

IN SYNC TOWARDS SUCCESS

MERCHANT BANK OF SRI LANKA & FINANCE PLC
ANNUAL REPORT 2024



Merchant Bank of
Sri Lanka & Finance PLC



This Annual Report, “In Sync Towards Success,” captures how Merchant Bank of Sri Lanka (MBSL) harmonises its people, processes, and purpose to create extraordinary outcomes. Together with our stakeholders, we continue to turn the wheels of progress, driving towards a future of boundless potential, where success is not just a goal but a shared journey.

Success is never accidental, it is the result of precision, collaboration, and a shared vision. At MBSL, every milestone achieved represents the seamless integration of strategy, innovation, and teamwork, a finely tuned system driving the organisation forward.

Much like a clockwork mechanism, where even the smallest component contributes to the bigger picture, the intricate gears on the cover symbolise the essence of synchronisation, where every cog plays a vital role in ensuring smooth and efficient progress. Similarly, MBSL operates as a cohesive entity, with every decision, process, and individual effort working harmoniously to transform challenges into opportunities.

2024 marks a defining year in MBSL’s journey of resilience and growth. Having successfully navigated a few turbulent years; the Bank is now on a trajectory of recovery and resurgence. Its performance this year reflects not only renewed stability but also a clear path toward growth and opportunity. By harnessing the energy of its employees, the loyalty of its customers, and the strength of its vision, MBSL has delivered remarkable results during the year under review. These accomplishments reflect its commitment to excellence. Every strategic move, from financial recovery to innovative initiatives, has been deliberate, purposeful, and in perfect sync with its overarching vision towards success.

ABOUT US

About the Company	3
Milestone	4
Product Portfolio and Features	6
Financial Highlights	8
Board of Directors	10
Corporate Management	15

KEY MESSAGES

Chairman's Statement	22
Chief Executive Officer's Report	26

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion & Analysis	31
Risk Management Report	43
Corporate Governance Report	55

COMMITTEE REPORTS

Annual Report of the Board of Directors on the Affairs of the Company	100
Audit Committee Report	105
Related Party Transactions Review Committee Report	108
Report of the Nomination & Corporate Governance Committee	110
The Board Information and Communication Technology Committee Report	112
The Board Integrated Risk Management Committee Report	114
Report of the Human Resources & Remuneration Committee	116

FINANCIAL REPORTS

Financial Calendar	118
Directors' Statement on Internal Control	119
Independence Assurance Report on Internal Control Over Financial Reporting	121
Directors Responsibility for Financial Reporting	122
Report of the Auditor General	123
Statement of Profit or Loss	127
Statement of Comprehensive Income	128
Statement of Financial Position	129
Statement of Changes in Equity	131
Statement of Cash Flows	132
Notes to the Financial Statements	134

SUPPLEMENTARY INFORMATION

Quarterly Analysis	256
Shareholder Information	258
Debenture Information	262
Decade at a Glance	264
Basis of Ratio & Glossary	266
Contact Information	273
Notice of Meeting	278
Form of Proxy	279
Corporate Information	Inner Back Page

OUR VISION

To be the most innovative business solution provider to the nation

OUR MISSION

- To enhance our clients' wealth through innovative and sustainable solutions whilst developing entrepreneurship
- To enhance shareholder value upholding highest standards of corporate governance
- To enhance knowledge and skills of employees while rewarding them for achieving service excellence
- To foster mutually beneficial relationships with our business partners
- To fulfill our responsibilities towards the society by serving the nation while maintaining principles of corporate social responsibility

OUR VALUES

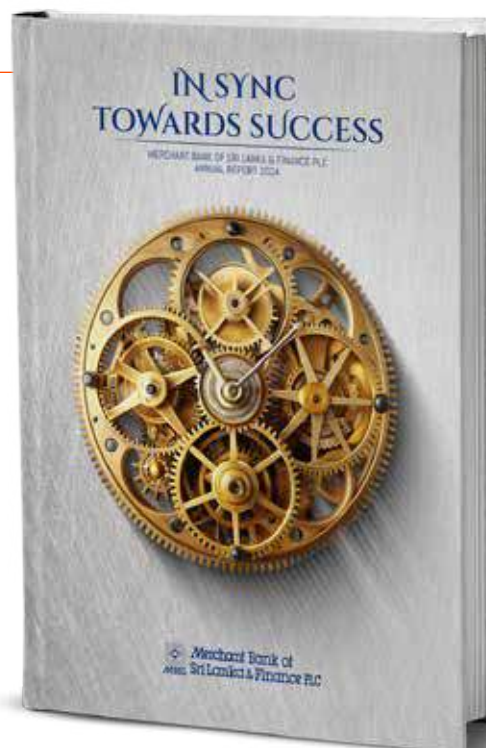
- Uphold the highest traditions of ethics, norms and best practices in all our endeavours
- Guide our principles with wisdom and prudence in search of excellence
- Foster entrepreneurship amongst our employees in creating an atmosphere of caring, sharing and integrity
- Ensure good governance and transparency
- Delight our clientele through service excellence, differentiation and innovation
- Unite and be courageous to face challenges

ABOUT THE COMPANY

The Merchant Bank of Sri Lanka & Finance PLC is a leading financial services provider in the country with a rich financial history as Sri Lanka's pioneer specialist in trade finance and investment banking. Merchant Bank of Sri Lanka & Finance PLC is listed in the Colombo Stock Exchange and is a finance company licensed by the Central Bank of Sri Lanka.

We are one of the fastest growing financial services providers in the country with product portfolio, and an increasing customer base. As one of the most stable finance companies in the country, we provide a range of secure investments for your funds, together with financial support for the growth and development for your entire family.

Merchant Bank of Sri Lanka & Finance PLC (MBSL) was incorporated in 1982 as Sri Lanka's first and only specialized merchant bank in the Country at the time. In 1991, the Company was listed on the Colombo Stock Exchange and in the year 2000 secured the license to operate as a Leasing Company. In 2014 the Company was renamed Merchant Bank of Sri Lanka & Finance PLC and in 2015 registered under the Finance Business Act as a licensed finance company authorised to carry out finance business activities. Today MBSL operates through a network of 47 branches across the island.

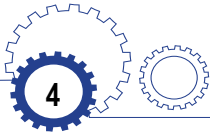


This Annual Report of Merchant Bank of Sri Lanka (MBSL) presents a comprehensive overview of the Bank's performance for the financial year, including its financial statements, governance practices, strategic initiatives, and sustainability efforts. It aims to provide stakeholders with transparent, accurate, and timely information that reflects the Bank's commitment to long-term value creation. The report is prepared in accordance with applicable regulatory and accounting standards, incorporating both financial and non-financial disclosures to support informed decision-making by investors, regulators, and other stakeholders.

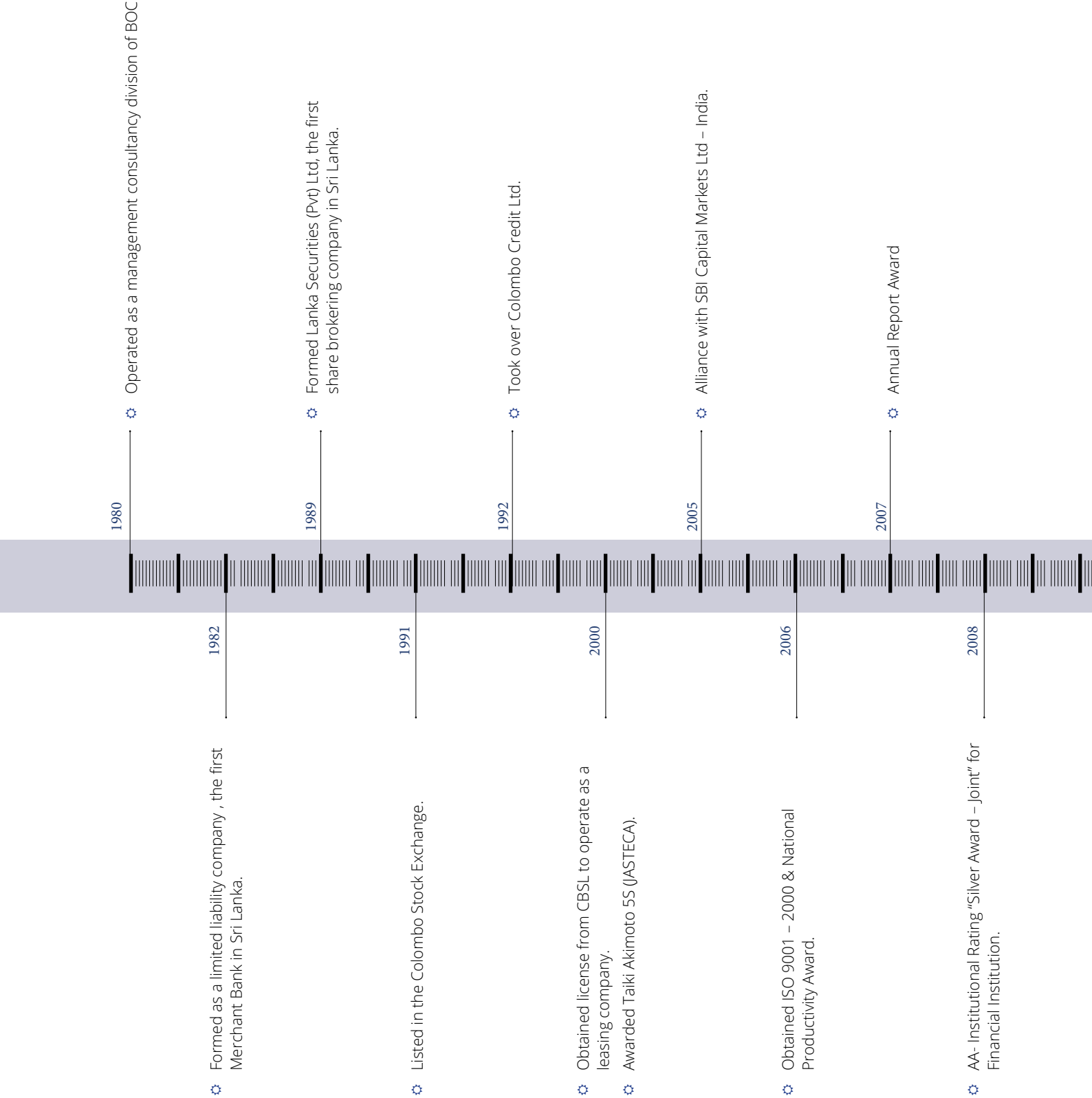
Digital View

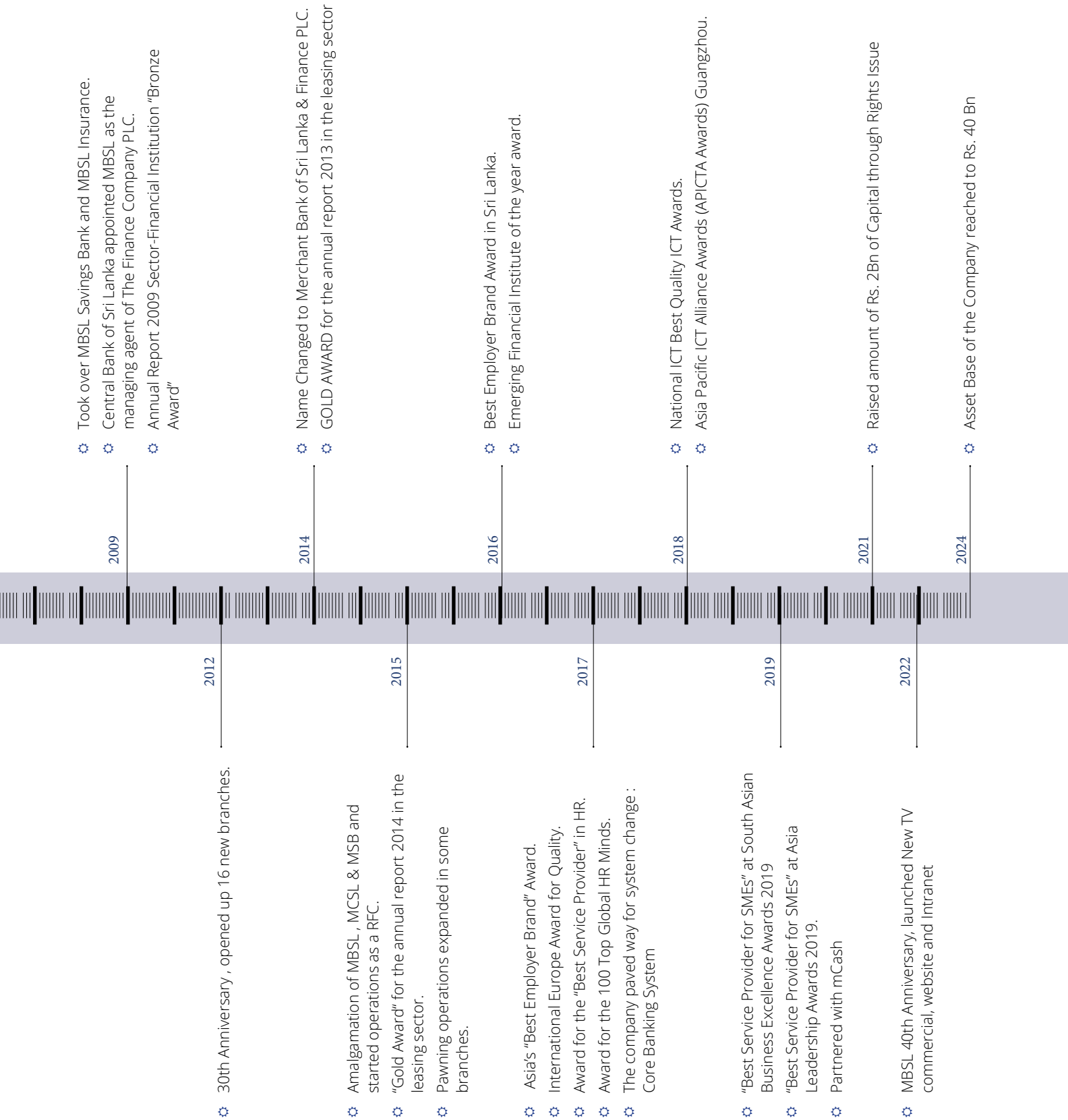


The Annual Report is available on our official website,
www.mbslbank.com



MILESTONE





PRODUCT PORTFOLIO AND FEATURES



LEASING PRODUCTS

Specialized leasing facilities for a wide range of brand new / registered vehicles & equipments. This includes all Cars, Vans, SUVs, Trucks, Buses & Lorries. Further, we have specialized leasing packages for Three Wheelers, Motor Bikes, Tractors and Machinery.

MBSL is offering hassle free leasing solutions / personalized customer service with flexible options that suits customer's repayment capacity depending on cash flows.

This lease portfolio represents over 40% of the total loan portfolio of MBSL.



LOANS PRODUCTS

PERSONAL LOAN

MBSL is offering the personal loan scheme mainly aiming to fulfil urgent financial requirements of employed citizens by assessing take home salary.

SHORT TERM LOAN (STL)

This product is focused for business segments to fulfil their short term financial requirements. During the Tenure of the loan period, client is required to pay the interest for the month and the capital may be paid during the period.

TERM LOAN

This product is to extend financial assistance to customers fulfilling a diverse range of their personal and business financial needs by mortgaging a property.

EASY DRAFT

This product is too focused for business segments to assist their short term financial requirements. During the Tenure of the loan period the client is required to pay the interest due for the month and the capital may be paid during loan period which is limited to 24 months.

AUTO LOAN

This product is to extend financial assistance to customers only when purchasing a motor vehicle mainly aiming to motor cars, dual purpose vehicles & restricted for commercial vehicles.



SPEED DRAFT

Mainly focused at providing speedy financial solutions to the Sri Lankan business community and professionals. The main feature of the speed draft facility is that it fulfils the short-term financing requirements of customers by providing them with the required amount as and when they need it.



GOLD LOAN

RAN SAVIYA

MBSL offers 'Ran Saviya' to obtain a quick cash advance against personal gold items for those who need cash for any emergency or self-employment.

Key features

- Higher advance amount in the market
- Competitive interest rate
- No service charge
- Flexible repayment terms up to 12 months
- Highest customer confidentiality and protection of the jewellery
- Repayment facility as partially or monthly interest through island-wide branch network
- Ability to retrieve gold items pawned in other institutions



CORPORATE ADVISORY & CAPITAL MARKETS

CORPORATE ADVISORY

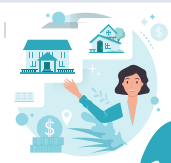
- Preparation of corporate and business plans
- Consultancy services and feasibility studies
- Corporate restructuring
- Mergers and acquisitions
- Management and leverage buyouts

CAPITAL MARKET PRODUCTS

- ✦ Margin Trading
- ✦ Structuring & managing initial public offers, offer for sales & listing through introductions for equity and debt
- ✦ Private placement of equity and debt
- ✦ Mandatory offers
- ✦ Underwriting
- ✦ Listing of debentures/bonds
- ✦ Asset securitization

INVESTMENTS/FUND MANAGEMENT

- ✦ Portfolio management
- ✦ Business valuations
- ✦ Investment plans for corporates and individuals

MBSL LANDS**REAL ESTATE**

This product is to extend the financial assistance for real Estate customers fulfilling a diverse range of their personal and business financial needs when purchasing residential / commercial properties.

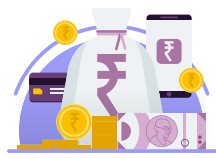
MBSL Lands

- ✦ Total solution including sourcing, land developments, finance and legal services under one roof
- ✦ Easy payment plan with minimum hassle – attractive interest rates and extended tenure

MBSL Real Estate Easy Payment Plans

A revolutionary loan scheme that is designed for those who have had enough of;

- ✦ Paying rent & dealing with difficult landlords, constant relocation and issues in title searching
- ✦ Remarkably easy to obtain

BONUS & NORMAL SAVINGS ACCOUNTS**SAVINGS PRODUCTS****NORMAL SAVINGS**

'MBSL Normal Savings' is the general savings account which offers customers with an attractive interest rates.

BONUS SAVINGS

- ✦ 'Bonus Savings Account' is a special savings account which gives customers higher interest rate than the normal savings product
- ✦ The account holder will be eligible to receive a 25% bonus interest rate when there are no withdrawals within each calendar month with an option to receive 12 bonuses on the interest per year

HIGHER SAVER**HIGHER SAVER**

A rewarding way for customers to get into the habit of saving and be rewarded with multiple interest rates.

**ACHARA SENIOR CITIZENS' SAVINGS**

Achara Senior Citizens' savings accounts cater to senior citizens who are 60 years and above with a relatively high yield, privileged services and other benefits.

MINOR SAVING (PUNCHI)

A savings account which offers children an attractive rate of interest and amazing array of gift schemes through different levels of account balances.

Punchi**PUNCHI STAR MINOR SAVINGS**

A unique savings account that enables parents to save for their children and entitles them to free medical insurance.

**SASHREEKA**

Recognizing the pivotal roles women play as homemakers, wives, mothers, and societal cornerstones, MBSL offers the "Sashreeka" Savings Account. This exclusive account aims to enhance the savings habits of Sri Lankan women while providing a myriad of distinctive benefits.

**FIXED DEPOSITS****NON SENIOR CITIZEN FIXED DEPOSITS**

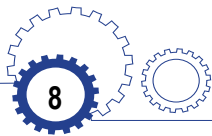
These general fixed deposits focus on customers who are 18 years and above with an attractive comparative interest rates.

SENIOR CITIZEN FIXED DEPOSITS

Specialized deposit scheme which focuses on senior citizens who are 60 years and above with an attractive interest rate.

Key features

- ✦ Tenure ranges between one month to sixty months
- ✦ Guaranteed returns
- ✦ Interest income monthly or at maturity
- ✦ Partial or full premature withdrawal facility available with penalty interest rate
- ✦ Quick loans against deposit
- ✦ Issuing balance confirmations
- ✦ Superior customer service



FINANCIAL HIGHLIGHTS

Operating Performance (Rs. Mn)	2024	2023	%
Net interest income	2,187	1,640	33.3
Gross income	7,583	7,478	1.4
Operating profit/(loss) before tax	843	266	217.3
Profit/(Loss) before tax	446	68	556.6
Taxation (expense)/reversal	(205)	(47)	337.0
Profit/(Loss) after tax	240	21	1,051.2
Retained profit/(loss)	(1,189)	(1,290)	7.8

Financial Position (Rs. Mn)			
Total assets	40,200	33,699	19.3
Gross loans and advances	28,350	21,714	30.6
Total deposits	25,956	25,444	2.0
Shareholders' funds	3,882	3,671	5.8

Operating Ratios (%)			
Return on assets (After tax)	0.65	0.10	550.0
Return on equity (After tax)	6.37	0.60	961.7
Cost to income ratio	78.91	90.54	(12.8)
Net Non-performing loans ratio	3.82	6.53	(41.4)
Provision coverage	48.03	46.35	3.6
Loans to deposit ratio	113.63	89.76	26.6
Core capital ratio	11.97	13.60	(12.0)
Overall capital ratio	14.45	16.75	(13.7)

Shareholder Ratios			
Earnings per share (Rs.)	0.46	0.04	1,050.0
Net asset value per share (Rs.)	7.40	7.00	5.8
Price earnings ratio (Times)	13.04	110.49	(88.2)
Market price per share	6.00	4.40	36.4



217.3%
↑
Rs. 843 Mn
Operating profit/(Loss) before tax
2023 - Rs. 266 Mn



1,051.2%
↑
Rs. 240 Mn
Profit/(Loss) after tax
2023 - Rs. 21 Mn



19.3%
↑
Rs. 40,200 Mn
Total assets
2023 - Rs. 33,699 Mn



30.6%
↑
Rs. 28,350 Mn
gross loans and advances
2023 - Rs. 21,714 Mn

BOARD OF DIRECTORS





1. Mr. A.M.A. Perera
2. Ms. R. Dulani Fernando
3. Mr. Chandima Rodrigo
4. Mr. A. Jehaan Ismail
5. Mr. G.A. Jayashantha
6. Mr. H.P.K. Silva
7. Mr. R.M.N. Jeewantha
8. Mr. Y.A. Jayathilaka

BOARD OF DIRECTORS

Mr. A.M.A. Perera

Chairman - Independent/Non-Executive

Mr. A.M.A. Perera was appointed as the Chairman of Merchant Bank of Sri Lanka & Finance PLC (MBSL) on 03rd March 2023. He graduated from the University of Kelaniya with a Bachelor of Commerce (Hons). He holds Post Graduate certificates in Human Resources Management and Business Administration from the Post Graduate Institute of Management (PIM) of Sri Lanka and the University of Leicester, UK respectively. He is a fellow member of the Institute of Chartered Accountants of Sri Lanka and a member of the Chartered Institute of Management Accountants (UK). He served as Finance Director of Chevron Lubricants Lanka PLC, a subsidiary of Chevron Corporation, USA from 2002 to 2019. He joined Chevron in 1996 as Manager- Finance and Administration (designate) and rose to the position of Finance Director. He was admitted to the Chevron Board in 2002 and continued in this position until June 2019. He was also a Director of Chevron Ceylon Ltd during the same period and functioned as the Company Secretary of both Companies. He counts over 27 years of Senior Managerial experience in Accounting and Finance. He also served as the Chairman of the Technical Committee of the Annual National Conference of CA Sri Lanka for the Years 2022 and 2023.

Mr. Perera served as the Senior Director of MBSL since July 2020 until he was appointed as the Chairman. He served as Chairman number of Board Committees at MBSL prior to his appointment as the Chairman of the Board.

Mr. G.A. Jayashantha

Non-Independent/Non-Executive Director

Mr. G.A. Jayashantha, currently the Deputy General Manager – International, Treasury & Investment of Bank of Ceylon was appointed to the Board of Merchant Bank of Sri Lanka & Finance PLC (MBSL) as Non-Independent/Non-Executive Director with effect from 20th April 2021. He is also a member of the Integrated Risk Management Committee and Nomination & Corporate Governance Committee of MBSL.

Mr. Jayashantha counts over 27 years of service in the Bank of Ceylon. He has performed duties in branch banking in the early part of his career and later he has specialized in various business segments such as Treasury, Dealing & Primary Dealer Unit (PDU), Assets & Liabilities Management Unit (ALM), Risk Management, Corporate Recovery, Offshore Banking, Branch Operations and Corporate Credit including Import/Export Financing.

Mr. Jayashantha held the position of Assistant General Manager in various business units such as Corporate Recovery, Risk Management, Western Province - South & Offshore Banking Division. On promotion to the Grade of Deputy General Manager he held the positions of Deputy General Manager - Retail Banking, Chief Risk Officer (25.11.2020 to 17.03.2023) and Deputy General Manager - Corporate & Offshore Banking.

Mr. Jayashantha serves as a Director of BoC Property Development & Management (Pvt.) Ltd, and Ceybank Asset Management (Pvt.) Ltd. and also extended his expertise as a member to various Management Committees and Board sub committees.

He Graduated from the University of Sri Jayawardenapura, Sri Lanka in 1994 with a First Class in B.Sc. Business Administration (Special) and holds a degree in Master of Arts in Financial Economics from the University of Colombo and a Diploma in Credit Management. He is an Associate Member of the Institute of Bankers of Sri Lanka.

Mr. H.P.K. Silva

Non-Independent/Non-Executive Director

Mr. H.P.K. Silva is a member of the Corporate Management of Bank of Ceylon (BoC) and currently serves as Deputy General Manager (Branch Operations) of the Bank of Ceylon. He was appointed to the Board of Merchant Bank of Sri Lanka & Finance PLC (MBSL) as Non Independent/Non-Executive Director with effect from 23rd December 2021. He serves as a member of the Human Resources and Remuneration Committee, Related Party Transactions Review Committee and Information and Communications Technology Committee of MBSL.

Mr. Silva joined the Bank of Ceylon in 1997 as a Management Trainee and commenced his career in Branch banking and counts over 26 years of extensive experience in all aspects of commercial banking including Retail and International divisions by carrying out duties as a Credit Officer, Audit Officer, Branch Manager and Dealer of Dealing room and London Branch.

Mr. Silva graduated from the University of Ruhuna with Bachelor of Business Administration (Specialized in Marketing) Degree with a Second Class Upper division and has obtained Master of Business Degree in Accountancy from the University of Kelaniya. He holds a Postgraduate Diploma in Business Administration and Postgraduate Diploma in Professional Marketing from CIM. He is an Associate Member of the Institute of Bankers of Sri Lanka (IBSL) and the member of the Sri Lanka Institute of Marketing (SLIM).

He played an impressive role as the Senior Manager of Trade Promotion Unit and as the Chief Manager of International Division for more than 5 consecutive years. He held several key positions of the Bank of Ceylon and played a major role of Marketing Division. He was a member of many executive management committees of the Bank of Ceylon including Reward and Recognition Committee, and Disciplinary Authority Committee.

Prior to being appointed as the Deputy General Manager (Branch Operations), he held range of Corporate and Executive Management positions including Deputy General Manager (Corporate & Offshore Banking), Deputy General Manager (Sales & Channel Management), Deputy General Manager (Finance & Planning), and Chief Marketing Officer, Assistant General Manager (North Western Province), Assistant General Manager (Marketing) and Assistant General Manager (Western Province-North).

Mr. R.M.N. Jeewantha*Non-Independent/Non-Executive Director*

Mr. R.M.N. Jeewantha, currently functions as the Deputy General Manager - Branch Credit Operations - Range II of the Bank of Ceylon. Prior to this appointment, he was the Deputy General Manager (International, Treasury and Investment) from 28.08.2020 to 22.02.2024. He was appointed to the Board of Merchant Bank of Sri Lanka & Finance PLC (MBSL) as Non-Independent/Non-Executive Director on 23rd December 2021. He is also a member of the Integrated Risk Management Committee and Human Resources & Remuneration Committee of MBSL.

Mr. Jeewantha is a graduate of the University of Sri Jayewardenepura and holds a BSc Degree in Accountancy (Special). Later on, he obtained his MBA from the Postgraduate Institute of Management (PIM) in 2008. He also a Senior Fellowship holder of the Institute of Bankers of Sri Lanka (FIB).

Mr. Jeewantha joined the Bank of Ceylon in 2002 as a Management Trainee and possesses vast experience in retail banking, credit management and financial management. However, his forte lies in Treasury Management and Investment Banking and he commenced his Treasury career at the Dealing Room in 2008 as a Trainee Dealer and successfully rose to the position of CEO of Bank of Ceylon Primary Dealer Unit. He was later appointed to the Executive Management of the Bank as the Assistant General Manager (Treasury). In addition, he has gained international banking exposure by working in Bank of Ceylon, London.

Apart from the functions of the Treasury Division, he has served as the Head of the Committee for the Investment in Government Securities (CIGS), Member of the Investment Committee and Secretary of Asset & Liability Management Committee (ALCO) of Bank of Ceylon.

Apart from the above, Mr. Jeewantha holds the positions of Director in Lanka Securities (Pvt.) Ltd and Ceybank Asset Management Ltd. and Member of the Governing Board of Institute of Bankers of Sri Lanka. He also functions as a Member of the Central Bank's Domestic Financial Market Infrastructure Development project and a visiting Lecturer at the University of Sri Jayewardenepura and the Institute of Bankers of Sri Lanka.

Mr. Y.A. Jayathilaka*Non-Independent/Non-Executive Director*

Mr. Jayathilaka counts over 26 years of experience in multi-disciplinary roles in Retail Banking, Treasury and Overseas operations, Project Management, Products and Process Development, Credit and Recoveries. He was appointed to the Corporate Management of Bank of Ceylon in February 2020 and currently functions as the Deputy General Manager - Product & Banking Development. Mr. Jayathilaka has been involved in the implementation of major IT projects of Bank of Ceylon such as Core Banking system and Trade Finance systems in BOC UK Ltd, Core Banking and Teller system upgrade, DMS and Workflow Automation System and several other customer-facing digital offerings in the Bank.

Mr. Jayathilaka holds BSc (Special) Degree in Business Administration (University of Sri Jayewardenepura), Master of Business (Finance) Degree (University of Kelaniya), Diploma in Banking and Finance, and Advanced Course in Strategic Management from the Postgraduate Institute of Management (University of Sri Jayewardenepura). He is an Associate member of the Institute of Bankers of Sri Lanka.

Mr. Jayathilaka serves as a Director of the Boards of Property Development PLC, Hotels Colombo (1963) Limited, Property Development Management Limited, Ceybank Holiday Homes (Pvt) Limited and Fintech Forum Sri Lanka.

Mr. Jayathilaka has been appointed to the Board of Directors of MBSL with effect from 4th April 2023 and currently he serves as the Chairman of Information and Communication Technology (ICT) Committee of MBSL.

Ms. R. Dulani Fernando*Independent/Non-Executive Director*

Ms. Dulani Fernando, is a highly skilled professional, with over 25 years of demonstrated success in driving growth and profitability across diverse industries, including manufacturing, technology, energy, and healthcare sectors.

As a Fellow member of both the Institute of Chartered Accountants of Sri Lanka and the Association of Chartered Certified Accountants of the UK, Ms. Dulani combines her deep financial expertise with a broad international perspective. Her qualifications are further enriched by an Honours Diploma in Psychology, which has enhanced her understanding of human behavior, leadership dynamics, and organizational culture allowing her to lead high-performing teams.

Ms. Dulani's career is defined by her work in major multinational corporations such as Microsoft, Shell, and Ansell, where in some roles, she held regional leadership roles that involved overseeing cross-functional teams across multiple countries. Her experience spans financial management, corporate governance, business transformation, and digital innovation, making her adept at navigating the complexities of global markets.

Most recently, Ms. Dulani served as the Chief Executive Officer of the Institute of Chartered Accountants of Sri Lanka, where she played a pivotal role in shaping the strategic direction of the Institute.

Ms. Dulani has been appointed to the Board of Directors of MBSL with effect 27th September 2024. She serves as the Chairperson of Audit Committee, Human Resources & Remuneration Committee, Nomination & Corporate Governance Committee and Related Party Transaction Review Committee of MBSL. She is also a member of Integrated Risk Management Committee and Information and Communication Technology (ICT) Committee.

BOARD OF DIRECTORS

Mr. A. Jehaan Ismail

Non-Independent/Non-Executive

Mr. Jehaan Ismail holds a BSc (Chemistry) with Honours degree from the University of Colombo and is a Fellow of the Chartered Institute of Bankers, UK.

He possesses over 41 years of extensive commercial and investment banking experience, mainly in Asia and also in countries in the Western Hemisphere and the Middle East. His experience ranges from managing boutique and full-service investment banks to managing corporate banking divisions, various country operations, international trade divisions, control (audit) functions, compliance and risk management units, as well as having spent over 2 years as a training executive. He has supervised support areas like general operations, IT, property, compliance, legal, fraud prevention, operational risk, physical security, internal control, business transformation and business systems. He has also coordinated major system related projects and has been responsible for the setting up and running of all investment banking support functions.

As an HSBC international manager, he has held the positions of COO of both HSBC Colombia and HSBC Saudi Arabia, CEO of SABB Securities (HSBC Group, Saudi Arabia), Senior Vice President Corporate Banking, HSBC Indonesia and Global Relationship Manager, Corporate Banking, HSBC Hong Kong. Former employment also includes the posts of CEO of M Power Capital Limited and CEO of First Capital Holdings PLC.

Mr. Jehaan Ismail is a Non-executive Director of the Bank of Ceylon and Chairman of Hotels Colombo (1963) Limited (the Grand Orient Hotel). In addition, he currently sits on a few private company boards, covering finance education and investment.

He has attended several internal and external management and leadership development programmes, including those delivered by INSEAD and Cranfield. He has been a visiting lecturer (Institute of Bankers) teaching Practice of Banking and Trade Finance and has delivered several banking related presentations to various external parties.

Mr. Jehaan has been appointed to the Board of Directors of MBSL with effect 30th January 2025. He serves as a member of Audit Committee and Integrated Risk Management Committee of MBSL.

Mr. Chandima Rodrigo

Independent/Non-Executive

Chandima Rodrigo is a distinguished professional with an exceptional multidisciplinary background in Law and Finance. He is a Fellow of The Chartered Institute of Management Accountants and holds both a Bachelor of Laws degree and a Master's degree in Commercial Law, with a special focus on Tax and Corporate Statutory Affairs.

With over 30 years of post-qualifying experience, Chandima has held senior positions across various sectors, including Finance, Apparel, Media, Motor Franchise and Dealership, Farming, Property, Manufacturing, and Services, both in Sri Lanka and overseas. His expertise in tax planning and strategic interpretation of statutes has consistently provided organizations with a competitive edge, leading to substantial benefits and savings.

Chandima's illustrious career includes roles such as Group Director at The Capital Maharaja Organization, where he excelled in tax and treasury planning, and Group Financial Controller at Associated Investment and Development Corporation, the largest privately held conglomerate in Botswana, where he played a pivotal role in administering and planning group activities and investments. His innovative problem-solving skills and strategic leadership have led to transformative changes in fiscal regulations.

In addition to his professional accomplishments, Chandima has been an active member of various committees of CIMA and has published technical articles on tax in the Hulftsdorp Law Journal. His interests extend beyond his career, with a passion for golf, chess, traveling, and tax and corporate affairs.

Mr. Rodrigo has been appointed to Board of Directors of MBSL with effect from 20th March 2025.

CORPORATE MANAGEMENT



1. Mr. Dammika Hapuhinna

Chief Executive Officer

2. Mr. Charitha Vithana

Deputy General Manager - Chief Financial Officer

3. Mrs. Udeni Samarawickrama

*Assistant General Manager - Fixed Deposits, Savings & Treasury
Front Office*

4. Mr. Saman Pathmadeera

Assistant General Manager - Retail and Branch operations

5. Mr. Ruchira Perera

Assistant General Manager - Central Credit

6. Mr. Majintha Illankone

Assistant General Manager - Chief Internal Auditor

7. Mr. Keerthi Ramanayake

*Assistant General Manager - Marketing / Product Management/
Real Estate/ Support Services & Customer Complaints Handling*

CORPORATE MANAGEMENT



1. Mr. S.P. Niroshan

Assistant General Manager

2. Mr. Asela Liyanage

Assistant General Manager - Recoveries

3. Mrs. Gayathri De Silva

Assistant General Manager - Head of Human Resources

4. Mr. Kumudu Jayasundara

Assistant General Manager - Operations and Gold Loans

5. Mr. Pandula Bandara

Compliance Officer

6. Mrs. Fahima Ishar

Assistant General Manager - Legal

7. Mr. Himala Wijayatunga

Assistant General Manager - Chief Risk Officer (CRO)

Mr. Dammika Hapuhinna
Chief Executive Officer

Mr. Dammika Hapuhinna, a professional in the leasing and banking industries, brings over 33 years of extensive experience in financial services. He commenced his banking career at Seylan Bank PLC, where he developed a strong foundation in retail banking and financial management. In 2005, he transitioned into the non-banking financial sector, joining Saudi ORIX Leasing Company, the Kingdom of Saudi Arabia's first specialized leasing company and non-bank financial institution.

During his tenure at Saudi ORIX, he played a pivotal role in promoting lease financing in the Kingdom, contributing significantly to the industry's growth and development. His leadership was also instrumental in the introduction of the In-Store Banking concept at Nations Trust Bank, marking a key milestone in modern banking services.

With a distinguished career spanning multiple roles in prominent financial institutions across Saudi Arabia, Mr. Dammika Hapuhinna has gained deep expertise in a broad range of financial disciplines, including Retail Banking, Credit Management, Lease Financing, Consumer Finance, Real Estate Finance, Receivable Management, Product Development, Risk Management & Consumer Protection.

He holds a Master of Business Administration (MBA) from the University of Wales and an Executive Diploma in Business Administration from the University of Colombo. His academic credentials, combined with his extensive industry experience, have equipped him with a strong analytical and strategic mindset, ensuring effective leadership and progressive business solutions.

Mr. Charitha Vithana
Deputy General Manager – Chief Financial Officer

Mr. Charitha Vithana is an experienced financial professional with over 16 years of expertise in the financial services industry, complemented by three years of experience in auditing. He holds a BSc. Special Degree in Accounting from the University of Sri Jayewardenepura and is an Associate Member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Association of Chartered Certified Accountants (ACCA). He is also recognized as an Associate Chartered Professional Manager (ACPM) by the Institute of Chartered Professional Managers of Sri Lanka.

Throughout his career, Mr. Vithana has held key leadership positions, including Chief Financial Officer at Fintrex Finance Limited, Head of Finance at Mahindra Ideal Finance Limited, and Accountant at AMW Capital Leasing and Finance PLC. Earlier in his career, he honed his skills at leading firms such as KPMG Colombo and Amerasekera & Company.

His professional expertise encompasses finance and planning, financial reporting, treasury management, management information systems (MIS), and administration, which have been instrumental in driving organizational success and fostering growth.

Mr. Kumudu Jayasundara
Assistant General Manager – Operations and Gold Loans

Mr. Jayasundara has multi-faceted exposure in diverse areas in financial services and has previously held senior management positions in sales and marketing, operations, credit, recoveries, liability management and treasury operation. He has over 25 years' experience in the industry. He holds a MBA in Banking & Finance offered from the Post Graduate Institute of Management - University of Sri Jayewardenepura and BSc (Hons) degree with a specialization in Agricultural Economics from University of Peradeniya. He holds Diploma in Credit Management offered from the Institute of Credit Management of Sri Lanka and is an Associate member of the Institute. He holds LLB (Hons) degree from Buckinghamshire New University United Kingdom. He also completed the stage II of Chartered Institute of Management Accountants – United Kingdom.

CORPORATE MANAGEMENT

Mr. Asela Liyanage

Assistant General Manager – Recoveries

Mr. Liyanage counts over 24 years of extensive experience in the Finance industry, particularly in Recovery Operations. He holds a Banking Diploma from the Institute of Bankers of Sri Lanka and a Degree of Master of Business Administration from the University of Bedfordshire, U.K.

Mr. Liyanage currently serves as the Assistant General Manager - Recoveries overseeing the entire recovery operations and ensuring effective recovery processes.

Mr. S.P. Niroshan

Assistant General Manager

Mr. Niroshan Selvarajah holds a Bsc Marketing Management (Special) degree from the University of Sri Jayawardenapura and he is a skilled Marketing professional with over 24 years' experience in multiple roles in Marketing, Credit and Operations in different working environments. Mr. Niroshan started his career as a Marketing Executive after his graduation then by his commitment, he gradually passed career milestones as the Branch Manager, Manager, Senior Manager, Acting Head of Credit, AGM – Range 01 and AGM Deposits, Savings & Treasury Front Office

At present he holds the position of Assistant General Manager.

Mrs. Fahima Ishar

Assistant General Manager - Legal

Mrs. Fahima Ishar is the Head of Legal Department of MBSL. She is an Attorney-at-Law of the Supreme Court of Sri Lanka and a Notary Public counting over 29 years of experience at the Bar. She has passed the Attorneys-at-Law Intermediate & Final Examinations with First Class Honours and has become First in order of Merit in both Examinations. She also holds a Master's Degree in Law (LLM in International Business and Commercial Law – Merit Pass) from the University of West London, United Kingdom. She is a Member of the Bar Association of Sri Lanka and the Association of Corporate Lawyers in Sri Lanka.

Mrs. Ishar counts over 29 years of experience in MBSL. She joined MBSL as a Management Trainee in June 1995 and currently holds the position of Assistant General Manager – Legal / Head of Legal Department. She has wide and varied experience and expertise in all areas of work in the Legal Department, including Conveyancing and Litigation matters, providing legal opinions and rendering legal advisory services on Corporate Advisory and Capital Market Activities, such as Public Share Issues and Debenture Issues, Listing of Companies on the Colombo Stock Exchange, Private Placement of Equity and Debt, Mergers and Acquisitions, Margin Trading Facilities, etc. and Corporate affairs of MBSL.

Mrs. Ishar is a member of the Corporate Management Committee, Legal Oversight Committee, Recovery Committee, Human Resource Committee, Real Estate Committee and Operational Risk Management Committee of MBSL. She also serves as a Non- Executive Director of MBSL Insurance Company Limited with effect from 27 December 2024.

Mr. Keerthi Ramanayake

Assistant General Manager- (Marketing / Product Management/ Real Estate/ Support Services & Customer Complaints Handling)

Mr. Keerthi Ramanayake currently holds the position of Assistant General Manager - Marketing / Product Management/ Real Estate/Support Services & Customer Complaints Handling. With over 28 years' experience in MBSL he brings with him a diverse array of skills in Trade Finance, Leasing and Branch Operations. Making his entry into MBSL in 1997 as an Executive – in Trade Finance, he subsequently progressed to hold the positions of Assistant Manager, Deputy Manager, Branch Manager, Senior Manager, Regional Manager and AGM- Retail & Branch Operations.

Mr. Ramanayake holds a B' Com (Special) Degree from University of Sri Jayawardanapura, MBA Degree in Master of Business Administration from the London Metropolitan University and he holds LLB (Hons) Law from Buckinghamshire New University - United Kingdom. He is also a Chartered Licentiate of Sri Lanka Institute of Chartered Accountants and he holds a Diploma in Intermediate Banking from the Institute of Bankers of Sri Lanka.

Mr. Saman Pathmadeera

Assistant General Manager -Retail and Branch operations

Mr. Saman Pathmadeera serves as the Assistant General Manager – Head of Retail and Branch Operations, overseeing the entire branch network of 47 branches across the country. With an illustrious over 30 years career at MBSL, he has gained an in-depth understanding of the company's business culture, operational framework, and customer-centric approach, making him a key driving force in the institution's retail growth.

Having risen through the ranks from a Marketing Officer at the Kurunegala Branch to Branch Manager, Senior Manager, Regional Manager, Range Head, and now Head of Branches, his journey is a testament to his dedication, adaptability, and leadership. His extensive experience in branch administration, retail business expansion, credit, and operations underscoring his versatility and commitment to excellence across various working environments.

His deep understanding of market dynamics, strategic decision-making, and hands-on leadership have been instrumental in driving operational excellence and retail business expansion within the organization.

Mr. Himala Wijayatunga
Chief Risk Officer (CRO)

Mr. Himala Wijayatunga is a highly accomplished professional with 20 years of expertise in risk management, financial management, and strategic management, including more than a decade specializing in financial risk management. His expertise encompasses credit, market, liquidity, operational risks, as well as business continuity management. He is also highly skilled in developing forecasting models, credit rating frameworks, VaR methodologies, and data analytics.

Mr. Wijayatunga holds the prestigious title of Certified Financial Risk Manager (FRM), accredited by the Global Association of Risk Professionals (GARP), USA, and an Associate Member (ACA) of the Institute of Chartered Accountants of Sri Lanka. He holds an MBA from the Postgraduate Institute of Management (PIM) and a B.Sc. in Business Administration from the University of Sri Jayawardenepura. Additionally, he has earned a Diploma in Bank Integrated Risk Management (DBRIM) with a merit pass.

Throughout his distinguished career, Mr. Wijayatunga has taken on pivotal leadership roles, including his tenure as Head of Risk at AMW Capital Leasing and Finance PLC, where he was instrumental in shaping robust risk management strategies, and at MBSL, where he spearheaded the risk management division. He has also contributed his expertise to R.R. Donnelley & Sons, a recognized Fortune 500 Company listed on the New York Stock Exchange.

In his current capacity as Chief Risk Officer at MBSL, Mr. Wijayatunga plays a pivotal role in shaping the company's risk management framework, ensuring strategic risk management direction, and driving a culture of risk excellence.

Mr. Pandula Bandara
Compliance Officer

Mr. Pandula Bandara brings nearly two decades of professional experience, specializing in compliance, credit evaluation, auditing, branch management, and Gold Loan. His career began as an audit examiner during his university studies. After three years, he transitioned to the banking and finance industry, starting as a Branch Manager in 2005. In 2008, Pandula expanded his expertise by working with various financial institutions. He has taken on roles such as Branch Manager, Regional Credit Officer, and Senior Manager - Compliance. Since September 2023, he has been serving as Compliance Officer. Mr. Pandula is passionate about transforming people, with a vision of fostering development by upholding rules, regulations, and ethics in personal lives, businesses, and the country.

He holds a Bachelor of Business Administration from the University of Sri Jayawardenepura and a Post Graduate Diploma from SLIIT. He is also a Certified Business Accountant accredited by ICA. In addition, he has earned a diploma in banking and finance and is an Associate Member of the Bankers Association. Pandula has further enhanced his expertise by following a compliance diploma at IBSL and a Compliance Certification conducted by CBSL in collaboration with IBSL. His academic pursuits extend beyond finance, as he has obtained

an Advanced Diploma in Counseling Psychology from IHRA-University of Colombo and a Master's in Buddhist Counseling Psychology from the Kelaniya University.

Mr. Ruchira Perera
Assistant General Manager - Central Credit

Mr. Ruchira Perera, an accomplished professional currently serving as the Head of Credit at MBSL, boasts a distinguished career in banking spanning over 25 years. His expertise encompasses a wide spectrum of banking domains including SME, Retail, and Corporate Banking, acquired through extensive experience both locally and internationally.

Commencing his career in 1999, Mr. Perera initially specialized in SME and Retail Banking, gradually transitioning to Corporate Banking and Project Financing. In 2008, he embarked on an enriching journey in the State of Qatar, where he managed Commercial and Corporate Banking operations for a prestigious financial institution. Following a successful tenure abroad, he returned to Sri Lanka in 2010, contributing his talents to an emerging local bank.

Throughout his career progression, Mr. Perera has consistently demonstrated a keen aptitude for branch banking, corporate banking, and credit structuring. His most recent role prior to joining MBSL in 2024 was as Assistant Vice President of Corporate Banking, where he played a pivotal role in driving business growth and enhancing client relationships.

Mr. Perera holds a Master's in Business Administration from Cardiff Metropolitan University, United Kingdom, underscoring his commitment to continuous professional development. Additionally, he possesses a Diploma in Credit Management from the Institute of Bankers of Sri Lanka, further validating his expertise in the field of credit management.

Mr. Majintha Illankone
Assistant General Manager – Chief Internal Auditor

Mr. Majintha Illankone is a finance professional with over 25 years of experience in accounting, auditing and risk management in Sri Lanka, the Bahamas and the Cayman Islands. He has worked for a diversified conglomerate and multi-national companies and has experience in sectors such as banking, financial services, manufacturing, leisure and exports. Majintha has held senior managerial positions as Group Internal Auditor - Prima Group of Companies Sri Lanka, Director - KPMG Chartered Accountants Sri Lanka and Manager Group Risk and Control - John Keells Holdings PLC. He completed his articles at Ernst & Young Chartered Accountants Sri Lanka. Majintha is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka. He is currently a Board Governor and was a Past President of the Institute of Internal Auditors Sri Lanka Chapter (Affiliate of the Institute of Internal Auditors USA).

CORPORATE MANAGEMENT

Mrs. Gayathri De Silva

Assistant General Manager - Head of Human Resources

Mrs. Gayathri De Silva is an accomplished HR leader and Certified HR Auditor with a Master of Business Administration from Canterbury Christ Church University, UK, and professional qualifications in Human Resource Management from the Chartered Institute of Personnel Management, Sri Lanka. She is an Associate Member of the Chartered Institute of Personnel Management (AMCPIM), a Member of the Chartered Professional Managers (MCPM), and a Professional Member of the Association of HR Professionals in Sri Lanka (MHRP).

Recently appointed as Head of Human Resources, she specializes in aligning HR strategies with business objectives to foster a high-performance culture. Recognized as the National Winner of the Vanithabhimana Award (2021) in the Corporate Sector - Human Resources Management, she brings expertise in HR compliance, leadership coaching, change management, and digital transformation. Passionate about empowering teams, enhancing workplace engagement, and driving sustainable success through strategic HR excellence.

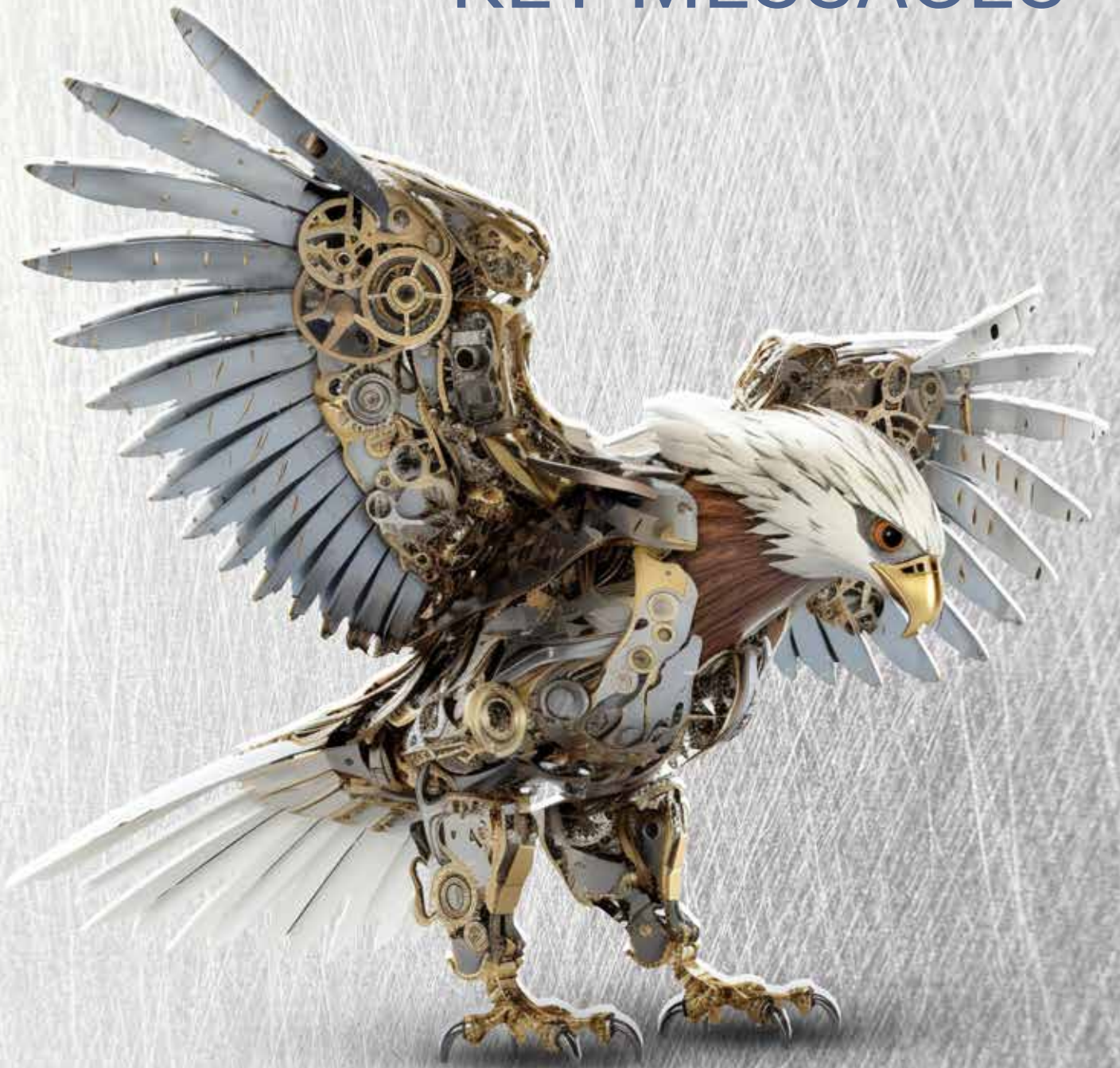
Mrs. Udeni Samarawickrama

Assistant General Manager - Fixed Deposits, Savings & Treasury Front Office

Mrs. Udeni Samarawickrama has over 26 years of experience with the MBSL Group, specializing in operational finance, financial planning and analysis (FP&A), budgeting, and reporting. She has also played a key role in cost control, compliance, enhancing operational efficiency, streamlining financial processes, and ensuring financial stability.

She holds a Master of Business Administration (MBA) from the University of Wales Trinity Saint David (UK) and is a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka.

KEY MESSAGES



Vision

With the clarity and precision of an eagle in flight, MBSL navigates the financial landscape with strength, vision, and leadership. Our strategic foresight allows us to see beyond the present, unlocking opportunities that propel us toward greater heights. Just as an eagle soars above challenges, our unwavering focus and determination enable us to achieve ambitious business goals while maintaining a strong foundation of stability and growth.

CHAIRMAN'S STATEMENT



We have strengthened our ethical governance by implementing an Anti-Bribery and Corruption Policy, further embedding integrity into our organizational culture. Our rigorous adherence to compliance regulations extends from the Boardroom to the operational teams.

Our Compliance and Risk Management teams performed exceptionally well in an environment marked by increasing regulatory requirements. We consistently met or exceeded new regulatory expectations, often achieving compliance ahead of mandated deadlines.

Dear Stakeholders,

It gives me great pleasure to present the Annual Report and Financial Statements of Merchant Bank of Sri Lanka & Finance PLC for the year ended 31st December 2024.

Sri Lanka's economy experienced a significant recovery during the year, bolstered by the stringent economic measures implemented under the IMF policy framework and the completion of debt restructuring arrangements with sovereign bondholders. These developments enabled the country to officially emerge from default status and secure a ratings upgrade.

Political stability following the elections, a resurgence in the tourism industry, increased worker remittances, a stable exchange rate, and lower interest rates collectively contributed to achieving a GDP growth of 5% during 2024. Meanwhile, the Colombo Stock Exchange (CSE) performed exceptionally well, with the All Share Price Index (ASPI) reaching its highest level in the history of the CSE by the end of the year.

MBSL'S PERFORMANCE

MBSL's performance in 2024 should be viewed in the context of the recovery achieved in 2023 following the impact of the worst economic crisis in 2022. I am proud to say that, MBSL delivered a steady and commendable performance, recording a Profit Before Tax of Rs. 446 Mn (2023 - Rs. 68 Mn) and a Net Profit After Tax of Rs. 240 Mn (2023- Rs. 21 Mn).

Key highlights included a 560% YOY increase in trading income and a 58% YOY increase in net fee and Commission income. We cautiously increased our total assets base to Rs. 40 Bn by the end of the year with rigorous focus on building a quality portfolio, whilst maintaining healthy levels of capital adequacy throughout the year.

The financial services sector continues to operate under one of the heaviest tax regimes in the country. In addition to the corporate income tax rate of 30%, financial institutions are subject to Financial Services VAT and Social Security Contribution Levy, which increases the effective tax rate significantly.

Our contribution to the national tax coffers, including Value Added Tax on financial services and the Social Security Contribution Levy, increased to Rs. 598 Mn compared to Rs. 340 Mn last year.

CHAIRMAN'S STATEMENT

CORPORATE GOVERNANCE

We have adopted the new rules on corporate governance, underpinned by robust policies covering all stipulated subject areas. Monitoring mechanisms have been deployed to ensure compliance across all levels of the organization.

In 2024 should be viewed in the context of the recovery achieved in 2023 following the impact of the worst economic crisis in 2022. I am proud to say that, MBSL delivered a steady and commendable performance, recording a Profit after tax of Rs. 240 Mn (2023 - Rs. 21 Mn), Key highlights included a 560% YOY increase in Trading income and a 58% YOY increase in Net fee and commission income. We cautiously increased our Total assets base to Rs. 40 Bn by the end of the year with rigorous focus on building a quality portfolio, whilst maintaining healthy levels of Capital adequacy throughout the year.

In addition, we have strengthened our ethical governance by implementing an Anti-Bribery and Corruption Policy, further embedding integrity into our organizational culture. Our rigorous adherence to compliance regulations extends from the Boardroom to the operational teams. Our Compliance and Risk Management teams performed exceptionally well in an environment marked by increasing regulatory requirements. We consistently met or exceeded new regulatory expectations, often achieving compliance ahead of mandated deadlines.

Advancing digitalization remains a priority in today's rapidly evolving business environment. While the formulation of a comprehensive digital strategy is still in progress, significant steps were taken during the year. As a initial step and a vital milestone, we have finalized the procurement of a new Core Banking Solution that will support our strategic initiatives in customer onboarding and retention. Implementation is in progress and the team is confident of completing this and migrating to the Core system by the beginning of the financial year 2026.

We also introduced a range of new tools, including Business Intelligence (BI) solutions, allowing real-time monitoring of operational and lending activities. These improvements have already enhanced visibility, operational efficiency, and decision-making and laying a strong foundation for our broader digital transformation.

LOOKING AHEAD

In 2025, our primary focus will remain on growing our core business with a quality portfolio and a robust balance sheet. We will also actively leverage synergies with Bank of Ceylon, both within our core businesses and in exploring new investment banking initiatives.

Parallel to digitalization, we are committed to re-engineering our business processes to enhance efficiency and improve customer experience. A key objective is to significantly reduce lead times in loan approvals, minimizing reliance on physical documentations, and adopting efficient, technology-driven solutions.

I am optimistic about Sri Lanka's growth prospects. Early indicators suggest that the country is on track to achieve a GDP growth rate of 5% in 2025. The government's digitalization strategy is expected to further enhance the ease of doing business and strengthen business confidence. A critical area that demands national attention is the elimination of chronic delays in the legal system, a move that would greatly benefit financial institutions, particularly in debt recovery.

With a resilient foundation, a forward-looking strategy, and a passionate team, MBSL is well-positioned to seize emerging opportunities and drive sustainable growth in the years ahead.

ACKNOWLEDGMENTS

I would like to convey my sincere gratitude to the CEO, Mr. Dammika Hapuhinna, and the entire MBSL team for their hard work, dedication, and commitment throughout 2024.

I wish to extend my heartfelt thanks to the members of the Board for their wise counsel and stewardship. I also wish to thank Prof. Sampath Punchihewa and Mr. Varuna Jayasinghe for their valuable contributions during their tenure.

On behalf of the Board I would like to warmly welcome Ms. Dulani Fernando, Mr. Jehaan Ismail and Mr. Chandima Rodrigo to the Board. They bring a wealth of experience, which will help MBSL in its future direction.

I am deeply grateful to our principal shareholder, Bank of Ceylon, as well as to all other shareholders for their unwavering trust and confidence in MBSL.

Finally, I extend my appreciation to our loyal customers, partners, and stakeholders for their continued support, and to the officials of the Central Bank of Sri Lanka, Colombo Stock Exchange and other regulators for their invaluable guidance throughout the year.

Together, we look forward to an even more successful 2025.



Mr. A.M.A. Perera

Chairman

Independent/Non-Executive Director

CHIEF EXECUTIVE OFFICER'S REPORT



MBSL's primary goal is to expand our balance sheet to Rs. 50 Bn by 2026, ensuring a high-quality portfolio while maintaining strong compliance within the NBFIs sector. The Board, management, and parent company are fully aligned in driving this growth. By implementing strategic plans and exploring synergies with our parent company, we are confident in achieving this milestone.

For over 42 years, we have served the nation's businesses and communities, and our objective is to strengthen our position and establish MBSL as a top-tier financial institution, leveraging our resources, expertise, and strong backing of the BOC.

The year 2024 marks another positive step in Sri Lanka's journey as a country seeking to recover from the unprecedented economic crisis that triggered socio-economic turmoil and political upheaval in the year 2022. The Sri Lankan economy expanded by 5.3% in Q1 2024 (10.7% contraction in Q1 2023), by 4.7% in Q2 2024 (3.0% contraction in Q2 2023) and by 5.5% in Q3 2024 (1.6% growth in Q3 2023) as per the figures published by the Department of Census and Statistics of the Central Bank of Sri Lanka (CBSL). Overall, Sri Lanka achieved a 5% GDP growth in 2024, indicating a strong recovery from the economic downturn of 2022–2023.

While notable progress was made by the previous Government in 2023 and 2024, the first budget of the new Government, along with economic revival plans for key sectors such as SME and agriculture, has contributed to this economic turnaround. Expenditure controls have played a crucial role in stabilizing the economy, aligning with the IMF's framework. Meanwhile, strengthened regulations and financial sector oversight will further support sustainable growth. Although Sri Lanka has made substantial progress, it is clear that numerous challenges remain. Strict regulatory oversight, as emphasized by the government, the IMF, and financial regulators, is essential for sustained growth. As a financial institution, we welcome the strengthened controls introduced by the new Government. The Government's proposal to establish a development bank is also a welcome initiative, as similar institutions have played a critical role in nurturing the growth of major corporations decades ago.

FINANCIAL PERFORMANCE

2024 was a year of success for MBSL where we demonstrated significant financial growth. The balance sheet expanded to Rs. 40 Bn, marking a key milestone as the highest in MBSL's history, surpassing the previous range of Rs. 20-30 Bn, while Profit After Tax (PAT) surged to Rs. 240 Mn, a remarkable increase from Rs. 20.8 Mn recorded in 2023. Notably, we have successfully reduced Non-Performing Assets (NPAs) to industry averages, a long-standing challenge for MBSL. Maintaining a high-quality lending portfolio while ensuring prudent risk management remains a top priority.

STRATEGIC NON-FINANCIAL ACHIEVEMENTS

Beyond financial success, MBSL made significant strategic initiatives on multiple fronts. We have relocated several branches to more strategic locations and expanded our workforce, particularly in marketing and back office operations while also ensuring compliance with all required regulatory standards. Governance and operational controls have been significantly strengthened in alignment with the Board's vision. These improvements, combined with enhanced checks and balances, are expected to yield long-term benefits, reinforcing MBSL's growth and sustainability in the coming years.

CHIEF EXECUTIVE OFFICER'S REPORT

ENHANCING OPERATIONAL EFFICIENCIES

In terms of Sales and Marketing, during 2024 we leveraged the advantage provided by an expanded sales team, revised compensation structures, performance-based incentives, and a refined strategic approach, to increase monthly underwriting significantly. This growth significantly contributed to the balance sheet expanding to Rs. 40 Bn in 2024.

On the technology front, MBSL currently operates a highly-secure core banking platform. While the system ensures robust security, MBSL lacked its digital presence such as internet banking and mobile applications. The new Core Banking platform will introduce enhanced digital services, providing customers with seamless access and improved transaction capabilities. Recognizing that many competitors already offer such features, MBSL has made a strategic decision to prioritize

2024 was a year of success for MBSL where we demonstrated significant financial growth. The balance sheet expanded to Rs. 40 Bn, marking a key milestone as the highest in MBSL's history, surpassing the previous range of Rs. 20-30 Bn, while Profit after tax (PAT) surged to Rs. 240 Mn, a remarkable increase from Rs. 20.8 Mn recorded in 2023. Notably, we have successfully reduced Non-Performing Assets (NPAs) to industry averages, a long-standing challenge for MBSL. Maintaining a high-quality lending portfolio while ensuring prudent risk management remains a top priority.

digitalization and by early 2026, customers will benefit from a modern, user-friendly banking experience. This much-needed transition is a significant milestone in MBSL's commitment to technological advancement and customer-centric innovation.

MBSL has recognized the need to cultivate a performance-driven culture to drive future success. In 2024, extensive discussions were held across the organization, leading to a collective decision to reward and recognize performance as a core Company value. This strategic shift has contributed to notable business improvements at every level. Long-serving employees, some with 20 to 30 years of experience, have played a crucial role in mentoring and integrating new recruits, many of whom come from high-performance corporate environments. Their support has facilitated a seamless transition, fostering collaboration and knowledge sharing. This alignment marks a significant transformation, ensuring that MBSL remains competitive while maintaining its unionized structure. Moving forward, this performance-oriented approach is expected to deliver long-term organizational growth, efficiency, and success.

