-	924	11,231	-	11,231
Financial assets recognized through profit or loss	20						
- measured at fair value		17,748,501	17,748,501	-	40,189,162	40,189,162	-
- designated at fair value		-	-	-	-	-	-
Financial assets at amortised cost							
- loans and advances	21	526,520,530	-	526,520,530	523,809,104	-	523,809,104
- debt and other instruments	22	943,704,684	-	943,704,684	953,056,324	-	953,056,324
Financial assets measured at fair value through other comprehensive income	23	61,924,412	-	61,924,412	62,694,519	-	62,694,519
Total		1,582,231,362	17,748,501	1,564,482,861	1,613,173,294	40,189,162	1,572,984,132
		Bank			Group		
		Carrying amount	Amount exposure	Non-trading	Carrying amount	Amount exposure to	Non-trading
		Rs. '000	to trading Rs. '000	exposure Rs. '000	Rs. '000	trading Rs. '000	exposure Rs. '000
As at 31 December 2023	Note						
Liabilities subject to market risk							
Due to banks	32	8,984,779	-	8,984,779	15,399,100	-	15,399,100
Derivative financial instruments	33	201	-	201	201	-	201
Financial liabilities recognized through profit or loss	34	-	-	-	-	-	-
Financial liabilities at amortised cost	35						
- due to depositors		1,482,532,430	-	1,482,532,430	1,482,951,028	-	1,482,951,028
- due to debt securities holders		-	-	-	-	-	-
- due to other borrowers		61,611,014	-	61,611,014	72,891,598	-	72,891,598
Lease liability	36	1,365,547	-	1,365,547	1,400,575	-	1,400,575
Debt securities issued	37	23,806,514	-	23,806,514	23,879,683	-	23,879,683
Total		1,578,300,484	-	1,578,300,484	1,596,522,185	-	1,596,522,185

* Figures are stated after the impairment provisions.

54. Financial risk management (Contd.)**54.3 Market risk (Contd.)****54.3.2 Foreign Exchange risk**

Foreign exchange 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 capital. The Bank is exposed to foreign exchange risk that the value of foreign currency denominated assets (financial instrument or the investment) or liabilities, may fluctuate due to changes in foreign exchange rates. This may arise in the form of economic, transaction, translation or risks.

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 currency-wise NOP and the impact on Income Statement is shown in the tables below as at 31st December 2024:

	Bank			
	2024		2023	
	USD' 000	Rs. '000	USD' 000	Rs. '000
Net open position	(2,520)	(737,626)	(1,390)	(450,382)
	Effect on Income Statement Rs. '000	Revised rupee position Rs. '000	Effect on Income Statement Rs. '000	Revised rupee position Rs. '000
Stress Level				
Shock of 5% on exchange rate (rupee depreciation)	(36,881)	(774,507)	(22,519)	(472,901)
Shock of 10% on exchange rate (rupee depreciation)	(73,763)	(811,389)	(45,038)	(495,420)
Shock of 15% on exchange rate (rupee depreciation)	(110,644)	(848,270)	(67,557)	(517,939)

	Bank			
	2024		2023	
	JPY' 000	Rs. '000	JPY' 000	Rs. '000
Net open position	2,726	5,102	1,900	4,354
	Effect on Income Statement Rs. '000	Revised rupee position Rs. '000	Effect on Income Statement Rs. '000	Revised rupee position Rs. '000
Stress Level				
Shock of 5% on exchange rate (rupee depreciation)	255	5,357	218	4,572
Shock of 10% on exchange rate (rupee depreciation)	510	5,612	435	4,789
Shock of 15% on exchange rate (rupee depreciation)	765	5,867	653	5,007

	Bank			
	2024		2023	
	GBP '000	Rs. '000	GBP '000	Rs. '000
Net open position	1,108	407,020	238	98,411
	Effect on Income Statement Rs. '000	Revised rupee position Rs. '000	Effect on Income Statement Rs. '000	Revised rupee position Rs. '000
Stress Level				
Shock of 5% on exchange rate (rupee depreciation)	20,351	427,371	4,921	103,332
Shock of 10% on exchange rate (rupee depreciation)	40,702	447,722	9,841	108,252
Shock of 15% on exchange rate (rupee depreciation)	61,053	468,073	14,762	113,173

54. Financial risk management (Contd.)**54.3.2 Foreign Exchange risk (Contd.)**

	Bank			
	2024		2023	
	EUR '000	Rs. '000	EUR '000	Rs. '000
Net open position	902	274,864	2,772	994,191
	Effect on Income Statement Rs. '000	Revised rupee position Rs. '000	Effect on Income Statement Rs. '000	Revised rupee position Rs. '000
Stress Level				
Shock of 5% on exchange rate (rupee depreciation)	13,743	288,607	49,710	1,043,901
Shock of 10% on exchange rate (rupee depreciation)	27,486	302,350	99,419	1,093,610
Shock of 15% on exchange rate (rupee depreciation)	41,230	316,094	149,129	1,143,320

	Bank			
	2024		2023	
	AUD '000	Rs. '000	AUD '000	Rs. '000
Net open position	1,600	291,337	1,184	262,138
	Effect on Rs. '000	Revised Rs. '000	Effect on Rs. '000	Revised Rs. '000
Stress Level				
Shock of 5% on exchange rate (rupee depreciation)	14,567	305,904	13,107	275,245
Shock of 10% on exchange rate (rupee depreciation)	29,134	320,471	26,214	288,352
Shock of 15% on exchange rate (rupee depreciation)	43,701	335,038	39,321	301,459

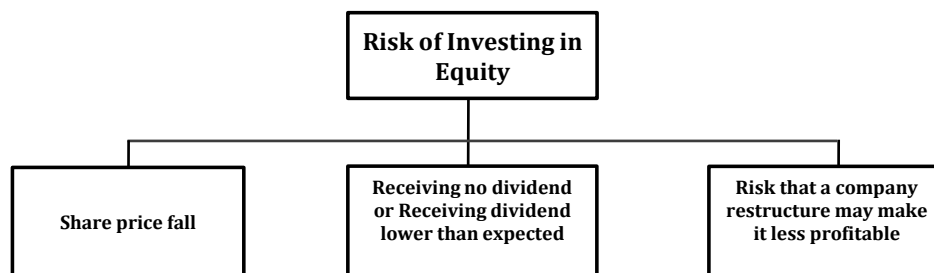
54.3.3 Equity risk

Equity risk is the risk that one's market value of investments will depreciate because of stock market dynamic causing one to lose money.