Building on the foundations of the strengthened risk management framework we continued to actively monitor credit, operational, and system risks, ensuring compliance with regulatory requirements. Substantial investments have been made in resources, systems, and governance to reinforce risk controls. Resultantly, the Company's new loan portfolio has maintained an impressive NPA ratio of below 1%, with near-zero defaults. Dedicated, experienced personnel oversee systems, IT, and operational risks, with independent reporting to Board subcommittees for transparency and accountability. These have significantly improved risk management, enabling MBSL to maintain a high-quality portfolio while ensuring sustainable growth and regulatory compliance.

MBSL remains committed to corporate social responsibility and has undertaken several initiatives to support underprivileged communities. With a network of 47 branches spanning all nine provinces, we have identified and assisted needy schools in remote areas of the country. As a responsible financial institution, we aim to continue these efforts to uplift local communities and enhance the lives of the underprivileged. Additionally, we have introduced sustainable financial products which serves a broader client base. Leveraging the BOC's vast branch network, we are exploring new financing solutions to support communities in need, further strengthening our role in inclusive economic growth.

FUTURE OUTLOOK

Having navigated Sri Lanka's most challenging economic period, I am optimistic about the country's future. With a new Government taking office, significant reforms are on the horizon, and while successful implementation remains crucial to the country's future, there are encouraging early signs of progress. With these changes, the NBFI sector, including MBSL, is poised for growth.


There are promising signs for economic growth in 2025 and beyond given the declining interest rate regime, improving credit growth, and stabilizing of cash flows. Additionally, new financial instruments are expected to emerge, providing better solutions for clients. CBSL's continued focus on consolidation within the financial sector is a positive step while establishing clear boundaries for market participants and strengthening overall financial stability. On the whole, Sri Lanka's economic outlook remains optimistic, with technology and financial sector reforms playing a vital role in its progression.

MBSL's primary goal is to expand our balance sheet to Rs. 50 Bn by 2026, ensuring a high-quality portfolio while maintaining strong compliance within the NBFI sector. The Board, management, and parent company are fully aligned in driving this growth. By implementing strategic plans and exploring synergies with our parent company, we are confident in achieving this milestone.

For over 42 years, we have served the nation's businesses and communities, and our objective is to strengthen our position and establish MBSL as a top-tier financial institution, leveraging our resources, expertise, and strong backing of the BOC. This vision is embedded in our strategic plan for the next two to three years, driving us toward sustained growth, enhanced service delivery, and greater industry recognition.

ACKNOWLEDGMENTS

As I arrive at the conclusion of my review, I would like to convey my deep appreciation to the wonderful MBSL team for demonstrating strength and resilience throughout the year, together with their customary dedication and hard work. I would like to extend my heartfelt gratitude to all our shareholders for their continued loyalty, trust and confidence in the path MBSL is progressing on. A special note of 'Thank you' goes out to the Bank of Ceylon for their invaluable support and guidance during the year. I would like to express my sincere thanks to the Chairman and the Board of Directors for their steadfast support and wise counsel during the year. I also extend my warmest thanks to each and every one of our loyal customers for continuing to trust in MBSL to fuel their growth. Last but by no means least, I am grateful to the Central Bank of Sri Lanka, including the Governor and all other officials, for their invaluable contributions to our journey.



Dammika Hapuhinna
Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS



Transformation

Much like a butterfly's metamorphosis, MBSL embraces change, demonstrating resilience and innovation at every stage of its journey. From overcoming challenges to emerging stronger, we continuously evolve, creating opportunities for our customers to transform their financial aspirations into reality. The Butterfly Effect reminds us that even the smallest strategic adjustments can lead to extraordinary outcomes. With adaptability and diversity as our strengths, MBSL ensures that every transformation, whether big or small, contributes to a future of progress and success.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

Following the political stabilization in Sri Lanka in 2024, the inflow of foreign funds gained pace, positively impacting interest rates, an aspect which is critical to MBSL's business model. With the country's GDP growth recording 5% during the year and foreign reserves stabilizing, market conditions have significantly improved. The reopening of vehicle imports in early 2025 has revitalized the financial services and leasing sectors, offering strong growth potential during 2025 and beyond. During the year under review, MBSL restructured internal capabilities to be better equipped to meet this opportunity, recording the highest granting levels in the Company's history. After overcoming numerous challenges in recent years, including capital constraints and a sluggish post-COVID market, the Company successfully re-energized operations, positioning itself for continued expansion and stronger market penetration in the coming year.

STRATEGIC INITIATIVES FOR FINANCIAL PERFORMANCE IMPROVEMENT IN 2024

During the year, MBSL implemented several strategic initiatives to strengthen its market position. Pricing structures were realigned to match prevailing market rates, enabling the Company to enhance its granting levels and compete more effectively within the financial services sector, where registered finance companies account for only 5% of the financial market. Investments were increased in marketing, promotions, and human resource development, with significant enhancements in employee engagement, training and capacity building. In comparison to the previous year, notable progress was made in both outbound and in-house training initiatives. Additionally, the Company streamlined internal processes to improve operational efficiency and better prepare for anticipated market growth, particularly in the leasing and gold loan businesses.

FINANCIAL PERFORMANCE

Merchant Bank of Sri Lanka reported a strong financial performance in 2024, demonstrating a significant turnaround and growth compared to the previous year. MBSL recorded a 33.3% increase in net interest income, rising to Rs. 2,187 Mn in 2024 from Rs. 1,640 Mn in 2023. This was a primary contributor to the 1.4% growth in gross income, which stood at Rs. 7,583 Mn. The bank delivered an impressive 217.3% increase in operating profit before tax, which surged to Rs. 843 Mn, compared to Rs. 266 Mn the previous year.

A sharp increase in profitability was reflected in the profit before tax of Rs. 446 Mn, up 556.6% year-on-year, while profit after tax grew significantly by 1,051.2% to Rs. 240 Mn. This improvement highlights MBSL's enhanced cost discipline, revenue diversification, and improved credit risk management.

The Bank's total assets expanded by 19.3% to Rs. 40,200 Mn, reflecting sustained balance sheet growth. Gross loans and advances grew by 30.6%, reaching Rs. 28,350 Mn, indicating renewed credit activity. The total deposit base increased marginally by 2.0% to Rs. 25,956 Mn, contributing to the bank's funding stability. Shareholders' funds grew by 5.8%, from Rs. 3,671 Mn to Rs. 3,882 Mn, supported by increased profitability and improved equity retention.

Additionally, MBSL achieved marked improvements in operational efficiency, with the cost-to-income ratio improving to 78.91% from 90.54% in 2023. The net non-performing loan (NPL) ratio declined sharply to 3.82% from 6.53%, indicating enhanced credit quality and effective recovery efforts. The provision coverage ratio improved

modestly to 48.03%, reinforcing the bank's asset quality. Return on assets (ROA) increased to 0.65% and the return on equity (ROE) also rose significantly to 6.37%, compared to just 0.6% in the previous year, underlining a stronger return to shareholders.

The loans-to-deposit ratio increased to 113.63%, reflecting more aggressive lending strategies. However, capital adequacy ratios showed a decline, with the core capital ratio dropping to 11.97% and the overall capital ratio to 14.45%, suggesting a need for careful capital planning as the bank expands its asset base.

From a market perspective, earnings per share (EPS) rose to Rs. 0.46, a tenfold increase from Rs. 0.04 in 2023. Net asset value per share rose to Rs. 7.40, while the market price per share appreciated by 36.4% to Rs. 6.00, demonstrating improved investor confidence. The price-to-earnings (P/E) ratio surged to 13.04 times, reflecting the revaluation of the stock on the back of better earnings.

Highlighting our company's high level of compliance culture, it is evident from the significant improvements in regulatory audit reports and the microscopic number of customer complaints received through the regulator.

In the Leasing sector, the Loan-to-Value (LTV) ratio remained unchanged, posing a challenge as financing for brand-new vehicles is limited, which is often insufficient to meet customer needs. Although vehicle imports have resumed, this (LTV) cap continues to impact market growth across the industry. Efforts by industry bodies to advocate for a revision are currently ongoing, but a policy change appears unlikely in the short term.

FUTURE STRATEGY FOR FINANCIAL GROWTH AND STABILITY

MBSL's future strategy will focus on driving organic growth, targeting expansion in the loan book. This growth will be fuelled by strengthening the core business, expanding within existing markets, and leveraging opportunities arising from the resumption of vehicle imports. The anticipated growth is expected to enhance revenues and net profitability, ensuring a sustainable and resilient business model.

Product enhancement will continue to be a key focus during 2025 for MBSL, with ongoing efforts to develop new offerings aligned with emerging market trends and evolving customer expectations. Existing processes are constantly being reviewed to drive greater efficiency and deliver superior service. While specific product launches for 2025 are being finalized, plans are in place for strategic branch relocations to improve customer accessibility and market presence. Cost control will also be a major priority in the coming year. Although the cost-to-income ratio improved from 90% to 78% in 2024, further efforts are necessary to align closer to the industry benchmark of 50-60%. Overall, enhancing operational efficiency will remain a key objective for 2025.

In 2025 and 2026, the Company will embark on the implementation of a new core banking system, a significant milestone that presents both opportunities and challenges. While the transition will be demanding, it is expected to enhance operational capabilities, improve market competitiveness, and support future growth. The project requires a substantial capital investment, alongside related costs for training, development and support services. Despite the short-term challenges, the initiative is viewed as a strategic investment aimed at strengthening business efficiency, expanding market reach, and ensuring long-term sustainability.

MANAGEMENT DISCUSSION & ANALYSIS

HR REVIEW

Employees play a pivotal role in driving strategic transformation and ensuring operational continuity. Their resilience, professionalism, and readiness to embrace change enable MBSL to navigate the evolving financial landscape. In a sector where client confidence is paramount, the human resource base is instrumental in delivering dependable and tailored financial services that distinguish MBSL in a competitive market.

The strength of MBSL lies in its experienced and multifaceted workforce. Over the years, a large number of team members have contributed to the Company's journey, with some serving for over 30 years. This long-standing commitment reflects not only employee loyalty but also MBSL's ability to retain and nurture talent, fostering a rich base of institutional knowledge and professional expertise.

MBSL's achievements are underpinned by the enduring partnerships cultivated between employees and clients. These relationships are built on trust, consistency, and personalized service, and have been central to expanding the Company's footprint and reinforcing its brand credibility. Each employee serves as an ambassador of the Company's principles, advancing its mission through their everyday interactions.

Far beyond functional roles, the workforce embodies the organization's culture and vision. Their varied experiences, expertise, and unwavering enthusiasm foster a dynamic environment that continuously drives MBSL forward. This collective strength defines the organization's character and lays the groundwork for sustained success.

MBSL'S HR APPROACH

The MBSL Human Resources Department is structured around four key operational pillars:

- HR Operations - Oversees core personnel management processes and day-to-day administrative functions
- HR Development - Focuses on capacity building, training, and employee growth initiatives
- Salary Administration - Ensures accurate and timely remuneration aligned with organizational policies
- Employee and Industrial Relations - Manages workplace harmony, employee engagement, and compliance with labour regulations

In keeping with the Company's commitment to transparency and inclusivity, an open-door policy is actively practiced where all employees are encouraged to communicate freely with the HR team and senior management. Contact information is readily shared with all staff to facilitate open, two-way communication and foster a culture of mutual respect and collaboration.

The Company maintains a merit-based rewards system, recognizing and rewarding employees based on their performance, dedication, and achievements. All evaluations are conducted through a fair and structured process to ensure that every team member has equal access to opportunities,

free from discrimination on the basis of gender, age, ethnicity, religion, sexual orientation, nationality, or physical ability.

KEY INITIATIVES OF 2024

Talent Development

Throughout the year, a series of training programs were implemented to upgrade the competencies of existing employees. These initiatives were designed to address specific skill gaps, enhance productivity, and align staff capabilities with organizational goals.

An Outdoor-Based Training (OBT) program was conducted in Kithulgala for over 250 front-line employees. This initiative was designed to enhance motivation, foster teamwork, and strengthen decision-making capabilities. Through experiential learning activities in a dynamic environment, participants were equipped with practical skills to perform more effectively in high-pressure situations and collaborate more efficiently in their daily operations.



As part of the organization's ongoing commitment to service excellence, targeted training programs were carried out for all branch staff (excluding Sales and Recovery personnel) as well as Head Office employees below managerial level. These sessions focused on elevating customer service standards both at the branch level and within inter-departmental functions. By reinforcing service quality fundamentals and internal collaboration, the training has empowered branch teams to deliver a superior customer experience.

Comprehensive training programs on fire safety and first aid were conducted across multiple locations, equipping employees with essential knowledge and practical skills to respond effectively during critical incidents.



Open Communication

Focus group discussions were organized at off-site venues to facilitate open and honest dialogue with ground-level employees. These sessions provided a valuable platform to gather first-hand insights into operational challenges, workplace concerns, and improvement opportunities, ensuring that employee voices are heard and integrated into strategic decision-making.

Process Improvement

Process improvement brainstorming sessions were conducted in collaboration with the respective Assistant General Managers (AGMs), with the objective of streamlining workflows and enhancing overall efficiency. These sessions encouraged cross-functional knowledge sharing and identified actionable improvements that contribute to operational excellence and continuous organizational development. As part of ongoing efforts to strengthen the organization's Business Continuity Planning (BCP) framework, the Risk Management Department implemented key process improvements during the year. These enhancements focused on building staff readiness and ensuring workplace safety in the event of emergencies.

Recruitment Drive

During the year, the Company carried out an accelerated recruitment efforts to expand its front office workforce. This initiative aimed to enhance service capacity, improve client engagement, and directly support revenue generation.

The Company made significant efforts to enhance employer branding in order to attract, engage, and retain top talent. Recognizing the importance of a strong employer value proposition in today's competitive job market, it adopted a multi-faceted approach to build greater visibility and appeal among prospective candidates. Key initiatives included a greater presence across social media platforms and participation in leading career fairs. Additionally, there was a renewed focus on enhancing the candidate experience throughout the recruitment lifecycle so that irrespective of whether a candidate was chosen or not, there was a positive impression about the Company in his/her mind.

New Incentive Scheme

Additionally, with the goal to bring about a high-performance culture and boost staff motivation, a performance-based incentive scheme was introduced for front-line employees. This initiative rewards individual and team achievements, encouraging accountability and aligning employee performance with key business outcomes.

OVERCOMING CHALLENGES

Recognizing the importance of an open and supportive workplace environment, MBSL implemented initiatives to promote transparency and empower employees to voice concerns. Awareness programs were conducted across departments to educate staff on the proper channels for raising grievances, submitting feedback, and engaging in ethical whistleblowing.

In line with the Company's digitalisation and sustainability goals, the Human Resources Department undertook a comprehensive initiative to streamline administrative workflows and transition toward a paperless environment. Key HR functions were digitized, enabling most processes to be efficiently managed via email or integrated systems, with minimum printing of documents. The Company also focused on improving the corporate culture and accordingly, the management engaged in a series of structured focus group discussions with staff across all levels. These sessions provided a platform to communicate the unified company vision, clarify expectations, and promote alignment with the organization's values. This inclusive approach has been instrumental in fostering a shared identity and strengthening employee engagement.

LOOKING AHEAD

MBSL intends to revise the composition of its staff cadre with a strategic focus on increasing the number of front-line personnel. This will help the Company to boost competitiveness in the market by strengthening customer-facing operations and improving service delivery at the branch level.

To keep in line with the newly signed Collective Agreement, which will be in effect for the next three years, the Company will enhance its non-cash benefit offerings. This will ensure a more attractive and holistic rewards package for employees.

A comprehensive salary benchmarking survey will be conducted, followed by a review and improvement of the existing remuneration policy to ensure that compensation remains competitive, with particular emphasis on recognizing and rewarding high-performing staff.

Senior management intends to undertake regular branch visits as part of a broader initiative to maintain closer engagement with staff at all levels. These interactions will serve to better understand the challenges faced by employees in field operations and to foster a culture of open communication and mutual support. The Human Resources Department will initiate a review and modernization of all HR policies to ensure full compliance with the latest regulatory requirements, labour laws, and circulars.

MANAGEMENT DISCUSSION & ANALYSIS

STAKEHOLDER REVIEW

In the ever-evolving financial sector, engaging with stakeholders remains essential to driving sustainable growth and long-term resilience. We deeply value the influence of our stakeholders in shaping our strategic direction and decision-making processes. Strengthening these relationships is not merely a business strategy but an integral part of our organisational values. We are dedicated to maintaining an open, transparent, and constructive dialogue with all stakeholders, ensuring their perspectives and interests are embedded within our operations and future aspirations.

At MBSL, stakeholder engagement is more than routine interaction; it reflects our unwavering commitment to recognising and addressing the varied needs of all those connected to our organisation. We adopt a comprehensive approach that embraces a broad range of stakeholders, each integral to our growth and success.

Customers: MBSL's customers remain central to our operations, with their trust and satisfaction being key priorities. We are dedicated to exceeding customer expectations by offering tailored financial solutions, maintaining transparent communication, and delivering consistent, high-quality support to foster enduring relationships.

Bank of Ceylon: This is the ultimate parent entity and the principal shareholder of MBSL.

Other shareholders and investors: Beyond Bank of Ceylon, MBSL's other shareholders and investors are regarded as valued strategic partners whose trust and confidence drive our continued progress. We are committed to maintaining the highest standards of transparency and accountability through consistent, timely, and comprehensive reporting.

Employees: MBSL employees are recognised not merely as resources but as fundamental pillars of our organisation's strength. We prioritise their professional development, well-being, and career growth, cultivating a culture rooted in excellence, innovation, and collaboration that propels the organisation toward its strategic objectives.

Regulators and government authorities: MBSL acknowledges the vital role played by regulators and government authorities in safeguarding the financial sector's integrity and stability. We proactively engage with these entities, maintaining full compliance with applicable regulations while advocating for best practices that enhance the trust placed in us by all stakeholders.

Society/Communities: Beyond our core operations, we embrace our broader responsibility to society. Through targeted Corporate Social Responsibility (CSR) initiatives, we are committed to enriching lives and supporting sustainable development.

Suppliers and business partners: Our relationships with suppliers and business partners are built on a foundation of mutual respect, fairness, and strategic collaboration. By

nurturing a reliable and ethical business ecosystem, we ensure operational efficiency and foster shared growth and success.

Media and general public: We recognise the influence of the media and the broader public in shaping the Company's reputation and narrative. We remain dedicated to maintaining open, transparent, and responsible communication, reinforcing our commitment to accuracy, integrity, and sustained brand trust.

APPROACH TO STAKEHOLDER ENGAGEMENT

At MBSL, stakeholder engagement is anchored in a deep-seated commitment to promoting the well-being, satisfaction, and long-term interests of all parties connected to our organisation. With customers at the forefront, MBSL emphasises proactive engagement by attentively listening to feedback and continuously refining its portfolio of financial solutions to align with evolving market demands. Through clear, transparent communication and responsive service, we strive to deliver an exceptional and consistent customer experience.

MBSL has established a dedicated Customer Complaint Handling Division supported by a comprehensive policy framework, which is publicly disclosed on our corporate website. This structure ensures that all customer inquiries and complaints are addressed promptly and efficiently. In addition, we maintain full transparency by making all required disclosures through our website, the Colombo Stock Exchange (CSE), and other relevant platforms. While we have not encountered significant challenges in this area, the introduction of the new Customer Protection Regulatory Framework by the authorities has prompted a proactive response. We have conducted a thorough gap analysis to assess our current practices against the new requirements. Accordingly, we are undertaking continuous improvements to align fully with the regulatory expectations and further strengthen our commitment to customer protection and service excellence.

Effective communication and transparency remain central to MBSL's stakeholder engagement efforts. We consistently prioritise good governance and full compliance with all relevant regulatory requirements. The Company endeavours to ensure fair treatment of all stakeholders, particularly the depositors, by implementing the Customer Protection Framework and Whistle-Blowing policy and procedures. In this regard, the Central Bank of Sri Lanka has conducted onsite examinations and expressed a positive assessment of our governance practices and regulatory adherence. As a subsidiary of the Bank of Ceylon and a government-affiliated entity, MBSL places heightened emphasis on upholding the highest standards of governance. This commitment not only strengthens stakeholder confidence but also ensures that our operations align with the broader expectations of accountability, integrity, and regulatory excellence.

Recognising employees as critical stakeholders, MBSL is dedicated to fostering an environment that supports professional growth, personal development, and enhanced job satisfaction. A range of initiatives is implemented to encourage career progression, leadership development, and workplace well-being, reinforcing a culture of excellence across the organisation.

MBSL's approach to investor relations is equally robust, underpinned by a commitment to transparency, accountability, and timely communication. We ensure that shareholders and investors remain well-informed through regular dissemination of financial results, annual general meetings, and detailed briefings, thereby nurturing trust and reinforcing confidence in the Company's strategic direction.

At MBSL, we recognise our responsibility to support and uplift the communities in which we operate. Our Corporate Social

Responsibility (CSR) initiatives are primarily carried out at the branch and regional levels, with activities tailored to meet specific local needs. The Marketing Division carefully evaluates community requirements and assesses proposed initiatives to ensure alignment with our strategic objectives and available resources. During the year, we successfully implemented a number of CSR activities at the branch and regional levels, focusing on meaningful, community-driven engagements.

Stakeholder	How We Engage	Key Concerns	Strategic Response
Regulators			
<ul style="list-style-type: none"> Central Bank of Sri Lanka Colombo Stock Exchange Company registrar 	<ul style="list-style-type: none"> Compliance with regulations and directives 	<ul style="list-style-type: none"> Compliance 	<ul style="list-style-type: none"> Strong internal controls and compliance monitoring
Investors and shareholders			
	<ul style="list-style-type: none"> Annual general meeting Annual report Quarterly earnings update Press releases announcements to the Colombo Stock Exchange (CSE) 	<ul style="list-style-type: none"> Shareholder returns Financial performance and position Macroeconomic developments and their impact on strategy and business continuity Transparent reporting and disclosure Good governance 	<ul style="list-style-type: none"> Well planned growth strategy Effective governance and risk management
Customers			
	<ul style="list-style-type: none"> Interaction at branch level Periodic Customer surveys Suggestion boxes Marketing campaigns Formal complaint mechanism Corporate website Social media channels 	<ul style="list-style-type: none"> Safety of deposits Fair returns for deposits Credit at a low cost Convenience 	<ul style="list-style-type: none"> Customised products Concessionary credit facilities Branch network and ATMs Grievance /Complaints process
Employees and unions			
	<ul style="list-style-type: none"> Induction and training programmes Staff meetings Monthly regional meetings Annual performance appraisals Discussions with the Union representatives Work-life balance initiatives 	<ul style="list-style-type: none"> Good remuneration and benefits Career growth A safe workplace 	<ul style="list-style-type: none"> Competitive Remuneration and rewards Performance-based incentives Continuous learning and development opportunities Grievance handling mechanism Employee engagement mechanisms
Communities			
	<ul style="list-style-type: none"> CSR activities Branch and regional level engagement 	<ul style="list-style-type: none"> Community infrastructure development Livelihoods generation 	<ul style="list-style-type: none"> Align CSR initiatives with the corporate strategy
Suppliers/business partners			
	<ul style="list-style-type: none"> Regular communications Meetings 	<ul style="list-style-type: none"> Timely payments Repeat orders 	<ul style="list-style-type: none"> MBSL maintains long-term relationships and has a transparent procurement policy

MANAGEMENT DISCUSSION & ANALYSIS

CHALLENGES IN STAKEHOLDER ENGAGEMENT

While MBSL possesses considerable strengths in stakeholder engagement, it must also navigate a range of challenges arising from the evolving dynamics of the financial sector. A key challenge lies in the ongoing transition to digital platforms, necessitating the seamless integration of innovative digital solutions alongside traditional service models. The Information Technology Department has played a pivotal role in this transformation, driving advancements through the development of in-house software solutions that are both cost-effective and reliable. Their expertise and commitment have significantly enhanced operational efficiency and supported sustainable business growth.

Reputation management presents another critical challenge, particularly given the inherent sensitivities of the financial services industry. MBSL remains vigilant in safeguarding its corporate image while striving to balance the diverse and sometimes competing interests of its key stakeholders, including customers, shareholders, employees, and regulatory bodies.

Moreover, external pressures such as economic fluctuations and intensified market competition further underscore the necessity for MBSL to maintain a high degree of agility and resilience. By remaining responsive to these external and internal challenges, we seek to strengthen stakeholder relationships and ensure their continued relevance and success in a dynamic marketplace.

LOOKING AHEAD

With the commencement of the new financial year, MBSL will continue to engage meaningfully with all key stakeholders, with the aim of protecting the interests of all parties involved. The Company will ensure that it conducts its operations in a manner that is not detrimental to the interests or obligations owed to depositors, shareholders, and other stakeholders.

MBSL will uphold its policy of maintaining open communication with all stakeholders in order to project a balanced view of its performance, position, and future prospects to both the public and regulatory authorities. The Board of Directors will continue to exercise due diligence to safeguard the interests and rights of all stakeholders, a responsibility clearly articulated in the Board Charter.

Overall, by proactively adapting to emerging regulatory frameworks and strengthening open communication channels with stakeholders, MBSL will seek to mitigate the potential impacts of market changes on its operations and future growth.

MARKETING REVIEW

During the year 2024, MBSL demonstrated high levels of resilience for yet another year amidst numerous challenges faced by the Sri Lankan economy, although it was notably better than the preceding two years. The various measures introduced by the government and the Central Bank of Sri Lanka (CBSL) aimed at restoring macroeconomic balance have begun to bear fruit, and despite it being another year of political uncertainty due to the two elections - Presidential and General - Sri Lanka's economy ended the year on a positive note.

PRODUCT PORTFOLIO

MBSL's product portfolio is built on a foundation of reliability and versatility. Fixed Deposits offer customers a stable and secure means of growing their capital, while Gold Loans provide accessible funding by unlocking the value of personal assets. MBSL customers are also able to leverage their Fixed Deposits to obtain additional credit facilities, offering greater flexibility in managing their financial requirements. Savings Accounts encourage prudent financial management and long-term stability, and Leasing solutions enable the acquisition of essential assets for both individual and business use. Margin Trading enhances investment capabilities, while a range of personal and Business Loans addresses varying financial goals. Together, these offerings position MBSL as a trusted partner for success in today's evolving financial landscape.

During the year 2024, several key initiatives were undertaken to strengthen and expand the product portfolio. Recognising the pivotal roles women play as homemakers, wives, mothers, and societal cornerstones, MBSL launched the "Sashreeka" Savings Account, an exclusive account that aims to encourage the savings habit, promote financial inclusion, while providing a host of distinctive benefits. In alignment with our commitment to sustainable finance, we also introduced solar and electric vehicle (EV) financing products. We signed a Memorandum of Understanding (MoU) with Hayleys Solar, the renewable energy arm of Hayleys Fentons, to launch two new solar financing programs: a personal solar loan scheme and a term loan tailored for individuals and businesses. Additionally, partnerships were established with Satva Automotive Pvt Ltd during the year to facilitate financing options for electric motor cycles. Significant improvements were made in the marketing delivery channels, where Regional Credit Officers (RCOs) were further empowered to enhance operational efficiency and customer service delivery. In addition, the Delegation of Authority (DA) limits for branch managers were increased, enabling quicker decision-making and better responsiveness at the branch level.

Overall, MBSL faced considerable challenges during 2024, primarily due to the high interest rate environment, which resulted in increased cost of capital for MBSL. Nevertheless, it remained focused on delivering customer-centric solutions, with the Sashreeka savings product and solar loan facilities serving as key examples of our commitment to addressing the evolving needs of our customers.

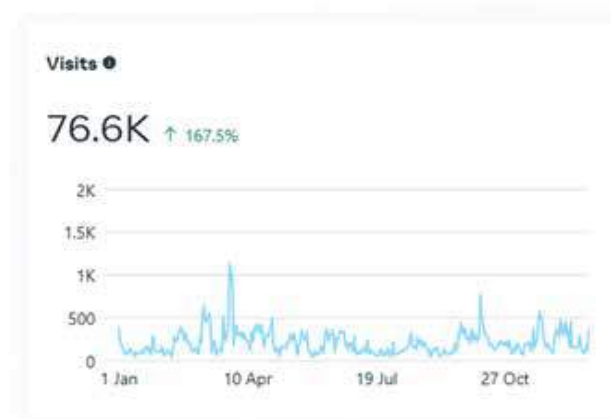
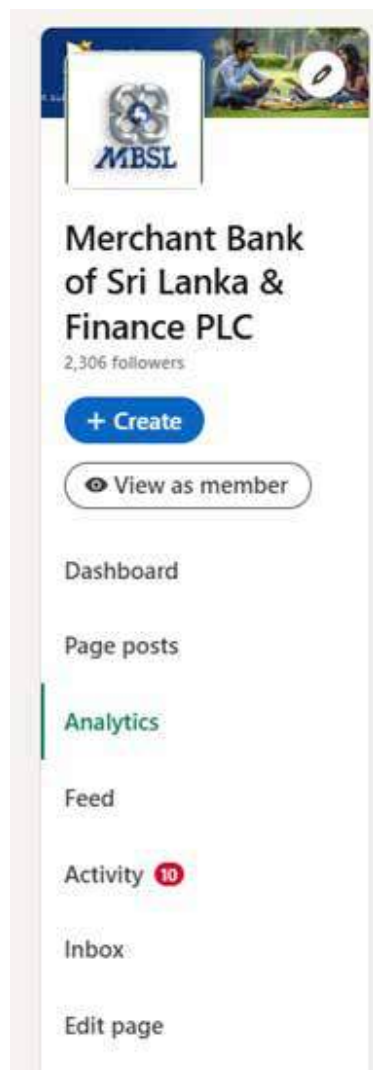
MANAGING CREDIT RISK

In 2024, MBSL took significant steps to strengthen its credit risk management framework. One of the primary initiatives was the empowerment of credit underwriters, ensuring that individuals with strong capabilities in credit assessment were entrusted with the appraisal process. This focus on improving credit evaluation standards, combined with the enhancement of recovery processes at MBSL, resulted in notable improvements in recovery rates. Additionally, the Risk Management team, through the establishment of a dedicated Post-Credit Monitoring Unit, conducted continuous follow-up on facilities that had been granted. These post-disbursement reviews, complemented by regular Loan Review Mechanism (LRM) assessments, provided a structured approach to maintaining control over credit risks. The overall impact and effectiveness of these initiatives are reflected in MBSL's portfolio quality indicators. The ratios for Non-Performing Advances (NPA) have shown marked improvement, with facilities originated in 2022 and 2023 recording negligible movements into non-performing status. This performance highlights the success of the strengthened credit appraisal and monitoring processes implemented during the period. Furthermore, the Post-Credit Monitoring Unit played a critical role in fostering a culture of accountability and continuous learning among the marketing teams and Branch Managers. Through follow-up audits and reviews, team members gained valuable insights into customer behaviour, credit processes, and procedural compliance, thereby enhancing individual ownership and responsibility in credit granting.

Historically, MBSL's non-performing loan (NPL) ratios were higher than industry averages. However, by focusing internally on enhancing credit evaluation processes rather than pursuing rapid market expansion, MBSL has successfully realigned its credit portfolio toward improved quality and reduced risk.

MANAGEMENT DISCUSSION & ANALYSIS

MARKETING AND PROMOTIONAL ACTIVITIES



An important milestone achieved during the year was the successful relaunch of MBSL's corporate website. The new website successfully addressed the shortcomings of the previous one, and initial feedback from customers reveals that it has enhanced the web customer experience significantly due to its speed, user-friendliness and wide range of information.

Tailored customer support initiatives and active engagement across all digital platforms continued to enhance accessibility, ensuring customers can connect with MBSL seamlessly at any time. In addition to dedicated branch hotlines, the corporate website, social media channels, and a centralised call centre facilitate timely responses to inquiries, effective complaint resolution, and personalised customer assistance. By maintaining open and responsive communication channels, MBSL reaffirms its commitment to service excellence and the cultivation of enduring relationships with both retail and corporate clientele.

Branch rebranding

In line with its commitment to continuous improvement and enhancing customer experience, MBSL has undertaken an extensive branch rebranding initiative over the past two years. During 2023 and 2024, a total of 37 branches were rebranded, with refurbished exteriors and interiors that reflect the organisation's refreshed identity and renewed focus on service excellence. These improvements are aimed at creating a more welcoming and professional environment for customers while strengthening the visibility of the MBSL brand across the country.

Rating upgrade

In addition to these operational enhancements, MBSL's national credit rating was upgraded by Fitch Ratings from 'BBB+' to 'A' on 24th January 2025, on the back of its solid performance in 2024. This milestone provides a strong endorsement of the MBSL's financial stability and risk management practices. The rating upgrade is expected to contribute positively to business growth, particularly by enhancing customer confidence and supporting the expansion of our deposit base, including Fixed Deposits (FDs). The improved rating positions MBSL favourably to pursue new business opportunities and further consolidate its presence in the market.

LOOKING AHEAD

In 2025, MBSL's marketing efforts will primarily focus on leveraging its digital platforms. The marketing strategy for the year has been designed to prioritise cost-effective and targeted digital marketing initiatives over large-scale traditional campaigns. Its digital promotions will leverage tools such as social media, online advertising, and search engine marketing to engage customers more efficiently and drive brand visibility.

From a business expansion perspective, MBSL has identified strategic opportunities to enhance customer reach and accessibility. Accordingly, plans are in place to relocate 11 branches during the year 2025 to more commercially advantageous locations. These relocations are aimed at strengthening MBSL's presence in key markets, attracting a larger customer base, and supporting its long-term growth objectives. Additionally, MBSL plans to continue investing in training and capacity-building initiatives throughout 2025 with the goal of nurturing the next generation of credit managers and staff, ensuring a resilient and prudent credit culture.

As the year 2025 unfolds, MBSL will remain focused on reinforcing its market presence and achieving sustainable long-term growth. The organisation is committed to providing an exceptional, seamless service experience tailored to meet the demands of its customers' dynamic lifestyles, leveraging advanced technology and intuitive processes. Ongoing process enhancements are essential to MBSL's strategy, ensuring that customer satisfaction and loyalty remain central to its operations. This customer-centric approach aligns closely with its broader business objectives and core corporate values, driving continuous improvement and future readiness.

MANAGEMENT DISCUSSION & ANALYSIS

IT & DEVELOPMENT REVIEW

MBSL's commitment is to continue to strengthen in Information Technology (IT) infrastructure with the latest technology to support strategic growth and ensure operational resilience for the strategic shift towards digital transformation and innovation in the business operations. With a strong focus on enhancing customer experience, trust and optimizing efficiency across its diverse service portfolio.

The MBSL IT Department has led digital transformation initiatives, leveraging advanced next-generation technologies to enhance customer experience, trust during the financing operations. These efforts have streamlined processes, improved efficiency levels, and increased overall productivity in error-free environment.

Comprising a team of skilled IT professionals, the department works in close collaboration with other units to identify and implement the most effective technological solutions. By aligning next-generation technology with innovations business objectives, the IT team has played a pivotal role in optimizing workflows, automating routine tasks, and enhancing operational efficiencies to ensure business continuity (BCP), mitigating the Information Technology Risks.

Their strategic approach not only empowers employees to achieve more in less time but also contributes to greater organizational productivity, reinforcing MBSL's commitment to technological innovation and continuous improvement in the financial sector.

NEW CORE BANKING SYSTEM

Although MBSL's IT infrastructure is built on a robust core banking system, we understand that our digital service offerings have somewhat lagged behind industry peers, presenting it with a key area for improvement. To address this key issue, MBSL has made a strategic decision to enhance its digital capabilities, with the core banking system upgrade being the most significant IT project during 2024 and 2025.

This transition to the new Core Banking system will drive automation, enhance service channels, expand customer reach, improve service quality, and optimize operational costs. Once fully implemented during the early months of 2026, this transformation will significantly strengthen MBSL's IT capabilities, enabling the Company to offer more competitive services.

Following extensive discussions and analysis of business operations, MBSL has identified key areas where automation will drive substantial improvements in efficiency, turnaround times, and customer experience. The successful rollout of the Core Banking system will lay the foundation for integrating Robotic Process Automation (RPA) and other AI-driven solutions to enhance efficiency and streamline operations. As part of this transition, the Company is also upgrading both software and hardware infrastructure to support future next-generation technological advancements. Several RPA applications have been explored to automate manual processes, improving productivity and accuracy. However, a comprehensive automation strategy will be developed only after the Core Banking system is fully operational, allowing us to identify key areas for further optimization.

STRENGTHENING CYBERSECURITY

With growing digital reliance, cybersecurity remained a top priority. MBSL is committed to enhancing its cybersecurity framework to ensure compliance with local and international data protection and cybersecurity regulations to support strategic growth and a comprehensive strategy that ensures technology risk management and cybersecurity resilience.

We strengthened cyber defence capabilities by deploying advanced threat detection systems, enhancing endpoint protection, threat intelligence, data loss prevention solutions and conducting regular security audits to evaluate information security governance and compliance. Staff training and customer awareness programs were also conducted to mitigate cyber risks.

With the aim of raising the cyber incident response capabilities to continue the MBSL business continuity plan ensuring Data Privacy, availability and integrity MBSL conducts regular cybersecurity training sessions along with the Cyber incident response drill. Also, MBSL conducts regular cybersecurity training sessions to educate staff on present cyber and information security threats, such as phishing threats, information Security best practices, and emerging risks. Email campaigns and interactive training modules ensure that employees remain vigilant, reducing human errors that could lead to security breaches.

LOOKING AHEAD

The new Core Banking system will serve as a solid foundation for further innovation and growth at MBSL, enabling seamless service delivery and reinforcing our commitment to technological advancement and customer-centric solutions.

We will remain committed to harnessing emerging technologies to enhance our technical capabilities and service offerings. We also anticipate leveraging AI, RPA, and other advanced technologies to enhance operational capabilities, drive innovation, and position the Company for long-term digital transformation. Additionally, investments in advanced analytics tools will allow us to gain deeper insights into customer behaviour, enabling more personalized and efficient service delivery.

Maintaining the high standards of data security and regulatory compliance remains a top priority. As cyber threats evolve rapidly in today's modern world, we will continue to implement state-of-the-art cybersecurity measures and conduct regular risk assessments to proactively mitigate potential threats. Our strategic roadmap also includes expanding our network infrastructure to extend our reach across diverse regions. This involves targeted investments in network optimization to ensure seamless connectivity and accessibility for all users.

Our strong partnership with vendors will be a key facet of achieving success on the technology front. Therefore, we aim to further strengthen vendor partnerships by fostering open communication and collaborative innovation. By working closely with service providers, we will develop tailored solutions that address the dynamic needs of our customers, ensuring a competitive edge in an evolving market.

OPERATING ENVIRONMENT

Sri Lanka demonstrated significant economic progress in 2024, marking a strong recovery from the severe economic crisis faced back in 2022. This strong revival was possible due to disciplined fiscal and monetary policy measures introduced since mid-2022, supported by the ongoing International Monetary Fund Extended Fund Facility (IMF-EFF) programme and advancements in external debt restructuring. Resultantly, macroeconomic stability improved, investor confidence was renewed, and inflation began a notable disinflationary trend. The decline in cost-reflective energy prices further contributed to a temporary period of deflation, easing the cost of living and production. A reduction in market interest rates, driven by accommodative monetary policy, stimulated credit growth, particularly in the second half of 2024. The external sector also strengthened, with higher earnings from tourism and remittances contributing to a current account surplus for the second consecutive year. Improved foreign exchange inflows enabled the Central Bank of Sri Lanka (CBSL) to accumulate record-high reserves, while the Sri Lankan Rupee appreciated for the second year in a row. Fiscal performance strengthened further, recording a positive primary balance. These improvements prompted global credit rating upgrades, reinforcing confidence among international investors and creditors.

GDP

Sri Lanka's economy recorded steady recovery in 2024, with all four quarters achieving positive GDP growth for the first time since 2017. This growth was primarily due to the resurgence of industry activities, particularly in manufacturing and construction, alongside strong performance in the services sector, supported by accommodation and transport services. Agriculture also made a positive contribution.

GDP at current market prices rose to Rs. 29,898.6 Bn in 2024, with a GDP deflator of 3.8%. Gross National Income (GNI) reached Rs. 29,153.9 Bn, reflecting improvements in both domestic output and net primary income from abroad. In USD terms, GDP rose to USD 99.0 Bn from USD 83.8 Bn in 2023. GDP per capita increased to Rs. 1,364,235 in 2024, up from Rs. 1,244,262, supported by nominal GDP growth and a declining mid-year population. GNI per capita also rose to Rs. 1,330,255. In USD terms, GDP per capita climbed to USD 4,516 from USD 3,801, while GNI per capita increased to USD 4,404, reflecting both currency appreciation and economic expansion.

INFLATION

Inflation in Sri Lanka portrayed a downward trend throughout 2024, reaching deflationary levels from September onwards. Initial inflationary pressures, driven by increased Value Added Tax (VAT) rates, removal of VAT exemptions, and food price hikes, were offset by reductions in electricity tariffs in March and July 2024. These policy measures, combined with a favourable statistical base and subdued consumer demand, helped contain price increases.

Further contributing to the declining inflation trend was the strengthening of the Sri Lankan rupee and the moderation of global commodity prices. These developments alleviated pressure on household budgets, particularly in essential categories such as food, energy, and transport. By end-2024, year-on-year headline inflation measured by the Colombo Consumer Price Index (CCPI) stood at -1.7%, down from 4.0% in 2023, while the annual average CCPI-based inflation decelerated to 1.2% from 17.4% recorded in 2023. Similarly, the National Consumer Price Index (NCPI) reported a year-on-year deflation of -2.0% by year-end, compared to 4.2% in 2023, with average annual NCPI inflation easing to 1.6%, compared to 16.5% in 2023.

INTEREST RATES

Market interest rates in Sri Lanka declined further in 2024, supported by accommodative monetary policy measures brought about in 2023. A total policy rate reduction of 775 basis points was recorded since June 2023, including 125 basis points in 2024. In November 2024, the CBSL transitioned to a single policy rate system with the introduction of the Overnight Policy Rate (OPR).

Interest rates on rupee deposits held with Licensed Commercial Banks (LCBs) declined notably in 2024, reflecting the impact of monetary policy easing. The Average Weighted Deposit Rate (AWDR) and Average Weighted Fixed Deposit Rate (AWFDR) fell by 4.1 to 5.6 percentage points, maintaining a downward trend throughout the year. Meanwhile, lending rates declined notably in 2024, reflecting continued monetary easing. The Average Weighted Prime Lending Rate (AWPR), a key retail market benchmark, fell by 3.2 percentage points. The Average Weighted Lending Rate (AWLR) on outstanding rupee loans declined by 2.3 points, while the Average Weighted New Lending Rate (AWNLR) dropped by 3.6 points.

In 2024, the Government primarily financed the budget deficit through domestic sources, given limited access to foreign funding, with net domestic financing mainly raised via government securities. Net Treasury bill financing declined significantly to Rs. 266.1 Bn from Rs. 2,058.6 Bn in 2023, while Treasury bond financing rose to Rs. 1,544.3 Bn from Rs. 692.3 Bn. Treasury bills across all maturities saw a decrease in yields by 4.0-5.9 pps during 2024. In line with this trend, Treasury bond yields also adjusted downwards.

BALANCE OF PAYMENTS

Sri Lanka's external sector maintained positive momentum in 2024, with the current account recording a surplus of USD 1.2 Bn (1.2% of GDP), slightly lower than the USD 1.4 Bn (1.7% of GDP) in 2023. While the merchandise trade deficit widened due to higher import expenditure, it was offset by strong growth in service exports, notably tourism, and a rise in workers' remittances. Import growth remained moderate, constrained by subdued demand and continued restrictions on vehicle imports. The primary income account deficit remained broadly unchanged. Despite monthly fluctuations, the current account posted surpluses in most months of 2024, except in September and December, due to temporary setbacks in tourism and restructuring-related payments.

MANAGEMENT DISCUSSION & ANALYSIS

The primary income account deficit in 2024 remained largely unchanged from the previous year. Outflows were mainly driven by interest payments on government loans and CBSL obligations, including IMF and the special swap arrangement with the Reserve Bank of India (RBI). A notable development was the increase in dividend payments by direct investment enterprises, reflecting stronger profit distributions to foreign investors.

The surplus in the secondary income account rose significantly in 2024 to USD 6.4 Bn in 2024. This was primarily due to a 10.1% increase in workers' remittances, which reached USD 6.6 Bn, compared to USD 6.0 Bn in 2023. This growth was mainly as a result of a record number of Sri Lankans departing for foreign employment, boosting remittance inflows through formal channels and strengthening the external sector.

EXCHANGE RATE

The Sri Lanka rupee appreciated by 10.7% in 2024, closing the year at Rs. 292.58 per USD, which was its second consecutive year of appreciation. This was supported by current account surpluses and steady net foreign currency inflows from workers' remittances, tourism, services, and exports, while outflows remained moderate. To bolster official reserves, the CBSL purchased a record USD 2,846 Mn from the domestic foreign exchange market on a net basis, and these interventions moderated further appreciation. Despite the annual strengthening, the rupee experienced some volatility during the year.

FINANCIAL SECTOR

The Financial sector showed continued improvement in 2024, despite certain ongoing challenges. The Banking sector remained stable, maintaining capital and liquidity buffers well above regulatory requirements and ensuring compliance with prudential requirements. Total assets of the sector expanded, driven by increased investments and growth in loans and receivables. On the liabilities side, deposits - the primary funding source - also grew steadily. This overall performance underscores the sector's resilience and its ability to support broader economic recovery.

The Finance Companies (FCs) sector demonstrated resilience in 2024, maintaining capital and liquidity buffers above regulatory requirements. The sector's asset base expanded, primarily driven by significant growth in loans and advances, while investments in government securities declined significantly. Asset quality of the sector improved notably, supported by increased profitability and a reduction in Non-Performing Loans (Stage 3). In December 2024, the CBSL introduced a revised framework for Phase II of the Master plan for Consolidation, with a three-year execution plan commencing from March 2025, aimed at building a stronger and more sustainable FCs sector over the medium to long term.

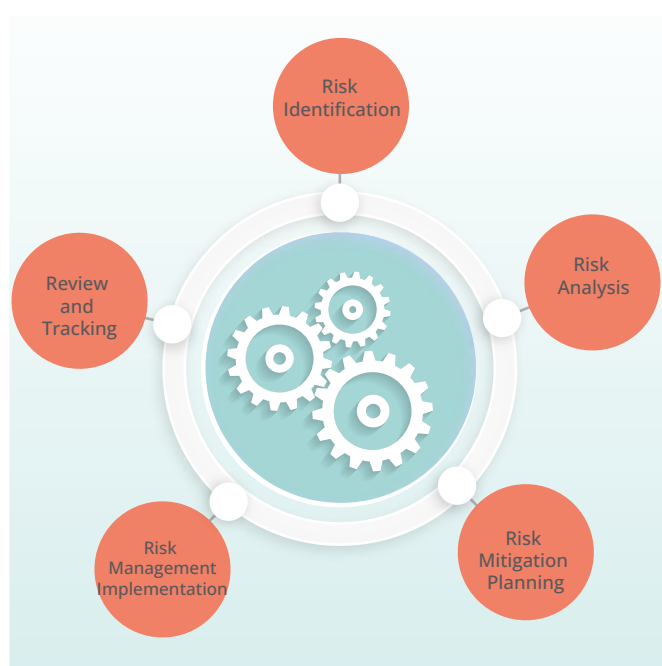
RISK MANAGEMENT REPORT

A STRATEGIC AND PROACTIVE APPROACH

At MBSL, effective risk management is integral to the successful execution of our business strategy. In today's dynamic operating environment, maintaining a robust Risk Management Framework is essential to safeguard the interests of all stakeholders. To this end, we continuously assess and refine our framework, ensuring its efficiency and adaptability in mitigating potential risks.

Our risk management process commences with defining the operational context, which sets the foundation for subsequent actions by outlining the scope and planning key steps. This is followed by the identification of potential risks, which are then assessed based on their severity and probability of occurrence. MBSL employs a structured approach to risk mitigation, categorising strategies into four key areas: risk transfer, risk avoidance, risk retention, and risk control.

Once risks are categorised, appropriate security controls are recommended as part of the Risk Management Plan. Each decision undergoes thorough evaluation, documentation, and approval by the relevant management tier before execution. To ensure continued effectiveness, we periodically update our risk assessments and mitigation strategies, aligning them with evolving operational and regulatory landscapes.



COMPREHENSIVE RISK REPORTING AND GOVERNANCE

Risk reporting at MBSL is an ongoing process, ensuring that key risks, mitigation strategies, and outcomes are effectively communicated to the Board of Directors (BOD) and the Board Integrated Risk Management Committee (BIRMC). This continuous dialogue fosters transparency, enabling informed decision-making at the highest governance levels. Regular reporting also ensures:

Proactive Risk Identification – Early detection of emerging risks allows for timely intervention and mitigation.

Strategic Alignment – Risk management efforts are closely integrated with MBSL's strategic objectives to enhance resilience.

Regulatory Compliance – A structured reporting framework ensures adherence to industry regulations and internal governance policies.

Accountability & Oversight – By keeping the BOD and BIRMC informed, we reinforce a culture of accountability across all organisational levels.

To facilitate this, MBSL prepares periodic risk assessment reports, updates on mitigation measures, and insights into shifts in the risk profile. These reports are presented during regular governance meetings, ensuring comprehensive oversight and strategic guidance.

STRENGTHENING RISK GOVERNANCE FOR SUSTAINABLE GROWTH

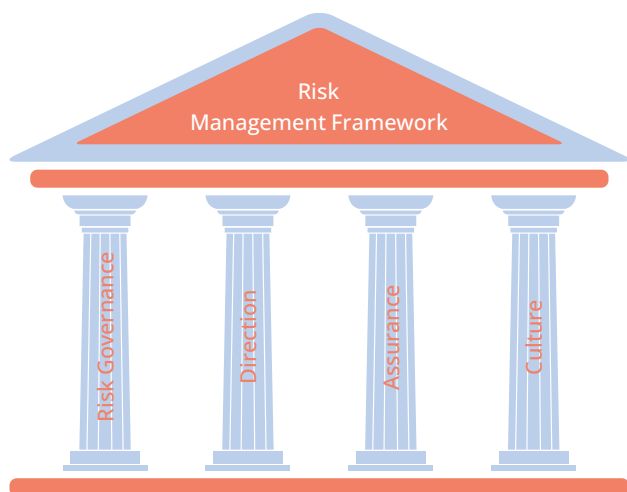
A robust risk management infrastructure is essential for fostering a coordinated and proactive approach to risk management within MBSL. Our governance structure clearly defines the roles and responsibilities of key stakeholders, including the BOD, BIRMC, Corporate Management Committee (CMC), specialised risk committees, the Risk Management Division, and all MBSL employees.

Our holistic risk management approach encompasses policy formulation, risk identification, and rigorous analysis, followed by the implementation and continuous monitoring of risk mitigation strategies. Through periodic evaluations and transparent reporting mechanisms, MBSL ensures resilience, sustainability, and long-term business stability.

RISK MANAGEMENT REPORT

MBSL RISK MANAGEMENT FRAMEWORK

MBSL's Risk Management Framework is built upon four essential pillars, with Risk Governance serving as the foundation for ensuring accountability, oversight, and strategic alignment in risk management practices.



1. RISK GOVERNANCE

A strong Risk Governance mechanism is critical to the effectiveness of MBSL's Risk Management process. The Company has implemented a comprehensive governance structure to oversee both existing and emerging risks.

The Board of Directors (BOD) holds the ultimate responsibility for ensuring the successful implementation of risk management policies across the organisation. This includes defining MBSL's risk appetite, both qualitative and quantitative—and fostering a company-wide risk-aware culture.

Supporting the Board in this endeavour is the Board Integrated Risk Management Committee (BIRMC), which plays a pivotal role in overseeing risk-related policies, assessing risk exposure, and making strategic recommendations to the Board.

To facilitate effective risk management, MBSL has established multiple specialised committees, each tasked with managing distinct risk categories. The table below provides an overview of these key board and management level committees, their responsibilities, and their composition:

Committee	Responsibilities	Represented by
Board Integrated Risk Management Committee (BIRMC)	Assesses and monitors risks, including credit, market, liquidity, operational, strategic, compliance, and technology risks. Uses key risk indicators to evaluate exposure and recommend risk strategies to the Board.	Composed of Non-Executive Directors with expertise in banking, finance, and risk management. Chaired by an Independent Director.
Board Audit Committee	Establishes and reviews internal controls, policies, and procedures. Focuses on operational risk management to enhance efficiency and mitigate risks.	Composed of Non-Executive Directors, chaired by a Director with expertise in accountancy and auditing.
Information & Communication Technology Committee	Oversees IT governance, ensuring that technology strategies align with MBSL's business objectives. Provides recommendations to the Board on IT-related decisions.	Composed of Board of Directors, chaired by a Director.
Operational Risk Management Committee	Evaluates operational risks across personnel, systems, internal controls, fraud, cyber threats, and external risks. Ensures robust risk management at branches, regions, and service divisions.	Composed of Corporate Management personnel, led by the Chief Risk Officer (CRO).
Credit Committee	Reviews and approves credit facilities within Board-delegated parameters. Conducts portfolio-level and individual-level credit risk assessments. Recommends credit policies and procedures requiring Board attention.	Composed of Corporate Management personnel, headed by the Chief Executive Officer (CEO).
Investment Committee	Oversees market risk management, including decisions on investment sales, purchases, and retention strategies.	Composed of Corporate Management personnel, headed by the CEO.
Assets & Liability Management Committee (ALCO)	Advises the Board on Market Risk, Liquidity Risk, and Capital Management. Ensures effective balance sheet structuring.	Composed of Corporate Management personnel, headed by the CEO.
IT Security Committee	Serves as the highest management-level body overseeing information security and technology resilience. Manages strategic and operational risks related to IT security.	Composed of Corporate Management personnel, headed by the CEO.
IT Steering Committee (ITC)	Aligns the Group's IT strategy with overall business growth and operational risk management objectives.	Composed of Corporate Management personnel, headed by the CEO.

By integrating these governance mechanisms, MBSL ensures a structured, transparent, and proactive approach to risk management. This framework reinforces the Company's commitment to maintaining financial stability, regulatory compliance, and sustainable business growth.

THREE-LINES-OF-DEFENCE MODEL IN MBSL'S RISK MANAGEMENT FRAMEWORK

MBSL adopts the three-lines-of-defence model to clearly define and allocate risk management responsibilities across the organisation. This structured approach enhances accountability, promotes risk awareness, and ensures the effective implementation of risk controls at multiple levels.

First Line of Defence: Business and Operational Management

The first line of defence consists of Corporate Management, business heads, and branch management, who are directly responsible for implementing risk management principles in day-to-day operations. Their key responsibilities include:

- Identifying, assessing, and managing risks within their respective areas.
- Ensuring that all business activities align with established risk policies.
- Maintaining the integrity and stability of MBSL's operations by proactively mitigating risks.

Second Line of Defence: Risk Oversight and Compliance

The second line of defence includes the Compliance Division, Risk Management function, Finance, Middle Office, and other overseeing functions. This layer serves a monitoring and control function, ensuring that risks remain within the Company's risk appetite and tolerance limits. Their primary responsibilities include:

- Developing and implementing risk management policies.
- Monitoring risk exposures and ensuring regulatory compliance.
- Providing support and guidance to the first line of defence.
- Acting as an independent control function to integrate risk management into operations.

Third Line of Defence: Independent Assurance

The third line of defence is composed of the Internal Audit division, which provides independent and objective assurance of the effectiveness of the Risk Management Framework. This function is responsible for:

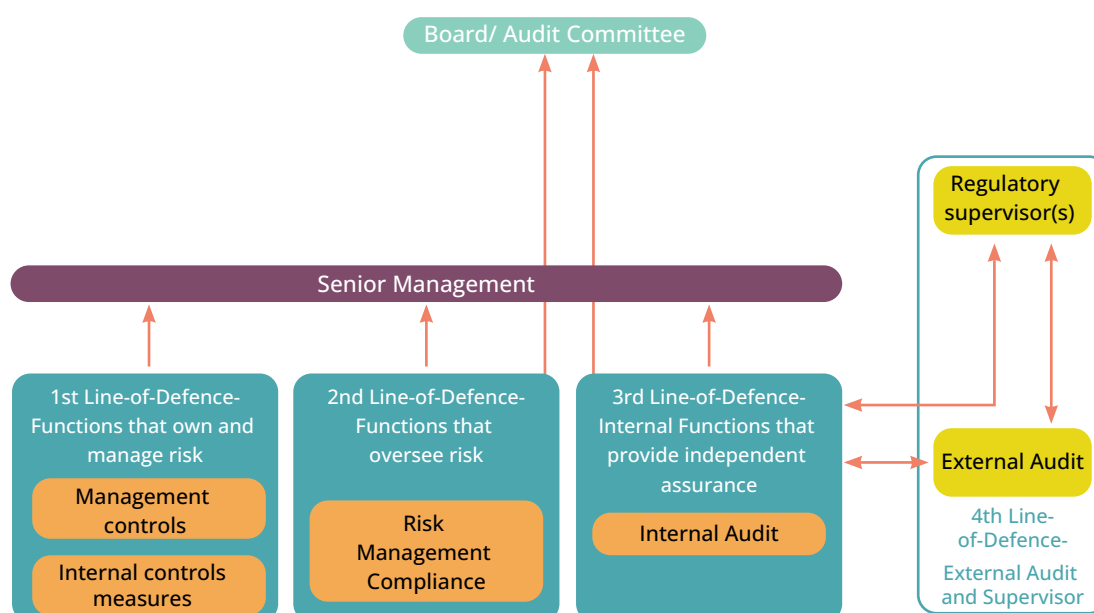
- Conducting regular audits and assessments to verify the adequacy of risk controls.
- Identifying gaps or weaknesses in risk management processes.
- Ensuring continuous improvement by recommending corrective actions where necessary.

ENHANCED RISK MANAGEMENT

In alignment with BASEL guidelines, MBSL has strengthened its risk management model by incorporating a fourth line of defence, which integrates regulatory and external supervision. This additional layer enhances assurance and governance by:

- Engaging external regulators and supervisory bodies to oversee risk management effectiveness.
- Strengthening internal control systems through independent external audits and reviews.
- Enhancing transparency and credibility in risk management practices.

By adopting this four-tiered defence mechanism, MBSL ensures a robust, transparent, and proactive risk management structure, reinforcing its commitment to financial stability, regulatory compliance, and operational excellence.



RISK MANAGEMENT REPORT

2. DIRECTION: GUIDING MBSL'S RISK MANAGEMENT FUNCTION

The Board of Directors and Senior Management play a pivotal role in shaping and guiding MBSL's Risk Management function. This leadership is exercised through the Risk Appetite Statement, along with well-defined Risk Management Policies, Procedures, and Guidelines. These elements collectively form a structured framework that enables effective risk oversight and mitigation across the organisation.

Risk Appetite Statement

The Risk Appetite Statement establishes the maximum level of risk that MBSL is prepared to accept while pursuing its strategic objectives. It serves as a guiding principle for risk-related decision-making, ensuring that the Company operates within clearly defined risk boundaries.

The Board of Directors is responsible for setting MBSL's risk appetite and striking an optimal balance between risk and return. This process involves:

- Identifying key risks that could impact MBSL's financial and operational stability.
- Establishing appropriate risk limits to maintain a prudent risk profile.
- Aligning risk management strategies with the Company's long-term strategic goals and business initiatives.

The Board Integrated Risk Management Committee (BIRMC) conducts an annual review of the Risk Appetite Statement to account for any shifts in risk exposure. This review process helps assess the evolving risk landscape and prepares the Company for emerging risks that could impact operations in the short to medium term.

RISK MANAGEMENT POLICIES

MBSL's Risk Management Policies are developed in alignment with the Company's Risk Appetite and industry best practices, ensuring full compliance with regulatory requirements. These policies provide a structured approach to managing various risk categories.

Key policies include:

- Overall Risk Management Policy – Outlines the Company's comprehensive approach to risk oversight.
- Market & Liquidity Risk Management Policy – Establishes controls to mitigate market fluctuations and liquidity constraints.
- Loan Review Management Policy – Ensures prudent credit risk assessment and portfolio monitoring.
- Sustainable Financing Policy Framework – Guides responsible financing practices with a focus on sustainability.
- Business Continuity Management Policy – Prepares the Company for operational resilience in unforeseen circumstances.
- IT Risk Management Framework – Strengthens cybersecurity and technology risk management.

All Risk Management Policies are reviewed and recommended by the Board Integrated Risk Management Committee (BIRMC) before final approval by the Board of Directors.

GUIDELINES AND PROCEDURES

- Guidelines provide a structured approach to risk-related decision-making by defining the scope, nature, and depth of information required. These guidelines are tailored to different areas of MBSL's operations and are implemented alongside the policies formulated by the Risk Management function.
- Procedures ensure that risk-related activities are conducted in accordance with MBSL's established policies. Senior Management is responsible for developing and implementing procedures that guide risk management activities while ensuring alignment with the Company's Risk Appetite.

By integrating these policies, guidelines, and procedures, MBSL maintains a resilient and proactive risk management framework, fostering operational stability and sustainable business growth.

3. ASSURANCE: STRENGTHENING RISK OVERSIGHT AND COMPLIANCE

Regular monitoring and assurance mechanisms are fundamental to ensuring that MBSL's Risk Management activities align with approved policies, guidelines, and procedures. Through structured reporting and independent verification, the Company upholds its commitment to robust risk governance and regulatory compliance.

Ongoing Risk Monitoring and Reporting

- Key Risk Indicators (KRIs) are closely monitored and reported to the Board Integrated Risk Management Committee (BIRMC) every two months.
- Any breaches or deviations from risk limits are promptly escalated to the Board of Directors for necessary action.
- This structured reporting process ensures that risks are identified and addressed in a timely and effective manner.

Independent Assurance for Risk Management Practices

To maintain transparency and accountability, MBSL employs independent assurance mechanisms to validate the effectiveness of its Risk Management framework.

- The Audit Committee appoints an Internal Auditor to conduct a comprehensive annual risk assessment, ensuring compliance with internal risk policies and procedures.
- The findings from this assessment are submitted to the Board of Directors for review and further action.
- In alignment with the Constitution of Sri Lanka, the Auditor General of Sri Lanka conducts external audits to provide an independent assessment of MBSL's risk and financial controls.

These internal and external audit reviews reinforce MBSL's risk accountability framework, ensuring that the Company continuously enhances its risk management practices while complying with industry best practices and regulatory standards.

4. CULTURE: FOSTERING A PROACTIVE RISK MINDSET

A proactive Risk Culture is the foundation of MBSL's Risk Management Framework. The Company is committed to cultivating an organization-wide culture that embeds risk awareness, accountability, and sound decision-making at all levels.

Embedding a Strong Risk Culture

MBSL's Risk Culture is shaped by:

- ⚙️ Clear communication of risk management responsibilities across all business units.
- ⚙️ Active leadership from the Board of Directors and Senior Management, who set the tone for a risk-conscious work environment.
- ⚙️ Alignment of risk-related decision-making with MBSL's strategic objectives and risk appetite.

By fostering the right values and behaviours, MBSL ensures that both management and employees take a disciplined and responsible approach to risk, reinforcing the Company's overall stability and sustainability.

Accountability and Corrective Action

In cases where employees fail to comply with risk policies or exhibit behaviours that contradict the Company's risk aversion directives, the Board of Directors is responsible for initiating corrective actions. This process ensures that risk management integrity is maintained across the organisation.

Through continuous engagement, training, and reinforcement, MBSL upholds a risk-aware culture that enhances decision-making, regulatory compliance, and long-term corporate resilience.

Managing Key Risk Concerns

In alignment with the Central Bank of Sri Lanka (CBSL) directives and industry best practices, MBSL diligently manages a range of critical risks while pursuing its strategic objectives.

CREDIT RISK

Credit risk is a significant concern for MBSL, given the nature of its operations. This risk arises from the possibility that borrowers or counterparties may fail to meet their financial obligations as agreed.

DEFAULT RISK

Default risk refers to potential losses arising from clients' failure to repay loans in full by the agreed deadline. The Board of Directors establishes the overarching strategy for managing credit risk across both retail and corporate lending sectors, with specific guidelines detailed within the Credit Policy.

For retail customers, the credit risk evaluation process includes:

- ⚙️ Credit scoring models and credit bureau data.
- ⚙️ Analysis of internal and external customer behaviour records to assess adherence to MBSL's Risk Acceptance Criteria (RAC) for various asset classes, such as leasing, pawning, and other retail lending products.
- ⚙️ Evaluation of the borrower's repayment capacity as a key factor in determining default risk.

To mitigate the impact of defaulted credit, MBSL also obtains collateral, including both movable and immovable assets. The valuation of immovable collaterals is conducted by an independent valuer in accordance with the Finance Business Act Directions (Valuation of Immovable Properties) No. 04 of 2018 and its amendments.