The investment in equity represent 0.33% of the total assets while investments in quoted and unquoted equity are 0.31% and 0.02% respectively. Hence, the Bank does not have a major exposure to equity risk. However, the adverse movements in the stock market affected the return on equity investments. The investment in unquoted companies are made due to policy decisions on market and economic development and strategic reasons.

The Bank conducts mark-to-market calculations on a monthly and on a need basis to identify the impact due to changes in equity prices.

Risk of investing in equity may occurred in followings ways.

**Equity price shock**

The table below summarises the impact (both to the Income Statement and to the Statement of Comprehensive Income):

		Bank					
		2024			2023		
		Financial assets recognized through profit or loss Rs. '000	Financial assets measured at FVOCI Rs. '000	Total Rs. '000	Financial assets recognized through profit or loss Rs. '000	Financial assets measured at FVOCI Rs. '000	Total Rs. '000
Market value of equity securities as at 31st December	20 and 23	212,732	5,195,626	5,408,358	825,378	2,772,958	3,598,336

54. Financial risk management (Contd.)

Stress Level	2024			2023		
	Impact to P&L	Impact to OCI	Impact to equity	Impact to P&L	Impact to OCI	Impact to equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Shock of 5% on equity prices (upward)	10,637	259,781	270,418	41,269	138,648	179,917
Shock of 5% on equity prices (downward)	(10,637)	(259,781)	(270,418)	(41,269)	(138,648)	(179,917)
Shock of 10% on equity prices (upward)	21,273	519,563	540,836	82,538	277,296	359,834
Shock of 10% on equity prices (downward)	(21,273)	(519,563)	(540,836)	(82,538)	(277,296)	(359,834)
Shock of 15% on equity prices (upward)	31,910	779,344	811,254	123,807	415,944	539,750
Shock of 15% on equity prices (downward)	(31,910)	(779,344)	(811,254)	(123,807)	(415,944)	(539,750)
Shock of 20% on equity prices (upward)	42,546	1,039,125	1,081,672	165,076	554,592	719,667
Shock of 20% on equity prices (downward)	(42,546)	(1,039,125)	(1,081,672)	(165,076)	(554,592)	(719,667)

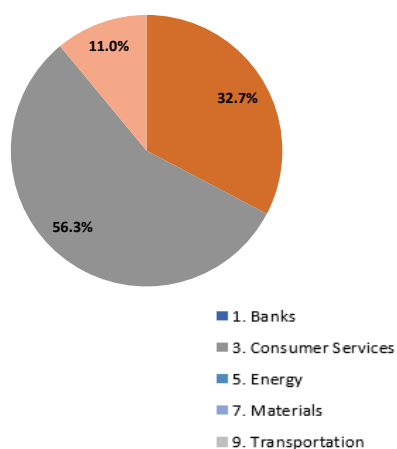
Investment in Equity Shares by Industry - Bank

Following table presents the Bank's diversification of trading portfolio to minimized the risk associated with particular sector.

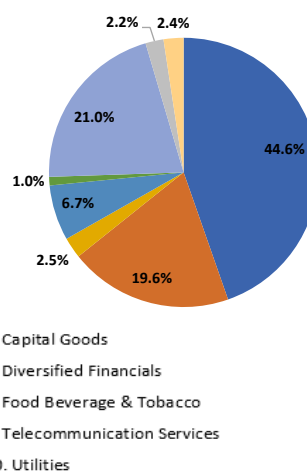
As at 31 December	2024				2023			
	Cost	As % of total cost	Market Value	As % of total Market Value	Cost	As % of total cost	Market Value	As % of total Market Value
Industry	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
1. Banks	-	0.0%	-	0.0%	390,424	37.2%	368,478	44.6%
2. Capital Goods	62,271	33.2%	69,552	32.7%	282,497	26.9%	161,990	19.6%
3. Consumer Services	102,849	54.8%	119,780	56.3%	-	0.0%	-	0.0%
4. Diversified Financials	-	0.0%	-	0.0%	26,386	2.5%	20,800	2.5%
5. Energy	-	0.0%	-	0.0%	35,957	3.4%	54,940	6.7%
6. Food Beverage & Tobacco	-	0.0%	-	0.0%	9,600	0.9%	8,480	1.0%
7. Materials	-	0.0%	-	0.0%	250,328	23.9%	173,019	21.0%
8. Telecommunication Services	22,400	11.9%	23,400	11.0%	-	0.0%	-	0.0%
9. Transportation	-	0.0%	-	0.0%	17,432	1.7%	17,884	2.2%
10. Utilities	-	0.0%	-	0.0%	35,977	3.4%	19,787	2.4%
Total	187,520	100%	212,732	100%	1,048,601	100%	825,378	100%

Market value of investment in equity shares by industry - Bank

As a % of Total Market Value 2024



As a % of Total Market Value 2023



54. Financial risk management (Contd.)**54.3.4 Interest rate risk**

Interest rate risk is the risk that the net interest income will be impacted by adverse fluctuations in interest rates. This may occur in the spread between two rates, in the shape of the yield curve or in any other interest rate relationships. The Bank's major source of funding is deposits which represent 94% of total on balance sheet liabilities and which represents 19.44% of savings deposits and 80.56% represent term deposits.