The Risk Management Department (RMD) independently evaluates significant credit facilities proposed by business units, ensuring rigorous oversight. Additionally, the RMD monitors:

- ⚙️ Credit exposures and portfolio performance.
- ⚙️ External factors that could affect credit risk profiles, such as changing economic conditions.

The RMD also conducts industry analyses, monitors early warning indicators, and tracks non-performing loans. These findings are reported to the Board Integrated Risk Management Committee and the Board of Directors for further strategy development and action plan evaluation.

To enhance the management of credit risk, the Risk Management Division maintains a credit watchlist integrated with Power BI for real-time monitoring. All high-risk facilities identified during the risk identification process are recorded in the credit watchlist, which is closely monitored by the RMD. This watchlist is regularly reported to both the Credit Committee and the Board Integrated Risk Management Committee (BIRMC) for continuous oversight and timely intervention.

Through continuous improvement initiatives, MBSL ensures that the credit process remains robust. This includes close collaboration among business units, operations divisions, risk management divisions, and other relevant stakeholders to enhance the overall credit management framework.

RISK MANAGEMENT REPORT

CREDIT AND DEFAULT RISK MANAGEMENT INITIATIVES IN 2024

MBSL has made significant strides in 2024 to further enhance its credit and default risk management practices. These initiatives are designed to ensure robust oversight, timely intervention, and alignment with MBSL's long-term strategic objectives.

1. Development of Credit Risk Scoring System

In 2024, MBSL developed a comprehensive Credit Risk Scoring System. The system was created by back-testing a representative sample, resulting in detailed criteria and parameters for each credit product. This new system enhances MBSL's credit risk assessment capabilities, providing a reliable tool for evaluating and managing credit risks effectively.

2. Credit Watch List and Loan Review Management (LRM) System

MBSL has fully automated the Credit Watch List and Loan Review Management (LRM) System, integrating Power BI dashboards for easy monitoring. These systems provide real-time insights into the credit portfolio and facilitate the efficient tracking of high-risk facilities. The automation and integration enhance the ability to swiftly identify and address potential issues, ensuring that the credit portfolio is managed proactively and effectively.

3. Monthly Loan Review Management Meetings

To ensure continuous oversight, MBSL conducts monthly Loan Review Management meetings. In these meetings, facilities identified as high-risk are thoroughly discussed with relevant parties and top management committees. The discussions focus on understanding the underlying reasons for the high-risk status and on developing precautionary actions to mitigate potential risks. This collaborative approach ensures that all stakeholders are informed and proactive measures are implemented to reduce risks.

4. Strengthening of the LRM Function

The LRM function, initially launched under the Risk Management Department in previous years, has been further strengthened in 2024. With additional staff and fully automated monitoring of facilities, MBSL ensures efficient and seamless management of the review process. This expansion allows for greater oversight of facilities and improved risk management practices across the organisation.

5. Cultivating a Risk-Aware Culture

To promote a risk-aware culture within the company, MBSL regularly conducts credit meetings and training programs. These initiatives are designed to enhance the understanding of Credit Risk Management protocols among all employees. By fostering a proactive approach, MBSL empowers branch staff to engage effectively in the recovery process, ensuring the mitigation of potential risks. This ongoing education helps ensure that the team remains vigilant and well-prepared to manage credit-related challenges.

6. Credit Approval Path Monitoring

MBSL developed a Credit Approval Path monitoring system using Power BI. This system allows branch networks and credit approval members to view facility status live and approve facilities in real time. The system enhances transparency and efficiency in the credit approval process, enabling timely decision-making and reducing delays. By integrating this system into the risk management framework, MBSL ensures that all credit approvals are closely monitored, minimising risks and maintaining the integrity of credit operations.

7. Implementation of Data Analytics in Risk Management

MBSL has integrated a data analytics function within its Risk Management framework. This implementation allows for leveraging advanced analytical tools and techniques to gain deeper insights into the risk management process. By analysing large volumes of data, MBSL can identify trends, predict potential risks, and make data-driven decisions. This proactive approach enhances the company's ability to mitigate risks effectively, ensuring stability and resilience in its financial operations.

8. Introduction of Sustainable Products and ESG Risk Evaluation

In line with MBSL's commitment to sustainability, the company introduced a range of sustainable products in 2024, including solar loans and electric vehicle loans. These products are designed to support environmentally friendly initiatives and promote green energy solutions. MBSL rigorously evaluates Environmental, Social, and Governance (ESG) risks to ensure that lending practices align with sustainability goals. Furthermore, the sustainable policy framework has been continuously reviewed and updated to reflect the latest industry standards and best practices in 2024.

9. Credit Policies and Procedures Review

In 2024, MBSL conducted a comprehensive review of its credit policies and procedures. This thorough evaluation aimed to ensure that the company's credit practices are in alignment with current market conditions and MBSL's strategic objectives. The review strengthened the credit management framework, enhancing MBSL's ability to effectively manage credit risk and support long-term business goals.

CREDIT CONCENTRATION RISK

The potential threat from having a high level of exposure within a company's credit portfolio. This risk can arise from reliance on a few clients, specific products, certain geographic regions, or particular industry sectors. Managing these concentrations helps mitigate the impact on financial stability.

CREDIT CONCENTRATION RISK MANAGEMENT INITIATIVES IN 2024

In 2024, MBSL implemented several key initiatives to address and manage Credit Concentration Risk, ensuring the company's financial stability and resilience.

1. Establishing Limits

MBSL has established maximum threshold limits for customers, products, and sectors to control and manage concentration risk effectively. By setting these limits, the company ensures that no single area, whether it be a client, product, or sector poses an excessive risk to its overall financial stability. This approach provides a structured framework to manage credit risk across the portfolio.

2. Review Process

MBSL regularly evaluates the established threshold limits to account for current market conditions and other external factors. This continuous review process allows the company to adjust its limits as necessary, adapting to changes in the economic and market landscape. This proactive approach ensures that concentration risks are managed effectively, safeguarding the financial health of the organisation.

3. Stringent Adherence to Regulatory Requirements

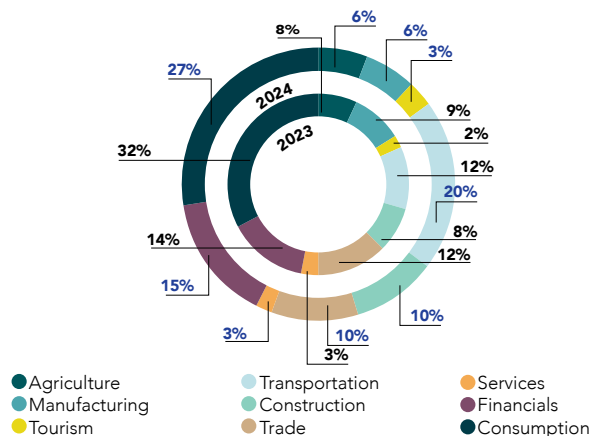
In line with regulatory guidelines set forth by the Central Bank of Sri Lanka (CBSL), MBSL strictly complies with single borrower limits and credit thresholds. These regulatory mandates are designed to mitigate systemic risks and promote the soundness of the broader financial system. By adhering to these limits, MBSL ensures that it operates within safe and prudent risk levels, maintaining compliance with industry standards.

4. Ongoing Oversight

MBSL's Concentration Risk is regularly monitored through monthly dashboard reviews. These reviews provide real-time insights into the company's credit exposures, enabling quick identification of any emerging concentration risks. By consistently overseeing the credit portfolio, MBSL can address potential issues promptly and take corrective action to maintain financial stability.

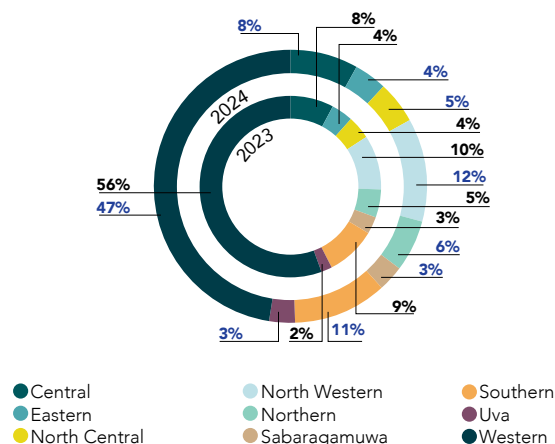
These measures collectively ensure that Credit Concentration Risk is managed effectively, enabling MBSL to navigate the complexities of its credit portfolio while protecting the company's long-term financial stability.

INDUSTRY WISE CONCENTRATION



During the review period, MBSL has strategically increased the concentration on the Transportation and Tourism sectors, driven by the resurgence in tourist arrivals and related activities. Additionally, the Construction sector has also seen growth, fuelled by the rebound in construction and economic development. It's important to note that there have been no significant changes in MBSL's exposure to other industries during this period.

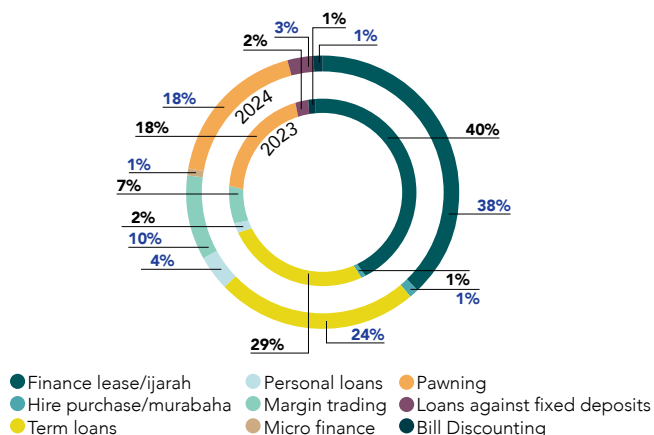
GEOGRAPHICAL CONCENTRATION



MBSL's loan and advances portfolio demonstrates a significant concentration in the Western Province, which accounted for 47% of the total portfolio in 2024, down from 56% in 2023. This reduction indicates a strategic shift by MBSL to diversify its portfolio and increase its focus on other geographical areas. This strategic move aims to balance exposure and leverage opportunities across different regions. Meanwhile, the concentration levels in other provinces remained relatively stable throughout 2024, with no substantial changes observed.

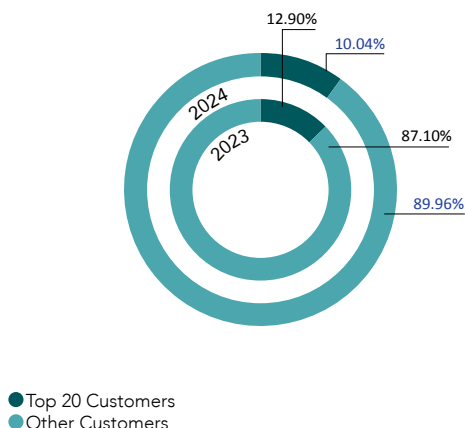
RISK MANAGEMENT REPORT

PRODUCT CONCENTRATION



MBSL's loan and advances portfolio is highly concentrated in Finance Leases, followed by Term Loans and the Pawning portfolio. During the review period, exposure to Finance Leases/ Ijarah was 40%, showing a slight increase from 38% in 2023. This indicates a growing emphasis on Finance Leases within MBSL's portfolio strategy.

CONCENTRATION TOP 20 CUSTOMERS (CREDIT)



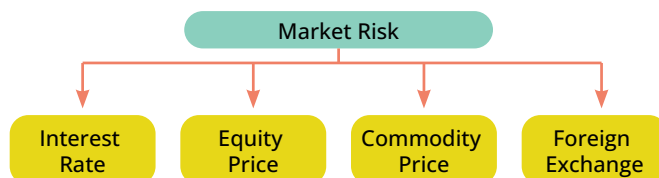
During the review period, the exposure to the top 20 borrowers reduced as MBSL diversified its customer base. This strategic move aimed to reduce concentration risk and ensure a more balanced and resilient portfolio. By spreading its lending across a broader range of customers, MBSL mitigated potential risks associated with high exposure to a limited number of borrowers, thereby enhancing the stability and sustainability of its financial operations.

MARKET RISK

Market risk represents the potential for financial losses due to changes in market prices. This broad category includes several specific risks, such as default risk, which is the possibility that a counterparty will not fulfil its financial obligations, and interest rate risk, which involves losses due to fluctuations in interest rates. Additionally, credit spread risk arises from changes in the difference between the yield on corporate bonds and government bonds, while equity risk pertains to losses due

to changes in stock prices. Foreign exchange (FX) risk involves losses from fluctuations in currency exchange rates, and commodities risk is associated with changes in the prices of commodities.

At MBSL, market risk primarily arises from unfavourable movements in interest rates, equity markets, commodity prices, and exchange rates. These adverse shifts can impact the value of our financial instruments and overall financial stability.



Changes in interest rates, equity markets, and commodity prices can directly affect MBSL's ability to achieve its strategic objectives. These fluctuations influence the Company's financial position, revenue generation, and operational effectiveness. On the other hand, fluctuations in exchange rates indirectly affect performance, especially in terms of international business dealings and foreign currency-denominated transactions.

INTEREST RATE RISK MANAGEMENT

Interest rate risk is a critical component of market risk that arises from unexpected changes in market interest rates. Throughout the year, fluctuations in interest rates directly impacted MBSL's interest expenses, affecting its net income. Additionally, interest rate risk influences MBSL's funding strategy, term structure, and the alignment of rate-sensitive assets and liabilities, including maturity gaps and related factors.

The Assets and Liabilities Committee (ALCO) regularly monitors interest rate movements to assess their potential impact on the Company. Based on these assessments, the ALCO implements necessary measures to mitigate interest rate risk. Concurrently, the Risk Management Department (RMD) conducts thorough analyses of maturity mismatches and rate-sensitive gaps to identify potential adverse effects on the Company's earnings. The Board Integrated Risk Management Committee (BIRMC) evaluates both short-term and medium-term interest rate risks, directing relevant departments to take appropriate actions in response.

INTEREST RATE RISK REVIEW FOR 2024

In 2024, Sri Lanka's economy began to stabilise, with improved political consistency and renewed public confidence. The banking and financial sector showed remarkable resilience, benefitting from reduced volatility in interest and exchange rates. The country successfully completed the more complex phase of its ISB restructuring agreement, marking a significant milestone in its recovery from bankruptcy. This debt restructuring provided substantial relief, allowing Sri Lanka to rebuild fiscal and external buffers, supporting economic recovery and growth.

During 2024, market interest rates continued to adjust downwards in line with the Central Bank of Sri Lanka's (CBSL) easing of monetary policy and administrative measures to reduce overall market lending interest rates. The CBSL reduced its monetary policy stance by 150 basis points, and yields on government securities declined, further supported by falling risk premiums attached to yields. Treasury bill rates decreased significantly during the year, with rates at the beginning of 2024 ranging between 12.5% and 14.5%, falling to around 8.5%–9% by the end of the year.

Market lending interest rates followed suit, adjusting downward due to the monetary policy easing measures, causing a reduction in the cost of funds for financial institutions. The Average Weighted Prime Lending Rate (AWPLR), representing lending rates to the best customers, started the year at 11.94% and steadily decreased to 8.92% by December. In November 2024, the Monetary Board introduced the Overnight Policy Rate (OPR) as a unified policy interest rate mechanism, replacing the previous dual policy interest rate system.

Overall, 2024 witnessed a noticeable trend toward lower interest rates, driven by CBSL's strategy to stimulate economic recovery and growth. The reductions in policy rates, Treasury bill rates, and lending rates underline the CBSL's efforts to make borrowing more affordable, balancing inflation control and supporting economic activities.

EQUITY RISK MANAGEMENT

The fluctuation in share prices presents a significant market risk for MBSL, directly impacting the value of the company's investment portfolio, which in turn affects investment income. To mitigate this, MBSL has implemented strategic measures designed to manage exposure to equity market risk during the reviewed period.

The responsibility for overseeing equity management lies with the Capital Market Division, which operates under the direct supervision of the Investment Committee. This structure ensures a focused approach to managing market volatility and protecting the company's financial interests. The Investment Committee monitors and provides guidelines to the Capital Market Division for managing the company's share portfolio, ensuring alignment with strategic objectives and risk tolerance.

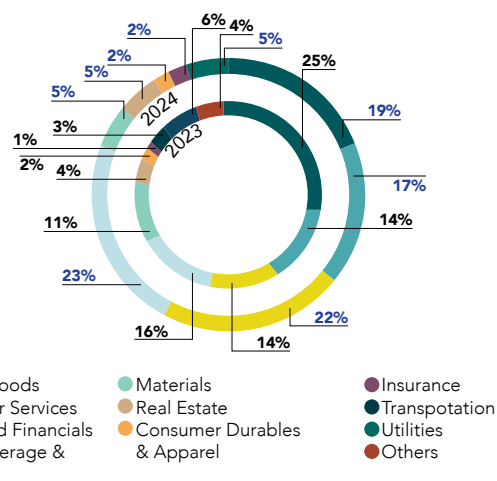
Additionally, the Board Integrated Risk Management Committee (BIRMC) conducts regular assessments of the share portfolio's performance and concentration, aiming to identify and mitigate potential equity risks. These evaluations help enhance the resilience of the portfolio, ensuring that MBSL is prepared to respond to market fluctuations and maintain financial stability.

EQUITY MARKET OVERVIEW IN 2024

In 2024, the Sri Lankan stock market experienced significant recovery and growth. The Colombo All Share Index (ASPI) rose nearly 49%, from 10,654.16 points to 15,944.61 points, marking an impressive rebound. The market capitalisation reached a historic high of Rs. 5.69 trillion, driven by several factors, including higher nominal profits posted by companies, a reduction in interest rates, and deflationary policies that stabilised the economy.

Increased investor confidence and a favourable business environment contributed to positive market performance, particularly in key sectors like financials and consumer staples. 2024 marked a period of growth and recovery for the Sri Lankan stock market, establishing a solid foundation for future performance.

MBSL EQUITY PORTFOLIO - SECTOR



In 2024, MBSL decided to reduce its equity portfolio as the market experienced upward momentum. MBSL used this opportunity to downsize the portfolio, capitalising on the favourable market conditions to optimise its investment strategy. As a result, the total cost of the equity portfolio reduced significantly from Rs. 563.4 Mn to Rs. 358.4 Mn.

COMMODITY RISK MANAGEMENT

Commodity risk refers to the potential fluctuations in the value of commodities within a company's portfolio. At MBSL, gold is the primary commodity managed, directly linked to the company's pawning advances. The responsibility for managing commodity risk associated with gold price fluctuations falls under the purview of the Pawning Division. This division ensures that the risks linked to changes in gold prices are effectively managed, thereby safeguarding the company's financial stability and maintaining the value of its commodity portfolio.

In 2024, the global gold market experienced notable price movements, with gold prices reaching new record highs. The average price of gold for the year was approximately USD 2,386 per ounce, marking a 23% increase from the previous year. Several factors contributed to this surge, including:

- ⚙ Central banks continue to buy gold at an unprecedented pace.
- ⚙ Ongoing geopolitical tensions and economic uncertainties.
- ⚙ Expectations of potential interest rate cuts by the Federal Reserve.
- ⚙ Rising inflation and a weakening US dollar.

Similarly, the Sri Lankan gold market mirrored global trends, showing significant volatility throughout the year. Local economic conditions, including changes in the exchange rate for the Sri Lankan Rupee, further influenced gold prices.

RISK MANAGEMENT REPORT

To capitalise on these opportunities, MBSL made a strategic decision to increase the concentration of its pawning products. Additionally, MBSL effectively mitigated the impact of gold price volatility by closely monitoring the loan-to-value (LTV) ratio for its gold loan portfolio. A key strategy in managing this risk was focusing pawning advances on shorter-term durations, ensuring that the portfolio remained resilient against gold price fluctuations. This approach proved effective in safeguarding the company's exposure to commodity risks, particularly in a volatile market.

LIQUIDITY RISK

Liquidity risk arises when a financial institution faces challenges in maintaining or generating enough cash reserves to meet its payment obligations. At MBSL, the Asset and Liability Management Committee (ALCO) holds the responsibility for managing liquidity risk.

Under the guidance of ALCO, Treasury operations are tasked with adhering to the Liquidity Risk Management Policy, which has been approved by the Board. The primary goal is to ensure that sufficient liquidity levels and capital buffers are consistently maintained. This includes maintaining key financial ratios such as the Tier 1 Capital Adequacy Ratio (CAR), total Capital Ratio, minimum capital requirements, and the Liquid Asset Ratio, in line with regulatory requirements.

Regular reports are submitted to the Board of Directors and the Board Integrated Risk Management Committee (BIRMC) to enable swift actions to address liquidity risk exposures. Additionally, MBSL uses established methodologies, including stress testing, sensitivity analysis, and gap analysis techniques, to gain insights into the company's liquidity needs under typical business conditions and to forecast potential disruptions during financial stress. Through these measures, MBSL aims to proactively manage liquidity risk and ensure financial stability.

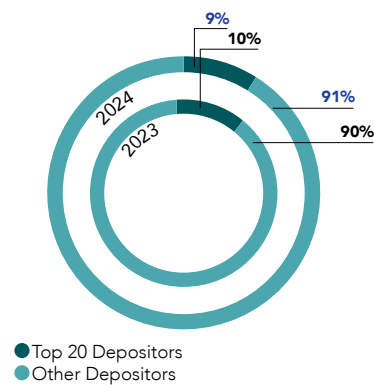
LIQUIDITY RISK MANAGEMENT INITIATIVES IN 2024

- Evaluated MBSL's current tolerance for liquidity risk to ensure alignment with the company's goals and regulatory standards.
- Enforced strict liquidity management practices in line with MBSL's Risk Appetite, ensuring an optimal balance between liquidity reserves and operational requirements.
- Developed strategies to increase the fixed deposit renewal ratio, enhancing the stability and sustainability of funding sources.
- Established contingency funding agreements with banks to mitigate potential liquidity disruptions and ensure resilience against unexpected events.
- Strictly complied with liquidity requirements set by the Central Bank of Sri Lanka, ensuring regulatory compliance and maintaining financial stability.
- Executed specific strategies to reduce dependence on the top 20 deposit customers, diversifying funding sources and minimising concentration risk.

- Created initiatives to reduce reliance on corporate deposits and increase efforts to attract retail deposits, fostering greater stability and inclusivity in funding.
- Devised strategies to grow the company's savings base, focusing on promoting minor savings accounts to diversify funding sources and support long-term growth.
- Regularly prepared forecasted cash flows on a daily, weekly, and monthly basis, while the Treasury Division continuously managed cash flow to ensure liquidity adequacy and operational continuity.

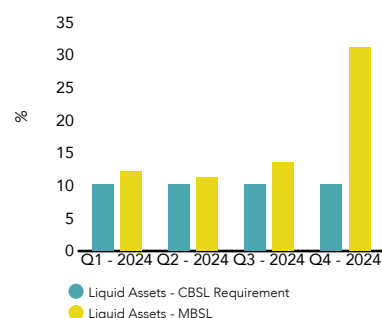
By implementing these initiatives, MBSL ensures robust liquidity management practices that support the company's financial resilience and long-term growth.

TOP 20 DEPOSITORS



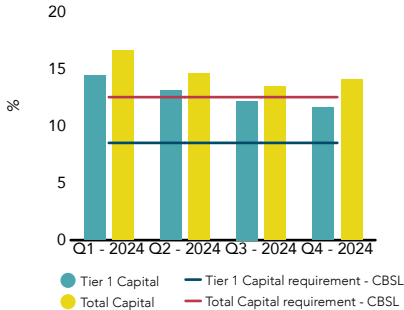
In 2024, MBSL strategically reduced its reliance on its top 20 depositors, decreasing dependency from 10.46% in the previous year to 8.89%. This decision reflects the company's proactive approach to diversifying its funding sources and mitigating concentration risk. By reducing dependence on a small group of depositors, MBSL enhances its financial resilience and stability, positioning itself for sustainable growth and long-term profitability.

LIQUID ASSETS RATIO



Throughout the year 2024, MBSL has maintained liquid assets well above the CBSL's regulatory minimum requirement.

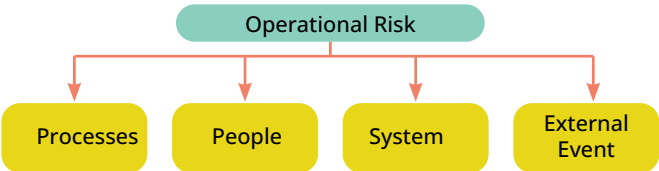
CAPITAL ADEQUACY



Throughout 2024, the Central Bank of Sri Lanka (CBSL) upheld its robust capital adequacy framework by maintaining stringent Tier I and Tier II capital requirements. Specifically, the Tier I capital ratio was anchored at 8.5%, while the Total Capital Adequacy Ratio (CAR) was set at 12.5%, aligning with prudential norms to ensure financial system stability. MBSL consistently adhered to these regulatory benchmarks, demonstrating strong capital management practices and sustaining full compliance with CBSL's supervisory standards. This underscores MBSL's commitment to maintaining financial resilience and operational integrity in line with evolving regulatory expectations.

OPERATIONAL RISK

Operational risk refers to the potential for financial loss arising from failures or inadequacies in internal processes, personnel, systems, or external events. This includes legal risk but explicitly excludes strategic and reputational risks.



INFORMATION TECHNOLOGY RISK

Managing information security is an inherently complex endeavour that requires balancing the safeguarding of critical assets with ensuring seamless operational functionality. The task of assessing and mitigating risks related to valuable information, including proprietary data housed in digital systems, physical documents, and hybrid environments, introduces layers of complexity. The goal is to strike the right balance between robust risk management and facilitating legitimate access to information, ensuring both security and smooth workflows.

In this context, risk refers to the likelihood of a threat exploiting vulnerabilities within an information asset, leading to outcomes such as financial loss, reputational damage, regulatory penalties, or operational downtime. To address this, organisations implement Information Security Management Systems (ISMS), which systematically identify, evaluate, and mitigate risks. Effective implementation not only minimises financial fallout from breaches but also enhances stakeholder trust, ensures compliance with legal obligations, and strengthens organisational reputation.

OBJECTIVES OF INFORMATION SECURITY MANAGEMENT SYSTEMS (ISMS)

- ⚙️ **Systematic Risk Evaluation & Control Prioritisation:** The ISMS will evaluate organisational information security risks to define and prioritize control measures. This includes ensuring the confidentiality, integrity, and availability (CIA triad) of sensitive data.
- ⚙️ **Deployment of Holistic Security Controls:** Technical controls (such as encryption, access controls, and intrusion detection systems) and non-technical measures (policies, employee training, incident response protocols) will be developed and deployed to mitigate risks to acceptable levels as defined by management.
- ⚙️ **Regulatory Compliance & Legal Alignment:** Security controls will be designed to comply with applicable laws and regulations, ensuring operational legitimacy, avoiding penalties, and maintaining stakeholder trust.
- ⚙️ **Operational Governance & Control Sustenance:** Ongoing monitoring and management of implemented controls will be conducted. Incident response plans will be regularly updated and rehearsed for effective preparedness.
- ⚙️ **Adaptive Monitoring & Proactive Enhancement:** Security measures will be continuously updated to address emerging threats (e.g., cyber-attacks, AI-driven attacks), ensuring the organisation remains resilient and minimises incident likelihood.

OPERATIONAL RISK MANAGEMENT INITIATIVES FOR 2024

- ⚙️ **Monthly Meetings of the Operational Risk Management Committee (ORMC):** Structured oversight of risk mitigation strategies and regulatory compliance was ensured. Discussions, decisions, and action plans were formally reported to the Board Integrated Risk Management Committee (BIRMC) for governance and alignment with organisational risk appetite.
- ⚙️ **Risk Control Self-Assessment (RCSA):** Led by the Risk Management Department, the RCSA initiative evaluated key business processes to identify vulnerabilities, strengthen internal controls, and align practices with the company's risk appetite. Engaging various stakeholders across departments, this initiative helped reduce operational inefficiencies and foster a culture of accountability.
- ⚙️ **Branch Risk Assessment Scorecard:** A systematic evaluation of operational risks across branches, focusing on control effectiveness, compliance, and exposure to operational threats. The Risk Management Department regularly reviewed these scores to ensure dynamic risk monitoring and decision-making.
- ⚙️ **Annual Business Continuity Plan (BCP) Testing:** Scenario-based simulations (e.g., cyberattacks, natural disasters) were used to validate recovery strategies, identify communication gaps, and ensure alignment with regulatory standards.
- ⚙️ **Comprehensive Risk Management Policy Framework:** Aligned with regulatory requirements set by the Central Bank of Sri Lanka (CBSL), this framework provided clear guidelines for risk identification, assessment, and mitigation, ensuring consistent risk management practices across the organisation.

RISK MANAGEMENT REPORT

- ✿ E-learning Program on Operational Risk Management (ORM): A structured training program was launched to instil risk-aware practices throughout the organisation. This initiative ensures standardised knowledge dissemination, tracks completion rates, and evaluates competency, thereby empowering employees to proactively manage risks.

These initiatives collectively reinforce MBSL's commitment to operational resilience, compliance, and risk mitigation, ensuring that operational risks are effectively managed across the organisation.

COMPLIANCE RISK

Compliance risk refers to the potential for financial penalties, reputational damage, or operational disruption resulting from non-compliance with laws, regulations, and supervisory guidelines established by authorities such as the Central Bank of Sri Lanka (CBSL). To effectively manage this risk, the Merchant Bank of Sri Lanka (MBSL) maintains a dedicated Compliance Division, led by a specialised Compliance Officer within the Corporate Management team. The division operates autonomously from the bank's operational activities and reports directly to the Board Integrated Risk Management Committee (BIRMC), ensuring unbiased oversight and governance.

The Board has endorsed a comprehensive annual compliance plan aimed at addressing compliance risks, particularly those related to Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) vulnerabilities arising from customer activities. This plan institutionalises a structured approach to identifying, assessing, and mitigating risks through advanced systems, standardised protocols, and continuous oversight mechanisms. A key element of this strategy is ongoing staff training and awareness campaigns, which reinforce adherence to regulations, update teams on emerging risks (e.g., evolving AML/CFT typologies), and foster a strong culture of compliance across all levels of operation.

COMPLIANCE RISK MANAGEMENT ACTIVITIES IN 2024

- ✿ Review and Modernization of Compliance Policies: In 2024, MBSL undertook a comprehensive review and update of its compliance-related policies and procedures to ensure alignment with evolving regulatory requirements set by CBSL and other statutory bodies. This involved conducting a detailed gap analysis, engaging stakeholders for input, and revising frameworks to address emerging risks. The updated frameworks were designed to strengthen adherence to prudential standards, improve transparency in reporting, and institutionalise proactive compliance practices throughout the organisation.

- ✿ Universal Dissemination and Reinforcement of Policies: The revised compliance policies and procedures were systematically distributed and reinforced across all departments, branches, and compliance function stakeholders. To ensure universal clarity and operational empowerment, MBSL conducted targeted training sessions, digital platform dissemination, and role-specific workshops. Compliance officers and branch managers were held accountable for cascading updates and embedding these protocols into daily workflows, ensuring effective implementation at all levels.
- ✿ Compliance with the Financial Transaction Reporting Act (FTRA): In strict compliance with the Financial Transaction Reporting Act (FTRA), MBSL conducted comprehensive risk profiling and customer due diligence assessments across its entire customer base. This risk-based approach evaluated transactional patterns, beneficial ownership structures, and exposure to financial crimes such as money laundering and terrorist financing. The exercise ensured regulatory adherence while strengthening the bank's ability to detect and report suspicious activities, thereby safeguarding the integrity of the financial system.

These efforts in 2024 demonstrate MBSL's commitment to maintaining the highest standards of regulatory compliance, reinforcing operational transparency, and proactively addressing emerging risks. By embedding a robust compliance framework into its culture and operations, MBSL ensures the ongoing integrity of its activities while mitigating compliance-related risks.

CORPORATE GOVERNANCE REPORT

CHAIRMAN'S CONFIRMATION

As the Chairman of the Board, I am pleased to affirm that the Company has complied with Finance Business Act Direction No. 5 of 2021 and the Code of Best Practice on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka. I also affirm that the Directors and employees have adhered to the Company's Code of Business Conduct.

The Board of Directors remains firmly committed to maintaining the highest standards of corporate governance to ensure transparency, accountability and the protection of shareholder value. During the year under review, the Board, its Committees, and the Management team have collectively worked to ensure that governance structures and processes are aligned with best practices and regulatory requirements.

In this regard, I confirm that:

- ✿ The composition of the Board and its Committees has been maintained in accordance with the provisions of the Charter, ensuring a balanced mix of skills, independence and experience.
- ✿ Board Committees, including the Audit Committee, Integrated Risk Management Committee, Human Recourses and Remuneration Committee, Nominations & Corporate Governance Committee and Board Information Technology Committee have discharged their responsibilities effectively during the year.
- ✿ Systems are in place to ensure timely and accurate financial reporting, robust risk management and internal controls.
- ✿ Stakeholder engagement has been fostered through open and transparent communication, upholding the rights of shareholders and maintaining investor confidence.
- ✿ Ethical conduct and integrity have been promoted through the Company's Code of Conduct, which is applicable to all Directors and employees.

The Company continually reviews its governance framework to meet emerging expectations, strengthen its resilience and support long-term value creation.

On behalf of the Board, I reiterate our unwavering commitment to good governance as an integral part of our corporate culture.

As Chairman of the Merchant Bank of Sri Lanka & Finance PLC (MBSL) Board, I further confirm that all Directors individually and collectively have performed their duties effectively underscored by the principles of fairness, accountability, integrity and transparency. Further I am pleased to report that our employees have demonstrated unwavering commitment to upholding our organisation's Code of Conduct and there had been no major violations.

SHAREHOLDER RELATIONS AND COMMUNICATION

The Board approved Policy in relation with Shareholders and Investors is in place to communicate with shareholders and Investors and a designated officer has been appointed and her contact details is mentioned in the website of MBSL.

Shareholders may at anytime direct their queries to the Company Secretary or the designated officer of the Secretaries Division in respect of issues related to shareholding whereas if shareholders or investors have any concerns related to the affairs of MBSL they can communicate with the Chairman or the Chief Executive Officer in the manner as provided in the website. In addition to the said policy to communicate with the depositors, creditors and all stakeholders a Board approved Communication Policy is in place and the Directors, Officers, and employees comply with the policy in order to ensure effective communication.

CORPORATE GOVERNANCE REPORT

MBSL is committed to maintaining high standards of integrity, transparency and ethical conduct facilitated by robust governance practices. These standards are articulated through a suite of policies, the Director's Code of Ethics and well-defined structures which ensure the equitable treatment of all employees and judicious empowerment.

CORPORATE GOVERNANCE REPORT

GOVERNANCE FRAMEWORK

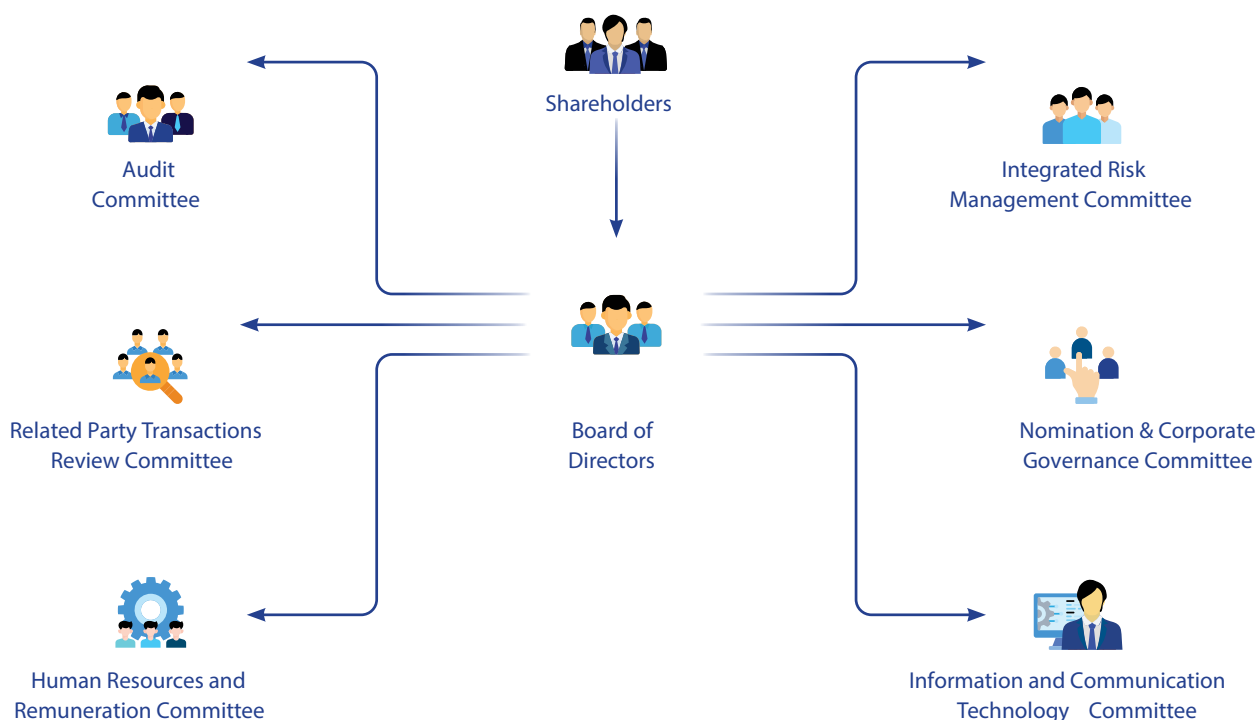
MBSL's Corporate Governance framework has been developed to comply with the requirements of the Central Bank of Sri Lanka, the Colombo Stock Exchange and other relevant laws and regulations.

Standards and Principles		
Internal	External	Governance systems
<ul style="list-style-type: none"> Vision, Mission and Values Articles of Association Board Charter Director's Code of Ethics Group's Corporate Governance Framework and Practices Terms of References for Board sub-committees Comprehensive framework of policies, systems and procedures Code of Business Conduct and Ethics Board-approved policy frameworks for governance, risk and operational areas including HR, IT security and data privacy Whistleblower policy Internal control procedures and processes Anti-money laundering/KYC policy Corporate Communication Policy 	<ul style="list-style-type: none"> Companies Act No. 7 of 2007 Finance Business Act (Corporate Governance) Direction No.05 of 2021. Finance Business Act Direction No. 06 of 2021 on Assessment of Fitness & Propriety of Key Responsible Persons Finance Leasing (Corporate Governance) Direction No. 4 of 2009 The Anti-Money Laundering Laws and Regulations and Financial Transaction Reporting Act No. 6 of 2006 and its amendments Listing Rules of the Colombo Stock Exchange Sri Lanka Accounting Standards 	<ul style="list-style-type: none"> Stakeholder engagement Strategic planning Risk management Compliance People management Internal and external audit Related Party Transactions

The Board of Directors

The Board of Directors is the apex governing body and consisted of Eight (08) Non-Executive Directors (including the Chairman) of whom four (04) are deemed independent as at 31 December 2024. There are no alternate directors appointed to the Board. Directors combine a variety of perspectives and skills including professional, academic and entrepreneurial insights which enhance the depth and overall effectiveness of decisions. The Board's responsibilities include determining the Company's strategic direction, defining governance structures, setting the risk appetite and formulating policy frameworks. The Board is supported by several sub- committees with oversight responsibility for specific areas.

The Board is also supported by Sixteen (16) Management Committees; namely Credit Committee, Investment Committee, Real Estate Committee, Recovery Committee, IT Steering Committee, Corporate Management Committee, Operational Risk Management Committee, Asset Disposal Committee, Procurement Committee, Marketing Committee, Vehicle Disposal Committee, Asset and Liability Management Committee, HR Committee, Information Security Committee, Legal Oversight Committee and Procurement Committee.



Board Meetings

The Board meets on a monthly basis. Board papers are circulated well in advance, providing adequate time for preparation. The Corporate Management is responsible for ensuring that timely and high-quality information is provided to the Board, in sufficient time ahead of every meeting.

Directors also receive regular briefings designed to update their skills and knowledge and also have the opportunity to participate in both internal external training sessions, such as those organized by the Sri Lanka Institute of Directors. The Board conducts a critical evaluation of its activities on an annual basis facilitated by the Company Secretary.

Guiding Strategy

The Board holds responsibility for formulating the Company's strategic agenda. Performance against the Strategic Plan is monitored based on a set of defined parameters covering earnings, financial position, credit quality and capitalization among others. During the year, given challenges in the external and internal operating landscape, the Company revisited its strategy with the objectives of nurturing a performance driven culture, enhancing customer centricity and strengthening risk consciousness.

Risk Management and Internal Controls

The Board holds apex responsibility for maintaining sound risk management and internal control frameworks. It is also responsible for determining the risk appetite the Company is willing to take in achieving its growth aspirations. The risk management framework and risk performance during the year are described in the Risk Management Report on pages 43 to 54 and the Report of the Integrated Risk Management Committee on pages 114-115. The Board is also responsible for formulating and implementing a comprehensive framework of internal controls which ensure that assets are safeguarded, and the integrity of financial reporting is preserved.

CORPORATE GOVERNANCE REPORT

Section I

STATEMENT OF THE EXTENT OF COMPLIANCE UNDER SECTION 9 OF THE RULES OF THE CSE ON CORPORATE GOVERNANCE

CSE Rule No.	Governance Requirement	Status of Compliance in year 2024/ Explanations
9.2	Policies	
9.2.1	Listed Entities shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Entity on its website; <ul style="list-style-type: none"> (a) Policy on the matters relating to the Board of Directors. (b) Policy on Board Committees - To mention regarding the TOR. (c) Policy on Corporate Governance, Nominations and Reelection. (d) Policy on Remuneration (e) Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities (f) Policy on Risk management and Internal controls (g) Policy on Relations with Shareholders and Investors (h) Policy on Environmental, Social and Governance Sustainability (i) Policy on Control and Management of Company Assets and Shareholder Investments (j) Policy on Corporate Disclosures (k) Policy on Whistle-blowing (l) Policy on Anti-Bribery and Corruption 	The Board approved policies are in place and published in MBSL website.
9.2.2	Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted by the Listed Entity shall be fully disclosed in the Annual Report.	No such waivers were granted during the year under review.
9.2.3	Listed Entities shall disclose in its Annual Report: <ul style="list-style-type: none"> (i) the list of policies that are in place in conformity to Rule 9.2.1 above, with reference to its website. (ii) details pertaining to any changes to policies adopted by the Listed Entities in compliance with Rule 9.2 above. 	<p>The availability of the approved list of policies are disclosed on the Company's website.</p> <p>The Company has adopted the required policies as per Section 9.2.1 above.</p>
9.2.4	Listed Entities shall make available all such policies to shareholders upon a written request being made for any such Policy.	Share holders can obtain the policies after making a written request to the Company Secretary.
9.3	Board Committees	
9.3.1	Listed Entities shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. The said Board committees at minimum shall include; <ul style="list-style-type: none"> (a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (d) Related Party Transactions Review Committee. 	These Committees are in place and functioning effectively. In addition to these, Company has established a Board Integrated Risk Management Committee and Board ICT Committee
9.3.2	Listed Entities shall comply with the composition, responsibilities and disclosures required in respect of the above Board committees as set out in these Rules.	The Company complies with the said requirement.

CSE Rule No.	Governance Requirement	Status of Compliance in year 2024/ Explanations
9.3.3	The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.	The Company complies with the said requirement. The Board Sub Committees were re-constituted on 10th February 2025 and disclosures were made to CSE on 11th February 2025.
9.4.	Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders	The Company maintains records of all resolutions which are being considered at the Annual General Meeting.
9.4.1	<p>Listed Entities shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Entity. The Entity shall provide copies of the same at the request of the Exchange and/or the SEC.</p> <p>(a) The number of shares in respect of which proxy appointments have been validly made;</p> <p>(b) The number of votes in favour of the resolution;</p> <p>(c) The number of votes against the resolution; and</p> <p>(d) The number of shares in respect of which the vote was directed to be abstained.</p>	
9.4.2	<p>Communication and relations with shareholders and investors</p> <p>(a) Listed Entities shall have a policy on effective communication and relations with shareholders and investors and disclose the existence of the same in the Annual Report and the website of the Listed Entity.</p> <p>(b) Listed Entities shall disclose the contact person for such communication.</p> <p>(c) The policy on relations with shareholders and investors shall include a process to make all Directors aware of major issues and concerns of shareholders, and such process shall be disclosed by the Entity in the Annual Report and the website of the Entity.</p> <p>(d) Listed Entities that intend to conduct any shareholder meetings through virtual or hybrid means shall comply with the Guidelines issued by the Exchange in relation to same and published on the website of the Exchange.</p>	<p>Complied</p> <p>Board approved Policy on Relations with Shareholders and Investors is in place to communicate with Shareholders where communication and feedback mechanism has been facilitated. Dedicated person with a contact no has been arranged to address their queries of Shareholders and Investors.</p> <p>In addition to Corporate Communication policy is also in place communicate with stakeholders.</p> <p>AGM will be held physically.</p>

CORPORATE GOVERNANCE REPORT

CSE Rule No.	Governance Requirement	Status of Compliance in year 2024/ Explanations
9.5	Policy on matters relating to the Board of Directors	
9.5.1	<p>Listed Entities shall establish and maintain a formal policy governing matters relating to the Board of Directors and such policy shall:</p> <ul style="list-style-type: none"> (a) recognize the need for a balance of representation between Executive and Non-Executive Directors and cover at minimum board composition, the roles and functions of the Chairperson and Chief Executive Officer or equivalent position (hereinafter commonly referred to as the CEO), Board balance and procedures for the appraisal of Board performance and the appraisal of the CEO. (b) where a Listed Entity decides to combine the role of the Chairperson and CEO, <ul style="list-style-type: none"> (i) set out the rational for combining such positions; and, (ii) require the Board Charter of the Listed Entity to contain terms of reference/functions of the Senior Independent Director (SID) and the powers of the SID, which should be equivalent to that of the Chairperson in the instance of a conflict of interest. (iii) set out the measures implemented to safeguard the interests of the SID. (c) require diversity in Board composition for Board effectiveness in terms of a range of experience, skills, competencies, age, gender, industry requirements and importance of objective selection of directors. (d) stipulate the maximum number of Directors with the rationale for the same (e) specify the frequency of Board meetings, having regard to the requirements under the Listing Rules. (f) provide mechanisms for ensuring that Directors are kept abreast of the Listing Rules and on-going compliance and/ or non-compliance by the Listed Entity with obligations arising under such Rules. (g) specify the minimum number of meetings, in numbers and percentage, that a Director must attend, in order to ensure consistent attendance at Board Meetings and to avoid being deemed to vacate such position. (h) provide requirements relating to trading in securities of the Listed Entity and its listed group companies and disclosure of such requirements. <ul style="list-style-type: none"> (i) specify the maximum number of directorships in Listed Entities that may be held by Directors. (j) Recognize the right to participate at meetings of the Board and Board Committees by audio visual means and for such participation to be taken into account when deciding on the quorum. 	Complied. The Board Charter has covered these provisions
9.5.2	Listed Entities shall confirm compliance with the requirements of the policy referred to in Rule 9.5.1 above in the Annual Report and provide explanations for any non-compliance with any of the requirements with reasons for such non-compliance and the proposed remedial action.	The Company complies with the requirements stated in rule 9.5.1.
9.6	Chairman and CEO	
9.6.1	The Chairman of every Listed Entity shall be a Non-Executive Director. Consequently, the position of Chairperson and CEO shall not be held by the same individual.	The Chairman is an Independent Non-Executive Director and the position of CEO are held by two individuals.

CSE Rule No.	Governance Requirement	Status of Compliance in year 2024/ Explanations
9.6.2	<p>A Listed Entity that is unable to comply with Rule 9.6.1 above shall make a Market Announcement within a period of one (1) month from the date of implementation of these Rules or an immediate Market Announcement from the date of non-compliance (if such date falls subsequent to the implementation of these Rules).</p> <p>Such Market Announcement shall include the following:</p> <p>(a) The reasons for non-compliance</p> <p>(b) The rationale for combining the positions of the Chairperson and CEO</p>	Not applicable.
9.6.3	<p>The Requirement for a Senior Independent Director</p> <p>(a) A Listed Entity shall appoint an Independent Director as the SID in the following instances:</p> <ul style="list-style-type: none"> i. The Chairperson and CEO are the same person ii. The Chairperson and CEO are Close Family Members or Related Parties <p>Such appointment shall be immediately disclosed with reasons for such appointment, by way of a Market Announcement.</p> <p>(b) The Independent Directors shall meet at least once a year or as often as deemed necessary at a meeting chaired by the SID without the presence of the other Directors to discuss matters and concerns relating to the Entity and the operation of the Board. The SID shall provide feedback and recommendations from such meetings to the Chairperson and the other Board Members.</p> <p>(c) The SID shall chair a meeting of the Non-Executive Directors without the presence of the Chairperson at least annually, to appraise the Chairperson's performance and on such other occasions as are deemed appropriate.</p> <p>(d) The SID shall be entitled to a casting vote at the meetings specified in Rules 9.6.3. (b) and (c) above.</p> <p>(e) The SID shall make a signed explanatory disclosure in the Annual Report demonstrating the effectiveness of duties of the SID.</p>	<p>The Chairman of the Board is an Independent Non-executive Director.</p> <p>The roles of the Chairman and the CEO are separated and not performed by the same individual.</p>
9.6.4	Until Listed Entities comply with Rule 9.6.1 above, such Entities shall be required to explain the reasons for non-compliance with Rule 9.6.1 in the Annual Report.	Complied
9.7	Fitness of Directors and CEOs	Complied
9.7.3	Fit and Proper Assessment Criteria:	Complied
9.7.4	Listed Entities shall obtain declarations from their Directors and CEO on an annual basis confirming that each of them have continuously satisfied the Fit and Proper Assessment Criteria set out in these Rules during the financial year concerned and satisfies the said criteria as at the date of such confirmation.	The Company has obtained Fit and Proper Assessments from all Directors for the year under review.

CORPORATE GOVERNANCE REPORT

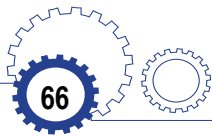
CSE Rule No.	Governance Requirement	Status of Compliance in year 2024/ Explanations
9.7.5	Disclosures in the Annual Report of Listed Entities Listed Entities shall include the following disclosures/reports in the Annual Report; (a) A statement that the Directors and CEO of the Listed Entity satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange. (b) Any non-compliance/s by a Director and/or the CEO of the Listed Entity with the Fit and Proper Assessment Criteria set out in these Rules during the financial year and the remedial action taken by the Listed Entity to rectify such noncompliance/s.	The Company assess the Fitness and Propriety of the Directors annually as defined in the Finance Business Act Direction No.06 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons. Complied Requirement does not arise since complied.
9.8	Board Composition	
9.8.1	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors.	The Board Consist of 8 Directors.
9.8.2	Minimum Number of Independent Directors:	The Company met this requirement throughout the year.
9.8.3	Criteria for determining independence:	The Company obtained a declaration as specified in appendix 9A to ensure their independence.
9.8.5.	The Board of Directors of Listed Entities shall require: (a) Each Independent Director to submit a signed and dated declaration annually of his or her "independence" or "non independence" against the criteria specified herein and in the format in Appendix 9A, containing at a minimum the content prescribed therein. (b) Make an annual determination as to the "independence" or "non- independence" of each Independent Director based on the Directors` declaration and other information available to it and shall set out the names of Directors determined to be 'independent' in the Annual Report. (c) If the Board of Directors determines that the independence of an Independent Director has been impaired against any of the criteria set out in Rule 9.8.3, it shall make an immediate Market Announcement thereof.	The Directors provided Annual Declaration of their Independence as specified in Listing Rules. Mr. A.M.A Perera (Chairman), Prof. Nishantha Sampath Punchihewa (resigned w.e.f.), Mr. Varuna Jayasinghe (resigned with effect from 19.02.2025) Ms. R. Dulani Fernando, were determined to be independent based on individual declarations. No such circumstances occurred during the year 2024.
9.9	Alternate Directors	There are no Alternate Directors on the Board.
9.10	Disclosures relating to Directors	
9.10.1	Listed Entities shall disclose its policy on the maximum number of directorships it's Board members shall be permitted to hold in the manner specified in Rule 9.5.1. In the event such number is exceeded by a Director(s), the Entity shall provide an explanation for such non-compliance in the manner specified in Rule 9.5.2 above.	The company is in compliance with the rule No. 9.10.1
9.10.2	Listed Entities shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following;	The Company is compliant with the rule No. 9.10.2. Disclosures were made when Ms. R Dulani Fernando, Mr. Jehaan Ismail and Mr. W. C. Rodrigo were appointed to the Board.
9.10.3	Listed Entities shall make an immediate Market Announcement regarding any changes to the composition of the Board Committees referred to in Rule 9.3 above containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.	Complied. The Changes to the Composition of the Board and Sub Committees were published on 15 October 2024 and 11.02.205

CSE Rule No.	Governance Requirement	Status of Compliance in year 2024/ Explanations
9.10.4	Details relating to Directors in the Annual Report:	<p>Directors Details are given on Pages Please refer;</p> <ul style="list-style-type: none"> - for Director's Profile page no. 12 to 14 - for Board Meeting Attendance page No. 98 - for Attendance of the Committee Meetings page no. 105- 116
9.11	<p>NOMINATIONS AND GOVERNANCE COMMITTEE</p> <p>Listed entities shall have a Nomination & governance Committee that conforms to the requirements set out in the Rule 9.11 of these rules</p> <p>Listed entities shall establish and maintain a formal procedure for the appointment of new Directors to the Board through the Nominations and Governance Committee</p> <p>The Nominations and Governance Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.</p> <p>Composition</p> <p>Functions</p> <p>Disclosures in Annual Report</p>	<p>Nominations Committee was renamed as Nominations and Governance Committee to comply with the requirement of Listing Rules issued.</p> <p>The Board Nomination and Governance Committee is actively functioning. Refer pages 110 to 111.</p> <p>The Company maintains a Procedure for selection appointment Nomination re-election evaluation and continuation of Directors.</p> <p>Terms of Reference (TOR) outlines the scope, roles responsibilities, and other pertinent details of the Committee TOR is updated to align with the stipulated requirements to comply with the amendments to the CSE corporate Governance Section 9.</p> <p>The Committee comprises three Board members with the majority of Independent Non-Executive Directors. The Chairperson of the Committee is and Independent Director.</p> <p>Committee report on the pages 110 to 111.</p>
9.12	REMUNERATION COMMITTEE	
9.12.1	For the purposes of Rule 9.12, the term "remuneration" shall make reference to cash and all non-cash benefits whatsoever received.	Complied
9.12.2	Listed Entities shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of these Rules.	Complied
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration.	There are no executive Directors on the Board. Company has followed the PED circulars in determining Directors' remuneration.
9.12.4	Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired.	For Non-Executive Directors a fee structure is based on PED Circular No. 01/2020 dated 27.01.2020 issued by the Ministry of Finance.
9.12.5	Remuneration Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.	A TOR of Human Resources & Remuneration Committee defines its scope, roles and responsibilities etc.

CORPORATE GOVERNANCE REPORT

CSE Rule No.	Governance Requirement	Status of Compliance in year 2024/ Explanations
9.12.6	Composition <ul style="list-style-type: none"> (1) The members of the Remuneration Committee shall; <ul style="list-style-type: none"> (a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. (b) not comprise of Executive Directors of the Listed Entity. (2) In a situation where both the parent company and the subsidiary are 'Listed Entities', the Remuneration Committee of the parent company may be permitted to function as the Remuneration Committee of the subsidiary. (3) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors. 	<p>The Committee comprised of three Non-Executive Directors out of which two were Independent Directors.</p> <p>No Executive Directors</p> <p>N/A</p> <p>Complied. An independent director functioned as the Chairman of the Committee.</p>
9.12.7	Functions <ul style="list-style-type: none"> (1) The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO of the Listed Entity and/or equivalent position thereof to the Board of the Listed Entity which will make the final determination upon consideration of such recommendations. (2) The Remuneration Committee may engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO 	<p>The Remuneration and Benefits Policy of the Company, the salaries, allowances, and other financial benefits related to the senior management are decided by the BHRRC.</p> <p>The Human resources and Remuneration Committee charter has empowers the committee for such consultation if required.</p>
9.12.8	Disclosure in Annual Report	The report of BHRRC is given on page 116.
9.13	AUDIT COMMITTEE	
9.13.1	Where Listed Entities do not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Listed Entities shall additionally perform the Risk Functions set out in Rule 9.13 of these Rules.	The Company currently has two separate Committees in operation as Board Audit Committee and as Board Integrated Risk Management Committee.
9.13.2	The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties.	Board approved Terms of References is in place.
9.13.3.	Composition	Mr. M.P. Ruwan Kumara, (fellow member of ICASL) Non-Executive Non-Independent Director was appointed as the Chairman of BAC on 8th March 2023. Mr. Ruwan Kumara is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. The BAC was reconstituted on 14.10.2024. and Ms. R. Dulani Fernando was appointed as Chairperson. She is an Independent Non-Executive Director and a fellow member of ICASL.

CSE Rule No.	Governance Requirement	Status of Compliance in year 2024/ Explanations
9.13.4	<p>Functions</p> <p>(1) The functions of the Audit Committee shall include the following:</p> <p>(i) Oversee the Entity's compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.</p> <p>(ii) Review the quarterly results and year-end financial statements of the Entity prior to tabling for the approval of the Board of Directors of the Entity with special reference to:</p> <p>(a) changes in or implementation of major accounting policy changes;</p> <p>(b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed;</p> <p>(c) compliance with accounting standards and other legal requirements;</p> <p>(d) any related party transaction and conflict of interest situation that may arise within the Listed Entity or group including any transaction, procedure or course of conduct that raises questions of management integrity;</p> <p>(e) any letter of resignation from the external auditors of the Listed Entity; and,</p> <p>(f) whether there is reason (supported by grounds) to believe that the Listed Entity's external auditor is not suitable for reappointment</p> <p>(iii) To make recommendations to the Board pertaining to appointment, reappointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.</p> <p>(iv) Obtain and review assurance received from:</p> <p>(a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Entity's operations and finances; and</p> <p>(b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Entity's risk management and internal control systems.</p> <p>(v) Review the internal controls in place to prevent the leakage of material information to unauthorized persons.</p> <p>(vi) Oversee the processes to ensure that the Entity's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.</p>	<p>The charter of the BAC covers all these functions.</p> <p>Please refer the level of compliance under point number 10.2.d.vii of FBA Direction No. 5 of 2021 in the Corporate Governance Report on pages 55 to 98.</p> <p>This is not applicable as the Auditor General or a firm appointed by AG acts as the Auditor of the Company.</p> <p>Assurance Obtained from CEO/CFO</p> <p>Assurance obtained</p> <p>Quarterly Financial Statements as well as year end Financial Statements are discussed and recommended to the Board for approval by the Audit Committee. Detailed discussions focusing on major judgmental areas, changes in accounting policies, significant audit judgments in the Financial Statements, going concern assumption, and compliance with Accounting Standards and other legal requirements take place, and required clarifications are obtained in respect to all areas before recommending for Board's approval.</p> <p>Adequate internal controls are in place. BIRMC and BICT committees evaluate and initiate actions on overall risk matters.</p> <p>Complied</p>



CORPORATE GOVERNANCE REPORT

CSE Rule No.	Governance Requirement	Status of Compliance in year 2024/ Explanations
	(vii) Review and assess the company's risk management process, including the adequacy of the overall control environment and controls in areas of significant risks and updated business continuity plans.	Complied
	(viii) Review the risk policies adopted by the Entity on an annual basis.	Company's Risk Assessment and mitigation primarily comes under the BIRMC.
	(ix) Take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the Listed Entity's policies and regulatory requirements.	Please refer to response under Viii above
	(x) Review the scope and results of the internal and external audit and its effectiveness, and the independence, performance and objectivity of the auditors.	Auditor General or any other firm appointed by AG functions as the Auditor of the Company.
	(xi) To develop and implement policy on the engagement of the external auditor to supply non-audit services, at minimum taking into account relevant ethical guidance regarding the provision of non-audit services by an external audit firm; and to report to the Board identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps ought to be taken.	A policy is in place to address these provisions Not applicable
	(xii) if a change of auditor is recommended by the Audit Committee in circumstances where the audit opinion of the immediately disclosed financial period or any period where subsequent disclosure of audit opinion is pending and such opinion carries a modification or an emphasis of matter of going concern, then the Audit Committee report shall include the rationale of the Audit Committee for recommending the removal of the auditor.	No such circumstances arisen. Complied.
	(xiii) Where the Audit Committee is of the view that a matter reported by it to the Board of Directors of a Listed Entity has not been satisfactorily resolved resulting in a breach of these Requirements, the Audit Committee shall promptly report such matter to the Exchange.	No such circumstances arisen.
	(2) Where Listed Entities maintain two (02) separate Committees to carry out the Audit and Risk functions, the terms of reference of such Committees shall, at a minimum, include the respective functions stipulated in Rule 9.13.4 (1) above.	Complied.

CSE Rule No.	Governance Requirement	Status of Compliance in year 2024/ Explanations
9.13.5	Disclosures in Annual Report	
	(1) The Audit Committee shall also prepare an Audit Committee Report which shall be included in the Annual Report of the Listed Entity. The Audit Committee Report shall set out the manner in which the Entity has complied with the requirements applicable to the Audit Committee during the period for which the Annual Report relates.	The Report of the Board Audit Committee is given on pages 105 to 107. Complied
	(2) The Audit Committee Report shall contain the following disclosures:	Complied
	(a) the names of the Chairperson and the members of the Audit Committee, and the nature of directorships held by such members (or persons in the parent company's committee in the case of a group company);	Complied
	(b) The status of risk management and internal control of the Listed Entity and as a Group (where applicable).	Complied
	(c) A statement that it has received assurance from the CEO and the CFO of the Entity's operations and finances.	
	(d) An opinion on the compliance with financial reporting requirements, information requirements under these Rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.	Complied. Please refer to the Audit Committee Report
	(e) Whether the listed entity has a formal Audit Charter	Please refer to the Audit Committee Report
	(f) the manner in which internal audit assurance is achieved and a summary of the work of the internal audit function;	Complied
	(g) Details demonstrating the effective discharge of its functions and duties for that financial year of the Listed Entity;	Complied. Please refer to the Internal Audit Committee report
	(h) a statement confirming that written assurance was obtained from the external auditors approved by the SEC, confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and	Audit General function as the Auditor of MBSL
	(i) a statement confirming that the Audit Committee has made a determination of the independence of auditors and the basis of such determination. It shall also contain details on the number of years that the external auditor and the audit partner were engaged. If the external auditor provides non audit services, explanations must be made of how auditor objectivity and independence are safeguarded taking into consideration fees paid for non-audit services provided by the external auditor and affiliated parties.	In term of Section 11 (2) of National Audit Act Auditor General Appoints the external Auditor
9.14	RELATED PARTY TRANSACTIONS REVIEW COMMITTEE	The Company has established its own BRPTRC.
9.14.2	Composition	BRPTRC comprises a total of three Non-Executive Directors, out of which majority of them are Independent Directors. The Chairperson is an Independent Director.
9.14.3	Functions	As per the Board approved Terms of Reference.
9.14.4	General Requirements	BRPTRC meets quarterly and functions according to the Board approved Terms of Reference.
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee	All transactions are reviewed by the BRPTRC.
9.14.6	Shareholder Approval	No transactions that require Share Holder approval taken place
9.14.7	Disclosures	None

CORPORATE GOVERNANCE REPORT

CSE Rule No.	Governance Requirement	Status of Compliance in year 2024/ Explanations
9.16	Additional Disclosures	
	(1) They have declared all material interests in contracts involving in the Entity and whether they have refrained from voting on matters in which they were materially interested;	Directors' interest register and Directors' Interest in contracts or proposed contracts given on page 103.
	(2) they have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence therewith, and, if unable to make any of these declarations an explanation on why it is unable to do so;	Directors' Responsibility Statement on Internal Control over Financial Reporting is given on pages 119 to 120.
	(3) they made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions;	Given in Corporate Governance and Compliance with Laws and Regulations section of the Annual Report of the Board of Directors on the affairs of the company – pages 100-104. Given in Corporate Governance Report - given on page 55.
	(4) disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations	There were no such violations requiring disclosure.
9.17	Enforcement Procedure for Non-Compliance with Corporate Governance Requirements.	There were Nil non compliance areas
7.6 (i)	Names of persons who were directors of the Company during the financial year.	Complied. Please refer to "Annual Report of the Board of Directors on the Affairs of the Company". (pages 100 to 104)
7.6 (ii)	Principal activities of the Company and its Subsidiaries during the year and any changes therein.	Complied Please refer "Annual Report of the Board of Directors on the Affairs of the Company" (pages 100 to 104)
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held.	Complied Please refer "Shareholder Information " on page 260 for the 20 largest holders of voting shares. The Company has not issued any non-voting shares.
7.6 (iv)	The public holding percentage.	Please refer "Shareholder Information " on page 258.
7.6 (v)	Directors' and Chief Executive Officer's holding in shares of the Company at the beginning and end of the financial year.	Please refer "Shareholder Information " on page 259.
7.6 (vi)	Information pertaining to material foreseeable risk factors.	Please refer "Risk Management Report" on pages 43 to 54.
7.6 (vii)	Details of material issues pertaining to employees and industrial relations.	Please refer "Management Discussion and Analysis" on pages 31 to 42.
7.6 (viii)	Extents, locations, valuations and the number of buildings of the land holdings and investment properties.	Please refer "Note 29 and 30" to the "Financial Statements".

CSE Rule No.	Governance Requirement	Status of Compliance in year 2024/ Explanations
7.6 (ix)	Number of shares representing the stated capital.	Please refer "Note 41" to the "Financial Statements" on 'Capital'.
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings.	Please refer "Shareholder Information " on page 258.
7.6 (xi)	Ratios and market price information on:	
	EQUITY	
	1. Dividend per share.	No dividend has been declared for the year.
	2. Dividend payout.	No dividend has been declared for the year.
	3. Net asset value per share.	Please refer "Statement of Financial Position".
	4. Market value per share (highest and lowest values recorded during the financial year and value as at the end of financial year).	Please refer "Shareholder Information " on page 261.
	DEBT	
	1. Interest rate of comparable government security.	Please refer "Debenture Information".
	2. Debt/equity ratio.	Please refer "Decade at a Glance".
	3. Interest cover.	Please refer "Decade at a Glance".
	4. Quick asset ratio.	Please refer "Decade at a Glance".
	5. The market prices & yield during the year.	Please refer "Debenture Information".
	6. Changes in credit rating.	Please refer "Debenture Information".
7.6 (xii)	Significant changes in the Company's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value.	Please refer "Note 30" to the "Financial Statements" page 203.
7.6 (xiii)	Details of funds raised through a public issue, rights issue and a private placement.	Not Applicable The Company has not raised funds through a public issue, a rights issue or a private placement during the year 2024.
7.6 (xiv)	Information in respect of Employee Share Option Schemes or Employee Share Purchase Schemes.	The Company does not have any Employee Share Option Schemes or Employee Share Purchase Schemes at present.
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Listing Rules.	This report provides the disclosures referred to in the Section 9
7.6 (xvi)	Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower.	No such related party transactions took place during the year.

CORPORATE GOVERNANCE REPORT

Section II

Finance Companies (Corporate Governance) Direction No. 5 of 2021 for Licensed Finance Companies in Sri Lanka

Section	Governance Requirement	Extent of Compliance in 2024
1	BOARD'S OVERALL RESPONSIBILITIES	
1(1)	The Board shall assume overall responsibility and accountability for the operations of the Finance Company (FC), by setting up the strategic direction, governance framework, establishing corporate culture and ensuring compliance with regulatory requirements. The Board shall carry out the functions listed in Direction 1.2 to 1.7 below, but not limited to, in effectively discharging its responsibilities.	Complied. Please refer Direction 1.2 to 1.7 below.
1(2)	Business Strategy and Governance Framework	
	a) Approving and overseeing the implementation of the FC's overall business strategy with measurable goals for next three years and update it annually in view of the developments in the business environment.	a) Complied. Board approved Strategic Plan with measurable goals for the period 2023-2025 is in place. Regular review process also in place. Further Board approved Strategic Plan is in place for year 2025-2027.
	b) Approving and implementing FC's governance framework commensurate with the FC's size, complexity, business strategy and regulatory requirements.	b) Complied. Governance Framework of the Company has been developed to comply with the requirements of the Central Bank of Sri Lanka, the Colombo Stock Exchange and other relevant regulations. There is a dedicated agenda item for the Directors to discuss Strategy & Governance related matters at each Board meeting.
	c) Assessing the effectiveness of its governance framework periodically.	c) Complied. Policies, Procedures and TORs of the Board Sub Committees and the Management Committees are forwarded to the Board for periodic review with the Management and sub committees' recommendations as applicable. Further Delegation of Authority, Corporate Structure and HR Management System are also reviewed periodically by the Board.
	d) Appointing the Chairperson and the Chief Executive Officer (CEO) and define the roles and responsibilities.	d) Two separate persons function as the Chairman and the Chief Executive Officer. Their roles and responsibilities have been defined separately in the Board Charter.
1(3)	Corporate Culture and Values	
	a) Ensuring that there is a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior.	a) Complied. The Board of Directors plays a vital role in setting the right tone at the top, collectively driving toward achieving the right professional and ethical conduct aligned with the corporate values.

Section	Governance Requirement	Extent of Compliance in 2024
	b) Playing a lead role in establishing the FC's corporate culture and values, including developing a code of conduct and managing conflicts of interest.	b) Complied. The Board of Director always provides leadership and guidance to establish the right culture and values through the Code of Conduct, Directors' Code of Ethics, Board Charter, Related Party Transactions Policy, etc.
	c) Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.	c) Complied. ESG considerations have been incorporated into the strategic plan.
	d) Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers and other creditors, in the view of projecting a balanced view of the FC's performance, position and prospects in public and regulators.	d) Complied. A Communication Policy approved by the Board is in place.
1 (4)	Risk Appetite, Risk Management and Internal Controls	
	a) Establishing and reviewing the Risk Appetite Statement (RAS) in line with FC's business strategy and governance framework.	a) Complied. The Board approved RAS is available, which is reviewed annually.
	b) Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.	b) Complied. Implementation of the Risk Policy is being monitored by the Integrated Risk Management Committee (IRMC) and the Board through a well-structured Risk Reporting mechanism. The Board addresses such issues on a continuous basis.
	c) Adopting and reviewing the adequacy and the effectiveness of the FC's internal control systems and management information systems periodically.	c) Complied. The Audit Committee assesses the adequacy and the effectiveness of the Company's internal control systems and management information systems. On direction and recommendation of the Audit Committee the Board continuously review the internal control systems and management information systems to identify any gaps. The Directors' Responsibility Statement on Internal Control over Financial Reporting is validated by the external auditors each year.
	d) Approving and overseeing business continuity and disaster recovery plan for the FC to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	d) Complied. The Board approved Business Continuity Management Policy and Disaster Recovery Plan are available. Periodic tests are done to ensure the robustness of the plan. Plan is updated based on the test results.
1 (5)	Board Commitment and Competency	
	a) All members of the Board shall devote sufficient time on dealing with the matters relating to affairs of the FC.	a) Complied. All Directors have confirmed that they devote sufficient time on dealing with the matters relating to the Company.

CORPORATE GOVERNANCE REPORT

Section	Governance Requirement	Extent of Compliance in 2024
	b) All members of the Board shall possess necessary qualifications, adequate skills, knowledge, and experience.	b) Complied. Directors possess qualifications and experience with credible track records and have necessary skills to bring an independent judgment to bear on issues of strategy performance and resources. Brief profiles of the Directors are given on pages 10 to 14 of this Annual Report.
	c) The Board shall regularly review and agree the training and development needs of all the members.	c) Complied. The Board Charter covers training and development of members. Further the Directors undertake training in their personal capacity, attend forums organized by the Central Bank of Sri Lanka and other institutions. Training need assessment for the Board is in place and reviewed annually..
	d) The Board shall adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Board as a whole and that of its committees and maintain records of such assessments.	d) Complied. Self-assessment is carried out annually on individual, Board as a whole and sub-committees and the records are maintained by the Company Secretary. Summary of Assessment is submitted to Board for evaluation.
	e) The Board shall resolve to obtain external independent professional advice to the Board to discharge duties to the FC.	e) Complied. The Board Charter includes a provision to enable the Directors to seek independent professional advice at the Company's expense.
1 (6)	Oversight of Senior Management	
	a) Identifying and designating senior management, who are in a position to significantly influence policy, direct activities and exercise control over business operations and risk management.	a) Complied. The Board has clearly defined senior management hierarchy.
	b) Defining the areas of authority and key responsibilities for the senior management.	b) Complied. Areas of authority and Key Responsibilities of the Senior Management are included in the respective job descriptions and Delegation of Authority.
	c) Ensuring the senior management possess the necessary qualifications, skills, experience and knowledge to achieve the FC's strategic objectives.	c) Complied.
	d) Ensuring there is an appropriate oversight of the affairs of the FC by senior management.	d) Complied. Senior Management personnel make regular presentations to the Board on matters under their purview and are also called in by the Board to explain matters relating to their areas. Senior Management responsible for internal controls and compliance attend every IRMC meeting. Board has delegated the function of overseeing IAD to the Audit Committee.

Section	Governance Requirement	Extent of Compliance in 2024
	e) Ensuring the FC has an appropriate succession plan for senior management.	e) A succession plan approved by the Board is available. Human Resources Department is vested with the responsibility of revising and keeping the succession planning process up to date.
	f) Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.	f) Complied. The Board meets the Senior Management at the Board and Board Sub-Committee meetings on a regular basis.
1 (7)	Adherence to the Existing Legal Framework	
	a) Ensuring that the FC does not act in a manner that is detrimental to the interests of and obligations to, depositors, shareholders and other stakeholders.	a) Complied. The Board of Directors always take due care to protect the interests and rights of all the stakeholders. This aspect has been covered in the Board Charter.
	b) Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.	b) Complied. Compliance with statutory regulations and ethical standards is regularly monitored by the Board. The Compliance Officer of the Company submits a monthly compliance report which covers the compliance status of all the applicable laws, rules, regulations directions and etc.
	c) Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.	c) Complied. The Company adheres to the directions, regulations, rules, and circulars issued by the Central Bank of Sri Lanka and other regulatory bodies. Further, the Company ensures that all the employees adhere to the internal policies and procedures. A Board approved Governance Framework and Communication Policy is in place. The Company operates within the Governance Framework and the laws and directions issued by the regulator.

CORPORATE GOVERNANCE REPORT

Section	Governance Requirement	Extent of Compliance in 2024
2	GOVERNANCE FRAMEWORK	
2(1)	Board shall develop and implement a governance framework in line with these directions and including but not limited to the following. a) role and responsibilities of the Board b) matters assigned for the Board. c) delegation of authority. d) composition of the Board. e) the Board's independence. f) the nomination, election and appointment of directors and appointment of senior management. g) the management of conflicts of interests h) access to information and obtaining independent advice. i) capacity building of Board members, j) the Board's performance evaluation. k) role and responsibilities of the chairperson and the CEO. l) role of the company secretary, m) Board sub committees and their role; and n) limits on related party transactions.	Complied. All these aspects of the governance framework are covered in the Board Charter. The Board Charter has been revised with the approval of the Board in line with Finance Business Act Direction No.05 of 2021 on Corporate Governance
3	COMPOSITION OF THE BOARD	
3(1)	The Board's shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the FC.	Complied. The Board is satisfied with the balance of skills and experience of the current Board Members.
3(2)	The number of directors on the Board shall not be less than seven (07) and not more than thirteen (13).	Complied. The Board comprised of Eight (08) Non-Executive Directors.
3(3)	The total period of service of a director other than a director who holds the position of CEO/executive director shall not exceed nine years, subject to direction 3.4.	Complied. None of the Directors have served more than 9 years.
3(4)	Non-executive directors, who directly or indirectly holds more than 10% of the voting rights or who is appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however number of non-executive directors eligible to exceed 9 years are limited to one-fourth (1/4) of the total number of directors of the Board.	Complied None of the Directors have exceeded nine years during the year 2024.
3(5)	Executive Directors a) Only an employee of a FC shall be nominated, elected and appointed, as an executive director of the FC, provided that the number of executive directors shall not exceed one-third (1/3) of the total number of directors of the Board.	a) There are no Executive Directors on the Board.

Section	Governance Requirement	Extent of Compliance in 2024
	b) A shareholder who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an executive director or as senior management. Provided however, existing executive directors with a contract of employment and functional reporting line and existing senior management are allowed to continue as an executive director/senior management until the retirement age of the FC and may reappoint as a Non-Executive Director subject to provisions contained in direction 4.2 and 4.3. Existing executive directors without a contract of employment and functional reporting line need to step down from the position of executive director from the effective date of this direction and may reappoint as a Non-Executive Director subject to provisions contained in direction 4.2 and 4.3.	b) Not relevant/applicable.
3(5)	c) In the event of presence of the executive directors, CEO shall be one of the executive directors and may be designated as the managing director of the FC.	c) Not Applicable
	d) All Executive directors shall have a functional reporting line in the organization structure of the FC.	d) Not Applicable
	e) The executive directors are required to report to the Board through CEO.	e) Not Applicable
	f) Executive directors shall refrain from holding executive directorships or senior management positions in any other entity.	f) Not Applicable
3(6)	Non-Executive Directors	
	a) Non-executive directors shall possess credible track records, and have necessary skills, competency and experience to bring independent judgment on the issues of strategy, performance, resources and standards of business conduct.	a) Complied. Directors' qualifications and experience are given in pages 12 to 14 of the Annual Report.
	b) A Non-Executive Director cannot be appointed or function as the CEO/executive director of the FC.	b) Complied.
3(7)	Independent Directors	
	a) The number of independent directors of the Board shall be at least three (03) or one-third (1/3) of the total number of directors, whichever is higher.	a) Complied. There have been Four (04) independent Non-Executive directors during the year 2024 Please refer page 102 of the Annual Report.
	b) Independent directors appointed shall be of highest caliber, with professional qualifications, proven track record and sufficient experience.	b) Independent Directors possess professional qualifications, experience and skills in their respective fields. Please refer pages 12 to 14 of the Annual Report.

CORPORATE GOVERNANCE REPORT

Section	Governance Requirement	Extent of Compliance in 2024
	<p>c) A Non-Executive Director shall not be considered independent if such:</p> <ul style="list-style-type: none"> i. Director has a direct or indirect shareholding exceeding 5% of the voting rights of the FC or exceeding 10% of the voting rights of any other FC. ii. Director or a relative has or had during the period of one year immediately preceding the appointment as director, material business transaction with the FC, as described in direction 12.1(c) hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the FC as shown in its last audited statement of financial position. iii. Director has been employed by the FC or its affiliates or is or has been a director of any of its affiliates during the one year, immediately preceding the appointment as director. iv. Director has been an advisor or consultant or principal consultant/advisor in the case of a firm providing consultancy to the FC or its affiliates during the one year preceding the appointment as director. v. Director has a relative, who is a director or senior management of the FC or has been a director or senior management of the FC during the one year, immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the FC or exceeding 20% of the voting rights of another FC. vi. Director represents a shareholder, debtor, creditor or such other similar stakeholder of the FC. vii. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, in which any of the other directors of the FC is employed or is a director. viii. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, which has a transaction with the FC as defined in direction 12.1(c), or in which any of the other directors of the FC has a transaction as defined in direction 12.1(c), aggregate value outstanding of which at any particular time exceeds 10% of the stated capital as shown in its last audited statement of financial position of the FC. 	c) Complied
3(7)	<p>d) The nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed at direction 3.7, which might impact a director's independence, or the perception of the independence.</p> <p>e) An independent director shall immediately disclose to the Board any change in circumstances that may affect the status as an independent director. In such a case, the Board shall review such director's designation as an independent director and notify the Director, Department of Supervision of Non-Bank Financial Institutions in writing of its decision to affirm or change the designation.</p>	<p>d) Complied</p> <p>e) At every Board meeting there is an agenda item dedicated to this which requires the Directors to make necessary disclosures.</p>

Section	Governance Requirement	Extent of Compliance in 2024
3(8)	Alternate Directors	
	<p>a) Representation through an alternate director is allowed only;</p> <p>i) With prior approval of the Director, Department of Supervision of Non-Bank Financial Institutions under Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) or as amended; and</p> <p>ii) If the current director is unable to perform the duties as a director due to prolonged illness or unable to attend more than three consecutive meetings due to being abroad.</p>	a) Currently there are no Alternate Directors appointed.
	b) The existing directors of the FC cannot be appointed as an alternate director to another existing director of the FC.	b) Not applicable
	c) A person appointed as an alternate director to one of the directors cannot extend the role as an alternate director to another director in the same Board.	c) Not applicable
	d) An alternate director cannot be appointed to represent an executive director.	d) Not applicable
	e) In the event an alternate director is appointed to represent an independent director, the person so appointed shall also meet the criteria that apply to an independent director.	e) Not applicable
3(9)	Cooling off Periods	
	a) There shall be a cooling off period of six months prior to an appointment of any person as a director, CEO of the FC, who was previously employed as a CEO or director, of another FC. Any variation thereto in exceptional circumstances where expertise of such persons requires to reconstitute a Board of a FC which needs restructuring, shall be made with prior approval of the Monetary Board.	a) Complied Directors or CEO were not previously employed as CEO or Director of another Finance Company.
	b) A director, who fulfills the criteria to become an independent director, shall only be considered for such appointment after a cooling off period of one year if such director has been previously considered as non-independent under the provisions of this Direction.	b) Complied
3(10)	Common Directorships	
	Director or a senior management of a FC shall not be nominated, elected or appointed as a director of another FC except where such FC is a parent company, subsidiary company or an associate company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f).	Complied At every Board meeting there is an item in the agenda which requires the Directors to make necessary disclosures.
3(11)	The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a FC shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/societies/bodies, including subsidiaries and associates of the FC.	Complied None of the Directors held Directorships of more than 20 companies, societies, bodies including subsidiaries and associates of the FC.
4	Assessment of Fitness and Propriety Criteria	
4(1)	No person shall be nominated, elected or appointed as a director of the FC or continue as a director of such FC unless that person is a fit and proper person to hold office as a director of such FC in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.	Complied

CORPORATE GOVERNANCE REPORT

Section	Governance Requirement	Extent of Compliance in 2024
4(2)	A person over the age of 70 years shall not serve as a director of a FC.	Complied. No Director has exceeded the age of 70 years.
4(3)	Notwithstanding provisions contained in 4.2 above, a director who is already holding office at the effective date of this direction and who attains the age of 70 years on or before 31.03.2025, is permitted to continue in office as a director, exceeding 70 years of age up to maximum of 75 years of age subject to the following, a) Assessment by the Director/Department of Supervision of Non-Bank Financial Institutions on the fitness and propriety based on the criteria specified in the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction. b) Prior approval of the Monetary Board based on the assessment of the Director/Department of Supervision of Non-Bank Financial Institutions in 4.3(a). c) The maximum number of directors exceeding 70 years of age is limited to one-fifth (1/5) of the total number of directors. d) The director concerned shall have completed a minimum period of 3 continuous years in office, as at the date of the first approval.	These provisions are not currently applicable as no Director has exceeded the stipulated age limit.
5	Appointment and resignation of directors and senior management	
5(1)	The appointments, resignations or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	Complied. Resignations of KRPs have been duly informed to Director Non-Banking Supervision and approval received.
6	The Chairperson and the CEO	
6(1)	There shall be a clear division of responsibilities between the chairperson and CEO and responsibilities of each person shall be set out in writing.	Complied. Responsibilities of the Chairman and the CEO have been defined in the Board Charter in writing. Chairman's responsibilities are distinct from those of the CEO. Chairman provides leadership to the Board while the CEO manages the day to day operations of the Company giving effect to the strategies and policies approved by the Board.
6(2)	The chairperson shall be an independent director, subject to 6.3 below	Complied. Chairman is an Independent Director.
6(3)	In case where the chairperson is not independent, the Board shall appoint one of the independent directors as a senior director, with suitably documented terms of reference to ensure a greater independent element. Senior director will serve as the intermediary for other directors and shareholders. Non-executive directors including senior director shall assess the chairperson's performance at least annually.	Not applicable.

Section	Governance Requirement	Extent of Compliance in 2024
6(4)	Responsibilities of the Chairperson shall at least include the following: <ul style="list-style-type: none"> a) Provide leadership to the Board. b) Maintain and ensure a balance of power between executive and Non-Executive Directors. c) Secure effective participation of both executive and Non-Executive Directors. d) Ensure the Board works effectively and discharges its responsibilities. e) Ensure all key issues are discussed by the Board in a timely manner. f) Implement decisions/directions of the regulator. g) Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the company secretary. h) Not engage in activities involving direct supervision of senior management or any other day to day operational activities. i) Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board. j) Annual assessment on the Performance and the contribution during the past 12 months of the Board and the CEO. 	Complied. Approved Board Charter includes the responsibilities of the Chairperson as given in 6(4).
6(5)	Responsibilities of the CEO The CEO shall function as the apex executive-in-charge of the day-to-day-management of the FC's operations and business. The responsibilities of the CEO shall at least include: <ul style="list-style-type: none"> a) Implementing business and risk strategies in order to achieve the FC's strategic objectives. b) Establishing a management structure that promotes accountability and transparency throughout the FC's operations and preserves the effectiveness and independence of control functions. c) Promoting, together with the Board, a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior. d) Ensuring implementation of proper compliance culture and being accountable for accurate submission of information to the regulator. e) Strengthening the regulatory and supervisory compliance framework. f) Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner. g) CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a Non-Executive Director of another company, subject to Direction 3.10. 	Complied. Approved Board Charter has defined the responsibilities of the CEO.
7	Meetings of the Board	
7(1)	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible.	Complied. Twenty Two (22) meetings were held during the year.
7(2)	The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the Board to be represented in the agenda for scheduled Board Meetings.	Complied. The Board Charter includes a provision in this regard.

CORPORATE GOVERNANCE REPORT

Section	Governance Requirement	Extent of Compliance in 2024
7(3)	A notice of at least 3 days shall be given for a scheduled Board meeting. For all other Board meetings, a reasonable notice shall be given.	<p>Complied.</p> <p>The schedule of dates of meetings for the year is approved by the Board at or before the first Board meeting of the year and such approved schedule is notified to every Director thereby giving more than 3-days notice.</p> <p>Ad hoc meetings are held by giving short notice in order to discuss matters of urgency.</p>
7(4)	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	<p>Complied.</p> <p>Directors attend the meetings well prepared and devote sufficient time.</p>
7(5)	A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one fourth (1/4) of the number of directors that constitute the quorum at such meeting are independent directors.	<p>Complied.</p> <p>Please refer page 98 of the Annual Report. All meetings of the Board held during the year have been attended by the required number of independent directors.</p>
7(6)	The chairperson shall hold meetings with the Non-Executive Directors only, without the executive directors being present, as necessary and at least twice a year.	Complied.
7(7)	A director shall abstain from voting on any Board resolution in relation to a matter in which such director or relative or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item in the Board meeting.	<p>In the Approved Board Charter there is a specific provisions to avoid conflicts of interest.</p> <p>Directors' interests are disclosed to the Board at the beginning of each meeting of the Board.</p> <p>If a Director has an interest in a particular matter he/she abstains from voting for that matter and he/she is not counted in the quorum.</p>
7(8)	A director who has not attended at least two-thirds (2/3) of the meetings in the period of 12 months immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance, subject to applicable directions for alternate directors.	<p>Complied.</p> <p>Details of the Directors attendance is set out on page 98 of the Annual Report 2024.</p> <p>No Director has violated this requirement during the financial year 2024.</p>
7(9)	Scheduled Board Meetings and Ad Hoc Board Meetings	
	For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where director cannot attend on a short notice, participation through electronic means is acceptable.	Complied.

Section	Governance Requirement	Extent of Compliance in 2024
8	Company Secretary	
8(1)	<p>a) The Board shall appoint a company secretary considered to be a senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings, and to carry out other functions specified in the statutes and other regulations.</p> <p>b) The Board shall appoint its company secretary, subject to transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the company secretary, such person shall become an employee of FC and shall not become an employee of any other institution.</p>	<p>a) Complied. Company Secretary is a member of Senior Management of the FC, has been designated in Chief Manager Grade.</p> <p>b) Complied.</p>
8(2)	All directors shall have access to advice and services of the company secretary with a view to ensuring the Board procedures laws, directions, rules and regulations are followed.	<p>Complied.</p> <p>All Directors have access to the advice and services of the Company Secretary. Approved Board Charter provides for same.</p>
8(3)	The company secretary shall be responsible for preparing the agenda in the event chairperson has delegated carrying out such function.	Complied.
8(4)	The company secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/video recordings for a minimum period of 6 years.	<p>Complied.</p> <p>Board Minutes are maintained by the Company Secretary.</p>
8(5)	The company secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the FC.	Complied.
8(6)	<p>Minutes of the Board meetings shall be recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly include the following:</p> <p>(a) a summary of data and information used by the Board in its deliberations;</p> <p>(b) the matters considered by the Board;</p> <p>(c) the fact-finding discussions and the issues of contention or dissent, including contribution of each individual director;</p> <p>(d) the explanations and confirmations of relevant parties, which indicate compliance with the Board's strategies and policies and adherence to relevant laws, regulations, directions;</p> <p>(e) the Board's knowledge and understanding of the risks to which the FC is exposed and an overview of the risk management measures adopted; and</p> <p>(f) the decisions and Board resolutions.</p>	<p>Complied.</p> <p>Minutes of Board Meetings are recorded in sufficient detail to enable proper assessment to be made of the depth of deliberations at the meeting.</p>
8(7)	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	<p>Complied.</p> <p>The Directors have access to the Board papers and minutes at a reasonable notice given. Board Charter has specifically provided for the said requirement of the Directors..</p>

CORPORATE GOVERNANCE REPORT

Section	Governance Requirement	Extent of Compliance in 2024
9	Delegation of Functions by the Board	
9(1)	The Board shall approve a Delegation of Authority (DA) and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the FC.	<p>Complied.</p> <p>Approved Board Charter includes a provision for delegation of powers by the Board. Board Charter also includes a provision for the matters reserved for the Board.</p>
9(2)	In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	<p>Complied.</p> <p>All the Board Subcommittees required by the Direction have been established.</p>
9(3)	The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.	<p>Complied.</p> <p>Management level sub committees have been established and the matters have been delegated to them by the Board with appropriate Delegation of Authority.</p>
9(4)	The Board shall not delegate any matters to a board sub-committee, executive directors or senior management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	<p>Complied.</p> <p>The Board has delegated matters pertaining to the affairs of MBSL to the Board Sub Committees within scope of the respective Board approved Terms of Reference.</p>
9(5)	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the FC.	<p>Complied.</p> <p>Delegation of Authority is subject to review as and when necessary.</p>
10	Board Sub-Committees	
10(1)	a) For the purpose of specifying the requirements for board committees, FCs are divided into two categories based on the asset base as per the latest audited statement of financial position as FCs with asset base of more than Rs. 20 Bn and FCs with asset base of less than Rs. 20 Bn, subject to transitional provisions stated in direction 19.3.	<p>a) Complied.</p> <p>MBSL has an asset base exceeding Rs. 20 Bn.</p> <p>The company has established the following six Board sub committees.</p> <p>01. Audit Committee</p> <p>02. Integrated Risk Management Committee</p> <p>03. Related Party Transactions Review Committee</p> <p>04. Human Resources & Remuneration Committee</p> <p>05. Nomination and Corporate Governance Committee</p> <p>06. Information and Communication Technology Committee</p>
10(1)	b) Each Board sub-committee shall have a board approved written terms of reference specifying clearly its authority and duties.	<p>b) Complied.</p> <p>For each Board Sub Committee, Board approved written Terms of Reference (TOR) is in place.</p>

Section	Governance Requirement	Extent of Compliance in 2024
	c) The Board shall present a report on the performance of duties and functions of each Board sub-committee, at the annual general meeting of the FC.	c) A Report from each Board Sub Committee has been published in this Annual Report. Please refer pages from 105 to 116.
	d) Each sub-committee shall appoint a secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records and carry out such other secretarial functions under the supervision of the chairperson of the committee.	d) Company Secretary acts as the Secretary of Audit Committee, Integrated Risk Management Committee, Human Resources & Remuneration Committee, Information and Communication Technology Committee and Nomination and Corporate Governance Committee. Head of Finance acts as the Secretary of Related Party Transactions Review Committee.
	e) Each Board sub-committee shall consist of at least three Board members and shall only consist of members of the Board, who have the skills, knowledge and experience relevant to the responsibilities of the committee.	e) Complied. Please refer pages 105 to 116 for the composition of the Board Sub committees and refer pages from 12 to 14 for the profiles of the Board Members.
	f) The Board may consider occasional rotation of members and of the chairperson of Board sub-committees, as to avoid undue concentration of power and promote new perspectives.	f) Complied.
10.2	Board Audit Committee (BAC)	
	The following shall apply in relation to the BAC.	
	a) The chairperson of BAC shall be an independent director who possesses qualifications and experience in accountancy and/or audit.	Complied w.e.f. 14.10.2024 Mr. M.P. Ruwan Kumara (fellow member of ICASL) Non-Executive Non Independent Director was appointed as the Chairman of BAC on 8 March 2023. The BAC was reconstituted on 14.10.2024 and Ms. R. Dulani Fernando Independent Non-Executive Director was appointed as Chairperson of the BAC. She is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.
	b) The Board members appointed to the BAC shall be Non-Executive Directors and majority shall be independent directors with necessary qualifications and experience relevant to the scope of the BAC.	Complied. The Committee comprised of three (3) Non-Executive Directors out of which two are Independent Directors.
	c) The secretary to the BAC shall preferably be the Chief Internal Auditor (CIA).	Board Secretary functions as the Secretary for BAC.
	d) External Audit Function	
	i. The BAC shall make recommendations on matters in connection with the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes, the service period, audit fee and any resignation or dismissal of the auditor.	As Auditor General functions as the Auditor of MBSL. BAC has no discretion for the appointment of external auditor.
	ii. Engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. Further, FC shall not use the service of the same external audit firm for not more than ten years consecutively.	Complied. Please refer response under d) 1 above. As the AG decides on the appointment of an Auditor on his behalf, BAC ensures the compliance on this rule.

CORPORATE GOVERNANCE REPORT

Section	Governance Requirement	Extent of Compliance in 2024
	iii. Audit partner of an FC shall not be a substantial shareholder, director, senior management or employee of any FC.	Complied.
	iv. The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	Complied.
10.2	Board Audit Committee (BAC)	
	v. Audit partner shall not be assigned to any non-audit services with the FC during the same financial year in which the audit is being carried out. The BAC shall develop and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework. In doing so, the BAC shall ensure that the provision of service by an external audit firm of non-audit services does not impair the external auditor's independence or objectivity.	A Board policy in place which has been reviewed and approved by board in December 2024
	vi. The BAC shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including: (i) an assessment of the FC's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved.	Complied.
	vii. The BAC shall review the financial information of the FC, in order to monitor the integrity of the financial statements of the FC in its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the FC's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements,	Complied. Monthly, Quarterly, Annual Financial Statements are presented to BAC for review before they are submitted to the Board and released to shareholders.
	viii. The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of senior management, if necessary,	Complied. There had been two Closed door meetings with the auditors on 12.07.2024 and 18.11.2024 in the absence of Senior management. The Committee also had three meetings in the presence of the Senior Management to discuss the matters relating to interim and final audits i.e. 12.07.2024, 18.11.2024 and 12.12.2024
	ix. The BAC shall review the external auditor's management letter and the management's response thereto within 3 months of submission of such, and report to the Board.	Complied.
	e) The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.	Complied. Monitored through review of audit reports and implementation of recommendations.
	f) The BAC shall ensure that the senior management are taking necessary corrective actions in a timely manner to address internal control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies with respect to internal audit function of the FC.	Complied. Findings reported by internal auditors and statutory auditors are discussed at BAC meetings and time bound action plans are recommended by BAC.

Section	Governance Requirement	Extent of Compliance in 2024
	g) Internal Audit Function	
	i. The committee shall establish an independent internal audit function (either in house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations) Direction or as amended that provides an objective assurance to the committee on the quality and effectiveness of the FC's internal control, risk management, governance systems and processes.	An in-house Internal Audit Function is in place.
	ii. The internal audit function shall have a clear mandate, be accountable to the BAC, be independent and shall have sufficient expertise and authority within the FC to carry out their assignments effectively and objectively.	Complied.
	iii. The BAC shall take the following steps with regard to the internal audit function of the FC:	Complied.
	(i) Review the adequacy of the scope, functions and skills and resources of the internal audit department and ensure the internal audit department has the necessary authority to carry out its work.	Complied.
	(ii) Review the internal audit program and results of the internal audit process and, where necessary, ensure appropriate actions are taken on the recommendations of the internal audit.	Complied.
	(iii) Assess the performance of the head and senior staff members of the internal audit department.	Annual performance of the Senior management is under evaluation
	(iv) Ensure the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care.	Complied. AGM -IA reports to the BAC and his performance is evaluated by the BAC.
	(v) Ensure internal audit function carry out periodic review of compliance function and regulatory reporting to regulatory bodies.	Complied. During 2024 internal audit division has reviewed the preparation of quarterly financial statements and disclosures required by SLFRS, CBSL and SEC. Also branch audit reviews performed to ensure compliance with company policies, operations manual guidelines and procedures. Material non compliances are reported to Board Audit Committee on an ongoing basis. Implementation review of recommendations made in statutory inspection reports, are carried out by the Internal Audit division. Additionally, the Compliance Officer informs the Board Audit Committee and advises Senior Management on new regulatory developments and time plans for implementation. This will be strengthened further.
	(vi) Examine the major findings of internal investigations and management's responses thereto.	Complied.
	h) The BAC shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensure necessary corrective actions are taken in a timely manner and monitor the progress of implementing the time bound action plan quarterly.	Complied.
	i) Meetings of the Committee	
	i. The BAC shall meet as specified in 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Complied.

CORPORATE GOVERNANCE REPORT

Section	Governance Requirement	Extent of Compliance in 2024
	ii. Other Board members, senior management or any other employee may attend meetings upon the invitation of the committee when discussing matters under their purview.	Complied.
	iii. BAC shall meet at least twice a year with the external auditors without any other directors/senior management/employees being present.	Complied. Closed door meetings were held on 12.07.2024 and 18.11.2024
10.3	Board Integrated Risk Management Committee (BIRMC)	
	The following shall apply in relation to the BIRMC:	
	a) The BIRMC shall be chaired by an independent director. The Board members appointed to BIRMC shall be Non-Executive Directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with senior management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	The Committee is chaired by the Chairman of the Board, who is an Independent, Non-Executive Director. The CEO and CRO attend all IRMC meetings and other CMC members are invited to the meetings when requested by the Committee. The members of the Committee are from sound background in the field of Audit, Finance and banking
	b) The secretary to the committee may preferably be the CRO.	Company Secretary functions as the secretary to BIRMC.
	c) The committee shall assess the impact of risks, including credit, market, liquidity, operational, strategic, compliance and technology, to the FC at least on once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board.	Complied The Committee assesses the Company risks covering all these areas.
10.3		
	d) Developing FC's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a FC will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the FC is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision making and establishing the means to raise risk issues and strategic concerns throughout the FC.	Complied. Approved RAS is monitored by the CRO and reported to the BIRMC on ongoing basis. RAS is subjected to annual review.
	e) The BIRMC shall review the FC's risk policies including RAS, at least annually.	Complied. BIRMC reviews the FC's risk policies including RAS, at least annually.
	f) The BIRMC shall review the adequacy and effectiveness of senior management level committees (such as credit, market, liquidity investment, technology and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	Complied. The BIRMC assesses the adequacy of the operational level committees periodically.
	g) The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	Complied. Business Continuity and Disaster Recovery plans are subject to annual review.
	h) BIRMC shall annually assess the performance of the compliance officer and the CRO.	Complied.

Section	Governance Requirement	Extent of Compliance in 2024
	i) Compliance Function	
	i. BIRMC shall establish an independent compliance function to assess the FC's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business operations.	Complied. Company has established an independent division headed by a dedicated Compliance Officer.
	ii. For FCs with asset base of more than Rs. 20 Bn, a dedicated compliance officer considered to be senior management with sufficient seniority, who is independent from day-to-day management shall carry out the compliance function and report to the BIRMC directly. The compliance officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be 'dual hatting', i.e. the chief operating officer, chief financial officer, chief internal auditor, chief risk officer or any other senior management shall not serve as the compliance officer.	Complied. The Compliance Officer is independent from day-to-day management functions and there is no 'dual hatting'.
	iii. For FCs with asset base of less than Rs. 20Bn, an officer with adequate seniority considered to be senior management shall be appointed as compliance officer avoiding any conflict of interest.	Not applicable.
10.3	iv. The BIRMC shall ensure responsibilities of a compliance officer would broadly encompass the following: (i) develop and implement policies and procedures designed to eliminate or minimize the risk of breach of regulatory requirements; (ii) ensure compliance policies and procedures are clearly communicated to all levels of the FC to enhance the compliance culture; (iii) ensure reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards; (iv) understand and apply new legal and regulatory developments relevant to the business of FC; (v) secure early involvement in the design and structuring of new products and systems, to ensure conformity with the regulatory requirements, internal compliance and ethical standards; (vi) highlight serious or persistent compliance issues and where appropriate, work with the management to ensure that they are rectified within an acceptable time; and (vii) maintain regular contact and good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with highest integrity,	Complied Process and procedures were developed and put into place to eliminate regulatory breaches, and the entire process is being carried out in accordance with the annual compliance plan approved by the Board and BIRMC examines progress on a bi-monthly basis.
	j) Risk Management Function	
	i. BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the FC	Complied. The company has already established an Independent Risk Management function.
	ii. For FCs with asset base of more than Rs.20 Bn, it is expected to have a separate risk management department and a dedicated CRO considered to be senior management shall carry out the risk management function and report to the BIRMC periodically.	Complied.
	iii. The CRO has the primary responsibility for implementing the Board approved risk management policies and processes including RAS in order to ensure the FC's risk management function is robust and effective to support its strategic objectives and to fulfill broader responsibilities to various stakeholders.	Complied.

CORPORATE GOVERNANCE REPORT

Section	Governance Requirement	Extent of Compliance in 2024
	<p>iv. The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers:</p> <p>(i) various potential risks and frauds;</p> <p>(ii) possible sources of such risks and frauds;</p> <p>(iii) mechanism of identifying, assessing, monitoring and reporting of such risks which includes quantitative and qualitative analysis covering stress testing ;</p> <p>(iv) effective measures to control and mitigate risks at prudent levels; and</p> <p>(v) relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually.</p>	<p>Complied.</p> <p>Board approved Risk Management Policy framework is in place.</p>
	v. The CRO shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc., and make recommendations on risk management.	Complied.
	vi. The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.	<p>Complied.</p> <p>Comprehensive updates are shared with the IRMC periodically.</p>
	vii. The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.	<p>Complied.</p> <p>The Risk Assessment Reports are submitted to the upcoming Board meeting periodically.</p>
10.4	Nomination & Corporate Governance Committee	
	The following shall apply in relation to the Nomination Committee:	
	a) The committee shall be constituted with Non-Executive Directors and preferably the majority may be independent directors. An independent director shall chair the committee. The CEO may be present at meetings by invitation of the committee.	<p>a) Complied w.e.f.14.10.2024</p> <p>The Committee comprised of all Non-Executive Directors where Chairperson has been an Independent Director. Committee was reviewed and reconstituted w.e.f. 14.10.2024 having majority of Independent Directors.</p>
	b) Secretary to the nomination committee may preferably be the company secretary.	<p>b) Complied</p> <p>Company Secretary is the secretary of the Committee.</p>
	c) The committee shall implement a formal and transparent procedure to select/appoint new directors and senior management. Senior management are to be appointed with the recommendation of CEO, excluding CIA, CRO and Compliance Officer.	<p>c) Complied</p> <p>HR Recruitment Policy is applicable for the Senior Management and there are provisions in the Board Charter to the appointment of the Directors. CEO does not get involved in the selection/ appointment procedure of the CIA, CRO and Compliance Officer.</p>
	d) The committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	<p>d) Complied. Upon receiving the nomination it is being referred to the Nomination Committee for their recommendations. With the recommendation of the Committee it will be submitted to the Board for approval.</p>

Section	Governance Requirement	Extent of Compliance in 2024
	<p>e) The selection process shall include reviewing whether the proposed directors</p> <p>(i) possess the knowledge, skills, experience, independence and objectivity to fulfill their responsibilities on the board;</p> <p>(ii) have a record of integrity and good repute; and</p> <p>(iii) have sufficient time to fully carry out their responsibilities.</p>	<p>e) Complied.</p> <p>Nominations received from parent BOC and Treasury are referred to the committee for their evaluation and recommendation.</p>
	<p>f) The committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the FC as a whole.</p>	<p>f) As the company is a SOE, all the nominations are received from either the Treasury or the parent company, Bank of Ceylon.</p>
	<p>g) The committee shall set the criteria, such as qualifications, experience and key attributes required for eligibility, to be considered for appointment to the post of CEO and senior management.</p>	<p>g) Complied.</p>
	<p>h) Upon the appointment of a new director to the Board, the committee shall assign the responsibility to the company secretary to disclose to shareholders:</p> <p>(i) a brief resume of the director;</p> <p>(ii) the nature of the expertise in relevant functional areas;</p> <p>(iii) the names of companies in which the director holds directorships or memberships in Board committees; and</p> <p>(iv) whether such director can be considered as independent.</p>	<p>h) Complied.</p> <p>When a new Director is appointed upon obtaining approval from CBSL announcement is made to CSE with a brief resume including their expertise, experience, professional and academic qualifications.</p>
	<p>i) The committee shall consider and recommend (or not recommend) the reelection of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the FC and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.</p>	<p>i) Complied</p>
	<p>j) The committee shall consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring directors and senior management</p>	<p>j) Complied</p>
	<p>k) A member of the nomination committee shall not participate in decision making relating to own appointment/ reappointment and the Chairperson of the board should not chair the committee when it is dealing with the appointment of the successor.</p>	<p>k) Complied</p>
10.5.	Human Resource and Remuneration Committee	
	The following shall apply in relation to the Human Resources and Remuneration Committee:	
	<p>a) The committee shall be chaired by a Non-Executive Director and the majority of the members shall consist of Non-Executive Directors.</p>	<p>Complied</p> <p>All three members of the Committee are Non-Executive Directors.</p>
	<p>b) The secretary to the Human Resource and Remuneration Committee may preferably be the company secretary.</p>	<p>Complied.</p>

CORPORATE GOVERNANCE REPORT

Section	Governance Requirement	Extent of Compliance in 2024
	c) The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to executive directors and senior management of the FC and fees and allowances structure for Non-Executive Directors.	Complied. Fees for Non-Executive Directors are paid as per the circular No. PED 01/2020 dated 27.01.2020 issued by Ministry of Finance. Remuneration for the senior management is determined under the Board approved Remuneration Policy.
	d) There shall be a formal and transparent procedure in developing the remuneration policy.	Complied. Remuneration Policy reviewed and recommended by HRRC is in place.
	e) The committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances and other financial incentives for all employees of the FC. The policy shall be subject to periodic review of the Board, including when material changes are made.	Complied. Policy is being reviewed periodically
	f) The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests and cost structure of the FC. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivize employees to take excessive risk or to act in self-interest.	Complied. Incentives schemes that are designed to motivate and achieve superior performance are subject to approval by the HRRC and the Board. Checks and balances in place to safeguard excessive risk and self-interest.
	g) The committee shall review the performance of the senior management (excluding chief internal auditor, compliance officer, chief risk officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.	The performance of the Senior management has been reviewed by the Committee on 24.04.2025 against the set KPIs and goals excluding chief internal auditor, compliance officer, chief risk officer)
	h) The committee shall ensure that the senior management shall abstain from attending committee meetings, when matters relating to them are being discussed.	Complied.
11	Internal Controls	
11(1)	FCs shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks.	Complied. Well defined internal control systems have been established covering all these areas. The Company has deployed procedures for all its business activities and are periodically reviewed. Internal control policies and procedures to mitigate the risks associated with such business processes are duly incorporated into those manuals with ongoing reviews.

Section	Governance Requirement	Extent of Compliance in 2024
11(2)	<p>A proper internal control system shall:</p> <ul style="list-style-type: none"> (a) promote effective and efficient operations; (b) provide reliable financial information; (c) safeguard assets; (d) minimize the operating risk of losses from irregularities, fraud and errors; (e) ensure effective risk management systems; and (f) ensure compliance with relevant laws, regulations, directions and internal policies. 	<p>Complied.</p> <p>Objectives of each internal control process/procedure cover these aspects.</p> <p>The Board Audit Committee assists the Board in ensuring that company has proper internal controls. Internal Audit Department support the process via their regular audits.</p> <p>BIRMC ensure effective risk management of the FC.</p>
11(3)	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	<p>Complied.</p> <p>Clear responsibilities for control activities are identified in Business Procedure Manuals.</p>
Related Party Transactions		
12(1)	Board shall establish a policy and procedures for related party transactions, which covers the following:	
	a) All FCs shall establish a Related Party Transactions Review Committee (RPTRC) and the chairperson shall be an independent director and the members shall consist of Non-Executive Directors.	<p>Complied.</p> <p>The FC has established a Related Party Transactions Review Committee. An independent director functions as the Chairperson of the Committee.</p>
	b) All related party transactions shall be prior reviewed and recommended by the RPTRC.	Complied.
	<p>c) The business transactions with a related party that are covered in this Direction shall be the following:</p> <ul style="list-style-type: none"> i. Granting accommodation. ii. Creating liabilities to the FC in the form of deposits, borrowings and any other payable. iii. Providing financial or non-financial services to the FC or obtaining those services from the FC. iv. Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to share proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party. 	<p>The Board approved related Party Transactions Policy covers types of related party transactions in line with the Direction.</p>

CORPORATE GOVERNANCE REPORT

Section	Governance Requirement	Extent of Compliance in 2024
12(2)	<p>The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as “related parties” for the purposes of this Direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises.</p> <ul style="list-style-type: none"> a) Directors and senior management. b) Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC. c) Subsidiaries, associates, affiliates, holding company, ultimate parent company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa. d) Directors and senior management of legal persons in paragraph (b) or (c). e) Relatives of a natural person described in paragraph (a), (b) or (d). (f) Any concern in which any of the FC’s directors, senior management or a relative of any of the FC’s director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest. 	<p>A list of related parties as defined under a-e has been compiled and made available to relevant managers and staff to avoid any conflicts and facilitate reporting.</p>
12(3)	<p>The committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party “more favorable treatment” than that is accorded to other similar constituents of the FC. For the purpose of this paragraph, “more favorable treatment” shall mean:</p> <ul style="list-style-type: none"> a) Granting of “total accommodation” to a related party, exceeding a prudent percentage of the FCs regulatory capital, as determined by the committee. b) Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty. c) Providing preferential treatment, such as favorable terms, that extends beyond the terms granted in the normal course of business with unrelated parties. d) Providing or obtaining services to or from a related party without a proper evaluation procedure; or e) Maintaining reporting lines and information flows between the FC and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions. 	<p>Complied.</p> <p>Board approved Related Party Transactions Policy has a provision to ensure that the company does not engage in transactions that would grant “more favourable treatment.</p>

Section	Governance Requirement	Extent of Compliance in 2024
13.	GROUP GOVERNANCE	
13(1)	<p>Responsibilities of the FC as a Holding Company</p> <p>a) The FC is responsible for exercising adequate oversight over its subsidiaries and associates while complying with the independent legal, regulatory and governance responsibilities that apply to them.</p> <p>b) The Board of the FC shall:</p> <p>i) Ensure that the group governance framework clearly defines the roles and responsibilities for the oversight and implementation of group-wide policies.</p> <p>ii) Ensure that the differences in the operating environment, including the legal and regulatory requirements for each company, are properly understood and reflected in the group governance framework.</p> <p>iii) Have in place reporting arrangements that promote the understanding and management of material risks and developments that may affect the holding FC and its subsidiaries.</p> <p>iv) Assess whether the internal control framework of the group adequately addresses risks across the group, including those arising from intra-group transactions; and</p> <p>v) Ensure that there are adequate resources to effectively monitor compliance of the FC and its subsidiaries with all applicable legal and regulatory requirements.</p> <p>c) The FC, as the apex entity, shall ensure that the group structure does not undermine its ability to exercise effective oversight. The Board shall establish a clearly defined process of approving the creation of new legal entities under its management and identifying and managing all material group-wide risks through adequate and effective policies and controls.</p> <p>d) The Board and senior management of the FC shall validate that the objectives, strategies, policies and governance framework set at the group level are fully consistent with the regulatory obligations of the FC and ensure that company-specific risks are adequately addressed.</p> <p>e) The FC shall avoid setting up complicated structures that lack economic substance or business purpose that can considerably increase the complexity of the operations.</p>	<p>Board approved Group Governance Policy is in place. The governance Group Governance requirements will be addressed in line with the approved GGF.</p>
13(2)	Responsibilities as a Subsidiary If the FC is a subsidiary of another financial institution subject to prudential regulation, FC shall discharge its own legal and governance responsibilities.	Complied.
14	CORPORATE CULTURE	
14(1)	A FC shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, integrity of reporting, protection and proper use of company assets and fair treatment of customers.	A code of conduct covering these areas is in place and made available to all employees.
14(2)	The FC shall maintain records of breaches of code of conduct and address such breaches in a manner that upholds high standards of integrity.	Complied.
14(3)	A FC shall establish a Whistleblowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confidence manner and without the risk of reprisal. The BAC shall review the policy periodically.	<p>Complied.</p> <p>Company has deployed a well-defined Whistleblowing policy which is displayed at every branch allowing internal and external parties to report unethical, fraudulent and illegal activities. All incidents are investigated and reported to the BAC.</p>

CORPORATE GOVERNANCE REPORT

Section	Governance Requirement	Extent of Compliance in 2024
15	CONFLICTS OF INTEREST	
15(1)	<p>a) Relationships between the directors shall not exercise undue influence or Interest coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such director has substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting,</p> <p>b) The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall,</p> <p>i. Identify circumstances which constitute or may give rise to conflicts of interests.</p> <p>ii. Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest.</p> <p>iii. Define the process for directors and senior management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest.</p> <p>iv. Implement a rigorous review and approval process for director and senior management to follow before they engage in certain activities that could create conflicts of interest.</p> <p>v. Identify those responsible for maintaining updated records on conflicts of interest with related parties, and</p> <p>vi. Articulate how any non-compliance with the policy to be addressed.</p>	<p>The Directors are well aware of their ethical conduct with regard to conflict of interests. There is a separate agenda item in the Board meetings to disclose any conflict of interests. Related Party Transaction Policy and Code of Conduct also cover these areas comprehensively.</p> <p>Related party Transaction Policy provides that directors shall abstain from voting on Board resolution when such director or relative has substantial interest and such director shall not be counted in the quorum. Board approved policy on Potential Conflicts of interest is in place.</p> <p>Board approved policy on Potential Conflicts of interest is in place.</p>
16	DISCLOSURES	
16.1	The Board shall ensure that:	Complied.
	(a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards.	
	(b) such statements are published in the newspapers in Sinhala, Tamil and English. The Board shall ensure that at least following disclosures are made in the Annual Report of the FC.	Complied.
	i. Financial statements	
	In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include,	
	A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Please refer "Directors responsibility for financial reporting" page 122.
	A statement of responsibility of the Board in preparation and presentation of financial statements.	Please refer "Directors responsibility for financial reporting" page 122.

Section	Governance Requirement	Extent of Compliance in 2024
	ii. Chairperson, CEO and Board related disclosures	
	Name, qualification and a brief profile.	
	Whether executive, Non-Executive and/or independent director.	Please refer the Profiles of the Directors on pages 12 to 14 of this Annual Report.
	Details of the director who is serving as the senior director, if any.	
	The nature of expertise in relevant functional areas.	Please refer Note 43 to the "Related party transactions" on page 223.
	Relatives and/or any business transaction relationships with other directors of the company.	Please refer page 223 of this Annual Report.
	Names of other companies in which the director/CEO concerned serves as a director and whether in an executive or Non-Executive capacity.	Please refer the Profiles of the Directors on pages 12 to 14 and committee reports pages 105 to 116.
	Number/percentage of Board meetings of the FC attended during the year; and	Please refer page 98 of this Annual Report.
	Names of board committees in which the director serves as the Chairperson or a member.	Please refer the page 98 of this Annual Report and committee reports pages 105 to 116.
16.1	iii. Appraisal of board performance	
	An overview of how the performance evaluations of the Board and its committees have been conducted.	Please refer pages 55 to 98 in Corporate Governance report.
		Each Director and CEO carry out a self-assessment, assessment of Chairman and Board Sub Committees. Whereas The Chairman evaluates the CEO and all Directors. All records of assessments are kept in the custody of the Company Secretary. A summary of the self-assessment is submitted to the Board for the review and discussion.
	iv. Remuneration	
	A statement on remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management, level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation)	Please refer Note 43c on page 224. Also please refer the Report of the Human Resources and Remuneration Committee on page 116.
	The aggregate values of remuneration paid by the FC to its directors and senior management.	Please refer Note 43c on page 224.

CORPORATE GOVERNANCE REPORT

Section	Governance Requirement	Extent of Compliance in 2024
	v. Related party transactions	
	The nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board.	A declaration is submitted by each director on quarterly basis declaring related party details. According to the Declaration submitted there is no any financial, business, family or any other material relationship between the Chairperson and the CEO and among members of the Board, other than the BOC nominee directors who are employees of the same entity.
	Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the FC's core capital.	Please refer Note 43 to the "Related party transactions" on pages 223 to 226.
	The aggregate values of the transactions of the FC with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the FC.	Please refer Note 43 to the "Related party transactions" on pages 223 to 226.
	vi. Board appointed committees	
	The details of the chairperson and members of the board committees and attendance at such meetings.	Please refer pages 105 to 116 of this Annual Report.
	vii. Group Structure	
	The group structure of the FC within which it operates.	Please refer Note 1.3 to the "Group Structure" on page 134.
	The group governance framework.	
16.1	viii. Director's report	
	A report, which shall contain the following declarations by the Board:	
	The FC has not engaged in any activity, which contravenes laws and regulations.	Please refer the Annual report of the Board of Directors on the Affairs of the Company on pages 100 to 104 of this Annual Report.
	The directors have declared all related party transactions with the FC and abstained from voting on matters in which they were materially interested.	Please refer Note 43 to the "Related party transactions" on pages 223 to 226.
	The FC has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors.	The Board has specifically covered the fair treatment of stake holders under the Board Charter. In addition, the Company endeavours fair treatment of all stakeholders, particularly the depositors by implementing the Customer Protection Framework and Whistle-Blowing policy and procedures.
	The business is a going concern with supporting assumptions; and	
	The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness.	Please refer the Annual report of the Board of Directors on the Affairs of the Company on pages 100 to 104 of this Annual Report.
		Please refer Directors' Responsibility Statement on Internal Control Over Financial Reporting on pages 119 to 120.

Section	Governance Requirement	Extent of Compliance in 2024
	ix. Statement on Internal Control	
	A report by the Board on the FC's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	Please refer Directors Responsibility Statement on Internal Control Over Financial Reporting on pages 119 to 120.
	The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published.	Please refer Directors Responsibility Statement on Internal Control Over Financial Reporting on pages 119 to 120.
	A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances.	Please refer the Corporate Governance Report on Pages 55 to 98 and the Annual Report of the Board of Directors on the affairs of the Company on pages 100 to 104.
	A statement of the regulatory and supervisory concerns on lapses in the FC's risk management, or non-compliance with the Act, and rules and directions	Please refer Risk Management Report (Compliance Risk section) on pages 43 to 54.
16.1	x. Corporate Governance Report	
	Shall disclose the manner and extent to which the company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction.	Please refer the Corporate Governance Report on Pages 55 to 98 of this Annual Report.
		External Auditors have issued an independent assurance report confirming that the Company has complied with the Corporate Governance Direction No. 05 of 2021.
	xi. Code of Conduct	
	FC's code of business conduct and ethics for directors, senior management and employees.	Disclose on pages 55 to 98 in Corporate Governance Report and please also refer page 104.
	The Chairperson shall certify that the company has no violations of any of the provisions of this code.	Complied.
		Code of Conduct is in place and there had been no material violations during the year.
	xii. Management report	
	Industry structure and developments	Please refer "Management Discussion and Analysis" on Pages 31 to 42.
	Opportunities and threats	
	Risks and concerns	
	Sustainable finance activities carried out by the company	
	Prospects for the future	

CORPORATE GOVERNANCE REPORT

Section	Governance Requirement	Extent of Compliance in 2024
xiii.	Communication with shareholders	
	The policy and methodology for communication with shareholders.	Board approved Policy on Relations with Shareholders and Investors is in place to communicate with Shareholders where communication and feedback mechanism has been facilitated. Dedicated person with a contact no has been arranged to address their queries of Shareholders and Investors. In addition to Corporate Communication policy is also in place to communicate with stakeholder.
	The contact person for such communication.	

ATTENDANCE AT THE MEETINGS OF THE BOARD & SUB-COMMITTEES HELD DURING THE FINANCIAL YEAR 2024

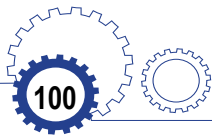
Name of the Director	Directorship Status	Board	Audit Committee	Integrated Risk Management Committee	Related Party Transactions Review Committee	Human Resources & Remuneration Committee	Nomination and Governance Committee	Information and Communication Technology (ICT)
		Number of meetings held						
		22	13	6	4	7	6	4
Mr. A M A Perera - Chairman	Independent/ Non-Executive Director	22	-	6	-	-	-	-
Prof. N S Punchihewa (Resigned w.e.f. 20.03.2025)	Independent/ Non-Executive Director	18	11	-	3	5	1	3
Mr. M P R Kumara (Resigned w.e.f. 23.12.2024)	Non-Independent/ Non-Executive Director	18	13	4	-	-	-	-
Mr. G A Jayashantha	Non-Independent/ Non-Executive Director	18	-	6	-	-	6	-
Mr. J D V N Jayasinghe (Resigned w.e.f. 19.02.2025)	Independent/ Non-Executive Director	21	13	-	4	7	6	-
Mr. R M N Jeewantha	Non-Independent/ Non-Executive Director	17	-	5	-	-	6	-
Mr. H P K Silva	Non-Independent/ Non-Executive Director	14	-	-	4	6	-	3
Mr. Y A Jayathilaka	Non-Independent/ Non-Executive Director	16	-	-	-	-	-	4
Ms. R. Dulani Fernando (Appointed w.e.f. 27.09.2024)	Independent/ Non-Executive Director	5	2	2	1	-	-	1

COMMITTEE REPORTS



Agility

The dragonfly's swift and precise movements mirror MBSL's ability to adapt to dynamic market conditions with speed and efficiency. Our synchronised strategies drive rapid transformations, ensuring that we remain ahead of industry shifts and evolving customer needs. With keen vision and awareness, MBSL identifies opportunities that others may overlook, leveraging agility to create lasting impact and sustainable growth.



ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

GENERAL

The Board of Directors present this report to the shareholders as required by the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and Directions issued thereunder, and the Listing Rules of the Colombo Stock Exchange. This Report was approved by the Board of Directors on 05.05.2025.

The Board of Directors confirm that the Audited Financial Statements included in this Annual Report and the significant accounting policies and notes thereto have been prepared and presented with the relevant disclosures in accordance with the Sri Lanka Accounting Standards and other applicable regulatory requirements.

This report includes the information that requires under Section 168 of the Companies Act No. 07 of 2007 or references if the the information is published elsewhere in the Annual Report.

Information required to be disclosed as per the Companies Act No. 07 of 2007	Reference (section of the Companies Act No. 7 of 2007)	Page references and other disclosures
i The nature of the business of the Group and the Company together with any change thereof during the accounting period and the classes of business in which the Company has an interest.	Section 168 (1) (a)	Refer on page 134
ii Signed Financial Statements of the Company and the Group for the accounting period completed.	Section 168 (1) (b)	Refer on page 130
iii Auditors' Report on the Financial Statements of the Company and of the Group.	Section 168 (1) (c)	Refer on pages 121 to 126
iv Accounting Policies and any changes therein (Group also included)	Section 168 (1) (d)	Refer on Pages 134 to 254
v Particulars of the entries made in the Interest Register during the accounting period	Section 168 (1) (e)	Refer on page 103
vi Director's fee and other benefits paid to Directors of the Company and its subsidiaries during the accounting period.	Section 168 (1) (f)	Refer on pages 103 and 223
vii Information on donations made by the Company during the accounting period.	Section 168 (1) (g)	Refer on page 103
viii Names of Directors of the Company as at the end of the accounting period and the names of persons who ceased to hold office as Directors during the accounting period.	Section 168 (1) (h)	Refer on page 102
ix Disclosure on amounts payable to the Auditor as Audit Fees and a separate disclosure on amounts payable to the Auditor as Fees for other services rendered during the accounting period.	Section 168 (1) (i)	Refer on pages 103 and 157
x Particulars of the Auditors' relationship with the Company and/ or any of its subsidiaries (other than that of Auditor) or any interest the Auditor has in the Company and/or its Subsidiaries.	Section 168 (1) (j)	Refer on page 103
xi Acknowledgment of the contents of this Report/ Signatures on behalf of the Board by any two Directors and the Company Secretary.	Section 168 (1) (k)	Refer on page 104

VISION, MISSION AND CORPORATE CONDUCT

The Company's vision, mission, and values are given on page 02 of this Report.

PRINCIPAL ACTIVITIES

The Company is a registered Finance Leasing Company under the provisions of the Finance Leasing Act No.56 of 2000 and a Finance Company licensed by the Monetary Board of Central Bank of Sri Lanka under the Finance Business Act No 42 of 2011. The Company is also a registered Market Intermediary coming under the Securities and Exchange Commission of Sri Lanka under the categories of (i) Margin Provider (ii) Underwriter

(iii) Investment Manager. MBSL has a subsidiary and an associate Company namely, MBSL Insurance Company Limited and Lanka Securities (Private) Limited respectively, which collectively constitute the Group.

The principal activities of the Company are Leasing, corporate and retail credit, margin trading, micro financing, agricultural credit facilities, real estate, gold loan, corporate advisory services, capital market operations and accepting of savings and fixed deposits, and the provision of other related financial services.

The principal activities of the subsidiary and associate are given in Note 1.3 to the Financial Statements on page 135.

REVIEW OF OPERATIONS

A review of the operations of the Company during the financial year ended 31 December 2024 and results of those operations are contained in the Chairman's Review on pages 22 to 25., the Chief Executive Officer's Review on pages 26 to 29 and Management Discussion and Analysis on pages 31 to 42 These reports form an integral part of the Annual Report.

FUTURE OUTLOOK

An overview of the future plans and developments of the Company is presented in the Chairman's review on pages 22 to 25 and in the Chief Executive Officer's Review on pages 26 to 29 of this Annual Report.

FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP

The Audited Financial Statements of the Company and of the Group for the year ended 31 December 2024 duly signed by the Chief Finance Officer, the Chief Executive Officer and approved by the Board of Directors of the Company are given on Pages 127 to 254 and form an integral part this Report of the Board.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Board of Directors is responsible for the preparation of the Financial Statements of the Group and the Company, which reflect a true and fair view of the state of affairs of the Company and of the Group. The Board is of the view that the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Significant Accounting Policies and Notes thereto appearing on pages 127 to 254 have been prepared in conformity with the requirements of the Sri Lanka Financial Reporting Standards (SLFRs) as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Companies Act No. 07 of 2007. Further, these Financial Statements also comply with the requirements of the Finance Leasing Act No. 56 of 2000, Finance Business Act No 42 of 2011 and Regulation of Insurance Industry Act No 43 of 2000. The 'Statement of Directors' Responsibility for Financial Reporting' appearing on page 122 forms an integral part of this Report.

AUDITOR'S REPORT

The Auditor General or any person authorized by the Auditor General shall be the Auditor of the company as Merchant Bank of Sri Lanka & Finance PLC comes under the definition of Auditee Entity under the National Audit Act No 19 of 2018. Report of the Auditor General on the Financial Statements of the Company and the Consolidated Financial Statements for the year ended 31 December 2024 is given on page 123 of this Annual Report.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

During the year under review, there were no changes in the accounting policies that had been adopted by the Group and the Company and were consistent with those adopted in the

previous financial year as required by the Sri Lanka Accounting Standards- LKAS 01 on 'Presentation of Financial Statements' and comply with Section 168 (1) (d) of the Companies Act No. 07 of 2007. The Significant Accounting Policies adopted in the preparation of the Financial Statements of the Group and the Company are given on pages 134 to 254 of the Annual Report.

INCOME

The income of the Company & the Group for the year ended 31 December 2024 was Rs. 7,582.72 Mn and Rs. 8,289.22 Mn Respectively.

FINANCIAL RESULTS AND APPROPRIATIONS

Details of the Company and the Group performance and appropriation of profit are given on page 127 and page 128 respectively.

RESERVES

Information on the movement of reserves are given in the Statement of Changes in Equity on page 131 and in Note 42 respectively to the Financial Statements on pages 222 to 223.

TAXATION

The Company is liable for income tax at the rate of 30% (2023-30%), VAT on Financial Services at 18% (2023-18%) and Social Security Contribution Levy (SSCL) at 2.5% (2023-2.5%).

STATUTORY PAYMENTS

The Board of Directors confirm that to the best of their knowledge and belief, statutory payments to all relevant regulatory and statutory authorities have been paid by the Company.

PROPERTY AND EQUIPMENT

The total capital expenditure incurred on the acquisition of property and equipment and intangible assets of the Company and the Group amounted to Rs. 84.16 Mn and Rs. 85.81 Mn respectively. The addition to right of use assets of the company and the Group in the year amounted to Rs. 89.58 Mn and Rs. 89.58 Mn respectively. The details of property and equipment of the Company are given in Note 30 and 31 to the Financial Statements on pages 203 to 208.