54.3.4.1 Exposure to interest rate risk

The management of interest rate risk against interest rate sensitive gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and financial liabilities to various interest rate scenarios.

The following table demonstrates the sensitivity of the Bank's Income Statement as at the reporting date, due to change in interest rates with all other variables held constant in less than one year maturity bucket.

Sensitivity of projected net interest income

	2024		2023	
	Parallel increase Rs. '000	Parallel decrease Rs. '000	Parallel increase Rs. '000	Parallel decrease Rs. '000
Net Interest Income (NII)				
Change in 25 bps	(1,777,284)	1,777,284	(1,857,060)	1,857,060
Change in 50 bps	(3,554,567)	3,554,567	(3,714,120)	3,714,120
Change in 100 bps	(7,109,134)	7,109,134	(7,428,240)	7,428,240

54.3.4.2 Interest rate risk - sensitivity analysis

Bank's interest rate sensitivity report as at 31 December 2024 is presented below:

Bank	0 - 1 month Rs. '000	0 - 3 months Rs. '000	0 - 6 months Rs. '000	0 - 12 months Rs. '000
Interest bearing assets	76,906,511	168,859,134	301,344,208	576,662,074
Bank balances and placements	2,375,254	5,073,007	7,680,321	16,669,948
Financial assets recognized through profit or loss				
- measured at fair value	3,854,977	10,309,201	17,922,669	20,141,099
Financial assets at amortised cost				
- loans and advances	38,091,374	71,761,025	88,871,421	251,788,127
- debt and other instruments	32,565,575	81,076,995	162,697,272	262,160,481
Financial assets measured at fair value through other comprehensive income	19,331	638,906	24,172,525	25,902,419
Interest-bearing liabilities	297,268,380	811,218,634	1,134,493,184	1,510,290,163
Due to banks	487,521	487,521	487,521	487,521
Financial liabilities at amortised cost				
- due to depositors	269,949,139	783,302,351	1,096,386,446	1,461,187,103
- due to debt securities holders	-	-	-	-
- due to other borrowers	26,831,720	27,428,762	37,518,684	48,190,057
Debt securities issued	-	-	100,533	425,482
Net rate sensitive assets (liabilities)	(220,361,869)	(642,359,500)	(833,148,974)	(933,628,089)
Interest rate sensitivity ratio (%)	26	21	27	38

Group's interest rate sensitivity report as at 31 December 2024 is presented below:

Group	0 - 1 month Rs. '000	0 - 3 months Rs. '000	0 - 6 months Rs. '000	0 - 12 months Rs. '000
Interest bearing assets	74,448,123	172,056,500	309,090,884	585,998,406
Bank balances and placements	2,375,108	5,072,861	7,680,175	16,669,802
Financial assets recognized through profit or loss				
- measured at fair value	4,632,662	15,714,653	27,816,551	31,582,160
Financial assets at amortised cost				
- loans and advances	32,927,486	66,609,852	83,755,148	246,711,367
- debt and other instruments	34,493,536	84,020,228	165,666,485	265,132,658
Financial assets measured at fair value through other comprehensive income	19,331	638,906	24,172,525	25,902,419
Interest-bearing liabilities	312,723,644	828,240,992	1,151,683,878	1,528,560,519
Due to banks	487,521	487,521	487,521	487,521
Financial liabilities at amortised cost				
- due to depositors	270,266,011	783,624,976	1,096,713,707	1,461,526,255
- due to debt securities holders	-	-	-	-
- due to other borrowers	41,951,820	44,055,327	54,308,949	66,048,093
Debt securities issued	18,292	73,168	173,701	498,650
Net rate sensitive assets (liabilities)	(238,275,521)	(656,184,492)	(842,592,994)	(942,562,113)
Interest rate sensitivity ratio (%)	24	21	27	38

54.3.4.2 Interest rate risk - sensitivity analysis (Cont.)

Bank's interest rate sensitivity report as at 31 December 2023 is presented below:

Bank	0 - 1 month Rs. '000	0 - 3 months Rs. '000	0 - 6 months Rs. '000	0 - 12 months Rs. '000
Interest bearing assets	80,349,412	148,475,315	280,792,433	493,634,325
Bank balances and placements	3,623,541	6,456,260	13,044,176	25,344,723
Financial assets recognized through profit or loss				
- measured at fair value	7,170,406	11,851,262	13,051,087	14,181,757
Financial assets at amortised cost				
- loans and advances	25,412,984	40,200,711	63,907,552	157,497,888
- debt and other instruments	34,642,992	64,033,803	147,822,694	251,327,294
Financial assets measured at fair value through other comprehensive income	9,499,489	25,933,279	42,966,924	45,282,663
Interest-bearing liabilities	267,726,451	790,229,587	1,167,286,856	1,490,508,793
Due to banks	8,984,779	8,984,779	8,984,779	8,984,779
Financial liabilities at amortised cost				
- due to depositors	235,305,356	750,580,188	1,108,973,605	1,418,970,486
- due to debt securities holders	-	-	-	-
- due to other borrowers	23,436,316	30,050,821	48,606,181	61,611,014
Debt securities issued	-	613,799	722,291	942,514
Net rate sensitive assets (liabilities)	(187,377,039)	(641,754,272)	(886,494,423)	(996,874,468)
Interest rate sensitivity ratio (%)	30	19	24	33

Group's interest rate sensitivity report as at 31 December 2023 is presented below:

Group	0 - 1 month Rs. '000	0 - 3 months Rs. '000	0 - 6 months Rs. '000	0 - 12 months Rs. '000
Interest bearing assets	81,160,847	150,492,790	295,358,038	511,879,795
Bank balances and placements	4,037,242	6,869,697	13,457,877	26,405,676
Financial assets recognized through profit or loss				
- measured at fair value	7,170,406	16,402,718	24,938,535	31,980,969
Financial assets at amortised cost				
- loans and advances	25,466,118	36,908,693	64,146,142	154,295,734
- debt and other instruments	34,954,042	64,344,853	149,815,010	253,881,202
Financial assets measured at fair value through other comprehensive income	9,533,039	25,966,829	43,000,474	45,316,213
Interest-bearing liabilities	283,336,601	808,070,148	1,185,133,074	1,508,611,627
Due to banks	15,399,100	15,399,100	15,399,100	15,399,100
Financial liabilities at amortised cost				
- due to depositors	235,619,449	750,900,396	1,109,299,469	1,419,307,284
- due to debt securities holders	-	-	-	-
- due to other borrowers	32,299,760	41,083,684	59,639,045	72,889,560
Debt securities issued	18,292	686,968	795,460	1,015,683
Net rate sensitive assets (liabilities)	(202,175,754)	(657,577,358)	(889,775,036)	(996,731,832)
Interest rate sensitivity ratio (%)	29	19	25	34

54.4 Operational Risk

The BASEL Committee on Banking Supervision defines operational risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events".

Operational Risk Management Framework

Bank has a conducive Operational Risk Management (ORM) framework to achieve more efficient, transparent, profitable and sustainable business operations. It comprises with well structured Governance, Policy framework and Risk management processes. The operational risk of the Bank is reported to the ORMC, BIRMC and the Board by Operational Risk Management Unit of the Risk Management Division.

55. Maturity analysis							
Bank	Up to 3 months	3 - 12 months	1 - 3 years	3 - 5 years	More than 5 years	Total as at 31 December 2024	Total as at 31 December 2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets with contractual maturity (interest earning assets)							
Cash and cash equivalents	1,875,311	-	-	-	-	1,875,311	2,767,973
Placements with banks	3,197,696	11,596,941	-	-	-	14,794,637	22,576,750
Financial assets recognized through profit or loss							
- measured at fair value	10,309,201	9,831,898	38,993	693,955	-	20,874,047	16,923,123
Financial assets at amortised cost							
- loans and advances	71,761,025	180,027,102	78,332,557	60,969,527	141,288,802	532,379,013	526,520,530
- debt and other instruments	81,076,995	181,083,486	288,246,320	220,267,269	268,360,502	1,039,034,572	943,704,684
Financial assets measured at fair value through other comprehensive income	638,906	25,263,513	14,056,320	7,941,608	-	47,900,347	58,894,210
	168,859,134	407,802,940	380,674,190	289,872,359	409,649,304	1,656,857,927	1,571,387,270
Other assets (Non-interest-earning assets)							
Cash and cash equivalents	6,483,431	-	-	-	-	6,483,431	6,740,590
Balances with central banks	357,054	-	-	-	-	357,054	246,998
Derivative financial instruments	9,131	-	-	-	-	9,131	924
Financial assets recognized through profit or loss							
- measured at fair value	212,732	-	-	-	-	212,732	825,378
Financial assets measured at fair value through other comprehensive income	-	-	-	-	5,568,833	5,568,833	3,030,202
Investments in subsidiaries	3,111,000	-	-	-	4,200,000	7,311,000	7,311,000
Property, plant and equipment	-	-	-	-	17,415,792	17,415,792	17,248,961
Right-of-use assets	88,139	237,590	475,217	192,354	47,885	1,041,185	1,164,595
Investment properties	-	-	-	-	-	-	-
Goodwill and intangible assets	-	-	-	-	2,183,860	2,183,860	744,715
Deferred tax assets	-	-	-	4,995,021	-	4,995,021	5,885,288
Other assets	2,544,660	23,483,721	18,076,914	2,816,386	3,080,567	50,002,248	72,378,671
	12,806,147	23,721,311	18,552,131	8,003,761	32,496,937	95,580,287	115,577,322
Total assets	181,665,281	431,524,251	399,226,321	297,876,120	442,146,241	1,752,438,214	1,686,964,592
Liabilities with contractual maturity (interest-bearing liabilities)							
Due to banks	487,521	-	-	-	-	487,521	8,984,779
Financial liabilities at amortised cost							
- due to depositors	783,302,351	677,884,752	74,757,261	20,326,499	-	1,556,270,863	1,482,532,430
- due to other borrowers	27,428,762	20,761,295	-	-	-	48,190,057	61,611,014
Debt securities issued	-	425,482	10,016,000	1,525,000	5,000,000	16,966,482	23,806,514
	811,218,634	699,071,529	84,773,261	21,851,499	5,000,000	1,621,914,923	1,576,934,737
Other liabilities (Non-interest-bearing liabilities)							
Derivative financial instruments	258,409	-	-	-	-	258,409	201
Lease liabilities	75,848	241,827	587,253	272,627	104,006	1,281,561	1,365,547
Retirement benefit obligations	-	2,806,163	-	-	14,683,705	17,489,868	18,100,399
Current tax liabilities	-	3,648,729	-	-	-	3,648,729	-
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	2,643,479	4,894,310	664,633	799,687	-	9,002,109	9,189,455
Due to subsidiaries	-	-	-	-	-	-	-
Stated capital/Assigned capital	-	-	-	-	9,400,000	9,400,000	9,400,000
Statutory reserve fund	-	-	-	-	5,694,877	5,694,877	5,369,172
Retained earnings	-	-	-	-	28,462,305	28,462,305	14,408,118
Other reserves	-	-	-	-	55,285,433	55,285,433	52,196,963
	2,977,736	11,591,029	1,251,886	1,072,314	113,630,325	130,523,290	110,029,855
Total liabilities	814,196,370	710,662,558	86,025,147	22,923,813	118,630,325	1,752,438,214	1,686,964,592

*Represents the aggregate of the contractual maturities.