MARKET VALUE OF FREEHOLD PROPERTIES

All freehold land and buildings of the company were revalued by a professionally qualified independent valuer. The Directors are of the opinion that the carrying amount is not in excess of the current market values of the property. The details of freehold property owned by the Company are given in Note 30 to Financial Statements on page 203.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any shares and debentures during the financial year. The Company issued 6,228,300 unsecured redeemable subordinated debentures with a par value of Rs. 100 each in 2023.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

STATED CAPITAL AND DEBENTURES

The Company's Stated Capital as at 31 December 2024 was Rs. 4,276.45 Mn, comprising of 524,539,637 ordinary voting shares. The details of the Stated Capital are given in Note 41 to the Financial Statements on page 222.

The details of debentures outstanding as at 31 December 2024 are given in Note 35.1 to the Financial Statements on page 212.

CAPITAL ADEQUACY

Company's Tier 1 Capital and Tier 2 Capital adequacy ratios stood at 11.97 and 14.45 percent respectively which were well above the stipulated ratios of 8.5 and 12.5 percent respectively.

SHARE INFORMATION

Information relating to earnings, net assets and market value per share is given in 'Key Figures' on page 8 Information on the trading of the shares and movement in the number of shares represented by the Stated Capital of the Company is given under the shareholder information on pages 258 to 261.

SUBSTANTIAL SHAREHOLDINGS

Information on Top Twenty Shareholders

Details of the top twenty shareholders percentages of their respective holdings and percentage holding of the public are given on page 260.

DIRECTORS

The names of the Directors who comprised the Board of Directors of the Company as at 31 December 2024 are given below and their attendance at the board meetings during the year is given on page 98 of the Annual Report.

Name of the Director	Executive/ Non-Executive Status	Independent/ Non- Independent Status
Mr. A M A Perera - Chairman	Non-Executive Director	Independent
Prof. N S Punchihewa	Non-Executive Director	Independent
Mr. G A Jayashantha	Non-Executive Director	Non-Independent
Mr. J D V N Jayasinghe	Non-Executive Director	Independent
Mr. R M N Jeewantha	Non-Executive Director	Non-Independent
Mr. H P K Silva	Non-Executive Director	Non-Independent
Mr. Y A Jayathilake	Non-Executive Director	Non-Independent
Ms. R Dulani Fernando	Non-Executive Director	Independent

CHANGES TO THE DIRECTORATE

Appointments during the year under review

Ms. R Dulani Fernando was appointed to the Directorate of MBSL as an Independent/Non-Executive Director w.e.f. 27.09.2024.

Resignations during the year under review

Mr. Ruwan Kumara resigned from the Directorate of MBSL as Non-Independent/Non-Executive Director w.e.f. 23.12.2024.

Appointments after 31st December 2024

Mr. A J Ismail was appointed to the Directorate of MBSL as a Non-Independent/Non-Executive Director w.e.f. 30.01.2025.

Mr. W C Rodrigo was appointed to the Directorate of MBSL as an Independent/Non-Executive Director w.e.f. 20.03.2025.

Resignations after 31st December 2024

Mr. J D V N Jayasinghe resigned from the Directorate of MBSL as an Independent/Non-Executive Director w.e.f. 19.02.2025.

Prof. N S Punchihewa resigned from the Directorate of MBSL as an Independent/Non-Executive Director w.e.f. 20.03.2025.

Independence of Directors

In accordance with the Finance Business Act (Corporate Governance) Direction No. 5 of 2021, Rule 9.8.5 of the Colombo Stock Exchange (CSE) Listing Rules Mr. A M A Perera, Ms. R Dulani Fernando and Mr. W C Rodrigo being Independent Non-Executive Directors of the MBSL, have submitted signed and dated declarations as per the specimen given in appendix 9A of continuing listing requirement of CSE.

Fit & Propriety

In compliance with the Finance Companies (Corporate Governance) Direction No. 5 of 2021 and Rule 9.7.5 of the Colombo Stock Exchange (CSE) Listing Rules, both the Board of Directors and the CEO have successfully met the fit and proper assessment criteria as at 31 December and 2024. Additionally, as per the regulations of the Colombo Stock Exchange, each member of the Board has submitted a signed declaration confirming continuous satisfaction to the fit and proper assessment criteria throughout the financial year ending as at 31 December 2024.

DIRECTORS' MEETINGS

Details of Directors' meetings which comprised Board meetings and Board Sub-Committee meetings namely Audit Committee, Integrated Risk Management Committee, Human Resources & Remuneration Committee, Related Party Transactions Review Committee, Nominations Committee, and Information and Communication Technology Committee and details of attendance at such meetings are presented on Pages 105 to 116.

INTERESTS REGISTER

In compliance with the provisions of the Companies Act No.7 of 2007, an Interests Register is maintained by the Company.

The Company's Directors have made general declarations in relation to their respective interests in transactions/ proposed transactions with the Company as provided for in section 192(2) of the Companies Act No.7 of 2007. Arising from these, details of contracts in which the Directors' have an interest are given under Note 43 to the Financial Statements on page 223 to 226 of the Annual Report, dealing with related party disclosures. Furthermore, the Chairman, the Board of Directors and the Chief Executive Officer of the Company have made general declarations that there are no financial, business, family or other material/relevant relationship(s) between themselves as required to be disclosed by the Finance Companies (Corporate Governance) Direction No. 05 of 2021.

DIRECTORS' REMUNERATION

Directors' fees and emoluments paid during the year under consideration are as follows:

	Company	Group
	Rs. Mn	Rs. Mn
Directors' Fees and Emoluments	4.99	7.32

DIRECTORS' INTEREST IN SHARES OF THE COMPANY

Mr. A J Ismail was appointed to the Directorate of MBSL on 30.01.2025 and he holds 12,000 shares as of 28.03.2025. None of the other Directors of the Board hold shares of the Company.

DIRECTORS' INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS

Directors' interests in contracts or proposed contracts with the Company, both direct and indirect are disclosed on page 103.

RELATED PARTY TRANSACTIONS

Directors have disclosed transactions if any that could be classified as related party transactions in terms of Sri Lanka Accounting Standard (LKAS 24) 'Related Party Disclosures', which is adopted in the preparation of the Financial Statements. This Disclosure is given in Note 43 to the Financial Statements on page 223 which form an integral part of the Annual Report of the Board of Directors.

All Related Party Transactions have been placed before the Related Party Transactions Review Committee for its review and recommendations.

The Board confirms that the Company has not engaged in transactions with any related party in a manner that would grant such party more favorable treatment than that accorded to other similar constituents of the Company.

The Directors declare that the Company is in compliance with Section 09 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year 2024.

AUDITORS' REMUNERATION AND INTERESTS IN THE COMPANY / GROUP

The Auditor General was the Auditor of the Company during the period under review. The fee amount payable for the year ended 31 December 2024 as audit fee by the Company is Rs. 2,830,450 (2023- Rs.2,830,450) and the Group is Rs. 4,402,450 (2023 – Rs.4,503,000). In addition, a sum of Rs. 577,000 (2023 – Rs.577,000) is payable by the Company and Rs. 905,000 (2023 – Rs.750,000) by the Group for permitted non-audit-related services.

As far as the Board of Directors are aware, the Auditors do not have any other relationship or interests in the Company or its Subsidiary or Associate.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company has not engaged in any activity contravening any laws and regulations.

ENVIRONMENTAL PROTECTION

The Company has used its best endeavors to comply with the relevant environmental laws and regulations. The Company has not engaged in any activity that is harmful or hazardous to the environment.

CORPORATE DONATIONS

No donations were made by the Company during the year under review.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are reflected in Note 44 to the Financial Statements on page 226.

OUTSTANDING LITIGATION

In the opinion of the Board of Directors and the Company's lawyers, pending litigation against the Company is disclosed in Note 47 to the Financial Statements on page 230 will not have a material impact on the financial position of the Company or on its future operations.

GOING CONCERN

The Board of Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, the Board of Directors continue to adopt the going concern basis in preparing Financial Statements.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROLS

RISK MANAGEMENT

The Company has an ongoing process in place to identify, evaluate and manage the risks that are faced by the Company. The Directors continuously review this process through the Board Integrated Risk Management Committee. Specific steps taken by the Company in managing risks are detailed in the Risk Management Report on pages 43 to 54.

CORPORATE GOVERNANCE

Directors' Declarations

The Board of Directors declare that:

1. The Company has complied with all applicable laws and regulations, in conducting its business and have not engaged in any activity contravening or violating relevant laws and regulations.
2. The Company has made all endeavors to ensure the equitable treatment of shareholders.
3. Effectiveness of and successful adherence to internal controls and risk management is practiced by the Company. The measures taken in this regard are set out in the Corporate Governance Report on pages 55 to 98 of this Annual Report.
4. To the best of their knowledge, there has not been any violation of the Code of Business Conduct and Ethics of the Company.
5. Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested.

The Directors declare that they have acted in good faith in executing their fiduciary duties by:

1. Prioritizing the Company's interests by disclosing conflicts promptly, and acting for the benefit of all stakeholders.
2. Actively participating in Board activities, contributing expertise towards the advancement of organizational goals, and acting with integrity and diligence to avoid liabilities.
3. Upholding the confidentiality of privileged information and board discussions.
4. Managing resources responsibly and ensuring legal and ethical behavior to safeguard the organization's financial health and reputation.
5. Supporting Environmental, Social and Governance sustainability and encouraging innovation across operations.
6. Upholding honesty, integrity, and professionalism and adhere to the highest ethical standards and to promote a culture of transparency, fairness, and respect within the organization.
7. Not engaging in insider dealings, defined as the use of privileged information for personal gain or to benefit others at the expense of the Company.
8. Adhering to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards governing the company.

9. Fostering a corporate culture of ethics and professionalism.
10. Holding themselves accountable for upholding principles and to address breaches promptly and transparently.

The measures taken and the extent to which the Company has complied with the regulations of the Securities and Exchange Commission of Sri Lanka, the Colombo Stock Exchange and the Central Bank of Sri Lanka are given in the Section on 'Corporate Governance' on pages 55 to 98.

HUMAN RESOURCES

The Company continued to implement appropriate Human Resource Management Policies to develop employees and optimize their contribution towards the achievement of corporate objectives. These policies and procedures ensure the equitable treatment of all employees.

ANNUAL GENERAL MEETING

The Forty Third (43rd) Annual General Meeting of the Company will be held at The Grand Maitland, Maitland Place, Colombo 07 on 06 June 2025 at 10.00 a.m. The Notice convening the Forty Third (43rd) Annual General Meeting is given on page 278.

ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007, Board of Directors hereby acknowledge the contents of this Annual Report.

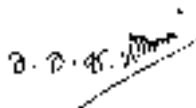
This Annual Report is signed for and on behalf of the Board of Directors by:



Mr. A M A Perera
Chairman



Mr. G A Jayashantha
Director



Ms. Theranjani Attanayake
Company Secretary

05 May 2025
Colombo

AUDIT COMMITTEE REPORT

BOARD AUDIT COMMITTEE REPORT

The Board Audit Committee (BAC) of the Merchant Bank of Sri Lanka & Finance PLC (MBSL) functions in terms of the Audit Committee charter approved by the Board of Directors. The scope of the charter is reviewed and updated regularly, taking into consideration those new developments and best practices relating to the role of the Committee.

COMPOSITION OF BOARD AUDIT COMMITTEE AND ATTENDANCE AT MEETINGS

The reconstitution of the BAC in October 2024 has ensured that it is chaired by an independent, Non-Executive Director. As such, the composition aligns with the requirements specified by the regulators. The composition of the Audit committee and attendance by members during the year 2024 was as follows:

Name of the Committee Member	Membership Status	Attendance
Mr. M P Ruwan Kumara Former Chairman	Non-Executive/Non-Independent Director (From 08/03/2023 To 14/10/2024, Resigned w.e.f. 23/12/2024)	13/13
Ms. R Dulani Fernando Chairperson	Non-Executive/Independent Director (Appointed w.e.f 14/10/2024)	2/2
Mr. J D V N Jayasinghe Member	Non-Executive/Independent Director (Appointed w.e.f. 08/03/2023 Resigned w.e.f. 19/02/2025)	13/13
Professor N S Punchihewa Member	Non-Executive/Independent Director (Appointed w.e.f 16/07/2020 Resigned w.e.f. 20/03/2025)	11/13

BAC held 13 meetings in the financial year ending 31 December 2024, and the proceedings of these meetings were reported periodically to the Board, whilst drawing attention to any matters that required further deliberation by the Board.

The Secretary to the Board of Directors functions as the Secretary to the Audit Committee.

The Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and Chief Internal Auditor attend the meetings regularly by invitation. The Heads of Divisions are invited to the meetings to seek any clarifications.

ACTIVITIES OF THE COMMITTEE DURING THE FINANCIAL YEAR 2024

Financial Reporting

- Review of financial reporting systems of the company in order to ensure the effectiveness and integrity of the financial statements and information submitted to the Board, Management, and other stakeholders.
- Evaluating, reviewing, and monitoring the adequacy and effectiveness of the internal control systems to mitigate risks.
- Review significant accounting and reporting issues, including complex or unusual transactions, highly judgmental areas and understand their impact on the financial statements of the company.
- Quarterly and annual financial statements of the Company were reviewed, discussed and recommended for Board approval prior to dissemination to the public, including the extent of compliance with Sri Lanka Accounting Standards and the adequacy of disclosures required by other applicable laws, rules and guidelines. Adequacy and effectiveness of internal control systems were reviewed to ensure the integrity of financial reporting.
- The Audit Committee has obtained assurance from both the Chief Executive Officer and the Chief Financial Officer regarding MBSL operations and finances to further strengthen its oversight responsibility on financial reporting and internal controls.

Internal Audit

- Review of the Internal Audit charter, annual audit plan including IT system audit plan, activities, audit scope and reporting requirements and approving major changes to the audit plan of the Internal Audit Division.
- Assigned the Chief Internal Auditor to conduct reviews of specific areas of the internal control procedures covering operations and accounting systems of MBSL.
- Review of findings and recommendations by the Chief Internal Auditor, together with comments and actions taken by the Management to close the matters raised.
- Eighty-Six (86) internal audit reports, including Fifteen (15) information system audit reports and Eighteen (18) special assignments and investigation reports, were reviewed by the Committee relating to the financial year 2024.
- Review of the performance of the Internal Audit Function and performance review of the Chief Internal Auditor.
- Ensure that the Internal Audit function has the required independence to carry out its activities impartially, proficiently, and professionally.

AUDIT COMMITTEE REPORT

RISK MANAGEMENT

- Review and assess the company's risk management process including the adequacy of the overall internal control environment and controls in areas of significant risk.
- Review and assess the company's system of internal controls, designed to detect accounting and financial reporting errors and misappropriation of assets, legal violations and non-compliance.

EXTERNAL AUDIT

- Review of the External Audit Report on the financial statements and observations and recommendations in the Management Letter, and the status of corrective action plans.
- Review and confirm the independence of the external auditor by obtaining statements confirming the independence of the external auditor, including non-audit services provided to the company.
- The external audit is carried out by the Auditor General. The Auditor General was assisted by M/s Ernst & Young, Chartered Accountants, during the year 2024. Prior to the commencement of the Audit, the Committee met with the representatives of the Auditor General and M/s Ernst & Young to discuss the audit plan, scope, and audit methodology.
- The Auditors were provided with the opportunity to meet with the non-executive/Independent directors without the presence of the management to ensure that the auditors had the independence to discuss any matter with the Committee.

REGULATORY COMPLIANCE

- Ensuring appropriate accounting policies are in place, all applicable accounting standards are adopted and adherence to statutory and regulatory compliance requirements.
- Review and follow up with the Management on the management responses, any instances with non-compliance and action plans with regard to any findings from the audits carried out by internal and external auditors and regulatory agencies.
- Obtain regular updates from management and company legal counsel regarding compliance matters.
- Establishing processes to ensure compliance with Laws and Regulations relating to tax, customs, and other laws applicable to the company.
- Committee reviewed the effectiveness of the systems and procedures of the company to monitor compliance with applicable laws and regulations, and the reports submitted by the Compliance Officer and the onsite report submitted by the Central Bank of Sri Lanka (CBSL) on the state of compliance with the relevant laws and regulations. Compliance with statutory payments were also reviewed.
- Statutory and regulatory compliances are a priority, and a mechanism is in place to ensure timely and effective implementation of regulatory requirements to safeguard the interests of all stakeholders. Process owners are responsible for complying with all regulations as part of their standard operating procedure.

- The Compliance Officer reviews and reports on any gaps or areas of noncompliance to the Audit Committee. It is also the mandate of the Compliance Officer to disseminate new regulatory requirements and request to update policies and procedure manuals to incorporate such requirements. The reports of the Compliance Officer are submitted monthly to BAC.
- A process is in place to establish new procedures/processes, or amend the existing procedures, to facilitate when new statutory or regulatory requirements come into effect. The compliance officer agrees on internal timelines with the respective process owners when a significant change in people, processes or systems are affected as a result of new regulations.
- The statutory examination report of CBSL and the Finance Intelligence Unit (FIU) has also been reviewed during monthly BAC meetings, and necessary remedial actions have been taken as agreed in the time bound action plan. The Committee is satisfied with the present status of compliance with financial reporting requirements, CBSL regulatory requirements, information requirements under CSE listing rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.

WHISTLEBLOWING

The Company's Whistleblower Protection policy is intended to provide a channel for employees and incidents management. The Whistleblowing Policy was reviewed and approved by the BAC in August 2024 to further strengthen the policy. This policy encourages employees to report unethical practices within the Company, directly to corporate management through independent communication channels.

All necessary procedures are established to conduct independent investigations into incidents reported through whistleblowing or identified through alternative means. All reported whistleblowing incidents are subject to a preliminary review by the Chief Internal Auditor, and detailed reviews are conducted as appropriate. The Board Audit Committee reviews periodic updates on complaints reported through the Company's Whistleblower communication channels.

INTERNAL CONTROLS

The BAC, with the assistance of the Internal Audit Division, reviews the implementation, adequacy and effectiveness of the Company's internal controls. The Internal Audit Department conducts regular reviews on internal controls and the Management Information Systems, and verifies the design, application and effectiveness of established controls and recommends improvements in its reports, which BAC evaluates prior to implementation.

BAC also reviewed the findings and recommendations of the External Auditors and the management's responses to them. Additionally, the Committee evaluates the adequacy and effectiveness of the Company's Risk management function with the assistance of the Internal Audit Division reviews.

A process has been established to assess the effectiveness of the Company's internal controls over financial reporting.

TRAINING AND DEVELOPMENT OF COMMITTEE MEMBERS

Training and professional development have been undertaken by BAC during the financial year. Attending virtual and physical workshops, presentations done by internal and external industry professionals have been considered, and training has been provided on areas such as corporate governance and government procurement process.

EVALUATION OF THE COMMITTEE

The Board Audit Committee carried out its responsibilities within the scope of its authority as mandated by its Charter and concludes that such responsibilities have been carried out in a satisfactory manner during the financial year under review.



Ms. R. Dulani Fernando

Chairperson of the Board Audit Committee

Non-Executive/Independent Director

30 April 2025

Colombo

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

PURPOSE OF THE COMMITTEE

The Board Related Party Transactions Review Committee (RPTRC) ensures that transparency and sound corporate governance principles are upheld by the Company when entering into related party transactions.

REGULATIONS/RULES RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

The Committee was established by the Board in 2016, in accordance with the Code of Best Practices on Related Party Transactions (RPT) issued by the Securities and Exchange Commission of Sri Lanka (SEC), to assist the Board in reviewing all related party transactions entered into by the Company.

SCOPE OF THE COMMITTEE

- Develop an RPT policy aligned with the SEC Code of Best Practices, for adoption by the Board.
- Periodically review the Terms of Reference (TOR) to ensure alignment with the industry's best practices at all times.
- Reviewing all proposed or executed related party transactions of the Company, except those explicitly exempted in the TOR and in accordance with the Colombo Stock Exchange (CSE) Listing Rules.
- Determine whether proposed related party transactions require shareholder approval by way of a Special Resolution, as outlined in the Listing Rules, prior to execution.
- Establish guidelines for recurrent related party transactions to be followed by Corporate Management in ongoing dealings with the relevant related party.
- Advise the Board on transactions that require immediate market disclosure. Ensure all required disclosures are included in the Annual Report, in compliance with applicable rules and regulations.
- Ensuring that no Director of the Company shall participate in any discussion of a proposed related party transaction for which he or she is a related party, unless such Director is requested to do so by the Committee solely for the purpose of providing information thereon to the Committee without influencing voting on the matter.

COMPOSITION OF THE COMMITTEE

The Related Party Transactions Review Committee comprises the following members:

	Name of the Directors	Directorship Status	Membership Status 31.12.2024
1	Mr. J D V N Jayasinghe (Resigned w.e.f 19.02.2025)	Non-Executive/ Independent	Chairman
2	Prof. N. Sampath Punchihewa (Resigned w.e.f 20.03.2025)	Non-Executive/ Independent	Member
3	Mr. H. Priyal Silva	Non-Executive/ Non-Independent	Member
4	Ms. R. Dulani Fernando (Appointed on 27.09.2024) (Appointed as Chairperson of RPTRC Committee on 10.02.2025)	Non-Executive/ Independent	Member
5	Mr. A. M. A. Perera (Appointed on 10.02.2025)	Non-Executive/ Independent	Member

ACTIVITIES IN 2024

The Committee reviewed and recommended changes to the RPT policy and procedures to incorporate guidelines issued by the Central Bank and other best practices. The revised policy was approved and adopted by the Board, effective 26 September 2024. Additionally, the Terms of Reference (TOR) were updated in line with the Central Bank of Sri Lanka (CBSL) directions, with effect from 26 September 2024.

During the year under review, the Committee convened four meetings. The attendance at these meetings is summarized below:

	Name of the Director	Directorship Status	Attendance at the Meetings
1	Mr. J D V N Jayasinghe	Non-Executive/ Independent	4/4
2	Prof. N S Punchihewa	Non-Executive/ Independent	4/4
3	Mr. H. Priyal Silva	Non-Executive/Non-Independent	4/4
4	Ms. R. Dulani Fernando (Appointed on 27.09.2024) (Appointed as Chairperson of RPTRC Committee on 10.02.2025)	Non-Executive/ Independent	1/1

The Committee reviewed the existing mechanisms designed to track and monitor related party transactions, including the provision of information related to key management personnel.

The Committee conducted quarterly reviews of all related party transactions during the year 2024. Based on its assessments, the Committee provided recommendations and communicated its observations to the Board.

The details of the recurrent and non-recurrent transactions during the financial year 2024 are disclosed under "Note 43-Related Party Disclosure" in the Financial Statements.

DECLARATION

The Committee ensures that all transactions with related parties are conducted in the best interest of all stakeholders, with adequate transparency maintained throughout the processes, and the reviewed transactions are duly communicated to the Board of Directors for their comments and observations. A declaration by the Board of Directors as an affirmative statement of the compliance with the SEC Code, CSE Rules, and as per relevant Directions issued by the Central Bank of Sri Lanka as applicable to Licensed Finance Companies is given on pages 100 of the Annual Report.



Ms. R. Dulani Fernando
Chairperson

Related Party Transactions Review Committee
05 May 2025
Colombo

REPORT OF THE NOMINATION & CORPORATE GOVERNANCE COMMITTEE

The Nomination & Corporate Governance Committee was formed as a sub-Committee of the Board of MBSL in line with Section 10.4 of the Finance Business Act Direction No. 05 of 2021 and Rule 9.11 of the Corporate Governance Rules of the Colombo Stock Exchange. The main role of the Committee is to ensure that Directors/KRPs of the Company are fit and proper persons to hold office as per the criteria set out in the Directions issued by the Central Bank of Sri Lanka, the Listing Rules of the Colombo Stock Exchange and other relevant Statutes.

In line with the revisions to the Corporate Governance Rules of the Colombo Stock Exchange, the Committee name was changed to Nomination & Corporate Governance Committee (BNGC). The BNGC operates within the terms of reference as approved by the Board.

TERMS OF REFERENCE OF THE COMMITTEE

- ✿ To review and recommend to the Board the appointment of Directors, Chief Executive Officer ("CEO") and Senior Management in the Company.
- ✿ To ensure plans are in place for orderly succession to senior management positions and oversee the development of a diverse pipeline for succession, taking into account the challenges and opportunities facing the Company.
- ✿ To review the criteria for identifying Independent Non-Executive Directors laid down by the applicable statutes, rules and regulations and continuous compliance with it.
- ✿ To recommend suitable orientation/induction, educational and training programs to continuously train and equip the existing and new Directors.

The BNGC consists of three Non-Executive Directors, of which two are Independent Directors. The BNGC is chaired by an Independent Non-Executive Director. Each member brings valuable expertise and experience in corporate governance, leadership, and industry knowledge to the Committee's deliberations. The profiles of the members are given in the pages 12 to 14 of the Annual Report. The BNGC met Six (06) times during the year under review with all meeting proceedings reported to the Board of Directors. When necessary, the Chief Executive Officer, AGM HR/ Senior Manager HR attended the Committee meetings by invitation. The Company Secretary of MBSL functions as the Secretary to the Committee.

The Committee assessed the nomination of Key Responsible Persons (KRP) against the criteria on fitness & propriety for KRPs as defined by the Finance Business Act Direction No. 6 of 2021 including their competency, capability and integrity.

For the Board of Directors of MBSL including the newly appointed Directors a training session was conducted by external experts on corporate governance, Listing Rules, securities market regulations and other applicable laws and regulations.

In compliance with the Finance Companies (Corporate Governance) Direction No. 5 of 2021 and Rule 9.7.5 of the Colombo Stock Exchange (CSE) Listing Rules, both the Board of Directors and the CEO have successfully met the fit and proper assessment criteria as at 31 December 2024. Additionally, as per the regulations of the Colombo Stock Exchange, each member of the Board has submitted a signed affidavit confirming continuous satisfaction to the fit and proper assessment criteria throughout the financial year ending as at 31 December 2024.

The Independent Non- Executive Directors of the MBSL, have submitted signed and dated declarations declaring their independence and the Directors have met criteria for independence as specifically set out in the report of the Board of Directors on the Affairs of the Company.

RE-ELECTION & ELECTION

The Committee has recommended the following appointments of the Directors. Their profiles are given in pages 12 to 14.

1. To re-elect Mr. H P K Silva who retires by rotation in terms of Article 86 read with Article 87 of the Articles of Association of MBSL
2. To re-elect Mr. R M N Jeewantha who retires by rotation in terms of Article 86 read with Article 87 of the Articles of Association of MBSL.
3. To elect Ms. R Dulani Fernando who was appointed to the Board since the last Annual General Meeting, under and in terms of Article 93 of the Articles of Association of MBSL.
4. To elect Mr. A J Ismail who was appointed to the Board since the last Annual General Meeting, under and in terms of Article 93 of the Articles of Association of MBSL.
5. To elect Mr. W C Rodrigo who was appointed to the Board since the last Annual General Meeting, under and in terms of Article 93 of the Articles of Association of MBSL.

COMPOSITION AND MEETINGS

The Nomination and Corporate Governance Committee was established on 01 March 2022.

With the reconstitution of the Committee on 08.03.2023 the composition of the Committee until 14.10.2024 was as follows.

Mr. J D V N Jayasinghe	Chairman
Mr. G A Jayashantha	Member
Mr. R M N Jeewantha	Member

The Board revisited the composition of the Committee to comply with the listing rules and accordingly reconstituted the Committee w.e.f. 14.10.2024 as follows:

Prof. N S Punchihewa	Chairman
Mr. G A Jayashantha	Member
Mr. R M N Jeewantha	Member
Mr. J D V N Jayasingha	Member
Ms. R Dulani Fernando	Member

The Committee was reconstituted on 10 February 2025 following the resignation of Mr. J D V N Jayasinghe and Prof. N S Punchihewa, with the following members.

Ms. R Dulani Fernando	Chairperson
Mr. A M A Perera	Member
Mr. G A Jayashantha	Member

The attendance at meetings of the Nomination & Corporate Governance Committee during the financial year is given below:

Director Name	Membership Status	Attendance
Mr. J D V N Jayasinghe	Non-Executive/ Independent Director (Chairman - From 01.03.2022 to 14.10.2024)	6/6
Mr. G A Jayashantha	Non-Executive/ Non-Independent Director (Appointed w.e.f. 01.03.2022)	6/6
Mr. R M N Jeewantha	Non-Executive/ Non-Independent Director (Appointed w.e.f. 08.03.2023)	6/6
Prof. N S Punchihewa	Non-Executive/ Independent Director (Chairman from 14.10.2024 to 10.02.2025)	1/1
Ms. R Dulani Fernando	Non-Executive/ Independent Director (Appointed w.e.f. 14.10.2024)	0/1



Ms. R Dulani Fernando
Chairperson

Nomination & Corporate Governance Committee

05 May 2025
Colombo

THE BOARD INFORMATION AND COMMUNICATION TECHNOLOGY COMMITTEE REPORT

The primary objective of the Board Information and Communication Technology Committee (BICT) is to provide strategic oversight and guidance to ensure that the organization's technology initiatives are fully aligned with its broader mission, vision, and long-term objectives. This involves fostering the development and implementation of innovative, secure, and reliable technology systems that not only support operational efficiency but also drive sustainable growth and competitive advantage. Additionally, the BICT is tasked with ensuring that all technology frameworks and practices adhere rigorously to applicable legal, regulatory, and industry standards, thereby safeguarding the organization's assets, reputation, and stakeholder interests. Through this dual focus on strategic alignment and robust governance, the committee aims to position technology as a critical enabler of organizational success in an increasingly digital and interconnected environment.

CHARTER OF THE BICT

The Board Information and Communication Technology Committee (BICT) operates in accordance with the Terms of Reference (TOR) approved by the Board, which define its composition, scope, and responsibilities. The TOR ensures the committee is guided by clear criteria for member qualifications and outlines its focus areas, including technology strategy, risk management, cybersecurity, and compliance. It also specifies the BICT's duties, such as policy oversight, performance monitoring, and advising the Board on technology matters. By adhering to the TOR, the BICT ensures accountability, alignment with organizational goals, and effective governance.

COMPOSITION AND THE MEETINGS OF THE BICT

The Board Information and Communication Technology Committee (BICT) is chaired by a Non-Executive Non-Independent Director. The committee, whose composition is outlined below, convened four times during the year under review. Member attendance at these meetings is detailed as follows:

Director Name	Executive	Non-Executive	Non-Independent	Independent	No. of Meetings (Attended/ Eligible to attend)
Mr. Y A Jayathilaka (Committee Chairman)	-	✓	✓	-	4/4
Prof. N S Punchihewa (Resigned from the committee w.e.f. 20.03.2025)	-	✓	-	✓	3/4
Mr. H P K Silva	-	✓	✓	-	3/4
Ms. R Dulani Fernando (Appointed to the committee w.e.f.14.10.2025)	-	✓	-	✓	1/1

BICT FUNCTIONS

The following outlines the framework, responsibilities, authorities, and duties of the Board Information and Technology Committee (BICT). The committee's primary areas of focus include, but are not limited to, the following:

STRATEGY ALIGNMENT AND OVERSIGHT

Periodically review the IT strategy, roadmap and rolling five-year IT investment plan to ensure alignment with business objectives, while evaluating Return on Investment (ROI) to balance risks and benefits.

RESOURCE AND PROJECT MANAGEMENT

Monitor IT-enabled projects, ensure efficient allocation and optimization of resources (applications, infrastructure and personnel) and provide recommendations on strategic initiatives and IT-related expenses.

RISK AND PERFORMANCE MANAGEMENT

Assess IT-related risks, ensure a robust Business Continuity Plan (BCP) with Disaster Recovery (DR) provisions, embed risk management into IT operations, and verify performance metrics, strategy compliance, and the effectiveness of tools/ methodologies for tracking project completion and IT service delivery.

INFORMATION SECURITY AND GOVERNANCE

Evaluate and mitigate information security risks, ensure alignment with international standards, oversee procurement processes for security-related products/services, review the committee's terms of reference annually, address significant ICT matters from other committees, and carry out special assignments as directed by the Board.

KEY ACTIVITIES AND ACHIEVEMENTS OF THE BOARD INFORMATION AND COMMUNICATION TECHNOLOGY COMMITTEE (BICT) IN 2024

⚙ Strategic Decision for Core-Banking System Implementation

During the year under review, the BICT initiated the implementation of a new core-banking system to modernize the bank's technological infrastructure, enhance operational efficiency, and align with the organization's long-term strategic objectives.

⚙ Oversight of System and Hardware Procurement

The BICT played a critical role in reviewing and recommending the procurement of IT systems, related hardware, and associated activities. This included ensuring that all purchases aligned with the organization's strategic objectives, were cost-effective, and met the required technical and security standards.

⚙ Software Renewal and Up-to-Date Maintenance

The BICT was ensuring that all software licenses were renewed on time and kept up to date. This included monitoring subscription timelines, evaluating renewal terms, and verifying that the latest updates and patches were applied to mitigate security vulnerabilities and ensure optimal system performance. By prioritizing timely software renewals and updates, the committee helped maintain the integrity, reliability, and security of the bank's IT infrastructure, reducing risks associated with outdated or unsupported software.

REPORTING TO THE BOARD

The BICT ensures transparency and accountability by documenting meeting minutes and action plans, which are circulated to members for follow-up. Approved minutes are regularly submitted to the Board, keeping it informed of the committee's decisions, activities, and strategic alignment with organizational goals. This process supports effective governance and oversight.



Y A Jayathilaka
Chairman

Board Information and Communication Technology Committee
05 May 2025

THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

The Board Integrated Risk Management Committee (BIRMC) is responsible for developing and assessing the Bank's comprehensive Risk Management Framework, operating under the direction of the Board of Directors.

CHARTER OF THE BIRMC

The activities of the BIRMC were carried out in compliance with the Finance Business Act (Corporate Governance) Direction No. 05 of 2021, which designates it as a subcommittee of the Board. The composition, scope, and responsibilities of the BIRMC are consistent with the requirements outlined in this Direction, as well as the Terms of Reference (TOR) sanctioned by the Board. Furthermore, the Bank has adopted an Integrated Risk Management Policy Framework (IRMF), which provides a detailed explanation of the supporting structures and the complexities of the risk management ecosystem within the IRMF.

COMPOSITION AND THE MEETINGS OF THE BIRMC

The committee is led by a Non-Executive Independent Director. The following outlines the composition of the Committee.

NO.	NAME OF DIRECTOR	DIRECTORSHIP STATUS
1	Mr. A M A Perera - Chairman	Non-Executive/ Independent Director
2	Ms. R Dulani Fernando	Non-Executive/ Independent Director
3	Mr. G A Jayashantha	Non-Executive/ Non Independent Director
4	Mr. R M N Jeewantha	Non-Executive/ Non Independent Director
5	Mr. A J Ismail	Non-Executive/ Non Independent Director

REGULAR ATTENDEES BY INVITATION

Chief Executive Officer
Chief Risk Officer
Compliance Officer
Head of Internal Audit

BIRMC MEETINGS

The Committee held Six (06) meetings during the year under review. The attendance of the members of the Committee as follows:

Director Name	Executive	Non-Executive	Non-Independent	Independent	No. of Meetings (Attended/Eligible to attend)
Mr. A M A Perera (Committee Chairman)	-	✓	-	✓	6/6
Mr. G A Jayashantha	-	✓	✓	-	6/6
Mr. R M N Jeewantha	-	✓	✓	-	5/6
Mr. M P R Kumara (Resigned w.e.f 23/12/2024)	-	✓	✓	-	4/5
Ms. R Dulani Fernando (Committee member w.e.f. 14/10/2024)	-	✓	-	✓	2/2

BIRMC FUNCTIONS

The primary responsibilities of the Committee included:

- Discussion on various elements of the corporate governance directives issued by the Central Bank of Sri Lanka.
- Thorough examination and assessment of risk appetite, as well as the associated policies and procedures.
- Thorough reviews of risk assessment reports, compliance reports, and other relevant risk-related documents during BIRMC meetings.
- Evaluation and analysis of the efficiency and effectiveness of management-level committees.
- The BIRMC risk assessment reports were formally submitted to the Board of Directors to obtain their insights, agreement, and any potential directives, in accordance with the Corporate Governance guidelines established by the Central Bank of Sri Lanka (CBSL).

KEY ACTIVITIES AND ACHIEVEMENTS OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE (BIRMC) IN 2024

Promoting a Risk-Aware Culture

In adherence to the Finance Business Act (Corporate Governance) Direction No. 5 of 2021, the Board Integrated Risk Management Committee (BIRMC) played a pivotal role in embedding a strong risk-aware culture across the organization. This initiative ensured that risk management principles were seamlessly integrated into both daily operations and strategic decision-making processes at MBSL.

⚙️ Restructuring the Risk Management Function

To enhance efficiency, the Risk Management Department underwent a strategic restructuring. Key risk segments—Credit Risk, Market Risk, and Operational Risk—were segregated into dedicated units, each equipped with the necessary resources to optimize risk oversight. Additionally, a Data Analytics function was introduced within the risk management framework to facilitate data-driven decision-making.

⚙️ Review and Alignment of Risk Policies

Throughout 2024, the BIRMC undertook a comprehensive review of all risk-related policies to align them with industry best practices and regulatory requirements. After assessing their adequacy and relevance, the committee recommended these policies for Board approval, ensuring a robust risk governance framework.

⚙️ Evaluation of Risk Appetite and Tolerance Limits

The committee conducted a thorough assessment of the organization's Risk Appetite Statement and Internal Tolerance Limits, including Value at Risk (VaR), Stress Testing, and other loss thresholds. These evaluations ensured that risk management measures remained effective and aligned with MBSL's overall risk profile.

⚙️ Development of New Policies and Procedures

Recognizing the dynamic nature of risk, the BIRMC introduced new policies and procedures in 2024 to address emerging risks and evolving regulatory changes. These initiatives reinforced MBSL's resilience in a constantly changing financial landscape.

⚙️ Enhancing and Updating Risk Frameworks

The committee conducted an in-depth review of existing risk management frameworks, policies, and procedures to confirm their accuracy, relevance, and compliance with the latest industry standards. Necessary updates were implemented to strengthen MBSL's risk management capabilities and ensure alignment with regulatory expectations.

⚙️ Advancing Risk Monitoring and Analytics

A comprehensive Power BI dashboards were developed for monitoring Credit and Market Risks. This assessment ensured that the dashboards effectively supported risk management objectives while providing timely and precise insights into critical activities.

⚙️ Optimizing Dashboard Functionality

The BIRMC provided recommendations to enhance the design, functionality, and usability of the Power BI dashboards. These improvements were aimed at strengthening the organization's ability to monitor risk exposure and support data-driven decision-making.

⚙️ Enhancing Business Continuity Management

A thorough review of the Business Continuity Plan (BCP), including branch-level contingency plans, was conducted during the year. A comprehensive BCP test was carried out, identifying key gaps and implementing corrective measures to enhance the organization's resilience against potential disruptions.

⚙️ Monitoring Credit Watch List

The committee actively monitored the credit watch list, which highlights facilities categorized as "high risk." A live Power BI dashboard was maintained to enable real-time tracking and analysis of these facilities. Special emphasis was placed on monitoring their aging and identifying deteriorating trends. Regular reports and data-driven insights facilitated proactive risk mitigation strategies, reinforcing MBSL's commitment to robust credit risk management.

⚙️ Strengthening Information and Cyber Security Risk Management

The Committee focused on managing information and cyber security risks by reviewing existing policies, systems, and protocols. The committee identified vulnerabilities, tested incident response strategies, and ensured compliance with regulatory standards. By promoting a culture of cyber resilience and awareness, the committee strengthened the organization's ability to protect sensitive data, prevent cyber threats, and maintain operational continuity.

⚙️ Oversight of Group Company Performance

The Committee reviewed the performance of the subsidiary, MBSL Insurance, and the associate company, Lanka Securities, using detailed dashboards to assess their operations, financial health, and risk profiles. By analyzing key performance indicators and evaluating risk management practices, the Committee ensured compliance with internal and regulatory standards. Close monitoring enabled the identification of risks and operational gaps, leading to actionable recommendations. This proactive approach reinforced governance, aligned performance with strategic goals, and promoted transparency and sustainable growth across the organization.

REPORTING TO THE BOARD

The Risk Management Reports discussed at Committee meetings were formally presented and documented during the Board meetings. This practice ensured that all Board members had the opportunity to review and stay informed about the discussions, decisions, and key points raised during the Committee's deliberations. Additionally, following each meeting of the Board Integrated Risk Management Committee, comprehensive risk assessments were prepared and submitted to the Board in a timely manner, adhering strictly to the required deadlines. This allowed the Board to remain fully updated on potential risks and the strategies being developed to manage them effectively.



A.M.A. Perera
Chairman

Board Integrated Risk Management Committee
28 April 2025

REPORT OF THE HUMAN RESOURCES & REMUNERATION COMMITTEE

KEY RESPONSIBILITIES OF THE COMMITTEE

- To assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the MBSL's remuneration framework and remuneration of Key Management Personnel (KMP).
- To determine the remuneration framework for Chairman and the Board of Directors including Executive (if any) and Non-Executive Directors.
- To review and make recommendations to the Board with regard to the overall remuneration Philosophy, Strategy, Policies and Practices including Performance based Pay Plans.
- To establish key performance parameters and appraisals for the evaluation of KMPs including Executive Directors (if any) and the Chief Executive Officer (CEO), to evaluate their performance against pre-set goals/targets and to recommend the compensation and benefits based on such evaluations, to the Board.
- To review and recommend the terms of employment contracts for the KMP.

REMUNERATION POLICY

Remuneration Policy of the Company endeavors to attract, motivate and retain quality management with the relevant expertise to achieve the desired objectives of the Company.

The Directors are entitled for fees for attendance at Board Meetings and Board Sub-Committee meetings (per sitting) and also a reimbursable travelling allowance.

The total Directors' emoluments and remuneration paid to KMPs are disclosed in Note 15 on page 157 of the Financial Statement.

COMPOSITION AND MEETINGS

During the year the committee was comprised of the following members until it was reconstituted on 10.02.2025.

Mr. J D V N Jayasinghe (Chairman w.e.f. 08.03.2023) - Independent/Non-Executive Director

Prof. N S Punchihewa – Independent/Non-Executive Director

Mr. H P K Silva – Non-Independent/Non-Executive Director

The Committee was reconstituted on 10.02.2025 following the resignation of Mr. J D V N Jayasinghe and Prof. N S Punchihewa, with the following members.

Ms. R Dulani Fernando - Chairperson - Independent/Non-Executive Director

Mr. A M A Perera - Member - Independent/Non-Executive Director

Mr. H P K Silva - Member - Non-Independent/Non-Executive Director

Mr. R M N Jeewantha - Member - Non-Independent/Non-Executive Director

The Company Secretary functions as the Secretary of the Committee.

CEO was present at the meetings as an invitee except when matters relating to the CEO were being discussed.

The Committee held eleven (07) meetings during the year under review. The attendance at meetings is given below.

Director Name	Membership Status	Attendance
Mr. J D V N Jayasinghe	Non-Executive/ Independent Director (Chairman - From 08.03.2023 to 10.02.2025)	7/7
Prof. N S Punchihewa	Non-Executive/ Independent Director	6/7
Mr. H P K Silva	Non-Executive/ Non-Independent Director	6/7

ACTIVITIES IN 2024

- The Committee reviewed and recommended revisions to policies and procedures with regard to remuneration, recruitment, selection, transfers, promotions, rotation, retirement, and training and development etc. to the Board.
- The Committee reviewed and recommended to the Board, the Incentive Schemes, Annual Salary Increments, Benefit Packages and Special Allowances for the year 2024.

REPORTING TO THE BOARD

Minutes of the Committee meetings were tabled at the Board meetings enabling the Board members to have access to the deliberations at the Committee meetings.

PERFORMANCE EVALUATION OF THE COMMITTEE

Each Board member evaluated the performance of the Committee through a self-evaluation which indicated that the performance of the Committee was effective.



Ms. R Dulani Fernando

Chairperson

Human Resources & Remuneration Committee

05 May 2025

Colombo

FINANCIAL REPORTS



Growth, Perseverance & Value

Just as Koi fish navigate upstream with determination, resilience, and unwavering focus, we at MBSL recognise opportunity for progress in every challenge. And like the koi that grow to match the size of its pond, we adapt and expand within Sri Lanka's evolving financial ecosystem. Symbolising wealth, beauty, and perseverance, the koi reflects our journey toward prosperity, offering clients strength and stability even in turbulent waters. With enduring value and vibrant service, MBSL is not just growing. We are thriving, with purpose, in every current.

FINANCIAL CALENDAR

Annual General Meetings	Date
43rd Annual General Meeting	06-Jun-25
44th Annual General Meeting on or before	30-Jun- 26

INTERIM FINANCIAL STATEMENTS PUBLISHED IN TERMS OF RULE 7.4 OF THE COLOMBO STOCK EXCHANGE (CSE)

	2024	2025
Interim Financial Statements	Date released to the CSE	Date to be released to the CSE
1st Quarter ended 31 March	15-May-24	15-May-25
2nd Quarter ended 30 June	14-Aug-24	14-Aug-25
3rd Quarter ended 30 September	14-Nov-24	14-Nov-25
4th Quarter ended 31 December	25-Feb-25	28-Feb-26

Publication of the Six month Financial statements in news papers as per the requirements of the Central Bank of Sri Lanka.

	2024	2025
Publication Financial Statements	Date published in news papers	Date to be published in news papers
Bi-annual Financial Statements in three news papers	30-Aug-24	On or before 29-Aug-25
Annual Financial Statements in three news papers	31-Mar-25	On or before 31-Mar-26

DIRECTORS' STATEMENT ON INTERNAL CONTROL

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors presents the Directors' Statement on Internal Control Over Financial Reporting in line with section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021 and principal D.1.5 of the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka.

RESPONSIBILITY OF THE BOARD

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the system of internal controls of Merchant Bank of Sri Lanka & Finance PLC (MBSL). However, such a system is designed to manage the MBSL's key areas of risk within an acceptable risk profile, rather than eliminating the risk of failure to achieve the policies and business objectives of MBSL entirely. Accordingly, the system of internal controls can only provide a reasonable but not an absolute assurance against material misstatements of management and financial information and records or against financial losses or frauds.

The Board has established an ongoing process for identifying, evaluating, and managing the significant risks faced by MBSL and this process includes enhancing the system of internal controls as and when there are changes to the business environment, technological developments, or regulatory guidelines.

The process is regularly reviewed by the Board. The Board is of the view that the system of internal controls in place is sound and adequate to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes in accordance with relevant accounting principles and regulatory requirements.

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

PROCESS IMPLEMENTED IN APPLYING AND REVIEWING THE DESIGN AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM ON FINANCIAL REPORTING

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

- ✦ The Board has appointed various subcommittees to assist in ensuring the effectiveness of the Company's day-to-day operations and to ensure that all such operations are carried out in accordance with the corporate objectives, strategies and the annual budget as well as the policies and the business directions approved by the Board.
- ✦ Key functional areas of the company are governed by policies/charters that are approved by the Board. The board appointed committees review and recommend such

policies/charters before seeking the approval of the board. Such policies/charters are regularly reviewed, updated and approved by the board.

- ✦ The Internal Audit Department assists the Board in ensuring that MBSL complies with policies and procedures, evaluates the effectiveness of the design and implementation of the internal control system in place and highlights significant findings in respect of any non-compliance on an ongoing basis. Internal audits are carried out at divisions and branches based on the risk-based audit plan, the frequency of which is determined by the level of risk assessed, to provide an independent and objective assurance on operational and management activities of these divisions and branches. The risk-based annual audit plan is reviewed and approved by the Audit Committee, and the findings of the audits are submitted to the Audit Committee for review at their periodic meetings.
- ✦ The Audit Committee of the Company reviews internal control gaps identified by the Internal Audit Division, External Auditors, Regulatory Authorities, and Management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. Further, it highlights the areas that need more internal controls while suggesting improvements to existing internal controls. The minutes of the Audit Committee meetings are tabled to the Board on a periodic basis. Further details of the activities undertaken by the Audit Committee of the Company are set out in the Audit Committee Report in the Annual Report.
- ✦ In assessing the internal control system, all procedures and controls that are related to significant accounts and disclosures of Financial Statements of the company were collated by the responsible officers of the Company. These, in turn, were observed and checked by the Internal Audit Department to verify the suitability of the design and effectiveness of these procedures and controls on an ongoing basis.
- ✦ The Company adopts Sri Lanka Accounting Standards comprising SLFRSs and LKASs, and progressive improvements on processes to comply with requirements of recognition, measurement, classification, and disclosure are being made, whilst further strengthening of processes of financial reporting and management information.
- ✦ SLFRS 9 poses a significant impact on impairment assessment of financial assets. Hence, the Board will continuously take steps to strengthen the processes and controls around management information systems and information required for validation and compliance in line with SLFRS 9 and to ensure that the impact of the current economic predicament is accurately captured in the financial reporting.
- ✦ In 2023, the Company initiated a project to automate impairment computation of individually significant loans and the provisioning under this category, and this automated solution will be finalised within 2026. The Board will exercise reasonable care to ensure that such provisions are free from material errors through Internal Audit, External Audit and Management representations.

DIRECTORS' STATEMENT ON INTERNAL CONTROL

The Company has also recognised the need to introduce an automated financial reporting process to comply with new Sri Lanka Accounting Standards requirements of recognition, measurement, classification, and disclosure are being made whilst some processes were not fully completed at the reporting date. In particular, areas with respect to the impairment computation on a monthly basis, and Financial Statements disclosures related to financial risk management, and IT controls were being implemented as at the reporting date to minimise manual intervention.

CONFIRMATION

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Based on the procedures performed, the external auditor has reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of internal control system over financial reporting of the Company.

STATEMENT OF PRUDENTIAL REQUIREMENTS, REGULATIONS AND LAWS

There are no material non-compliances to prudential requirements, regulations, laws and internal controls affecting the Company.

There were no lapses which caused supervisory concerns on the Company's Risk Management Systems or non-compliance with directions which led to them being pointed out by the Director of Non-Bank Supervision of the Central Bank of Sri Lanka and which have caused the Monetary Board to give directions that they be disclosed to the public. Since there have been no such lapses or instances of non-compliance and since no such directions have been given by the Monetary Board, the issue of measures to be taken does not arise, and there is nothing to disclose in this regard.

For and on behalf of the Board,



Ms. R. Dulani Fernando
Chairperson

Board Audit Committee



Mr. A.M.A. Perera
Chairman

30 April 2025
Colombo

INDEPENDENCE ASSURANCE REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING



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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



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My No.

BAN/H/BOC-S/MBSL/IC/2024/04

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உமது இல.
Your No.

දිනය
திகதி
Date

02 May 2025

The Chairman

Merchant Bank of Sri Lanka & Finance PLC

Independence Assurance Report of the Auditor General to the Board of Directors on the Directors' Responsibility Statement on Internal Control Over Financial Reporting of Merchant Bank of Sri Lanka & Finance plc

INTRODUCTION

This report is to provide assurance on the Directors' Responsibility Statement on Internal Control Over Financial Reporting (the "Statement") of Merchant Bank of Sri Lanka & Finance plc (the "Company") included in the annual report for the year ended 31 December 2024.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company / Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with the Section 16(1) (ix) of Finance Companies Corporate Governance Direction No. 05 of 2021, by the Institute of Chartered Accountants of Sri Lanka.

MY RESPONSIBILITY AND COMPLIANCE WITH SLSAE 3051

My responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Company.

I conducted my engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for License Finance Company / Finance Leasing Company on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka. This Standard required that I plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control Over Financial Reporting. For purpose of this engagement, I am not responsible for updating or reissuing any reports, nor have I, in the course of this engagement, performed an audit or review of the financial information.

SUMMARY OF WORK PERFORMED

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

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

SLSAE 3051 does not require me to consider whether the Statement covers all risk and controls, or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require me to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on my judgement, having regard to my understanding of the nature of the Company, the event or transaction in respect of which the Statement has been prepared.

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

CONCLUSION

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

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



DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

This Statement sets out the responsibilities of the Directors in relation to the Financial Statements of the Company and the Group. The responsibilities of the auditors in relation to the Financial Statements are set out in the 'Independent Auditor's Report' on page 123 of the Annual Report.

In terms of Sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007, the Directors of the Company are responsible for ensuring that the Company and the Group keep proper books of account of all the transactions and prepare Financial Statements that give a true and fair view of the financial position of the Company and the Group as at end of each financial year and of the financial performance of the Company and the Group for each financial year and place them before a general meeting. The Financial Statements comprise of the Statement of Financial Position as at 31 December 2024, Income Statement and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and Notes thereto.

Accordingly, the Directors confirm that the Financial Statements of the Company and the Group give a true and fair view of:

- (a) The financial position of the Company and the Group as at Reporting date; and
- (b) The financial performance of the Company and the Group for the financial year ended on the reporting date.

The Directors are required to ensure that the Financial Statements of the Company and the Group for the financial year ended 31 December 2024 have been prepared and presented based on the Sri Lanka Accounting Standards (SLFRSs and LKASs), Companies Act No. 07 of 2007, Sri Lanka Accounting & Auditing Standard Act No. 15 of 1995, Finance Business Act No. 42 of 2011 and Directions issued thereto, Listing Rules of the Colombo Stock Exchange, Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka (CASL) and the Securities and Exchange Commission of Sri Lanka (SEC).

The Directors have also taken reasonable measures to safeguard the assets of the Company and of the Group and to prevent and detect frauds and other irregularities. In that regard, the Directors have established appropriate systems of internal control with the view to preventing and detecting fraud and other irregularities. The Directors have reasonable expectations, after making enquiries and following a review of the Company's Budget for the ensuring year including cash flows and borrowing facilities, that the Company has adequate resources to continue in operational existence for the foreseeable future, and therefore has continued to adopt the going concern basis in preparing the Financial Statements.

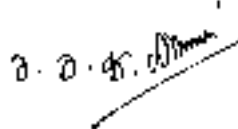
The Directors have ensured that this Annual Report has been prepared and published as required by the Sections 166 (1) and 167 (1) of the Companies Act and ensured that a printed copy of this Annual Report is sent to every shareholder of the Company, who have expressed desire to receive a hard copy. For the benefit of other shareholders and the many stakeholders of the Company, the digital version of the Annual Report has been uploaded to the Financial Information section of the Company's website (<https://www.mbslbank.com/financial-information>). The digital version of the Company's Annual Report 2024 has also been uploaded to the CSE website within the stipulated period of time as required by the Section 7.5(a) and (b) on Continuing Listing requirements of the Listing Rules of the Colombo Stock Exchange.

Pursuant to provision of Article 154 (4) of the Constitution of the Democratic Socialist Republic of Sri Lanka, the Auditor General is the Auditor of the Company and expresses their opinion on the Financial Statements of the Company. The responsibilities of the Auditor in relation to the Financial Statements are set out in the Report of the Auditor General on Page 123 of this Annual Report.

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, statutory levies and financial obligations of the Company and the Group have been either paid or adequately provided for in the Financial Statements. The Directors further confirm that after considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the 'Code on Corporate Governance' issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission, the Directors have a reasonable expectation that the Company and the Group possess adequate resources to continue in operation for the foreseeable future. For this reason, we continue to adopt the Going Concern basis in preparing the Financial Statements. The Directors are of the view that they have discharged their responsibilities as set out in this Statement.

By Order of the Board,



Theranjani Attanayake
Company Secretary

20 March 2025
Colombo

REPORT OF THE AUDITOR GENERAL



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27 March 2025

Chairman

Merchant Bank of Sri Lanka and Finance PLC

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Merchant Bank of Sri Lanka and Finance PLC and its subsidiary 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 Merchant Bank of Sri Lanka and Finance PLC (the “Company”) and its subsidiary (“Group”) for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the Financial Statements, including material accounting 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. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying Financial Statements of the Company and the Group give a true and fair view of the financial position of the Company 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 Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the Financial Statements of the current period. These matters were addressed in the context of the audit of the Financial Statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, my description of how my audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the Financial Statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying Financial Statements.



REPORT OF THE AUDITOR GENERAL

Key Audit Matter	How my audit addressed the key audit matter
<p>Expected Credit Losses of Loans and Advances measured at amortized cost.</p> <p>Expected credit losses of loans and advances measured at amortized cost as disclosed in note 23 is determined by management based on accounting policies described in Note 3.5.11 to the Financial Statements.</p> <p>This was a key audit matter due to</p> <ul style="list-style-type: none"> ⚙ The involvement of significant management judgments, assumptions and level of uncertainty associated with estimating future cash flows to recover such loans and advances; and ⚙ The materiality of the reported amount of expected credit losses. <p>Key areas of significant judgements, assumptions and estimates made by management in the assessment of expected credit losses for loans and advances include forward-looking macro-economic scenarios, associated weightages and considerations that indicate significant increase in credit risk. These are subject to inherently heightened levels of estimation uncertainty.</p> <p>Information of such key estimates, assumptions and judgements are disclosed in Note 3.5.11.</p>	<p>In addressing the adequacy of expected credit losses of loans and advances, my audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> ⚙ Assessed the Group's expected credit loss computations with the underlying methodology including responses to economic conditions to its accounting policies, based on the best available information up to the date of my report. ⚙ Evaluated the design, implementation, and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review and approval of expected credit losses, policies and procedures by the Board of Directors and management. ⚙ Tested the completeness, accuracy and reasonableness of the underlying data used in expected credit loss computations by agreeing details to relevant source documents and accounting records of the Group. ⚙ Evaluated the reasonableness of credit quality assessments and related stage classifications. <p>The following procedures were also performed:</p> <ul style="list-style-type: none"> ⚙ For Loans and advances on an individual basis for impairment: ⚙ Tested arithmetical accuracy of the underlying individual impairment calculations. ⚙ Evaluated reasonableness of key inputs used in expected credit losses made with economic conditions. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to risk elevated industries and status of recovery action of the collaterals. ⚙ For Loan and advances assessed on a collective basis for impairment: ⚙ Tested key inputs and the calculations used in the allowances of expected credit losses. ⚙ Assessed reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays. My testing included evaluating reasonableness of forward looking information used, economic scenarios considered, and probability weighting assigned to each scenario. <p>Assessed the adequacy of the related financial statement disclosures set out in Notes 3.5.11, 23 & 48.2.</p>
<p>Information Technology (IT) systems related internal controls over financial reporting</p> <p>Group's financial reporting process is significantly reliant on multiple IT systems and related internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spread sheets.</p> <p>Accordingly, IT systems related internal controls over financial reporting were considered a key audit matter.</p>	<p>My audit procedures included the following key procedures :</p> <ul style="list-style-type: none"> ⚙ Obtained an understanding of the internal control environment of the processes and tested relevant key controls relating to financial reporting and related disclosures. ⚙ Involved our internal specialized resources and ; ⚙ Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls, including those related to user access and change management, and ⚙ Obtained a high-level understanding of the cyber security risks affecting the Group and the actions taken to address these risks primarily through inquiry. ⚙ Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.

1.4 Other information included in the 2024 Annual Report.

The other information comprises the information included in the Group'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 Group'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.

1.5 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 Company's and the Group's financial reporting process.

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

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

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

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

- ✧ Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ✧ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company 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.

REPORT OF THE AUDITOR GENERAL

- ✱ 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 National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

2.1.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (2)(d) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The Financial Statements of the Company comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.

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

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

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

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

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

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

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



W.P.C. Wickramaratne
Auditor General

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December	Note	Company			Group		
		2024	2023	Change	2024	2023	Change
		Rs.'000	Rs.'000	%	Rs.'000	Rs.'000	%
Income	4	7,582,723	7,478,049	1.4	8,289,222	8,356,704	(0.8)
Interest and similar income		6,207,886	6,559,123	(5.4)	6,467,481	6,915,047	(6.5)
Interest and similar expenses		(4,021,096)	(4,918,658)	(18.2)	(4,003,227)	(4,897,486)	(18.3)
Net interest income	5	2,186,790	1,640,465	33.3	2,464,254	2,017,561	22.1
Fee and commission income		211,880	123,292	71.9	236,802	157,295	50.5
Fee and commission expenses		(43,332)	(16,757)	158.6	(49,503)	(24,883)	98.9
Net fee and commission income	6	168,548	106,535	58.2	187,299	132,412	41.5
Insurance premium income	7	-	-	-	408,020	494,462	(17.5)
Net claims and benefits	8	-	-	-	(327,442)	(503,761)	(35.0)
Net trading income	9	793,811	120,243	560.2	793,811	120,243	560.2
Net gain/(loss) on financial instruments at fair value through profit or loss	10	257,327	559,224	(54.0)	261,789	561,446	(53.4)
Other operating income	11	111,819	116,167	(3.7)	121,319	108,211	12.1
Total operating income		3,518,295	2,542,634	38.4	3,909,050	2,930,575	33.4
Allowance for impairment losses reversal/(charge) for loans and other assets	12	101,111	25,094	302.9	101,111	25,094	302.9
Net operating income		3,619,406	2,567,728	41.0	4,010,161	2,955,669	35.7
Personnel expenses	13	(1,400,614)	(1,289,690)	8.6	(1,579,464)	(1,491,147)	5.9
Depreciation and amortisation	14	(291,078)	(272,869)	6.7	(327,722)	(309,308)	6.0
Other operating expenses	15	(1,084,583)	(739,416)	46.7	(1,247,526)	(922,240)	35.3
Total operating expenses		(2,776,275)	(2,301,975)	20.6	(3,154,712)	(2,722,695)	15.9
Operating profit/(loss) before VAT on financial services and impairment of investment in group companies		843,131	265,753	217.3	855,449	232,974	267.2
Impairment reversal/(charge) of investment in subsidiary	28	(4,435)	95,065	(104.7)	-	-	-
Profit/(loss) from operations after impairment of investment in subsidiary		838,696	360,818	132.4	855,449	232,974	267.2
Taxes on financial services	16.1	(392,787)	(292,911)	34.1	(392,787)	(292,911)	34.1
Share of associate company's profit/(loss) before tax	27.1	-	-	-	13,232	29,182	(54.7)
Profit/(loss) before income tax		445,909	67,907	556.6	475,894	(30,755)	1,647.4
Income tax (expense)/reversal	16.2	(205,455)	(47,019)	337.0	(210,248)	(55,106)	281.5
Profit/(loss) for the year		240,454	20,888	1,051.2	265,646	(85,861)	409.4
Profit/(loss) for the year attributable to:							
Equity holders of the parent		240,454	20,888	1,051.2	260,338	(82,098)	417.1
Non-controlling interests		-	-	-	5,309	(3,763)	241.1
Profit/(loss) for the year		240,454	20,888	1,051.2	265,646	(85,861)	409.4
Earnings per share:							
Basic/diluted earning per share (Rs.)	17	0.46	0.04	1,051.2	0.50	(0.16)	417.1

Figures in brackets indicate deductions.

The accounting policies and the notes on pages 134 to 254 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	Company			Group		
		2024	2023	Change	2024	2023	Change
		Rs.'000	Rs.'000	%	Rs.'000	Rs.'000	%
Profit/(loss) for the year		240,454	20,888	1,051.2	265,646	(85,861)	409.4
Other comprehensive income/ (expenses)							
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):							
Gains/(Losses) on re-measuring financial investments at fair value through other comprehensive income		2,750	(1,515)	281.5	5,738	2,965	93.5
Net other comprehensive income/ (expenses) to be reclassified to profit or loss in subsequent periods		2,750	(1,515)	281.5	5,738	2,965	93.5
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):							
Actuarial gains/(losses) on defined benefit plans	40	(45,492)	(63,207)	(28.0)	(45,594)	(63,551)	(28.3)
Share of associates company's other comprehensive income	27.1	-	-	-	-	(60)	(100.0)
Deferred tax effect relating to components of other comprehensive income	38.1	13,648	18,962	(28.0)	13,648	18,962	(28.0)
Net other comprehensive income/ (expenses) not to be reclassified to profit or loss in subsequent periods		(31,844)	(44,245)	(28.0)	(31,946)	(44,649)	(28.5)
Other comprehensive income/ (expenses) for the year, net of tax		(29,094)	(45,760)	(36.4)	(26,208)	(41,684)	(37.1)
Total comprehensive income/ (expenses) for the year, net of tax		211,360	(24,872)	949.8	239,438	(127,544)	287.7
Total comprehensive income/ (expenses) attributable to:							
Equity holders of the parent		211,360	(24,872)	949.8	232,796	(125,692)	285.2
Non-controlling interests		-	-	-	6,642	(1,852)	458.6
Total comprehensive income/ (expenses) for the year, net of tax		211,360	(24,872)	949.8	239,438	(127,544)	287.7

Figures in brackets indicate deductions.

The accounting policies and the notes on pages 134 to 254 form an integral part of the Financial Statements.

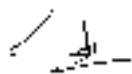
STATEMENT OF FINANCIAL POSITION

As at 31 December		Company			Group		
		2024	2023	Change	2024	2023	Change
		Note	Rs.'000	Rs.'000	%	Rs.'000	Rs.'000
Assets							
Cash and cash equivalents	20	752,190	720,397	4.4	854,028	871,126	(2.0)
Placements with banks & financial institutions	21	203,332	574,588	(64.6)	644,044	645,823	(0.3)
Financial investments at fair value through profit or loss	22	8,534,914	8,161,368	4.6	8,547,974	8,169,927	4.6
Loans & receivables at amortised cost	23	25,942,008	19,054,715	36.1	25,946,502	19,059,962	36.1
Financial investments at fair value through other comprehensive income	24	16,554	14,348	15.4	135,058	119,221	13.3
Financial investments at amortised cost	25	3,473,969	3,727,940	(6.8)	4,498,689	5,304,189	(15.2)
Real estate stock	26	40,446	58,158	(30.5)	40,446	58,158	(30.5)
Investment in associate company	27	81,084	81,084	-	178,169	168,908	5.5
Investment in subsidiary	28	348,261	352,696	(1.3)	-	-	-
Investment properties	29	-	95,446	(100.0)	-	95,446	(100.0)
Property, equipment and right-of-use assets	30	467,355	585,436	(20.2)	542,233	695,697	(22.1)
Intangible assets	31	61,329	67,117	(8.6)	64,097	69,491	(7.8)
Deferred tax assets	38	91,893	54,951	67.2	100,473	64,355	56.1
Other assets	32	186,673	150,878	23.7	520,495	490,547	6.1
Total assets		40,200,008	33,699,122	19.3	42,072,208	35,812,850	17.5
Liabilities							
Due to banks	33	8,144,088	2,599,970	213.2	8,144,088	2,603,003	212.9
Due to customers at amortised cost	34	25,956,175	25,444,119	2.0	25,739,758	25,245,868	2.0
Debt issued and borrowed funds at amortised cost	35	730,033	741,030	(1.5)	730,033	741,030	(1.5)
Insurance contract liabilities-life	36.1	-	-	-	454,704	393,030	15.7
Insurance contract liabilities-non life	36.2	-	-	-	397,423	671,728	(40.8)
Current tax liabilities	37	209,437	30,055	596.9	209,437	30,055	596.9
Other liabilities	39	895,070	858,908	4.2	1,407,777	1,406,010	0.1
Retirement benefits obligations	40	383,174	354,368	8.1	394,127	366,703	7.5
Total liabilities		36,317,977	30,028,450	20.9	37,477,347	31,457,427	19.1

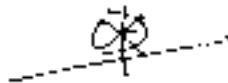
STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Company			Group		
		2024	2023	Change	2024	2023	Change
		Rs.'000	Rs.'000	%	Rs.'000	Rs.'000	%
Equity							
Stated capital	41	4,276,448	4,276,448	0.0	4,276,448	4,276,448	0.0
Statutory reserves	42.1	392,265	344,174	14.0	392,265	344,174	14.0
Retained earnings	42.2	(1,189,204)	(1,289,648)	(7.8)	(940,833)	(1,042,034)	(9.7)
RLA reserve	42.3	424,622	371,590	14.3	424,622	371,590	14.3
RR reserve	42.4	-	-	-	35,443	-	-
OCI reserve	42.5	(22,100)	(31,892)	(30.7)	(22,206)	(33,607)	(33.9)
Total equity attributable to equity holders of the parent		3,882,031	3,670,672	5.8	4,165,739	3,916,571	6.4
Non controlling interests		-	-	-	429,122	438,852	(2.2)
Total equity		3,882,031	3,670,672	5.8	4,594,861	4,355,423	5.5
Total liabilities and equity		40,200,008	33,699,122	19.3	42,072,208	35,812,850	17.5
Commitments and contingent liabilities	47.	48,858	42,093	16.1	56,665	128,909	(56.0)
Net assets value per share(Rs.)		7.40	7.00	5.8	7.94	7.47	6.4

These Financial Statements have been prepared in compliance with the requirements of the companies act no. 7 of 2007.



W. K. C. S. Vithana
Chief Financial Officer



H. K. D. W. M. D. K. Hapuhinna
Chief Executive Officer

The board of directors is responsible for these Financial Statements. Approved and signed for and on behalf of the board by;



Y. A. Jayathilaka
Director



R. Dulani Fernando
Director

Figures in brackets indicate deductions.

The accounting policies and the notes on pages 134 to 254 form an integral part of the Financial Statements.

26 March 2025
Colombo

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December	Stated capital	Statutory reserves	RLA reserves	OCI reserve	Retained earnings	Total equity
Company	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 January 2023	4,276,448	339,996	54,441	(30,377)	(944,964)	3,695,544
Net profit/(loss) for the year	-	-	-	-	20,888	20,888
Other comprehensive income, net of tax	-	-	-	(1,515)	(44,245)	(45,760)
Transfers to regulatory loss allowance reserve	-	-	317,149	-	(317,149)	-
Transfers to statutory reserve fund	-	4,178	-	-	(4,178)	-
Balance as at 31 December 2023	4,276,448	344,174	371,590	(31,892)	(1,289,648)	3,670,672
Balance as at 01 January 2024	4,276,448	344,174	371,590	(31,892)	(1,289,648)	3,670,672
Net profit/(loss) for the year	-	-	-	-	240,454	240,454
Other comprehensive income, net of tax	-	-	-	2,750	(31,845)	(29,095)
Transfer to retain earnings	-	-	-	7,042	(7,042)	-
Transfers to regulatory loss allowance reserve	-	-	53,032	-	(53,032)	-
Transfers to statutory reserve fund	-	48,091	-	-	(48,091)	-
Balance as at 31 December 2024	4,276,448	392,265	424,622	(22,100)	(1,189,204)	3,882,031

For the year ended 31 December	Stated capital	RR Reserve	Statutory reserves	RLA reserves	OCI reserve	Retained earnings	Non controlling interests	Total equity
Group	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 January 2023	4,276,448	-	339,996	54,441	(34,502)	(594,119)	440,705	4,482,969
Net profit/(loss) for the year	-	-	-	-	-	(82,098)	(3,763)	(85,861)
Other comprehensive income, net of tax	-	-	-	-	895	(44,490)	1,910	(41,685)
Transfers to regulatory loss allowance reserve	-	-	-	317,149	-	(317,149)	-	-
Transfers to statutory reserve fund	-	-	4,178	-	-	(4,178)	-	-
Balance as at 31 December 2023	4,276,448	-	344,174	371,590	(33,607)	(1,042,034)	438,852	4,355,423
Balance as at 01 January 2024	4,276,448	-	344,174	371,590	(33,607)	(1,042,034)	438,852	4,355,423
Net profit/(loss) for the year	-	-	-	-	-	260,338	5,309	265,646
Other comprehensive income, net of tax	-	-	-	-	4,359	(31,899)	1,332	(26,208)
Transfer to retain earnings	-	-	-	-	7,042	(7,042)	-	-
Transferred to Policy holder fund on one off surplus	-	35,443	-	-	-	(19,072)	(16,371)	-
Transfers to regulatory loss allowance reserve	-	-	-	53,032	-	(53,032)	-	-
Transfers to statutory reserve fund	-	-	48,091	-	-	(48,091)	-	-
Balance as at 31 December 2024	4,276,448	35,443	392,265	424,622	(22,206)	(940,833)	429,122	4,594,861

Figures in brackets indicate deductions.

The accounting policies and the notes on pages 134 to 254 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

ACCOUNTING POLICY

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing cash flow in accordance with the Sri Lanka Accounting Standard-LKAS 7 on 'Statement of Cash Flows', whereby operating activities, investing activities and financing activities are separately recognised. Cash and cash equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents as referred to in the Statement of Cash Flows is comprised of those items as explained in Note 20.

For the year ended 31 December	Note	Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash flows from operating activities					
Profit/(loss) before income tax		445,909	67,907	475,894	(30,755)
Adjustments for :					
Net Interest Income	5	(2,186,790)	(1,640,465)	(2,464,254)	(2,017,561)
WHT movement for the year	37.1	(6,673)	(1,258)	(6,673)	(1,258)
Impairment charges for loans and other losses	12	(101,111)	(25,094)	(101,111)	(25,094)
Impairment (reversal)/charge of investment in subsidiary	28	4,435	(95,065)	-	-
Share of associate company's profit/(loss) before tax	27.1	-	-	(13,232)	(29,182)
Depreciation and amortisation	14	291,078	272,869	327,722	309,308
Profit from sales of real estate		(5,126)	(19,577)	(5,126)	(19,577)
Profit from sales of property & equipment		(7,893)	(1,558)	(7,893)	(1,558)
Dividend income from associates		-	(24,633)	-	-
Dividend income from financial assets at FVTPL		(10,914)	(8,805)	(10,951)	(9,287)
Contribution to defined benefit plans	40	73,878	72,052	76,931	75,604
Fair value change of financial assets	10	(257,327)	(559,224)	(258,939)	(557,310)
		(1,760,534)	(1,962,851)	(1,987,632)	(2,306,670)
Interest paid to customers at amortised cost		(3,587,723)	(4,398,503)	(3,587,723)	(4,398,503)
Interest paid on other borrowings		(627,693)	(457,648)	(639,310)	(474,524)
Interest received on loans & receivables at amortised cost		4,417,787	5,196,452	4,417,787	5,196,452
Interest received on other investment		2,055,740	1,217,138	2,344,821	1,611,110
Gratuity paid	40	(90,564)	(62,094)	(95,102)	(64,778)
Change in operating assets					
Loans & receivables at amortised cost		(6,760,705)	5,125,038	(6,759,952)	5,122,769
Other operating assets		(122,940)	(276,856)	(117,091)	(225,809)
Change in operating liabilities					
Due to customers at amortised cost		758,762	1,956,127	758,762	1,956,127
Payments made under operating leases	39.1	(225,602)	(204,952)	(260,218)	(238,460)
Insurance provision		-	-	(212,631)	66,339
Other liabilities		219,811	318,488	220,135	370,617

For the year ended 31 December	Note	Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Net cash generated from/(used in) operating activities before income tax		(5,723,661)	6,450,339	(5,918,154)	6,614,670
Tax paid		(42,693)	(66,900)	(42,693)	(66,900)
Net cash generated from/(used in) operating activities		(5,766,354)	6,383,439	(5,960,847)	6,547,770
Cash flows from investing activities					
Net increase/(decrease) in financial investments at FVTOCI		160,245	662,107	698,144	619,873
Proceeds from real estate stock		22,839	58,356	22,839	58,356
Net (increase)/decrease in placements with banks & financial institutions		350,000	(403,000)	(37,645)	(468,889)
Net (increase)/decrease in investment of government securities at FVTPL		(401,113)	(6,968,774)	(401,113)	(6,968,774)
Net (increase)/decrease in other financial investments at FVTPL		205,019	(73,544)	205,019	(73,544)
Purchase of property & equipment	30.1	(48,759)	(27,437)	(49,009)	(43,212)
Purchase of intangible assets	31.2	(35,407)	(2,041)	(36,812)	(2,041)
Proceeds from sale of property & equipment		8,180	3,276	8,180	3,276
Dividends received		10,914	33,438	10,951	9,287
Net cash used in investing activities		271,918	(6,717,619)	420,554	(6,865,668)
Cash flows from financing activities					
Net increase/(decrease) reverse repo and repo agreements		2,400,000	(250,000)	2,400,000	(250,000)
Net increase/(decrease) in other borrowings at amortised cost		2,965,000	671,018	2,965,000	615,589
Net cash used in financing activities		5,365,000	421,018	5,365,000	365,589
Net decrease in cash and cash equivalents during the year		(129,436)	86,838	(175,293)	47,691
Cash and cash equivalents at the beginning of year		683,502	596,664	831,197	783,507
Cash and cash equivalents at the end of year		554,066	683,502	655,904	831,198
Analysis of cash and cash equivalents at the end of the year					
Cash and short-term funds	20	752,190	720,397	854,028	871,126
Dues to banks	33.1	(198,124)	(36,895)	(198,124)	(39,928)
		554,066	683,502	655,904	831,198

Figures in brackets indicate deductions.

The accounting policies and the notes on pages 134 to 254 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

This section gives a description of the reporting entity, the principal activities of the Company and the Group entity and the identification of Financial Statements and its authorization.

1.1 Reporting Entity

Merchant Bank of Sri Lanka & Finance PLC (MBSL) is a public quoted company incorporated in 1982 and domiciled in Sri Lanka. It is registered under the provisions of the Finance Business Act No.42 of 2011. The ordinary shares of the Company are listed in the Colombo Stock Exchange. The Company was re-registered under the Companies Act No.07 of 2007. The Company changed its name as Merchant Bank of Sri Lanka & Finance PLC with effect from November 21, 2014 and it was formerly known as Merchant Bank of Sri Lanka PLC. MBSL Savings Bank Limited and MCSL Financial Services Limited were amalgamated with Merchant Bank of Sri Lanka & Finance PLC on 01 January 2015. Consequent to the amalgamation Merchant Bank of Sri Lanka & Finance PLC remains as the surviving entity. The registered office of the Company is located at the Bank of Ceylon Merchant Tower, No. 28, St Michael's Road, Colombo 03.

Number of Employees

The staff strength of the Company and the Group as at 31 December 2024 were 870 and 1,042 respectively. (785 and 967 as at 31 December 2023)

1.2 Consolidated Financial Statements

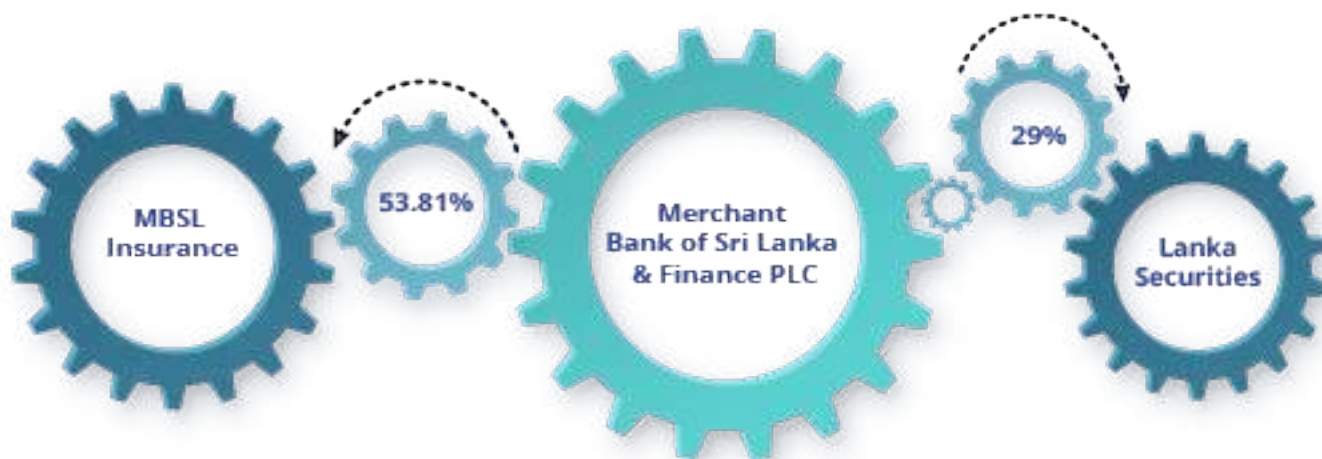
The Consolidated Financial Statements of Merchant Bank of Sri Lanka & Finance PLC for the year ended 31 December 2024, comprise the Company and its subsidiary (together referred to as the 'Group'), and the Group's interest in its associate company.

Parent Entity & Ultimate Parent Entity

In the opinion of the Directors, the Company's parent entity and its ultimate parent entity is Bank of Ceylon.

1.3 Group Information

Ownership by the Company in its Subsidiary and Associate



Principal Activities and Nature of Operations

Entity	Principal business activities
Company	
Merchant Bank of Sri Lanka & Finance PLC	Leasing, corporate and retail credit, margin trading, micro financing, agricultural credit facilities, real estate, gold loan, corporate advisory services, capital market operations and accepting of savings and fixed deposits.
Subsidiary	
MBSL Insurance Company Limited	Underwriting of all classes of life and general insurance.
Associate	
Lanka Securities (Pvt) Limited	Registered stock broker which engages in equity trading, debt trading and margin trading.

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

1.4 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company and the Group for the year ended 31 December 2024 (including comparatives) were approved and authorized for issue on 26 March 2025 in accordance with the resolution of the Board of Directors on 26 March 2025.

2. BASIS OF PREPARATION

This section provides the basis of preparation and presentation of Financial Statements including significant accounting policies and application of Sri Lanka Accounting Standards and other related statutory requirements.

2.1 Basis of Preparation and Other Significant Accounting Policies

Summary of significant accounting policies, significant accounting judgements, estimates and assumptions used, other general accounting policies and Sri Lanka Financial Reporting Standards (SLFRS) not yet adopted are provided in this section.

All specific accounting policies and accounting estimates in relation to the reported values have been presented in the respective notes.

2.2 Statement of Compliance

The consolidated Financial Statements of the Group and the Separate Financial Statements of the Company, as at 31 December 2024 and for the year ended, have been prepared and presented in accordance with Sri Lanka Financial Reporting Standards (SLFRS and LKAS), laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No.42 of 2011, Regulation of Insurance Industry Act No.43 of 2000 and the Listing Rules of the Colombo Stock Exchange.

These Financial Statements include the following components:

- ⚙ Statement of Profit or Loss and Statement of Comprehensive Income providing the information on the financial performance of the Company and the Group for the year under review
- ⚙ The Statement of Financial Position providing the information on the financial position of the Company and the Group as at year end
- ⚙ The Statement of Changes in Equity depicting all changes in shareholders' equity during the year under review of the Company and the Group
- ⚙ The Statement of Cash Flows providing the information to the users, on the ability of the Company and the Group to generate cash and cash equivalents and the needs of entity to utilise those cash flows; and
- ⚙ Notes to the Financial Statements comprising accounting policies and other explanatory information

2.3 Responsibility for Financial Statements

The Board of Directors is responsible for preparation and presentation of these Financial Statements of the Company and the Group as per the provision of the Companies Act No. 07 of 2007 and SLFRS and LKAS.

The Board of Directors acknowledges their responsibility in relation to the Financial Statements, as set out in the 'Statement of Directors' Responsibility for Financial Reporting', 'Annual Report of the Board of Directors on the Affairs of the Company' and in the certification on the Statement of Financial Position.

2.4 Basis of Measurement

The Financial Statements of the Company and the Group have been prepared on accrual basis under historical cost convention and applied consistently with no adjustment being made for inflationary factors affecting the Financial Statements except for the following material items in the Statement of Financial Position and Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

Item	Basis of measurement	Note no./s
Financial investments at fair value through profit or loss	Fair value	22
Financial investments at fair value through other comprehensive income (Financial Investments-OCI)	Fair value	24
Retirement benefits obligations	Retirement benefits obligations are measured based on the present value of projected future benefit payments for all participants for services rendered to date.	40
Freehold land and buildings and buildings on leasehold lands are measured at	Cost less any subsequent accumulated depreciation and impairment losses.	29,30

2.5 Functional and Presentation Currency

The Financial Statements of the Company and the Group are presented in Sri Lankan Rupees, which is the currency of the economic environment in which the Company and the Group operates.

2.6 Presentation of Financial Statements

The assets and liabilities of the Company and the Group in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. The accounting principles are applied consistently other than where specially disclosed with due regard to prudence, materiality and substance over form criteria as explained in Sri Lanka Accounting Standard LKAS 01 - 'Presentation of Financial Statements'. Where appropriate, the accounting policies are disclosed in the succeeding notes.

2.7 Use of Materiality, Offsetting and Rounding

Materiality & Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard LKAS 01 - 'Presentation of Financial Statements'.

Offsetting

Assets and liabilities and income and expenses in the Financial Statements are not set off unless required or permitted by Sri Lanka Accounting Standards.

Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupees thousand, (Rs.'000) except where otherwise indicated Sri Lanka Accounting Standards - LKAS 01 - 'Presentation of Financial Statements'.

2.8 Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Financial Statements of the Company and the Group in conformity with SLFRSs/LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgments and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised prospectively.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are described in the relevant notes as follows.

- ⚙ Impairment losses on non-financial assets - Note No. 28
- ⚙ Deferred tax liabilities - Note No. 38
- ⚙ Provision for impairment of loans and receivables - Note No. 23
- ⚙ Retirement benefits obligation - Note No. 40
- ⚙ Provision and contingent liabilities - Note No. 47

2.8.1 Going Concern

The Company has recorded a profit of Rs. 240,454 Mn during the year. Based on the strategies/actions taken by the Group, the Directors have assessed the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.8.2 Events After the Reporting Period

Events after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date on which the Financial Statements are authorized for issue.

2.9 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 presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Consolidation

The Consolidated Financial Statements for the year ended 31 December 2024 comprise the Financial Statements of the Company (Parent Company) and its subsidiary (together referred to as the 'Group') and the Company's interest in associate company as per the requirements of Sri Lanka Financial Reporting Standard - SLFRS 10 - 'Consolidated Financial Statements' and Sri Lanka Accounting Standard LKAS 27 - "Consolidated and Separate Financial Statements" and the proportionate share of the profit or loss and net assets of its Associates as per the requirements of Sri Lanka Accounting Standard - LKAS 28 - 'Investment in Associates and Joint Ventures'. The Financial Statements of all companies in the Group have common financial year which ends on 31 December, and use consistent accounting policies.

Intra-group balances and transactions, income and expenses and any unrealised gains arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements.

3.2 Business Combination and Goodwill

Business combinations are accounted for using the acquisition method as per requirements of Sri Lanka Financial Reporting Standard - SLFRS 03 - 'Business Combinations'.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquire, less the net recognised amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in the Statement of Profit or Loss.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net amount of the identifiable assets, liabilities and contingent liabilities acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. 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 (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

3.3 Common Control Business Combination

Common control business combinations are accounted using the guidelines issued under Statement of Recommended Practice (SoRP) - Merger accounting for common control business combination issued by Institute of Chartered Accountants of Sri Lanka.

Accordingly,

- ⚙ The net assets of the combining entities are consolidated using the existing book values.
- ⚙ No amount is recognised as goodwill which arise as a result of difference between the consideration and net assets acquired.
- ⚙ Comparative amounts in the Financial Statements are restated as if the companies had been combined at the previous financial position date.

3.3.1 Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the Statement of Profit or Loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as equity accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

3.3.2 Transactions Eliminated on Consolidations

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS

3.4 Foreign Currency

3.4.1 Foreign Currency Transactions and Balances

All foreign exchange transactions are converted to functional currency which is Sri Lankan Rupees (Rs.), at the rates of exchange prevailing at the time the transactions are effected.

Monetary assets and liabilities denominated in foreign currency are re-translated to the functional currency equivalents at the spot exchange rate prevailing at the financial position date.

The gains or losses arising on translation of monetary items are recognised in the Statement of Profit or Loss.

3.5 Financial Instruments-Initial Recognition, Classification and Subsequent Measurement

3.5.1 Date of Recognition

Financial assets and financial liabilities are initially recognised when a Group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and de-recognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Classification of financial instruments between debt and equity depends on following characteristics of such instruments:

- ⚙ Name or labels given to the instruments
- ⚙ Presence or absence of a fixed maturity date
- ⚙ Life of the instrument
- ⚙ Source of payments
- ⚙ Right to enforce payments
- ⚙ Rights to participate in management
- ⚙ Risk involved in the instruments
- ⚙ Volatility of cash flows
- ⚙ Securities given as collaterals

3.5.2 Effective Interest Method (EIR)

The effective interest method (EIR) is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period. The EIR is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for financial instruments other than those financial assets classified as fair value through profit or loss.

3.5.3 Financial Investments at Fair Value Through Profit or Loss (FVTPL)

Details of "Financial investments at fair value through profit or loss (FVTPL)" are given in Note No. 22

3.5.4 Loans & Receivables at Amortised Cost

Details of "Loans & receivables at amortised cost" are given in Note No. 23

3.5.5 Financial Investments at Amortised Cost

Details of "Financial investments at amortised cost" are given in Note No. 25

3.5.6 Financial Investments at Fair Value Through Other Comprehensive Income (FVTOCI)

Details of "Financial investments at fair value through other comprehensive income" are given in Note No. 24

3.5.7 Classification & Subsequent Measurement of Financial Liabilities

At the inception financial liabilities are classified in to one of the following categories:

- ⚙ Financial liabilities designated at fair value through profit or loss
- ⚙ Financial liabilities at amortised cost
- ⚙ Due to customers at amortised cost
- ⚙ Debt issued and borrowed funds at amortised cost

The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

3.5.7.1 Financial Liabilities Designated at Fair Value Through Profit or Loss

Financial liabilities classified in this category are those that have been designated by the management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition and designation is determined on an instrument by instrument basis.

Financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value. Interest arose is accrued in 'Interest expense', using the EIR.

3.5.7.2 Financial Liabilities at Amortised Cost

Financial instruments issued by the Company and the Group that are not designated at fair value through profit or loss, are classified as financial liabilities at amortised cost.

After the initial recognition, these financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method as a method of calculating the amortised cost of a financial liability and allocating interest expense over the relevant period.

3.5.8 Initial Measurements of Financial Instruments

Financial assets and liabilities are initially measured at their fair value plus transaction cost, except in the case of financial assets and liabilities recorded at fair value through profit or loss. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are dealt with in the Statement of Profit or Loss.

3.5.9 Business Model Assessment

Company and the Group determines its business model at the level that best reflects how it manages the financial assets to achieve its objectives. The Company's and the Group'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 asset held within that business model are evaluated and reported to the Group's key Management personnel.
- ✧ The risks that affects the performance of the business model (and the financial asset held within that business model) and, in particular, the way those 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 flow collected).
- ✧ The expected frequency, value and timing of sales are also important aspect of Company and Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'Worst Case' or 'Stress Case' scenarios in to account. If cash flows after initial recognition are realized in away that is different from the Company's and the Group's original expectation, the Company and the Group do 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.

3.5.10 Contractual Cash Flow Characteristic Test

As the second test of the classification process the Company and the Group assess the contractual terms of the financial asset to identify whether they meet Solely the Payment of Principle & Interest (SPPI).

Principle' 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 principle 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 SPPI assessment, the Company and the Group applies judgment and considers relevant factors such as currency in which the financial asset is denominated and the period for which the interest rate is set.

In contrast to contractual exposures that introduce a more than demonisms exposure to risk 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 the payment of principle and interest on the amount outstanding. In such cases the financial asset is required to be measured at FVTPL.

3.5.11 Impairment of Financial Assets

3.5.11.1 Overview of Expected Credit Loss Principle (ECL)

ECL allowance is based on credit losses expected to arise over the life of the asset (Lifetime Expected Credit Loss or 'LTECL'), unless there has been no significant increase in credit risk since origination in which case the loss allowance will be 12-month expected credit loss (12mECL).

12mECL is the portion of LTECL that represent the ECL that results from default events on a financial instrument that are possible within 12-months.

The Company 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. Based on such process Company groups loans in to stage 1, stage 2, stage 3 as described below :

Stage 1 : When loans are first recognised, the Company recognises an allowance based on 12mECL. Stage 1 loans also include the facilities where the credit risk has improved and the loans has been re-classified from Stage 2. Assessment of Stage 1 will be performed collectively.

Stage 2 : When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from stage 3. Assessment of stage 3 will be performed collectively.

Stage 3 : Loan considered to be credit Impaired/contains objective evidence of incurred losses records an allowance for the LTECL. Stage 3 assessment will be performed Individual/Collectively.

The Group's expectations of economic impacts, key assumptions used in the Group's calculation of ECL have been revised.

The economic scenarios and forward-looking macroeconomic assumptions underpinning the collective provision calculation are outlined in Note 3.5.11.6, while the impact on changing the weightages of different macro- economic scenarios during the year are given in Note 48.2.1.

NOTES TO THE FINANCIAL STATEMENTS

3.5.11.2 Significant Increase in Credit Risk

The Company 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 Company assess whether there has been a significant increase in credit risk since initial recognition. The Company considers an exposure to have significantly increased in credit risk when the either of the following criteria are met :

- ⚙ Facilities exceeding 30 days past due
- ⚙ Counterparties/facilities reflected coded any elevated risk industries as per the assessment performed by the Credit Risk Management Team.

Re-structured facilities

- ⚙ Secondary qualitative indicators triggering a significant increase in credit risk for an asset, such as moving a customer/facility to watch list.

3.5.11.3 Individually Significant Assessment and Not Impaired Individually

Individual assessment will be performed for all the customers with objective evidence of incurred losses (under stage 3). 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 have been significant credit deterioration since origination.

Objective evidence of incurred losses (under Stage 3). Loans which are individually significant but not impaired will be assessed collectively for While establishing significant credit deterioration the Company 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 behavioral 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 it's 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.

3.5.11.4 Grouping Financial Assets Measured on a Collective Basis

As explained above, the Company calculates ECL either on collective or individual basis. Asset classes where the Company calculates ECL on an individual basis includes all individually significant assets which are belong to stage 3. All assets which belong stage 1 & 2 will be assessed collectively for impairment.

The Company groups these exposures for smaller homogenous exposures, based on a combination of internal and external characteristics of the loan as described below :

- ⚙ Product Type
- ⚙ Type of Collateral
- ⚙ Days Past Due

3.5.11.5 The Calculation of ECL

The Company calculates ECL based on 3 probability weighted scenarios to measure expected cash shortfalls, discounted at an approximation to the EIR.

A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The Mechanics of the ECL Calculation are Outlined Below and the Key Elements are as Follows :

- ⚙ PD : The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- ⚙ EAD : Exposure at Default is the estimate of the exposure at a future default date, taking in to account expected changes after the reporting date, including repayments of the principle and interest, whether scheduled by contract to otherwise, expected draw downs on committed facilities.
- ⚙ LGD : 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 lenders would expect to receive, including realisation of any collateral. It is usually expressed as a % of the EAD.

When estimating the ECL, the Company considers 3 scenarios (Base Case, Best Case & Worst Case). Each of these scenarios associated with different loss rates. For all products the Company considers the maximum period of which the credit losses are determined is the contractual life of a financial instrument.

3.5.11.6 Forward Looking Information

In its ECL model the Company relies on broad range qualitative/quantitative forward looking information as economic input such as:

Quantitative	Qualitative
GDP Growth	Government Policies
Inflation	Status of the Industry Business
Unemployment	Regulatory Impact
Interest Rates	
Exchange Rates	

The inputs and models used for calculating ECLs may not always capture all characteristics of the market as at the date of the Financial Statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments, the Group changed the values of the key macro-economic variables in the impairment calculation model including the GDP growth rate, unemployment rate, interest rate, exchange rate etc. These values have been determined based on the most recent forecasts available as at the date of the calculation. To ensure completeness and accuracy, the Group obtains the above data primarily from the Central Bank of Sri Lanka (CBSL).

3.5.11.7 Modified Financial Assets

The Company makes concessions or modifications to the original terms of loans as response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. Such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Company would not have agreed to them if the borrower had been financially healthy. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms.

When the loan has been renegotiated or modified but not de-recognised, a reassessment is made whether there has been a significant increase in credit risk, as set out in Note 23.4.8 to the Financial Statements. Accordingly all rescheduled loans are classified as Stage 3 unless upgraded due to satisfactory performing period. Further loans which have been restructured one time and days past due less than 90 days are classified as Stage 2. If restructured two times, move to the next stage beyond the existing stage while such loans which have been restructured more than three times are classified as Stage 3.

3.5.11.8 Collateral Repossessed

Repossession of collateral is resorted to in extreme situations where action is necessitated to recover the dues. The repossessed assets are disposed, in an orderly and a transparent manner and the proceeds are used to reduce or recover the outstanding claims and the amounts recovered in excess of the dues are refunded to the customers.

3.5.11.9 Write-off of Financial Assets at Amortised Cost

Financial Assets (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. If the amount to be written off is greater than the accumulated impairment, the difference is first treated as an addition to the impairment that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the Income Statement. Where financial assets are secured, this is generally after receipt of any proceeds from the realisation of security.

3.5.11.10 Definition of Default and Credit Impaired Assets

The Group generally considers financial assets as defaulted and therefore assessed in Stage 3 (as credit-impaired) for ECL calculations 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 (excluding securities issued by Government of Sri Lanka) under Stage 3 when the external credit rating assigned to the particular investment is "default".

In assessing whether a borrower is in default, Group reviews its individually significant loans and advances above a predefined threshold at each reporting date. The Group considers customers with one or more of the default indicators as credit impaired.

3.5.11.11 De-recognition of Financial Assets and Financial Liabilities

3.5.11.11.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognised when:

- ⚙ The rights to receive cash flows from the asset have expired; or
- ⚙ The Company and the Group have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - ⚙ The Company and the Group has transferred substantially all the risks and rewards of the asset; or
 - ⚙ The Company and the Group have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE FINANCIAL STATEMENTS

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in the Other Comprehensive Income is recognised in the Statement of Profit or Loss.

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

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

3.5.11.11.2 Financial Liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the Statement of Profit or Loss.

3.5.12 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

3.5.13 Determination of Fair Value

The fair value for financial instruments traded in active markets at the Statement of Financial Position date is based on their quoted market price without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using valuation models with the Group's best estimate of the most appropriate model assumptions.

3.6 Impairment of Non-Financial Assets

The Group assesses at each Statement of Financial Position date to ascertain, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Units (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered as impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognised immediately in the Statement of Profit or Loss. For assets excluding goodwill, an assessment is made at each reporting date to determine as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. Previously recognised impairment losses are reversed only if there has been a change in the assumptions used to determine the recoverable amount of the asset since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss.

3.7 Provisions

A provision is recognised in the Statement of Financial Position when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably in accordance with the Sri Lanka Accounting Standard - LKAS 37 - 'Provisions, Contingent Liabilities and Contingent Assets'. The amount recognised is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position Date, taking into account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows.

3.8 Revenue from Contracts with Customers

The core principle of SLFRS 15 is that an entity has to recognize revenue to depict the transfer of promised goods or services to customers. This core principle is delivered in a five-step model framework as disclosed below.

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

3.9 Significant Accounting Policies that are Specific to the Business of the Subsidiary - MBSL Insurance Company Limited

3.9.1 Deferred Expenses

3.9.1.1 Deferred Acquisition Costs (DAC)

The costs of acquiring new businesses including commission, underwriting, marketing and policy issue expenses, which vary with and directly related to production of new businesses and/or investment contracts with DPf, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, DAC for general insurance is amortised over the period on the basis unearned premium is amortised. The reinsurances' share of deferred acquisition cost is amortised in the same manner as the underlying asset amortization is recorded in the Statement of Profit or Loss.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in an accounting estimate. DAC are derecognised when the related contracts are either expired or cancelled.

3.9.1.2 Deferred Expenses - Reinsurance Commissions

Commissions receivable on outwards reinsurance contracts are deferred and amortised.

3.9.2 Reinsurance

The subsidiary-MBSL Insurance (MBSLI) cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the MBSLI may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the MBSLI will receive from the reinsurer. The impairment loss is recorded in the Statement of Profit or Loss.

The subsidiary-MBSLI also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

3.9.3 Insurance Contract Liabilities

3.9.3.1 Life Insurance Contract Liabilities

These liabilities are measured by using the gross premium valuation method as prescribed by the Regulation of Insurance Industry ACT, No. 43 of 2000. The liability is determined as the discounted value of the expected contractual cash outflows less the discounted value of the expected premiums. Valuation assumptions are derived based on the best estimate experience with a prescribed risk margin to allow for adverse deviations.

At each reporting date, an assessment is made of whether the recognized life insurance liabilities are adequate, by using a liability adequacy test.

NOTES TO THE FINANCIAL STATEMENTS

Liability Adequacy Test (LAT)

At each reporting date, an assessment is made of whether the recognized life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4. The liability value is adjusted to the extent that it is adequate to meet future benefits and expenses.

Any deficiency is recognized in the income statement by setting up a provision for liability adequacy.

3.9.3.2 Non-Life Insurance Contract Liabilities

Non-life insurance contract liabilities are recognized when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalization or catastrophe reserves is recognized. The liabilities are derecognized when the contract expires, is discharged or is cancelled.

Liability Adequacy Test (LAT)

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognized as premium income. At each reporting date the company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognized in the statement of comprehensive income by setting up a provision for liability adequacy.

3.9.3.3 Investment Contract Liabilities

Investment contracts are classified between contracts with and without Discretionary Participation Feature (DPF). The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.

Investment contract liabilities without DPF are recognized when contracts are entered into and premiums are charged. These liabilities are initially recognized at fair value this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition investment, contract liabilities are measured at fair value through profit or loss.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position. Fair value adjustments are performed at each reporting date and are recognized in the statement of comprehensive income. Fair value is determined through the use of prospective discounted cash flow techniques. For unitized contracts, fair value is calculated as the number of units allocated to the policy holder in each unit-linked fund multiplied by the unit-price of those funds at the reporting date. The fund assets and fund liabilities used to determine the unit-prices at the reporting date are valued on a basis consistent with their measurement basis in statement of financial position adjusted to take account of the effect on the liabilities of the deferred tax on unrealized gains on assets in the fund.

Non-unitized contracts are subsequently also carried at fair value, which is determined by using valuation techniques such as discounted cash flows and stochastic modeling. Models are validated, calibrated and periodically reviewed by an independent qualified person.

"The liability is derecognized when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance.

3.9.4 Discretionary Participation Features (DPF)

A DPF is a contractual right that gives holders of these contracts the right to receive as a supplement to guaranteed benefits, significant additional benefits which are based on the performance of the assets held within the DPF portfolio. Under the terms of the contracts surpluses in the DPF funds can be distributed to policyholders and shareholders on a 90/10 basis. The Group has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at annually are held within insurance or investment contract liabilities as appropriate.

3.10.1 Company as a Lessee

Leases that do not transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they it is incurred.

3.10.2 Company as a Lessor

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as finance leases. Rental income is recorded as earned based on the contractual terms of the lease in Other operating income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.11 SLFRS-16 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.11.1 Company as a Lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). 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, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within Note 30 – property, equipment and right-of-use assets and are subject to impairment in line with the Company's policy as described in Note 3.6, Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include 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 Company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

3.11.2 Company as a Lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the Statement of Profit or Loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS

3.12 New and Amended Standards and Interpretations

The new and amended standards and interpretations that are issued up to the date of issuance of the (Group/Company's) Financial Statements but are not effective for the current annual reporting period, are disclosed below. The (Group/Company) intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Accounting Standard	Description	Effective Date	Assessment of the Impact on the Company/Group
SLFRS 17 - Insurance Contracts	<p>SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of SLFRS 17 is the general model, supplemented by:</p> <ul style="list-style-type: none"> - A specific adaptation for contracts with direct participation features (the variable fee approach) - A simplified approach (the premium allocation approach) mainly for short-duration contracts <p>SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.</p>	On or after 1 January 2026	The amendments are not expected to have a material impact on the Group/Company's financial statement or The Group / Company is currently assessing the impact the amendments will have on current practice.
Amendments to LKAS 21 - Lack of exchangeability	<p>The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.</p> <p>The amendments also require disclosure of information that enables users of its Financial Statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.</p> <p>The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.</p>	On or after 1 January 2025	The amendments are not expected to have a material impact on the Group / Company's financial statement or The Group / Company is currently assessing the impact the amendments will have on current practice

Apart from the above there were no new accounting standards/amendments to existing accounting standards that became effective during the year. The Group has applied all relevant accounting standards which have been issued up to 31 December 2024 in the preparation of the Financial Statements for the year ended 31 December 2024.

3.12.1 Finance Business Act Directions Issued by the Central Bank of Sri Lanka

Credit Risk Management

In terms of the powers conferred by Section 12 of the Finance Business Act, No. 42 of 2011 read with Section 133(1) of the Central Bank of Sri Lanka Act, No. 16 of 2023, the Central Bank of Sri Lanka hereby issues these directions on Credit Risk Management to every Finance Company (FC) licensed under the Finance Business Act, No. 42 of 2011.

These directions outline the key principles for a sound credit risk management framework and the FC shall adopt the principles and practices provided in these directions. These directions shall be effective from 01.01.2025.

Operational Risk Management

In terms of the powers conferred by Section 12(1) of the Finance Business Act, No.42 of 2011 read with Section 133(1) of the Central Bank of Sri Lanka Act, No. 16 of 2023, the Central Bank of Sri Lanka hereby issues these directions on Operational Risk Management to all Finance Companies (FCs) licensed under the Finance Business Act, No.42 of 2011.

The FCs with assets of Rs.100 Bn and above shall comply With these directions with effect from 01.01.2026, and FCs with Assets less than Rs. 100 Bn shall comply with these Directions with effect from 01.01.2027.

Guidelines on Remuneration Policies and Disclosure Requirements

These guidelines are issued with the objective of improving consistency, fairness and transparency in remunerating the directors and senior management of Finance Companies (FCs) licensed under the Finance Business Act, No. 42 of 2011, with reference to the Finance Business Act (Corporate Governance) Direction No.05 of 2021.

These guidelines shall be applicable to all FCs, effective from the financial year 2025/26.

Specific Accounting Policies and Notes

This section provides specific accounting policies and accounting estimates in relation to the reported values in the Financial Statements with additional notes and explanations.

NOTES TO THE FINANCIAL STATEMENTS

4. INCOME

Accounting Policy

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company and the Group and revenue can be reliably measured. The specific recognition criteria, for each type of gross income, given under the respective income notes.

For the year ended 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest and similar income	6,207,886	6,559,123	6,467,481	6,915,047
Fee and commission income	211,880	123,292	236,802	157,295
Insurance premium income	-	-	408,020	494,462
Net trading gain/(loss)	793,811	120,243	793,811	120,243
Net gain/(loss) on financial instruments at fair value through profit or loss	257,327	559,224	261,789	561,446
Other operating income	111,819	116,167	121,319	108,211
	7,582,723	7,478,049	8,289,221	8,356,704

5. NET INTEREST INCOME

Accounting Policy

Interest income and expense are recognised in the Statement of Profit or Loss using the effective interest rate (EIR) method.

The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or when appropriate, shorter period to the net carrying amount of the financial asset.

As per SLFRS 9, the interest income and expense presented in the Statement of Profit or Loss include:

- Interest on financial assets measured at amortised cost calculated using EIR method;
- Interest on financial assets measured at fair value through other comprehensive income (FVTOCI) calculated using EIR method;
- Interest on financial assets measured at fair value through profit or loss (FVTPL) calculated using EIR method;
- Interest on financial liabilities measured at amortised cost calculated using EIR method.

When calculating the EIR for financial instruments other than credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses (ECLs).

When a financial asset becomes credit-impaired (as set out in Note 12.1) and is, therefore, regarded as 'stage 3', the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures are no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Once the recorded value of a financial assets or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Overdue Interest

Interest from overdue rentals have been accounted for on a cash received basis.

		Company		Group	
For the year ended 31 December		2024	2023	2024	2023
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest and similar income					
Loans & receivables at amortised cost	5.1	4,347,067	4,919,146	4,347,067	4,919,146
Financial investments at FVTOCI & amortised cost		1,748,671	1,509,677	1,783,157	1,543,007
Placements with banks & financial institutions		112,148	130,300	337,257	452,894
		6,207,886	6,559,123	6,467,481	6,915,047
Interest and similar expenses					
Due to banks		362,667	383,737	362,667	386,552
Due to customers at amortised cost	5.2	3,341,017	4,361,886	3,311,530	4,323,838
Interest expense on lease liabilities	39.1	45,494	59,012	57,112	73,073
Debt issued and borrowed funds at amortised cost		271,918	114,023	271,918	114,023
		4,021,096	4,918,658	4,003,227	4,897,486
Net interest income		2,186,790	1,640,465	2,464,254	2,017,561

5.1 Interest and similar income - Loans & receivables product wise

For the year ended 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Finance lease/ijarah	2,007,248	1,699,067	2,007,248	1,699,067
Hire purchase/murabaha	739	4,190	739	4,190
Term loans	463,740	575,946	463,740	575,946
Short term loans	507,822	290,726	507,822	290,726
Personal loans	66,206	107,424	66,206	107,424
Pawning	904,538	1,436,905	904,538	1,436,905
Micro finance	608	2,144	608	2,144
Loans against fixed deposits	108,174	176,708	108,174	176,708
Margin trading	287,992	626,036	287,992	626,036
	4,347,067	4,919,146	4,347,067	4,919,146

5.2. Interest and similar expenses - Due to customers product wise

For the year ended 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Savings deposits	56,813	44,150	56,657	44,068
Term deposits	3,284,204	4,317,736	3,254,873	4,279,770
	3,341,017	4,361,886	3,311,530	4,323,838

NOTES TO THE FINANCIAL STATEMENTS

6. NET FEE AND COMMISSION INCOME

Fee and Commission Income

Accounting Policy

Fee and commission income is earned from a diverse range of services provided by the Group to its customers. Fees and commission income is accounted for as follows:

- Income earned on the execution of a significant act is recognised as revenue when the act is completed; and
- Income earned from the provision of services is recognised as revenue as the services are provided;

For the year ended 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Fee and commission income				
Trade & other related activities	211,880	123,292	200,512	110,309
Reinsurance commission income	-	-	-	5,353
Others	-	-	36,290	41,633
	211,880	123,292	236,802	157,295
Fee and commission expenses				
Commission expenses	43,332	16,757	49,503	24,883
	43,332	16,757	49,503	24,883
Net Fee and commission income	168,548	106,535	187,299	132,412

7. INSURANCE PREMIUM INCOME

Accounting Policy

Gross Premiums

Gross recurring premiums on life and investment contracts with DPF are recognized as revenue when receivable from the policyholder. For single premium business, revenue is recognized on the date on which the policy is effective.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the Policy commences.

Unearned premium reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 1/24th basis.

Reinsurance Premiums

Gross reinsurance premiums on life and investment contracts are recognized as an expense when the date on which the policy is effective.

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the balance sheet date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

For the year ended 31 December	Group	
	2024	2023
	Rs.'000	Rs.'000
Non-life insurance	617,879	728,684
Life insurance	23,933	29,463
Total gross written premium	641,812	758,147
Premium ceded to reinsurers	(305,519)	(242,359)
Net premium income	336,292	515,788
Change in unearned premium provisions-net	71,727	(21,326)
Total net earned premium	408,020	494,462

8. NET CLAIMS AND BENEFITS

Accounting Policy

Gross benefits and claims

Gross benefits and claims for life insurance contracts and for investment contracts with DPF include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts, as well as changes in the gross valuation of insurance and investment contract liabilities with DPF. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Interim payments and surrenders are accounted at the time of settlement.

General insurance include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims expenses and liabilities for outstanding claims are recognized in respect of direct and inward reinsurance business. The liability covers claims reported but not yet paid, Incurred But Not Reported claims (IBNR) and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of IBNR is actuarially valued on an annual basis to ensure a more realistic estimation of the future liability based on past experience and trends.

While the directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the Financial Statements for that period. The methods used and the estimates made are reviewed regularly.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December	Group	
	2024	2023
	Rs.'000	Rs.'000
General Insurance		
Claims paid	481,697	410,517
Claims outstanding	(202,578)	7,174
	279,119	417,691
Reinsurance on claims paid	38,689	54,870
Reinsurance on claims outstanding	12,603	(18,224)
Reinsurance recoveries	51,292	36,646
General insurance net claim and benefits	227,827	381,045
Life Insurance		
Claims paid	31,271	34,036
Change in life Insurance contract liabilities	73,236	161,291
	104,507	195,327
Claims outstanding	(2,699)	(723)
Gross claims - death, disability and hospitalisation	101,808	194,604
Reinsurance on claims paid	-	763
Reinsurance on claims outstanding	(170)	(349)
Reinsurance recoveries	(170)	414
Shareholder's profit	9,466	103,921
Long term insurance net claim and benefits	92,512	90,269
Underwriting and net acquisition costs	7,103	32,447
Net claims and benefits	327,442	503,761

9. NET TRADING INCOME

Accounting Policy

Results arising from trading activities include gain/(loss) on disposal of financial assets at FVTPL.

For the year ended 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gain/(loss) on disposal of quoted shares	18,075	12,218	18,075	12,218
Gain/(loss) on disposal of government securities	775,736	108,025	775,736	108,025
Net trading income	793,811	120,243	793,811	120,243

10. NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting Policy

Fair value gains and losses attributable to changes in the fair values of the equity and debt securities classified under financial assets at FVTPL is recognised in the Statement of Profit or Loss, when there is a change to the fair value of the asset.

For the year ended 31 December	Note	Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Government securities		110,730	566,032	110,730	566,031
Quoted securities	22.2	146,597	(6,808)	151,059	(4,585)
		257,327	559,224	261,789	561,446

11. OTHER OPERATION INCOME

Accounting Policy

Other operating income includes gains on disposal of property & equipment, dividend income, profit & losses from real estates, profit & losses from investment properties and write-off collection.

Dividend Income

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

For the year ended 31 December		Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit on sale of real estate		5,126	19,577	5,126	19,577
Recovery of bad debts written off		60,350	31,382	60,350	31,382
Dividend income from financial assets at FVTPL		10,914	8,805	10,951	9,287
Dividend income from associates		-	24,633	-	-
Profit/(loss) on sale of Property, equipment and right-of-use assets including foreclosed properties		9,615	5,384	9,615	5,384
Other income		25,814	26,386	35,277	42,581
		111,819	116,167	121,319	108,211

NOTES TO THE FINANCIAL STATEMENTS

12. ALLOWANCE FOR IMPAIRMENT LOSSES CHARGE FOR LOANS AND OTHER ASSETS

Accounting Policy

The Company and the Group recognised the changes in the impairment provisions for loans and receivables which are assessed as per Sri Lanka Accounting Standard - SLFRS 9 - 'Financial Instruments'. The methodology adopted by the Company and the Group is explained in Note 3.5 to the Financial Statements.

For the year ended 31 December	Note	Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Loans and receivables to customers					
Impairment on individually significant loans	23	839,109	(756,994)	839,109	(756,994)
Impairment on collective loans	23	(1,090,263)	674,262	(1,090,263)	674,262
Write-off	12.1	53,845	48,973	53,845	48,973
Total impairment charges for loans and receivables to customers		(197,308)	(33,759)	(197,308)	(33,759)
Cash and cash equivalents	20.1.1	(25)	28	(25)	28
Placements with banks & financial institutions	21.1	(66)	(36)	(66)	(36)
Other assets		96,288	8,673	96,288	8,673
		(101,111)	(25,094)	(101,111)	(25,094)

12.1. Analysis of Impairment Charges

The below table shows the ECL charges on financial instruments for the year recorded in the Statement of Profit or Loss.

For the year ended 31 December	Company		Group	
	2024		2024	
	Individual	Collective	Individual	Collective
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Loans & receivables at amortised cost				
Stage 1	-	53,248	-	53,248
Stage 2	-	(21,890)	-	(21,890)
Stage 3	839,109	(1,121,620)	839,109	(1,121,620)
Write-off				
Stage 3	53,845	-	53,845	-
Cash and cash equivalents				
Stage 1	-	(25)	-	(25)
Placements with banks & financial institutions				
Stage 1	-	(65)	-	(65)
Other assets				
Stage 3	96,288	-	96,288	-
Total impairment charges/(reversal)	989,242	(1,090,353)	989,242	(1,090,353)

For the year ended 31 December	Company		Group	
	2023		2023	
	Individual	Collective	Individual	Collective
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Loans & receivables at amortised cost				
Stage 1	-	(62,325)	-	(62,325)
Stage 2	-	(145,215)	-	(145,215)
Stage 3	(756,994)	881,802	(756,994)	881,802
Write-off				
Stage 3	48,973	-	48,973	-
Cash and cash equivalents				
Stage 1	-	28	-	28
Placements with banks & financial institutions				
Stage 1	-	(36)	-	(36)
Other assets				
Stage 3	8,673	-	8,673	-
Total impairment charges	(699,348)	674,254	(699,348)	674,254

13. PERSONNEL EXPENSES

Accounting Policy

Personnel expenses include salaries, bonus, terminal benefit charges and other related expenses. The provision for bonus is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of obligation.

Defined Contribution Plan – Employees’ Provident Fund and Employees’ Trust Fund (EPF & ETF)

Employees are eligible for Employees’ Provident Fund contributions and Employees’ Trust Fund contributions in line with respective statutes and regulations. The Group and employees contributes 12% and 8% of gross emoluments of employees to Employees’ Provident Fund. The Group contributes 3% of gross emoluments of employees to the Employees’ Trust Fund.

Defined Benefit Plan – Gratuity

Retirement benefit obligation is recognised in the Statement of Profit or Loss based on an actuarial valuation carried out for the gratuity liability in accordance with Sri Lanka Accounting Standard - LKAS 19 - ‘Employee Benefit’ as explained in Note 40

For the year ended 31 December	Note	Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Staff emoluments		1,199,760	1,098,248	1,356,258	1,273,626
Employers’ contribution to defined contribution & benefit plans					
Employees’ Provident Fund		101,581	95,512	117,020	113,533
Employees’ Trust Fund		25,395	23,878	29,255	28,383
Retirement benefit expenses	40.1	73,878	72,052	76,931	75,605
		1,400,614	1,289,690	1,579,464	1,491,147

NOTES TO THE FINANCIAL STATEMENTS

14. DEPRECIATION AND AMORTISATION

Accounting Policy

Depreciation

Depreciation is recognized in the Statement of Profit or Loss on a straight line basis over the estimated useful lives of each part of an item of property and equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation of an asset ceases at the earlier of that the asset is classified as held-for-sale or the date that the asset is derecognized. Depreciation does not cease when the assets become idle or is retired from active unless the asset is fully depreciated.

Depreciation of right-of-use assets are presented together with property and equipment in the Statement of Profit or Loss, refer to the accounting policy in Note 3.11.1. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The estimated useful lives for the current and comparative years are as follows:

Class of asset	Percentage per annum (%)	Period
Motor vehicles	20	5 years
Computers & accessories	20	5 years
Building	5	20 years
Other assets	10-50	2-10 years

Amortisation of Intangible Assets

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 reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the intangible asset.

Class of asset	Percentage per annum (%)	Period
Computer software	12.5-20	5-8 Years

All classes of property, equipment and intangible assets together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and the end of the year are given in Note 30 and 31.

For the year ended 31 December	Note	Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Depreciation of investment property	29	703	6,394	703	6,394
Depreciation of property, equipment and right-of-use assets	30	249,180	228,343	284,813	263,968
Amortisation of intangible assets	31	41,195	38,132	42,206	38,946
		291,078	272,869	327,722	309,308

15. OTHER OPERATING 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 in maintaining the property & equipment in a state of efficiency has been charged to the Statement of Profit or Loss in arriving at that profit for the year.

Directors' Emoluments

Directors' emoluments include fees paid to Non-Executive Directors.

Crop Insurance Levy

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

For the year ended 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Directors' emoluments	4,992	4,663	7,322	8,291
Auditors' remuneration				
Audit fees	2,830	2,830	4,402	4,503
Non audit fees	577	577	905	750
Professional & legal fees	79,249	31,816	81,673	34,537
Insurance premium for deposits paid to the central bank	38,291	35,369	38,291	35,369
Crop insurance levy	2,610	-	2,610	-
Advertising and business promotional expenses	126,307	45,835	126,307	45,835
Office administration & establishment expenses	829,726	618,326	986,015	792,955
	1,084,583	739,416	1,247,526	922,240

16. TAXES

16.1 Value Added Tax (VAT) on Financial Services

VAT on financial services is calculated in accordance with the Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before VAT and income tax, adjusted for the economic depreciation and emoluments payable to employees including cash, non – cash benefits and provisions relating to terminal benefits.

VAT rate applied for the current financial year is 18% (2023-18%)

Social Security Contribution Levy (SSCL)

Social Security Contribution Levy (SSCL) shall be paid by any person carrying on the business of supplying financial services, on the liable turnover specified in the Second Schedule of the Social Security Contribution Levy Act no. 25 of 2022 (SSCL Act), at the rate of 2.5% with effect from 01 October 2022. SSCL is payable on 100% if the Value Addition attributable to financial services. Further Non-Financial Services are made liable on the turnover at the rate of 2.5%.

The Value Addition attributable to financial services shall be computed for the payment of SSCL on the business of supplying financial services by applying the attributable method referred in to Chapter III A of the Value Added Tax Act No. 14 of 2002.

SSCL rate applied for the current financial year is 2.5% (2023-2.5%).

For the year ended 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Value Added Tax on financial services	342,638	256,312	342,638	256,312
Social Security Contribution Levy (SSCL)	50,149	36,599	50,149	36,599
	392,787	292,911	392,787	292,911

NOTES TO THE FINANCIAL STATEMENTS

16.2 INCOME TAX EXPENSE

Accounting Policy

16.2.1 Current Tax

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

Accordingly, provision for taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, amendments thereto Act No.10 of 2021 effect from 13th May, 2021 and the Inland Revenue (Amendment) Act No. 45 of 2022, at the rate specified in Note 16.2 to the Financial Statements. This Note also includes the effective tax rates and a reconciliation between the profit before tax and tax expense, as required by the Sri Lanka Accounting Standard - LKAS 12 - 'Income Taxes'.

Treatment of Impairment charges

As per Part 1: Sec (1) of the Gazette notification issued on 25 October 2022 under sub section (2) and (3) of section 66 of the Inland Revenue Act No. 24 of 2017, the impairment charges of stage 3 credit facilities classified as per Sri Lanka Accounting Standards (SLFRS 9) have been considered as an allowable deduction (after adjusting for specifications given under section 1 of schedule 1 of the said Gazette notification).

The Company/ Group has computed the current year tax payable at the rate of 30%.

16.2.2 Deferred Tax

Deferred tax asset has been recognized on all temporary difference arising on impairment provisions after adjustments been made in respect of impairment charges pertaining to stage 3 credit facilities, based on the specifications given in section 1 of schedule (i) of the Gazette notification issued on 25 October 2022 under Inland Revenue Act No. 24 of 2017.

The deferred tax assets/liabilities of the Company as at 31 December 2024 were computed using the tax rate of 30%.

Detailed disclosure of accounting policies and estimate of deferred tax are available in the Note 38 to the Financial Statements.

For the year ended 31 December	Note	Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current tax expense					
Current tax based on profit for the year	16.3	230,696	50,124	230,696	50,124
Other (reversal)/charge including settlements		(1,947)	(940)	(1,947)	(940)
Share of associate company's current tax		-	-	3,970	8,422
Total current tax expense		228,749	49,184	232,718	57,606
Deferred tax expense/(reversal)					
Due to change in temporary differences	38.1	(23,294)	(2,165)	(22,470)	(2,500)
Total deferred tax expense/(reversal)		(23,294)	(2,165)	(22,470)	(2,500)
Total income tax expense/(reversal)		205,455	47,019	210,248	55,106
Effective tax rate		46.08%	69.24%	44.18%	-179.18%

16.3 Reconciliation of the Accounting Profit to Current Tax Expense

For the year ended 31 December	Company				Group			
	Rate	2024	Rate	2023	Rate	2024	Rate	2023
	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000
Profit as per the Statement of Profit or Loss		445,909		67,907		475,894		(30,755)
Tax effect on accounting profit before tax	30.0	133,773	30.0	20,372	30.0	132,918	30.0	19,639
Tax effect on								
Disallowable expenses	(44.6)	198,754	(241.6)	164,068	(44.6)	223,105	(241.6)	171,197
Lease capital recoverable	(1.1)	4,797	(62.4)	42,348	(1.1)	(4,825)	(62.4)	42,348
Tax deductible expenses	(12.2)	(54,571)	(228.5)	(155,178)	(12.2)	(59,885)	(228.5)	(160,036)
Exempt income	(11.7)	(52,057)	(19.5)	(13,271)	(11.7)	(108,467)	(19.5)	(28,944)
Tax losses/(set-off)	0.0	-	(12.1)	(8,215)	0.0	47,850	(12.1)	(9,553)
Current tax based on profit for the year	51.7	230,696	73.8	50,124	51.7	230,696	73.8	50,124
Other (reversal)/charge including settlements	(0.4)	(1,947)	(1.4)	(940)	(0.4)	2,023	(1.4)	7,482
Deferred tax expense/(reversal)								
Due to change in temporary differences	(5.2)	(23,294)	(3.2)	(2,165)	(5.2)	(22,470)	(3.2)	(2,500)
Total income tax expense/(reversal)	46.1	205,455	69.2	47,019	44.2	210,248	(179.2)	55,106

16.4 The break up of Tax Losses is as follows;

For the year ended 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 January	-	-	1,780,732	1,812,238
Tax loss during the year	-	-	(153,802)	261,145
Tax loss utilized during the year	-	-	(226,112)	(292,651)
Balances as at 31 December	-	-	1,400,818	1,780,732

NOTES TO THE FINANCIAL STATEMENTS

16.5 Taxes paid to the government during the year

For the year ended 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Direct Taxes				
Income Tax	42,693	66,900	42,693	66,900
Value added tax on financial services	352,100	195,205	352,100	195,205
Social security contribution levy	52,588	30,214	52,588	30,214
Total direct taxes	459,504	292,319	459,504	292,319
Indirect Taxes				
Value added tax	16,630	9,309	172,109	88,823
Withholding tax on interest	210,072	222,632	213,571	225,351
Stamp duty	58,556	16,210	59,363	17,038
PAYE/APIIT tax	53,711	38,767	65,265	50,758
Total indirect taxes	338,969	286,918	510,308	381,970

17. EARNINGS/(DEFICIT) PER SHARE AND DIVIDEND PER SHARE

Basic/Diluted Earnings Per Share

Accounting Policy

As per the Sri Lanka Accounting Standard - LKAS 33 - 'Earnings per Share', is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The Group does not have any potentially dilutive shares.

For the year ended 31 December	Company		Group	
	2024	2023	2024	2023
Profit attributable to ordinary shareholders (Rs.'000)	240,454	20,888	260,338	(82,098)
Weighted-average number of ordinary shares used as denominator ('000)	524,540	524,540	524,540	524,540
Basic earnings per ordinary share (Rs.)	0.46	0.04	0.50	(0.16)

17.1 Weighted average number of shares

For the year ended 31 December	Company		Group	
	2024	2023	2024	2023
Brought forward number of shares	524,540	524,540	524,540	524,540
Weighted-average number of shares	524,540	524,540	524,540	524,540

17.2 Dividend Per Share

No dividend has been declared and paid by the Company and the Group during the year 2024 and 2023.

18. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Accounting Policy

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of significant accounting policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial instruments by category as defined in Sri Lanka Accounting Standard - SLFRS 9 - 'Financial Instruments' under heading of the Statement of Financial Position.

18.1 Company - 2024

	Financial Instrument at FVTPL	Financial Instrument at FVTOCI	Financial Instrument at Amortised Cost	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets				
Cash and cash equivalents	-	-	752,190	752,190
Placements with banks & financial institutions	-	-	203,332	203,332
Financial investments at fair value through profit or loss	8,534,914	-	-	8,534,914
Loans & receivables at amortised cost	-	-	25,942,008	25,942,008
Financial investments at fair value through other comprehensive income	-	16,554	-	16,554
Financial investments at amortised cost	-	-	3,473,969	3,473,969
Other assets	-	-	78,232	78,232
Total financial assets	8,534,914	16,554	30,449,731	39,001,199

	Financial Liabilities at Amortised Cost	Total
	Rs.'000	Rs.'000
Liabilities		
Due to banks	8,144,088	8,144,088
Due to customers at amortised cost	25,956,175	25,956,175
Debt issued and borrowed funds at amortised cost	730,033	730,033
Other liabilities	132,820	132,820
Total financial liabilities	34,963,116	34,963,116

NOTES TO THE FINANCIAL STATEMENTS

18.2 Company - 2023

	Financial Instrument at FVTPL	Financial Instrument at FVTOCI	Financial Instrument at Amortised Cost	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets				
Cash and cash equivalents	-	-	720,397	720,397
Placements with banks & financial institutions	-	-	574,588	574,588
Financial investments at fair value through profit or loss	8,161,368	-	-	8,161,368
Loans & receivables at amortised cost	-	-	19,054,715	19,054,715
Financial investments at fair value through other comprehensive income	-	14,348	-	14,348
Financial investments at amortised cost	-	-	3,727,940	3,727,940
Other assets	-	-	70,068	70,068
Total financial assets	8,161,368	14,348	24,147,708	32,323,424

	Financial Liabilities at Amortised Cost	Total
	Rs.'000	Rs.'000
Liabilities		
Due to banks	2,599,970	2,599,970
Due to customers at amortised cost	25,444,119	25,444,119
Debt issued and borrowed funds at amortised cost	741,030	741,030
Other liabilities	151,274	151,274
Total financial liabilities	28,936,393	28,936,393

18.3 Group - 2024

	Financial Instrument at FVTPL	Financial Instrument at FVTOCI	Financial Instrument at Amortised Cost	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets				
Cash and cash equivalents	-	-	854,028	854,028
Placements with banks & financial institutions	-	-	644,044	644,044
Financial investments at fair value through profit or loss	8,547,974	-	-	8,547,974
Loans & receivables at amortised cost	-	-	25,946,502	25,946,502
Financial investments at fair value through other comprehensive income	-	135,058	-	135,058
Financial investments at amortised cost	-	-	4,498,689	4,498,689
Other assets	-	-	78,232	78,232
Total financial assets	8,547,974	135,058	32,021,495	40,704,528

	Financial Liabilities at Amortised Cost	Total
	Rs.'000	Rs.'000
Liabilities		
Due to banks	8,144,088	8,144,088
Due to customers at amortised cost	25,739,758	25,739,758
Debt issued and borrowed funds at amortised cost	730,033	730,033
Other liabilities	132,820	132,820
Total financial liabilities	34,746,698	34,746,698

18.4 Group - 2023

	Financial Instrument at FVTPL	Financial Instrument at FVTOCI	Financial Instrument at Amortised Cost	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets				
Cash and cash equivalents	-	-	871,126	871,126
Placements with banks & financial institutions	-	-	645,823	645,823
Financial investments at fair value through profit or loss	8,169,927	-	-	8,169,927
Loans & receivables at amortised cost	-	-	19,059,962	19,059,962
Financial investments at fair value through other comprehensive income	-	119,221	-	119,221
Financial investments at amortised cost	-	-	5,304,189	5,304,189
Other assets	-	-	70,068	70,068
Total financial assets	8,169,927	119,221	25,951,168	34,240,316

	Financial Liabilities at Amortised Cost	Total
	Rs.'000	Rs.'000
Liabilities		
Due to banks	2,603,003	2,603,003
Due to customers at amortised cost	25,245,868	25,245,868
Debt issued and borrowed funds at amortised cost	741,030	741,030
Other liabilities	151,274	151,274
Total financial liabilities	28,741,176	28,741,176

NOTES TO THE FINANCIAL STATEMENTS

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of Fair Value and Fair Value Hierarchy

Accounting Policy

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

Financial Instruments at Fair Value Through Profit or Loss

Financial instruments at FVTPL valued using valuation techniques or pricing models primarily consist of quoted investments. These quoted investments are valued using quoted market price in an active market of each securities.