55. Maturity analysis (Contd.)							
Group	Up to 3 months	3 - 12 months	1 - 3 years	3 - 5 years	More than 5 years	Total as at 31 December 2024	Total as at 31 December 2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets with contractual maturity (interest-earning assets)							
Cash and cash equivalents	1,875,165	-	-	-	-	1,875,165	2,786,709
Placements with banks	3,197,696	11,596,941	-	-	-	14,794,637	23,618,966
Financial assets recognized through profit or loss - measured at fair value	15,714,653	15,867,507	5,615,553	9,229,843	109,238	46,536,794	39,363,784
Financial assets at amortised cost							
- loans and advances	66,609,852	180,101,516	78,433,945	61,037,198	141,532,811	527,715,322	523,809,104
- debt and other instruments	84,020,228	181,112,430	293,576,532	221,896,077	268,360,502	1,048,965,769	953,056,324
Financial assets measured at fair value through other comprehensive income	638,906	25,263,513	14,494,304	8,356,945	982,013	49,735,681	59,662,317
	172,056,500	413,941,907	392,120,334	300,520,063	410,984,564	1,689,623,368	1,602,297,204
Other assets (Non-interest-earning assets)							
Cash and cash equivalents	6,669,251	-	-	-	-	6,669,251	6,760,047
Balances with central banks	357,117	-	-	-	-	357,117	247,232
Derivative financial instruments	54,892	-	-	-	-	54,892	11,231
Financial assets recognized through profit or loss - measured at fair value	212,732	-	-	-	-	212,732	825,378
Financial assets measured at fair value through other comprehensive income	-	-	-	2,000	5,568,833	5,570,833	3,032,202
Investments in subsidiaries	-	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	18,556,112	18,556,112	18,389,400
Right-of-use assets	89,047	240,315	482,484	199,621	54,547	1,066,014	1,193,161
Investment properties	-	-	-	-	349,000	349,000	349,000
Goodwill and intangible assets	-	-	-	-	2,185,087	2,185,087	747,225
Deferred tax assets	-	-	-	4,995,021	-	4,995,021	5,885,288
Other assets	2,552,488	23,495,128	18,170,829	2,816,386	3,092,671	50,127,501	72,570,357
	9,935,526	23,735,443	18,653,313	8,013,028	29,806,249	90,143,559	110,010,521
Total assets	181,992,026	437,677,350	410,773,647	308,533,091	440,790,814	1,779,766,929	1,712,307,725
Liabilities with contractual maturity (interest-bearing liabilities)							
Due to banks	487,521	-	-	-	-	487,521	15,399,100
Financial liabilities at amortised cost							
- due to depositors	783,624,976	677,901,279	74,780,442	20,349,682	25,539	1,556,681,918	1,482,951,028
- due to other borrowers	44,055,327	21,992,766	1,000	-	-	66,049,093	72,891,598
Debt securities issued	73,168	425,482	10,016,000	1,525,000	5,000,000	17,039,650	23,879,683
	828,240,992	700,319,527	84,797,442	21,874,682	5,025,539	1,640,258,182	1,595,121,409
Other liabilities (Non-interest-bearing liabilities)							
Derivative financial instruments	258,409	-	-	-	-	258,409	201
Lease liabilities	76,459	243,872	594,736	282,856	116,254	1,314,177	1,400,575
Retirement benefit obligations	94,242	2,806,163	-	13,297	14,683,705	17,597,407	18,169,106
Current tax liabilities	44,703	4,010,142	-	-	-	4,054,845	305,869
Deferred tax liabilities	-	-	15,700	46,169	-	61,869	58,630
Other liabilities	2,792,809	4,974,160	695,501	813,628	111,147	9,387,245	9,463,508
Due to subsidiaries	-	-	-	-	-	-	-
Stated capital/Assigned capital	-	-	-	-	9,400,000	9,400,000	9,400,000
Statutory reserve fund	-	-	-	-	5,810,742	5,810,742	5,464,218
Retained earnings	-	-	-	-	33,771,814	33,771,814	18,605,719
Other reserves	-	-	-	-	57,852,239	57,852,239	54,318,490
	3,266,622	12,034,336	1,305,936	1,155,950	121,745,900	139,508,746	117,186,316
Total liabilities	831,507,614	712,353,863	86,103,378	23,030,632	126,771,439	1,779,766,929	1,712,307,725

*Represents the aggregate of the contractual maturities.

56. Fair value of financial instruments**56.1 Financial instruments recorded at fair value****Accounting policy**

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Derivatives**i. Forward exchange purchases**

The Bank value the forward exchange purchase contracts using the quoted prices available in the market for similar contracts.

ii. Foreign currency swaps

Derivative products (Foreign Currency swaps / Cash flow hedges) valued using valuation techniques incorporating various inputs such as foreign exchange spot rates and foreign exchange forward rates.

Financial assets recognized through profit or loss**i. Government Treasury Bills and Bonds**

Financial assets held for trading are valued using a valuation technique consists of Government Treasury Bills and Treasury Bonds. The Bank values the securities using discounted cash flow valuation models which incorporate observable data. Observable inputs include assumptions regarding current rates of interest, broker statements and market data published by Central Bank of Sri Lanka.

ii. Equity securities

The Bank values the equity securities using the quoted prices available for the identical securities in active market.