Financial Assets and Liabilities Carried at Amortised Cost

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated based on the discounted cash flow approach. This approach employs the current market interest rates of similar financial instruments as a significant unobservable input in measuring the fair value and hence it is categorised under level 3 in the fair value hierarchy.

Valuation Model

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an active market, direct observation of a traded price may not be possible. In these circumstances, the Company/Group uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

19.1 Determination of Fair Value and Fair Value Hierarchy

The Company and the Group use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

19.1.1 Company

As at 31 December		2024				2023			
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets									
Financial investments measured at FVTPL									
Government securities	22.1	8,239,090	-	-	8,239,090	7,807,122	-	-	7,807,122
Investment securities - Quoted	22.2 22.4	295,824	-	-	295,824	354,246	-	-	354,246
		8,534,914	-	-	8,534,914	8,161,368	-	-	8,161,368
Financial investments measured at Amortized Cost									
Cash in hand	20	281,011	-	-	281,011	268,285	-	-	268,285
Cash at bank	20	471,179	-	-	471,179	452,112	-	-	452,112
Fixed deposits and other deposits	21	-	203,332	-	203,332	-	574,588	-	574,588
Loans & receivables	23	-	22,794,684	-	22,794,684	-	21,589,161	-	21,589,161
Government securities	25.1	3,473,969	-	-	3,473,969	3,727,940	-	-	3,727,940
		4,226,159	22,998,017	-	27,224,175	4,448,337	22,163,749	-	26,612,086
Financial investments measured at FVTOCI									
Equity securities - Quoted	24.2	16,500	-	-	16,500	13,750	-	-	13,750
Equity securities - Unquoted	24.3	-	-	54	54	-	-	598	598
		16,500	-	54	16,554	13,750	-	598	14,348
Total		12,777,573	22,998,017	54	35,775,644	12,623,455	22,163,749	598	34,787,802

The following table shows an analysis of financial instruments recorded at fair value by collateralisation:

As at 31 December	Company	
	2024	2023
	Rs.'000	Rs.'000
Pledged as collateral	2,895,691	-
Unencumbered	32,879,953	34,787,802
Total	35,775,644	34,787,802

NOTES TO THE FINANCIAL STATEMENTS

19.1.2 Group

As at 31 December		2024				2023			
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets									
Financial investments measured at FVTPL									
Government securities	22.1	8,239,090	-	-	8,239,090	7,807,122	-	-	7,807,122
Investment securities - Quoted	22.2 22.4	308,884	-	-	308,884	362,805	-	-	362,805
		8,547,974	-	-	8,547,974	8,169,927	-	-	8,169,927
Financial investments measured at Amortized Cost									
Cash in hand	20	281,423	-	-	281,423	268,707	-	-	268,707
Cash at bank	20	570,459	-	-	570,459	545,533	-	-	545,533
Repurchase agreements		-	2,146	-	2,146	-	56,886	-	56,886
Fixed deposits and other deposits	21	-	644,044	-	644,044	-	645,823	-	645,823
Loans & receivables	23	-	22,794,684	-	22,794,684	-	21,589,167	-	21,589,167
Government securities	25.1	4,498,689	-	-	4,498,689	5,304,189	-	-	5,304,189
		5,350,571	23,440,875	-	28,791,445	6,118,429	22,291,875	-	28,410,304
Financial investments measured at FVTOCI									
Government securities	24	101,699	-	-	101,699	86,459	-	-	86,459
Equity securities - Quoted	24.2	16,500	-	-	16,500	13,750	-	-	13,750
Equity securities - Unquoted	24.3	-	-	54	54	-	-	598	598
Unit trust	24	-	16,805	-	16,805	-	18,414	-	18,413
		118,199	16,805	54	135,058	100,209	18,414	598	119,220
Total		14,016,744	23,457,680	54	37,474,478	14,388,565	22,310,289	598	36,699,451

The following table shows an analysis of financial instruments recorded at fair value by collateralisation:

As at 31 December	Group	
	2024	2023
	Rs.'000	Rs.'000
Pledged as collateral	2,895,691	-
Unencumbered	34,578,787	36,699,451
Total	37,474,478	36,699,451

19.1.3 Company

As at 31 December		2024				2023			
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	Note	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities									
Financial liabilities measured at Amortized Cost									
Bank overdraft	33.1	-	198,124	-	198,124	-	36,895	-	36,895
Reverse repurchase agreements	33	-	2,408,440	-	2,408,440	-	-	-	-
Bank borrowings - Short-term loans	33	-	5,056,813	-	5,056,813	-	2,563,075	-	2,563,075
Bank borrowings - Long-term loans	33	-	480,711	-	480,711	-	-	-	-
Due to customers at amortised cost	34	-	25,756,040	-	25,756,040	-	27,203,535	-	27,203,535
Debt issued and borrowed funds at amortised cost	35	-	730,033	-	730,033	-	741,030	-	741,030
Total		-	34,630,161	-	34,630,161	-	30,544,535	-	30,544,535

19.1.4 Group

		2024				2023			
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	Note	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities									
Financial liabilities measured at Amortized Cost									
Bank overdraft	33.1	-	198,124	-	198,124	-	39,928	-	39,928
Reverse repurchase agreements	33	-	2,408,440	-	2,408,440	-	-	-	-
Bank borrowings - Short-term loans	33	-	5,056,813	-	5,056,813	-	2,563,075	-	2,563,075
Bank borrowings - Long-term loans	33	-	480,711	-	480,711	-	-	-	-
Due to customers at amortised cost	34	-	25,756,040	-	25,756,040	-	27,001,479	-	27,001,479
Debt issued and borrowed funds at amortised cost	35	-	730,033	-	730,033	-	741,030	-	741,030
Total		-	34,630,161	-	34,630,161	-	30,345,512	-	30,345,512

NOTES TO THE FINANCIAL STATEMENTS

19.2 Accounting Policy

Financial Instruments Recorded at Fair Value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques incorporating group's estimate of assumptions that a market participant would make when valuing the instruments.

Financial Instruments Carried at Fair Value

The fair value is the amount for which a financial asset could be exchanged between knowledgeable, willing parties. If an active market exists, the market price is applied. If an active market does not exist, which is the case for a number of financial assets and liabilities, a discounted cash flow or generally accepted estimation and valuation techniques based on market conditions at the reporting date are used to calculate an estimated value.

Financial Investments at Fair Value Through Other Comprehensive Income

FVTOCI financial assets valued using valuation techniques or pricing models primarily consist of government debt securities and unquoted equity securities.

These assets are valued using models that use both observable and unobservable data. The un-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Other Financial Assets Designated at Fair Value Through Profit or Loss

Other financial assets designated at FVTPL valued using the market price since an active market exists.

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

As at 31 December	Company				Group			
	2024		2023		2024		2023	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets								
Placements with banks & financial institutions	203,332	203,332	574,588	574,588	644,044	644,044	645,823	645,823
Loans & receivables at amortised cost	25,942,008	22,794,684	19,054,715	21,589,161	25,946,502	22,794,684	19,059,962	21,589,167
Financial investments at amortised cost	3,473,969	3,473,969	3,727,940	3,727,940	4,498,689	3,473,969	5,304,189	3,727,940
Other assets	78,232	78,232	70,068	70,068	78,232	78,232	70,068	70,068
Total	29,697,541	26,550,217	23,427,311	25,961,757	31,167,467	26,990,929	25,080,042	26,032,998
Financial liabilities								
Due to customers at amortised cost	25,956,175	25,756,040	25,444,119	27,203,535	25,739,758	25,756,040	25,245,868	27,001,479
Due to banks	8,144,088	8,144,088	2,599,970	2,599,970	8,144,088	8,144,088	2,603,003	2,603,003
Debt issued and borrowed funds at amortised cost	730,033	730,033	741,030	741,030	730,033	730,033	741,030	741,030

As at 31 December	Company				Group			
	2024		2023		2024		2023	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Other liabilities	132,820	132,820	151,274	151,274	132,820	132,820	151,274	151,274
Total	34,963,116	34,762,981	28,936,393	30,695,809	34,746,699	34,762,981	28,741,175	30,496,786

Fair Value of Financial Assets and Liabilities not Carried at Fair Value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already 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 it is assumed that the carrying amounts approximate to their fair value.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.

20. CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents include cash in hand, demand deposits and short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. There were no cash and cash equivalent balances held by the Group companies that were not available for use by the Group. Cash & cash equivalents are carried at amortised cost.

Securities Purchased Under Resale Agreements

Securities purchased under agreements to resell at a specified future date are recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, within 'Cash and cash equivalents', reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in 'Net interest income' and is accrued over the life of the agreement using the EIR.

As at 31 December	Note	Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash in hand		281,011	268,285	281,423	268,707
Cash at bank	20.1	471,179	452,112	570,459	545,533
Repurchase agreements		-	-	2,146	56,886
		752,190	720,397	854,028	871,126

NOTES TO THE FINANCIAL STATEMENTS

20.1 Analysis of Cash at Banks

As at 31 December	Note	Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash at bank		471,197	452,155	570,477	545,576
Less : Allowance for impairment losses					
Collective impairment	20.1.1	18	43	18	43
		471,179	452,112	570,459	545,533

20.1.1 Movement of impairment during the year - Company

	Stage 1	Stage 2	Stage 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Collective				
Balance as at 01 January 2023	15	-	-	15
Charge during the year	28	-	-	28
Balance as at 31 December 2023	43	-	-	43
Reversals during the year	(25)	-	-	(25)
Balance as at 31 December 2024	18	-	-	18

20.1.2 Movement of impairment during the year - Group

	Stage 1	Stage 2	Stage 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Collective				
Balance as at 01 January 2023	15	-	-	15
Charge during the year	28	-	-	28
Balance as at 31 December 2023	43	-	-	43
Reversals during the year	(25)	-	-	(25)
Balance as at 31 December 2024	18	-	-	18

20.1.3 Cash and cash equivalents allocated for the liquidity requirement

As at 31 December	Company	
	2024	2023
	Rs.'000	Rs.'000
Cash in hand	280,756	268,285
Balances in current accounts free from lien	452,098	10,131
	732,854	278,416

21. PLACEMENTS WITH BANKS & FINANCIAL INSTITUTIONS

Accounting Policy

Balances with banks & financial institutions includes fixed deposits and other deposits in local currency. Balances with banks & financial institution are carried at amortised cost in the Statement of Financial Position.

As at 31 December	Note	Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Fixed deposits and other deposits		203,354	574,675	644,066	645,910
Less : Allowance for impairment losses					
Collective impairment	21.1	22	87	22	87
		203,332	574,588	644,044	645,823

21.1 Movement of impairment during the year - Company

	Stage 1	Stage 2	Stage 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Collective				
Balance as at 01 January 2023	(123)	-	-	(123)
Charge during the year	36	-	-	36
Balance as at 31 December 2023	(87)	-	-	(87)
Charge during the year	65	-	-	65
Balance as at 31 December 2024	(22)	-	-	(22)

21.2 Movement of impairment during the year - Group

	Stage 1	Stage 2	Stage 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Collective				
Balance as at 01 January 2023	(123)	-	-	(123)
Charge during the year	36	-	-	36
Balance as at 31 December 2023	(87)	-	-	(87)
Charge during the year	65	-	-	65
Balance as at 31 December 2024	(22)	-	-	(22)

22. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting Policy

Financial investments are classified as FVTPL 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. Financial assets at FVTPL are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in 'Net gain/(loss) on financial instruments at fair value through profit or loss'. Interest and dividend income or expenses is record in 'Net trading income' and 'Other operating income' according to the terms of the contract, or when the right to receive the payment has been established.

Financial investments at FVTPL include debt securities and equities that have been acquired principally for the purpose of selling or repurchasing in the near term.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	Note	Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Government securities	22.1	8,239,090	7,807,122	8,239,090	7,807,122
Investment securities - Quoted	22.2, 22.4	295,824	354,246	308,884	362,805
		8,534,914	8,161,368	8,547,974	8,169,927

22.1 Government Securities

As at 31 December		Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Treasury bonds		8,239,090	7,807,122	8,239,090	7,807,122
		8,239,090	7,807,122	8,239,090	7,807,122

22.2 Quoted Equities and Unit Trusts

Company

As at 31 December	2024			2023		
	No. of Shares	Total Cost	Fair Value	No. of Shares	Total Cost	Fair Value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Application Software						
hSenid Business Solutions PLC	65,000	1,362	793	65,000	1,362	748
		1,362	793		1,362	748
Banks						
Amana Bank PLC	10,212	270	250	102,124	270	235
		270	250		270	235
Capital Goods						
Access Engineering PLC	-	-	-	662,968	19,712	13,458
ACL Cables PLC	-	-	-	123,750	10,507	8,514
Unisyst Engineering PLC	-	-	-	135,000	869	783
Lankem Ceylon PLC	13,500	1,252	1,080	13,500	1,252	871
Alpha Fire Service PLC	-	-	-	21,224	731	762
Brown & Company PLC	150,000	35,244	26,738	116,496	31,337	11,650
Central Industries PLC	-	-	-	5,310	497	464
Colombo Dockyard PLC	90,000	7,105	5,931	50,000	4,496	2,525
E B Creasy & Company PLC	26,660	830	765	25,000	785	568
Hayles PLC	-	-	-	228,775	20,104	16,334
Hemas Holdings PLC	-	-	-	152,015	12,439	10,139
Kelani Cabels PLC	-	-	-	250	109	61
Lanka Tile PLC	7,500	734	438	7,500	734	316
Mackwoods Energy PLC	1,350,000	4,194	2,970	1,350,000	4,193	2,430

As at 31 December	2024			2023		
	No. of Shares	Total Cost Rs.'000	Fair Value Rs.'000	No. of Shares	Total Cost Rs.'000	Fair Value Rs.'000
MTD Walkers PLC	165,000	6,751	-	165,000	6,751	-
Renuka Holdings PLC	-	-	-	841,722	15,274	10,690
Renuka Holdings PLC-Non Voting	-	-	-	127	2	1
Royal Ceramics Lanka PLC	202,000	11,251	8,787	182,000	10,524	4,805
		67,361	46,709		140,316	84,371
Consumer Durables & Apparel						
Ambeon Capital PLC	-	-	-	500,000	5,035	3,700
Ambeon Holdings PLC	-	-	-	35,000	1,314	1,207
Blue Diamonds Jewellery Worldwide PLC-Non Voting	5,250,000	3,125	1,575	5,250,000	3,125	1,050
Dankotuwa Porcelain PLC	10,000	259	235	-	-	-
Hela Apparel Holdings PLC	750,000	5,646	4,425	342,954	3,193	1,715
Singer Industries (Ceylon) PLC	-	-	-	1,486	75	49
		9,030	6,235		12,742	7,721
Commercial & Professional Services						
E M L Consultants PLC	925,000	3,906	3,793	556,585	2,468	1,892
		3,906	3,793		2,468	1,892
Consumer Services						
Hayleys Leisure PLC	-	-	-	77,866	1,836	1,635
Anilana Hotels & Properties PLC	750,000	1,106	675	750,000	1,106	675
Beruwala Resorts PLC	-	-	-	948,739	1,378	1,043
Citrus Leisure PLC	2,250,000	11,281	10,125	361,086	2,679	2,022
Marawila Resort PLC	-	-	-	260,000	702	676
Serendib Hotels PLC	-	-	-	25,000	378	312
Aitkenspence Hotel Holdings PLC	-	-	-	1,000	60	63
Renuka City Hotels PLC	-	-	-	200	72	70
Taj Lanka Hotel PLC	-	-	-	16,729	366	318
Mahaweli Reach Hotels PLC	-	-	-	50,000	724	610
Renuka Hotels PLC	-	-	-	5,000	480	419
Eden Hotel Lanka PLC	235,249	5,288	3,905	177,743	4,538	1,795
Galadari Hotels (Lanka) PLC	-	-	-	25,000	356	400
Hikkaduwa Beach Resort PLC	420,952	2,413	1,515	294,353	1,852	1,531
Palm Garden Hotels PLC	44,289	2,774	3,251	37,500	2,489	1,545
Tangerine Beach Hotels PLC	-	-	-	11,500	792	604
The Kandy Hotels Company (1938) PLC	-	-	-	140,006	1,285	1,176
The Kingsbury PLC	2,175,454	23,483	26,105	3,875,454	41,834	41,855
The Lighthouse Hotel PLC	-	-	-	124,467	4,704	3,921
Waskaduwa Beach Resort PLC	3,750,000	13,291	7,875	3,598,067	12,927	9,355
Asian Hotels and Properties PLC	8,097	462	514	-	-	-
		60,098	53,965		80,558	70,025

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	2024			2023		
	No. of Shares	Total Cost Rs.'000	Fair Value Rs.'000	No. of Shares	Total Cost Rs.'000	Fair Value Rs.'000
Diversified Financials						
Asia Siyaka Commodities PLC	-	-	-	20,000	90	82
Ceylon Investment PLC	101,907	8,492	7,480	72,365	6,947	3,256
HNB Finance PLC	42,500	355	238	42,500	355	221
Lanka Credit & Business Finance PLC	1,136,561	4,107	3,069	986,561	3,802	1,677
LB Finance PLC	-	-	-	40,000	2,947	2,492
LOLC Finance PLC	575,000	10,159	3,853	978,277	17,284	4,500
LOLC Holdings PLC	95,000	46,984	65,574	57,030	35,667	20,260
SMB Finance PLC	-	-	-	1,337,753	1,070	803
First Capital Holdings PLC	-	-	-	5,000	166	140
People's Leasing & Finance PLC	-	-	-	90,424	976	968
SMB Finance PLC-Non Voting	8,500,000	4,050	2,550	5,000,000	3,000	1,500
Softlogic Finance PLC	122,056	4,215	720	122,056	4,215	720
Nation Lanka Finance PLC	500,000	200	150	-	-	-
Vallibel Finance PLC	10,001	393	533	-	-	-
		78,955	84,167		76,519	36,619
Diversified Holdings						
Richard Pieris & Company PLC	-	-	-	189,854	4,621	3,892
		-	-		4,621	3,892
Food Beverage & Tobacco						
Agalawatta Plantation PLC	208,325	10,048	9,708	178,500	8,919	5,819
Browns Investments PLC	5,000,000	45,894	35,500	4,075,000	40,827	19,153
Ceylon Cold Stores PLC	-	-	-	243,008	14,871	10,304
Elpitiya Plantations PLC	-	-	-	3,830	396	325
HVA Foods PLC	565,789	2,831	2,320	160,000	1,286	608
Kahawatte Plantations PLC	-	-	-	5,000	95	80
Kotagala Plantations PLC	-	-	-	160,000	1,215	992
Kotmale Holdings PLC	2,233	926	980	2,296	952	895
Lucky Lanka Milk Processing Company PLC	2,514,546	14,958	-	2,514,546	14,958	-
Renuka Agri Foods PLC	1,575,000	7,259	5,828	797,356	4,545	3,110
Raigam Wayamba Salterns PLC	293,839	2,161	2,145	34,249	266	216
Lanka Milkfoods PLC	10,000	320	468	-	-	-
		84,397	56,949		88,330	41,502

As at 31 December	2024			2023		
	No of Shares	Total Cost	Fair Value	No of Shares	Total Cost	Fair Value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Health Care Equipment & Services						
Asiri Hospital Holdings PLC	5,000	210	129	5,000	210	123
Asiri Surgical Hospital PLC	124,860	1,685	1,498	124,860	1,685	1,611
E - Channelling PLC	104,000	1,584	1,435	24,000	384	336
Nawaloka Hospital PLC	50,000	245	220	10,000	72	40
The Lanka Hospitals Corporation PLC	7,500	661	596	-	-	-
		4,385	3,878		2,351	2,110
Household & Personal Products						
B P P L Holdings PLC	89,971	2,132	1,943	-	-	-
		2,132	1,943		-	-
Insurance						
Arpico Insurance PLC	10,000	300	265	10,000	300	225
Co-operative Insurance Company PLC	-	-	-	75,000	253	180
Softlogic Capital PLC	1,000,000	8,226	6,000	370,000	3,894	2,405
Softlogic Life Insurance PLC	-	-	-	17,000	1,185	915
		8,526	6,265		5,632	3,725
Materials						
Alumex PLC	-	-	-	732,268	8,548	5,931
Chevron Lubricants Lanka PLC	-	-	-	144,400	14,425	13,039
CIC Holdings PLC-Non Voting	-	-	-	55,000	3,022	2,338
Dipped Products PLC	25,000	1,306	1,363	280,522	14,695	7,827
Industrial Asphalts (Ceylon) PLC	-	-	-	750,000	275	300
Pelwatte Sugar Industries PLC	41,600	1,799	-	41,600	1,799	-
Haycarb PLC	67,000	6,213	5,715	59,500	5,623	3,826
Tokyo Cement Company (Lanka) PLC-Non Voting	-	-	-	152,500	7,077	5,795
Agstar PLC	300,000	2,646	2,490	110,000	1,107	935
Richered Peries Export PLC	2,500	1,300	1,048	1,700	1,029	824
Bogala Graphite Lanka PLC	45,002	3,479	2,750	44,002	3,423	2,200
JAT Holdings PLC	-	-	-	75,000	1,374	1,147
Ex-Pack Corrugated Cartons PLC	50	1	1	52,820	767	655
		16,744	13,367		63,164	44,817
Power and Energy						
Vallibel Power Erathna PLC	-	-	-	716,322	4,966	5,158
		-	-		4,966	5,158

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	2024			2023		
	No of Shares	Total Cost	Fair Value	No of Shares	Total Cost	Fair Value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Real Estate						
Lanka Realty Investments PLC	321,876	6,833	4,474	261,876	6,148	2,776
Colombo Land & Development Company PLC	79,939	2,753	1,847	79,939	2,753	1,359
East West Properties PLC	610,000	7,043	6,771	585,000	6,793	4,329
Millennium Housing Developers PLC	10,000	36	31	10,000	36	29
Prime Lands Residencies PLC	-	-	-	150,000	1,995	975
Seylan Developments PLC	-	-	-	106,500	2,283	1,533
		16,665	13,123		20,008	11,001
Retailing						
John Keels PLC	-	-	-	25,998	1,929	1,669
R I L Properties PLC	-	-	-	480,000	4,652	2,448
Singer (Sri Lanka) PLC	-	-	-	50,526	842	606
C M Holdings PLC	5,000	625	601	-	-	-
		625	601		7,423	4,723
Telecommunication Services						
Sri Lanka Telecom PLC	3,600	252	250	-	-	-
		252	250		-	-
Trading						
Tess Agro PLC	2,500,000	3,038	3,000	783,224	1,098	862
Tess Agro PLC - Non-Voting	670,353	638	536	520,353	503	364
		3,676	3,536		1,601	1,226
Transportation						
Expolanka Holdings PLC	-	-	-	67,987	16,936	9,739
		-	-		16,936	9,739
Utilities						
Laugfs Power PLC - Non-Voting	-	-	-	77,849	714	607
LVL Energy Fund PLC	-	-	-	250,000	1,750	1,375
Lotus Hydro Power PLC	-	-	-	21,240	183	187
Panasian Power PLC	-	-	-	250,000	1,258	850
Vallibel One PLC	-	-	-	275,740	16,588	10,589
Vidullanka PLC	-	-	-	1,550,000	12,519	10,386
Vidullanka PLC - Non-Voting	-	-	-	150,000	1,122	750
		-	-		34,134	24,744
Total value of financial assets at FVTPL		358,382	295,824		563,401	354,246
Marked to market valuation loss		(62,558)			(209,155)	
Fair value of financial assets designated at FVTPL		295,824			354,246	

22.3 GICS analysis of equity securities

As at 31 December	2024		2023	
	Total Cost	Fair Value	Total Cost	Fair Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Application Software	1,362	793	1,362	748
Banks	270	250	270	235
Capital Goods	67,360	46,709	140,317	84,371
Consumer Durables & Apparel	9,030	6,235	12,742	7,721
Commercial & Professional Services	3,906	3,793	2,468	1,892
Consumer Services	60,098	53,966	80,558	70,025
Diversified Financials	78,954	84,166	76,519	36,619
Diversified Holdings	-	-	4,621	3,892
Food Beverage & Tobacco	84,396	56,948	88,330	41,502
Health Care Equipment & Services	4,385	3,878	2,351	2,110
Household & Personal Products	2,132	1,943	-	-
Insurance	8,526	6,265	5,632	3,725
Materials	16,744	13,367	63,164	44,817
Power and Energy	-	-	4,966	5,157
Real Estate	16,664	13,123	20,008	11,001
Retailing	625	601	7,423	4,723
Telecommunication Services	252	250	-	-
Trading	3,677	3,536	1,601	1,226
Transportation	-	-	16,936	9,739
Utilities	-	-	34,133	24,743
Total value of financial assets at FVTPL	358,382	295,824	563,401	354,246
Marked to market valuation loss	(62,558)		(209,155)	
Fair value of financial assets designated at FVTPL	295,824		354,246	

22.4. Quoted Equities and Unit Trusts

Group

As at 31 December	2024			2023		
	No of Shares	Total Cost	Fair Value	No of Shares	Total Cost	Fair Value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Application Software						
hSenid Business Solutions PLC	65,000	1,362	793	65,000	1,362	748
		1,362	793		1,362	748
Banks						
Amana Bank PLC	10,212	270	250	102,124	270	235
		270	250		270	235

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	2024			2023		
	No. of Shares	Total Cost	Fair Value	No. of Shares	Total Cost	Fair Value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Capital Goods						
Access Engineering PLC	-	-	-	662,968	19,712	13,458
ACL Cables PLC	-	-	-	123,750	10,507	8,514
Unisyst Engineering PLC	-	-	-	135,000	869	783
Lankem Ceylon PLC	13,500	1,252	1,080	13,500	1,252	871
Alpha Fire Service PLC	-	-	-	21,224	731	762
Brown & Company PLC	150,000	35,244	26,738	116,496	31,337	11,650
Central Industries PLC	-	-	-	5,310	497	463
Colombo Dockyard PLC	90,000	7,105	5,931	50,000	4,496	2,525
E B Creasy & Company PLC	26,660	830	765	25,000	785	568
Hayles PLC	-	-	-	228,775	20,104	16,334
Hemas Holdings PLC	-	-	-	152,015	12,439	10,139
John Keells Holdings PLC	21,371	3,344	4,830	21,371	3,344	4,082
Kelani Cabels PLC	-	-	-	250	110	61
Lanka Tile PLC	7,500	734	438	7,500	734	317
Mackwoods Energy PLC	1,350,000	4,194	2,970	1,350,000	4,193	2,430
MTD Walkers PLC	165,000	6,751	-	165,000	6,751	-
Renuka Holdings PLC	-	-	-	841,722	15,274	10,690
Renuka Holdings PLC-Non Voting	-	-	-	127	2	1
Royal Ceramics Lanka PLC	202,000	11,251	8,787	182,000	10,524	4,805
		70,705	51,539		143,661	88,453
Consumer Durables & Apparel						
Ambeon Capital PLC	-	-	-	500,000	5,036	3,700
Ambeon Holdings PLC	-	-	-	35,000	1,314	1,207
Blue Diamonds Jewellery Worldwide PLC - Non-Voting	5,250,000	3,125	1,575	5,250,000	3,125	1,050
Dankotuwa Porcelain PLC	10,000	259	235	-	-	-
Hela Apparel Holdings PLC	750,000	5,646	4,425	342,954	3,193	1,715
Singer Industries (Ceylon) Plc	-	-	-	1,486	74	49
		9,030	6,235		12,742	7,721
Commercial & Professional Services						
E M L Consultants PLC	925,000	3,906	3,793	556,585	2,468	1,893
		3,906	3,793		2,468	1,893
Consumer Services						
Hayleys Leisure PLC	-	-	-	77,866	1,836	1,635
Anilana Hotels & Properties PLC	750,000	1,106	675	750,000	1,106	675
Beruwala Resorts PLC	-	-	-	948,739	1,378	1,044
Citrus Leisure PLC	2,250,000	11,281	10,125	361,086	2,679	2,022
Marawila Resort PLC	-	-	-	260,000	702	676
Serendib Hotels PLC	-	-	-	25,000	378	312
Aitkenspence Hotel Holdings PLC	-	-	-	1,000	60	63

As at 31 December	2024			2023		
	No of Shares	Total Cost	Fair Value	No of Shares	Total Cost	Fair Value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Renuka City Hotels PLC	-	-	-	200	72	70
Taj Lanka Hotel PLC	-	-	-	16,729	366	318
Mahaweli Reach Hotels PLC	-	-	-	50,000	724	610
Renuka Hotels PLC	-	-	-	5,000	480	418
Eden Hotel Lanka PLC	235,249	5,288	3,905	177,743	4,538	1,795
Galadari Hotels (Lanka) PLC	-	-	-	25,000	356	400
Hikkaduwa Beach Resort PLC	420,952	2,413	1,515	294,353	1,852	1,531
Palm Garden Hotels PLC	44,289	2,775	3,251	37,500	2,489	1,545
Tangerine Beach Hotels PLC	-	-	-	11,500	792	604
The Kandy Hotels Company (1938) PLC	-	-	-	140,006	1,285	1,176
The Kingsbury PLC	2,175,454	23,483	26,105	3,875,454	41,834	41,855
The Lighthouse Hotel PLC	-	-	-	124,467	4,704	3,921
Waskaduwa Beach Resort PLC	3,750,000	13,291	7,875	3,598,067	12,927	9,355
Asian Hotels and Properties PLC	8,097	462	514	-	-	-
		60,099	53,965		80,558	70,025
Diversified Financials						
Asia Siyaka Commodities PLC	-	-	-	20,000	90	82
Ceylon Investment PLC	101,907	8,492	7,480	72,365	6,947	3,256
Galle Face Capital Partners PLC	20,659	1,006	897	19,269	1,006	493
HNB Finance PLC	42,500	355	238	42,500	355	221
Lanka Credit & Business Finance PLC	1,136,561	4,107	3,069	986,561	3,803	1,677
LB Finance PLC	-	-	-	40,000	2,947	2,492
LOLC Finance PLC	575,000	10,159	3,853	978,277	17,284	4,500
LOLC Holdings PLC	95,000	46,984	65,574	57,030	35,667	20,260
SMB Finance PLC	-	-	-	1,337,753	1,070	803
First Capital Holdings PLC	-	-	-	5,000	166	141
People's Leasing & Finance PLC	-	-	-	90,424	976	968
Shaw Wallace Investments PLC	14,311	172	132	14,115	172	114
SMB Finance PLC - Non-Voting	8,500,000	4,050	2,550	5,000,000	3,000	1,500
Softlogic Finance PLC	122,056	4,215	720	122,056	4,215	720
Nation Lanka Finance PLC	500,000	200	150	-	-	-
Vallibel Finance PLC	10,001	393	533	-	-	-
		80,133	85,196		77,698	37,227
Diversified Holdings						
Richard Pieris & Company PLC	-	-	-	189,854	4,621	3,892
		-	-		4,621	3,892

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	2024			2023		
	No of Shares	Total Cost	Fair Value	No of Shares	Total Cost	Fair Value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Food Beverage & Tobacco						
Agalawatta Plantation PLC	208,325	10,048	9,708	178,500	8,919	5,819
Browns Investments PLC	5,000,000	45,894	35,500	4,075,000	40,827	19,153
Ceylon Cold Stores PLC	-	-	-	243,008	14,871	10,303
Elpitiya Plantations PLC	-	-	-	3,830	396	326
HVA Foods PLC	565,789	2,831	2,320	160,000	1,286	608
Kahawatte Plantations PLC	-	-	-	5,000	95	80
Kotagala Plantations PLC	-	-	-	160,000	1,215	992
Kotmale Holdings PLC	2,233	926	980	2,296	952	895
Lucky Lanka Milk Processing Company PLC	2,514,546	14,958	-	2,514,546	14,958	-
Renuka Agri Foods PLC	1,575,000	7,259	5,828	797,356	4,545	3,110
Raigam Wayamba Salterns PLC	293,839	2,161	2,145	34,249	266	216
Lanka Milkfoods PLC	10,000	320	468	-	-	-
		84,397	56,949		88,330	41,502
Health Care Equipment & Services						
Asiri Hospital Holdings PLC	5,000	210	129	5,000	210	123
Asiri Surgical Hospital PLC	124,860	1,685	1,498	124,860	1,685	1,611
E-Channelling PLC	104,000	1,584	1,435	24,000	384	336
Nawaloka Hospital PLC	50,000	245	220	10,000	72	40
The Lanka Hospitals Corporation PLC	7,500	661	596	-	-	-
		4,385	3,878		2,351	2,110
Household & Personal Products						
B P P L Holdings PLC	89,971	2,132	1,943	-	-	-
		2,132	1,943		-	-
Insurance						
Arpico Insurance PLC	10,000	300	265	10,000	300	225
Co-Operative Insurance Company PLC	-	-	-	75,000	253	180
Softlogic Capital PLC	1,000,000	8,226	6,000	370,000	3,894	2,405
Softlogic Life Insurance PLC	-	-	-	17,000	1,185	915
		8,526	6,265		5,632	3,725

As at 31 December	2024			2023		
	No of Shares	Total Cost	Fair Value	No of Shares	Total Cost	Fair Value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Materials						
Alumex PLC	-	-	-	732,268	8,548	5,931
Chevron Lubricants Lanka PLC	-	-	-	144,400	14,425	13,039
CIC Holdings PLC - Non-Voting	-	-	-	55,000	3,022	2,338
Dipped Products PLC	25,000	1,306	1,363	280,522	14,695	7,827
Industrial Asphalts (Ceylon) PLC	-	-	-	750,000	275	300
Pelwatte Sugar Industries PLC	68,400	2,924	-	68,400	2,924	-
Haycarb PLC	67,000	6,213	5,715	59,500	5,623	3,826
Tokyo Cement Company (Lanka) PLC - Non-Voting	-	-	-	152,500	7,077	5,795
Agstar PLC	300,000	2,646	2,490	110,000	1,107	935
Richered Peries Export PLC	2,500	1,300	1,048	1,700	1,029	824
Bogala Graphite Lanka PLC	45,002	3,479	2,750	44,002	3,423	2,200
JAT Holdings PLC	-	-	-	75,000	1,374	1,147
Ex-Pack Corrugated Cartons PLC	50	1	1	52,820	767	655
		17,869	13,367		64,289	44,817
Power and Energy						
Vallibel Power Erathna PLC	-	-	-	716,322	4,966	5,158
		-	-		4,966	5,158
Real Estate						
Lanka Realty Investments PLC	321,876	6,833	4,474	261,876	6,148	2,776
Colombo Land & Development Company PLC	82,639	2,849	1,909	82,639	2,849	1,405
East West Properties PLC	610,000	7,043	6,771	585,000	6,793	4,329
Millennium Housing Developers PLC	10,000	36	31	10,000	36	29
Prime Lands Residencies PLC	-	-	-	150,000	1,995	975
Seylan Developments PLC	-	-	-	106,500	2,283	1,533
		16,761	13,185		20,104	11,047
Retailing						
John Keels PLC	-	-	-	25,998	1,929	1,669
R I L Properties PLC	-	-	-	480,000	4,652	2,448
Singer (Sri Lanka) PLC	-	-	-	50,526	842	606
C M Holdings PLC	5,000	625	601	-	-	-
		625	601		7,423	4,723

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	2024			2023		
	No of Shares	Total Cost	Fair Value	No of Shares	Total Cost	Fair Value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Telecommunication Services						
Sri Lanka Telecom PLC	3,600	252	250	-	-	-
		252	250		-	-
Trading						
Tess Agro PLC	2,500,000	3,038	3,000	783,224	1,098	862
Tess Agro PLC-Non Voting	670,353	638	536	520,353	503	364
		3,676	3,536		1,601	1,226
Transpotation						
Expolanka Holdings PLC	-	-	-	67,987	16,936	9,739
		-	-		16,936	9,739
Utilities						
Laugfs Power PLC-Non Voting	-	-	-	77,849	714	607
LVL Energy Fund PLC	-	-	-	250,000	1,750	1,375
Lotus Hydro Power PLC	-	-	-	21,240	183	187
Panasian Power PLC	-	-	-	250,000	1,259	850
Vallibel One PLC	-	-	-	275,740	16,587	10,588
Vidullanka PLC	-	-	-	1,550,000	12,518	10,385
Vidullanka PLC - Non Voting	-	-	-	150,000	1,122	750
Resus Energy PLC	254,971	3,407	7,139	254,971	3,407	3,825
		3,407	7,139		37,540	28,567
Total value of quoted equities		367,534	308,884		572,552	362,806
Marked to market valuation loss		(58,650)			(209,746)	
Fair value of financial assets designated at FVTPL		308,884			362,806	

22.5 GICS analysis of equity securities

As at 31 December	2024		2023	
	Total Cost	Fair Value	Total Cost	Fair Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Application Software	1,362	793	1,362	748
Banks	270	250	270	235
Capital Goods	70,705	51,538	143,661	88,453
Consumer Durables & Apparel	9,030	6,235	12,742	7,721
Commercial & Professional Services	3,906	3,793	2,468	1,892
Consumer Services	60,099	53,965	80,558	70,025
Diversified Financials	80,133	85,196	77,698	37,227
Diversified Holdings	-	-	4,621	3,892
Food Beverage & Tobacco	84,397	56,949	88,330	41,502
Health Care Equipment & Services	4,385	3,878	2,351	2,110
Household & Personal Products	2,132	1,943	-	-
Insurance	8,526	6,265	5,632	3,725
Materials	17,869	13,367	64,289	44,817
Power and Energy	-	-	4,966	5,158
Real Estate	16,761	13,185	20,104	11,047
Retailing	625	601	7,423	4,723
Telecommunication Services	252	250	-	-
Trading	3,676	3,536	1,601	1,226
Transportation	-	-	16,936	9,739
Utilities	3,407	7,139	37,540	28,567
Total value of financial assets at FVTPL	367,534	308,884	572,552	362,806
Marked to market valuation loss	(58,650)		(209,746)	
Fair value of financial assets designated at FVTPL	308,884		362,806	

NOTES TO THE FINANCIAL STATEMENTS

23. LOANS AND RECEIVABLES AT AMORTISED COST

Accounting Policy

As per SLFRS 9, Loans and receivables to the Companies are assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows and the contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

As per SLFRS 9 "Loans and receivables to the Companies" comprised non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

After initial measurement, loans and receivables are subsequently measured at amortised cost using EIR, less allowances 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 Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss 'Impairment charges for loans and receivables and other losses'.

Lease and Hire Purchase Receivables

The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

'Day 1' Profit or Loss

Staff loans granted at below market interest rates are recognised at fair value. The difference between the fair value and the amount disbursed were treated as 'day 1' difference and amortised as staff cost over the loan period by using effective interest rate (EIR). The staff loans subsequently measured at amortised costs.

Write-off of Loans and Receivables

Loans and receivables (and the related impairment allowance accounts) are normally written off, either partially or in fully, when there is no realistic prospect of recovery. Where loans and receivables are secured, this is generally after receipt of any proceeds from the realisation of security.

Re-negotiated Loans and Receivables

Where possible, the Group/Company seeks to re-structure loans and receivables rather than to take possession of collateral. This may involve extending the payment arrangements and the agreements of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. The management continuously reviews the re-negotiated loans and receivables to ensure that all criteria are met and that future payments are likely to occur. The loans and receivables continue to be subject to any criteria are met and that future payments are likely to occur. The loans and receivables continue to be subjected to an individual or collective impairment assessment calculated using the original EIR.

As at 31 December		Company		Group	
		2024	2023	2024	2023
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Bills receivable	23.2	210,273	224,353	210,273	224,353
Loans and receivables to customers	23.3	16,463,412	12,986,075	16,467,906	12,991,322
Lease and hire purchase receivable	23.4	11,676,654	8,503,772	11,676,654	8,503,772
Gross loans and receivables		28,350,339	21,714,200	28,354,833	21,719,447
Less : Allowance for impairment losses					
Bills receivable	23.2	151,315	167,159	151,315	167,159
Loans and receivables to customers	23.3	1,465,479	1,668,576	1,465,479	1,668,576
Lease and hire purchase receivable	23.4.3	791,537	823,750	791,537	823,750
		2,408,331	2,659,485	2,408,331	2,659,485
Net loans and receivables		25,942,008	19,054,715	25,946,502	19,059,962

23.1 Analysis of loans and receivables

23.1.1 Product wise analysis of loans and receivables

As at 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Finance lease/ijarah	11,411,480	8,174,480	11,411,480	8,174,480
Hire purchase/murabaha	199,063	211,240	199,063	211,240
Term loans	8,093,666	5,227,799	8,098,160	5,233,046
Personal loans	664,951	865,931	664,951	865,931
Margin trading	1,989,290	2,239,729	1,989,290	2,239,729
Micro finance	112,860	115,614	112,860	115,614
Pawning	4,980,481	3,978,103	4,980,481	3,978,103
Loans against fixed deposits	688,275	676,951	688,275	676,951
Bill Discounting	210,273	224,353	210,273	224,353
Gross loans and receivables	28,350,339	21,714,200	28,354,833	21,719,447

23.1.2 Sector/Industry wise analysis of loans and receivables

As at 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Agriculture	1,758,054	1,614,844	1,758,054	1,614,844
Manufacturing	1,762,559	1,996,764	1,762,559	1,996,764
Tourism	792,201	526,885	792,201	526,885
Transportation	5,790,924	2,439,990	5,790,924	2,439,990
Construction	2,966,853	1,725,646	2,966,853	1,725,646
Trade	2,886,082	2,657,948	2,886,082	2,657,948
Services	568,400	733,697	572,894	738,944
Financials	4,145,748	3,120,493	4,145,748	3,120,493
Consumption	7,679,518	6,897,933	7,679,518	6,897,933
Gross loans and receivables	28,350,339	21,714,200	28,354,833	21,719,447

NOTES TO THE FINANCIAL STATEMENTS

23.1.3 Contractual maturity analysis of loans and receivables - 2024

	Company/Group			
	Within one year	1 - 5 Years	Over 5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Agriculture	2,958,168	610,876	51,608	3,620,652
Manufacturing	1,409,898	649,951	90,587	2,150,436
Tourism	543,030	230,248	34,807	808,085
Transportation	1,885,487	3,350,739	621,049	5,857,275
Construction	1,292,166	1,518,079	251,291	3,061,536
Trade	1,622,885	1,388,245	237,764	3,248,894
Services	446,274	209,679	21,100	677,053
Financials	3,117,681	1,253,749	299,616	4,671,046
Consumption	3,010,799	1,085,371	159,192	4,255,362
Gross loans and receivables	16,286,388	10,296,937	1,767,014	28,350,339

23.1.4. Contractual maturity analysis loans and receivables - 2023

	Company/Group			
	Within one year	1 - 5 Years	Over 5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Agriculture	2,097,381	380,582	39,363	2,517,326
Manufacturing	1,652,898	629,390	102,002	2,384,290
Tourism	439,917	96,074	16,190	552,181
Transportation	1,276,825	1,056,365	174,722	2,507,912
Construction	922,225	745,146	156,467	1,823,838
Trade	1,895,653	1,053,922	112,407	3,061,982
Services	550,495	280,427	23,241	854,163
Financials	2,837,863	368,883	114,191	3,320,937
Consumption	3,494,974	1,026,838	169,759	4,691,571
Gross loans and receivables	15,168,231	5,637,627	908,342	21,714,200

23.2 Bills receivable

As at 31 December	Note	Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Bills discounted		210,273	224,353	210,273	224,353
Less : Allowance for impairment losses					
Individual impairment	23.2.2	148,086	49,699	148,086	49,699
Collective impairment	23.2.2	3,229	117,460	3,229	117,460
Net bills receivables		58,958	57,194	58,958	57,194

23.2.1 Analysis of bill discounting on maximum exposure to credit risk as at 31 December 2024

	Stage 1	Stage 2	Stage 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross receivables	-	1,505	208,768	210,273
Individual impairment	-	-	(148,086)	(148,086)
Collective impairment	-	(44)	(3,185)	(3,229)
As at 31 December	-	1,461	57,497	58,958

23.2.2 Movement of impairment during the year 2024

	Stage 1	Stage 2	Stage 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Individual				
As at 01 January	-	-	49,699	49,699
Charge during the year	-	-	98,387	98,387
As at 31 December	-	-	148,086	148,086
Collective				
As at 01 January	191	-	117,269	117,460
Charge during the year	(191)	44	(114,084)	(114,230)
As at 31 December	-	44	3,185	3,229

23.2.3 Analysis of bill discounting on maximum exposure to credit risk as at 31 December 2023

	Stage 1	Stage 2	Stage 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross receivables	1,908	-	222,445	224,353
Individual impairment	-	-	(49,699)	(49,699)
Collective impairment	(191)	-	(117,269)	(117,460)
As at 31 December	1,717	-	55,477	57,194

23.2.4. Movement of impairment during the year 2023

	Stage 1	Stage 2	Stage 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Individual				
As at 01 January	-	-	147,790	147,790
Charge during the year	-	-	(98,091)	(98,091)
As at 31 December	-	-	49,699	49,699
Collective				
As at 01 January	918	-	18,213	19,131
Charge during the year	(727)	-	99,056	98,329
As at 31 December	191	-	117,269	117,460

NOTES TO THE FINANCIAL STATEMENTS

23.3 Loans and receivables to customers

As at 31 December	Note	Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Term loans and receivables		16,463,412	12,986,075	16,467,906	12,991,322
Less : Allowance for impairment losses					
Individual impairment	23.3.2	993,460	690,269	993,460	690,269
Collective impairment	23.3.2	472,019	978,307	472,019	978,307
Net loans and receivables		14,997,933	11,317,499	15,002,427	11,322,746

23.3.1 Analysis of term loans receivables on maximum exposure to credit risk as at 31 December 2024

	Stage 1	Stage 2	Stage 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross receivables	10,894,021	2,093,861	3,475,530	16,463,412
Individual impairment	-	-	(993,460)	(993,460)
Collective impairment	(45,106)	(29,369)	(397,544)	(472,019)
As at 31 December	10,848,915	2,064,492	2,084,526	14,997,933

23.3.2 Movement of impairment during the year 2024

	Stage 1	Stage 2	Stage 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Individual				
As at 01 January	-	-	690,269	690,269
Charge during the year	-	-	303,191	303,191
As at 31 December	-	-	993,460	993,460
Collective				
As at 01 January	23,951	32,674	921,682	978,307
Charge during the year	21,155	(3,305)	(524,138)	(506,288)
As at 31 December	45,106	29,369	397,544	472,019

23.3.3 Analysis of term loans receivables on maximum exposure to credit risk as at 31 December 2023

	Stage 1	Stage 2	Stage 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross receivables	5,951,191	1,931,595	5,103,289	12,986,075
Individual impairment	-	-	(690,269)	(690,269)
Collective impairment	(23,951)	(32,674)	(921,682)	(978,307)
As at 31 December	5,927,240	1,898,921	3,491,338	11,317,499

23.3.4 Movement of impairment during the year 2023

	Stage 1	Stage 2	Stage 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Individual				
As at 01 January			933,234	933,234
Charge during the year			(242,965)	(242,965)
As at 31 December			690,269	690,269
Collective				
As at 01 January	51,651	56,075	410,262	517,988
Charge during the year	(27,700)	(23,401)	511,420	460,319
As at 31 December	23,951	32,674	921,682	978,307

23.4 Lease and hire purchase receivable

As at 31 December	Note	Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
23.4.1 Finance lease/Hire purchase receivable within one year from the reporting date					
Total lease and hire purchase rental receivable		15,030,071	10,522,098	15,030,071	10,522,098
Less : lease and hire purchase rental receivable after one year		9,844,730	6,633,012	9,844,730	6,633,012
Rental receivable within one year from the reporting date		5,185,341	3,889,086	5,185,341	3,889,086
Less : Unearned lease and hire purchase income		1,676,822	1,089,048	1,676,822	1,089,048
		3,508,519	2,800,038	3,508,519	2,800,038
23.4.2 Finance lease/hire purchase receivable after one year from the reporting date					
Rental receivable after one year from the reporting date		9,844,730	6,633,012	9,844,730	6,633,012
Less : Unearned lease and hire purchase income		1,676,595	929,278	1,676,595	929,278
		8,168,136	5,703,734	8,168,136	5,703,734
Gross investment in leases and hire purchase		11,676,654	8,503,772	11,676,654	8,503,772
23.4.3 Lease and hire purchase receivable					
Gross investment in leases and hire purchase		11,676,654	8,503,772	11,676,654	8,503,772
Less : Allowance for impairment losses					
Individual impairment	23.4.5	595,744	158,213	595,744	158,213
Collective impairment	23.4.5	195,793	665,537	195,793	665,537
Net investment in leases and hire purchase		10,885,117	7,680,022	10,885,117	7,680,022

NOTES TO THE FINANCIAL STATEMENTS

23.4.4 Analysis of lease and hire purchase receivable on maximum exposure to credit risk as at

	Stage 1	Stage 2	Stage 3	Total
31 December 2024	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross receivables	8,730,499	1,578,151	1,368,004	11,676,654
Individual impairment	-	-	(595,744)	(595,744)
Collective impairment	(75,142)	(30,969)	(89,683)	(195,793)
As at 31 December	8,655,358	1,547,182	682,577	10,885,117

23.4.5 Movement of impairment during the year 2024

	Stage 1	Stage 2	Stage 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Individual				
As at 01 January	-	-	158,213	158,213
Charge during the year	-	-	437,531	437,531
As at 31 December	-	-	595,743	595,743
Collective				
As at 01 January	42,857	49,599	573,081	665,537
Charge during the year	32,284	(18,630)	(483,399)	(469,744)
As at 31 December	75,142	30,969	89,683	195,793

23.4.6 Analysis of lease and hire purchase receivable on maximum exposure to credit risk as at 31 December 2023

	Stage 1	Stage 2	Stage 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross receivables	4,453,644	1,843,952	2,206,176	8,503,772
Individual impairment	-	-	(158,213)	(158,213)
Collective impairment	(42,857)	(49,599)	(573,081)	(665,537)
As at 31 December	4,410,787	1,794,353	1,474,882	7,680,022

23.4.7 Movement of impairment during the year 2023

	Stage 1	Stage 2	Stage 3	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Individual				
As at 01 January	-	-	574,151	574,151
Charge during the year	-	-	(415,938)	(415,938)
As at 31 December	-	-	158,213	158,213
Collective				
As at 01 January	76,755	171,413	301,755	549,923
Charge during the year	(33,898)	(121,814)	271,326	115,614
As at 31 December	42,857	49,599	573,081	665,537

23.4.8 Credit exposure and expected credit loss (impairment provision) movement - Stage wise

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	Impairment (ECL)	Gross carrying amount	Impairment (ECL)	Gross carrying amount	Impairment (ECL)	Gross carrying amount	Impairment (ECL)
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets measured at amortised cost								
Loans and receivables								
As at 01 January 2023	12,202,913	129,324	5,948,819	227,488	9,013,786	2,385,406	27,165,518	2,742,218
Transfer from Stage 1	626,462	6,273	(501,595)	(4,867)	(124,867)	(1,406)	-	-
Transfer from Stage 2	(836,710)	(19,521)	1,041,002	24,236	(204,292)	(4,715)	-	-
Transfer from Stage 3	(289,558)	(20,314)	(555,141)	(39,561)	844,699	59,875	-	-
New assets originated or purchased	4,798,627	34,089	1,105,943	4,442	935,660	253,347	6,840,230	291,878
Financial assets derecognized or repaid	(4,588,987)	(33,092)	(2,750,215)	(48,078)	(2,023,503)	(203,518)	(9,362,705)	(284,688)
Write-off loans	-	-	-	-	(48,973)	(48,973)	(48,973)	(48,973)
Changes in facility amount	(1,417,743)	(26,026)	(926,344)	(87,886)	(535,783)	72,962	(2,879,870)	(40,950)
Reschedule	(88,258)	(3,734)	413,078	6,500	(324,820)	(2,766)	-	-
As at 31 December 2023	10,406,746	66,999	3,775,547	82,274	7,531,907	2,510,212	21,714,200	2,659,485
Transfer from Stage 1	231,035	2,234	(188,641)	(1,843)	(42,394)	(391)	-	-
Transfer from Stage 2	(761,898)	(15,397)	846,833	16,661	(84,935)	(1,264)	-	-
Transfer from Stage 3	(46,200)	(4,500)	(40,227)	(5,489)	86,427	9,989	-	-
New assets originated or purchased	15,563,687	99,432	2,074,845	23,124	139,595	5,543	17,778,127	128,099
Financial assets derecognized or repaid	(4,559,953)	(23,720)	(2,234,047)	(26,509)	(2,262,466)	(340,984)	(9,056,466)	(391,213)
Write-off loans	-	-	-	-	(53,845)	(53,845)	(53,845)	(53,845)
Changes in facility amount	(1,147,487)	(3,146)	(469,527)	8,015	(414,663)	(70,676)	(2,031,677)	(65,807)
Reschedule	61,409	7,946	91,265	19,818	(152,674)	(27,764)	-	-
As at 31 December 2024	19,747,339	129,848	3,856,048	116,051	4,746,952	2,030,820	28,350,339	2,276,719

24. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Accounting Policy

As per SLFRS 9, this comprises debt instruments measured at FVTOCI and equity instruments designated at FVTOCI.

Debt instruments at FVTOCI

A debt instrument is measured at FVTOCI only if it meets both of the following conditions and is not designated at FVTPL:

- ✱ The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- ✱ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS

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

These instruments comprise Government Securities that had previously been classified as available for sale classified and Loans and receivables under LKAS 39.

Equity instruments at FVTOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVTOCI when they meet the definition of Equity under Sri Lanka Accounting Standard - LKAS 32 - 'Financial Instruments: Presentation' and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established. Equity instruments at FVTOCI are not subject to an impairment assessment.

These instruments comprise quoted and unquoted shares that had been previously classified as Available-for-sale under LKAS 39.

As per LKAS 39, Available-for-sale financial investments included equity and debt securities. Equity investments classified as available-for-sale were those which were neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category were intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Group had not designated any loans or receivables as available-for-sale. After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses were recognised in Equity through OCI in the 'Available-for-sale reserve'. When these financial investments were disposed, the cumulative gain or loss previously recognised in Equity was recycled to profit or loss through 'Operating income'. Interest earned while holding available-for-sale financial investments was reported as 'Interest income' using the EIR. Dividend earned while holding available-for-sale financial investments were recognised in the Income Statement as 'Operating income' when the right to receive the payment had been established.

As at 31 December	Note	Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Government securities	24.1	-	-	101,699	86,459
Equity securities - Quoted	24.2	16,500	13,750	16,500	13,750
Equity securities - Unquoted	24.3	54	598	54	598
Unit trust		-	-	16,805	18,414
Net financial investments at FVTOCI		16,554	14,348	135,058	119,221
24.1 Government Securities					
Treasury bonds		-	-	101,699	86,459
		-	-	101,699	86,459

24.2 Equity Securities - Quoted

As at 31 December	2024			2023		
	No of Shares	Total Cost	Fair Value	No of Shares	Total Cost	Fair Value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Company						
Power and Energy						
LVL Energy Fund PLC	2,500	20,000	16,500	2,500	20,000	13,750
		20,000	16,500		20,000	13,750
Group						
Power and Energy						
LVL Energy Fund PLC	2,500	20,000	16,500	2,500	20,000	13,750
		20,000	16,500		20,000	13,750

24.3 Equity Securities - Unquoted

As at 31 December	Company						
	2024				2023		
	Holding %	No of Shares	Total Cost	Fair Value	No of Shares	Total Cost	Fair Value
			Rs.'000	Rs.'000		Rs.'000	Rs.'000
Mega Containers Limited	6.21	1,000,000	10,000	-	1,000,000	10,000	-
Ceylinco Investment Company Limited	46.35	500,000	5,000	-	500,000	5,000	-
Credit Information Bureau of Sri Lanka Limited	0.22	540	54	54	540	54	54
Ranwan Industries (Private) Limited	5.00	165,790	3,600	-	165,790	3,600	-
UB Finance Limited	-	-	-	-	2,506,562	17,546	544
			18,654	54		36,200	598
Adjustment due to impairment			(18,600)			(35,602)	
Total unquoted investments			54			598	

NOTES TO THE FINANCIAL STATEMENTS

24.4 Equity Securities - Unquoted

As at 31 December	Group						
	2024				2023		
	Holding %	No of Shares	Total Cost Rs.'000	Fair Value Rs.'000	No of Shares	Total Cost Rs.'000	Fair Value Rs.'000
Mega Containers Limited	6.21	1,000,000	10,000	-	1,000,000	10,000	-
Ceylinco Investment Company Limited	46.35	500,000	5,000	-	500,000	5,000	-
Credit Information Bureau of Sri Lanka Limited	0.22	540	54	54	540	54	54
Ranwan Industries (Private) Limited	5.00	165,790	3,600	-	165,790	3,600	-
UB Finance Limited	-	-	-	-	2,506,562	17,546	544
			18,654	54		36,200	598
Adjustment due to impairment			(18,600)			(35,602)	
Total unquoted investments			54			598	

24.4.1 Although the Company has acquired 46.35% equity capital of Ceylinco Investment Company Limited, the investment has not been classified as an associate company due to pending court decision on the ownership structure of the Company.

25. FINANCIAL INVESTMENTS AT AMORTISED COST

Accounting Policy

As per SLFRS 9, 'Financial investments' are measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

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

After initial measurement, these are subsequently measured at amortised cost (gross carrying amount using the EIR, less provision for impairment). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest Income' while the losses arising from impairment are recognised in 'impairment charges for loans and other losses' in the Statement of Profit or Loss.

As per previously classified under LKAS 39, this included financial investments held-to-maturity

Held-to-maturity financial investments were non-derivative financial assets with fixed or determinable payments and fixed maturities, that the Group had the positive intention and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale. After initial measurement, held-to-maturity financial investments were subsequently measured at amortised cost using the EIR, less provision for impairment. EIR is calculated by taking into account any discount or premium on acquisition and fees. The amortisation is included in 'Interest Income' while the losses arising from impairment of such investments are recognised in 'Impairment charges and other losses' in the Statement of Profit or Loss.

As at 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Government securities	3,473,969	3,727,940	4,498,689	5,304,189
	3,473,969	3,727,940	4,498,689	5,304,189

25.1 Government Securities

As at 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	2,612,017	234,720	3,060,932	1,339,267
Treasury bills	861,952	3,493,220	1,437,757	3,964,922
Treasury bonds	3,473,969	3,727,940	4,498,689	5,304,189

25.2 Government securities allocated for the liquidity requirement

As at 31 December	Company	
	2024	2023
	Rs.'000	Rs.'000
Government securities, maturing within one year, free from any lien or charge	-	2,979,348
	-	2,979,348

26. REAL ESTATE STOCK

Accounting Policy

Property acquired or being constructed for sale in the ordinary course of the business. They are measured at the lower of cost or net realisable value. The cost comprises all costs of purchase, costs of conversion and the costs incurred in bringing them to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of the business less the estimated costs of completion necessary to make the sale.

As at 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Real estate stock	40,446	58,158	40,446	58,158
	40,446	58,158	40,446	58,158

NOTES TO THE FINANCIAL STATEMENTS

27. INVESTMENT IN ASSOCIATE COMPANY

Accounting Policy

Investment in associate is accounted for at cost, net of any impairment losses which are charged to the Statement of Profit or Loss and it is in accordance with the Sri Lanka Accounting Standard - LKAS 28 - 'Investment in Associates and Joint Ventures' in the Company's Financial Statements and cost less impairment if any in the Consolidated Financial Statements.

Under the equity method, the investment in associate is initially accounted for at cost and the carrying amount is adjusted for post-acquisition changes in the Company's share of net assets of the associate, less any impairment in the Company's net investment in associate.

Associate is an entity in which the Company has significant influence, but no control over the financial and operating policies.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised but it subjected to impairment test. The Company's investments include goodwill identified on acquisition, net of any accumulated impairment losses.

The Consolidated Financial Statements include the Company's share of the income and expenses and equity movements of the associate, after adjustments being made to align the accounting policies with those of the Group from the date that significant influence effectively commences until the date that significant influence effectively ceases.

When the Company's share of losses exceeds its interest in the associate, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or made payments on behalf of the associate. If the associate subsequently reports profits, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Profit and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate. The Company discontinues the use of the equity method from the date that it ceases to have significant influence over an associate and accounts for the investment cost in accordance with the Sri Lanka Accounting Standard - SLFRS 9 - 'Financial Instruments'.

As at 31 December	Country of Incorporation	Principal Activity	No. of Shares	Holding	Company			
					2024		2023	
					Cost	Fair Value	Cost	Fair Value
					Rs.'000	Rs.'000	Rs.'000	Rs.'000
Unquoted								
Lanka Securities (Pvt) Ltd	Sri Lanka	Share Brokering	5,212,543	29%	81,084	81,084	81,084	81,084
Balance as at 31 December					81,084		81,084	

27.1 Carrying Value on Equity Basis

As at 31 December	Group	
	Lanka Securities (Pvt) Ltd	
	2024	2023
	Rs.'000	Rs.'000
Net assets at the beginning of the year	168,908	172,841
Add : Profit/(loss) before tax accruing to the group	13,232	29,182
Less : Income tax	(3,970)	(8,422)
Add : Other comprehensive income for the year, net of Income Tax	-	(60)
Less : Dividend received	-	(24,633)
Net assets at the end of the year	178,170	168,908

27.2 Summarized Financial Information of Associate

For the year ended 31 December	2024	2023
	Rs.'000	Rs.'000
Income	354,247	414,252
Less : Expenses	308,620	313,623
Profit/(loss) before taxation	45,627	100,629
Less : Income tax expense/(reversal)	13,688	29,044
Profit/(loss) for the year	31,939	71,585
Defined Benefit Plan Actuarial Gains/(Losses)	-	(296)
Tax impact on Actuarial (Loss)/Gain	-	89
Total comprehensive income/(expense) for the period	31,939	71,378

As at 31 December	2024	2023
	Rs.'000	Rs.'000
Total assets	1,613,753	865,568
Total liabilities	1,014,396	298,120

28. INVESTMENT IN SUBSIDIARIES**Accounting Policy**

Investment in subsidiaries are stated at cost, net of any impairment losses which are charged to the Statement of Profit or Loss and it is in accordance with the Sri Lanka Accounting Standards - LKAS 27 - 'Consolidated and Separate Financial Statements'.

Subsidiaries are entities that are controlled by the Company. Subsidiaries are consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date when such control ceases. The Company is presumed to control an investee when it is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Intra-group balances and transactions, income, expenses and any unrealised gains arising from intra-group transactions are eliminated in full in preparing the Consolidated Financial Statements.

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Company.

Non-controlling interests are presented separately in the Consolidated Statement of Profit or Loss and within equity in the Consolidated Statement of Financial Position but separate from parent shareholder's equity. Any losses applicable to the non-controlling interests are allocated against the interests of the non-controlling interest even if this result in a deficit balance. Acquisition of non-controlling interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognised as equity.

Subsidiaries are not quoted in the Colombo Stock Exchange (CSE) and the Directors' valuation of investment in subsidiaries has been carried out on fair value basis.

The subsidiary MBSLI has met the minimum regulatory 'Total Available Capital' (TAC) to carryout general insurance business as at 31 December 2024. The Life Insurance business operates with a deficit of TAC as of 31 December 2024, however, no new Life Insurance policies is underwritten by the company and taken measures to comply with the requirement stipulated by the Insurance Regulator, IRCSL.