Financial assets measured at fair value through other comprehensive income

The Bank values the quoted equity securities using the quoted prices available for the identical securities in active market.

The unquoted equity securities have been fair valued using a valuation model based on observable data.

56.2 Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

When available, the Group measures the fair value of an instrument using active quoted prices or dealer price quotations, without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using;

(a) quoted prices in active markets for similar instruments,

(b) quoted prices for identical or similar instruments in markets that are considered to be less active, or

(c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable.

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices of similar instruments for which significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

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

56. Fair value of financial instruments (Contd.)**56.2 Determination of fair value and fair value hierarchy (Contd.)**

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

Bank

As at 31st December 2024		Level 1	Level 2	Level 3	Total
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Non-financial assets					
Property, plant and equipment					
Land and buildings	26	-	-	14,310,308	14,310,308
Investment properties	28	-	-	-	-
Total non-financial assets at fair value		-	-	14,310,308	14,310,308
Financial assets					
Derivative financial instruments					
Currency swaps	19	-	-	9,131	9,131
Financial assets recognized through profit or loss	20				
Government Treasury Bills and Bonds		20,874,049	-	-	20,874,049
Equity securities		212,732	-	-	212,732
Unit Trust		-	-	-	-
Financial assets at fair value through other comprehensive income	23				
Other investments - Government Securities		47,900,345	-	-	47,900,345
Equity securities - quoted		5,195,626	-	-	5,195,626
Equity securities - unquoted		-	315,716	-	315,716
Total financial assets at fair value		74,182,752	315,716	9,131	74,507,599
Total assets at fair value		74,182,752	315,716	14,319,439	88,817,907

As at 31st December 2023		Level 1	Level 2	Level 3	Total
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Non-financial assets					
Property, plant and equipment					
Land and buildings	26	-	-	14,423,000	14,423,000
Investment properties	28	-	-	-	-
Total non-financial assets at fair value		-	-	14,423,000	14,423,000
Financial assets					
Derivative financial instruments					
Currency swaps/Forwards	19	-	-	924	924
Financial assets recognized through profit or loss	20				
Government Treasury Bills and Bonds		16,923,123	-	-	16,923,123
Equity securities		825,378	-	-	825,378
Unit Trust		-	-	-	-
Financial assets at fair value through other comprehensive income	23				
Other investments - Government Securities		58,894,209	-	-	58,894,209
Equity securities - quoted		2,772,958	-	-	2,772,958
Equity securities - unquoted		-	199,753	-	199,753
Total financial assets at fair value		79,415,668	199,753	924	79,616,345
Total assets at fair value		79,415,668	199,753	14,423,924	94,039,345

56.2 Determination of fair value and fair value hierarchy (Contd.)**Group**

As at 31st December 2024					
	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Non-financial assets					
Property, plant and equipment					
Land and buildings	26	-	-	15,425,591	15,425,591
Investment properties	28	-	-	349,000	349,000
Total non-financial assets at fair value		-	-	15,774,591	15,774,591
Financial assets					
Derivative financial instruments	19				
Currency swaps		-	-	9,131	9,131
Others		-	-	45,761	45,761
Financial assets recognized through profit or loss	20				
Government Treasury Bills and Bonds		46,536,796	-	-	46,536,796
Equity securities		212,732	-	-	212,732
Unit Trust		-	-	-	-
Financial assets at fair value through other comprehensive income	23				
Other investments - Government Securities		49,366,765	-	-	49,366,765
Equity securities - quoted		5,564,375	-	-	5,564,375
Equity securities - unquoted		-	315,716	-	315,716
Total financial assets at fair value		101,680,668	315,716	54,892	102,051,276
Total assets at fair value		101,680,668	315,716	15,829,482	117,825,866

As at 31st December 2023					
	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Non-financial assets					
Property, plant and equipment					
Land and buildings	26	-	-	15,538,425	15,538,425
Investment properties	28	-	-	349,000	349,000
Total non-financial assets at fair value		-	-	15,887,425	15,887,425
Financial assets					
Derivative financial instruments	19				
Currency swaps/Forwards		-	-	924	924
Others		-	-	10,307	10,307
Financial assets recognized through profit or loss	20				
Government Treasury Bills and Bonds		39,363,784	-	-	39,363,784
Equity securities		825,378	-	-	825,378
Unit Trust		-	-	-	-
Financial assets at fair value through other comprehensive income	23				
Other investments - Government Securities		59,459,820	-	-	59,459,820
Equity securities - quoted		2,975,291	-	-	2,975,291
Equity securities - unquoted		-	199,753	-	199,753
Total financial assets at fair value		102,624,272	199,753	11,231	102,835,256
Total assets at fair value		102,624,272	199,753	15,898,656	118,722,681

56.3 Reconciliation of movements between levels of fair value measurement hierarchy

Bank and the Group do not have movements between level of hierarchy during the year.

56.4 Level 3 fair value measurement**Property, plant and equipment (PPE)**

Reconciliation from the beginning balance to the ending balance for the land and buildings in the Level 3 of the fair value hierarchy is given in Notes 26.(a) to 26.(b) on pages 66 to 67.

Reconciliation of revaluation reserve pertaining to land and buildings categorised as Level 3 in the fair value hierarchy is given in the statement of changes in equity on pages 5 to 6.

Investment properties

Reconciliation from the beginning balance to the ending balance for the investment properties in the Level 3 of the fair value hierarchy is available in Note 28 on page 69.

Derivative financial instruments

Bank and the Group use Level 3 in fair value hierarchy to calculate fair value of derivative instruments and detail of those instruments are given in the Notes 19 and 33 on pages 51 to 52 and 74.

56. Fair value of financial instruments (Contd.)**56.5 Fair value of financial instruments****Bank**

As at 31st December		2023		2022	
	Note	Carrying amount Rs. '000	Fair value Rs. '000	Carrying amount Rs. '000	Fair value Rs. '000
Financial assets					
Cash and cash equivalents	16	8,358,742	8,358,742	9,508,563	9,508,563
Balances with central banks	17	357,054	357,054	246,998	246,998
Placement with banks	18	14,794,637	14,794,637	22,576,750	22,576,750
Derivative financial instruments	19	9,131	9,131	924	924
Financial assets recognized through profit or loss					
- measured at fair value	20	21,086,781	21,086,781	17,748,501	17,748,501
Financial assets at amortised cost					
- loans and advances	21	532,379,013	532,379,013	526,520,530	526,370,093
- debt and other instruments	22	1,039,034,572	1,065,888,980	943,704,684	919,845,495
Financial assets measured at fair value through other comprehensive income					
	23	53,469,178	53,469,178	61,924,412	61,924,412
Total financial assets		1,669,489,108	1,696,343,516	1,582,231,362	1,558,221,736
Financial liabilities					
Due to banks	32	487,521	487,521	8,984,779	8,984,779
Derivative financial instruments	33	258,409	258,409	201	201
Financial liabilities at amortised cost					
- due to depositors	35	1,556,270,863	1,566,960,794	1,482,532,430	1,488,488,330
- due to debt securities holders		-	-	-	-
- due to other borrowers		48,190,057	48,190,057	61,611,014	61,611,014
Debt securities issued	37	16,966,482	16,966,482	23,806,514	23,806,514
Total financial liabilities		1,622,173,332	1,632,863,263	1,576,934,937	1,582,890,838

Group

As at 31st December		2024		2023	
	Note	Carrying amount Rs. '000	Fair value Rs. '000	Carrying amount Rs. '000	Fair value Rs. '000
Financial assets					
Cash and cash equivalents	16	8,544,416	8,544,416	9,546,756	9,546,756
Balances with central banks	17	357,117	357,117	247,232	247,232
Placement with banks	18	14,794,637	14,794,637	23,618,966	23,618,966
Derivative financial instruments	19	54,892	54,892	11,231	11,231
Financial assets recognized through profit or loss					
- measured at fair value	20	46,749,528	46,749,528	40,189,162	40,189,162
Financial assets at amortised cost					
- loans and advances	21	527,715,322	527,715,322	523,809,104	523,698,789
- debt and other instruments	22	1,048,965,769	1,075,820,177	953,056,324	929,197,135
Financial assets measured at fair value through other comprehensive income					
	23	55,306,512	55,306,512	62,694,519	62,694,519
Total financial assets		1,702,488,193	1,729,342,601	1,613,173,294	1,589,203,789
Financial liabilities					
Due to banks	32	487,521	487,521	15,399,100	15,399,100
Derivative financial instruments	33	258,409	258,409	201	201
Financial liabilities at amortised cost					
- due to depositors	35	1,556,681,918	1,567,371,850	1,482,951,028	1,488,906,928
- due to debt securities holders		-	-	-	-
- due to other borrowers		66,049,093	66,049,093	72,891,598	72,891,598
Debt securities issued	37	17,039,651	17,039,651	23,879,683	23,879,683
Total financial liabilities		1,640,516,592	1,651,206,524	1,595,121,610	1,601,077,510

56.6. Determination of fair value**Fair value of financial assets and liabilities not carried at fair value**

The following describes the methodologies and assumptions used to determine the fair values for those financial instruments which are not recorded at fair value in the Financial Statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), It is assumed that the carrying amount approximate their fair values. This assumption is also applied to savings deposits without specific maturity.

Long-term deposits accepted from customers for which periodical interest is paid and loan and receivables granted to customers with a variable rate are also considered to be carried at fair value in the books.

56.6 Determination of fair value (Contd.)**Fixed rate financial instruments**

Carrying amounts are considered as fair values for short term credit facilities. In fair valuing held-to-maturity securities, rates published by the CBSL for similar trading securities were used. Loans and receivables with fixed interest rates were fair valued using market rates at which fresh loans were granted during the fourth quarter of the reporting year. Conversely, fixed deposits with original tenure above one year and interest paid at maturity were discounted using current market rates offered to customers during the fourth quarter of the reporting year. Debt security issued with fixed interest rate were discounted using variable interest rates offered to customers during the fourth quarter of the reporting year.

Unquoted equities in financial assets

All unquoted equities in financial assets measured at fair value through other comprehensive income (except RDB) are recorded at cost, since its fair value can not be reliably estimated. There is no active market for these investments and Group intends to hold it for the long-term. The investment in RDB shares have been fair valued using a valuation model based on observable data. Refer Note 23 (e) on page no 63.

57. Capital management (as per regulatory reporting)**Objective**

The Bank is required to manage its capital in order to meet the regulatory requirements and hold sufficient capital buffers to meet the strategic objectives which are aligned with the risk appetite of the Bank.

Regulatory capital

Central Bank of Sri Lanka sets and monitors regulatory capital requirement on both consolidated and solo basis. The Bank is required to comply with the provisions of the Basel III Direction in respect of regulatory capital and capital to cover any additional risk. The Basel III capital regulations were fully implemented by 1 January 2019, will continue to be based on the three-mutually reinforcing Pillars introduced under Basel II, i.e. minimum capital requirement, supervisory review process and market discipline. Bank was considered as a Domestically Systemically Important Bank (D-SIB) until the issuance of Banking Act Direction No. 12 of 2019 on 20 December 2019 which resulted in the Bank being no longer a D-SIB.

The Bank currently uses the standardised approach for credit risk, standardised measurement method for market risk and basic indicator approach for operational risk. Basel III emphasises on increasing the quality and quantity of capital especially the core capital, through redefining the common equity capital and introducing new capital buffers such as the Capital Conservation Buffer and a Capital Surcharge on Domestically Systemically Important Banks (D-SIBs). As per the CBSL Basel III Direction, Bank and the Group are required to maintain a minimum Tier 1 Capital Ratio of 8.5% and a minimum Total Capital Ratio of 12.5% as at the end of year 2024.

Regulatory capital comprises Tier 1 capital and Tier 2 capital. The Bank and the Group have always complied with the minimum capital requirements imposed by the Central Bank of Sri Lanka.

Regulatory capital ratios

As at 31st December	Bank		Group	
	2024	2023	2024	2023
Common Equity Tier 1 capital ratio (minimum requirement - 7.0%)	21.707	15.329	25.032	18.391
Tier 1 capital ratio (minimum requirement - 8.5%)	23.418	16.908	26.692	19.943
Total capital ratio (minimum requirement - 12.5%)	25.883	19.263	29.058	22.239

58. Repurchase and reverse repurchase transactions in scripless Treasury Bonds and scripless Treasury Bills

The following additional information on repurchase and reverse repurchase transactions are disclosed as required by the Local Treasury Bills Ordinance Direction No. 1 of 2019, issued by the Central Bank of Sri Lanka (CBSL).

58.1 Carrying value of securities allocated for repurchase transactions

As at 31st December	Bank	
	2024 Rs '000	2023 Rs '000
Carrying value of securities allocated for repurchase transactions	48,190,057	37,982,464
Market value of securities received for reverse repurchase transactions	44,700,408	10,329,344

58.2 Haircuts for repurchase and reverse repurchase transactions

Minimum haircuts applicable for each maturity bucket as at December 31, are given below

As at 31 December	2024		2023	
	Minimum haircut		Minimum haircut	
	Repurchase transactions	Reverse repurchase transactions	Repurchase transactions	Reverse repurchase transactions
Remaining term to maturity of the eligible security	%	%	%	%
Up to 1 year	4%	4%	4%	4%
More than 1 year and up to 3 years	6%	6%	6%	6%
More than 3 years and up to 5 years	8%	8%	8%	8%
More than 5 years and up to 8 years	10%	10%	10%	10%
More than 8 years	12%	12%	12%	12%

58.3 Penalties imposed on the Bank for non-compliance

No penalties have been imposed on the Bank for non compliance with the above mentioned Direction No. 1 of 2019 issued by the CBSL during the years ended December 31, 2024 and 2023.

59. Operating segments

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

For management purposes, the Bank is organised into four operating segments based on services offered as below:

- Retail banking
- Corporate banking
- Treasury and dealing
- International banking

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses. Income taxes are managed separately for the Bank.

For the year ended 31 December 2024	Retail banking	Corporate Banking	Treasury and dealing	International banking	Unallocated	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest income	57,713,890	27,536,609	117,280,666	1,354,895	(137,786)	203,748,274
Less: Interest expenses	123,055,701	-	7,084,027	1,143,971	(317,500)	130,966,199
Net interest income	62,743,711	27,536,609	(20,040,343)	2,362,384	179,714	72,782,075
Fee and commission income	2,382,881	21,267	47,067	52,700	(425,085)	2,078,830
Less: Fee and commission expenses	326,509	-	-	1,763	-	328,272
Net fee and commission income	2,056,372	21,267	47,067	50,937	(425,085)	1,750,558
Net gain/(loss) from trading	(54)	-	1,178,716	(267,032)	-	911,630
Net gains/(losses) from de-recognition of financial assets	-	-	442,273	-	-	442,273
Net other operating income	26,917	(239,132)	82,692	614,159	(28,695)	455,941
Total operating income	64,826,946	27,318,744	(18,289,595)	2,760,448	(274,066)	76,342,477
Less: Impairment charges	11,520,270	(314,940)	726	-	-	11,206,056
Net operating income	53,306,676	27,633,684	(18,290,321)	2,760,448	(274,066)	65,136,421
Less: Expenses	15,504,767	34,452	127,325	387,233	13,304,512	29,358,289
Operating profit before VAT & SSCL on financial services	37,801,909	27,599,232	(18,417,646)	2,373,215	(13,578,578)	35,778,132
Less: Value Added Tax (VAT) on financial services	-	-	-	-	8,207,522	8,207,522
Less: Social Security Contribution Levy (SSCL) on financial services	-	-	-	-	1,139,934	1,139,934
Profit before income tax	37,801,909	27,599,232	(18,417,646)	2,373,215	(22,926,033)	26,430,676
Less: Income tax expenses	-	-	-	-	10,145,432	10,145,432
Profit for the year	37,801,909	27,599,232	(18,417,646)	2,373,215	(33,071,465)	16,285,244
Profit attributable to:						
Equity holders of the Bank	37,801,909	27,599,232	(18,417,646)	2,373,215	(33,071,465)	16,285,244
Non-controlling interests	-	-	-	-	-	-
Profit for the year	37,801,909	27,599,232	(18,417,646)	2,373,215	(33,071,465)	16,285,244
Other Information						
Segmental Assets	639,760,918	13,098,661	984,116,611	27,780,660	87,681,365	1,752,438,214
Segmental Liabilities	1,535,132,829	5,171	65,797,162	26,004,367	26,656,069	1,653,595,599
Information on cash flows						
Net cash from operating activities						(9,198,971)
Cash flows from investing activities						11,884,851
Cash flows from financing activities						(3,223,872)
Capital Expenditure –						
Purchase of property, plant and equipment						(620,581)
Net purchase of intangible assets						(177,346)
Net cash flows generated during the year						(1,335,919)