The consolidated Financial Statements of the Group include:

NOTES TO THE FINANCIAL STATEMENTS

28.1

As at 31 December			2024			2023		
	Principal activity	Country of incorporation	Equity interest	Cost	Fair Value	Equity interest	Cost	Fair Value
			%	Rs.'000	Rs.'000	%	Rs.'000	Rs.'000
MBSL Insurance Company Ltd (Note 28.2)	Insurance	Sri Lanka	53.81	1,016,096	348,260	53.81	1,016,096	352,696
Less : Impairment provision (Note 28.2)				667,835			663,400	
Balance as at 31 December				348,261			352,696	

28.2 The following table summarises the investment made in subsidiary - MBSLI:

	MBSL Insurance Rs.'000
Cost	
Balance as at 01 January 2023	1,016,096
Investment made during the year	-
Balance as at 31 December 2023	1,016,096
Investment made during the year	-
Balance as at 31 December 2024	1,016,096
Impairment provision	
Balance as at 01 January 2023	(758,465)
Impairment reversal/(charge)	95,065
Balance as at 31 December 2023	(663,400)
Impairment reversal/(charge)	(4,435)
Balance as at 31 December 2024	(667,835)
As at 31 December 2023	352,696
As at 31 December 2024	348,261

The following table summarizes the information relating to the subsidiary and proportion of equity interest held by non-controlling interests. This information is based on amounts before inter company eliminations.

28.3 Summarized Profit or loss Statement of MBSL Insurance Company Ltd

For the year ended 31 December	2024	2023
	Total	Total
	Rs.'000	Rs.'000
Non-controlling interest (NCI) percentage (%)	46.19%	46.19%
Net operating income	390,756	412,573
Operating expenses	(378,439)	(420,719)
Profit before income tax	12,317	(8,146)
Income tax (expense)/reversal	(824)	-
Profit/(loss) for the year	11,493	(8,146)
Profit allocated to non-controlling interest (NCI)	5,309	(3,763)
Other comprehensive income allocated to non-controlling interest (NCI)	1,333	1,910

28.4 Summarized Profit or loss Statement of MBSL Insurance Company Ltd

As at 31 December	2024	2023
	Rs.'000	Rs.'000
Cash and cash equivalents	101,838	150,728
Placements with banks & financial institutions	657,129	269,485
Financial investments at fair value through profit or loss	13,060	8,560
Loans & receivables at amortised cost	4,494	5,247
Financial investments at amortised cost	1,143,224	1,681,123
Property, equipment and right-of-use assets	77,646	112,636
Deferred tax assets	8,578	9,402
Other assets	333,823	339,672
Total assets	2,339,792	2,576,853
Due to banks	-	3,033
Insurance contract liabilities-life	454,704	393,030
Insurance contract liabilities-non life	397,423	671,728
Other liabilities	512,705	547,100
Retirement benefits obligations	10,955	12,337
Total liabilities	1,375,787	1,627,228
Net assets value	964,005	949,625
Carrying amount of non-controlling interest (NCI)	445,274	438,632

NOTES TO THE FINANCIAL STATEMENTS

28.5 Valuation assumptions and the Sensitivity 2024

The Subsidiary MBSLI valuation of Life segment based on the absolute valuation methodology has used Net Asset Value (NAV) which reflect in the financial position.

Valuation of Non-life segment based on Market Multiple value approach (MMM) used to perform a comparable analysis for the peers in the same industry. The comparable peers were selected from the listed companies in Sri Lanka in the Non-life (general) insurance industry.

28.6 Impairment Provision/Reversal Impairment of Investment in Subsidiary :

Recoverable amount of the investment in subsidiary at the end of the financial position date as Rs. 348 Mn. Accordingly impairment charge of Rs.4 Mn (2023 impairment reversal : Rs.95 Mn) was recorded during the year 2024 in the Company's Financial Statements.

29. INVESTMENT PROPERTIES

Accounting Policy

Investment properties are properties held either to earn rental income or for capital appreciation or for both. But not for sale in the ordinary course of business, used in the production or supply of goods or service or for administrative purpose.

Basis of Measurement

An investment property is measured initially at its cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable expenditure. The carrying amount includes the cost of replacing part of an existing Investment Property at the time that cost is incurred if the recognition criteria are met and excludes the cost of day-to-day servicing of an Investment Property.

The Group adopts the cost model for subsequent measurement of investment properties in accordance with Sri Lanka Accounting Standard - LKAS 40 - 'Investment Property'. Accordingly, land classified as investment property is stated at cost, and buildings classified as investment property are stated at cost less any accumulated depreciation and any accumulated impairment losses. Provision for depreciation is made over the period of 20 years at the rate of 5% per annum using the straight-line method for buildings classified as investment property. Land is not depreciated.

Derecognition

Investment Properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Statement of Profit or Loss in the period of derecognition.

As at 31 December	Note	Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost					
Balance as at 01 January		145,247	148,246	145,247	148,246
Less: Provision		98,301	6,557	98,301	6,557
Balance as at 31 December	29.1	46,946	141,689	46,946	141,689
Accumulated depreciation as at 31 December		46,946	46,243	46,946	46,243
Net book value as at 31 December		-	95,446	-	95,446

As at 31 December	Note	Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Accumulated depreciation					
Balance as at 01 January		46,243	39,849	46,243	39,849
Charge for the year		703	6,394	703	6,394
Balance as at 31 December		46,946	46,243	46,946	46,243
Rental income derived from investment property		Nil	Nil	Nil	Nil
Direct operating expenses arising from investment property that generated rental income during the year		Nil	Nil	Nil	Nil
Direct operating expenses arising from investment property that did not generate rental income during the year		Nil	Nil	Nil	Nil

29.1 Investment Properties Held by the Company/Group

As at 31 December	2024												
					Cost/Carrying amount			Net Book Value			Fair Value		
	No of Buildings	Building sq.ft	Extent Perches	Fair Value Hierarchy	Land Rs.'000	Buildings Rs.'000	Total Rs.'000	Provision Rs.'000	Accumulated Depreciation Rs.'000	Total Rs.'000	Land Rs.'000	Buildings Rs.'000	Total Rs.'000
Location													
No 385/1and385/1, 1/1, Pitakotte Road,Pitakotte. (Note.29.3)	1	2,896	19.01P	Level 3	2,958	1,730	4,688	2,958	1,730	-	66,500	-	53,000
No 102 & 104, Dam Street, Colombo 12. (Note.29.3)	1	20,368	1R-10.7P	Level 3	17,970	11,989	29,959	18,418	11,541	-	170,000	-	170,000
Kumbuththukuliya watte, Bangadeniya Road, Puttalam.			2.0A	Level 3	600	-	600	600	-	-	84,000	-	65,000
Fingara town & country Club, No.50/21, 50/22, Old Kesbewa Road, Boralesgamuwa (Note.29.3)	1		2A-1R-4.35P	Level 3	65,604	44,396	110,000	76,325	33,675	-	350,000	119,809	469,809
					87,132	58,115	145,247	98,301	46,946	-	670,500	119,809	757,809

NOTES TO THE FINANCIAL STATEMENTS

29.2 Investment Properties Held by the Company/Group

As at 31 December					2023								
Location	No of Buildings	Building sq.ft	Extent Perches	Fair Value Hierarchy	Cost/Carrying amount			Net Book Value			Fair Value		
					Land Rs.'000	Buildings Rs.'000	Total Rs.'000	Provision Rs.'000	Accumulated Depreciation Rs.'000	Total Rs.'000	Land Rs.'000	Buildings Rs.'000	Total Rs.'000
No. 64 & 66, Nonagama Road, Pallegama, Embilipitiya.			16.61P	Level 3	1,750	-	1,750	1,750	-	-	-	-	-
No 385/1 and 385/1, 1/1, Pitakotte Road, Pitakotte. (Note.29.3)	1	2,896	19.01P	Level 3	2,958	1,730	4,688	2,958	1,730	-	53,000	-	53,000
No 116/4,116/7, 116/26, 116/27,116/29 1st Cross Street, Colombo 11.			12.35P	Level 3	1,249	-	1,249	1,249	-	-	-	-	-
No 102 & 104, Dam Street, Colombo 12. (Note.29.3)	1	20,368	1R-10.7P	Level 3	17,970	11,989	29,959	-	11,392	18,567	188,000	-	188,000
Kumbuththukuliya watte, Bangadeniya Road, Puttalam.			2.0A	Level 3	600	-	600	600	-	-	-	-	-
Fingara town & country Club, No.50/21, Old Kesbewa Road, Boralesgamuwa. (Note.29.3)	1		2A-1R-4.35P	Level 3	65,604	44,396	110,000	-	33,121	76,879	200,191	100,000	300,191
					90,131	58,115	148,246	6,557	46,243	95,446	441,191	100,000	541,191

29.3

Name of the Professional Valuer	Location	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs
Mr. Chulananda Wellappili. Chartered Valuation Surveyor of Sri Lanka	No 385/1 and 385/1 1/1, Pitakotte Road, Pitakotte.	Market Comparable Method	
		Price per perch	Rs. 3,500,000/- P.P.
		Total Value of Land	Rs. 66,500,000/-
Mr. Chulananda Wellappili. Chartered Valuation Surveyor of Sri Lanka	No 102 & 104, Dam Street, Colombo 12.	Income Basis Method	
		Price Per Square Foot	Rs.150/-,200/-,225/-,250/-
		Depreciation Rate	40%
		Capitalizing Rate	7%
		Market Value of the Lease	Rs. 176,000,000/-
Ms. K P S K Chandani. Incorporated & Registered Valuer	Kumbuththukuliya watte, Bangadeniya Road, Puttalam.	Market Comparable Method	
		Price per perch	Rs. 275,000/- P.P.
		Total Value of Land	Rs. 84,000,000/-
Mr. P V W K Ariyasinghe. Incorporated & Registered Valuer	Fingara town & country Club, No. 50/21, 50/22, Old Kesbewa Road, Boralesgamuwa.	Contract Principle Method	
		Price per perch	Rs. 800,000/- P.P.
		Total Value of Land	Rs. 350,000,000/-
		Total Fair Value of Existing Buildings & Improvements	Rs. 100,000,000/-

Valuation techniques and sensitivity of the fair value measurement of the investment properties of the Group

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below:

Valuation technique	Significant unobservable valuation inputs (ranges of each property are given in the table above)	Sensitivity of the fair value measurements to inputs
This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	<ul style="list-style-type: none"> ⚙ Price per perch for land ⚙ Price per square foot for building ⚙ Depreciation rate for building 	<p>Estimated fair value would increase/ (decrease) if;</p> <ul style="list-style-type: none"> ⚙ Price per perch of land would (increase/ decrease) ⚙ Price per square foot for building would increase/(decrease) ⚙ Depreciation rate for building would increase/(decrease)

A fresh valuation has been obtained through the chief valuation department for the investment property at Dam Street and the legal department of UDA is to submit a board paper to the UDA Board requesting the approval to transfer MBSL lease hold rights to the present tenants of the Dam Street property after obtaining the further legal clearance from their end.

30.PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

Accounting Policy

Basis of Recognition

Property and equipment are tangible items that are held for servicing, or for administrative purposes, and are expected to be used during more than one year.

Property and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and cost of the asset can be reliably measured.

Basis of Measurement

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

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

The Company and the Group apply the cost model to property & equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Subsequent Cost

Repairs and Maintenance

Derecognition

Borrowing costs

30.1

[illegible]

Company	Freehold Land	Freehold Buildings	Motor Vehicles	Leasehold Vehicles	Computer Equipment	Office Equipment & Furniture	Right-of-use Assets	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000

Net book value

As at 31 December 2023 585,436

As at 31 December 2024 467,355

30.2

Group	Freehold Land	Freehold Buildings	Motor Vehicles	Leasehold Vehicles	Computer Equipment	Office Equipment & Furniture	Right-of-use Assets	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000

Cost

Balance as at 01 January 2023	14,000	-	119,188	-	389,556	516,628	873,204	1,912,576
Additions during the year	-	-	-	-	22,051	21,161	301,901	345,113
Disposals during the year	-	-	-	-	(3,259)	(13,845)	(358,263)	(375,367)
Balance as at 31 December 2023	14,000	-	119,188	-	408,348	523,944	816,842	1,882,322
Additions during the year	-	-	-	-	33,959	15,050	89,585	138,594
Disposals during the year	-	-	(2,079)	-	(150)	(2,743)	(35,142)	(40,114)
Balance as at 31 December 2024	14,000	-	117,109	-	442,157	536,251	871,285	1,980,802

Accumulated Depreciation

Balance as at 01 January 2023	-	-	105,051	-	322,821	320,111	529,813	1,277,796
Charge for the year	-	-	10,220	-	31,278	39,613	182,857	263,968
On disposals	-	-	-	-	(3,113)	(12,434)	(339,592)	(355,139)
Balance as at 31 December 2023	-	-	115,271	-	350,986	347,290	373,078	1,186,625
Charge for the year	-	-	3,918	-	27,602	39,950	213,343	284,813
On disposals	-	-	(2,079)	-	(149)	(2,457)	(28,184)	(32,869)
Balance as at 31 December 2024	-	-	117,110	-	378,439	384,783	558,237	1,438,569

Net book value

As at 31 December 2023 695,697

As at 31 December 2024 542,233

NOTES TO THE FINANCIAL STATEMENTS

Information on the Freehold Land and Buildings of the Company

Location	Name of the Professional Valuer	Method of Valuation	Date of Valuation	Extent (Perches)	Revalued Amounts Land Rs.'000	Net Book Value Land Rs.'000	As a % of Total NBV
Kurunduwatta, Ekala	Ms. P. P. D. N. Shyamali, M. Sc in Real Estate Management B. Sc Estate, Management & Valuation	Market Comparable Method	31 December 2024	1A-1R-27.93	136,758	14,000	977%

Title Restriction on Property and Equipment

There were no restrictions existed on the title of the property and equipment of the Group as at the date of the Statement of Financial Position.

Property and Equipment Pledged as Security for Liabilities

There were no items of property and equipment pledged as securities for liabilities except for lease hold assets.

Compensation from Third Parties for Items of Property and Equipment

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

Fully Depreciated Property and Equipment

The cost of fully depreciated property and equipment of the Company and the Group which are still in use as at the date of the Statement of Financial Position as follows:

As at 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Motor vehicles	116,872	74,094	117,109	74,332
Computer equipments	263,974	220,025	322,942	278,159
Equipment, furniture & fittings	105,315	93,486	182,170	103,882
Total	486,161	387,605	622,221	456,373

Temporarily Idle Property and Equipment

There were no property and equipment of the Company and the Group that were temporarily idle as at the date of the Statement of Financial Position.

Property and Equipment Retired from Active Use

There were no property and equipment of the Company and the Group were retired from active use as at the date of the Statement of Financial Position.

31. INTANGIBLE ASSETS

Accounting Policy

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 Company and to the Group in accordance with the Sri Lanka Accounting Standard - LKAS 38 - 'Intangible Assets'.

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

Subsequent Expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Useful Economic Lives

The useful economic lives of intangible assets are assessed to be either finite or indefinite.

Derecognition

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 assets is recognised in the Statement of Profit or Loss in the year the assets is de-recognised.

31.1

Company	Computer Software Rs.'000	Total Rs.'000
Cost		
Balance as at 01 January 2023	313,125	313,125
Additions and improvements during the year	2,041	2,041
Disposals during the year	(25,240)	(25,240)
Balance as at 31 December 2023	289,926	289,926
Additions and improvements during the year	35,407	35,407
Balance as at 31 December 2024	325,334	325,334
Accumulated amortisation		
Balance as at 01 January 2023	209,917	209,917
Amortisation for the year	38,132	38,132
Disposals during the year	(25,240)	(25,240)
Balance as at 31 December 2023	222,809	222,809
Amortisation for the year	41,195	41,195
Balance as at 31 December 2024	264,005	264,005
Net book value		
As at 31 December 2023		67,117
As at 31 December 2024		61,329

NOTES TO THE FINANCIAL STATEMENTS

31.2

Group	Computer Software Rs.'000	Goodwill Rs.'000	Total Rs.'000
Cost			
Balance as at 01 January 2023	364,572	18,193	382,765
Additions and improvements during the year	2,041	-	2,041
Disposals during the year	(25,240)	-	(25,240)
Balance as at 31 December 2023	341,373	18,193	359,566
Additions and improvements during the year	36,812	-	36,812
Balance as at 31 December 2024	378,185	18,193	396,378
Accumulated amortisation			
Balance as at 01 January 2023	258,176	18,193	276,369
Amortisation for the year	38,946	-	38,946
Disposals during the year	(25,240)	-	(25,240)
Balance as at 31 December 2023	271,882	18,193	290,075
Amortisation for the year	42,206	-	42,206
Balance as at 31 December 2024	314,088	18,193	332,281
Net book value			
As at 31 December 2023			69,491
As at 31 December 2024			64,097

Fully Amortised Intangible Assets

Gross carrying amount of intangible assets which have been fully amortised that are still in use as follows;

	Company		Group	
	2024	2023	2024	2023
As at 31 December	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Computer Software	30,486	12,542	79,085	84,732

There were no restrictions existed on the title of the intangible assets of the Company and the Group as at the Statement of Financial Position date. Further, there were no items pledged as securities for liabilities.

32. OTHER ASSETS

Accounting Policy

The Company and the Group classify all their other assets as mainly comprise of advance & prepayment and other receivables.

As at 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Other receivables	49,305	46,389	46,245	39,770
Advances and pre payments	164,895	137,860	186,972	166,448
Other accounts	26,185	15,797	54,117	49,161
Reinsurance assets-insurance contracts	-	-	156,494	142,520
Insurance receivables	-	-	130,378	141,816
	240,385	200,046	574,207	539,715
Less : Allowance for impairment losses	53,712	49,168	53,712	49,168
	186,673	150,878	520,495	490,547

33. DUE TO BANKS

Accounting Policy

Due to banks include bank overdrafts and long term and short-term loans obtained by the Company and the Group from banks. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method.

Securities Sold Under Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date are recognised 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 a liability with a corresponding obligation to return it, including accrued interest as a liability within 'Securities sold under repurchase agreements', reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR.

As at 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Bank overdraft	198,124	36,895	198,124	39,928
Reverse repurchase agreements	2,408,440	-	2,408,440	-
Bank borrowings - Short-term loans	5,056,813	2,563,075	5,056,813	2,563,075
Bank borrowings - Long-term loans	480,711	-	480,711	-
	8,144,088	2,599,970	8,144,088	2,603,003

NOTES TO THE FINANCIAL STATEMENTS

33.1 Analysis of Cash and Cash Equivalents at the End of the Year

As at 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Dues to banks	198,124	36,895	198,124	39,928
	198,124	36,895	198,124	39,928

33.2 Bank Borrowings - Long-term loans

	Company/Group				
	Interest Payable Frequency	Obtained Date	Maturity Date	2024 Rs.'000	2023 Rs.'000
Hatton National Bank PLC	Annually	30-Oct-24	29-Oct-29	199,199	-
Hatton National Bank PLC	Annually	28-Nov-24	27-Nov-29	111,139	-
Hatton National Bank PLC	Annually	02-Dec-24	01-Dec-29	20,161	-
Hatton National Bank PLC	Annually	27-Dec-24	26-Dec-29	150,213	-
				480,711	-

33.3 Contractual Maturity Analysis of Reverse Repurchase and Other Bank Loans - 2024

	Company/Group			
	Within one year	1 - 5 Years	Over 5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Reverse repurchase agreements	2,408,440	-	-	2,408,440
Bank borrowings - Short-term loans	5,056,813	-	-	5,056,813
Bank borrowings - Long-term loans	-	480,711	-	480,711
	7,465,253	480,711	-	7,945,964

33.4 Contractual Maturity Analysis of Reverse Repurchase and Other Bank Loans - 2023

	Company/Group			
	Within one year	1 - 5 Years	Over 5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Reverse repurchase agreements	-	-	-	-
Bank borrowings - Short-term loans	2,563,075	-	-	2,563,075
Bank borrowings - Long-term loans	-	-	-	-
	2,563,075	-	-	2,563,075

34. DUE TO CUSTOMERS AT AMORTISED COST**Accounting Policy**

Due to customers at amortised cost include fixed deposits and saving deposits. Subsequent to initial recognition, these are measured at their amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are de-recognised as well as through the EIR amortisation process.

As at 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Savings deposits	1,265,267	965,142	1,262,925	961,578
Time deposits	24,690,908	24,478,977	24,476,833	24,284,290
	25,956,175	25,444,119	25,739,758	25,245,868

34.1 Sri Lanka Deposit Insurance Scheme - Company

Under the Direction No. 1 of 2021 [Finance Companies (Insurance of Deposit Liabilities)] issued by the Central Bank of Sri Lanka and subsequent amendments thereto, all the eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance Scheme implemented by the Monetary Board for compensation up to a maximum of Rs. 1,100,000/- for each depositor, accordingly the Company paid a premium of 0.15% of the eligible deposits as deposit insurance premium, during the year ended 31 December 2024.

34.2. Contractual Maturity Analysis of Customer Deposits

	2024			
	Within one year	1 - 5 Years	Over 5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Company				
Savings deposits	822,482	354,228	88,557	1,265,267
Time deposits	18,781,504	5,909,379	25	24,690,908
	19,603,986	6,263,607	88,582	25,956,175
Group				
Savings deposits	820,140	354,228	88,557	1,262,925
Time deposits	18,781,504	5,695,304	25	24,476,833
	19,601,644	6,049,532	88,582	25,739,758

NOTES TO THE FINANCIAL STATEMENTS

34.3 Contractual Maturity Analysis of Customer Deposits

	2023			
	Within one year	1 - 5 Years	Over 5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Company				
Savings deposits	627,247	270,345	67,550	965,142
Time deposits	19,261,373	5,217,523	81	24,478,977
	19,888,620	5,487,868	67,631	25,444,119
Group				
Savings deposits	623,683	270,345	67,550	961,578
Time deposits	19,151,430	5,132,779	81	24,284,290
	19,775,113	5,403,124	67,631	25,245,868

We have raised fixed deposits with a pre-mature option to the customers, so fixed deposit pre-matures may cause a difference from contractual maturities.

35. DEBT ISSUED AND BORROWED FUNDS AT AMORTISED COST

Accounting Policy

Debt issued represent the funds borrowed by the Company and the Group for long term and short term liquidity fund requirements. Subsequent to initial recognition, these are measured at their amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are de-recognised as well as through the EIR amortisation process.

As at 31 December	Note	Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Debentures	35.1	730,033	741,030	730,033	741,030
Total debt issued and borrowed funds		730,033	741,030	730,033	741,030

35.1 Debentures- 2024

ISIN No.	Interest Rate			Colombo Stock Exchange Listing	Security	Interest Payable Frequency	Allotment Date	Term of Redemption	Company/Group	
	Coupon Rate	Effective Annual Yield	Comparable Government Security						Face Value	Value as at 2024
									Rs.'000	Rs.'000
Fixed Rate										
LK0186D25001	29.50%	24.00%	27.60%	listed	Nil	Annually	16-Nov-22	15-Nov-27	23,990	22,029
LK0186D25027	28.00%	24.88%	27.60%	listed	Nil	Bi Annually	16-Nov-22	15-Nov-27	32,880	30,298
LK0186D25084	29.50%	29.50%	25.24%	listed	Nil	Annually	10-Apr-23	09-Apr-28	276,660	297,016
LK0186D25092	28.00%	29.96%	25.24%	listed	Nil	Bi Annually	10-Apr-23	09-Apr-28	255,140	238,224
LK0186D25100	30.00%	24.57%	25.24%	listed	Nil	At Maturity	10-Apr-23	09-Apr-28	91,030	133,161
Floating Rate										
LK0186D25019	One Year Avg T Bill Rate + 300 basis points			listed	Nil	Quarterly	16-Nov-22	15-Nov-27	10,830	9,305
Total Debentures									690,530	730,033

35.2 Debentures - 2023

ISIN No.	Interest Rate			Colombo Stock Exchange Listing	Security	Interest Payable Frequency	Allotment Date	Term of Redemption	Company/Group	
	Coupon Rate	Effective Annual Yield	Comparable Government Security						Face Value	Value as at 2023
Fixed Rate										
LK0186D25001	29.50%	24.00%	27.60%	listed	Nil	Annually	16-Nov-22	15-Nov-27	23,990	22,894
LK0186D25027	28.00%	24.88%	27.60%	listed	Nil	Bi Annually	16-Nov-22	15-Nov-27	32,880	31,441
LK0186D25084	29.50%	29.50%	25.24%	listed	Nil	Annually	10-Apr-23	09-Apr-28	276,660	315,719
LK0186D25092	28.00%	29.96%	25.24%	listed	Nil	Bi Annually	10-Apr-23	09-Apr-28	255,140	254,239
LK0186D25100	30.00%	24.57%	25.24%	listed	Nil	At Maturity	10-Apr-23	09-Apr-28	91,030	106,834
Floating Rate										
LK0186D25019	One Year Avg T Bill Rate + 300 basis points			listed	Nil	Quarterly	16-Nov-22	15-Nov-27	10,830	9,903
Total Debentures									690,530	741,030

35.3 Contractual Maturity Analysis of Debt Instruments Issued and Other Borrowed Funds - Company

	2024				2023			
	Within one Year	1 - 5 Years	Over 5 Years	Total	Within one Year	1 - 5 Years	Over 5 Years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Unsecured debentures	-	730,033	-	730,033	-	741,030	-	741,030

Outstanding number of debentures as at 31 December 2024 consisted of 690,530 unsecured redeemable debentures of Rs. 100/- each issued by the Company.

The Company has not repurchased any of its own debt during the year. (2023: Nil)

The Company has not had any default of principal, interest or other breaches with regard to all liabilities during 2024 and 2023.

Debenture issue proceeds utilization as at 31 December 2024.

NOTES TO THE FINANCIAL STATEMENTS

No.	Objective as per the prospectus	Amount allocated as per prospectus Rs.	Date of Utilization	Amount allocated from proceeds Rs. (A)	% of Total Proceeds	Amount Utilized in Rs. (B)	% of Utilization (B/A)	Clarification if not fully utilized
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Issue of listed, unsecured, subordinated redeemable Debentures amounting Rs. 67.7 Mn during the year 2022.

1.	The funds raised through this debenture issue utilized to increase the medium term fund base to match the medium to long term lending portfolio.					67,700,000	100%	-
2.	To enhance the total capital base of the Company, for which the Company has obtained approval from the Central Bank of Sri Lanka (CBSL).	67,700,000	16-Nov-22	67,700,000	100%	40,620,000	60%	Discounting of the amount counted as capital by 1/5 each proceeding years till maturity.

Issue of listed, unsecured, subordinated redeemable Debentures amounting Rs. 622.83 Mn during the year 2023.

3.	The funds raised through this Debenture issue utilized to reduce the maturity mismatch by increasing the medium term fund base to match the medium to long term lending portfolio of the company.					622,830,000	100%	-
4.	To enhance the total capital base of the Company, for which the Company has obtained approval from the Central Bank of Sri Lanka (CBSL).	622,830,000	10-Apr-23	622,830,000	100%	498,264,000	80%	Discounting of the amount counted as capital by 1/5 each proceeding years till maturity.

36. INSURANCE CONTRACT LIABILITIES

Accounting Policy

36.1 Valuation of life insurance fund

The valuation of life insurance fund as at 31 December 2024 was made by Ms. Teja Ranade Gadhoke a qualified actuary, who also determined and certified GPV basis the surplus including one off surplus of Rs.35.42 Mn before allocation of reversionary bonus to policies with contractual participation in profits, provision for contingencies, provision for solvency margin and any transfer to shareholders.

Liability adequacy test (LAT)

In the opinion of the consultant actuary Ms.Teja Ranade Gadhoke,the liability value is sufficient to meet future benefits and expenses. Hence, no provision was made for premium deficiency.

As at 31 December	Note	Group	
		2024	2023
		Rs.'000	Rs.'000
36.1.1 Insurance Contract Liabilities - Life			
Balance as at 1 January		420,581	356,208
Increase in life fund		-	-
		420,581	356,208
Fair value reserve		-	-
Life fund balance as at 31 December	36.1.2	420,581	356,208
Unclaimed benefits		34,123	36,822
Balance as at 31 December		454,704	393,030

36.1.2 Life Insurance Fund

The movement of Life insurance fund is as follows;

Balance as at 1 January		356,208	317,645
Increase/(Decrease) in life fund		63,964	57,026
		420,172	374,671
Movement of AFS reserve transferred to life fund		603	(18,807)
Actuarial gain on defined benefit plan		(194)	344
		420,581	356,208

36.2 Accounting Policy

Liability adequacy test (LAT)

A Liability Adequacy Test ("LAT") for non life contract liability was carried out by Mr. J S P Plugged for and on behalf of NMG Financial Services Consulting Pvt Limited as at 31 December 2024 as required by SLFRS 4 - Insurance Contracts.

The IBNR provision, together with the Case Reserves held by the Company, is expected to be adequate at a 50th percentile of confidence, to meet the future liabilities in respect of the Company's incurred claims obligations as at 31 December 2024, in many but not all scenarios of future experience. The UPR provision of Rs.194,243,171 set by the Company, net of reinsurance, is adequate in relation to the unexpired risks of MBSL Insurance Co Ltd as at 31 December 2024, in many but not all scenarios of future experience. As such, there is no premium deficiency to be recognised by the Company.

NOTES TO THE FINANCIAL STATEMENTS

Insurance Contract Liabilities-Non Life

As at 31 December	Group	
	2024	2023
	Rs.'000	Rs.'000
Provision for reported claims by policy holders	189,575	373,695
provision for claims IBNR	23,039	41,497
Outstanding Claims provision	212,614	415,192
Provision for Unearned Premiums	184,809	256,536
Total Non-life insurance contract liabilities	397,423	671,728

37. CURRENT TAX LIABILITIES

Accounting Policy

The Group and the Company are subject to income taxes. Significant judgment is required to determine the total provision for current, deferred and other taxes. Uncertainties exist, with respect to the interpretation of the applicability of laws, at the time of the preparation of these Financial Statements.

Current tax assets are recognised at historical values less impairment. Income tax liabilities are recorded at the amounts expected to be paid.

The Group and Company recognised assets and liabilities for current deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts that were initially recorded, such differences will impact the income, deferred tax amounts in the period in which the determination is made.

37.1 Current tax liabilities/(receivables)

As at 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current tax liabilities	209,437	30,055	209,437	30,055
Balance at 01 January	30,055	49,029	30,055	49,029
Current tax based on profit for the year	230,696	50,124	230,696	50,124
Other (reversal)/charge including settlements	(1,947)	(940)	(1,947)	(940)
WHT movement for the year	(6,674)	(1,258)	(6,674)	(1,258)
Payment of tax	(42,693)	(66,900)	(42,693)	(66,900)
Balance as at 31 December	209,437	30,055	209,437	30,055

37.2 Withholding Tax (WHT) and Advance Income Tax (AIT)

Withholding Tax (WHT) has been reinstated in accordance with Sections 84, 84A and 85 of the Inland Revenue Act No. 24 of 2017 and its amendments (No. 10 of 2021 and No. 45 of 2022). Accordingly, effective January 1, 2023, WHT is applicable at 5% on service fees paid to a resident individual exceeding Rs. 100,000 per month, 10% on rent paid to a resident person exceeding Rs. 100,000 per month, 5% on interest income, and 15% on dividends, with WHT on dividends constituting a final tax, while other WHT deductions are creditable against income tax liabilities.

38. DEFERRED TAX LIABILITIES

Accounting Policy

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences and 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 profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

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

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

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the Statement of Profit or Loss.

Net deferred tax (assets)/liabilities of one entity cannot be set-off against another entity's liabilities/(assets) since there is no legally enforceable right to set-off. Therefore, net deferred tax assets and liabilities of different entities are separately recognised in the Statement of Financial Position.

As at 31 December	Note	Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Net deferred tax asset	38.1	(91,893)	(54,951)	(100,473)	(64,355)
		(91,893)	(54,951)	(100,473)	(64,355)

38.1. Deferred Tax Movement

	Accelerated Depreciation for Tax Purposes		Provision for Loan Losses	Retirement Benefit Obligation	Tax Losses on Operation	Right of Use Assets	T-Bond & Bills	Total
	Property, Plant & Equipment	Leased Assets						
Company								
Balance as at 01 January 2023	64,595	57,826	(65,523)	(84,362)	-	(6,360)	-	(33,824)
Due to change in temporary differences	(10,741)	(47,271)	63,202	(2,987)	-	(4,368)	-	(2,165)
Other comprehensive income								
Due to change in temporary differences	-	-	-	(18,962)	-	-	-	(18,962)
Balance as at 31 December 2023	53,854	10,555	(2,321)	(106,311)	-	(10,728)	-	(54,951)
Balance as at 01 January 2024	53,854	10,555	(2,321)	(106,311)	-	(10,728)	-	(54,951)
Due to change in temporary differences	(13,013)	(6,339)	(9,613)	5,006	-	665	-	(23,294)

NOTES TO THE FINANCIAL STATEMENTS

	Accelerated Depreciation for Tax Purposes		Provision for Loan Losses	Retirement Benefit Obligation	Tax Losses on Operation	Right of Use Assets	T-Bond & Bills	Total
	Property, Plant & Equipment	Leased Assets						
Other comprehensive income								
Due to change in temporary differences	-	-	-	(13,648)	-	-	-	(13,648)
Balance as at 31 December 2024	40,841	4,215	(11,933)	(114,953)	-	(10,063)	-	(91,893)
Group								
Balance as at 01 January 2023	63,564	57,824	(65,524)	(87,540)	-	(11,188)	(29)	(42,893)
Due to change in temporary differences	(7,970)	(47,271)	63,202	(3,415)	-	(5,702)	(1,344)	(2,500)
Other comprehensive income								
Due to change in temporary differences	-	-	-	(18,962)	-	-	-	(18,962)
Balance as at 31 December 2023	55,594	10,553	(2,322)	(109,917)	-	(16,890)	(1,373)	(64,355)
Balance as at 01 January 2024	55,594	10,553	(2,322)	(109,917)	-	(16,890)	(1,373)	(64,355)
Due to change in temporary differences	(13,875)	(6,339)	(9,613)	5,372	-	612	1,373	(22,470)
Other comprehensive income								
Due to change in temporary differences	-	-	-	(13,648)	-	-	-	(13,648)
Balance as at 31 December 2024	41,719	4,213	(11,934)	(118,192)	-	(16,278)	-	(100,473)

39. OTHER LIABILITIES

Accounting Policy

Other liabilities include accrued expenses and other provisions. These liabilities are recorded at amounts expected to be payable as at the reporting date.

As at 31 December	Note	Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Accrued expenses		233,137	86,088	237,758	93,101
Lease liability	39.1	263,810	373,742	333,169	466,100
Payable to employees & suppliers		74,355	146,852	119,320	194,236
Insurance payable			-	180,798	161,730
Other liabilities		323,768	252,226	536,732	490,843
		895,070	858,908	1,407,777	1,406,010

39.1 The below table shows the carrying amounts of lease liabilities and the movements during the period:

As at 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Operating Lease				
Balance as at 01 January	373,742	246,832	466,100	358,637
Additions/(disposals)	70,176	272,850	70,175	272,850
Accretion of interest	45,494	59,012	57,112	73,073
Payments	(225,602)	(204,952)	(260,218)	(238,460)
As at 31 December	263,810	373,742	333,169	466,100

The maturity analysis of lease liabilities are disclosed in Note 48.6.1.

Sensitivity of right-of-used assets/lease liability to key assumptions.

Sensitivity discount rates

1% increase/(decrease) in discount rate as at 31 December 2024 would have (decreased)/increased the lease liability by approximately Rs. 4.8 Mn with a similar (decrease)/increase in the right-of-used asset (2023 it was Rs. 5.9 Mn). Had the Company (decreased)/increased the discount rate by 1% , The Company's profit before tax for the year would have increased/(decreased) by approximately Rs. Rs. 0.19 Mn (2023 it was 0.25 Mn).

1% increase/(decrease) in discount rate as at 31 December 2024 would have (decreased)/increased the lease liability by approximately Rs. 7.8 Mn with a similar (decrease)/increase in the right-of-used asset (2023 it was Rs. 9.6 Mn).Had the Group (decreased)/increased the discount rate by 1% , The Group's profit before tax for the year would have increased/(decreased) by approximately Rs. Rs. 3.19 Mn (2023 it was 3.45 Mn).

The Group had total cash outflows for leases of Rs 260.22 Mn (2023: Rs 238.46 Mn).

40. RETIREMENT BENEFITS OBLIGATIONS

Accounting Policy

The Group measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the Projected Unit Credit (PUC) method as required by the Sri Lanka Accounting Standards - LKAS 19 - 'Employee Benefits'.

Gratuity

In compliance with the Payment of Gratuity Act No.12 of 1983 provision is made in the accounts from the first year of service for gratuity payable to employees.

Recognition of Actuarial Gains and Losses

The Group recognises the total actuarial gains and losses that arise in calculating the Group's obligation in respect of the plan in other comprehensive income during the period in which it occurs.

Funding Arrangements

The gratuity liability is not externally funded.

NOTES TO THE FINANCIAL STATEMENTS

Accounting Estimates

The actuarial valuation involves making demographic & financial assumptions as mentioned below,

The mortality rates represent the probabilities of “death” occurring within one year of any given age based on publicly available A 1967/70 mortality table issued by Institute of Actuaries, London.

In determining the appropriate long term rate of discount management considers market rates of interest on long term Corporate Bonds/Government Bonds and the anticipated long term rate of inflation.

As at 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 January	354,368	281,203	366,703	292,326
Expense recognised during the year	73,878	72,052	76,932	75,604
Payment made during the year	(90,564)	(62,094)	(95,102)	(64,778)
Actuarial (gains)/losses recognised in the Statement of Other Comprehensive Income	45,492	63,207	45,594	63,551
Balance as at 31 December	383,174	354,368	394,127	366,703

40.1 Expense Recognised in the Statement of Profit or Loss

Current service cost	24,227	20,029	25,617	21,473
Interest cost	49,611	52,023	51,275	54,131
Expense recognised during the year	73,838	72,052	76,892	75,604
Past service cost	40	-	40	-
Expense Recognised in the Statement of Profit or Loss	73,878	72,052	76,932	75,604

An actuarial valuation of the retirement benefit obligation was carried out as at 31 December 2024 by Messrs.' Actuarial & Management Consultants (Pvt) Ltd, a firm of professional actuaries. The valuation method used by the actuary to value the liability is the 'Projected Unit Credit, the method recognised by the Sri Lanka Accounting Standard - LKAS 19 - 'Employee Benefits'.

	Company	
	2024	2023
Financial Assumptions		
Discount rate	11.00%	14.00%
Demographic Assumptions		
Mortality	A 1967/70 Mortality Table	A 1967/70 Mortality Table
Disability	10% of the Mortality Table	10% of the Mortality Table
Retirement age	refer note 40.2 below	refer note 40.2 below

40.2 The Retirement Benefit Plan of the Company was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No. 28 of 2021.

As on 17 Nov 2021, employees who have attained the age of	Retirement age
Less than 52 years	60 years
53 years	59 years
54 years	58 years
55 years	57 years

The resulting change in the present value of defined benefit obligation was not recognised in profit or loss as a past service income.

Expected average working life of the active participants is 6.2 years as of 31 December 2024 (5.91 years as of 31 December 2023)

40.3 Sensitivity of Assumptions Employed in Actuarial Valuation

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

The sensitivity of the Statement of Profit or Loss and Statement of Financial Position is the effect of the assumed changes in discount rate on the profit or loss and employment benefit obligation for the year.

2024			
Increase/(Decrease) in Discount Rate	Increase/ (Decrease) in Salary Increment	Sensitivity Effect on the Statement of Profit or Loss Increase/(Reduction) in Results for the Year	Sensitivity Effect on Employment Benefit Obligation Increase / (Decrease) in the Liability
		Rs. Mn	Rs. Mn
1%		(20.42)	(20.42)
(1%)		22.62	22.62
	1%	23.68	23.68
	(1%)	(21.62)	(21.62)

Maturity Profile of the Defined benefit Obligation

	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Within the next 12 months	48,151	82,478	48,556	83,176
Between 1-2 years	80,926	88,476	83,154	99,795
Between 2-5 years	87,646	78,012	95,886	78,012
Between 5-10 years	107,502	80,132	107,502	80,192
Beyond 10 years	58,949	25,270	59,029	25,529
Total	383,174	354,368	394,127	366,703

NOTES TO THE FINANCIAL STATEMENTS

41. STATED CAPITAL

As at 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Issued and fully paid ordinary shares	4,276,448	4,276,448	4,276,448	4,276,448
Balance as at 31 December	4,276,448	4,276,448	4,276,448	4,276,448

As at 31 December	Company		Group	
	2024	2023	2024	2023
	No. of Shares	No. of Shares	No. of Shares	No. of Shares
No. of shares in issue	524,539,637	524,539,637	524,539,637	524,539,637
Balance as at 31 December	524,539,637	524,539,637	524,539,637	524,539,637

42. RESERVES

42.1 Statutory Reserves

As at 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 January	344,174	339,996	344,174	339,996
Add: Transfers during the year	48,091	4,178	48,091	4,178
Balance as at 31 December	392,265	344,174	392,265	344,174

Statutory reserve represents the reserve fund of the Company created in terms of the Finance Companies (Capital Funds) Direction No. 01 of 2003 issued by the Central Bank of Sri Lanka.

42.2 Retained Earnings

As at 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 January	(1,289,648)	(944,964)	(1,042,034)	(594,119)
Add : Profit/(loss) for the year	240,454	20,888	260,338	(82,098)
Other comprehensive income	(31,845)	(44,245)	(31,899)	(44,490)
Transfers to regulatory loss allowance reserve	(53,032)	(317,149)	(53,032)	(317,149)
Transfer from OCI reserve	(7,042)	-	(7,042)	-
Transferred to Policy holder fund on one off surplus	-	-	(19,072)	-
Transfers to statutory reserves	(48,091)	(4,178)	(48,091)	(4,178)
Balance as at 31 December	(1,189,204)	(1,289,648)	(940,833)	(1,042,034)

42.3 RLA reserve

As at 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 January	371,590	54,441	371,590	54,441
Transfers during the year	53,032	317,149	53,032	317,149
Balance as at 31 December	424,622	371,590	424,622	371,590

42.4 RR reserve

As at 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 January	-	-	-	-
Transfers during the year	-	-	35,443	-
Balance as at 31 December	-	-	35,443	-

42.5 OCI Reserve

As at 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 January	(31,892)	(30,377)	(33,607)	(34,502)
Gains/(losses) on remeasuring financial investments at FVTOCI	2,750	(1,515)	4,359	895
Transfer to retain earnings	7,042	-	7,042	-
Balance as at 31 December	(22,100)	(31,892)	(22,206)	(33,607)

Other Financial Disclosures

This section provides information on related party disclosures and other disclosures required by the Sri Lanka Accounting Standards.

43. RELATED PARTY DISCLOSURE

The Company/Group carried out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS 24) 'Related Party Disclosures'.

43.a. Transactions with Key Management Personal (KMP)

According to Sri Lanka Accounting Standard (LKAS 24) 'Key Management Personnel' are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the directors of the Company/Group and the Directors of the parent company (including executive and Non-Executive Directors), chief executive officer and corporate management committee have been classified as KMP of the Company and the Group.

43.b. Terms and Conditions

The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and it is comparable with what is applied to transactions between the Company/Group and its unrelated customers.

NOTES TO THE FINANCIAL STATEMENTS

43.c. Transactions with Related Parties

Mr. A. M. A. Perera, Prof. N. S. Punchihewa, Mr. G. A. Jayashantha, Mr. J. D. V. N. Jayasinghe, Mr. R. M. N. Jeewantha, Mr. H. P. K. Silva, Mr. Y. A. Jayathilaka, Ms. R. Dulani Fernando and were directors of the Company as at 31 December 2024.

43.d Transactions with Key Management Personnel and their Close Family Members

Remuneration to Key Management Personnel

For the year ended 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
(a) Remuneration to Board of Directors				
Short term employees benefits	4,992	4,663	7,322	8,463
	4,992	4,663	7,322	8,463
(b) Remuneration to Corporate Management				
Short term employees benefits	105,014	102,361		
Post employment benefits	278	13,267		
	105,292	115,628		

Transactions, arrangements and agreements involving Key Management Personnel (KMPs), their close family members and other entities.

	Board of Directors		Corporate Management	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
(a) Items in the Statement of Financial Position				
Company				
Assets - Loan and receivables	-	-	8,336	12,949
Liabilities - Due to customers	-	-	3,416	11,256
Group				
Assets - Loan and receivables	55,166	54,599	-	-
Liabilities - Due to customers	27	26	13,976	12,975
(b) Items in the Statement of Profit or Loss				
Company				
Interest income	-	-	379	339
Interest expense	-	6	259	1,881
Group				
Interest income	567	6,146	-	-
Interest expense	1	1	1,354	1,890
(c) Net Accommodation as a % of capital funds				
Assets - Loan and receivables	1.27%	1.36%		

In addition to the above, the Company has also provided company maintained vehicles to the Chairman, Chief Executive officer and four members in Corporate Management team of the Company in line with the approved employment terms of the Company.

Share Transactions With Key Management Personnel

As at 31 December	Company	
	2024	2023
No. of ordinary shares held	-	-

43.e Details of significant related party transactions that have been carried out in the ordinary course of business in an arms length basis with entities are disclosed below.

Nature of Transactions		Income/(Expenses) Recognised During the Year		Assets/(Liabilities) as at 31 December	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Company					
Transactions with parent company					
Bank of Ceylon	Money market loan	(174,116)	(167,385)	(2,950,227)	(1,155,125)
	Current accounts	(1,021)	(832)	229,852	391,839
	Overdue interest	(3,293)	(6,887)	(198,124)	(35,131)
	Investments in repo	-	64	-	-
	Reverse Repo	(95,319)	-	(2,408,440)	-
	Term loan obtained	-	(12,074)	-	-
Transactions with subsidiary					
MBSL Insurance Company Limited	Impairment charge/(reversal) on loans granted	-	(1,920)	-	-
	Fixed Deposits and savings	(29,486)	(38,048)	(216,417)	(198,251)
	Insurance agency commission	11,368	12,983	-	-
	Service charges income	1,868	1,929	-	-
	Insurance expenses	(25,648)	(21,136)	-	-
Transactions with associate					
Lanka Securities (Pvt) Ltd	Dividend received	-	24,633	-	-
	Fixed Deposits and savings	-	-	(1)	(1)
Transactions with other companies					
BOC Property Development and Management Company Limited	Debenture	(1,340)	(2,378)	(10,163)	(10,202)
	Rent paid	(139,499)	(94,771)	-	-
	Electricity, water, office maintenance	(22,210)	(21,127)	(1,399)	(2,592)
Transnational Lanka Records Solutions (Pvt) Ltd	Storage Charges	(3,773)	(2,729)	-	-
	Backup Media Transport & Vaulting	(235)	(232)	-	-

NOTES TO THE FINANCIAL STATEMENTS

Transactions exceeding 10% of the gross income of the Company

Name of the related party	Relationship	Nature of the transaction	Transaction value		Transaction value as a % of gross income		Terms and conditions	
			2024	2023	2024	2023	2024	2023
			Rs.'000	Rs.'000	%	%		
Bank of Ceylon	Parent Company	Money Market Loans obtained	9,435,000	8,946,667	124%	117%	Normal terms	Normal terms
		Investments in Repo	-	185,000	-	2%	Normal terms	Normal terms
		Reverse Repo	13,850,000	-	183%	-	Normal terms	Normal terms

44. EVENTS AFTER THE REPORTING PERIOD

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

45. CLASSIFICATION CHANGES IN COMPARATIVES

Classification changes in comparatives had and impact on the following components of the Financial Statements for the year ended 31 December, 2024

Reference	Company			Group		
	Current Presentation	As Reported Previously	Impact	Current Presentation	As Reported Previously	Impact
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000

Statement of Profit or Loss

Fee and commission expenses

Commission expenses	1	-	-	-	24,883	3,774	21,109
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Other operating expenses

Office administration & establishment expenses	1	-	-	-	792,955	814,064	(21,109)
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Comparative figures have been changed due to following classification changes for the year 2023.

1. Insurance agency commission expense which was categorized under other operating expenses, has been reclassified under fees and commission expenses.

46. FINANCIAL REPORTING BY SEGMENT

Accounting Policy

The Group's segmental reporting is based on the business segment.

A segment is a distinguishable component of the Group that is engaged in providing products and services (Business segments, which are subject to risks and rewards that are different from those of other segments).

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The accounting policies adopted for segment reporting are those accounting policies adopted for preparing the Financial Statements of the Group.

Inter-segment transfers are accounted for at competitive fair market prices charged to intercompany counterparts for similar services. Such services are eliminated on consolidation.

As per the provision of Sri Lanka Financial Reporting Standards (SLFRS 8), the operating segment of the Group has been identified based on the products and services offered by the Group of which level of risks and rewards are significantly differ from one another.

Top management of the Group considers the operating results and condition of its business segment in their decision making process and performance evaluation. Types of products and services from which each operating segment derives its revenues describes as follows:

Lease and Hire-Purchase

This segment includes lease and hire purchase products offered to the customers.

Loans and Receivables

This segment includes loan products offered to the customers.

Corporate Advisory and Capital Markets

This segment includes capital market and corporate advisory services.

Insurance

Insurance business segment includes life and general insurance.

Eliminations/Other

This segment includes all other business activities other than the above segments.

NOTES TO THE FINANCIAL STATEMENTS

Group

	Leasing		Loans and Receivables		Corporate Advisory & Capital Markets		Insurance		Eliminations/ Other		Total	
As at 31 December	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue from external customers												
Interest and similar income	2,007,988	1,703,257	2,051,089	2,589,853	287,991	626,036	289,081	393,972	1,831,332	1,601,929	6,467,481	6,915,047
Interest and similar expenses	1,002,783	1,291,634	1,203,755	1,639,601	223,929	336,843	11,617	16,876	1,561,143	1,612,532	4,003,227	4,897,486
Net interest income	1,005,205	411,623	847,334	950,252	64,062	289,193	277,464	377,096	270,189	(10,603)	2,464,254	2,017,561
Net fee and commission income	53,800	55,379	68,328	38,723	136	300	18,751	25,877	46,284	12,133	187,299	132,412
Insurance premium income	-	-	-	-	-	-	408,020	515,598	-	-	408,020	515,598
Net claims and benefits	-	-	-	-	-	-	(327,441)	(503,761)	-	-	(327,441)	(503,761)
Net gain/(loss) on financial instruments at fair value through profit or loss	-	-	-	-	-	-	-	-	261,789	561,446	261,789	561,446
Real estate profit	-	-	5,126	19,576	-	-	-	-	-	-	5,126	19,576
Other income	28,936	17,972	31,414	13,411	180,048	16,438	15,830	20,829	653,776	140,228	910,003	208,878
Total operating income	1,087,941	484,974	952,201	1,021,962	244,246	305,931	392,623	435,639	1,232,038	703,204	3,909,050	2,951,711
Impairment (charges)/ reversal for loans and other losses	21,830	300,324	72,618	31,276	303,393	(255,668)	-	-	(296,730)	(50,838)	101,111	25,094
Net operating income	1,109,771	785,298	1,024,819	1,053,238	547,639	50,263	392,623	435,639	935,308	652,366	4,010,161	2,976,805
Personnel expenses	351,866	341,311	422,385	433,261	14,127	16,270	178,850	201,457	612,236	498,848	1,579,464	1,491,147
Depreciation and amortisation	73,126	72,214	87,781	91,668	161	161	36,645	36,438	130,009	108,827	327,722	309,308
Other operating expenses	272,472	195,683	327,079	248,401	44,502	57,018	190,461	205,889	413,013	236,385	1,247,526	943,376
Segment result	412,307	176,090	187,574	279,908	488,849	(23,186)	(13,333)	(8,145)	(219,949)	(191,694)	855,448	232,974
Profit/(loss) before VAT on financial services											855,448	232,974
Taxes on financial services											(392,787)	(292,911)
Share of associate company's profit/(loss) before tax											13,232	29,182
Profit/(Loss) before income tax											475,894	(30,755)
Income tax expense/ (reversal)											(210,248)	(55,106)
Profit/(Loss) for the year											265,646	(85,861)
Assets												
Capital expenditures												
Property, equipment and right-of-use assets	12,249	7,261	14,704	9,217	2,735	1,894	250	15,775	19,070	9,065	49,009	43,212
Intangible assets	8,895	540	10,678	686	1,986	141	1,405	-	13,848	674	36,812	2,041
Total segment assets	10,885,118	7,680,022	13,416,274	9,658,898	1,997,935	2,147,795	232,176	242,056	15,540,705	16,084,079	42,072,208	35,812,850
Total segment liabilities	9,123,900	7,946,910	10,952,459	10,087,811	2,037,432	2,072,459	1,375,787	1,627,228	13,987,768	9,723,018	37,477,347	31,457,427

Group

As at 31 December	Western	Central	Southern	North Western	Uva	North Central	Sabaragamuwa	Eastern	Northern	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue from external customers										
Interest and similar income	4,030,422	399,498	503,866	579,276	142,352	206,178	138,072	192,630	275,187	6,467,481
Interest and similar expenses	3,058,681	329,596	178,318	218,009	20,657	31,801	24,876	54,882	86,407	4,003,227
Net interest income	971,741	69,902	325,548	361,267	121,695	174,377	113,196	137,748	188,780	2,464,254
Net fee and commission income	111,503	11,286	21,790	16,882	7,581	7,522	5,932	2,506	2,297	187,299
Net gain/(loss) on financial instruments at fair value through profit or loss	261,789	-	-	-	-	-	-	-	-	261,789
Real estate profit	5,126	-	-	-	-	-	-	-	-	5,126
Other income	973,512	4,175	3,525	6,230	190	1,206	600	628	515	990,581
Total operating income	2,323,671	85,363	350,863	384,379	129,466	183,105	119,728	140,882	191,592	3,909,049
Allowance for impairment losses charge for loans and other assets	83,087	947	5,010	8,905	358	2,519	4,346	3,103	(7,164)	101,111
Net operating income	2,406,758	86,310	355,873	393,284	129,824	185,624	124,074	143,985	184,428	4,010,161
Personnel expenses	1,176,108	65,919	97,418	79,550	22,581	41,037	23,973	37,639	35,238	1,579,464
Depreciation and amortisation	310,542	2,244	3,913	3,971	1,086	1,804	1,078	1,304	1,780	327,722
Other operating expenses	953,572	49,865	66,126	59,852	16,943	25,324	16,365	25,812	33,668	1,247,526
Segment result	(33,463)	(31,718)	188,416	249,911	89,214	117,459	82,658	79,230	113,742	855,449
Profit/(loss) before VAT on financial services										855,448
Taxes on financial services										(392,787)
Share of associate company's profit/(loss) before tax										13,232
Profit/(Loss) before income tax										475,894
Income tax expense/(reversal)										(210,248)
Profit/(Loss) for the year										265,646
Assets										
Capital expenditures										
Property, equipment and right-of-use assets	41,282	1,015	1,780	1,721	509	758	520	639	784	49,009
Intangible assets	36,812	-	-	-	-	-	-	-	-	36,812
Total segment assets	27,159,440	2,307,105	3,180,506	3,545,390	880,852	1,311,519	807,667	1,209,343	1,670,387	42,072,208
Total segment liabilities	29,565,477	2,684,264	1,559,589	1,775,200	181,100	320,901	214,793	481,537	694,486	37,477,347

NOTES TO THE FINANCIAL STATEMENTS

Group

As at 31 December	Western	Central	Southern	North Western	Uva	North Central	Sabaragamuwa	Eastern	Northern	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue from external customers										
Interest and similar income	4,440,663	378,039	524,124	542,005	122,373	192,959	142,119	226,699	346,066	6,915,047
Interest and similar expenses	3,654,310	421,309	243,052	277,933	28,193	38,630	40,871	77,954	115,234	4,897,486
Net interest income	786,353	(43,270)	281,072	264,072	94,180	154,329	101,248	148,745	230,832	2,017,561
Net fee and commission income	66,887	10,344	16,479	13,887	4,670	7,128	3,649	5,062	4,306	132,412
Net gain/(loss) on financial instruments at fair value through profit or loss	561,446	-	-	-	-	-	-	-	-	561,446
Real estate profit	19,577	-	-	-	-	-	-	-	-	19,577
Other income	179,019	5,028	1,746	4,354	436	1,671	357	3,554	3,414	199,579
Total operating income	1,613,282	(27,898)	299,297	282,313	99,286	163,128	105,254	157,361	238,552	2,930,575
Allowance for impairment losses charge for loans and other assets	28,149	(10,836)	448	7,279	1,337	526	764	(3,197)	624	25,094
Net operating income	1,641,431	(38,734)	299,745	289,592	100,623	163,654	106,018	154,164	239,176	2,955,669
Personnel expenses	1,128,967	58,556	91,548	68,815	19,703	34,426	22,394	36,995	29,743	1,491,147
Depreciation and amortisation	291,950	2,242	4,091	3,982	1,076	1,694	1,093	1,423	1,758	309,308
Other operating expenses	686,365	35,909	58,231	48,993	11,905	19,876	14,157	20,682	26,123	922,240
Segment result	(465,850)	(135,440)	145,875	167,802	67,939	107,658	68,374	95,064	181,552	232,974
Profit/(loss) before VAT on financial services										232,974
Taxes on financial services										(292,911)
Share of associate company's profit/(loss) before tax										29,182
Profit/(Loss) before income tax										(30,755)
Income tax expense/(reversal)										(55,106)
Profit/(Loss) for the year										(85,861)
Assets										
Capital expenditures										
Property, equipment and right-of-use assets	38,642	592	1,062	1,030	304	451	304	382	442	43,212
Intangible assets	2,041	-	-	-	-	-	-	-	-	2,041
Total segment assets	27,211,719	1,507,360	1,758,778	1,836,617	506,275	665,557	526,758	800,123	999,663	35,812,850
Total segment liabilities	24,131,173	2,328,463	1,222,611	1,856,166	194,719	281,016	235,416	494,814	713,049	31,457,427

47. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard - LKAS 37 - 'Provisions, Contingent Liabilities and Contingent Assets'. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

The table below shows the Group's maximum credit risk exposure for commitments and guarantees.

As at 31 December	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial guarantees & claims to the customers	48,858	42,093	56,665	128,909
Total Commitments and Contingencies	48,858	42,093	56,665	128,909

In the normal course of business, the Company makes various irrevocable commitments and incurs certain contingent liabilities with legal recourse to its customers. Even though these obligations may not be recognised on the Statement of Financial Position, they do contain credit risk and therefore form part of the overall risk of the Company. No material losses are anticipated as a result of these transactions.

Undertaking Issued by the Company to Third Parties

MBSL as the major shareholder of MBSL Insurance Ltd, has issued a letter of undertaking to the Insurance Regulatory Commission of Sri Lanka stating that the MBSL will meet all life policyholder liabilities and any other liability arising from the life insurance portfolio of MBSLI, in the event MBSLI is unable to meet its obligations subject to the approval of CBSL.

However, MBSL Insurance Ltd has Contract Liabilities of life policy holders of Rs. 455 Mn as of 31 December 2024 and the company has invested Rs. 818 Mn in Financial Instruments which is over and above the Contract Liabilities of life policy holders.

Pending Litigations

In the normal course of business, the Company incurs certain contingent liabilities with legal recourse to its customers and would be party to litigation due to its operations. Accordingly, set out below are the unresolved legal claims against the Company as at 28 February 2024 for which, adjustments to the Financial Statements have not been made due to the uncertainty of its outcome. In addition, there are cases filed against the Company that has not been listed here on the basis of non-materiality and significance to operations.

No.	Action / Case No.	Purpose / Cause of Action	Status as at 28/02/2024	Claim amount
1	23840/M DC- Anuradhapura	The Lessee/ Plaintiff filed this action claiming damages for wrongful re-possession of the vehicle and seeking a declaration to the effect that MBSL has violated the provisions of the Lease Agreement.	Further Trial on 29/04/2025.	Damages for wrongful re-possession (Case Value Rs. 7.5 Mn).
2	DMR/3675/11 DC - Colombo	This action has been filed against MBSL to recover Rs. 2,500,000/- as damages for refusal to grant a Hire Purchase facility.	Written submission on 26/03/2025.	Rs. 2,500,000/-.
3	4145/L DC - Chilaw	A third party seeks a declaration of title on the property that was mortgaged to MBSL and owned by MBSL through court auction.	Judgement on 03/03/2025.	Damages of Rs. 500,000/- and further Rs. 15,000/- per month until payment of damages in full from 09/03/2012.
4	HC/CIVIL/ 06/2013/MR	The Plaintiff is seeking, inter alia, the refund of the advance payment of Rs. 50,761,866.10/- made by the Plaintiff to MBSL and a further sum of Rs. 50 Mn as damages in connection with a Share Sale and Purchase Agreement entered in March 2012 in respect of the sale of MBSL's shareholding in MBSL Savings Bank Limited at that time to a consortium of investors led by the Plaintiff and a Mandatory Injunction in this connection. Interim injunction sought by the Plaintiff was refused.	Written Submission on 19/03/2025.	Refund of the advance payment of Rs. 50,761,866.10/- together with interest at the rate of 14% per annum on the said sum from 27/07/2012 until the Decree and legal interest from the date of the Decree until payment in full and a further sum of Rs. 50 Mn as damages.
5	9473/L DC - Embillipitiya	Plaintiff seeks a Declaration of Title on the property that was mortgaged to MBSL and owned by MBSL through court auction.	Case was laid by till the final determination of the case No. 12941/SPL filed against the Petitioner by a 3rd party.	Rs. 500,000/- and damages of Rs. 50,000/- from Oct 2006 till the decree

NOTES TO THE FINANCIAL STATEMENTS

No.	Action / Case No.	Purpose / Cause of Action	Status as at 28/02/2024	Claim amount
6	4977/SPL DC - Colombo	This case has been filed against MCSL Financial Services Limited and 3 others in 1997. Plaintiff is seeking an order declaring Mortgage Bond No. 77 dated 02/10/1995 attested by Mihirun Nisha Nachchiya Abdeen, Notary Public null and void. On a complaint made by the Plaintiff a Criminal action is also instituted against the 1st Defendant in the HC Colombo bearing Case No. 1060/2002.	Judgement on 18/03/2025. Connected Criminal action bearing No. HC Colombo 1060/2002 is also in the Trial stage.	Sum of Rs. 5,000,000/- as damages together with interest at the rate of 24% per annum from 02/10/1995
7	DC/Matara/SPL/ 868	This action has been filed challenging the repossession of a Vehicle regarding a Hire Purchase facility granted by MCSL Financial Services Limited	Further Trial on 16/06/2025	Rs. 500,000/-
8	CHC/215/2015/ MR (DMR785/2013)	Plaintiffs are the Shareholders of MBSL (formally MBSL Savings Bank Ltd) and they have instituted an action in the District Court of Colombo (Case No. DMR/785/13) claiming Rs. 3,841,000/- for their equity investment in MBSL. This case has been subsequently transferred to Commercial High Court.	Judgement on 03/04/2025	Rs. 3,841,600/-
9	4016/M DC - MARAWILA	This is an action instituted by the Plaintiff seeking damages for wrongfully demanding a further sum of money despite the alleged settlement of the facility.	Further Trial on 07/03/2025	Rs. 9,000,000/-
10	16245/M DC - KURUNEGALA	This action has been instituted by the Joint Lessees claiming damages for the Vehicle bearing No. NW PR 7078. Plaintiff claims that at the time of transferring the registered ownership of the vehicle a dummy party has been inserted to the book without their concurrence. Plaintiff further claims that due to the insertion of another transfer to the CR the value of the vehicle has been depreciated.	Order on 30/05/2025	Rs. 400,000/-
11	DMR 2793/2020 DC - Colombo	The Plaintiff has instituted this action against MBSL for wrongful termination of a HP Facility.	Plaintiff to pay Rs. 1,100,000/- to MBSL in Twenty Four (24) monthly installments. Accordingly terms of settlement were entered in courts on 31/03/2023. As per the terms of settlement facility was fully settled on 19/02/2025 and plaintiff needs to take steps to withdraw the case.	Rs. 10,000,000/-
12	CA/TAX/43/2019 Court of Appeal	An appeal against the determination dated 2nd September 2019 delivered by the Tax Appeals Commission holding that the reversal of provision made for related party receivable should not be made liable for VAT on Financial Services.	Written submission on 17/03/2025	VAT on Rs. 95,000,000/-
13	Mis/236/2020 DC - Killinochchi	State has instituted this action against MBSL and two others seeking damages amounting to Rs. 159,507/- caused for the vehicle bearing No. NW LI 1988 as a result of the road accident. Claim is based on vicarious liability.	Trial on 22/04/2025	Rs. 159,507/-
14	3849/SPL DC- Maravila	Third party has instituted this action against the registered owner and MBSL. Dispute is in respect of the release of the Certificate of Registration of the leased vehicle. The third party has sought an order from courts for the release of the Certificate of Registration.	Judgement on 24/04/2025	Rs. 1,834,336.64/-

No.	Action / Case No.	Purpose / Cause of Action	Status as at 28/02/2024	Claim amount
15	DMR/4755/21 DC - Colombo	This action has been filed challenging the repossession of a Vehicle (Motor car bearing no WP CAO-0552) regarding a Lease facility granted by MBSL and the plaintiff is claiming damages for wrongful re-possession.	Pre Trial conference on 17/03/2025	Rs. 5,000,000/-
16	DMR/1492/21 DC - Colombo	This action has been filed against MBSL to recover Rs. 4,625,557/- together with the legal interest and legal cost as damages for wrongful re-possession of the vehicle bearing NO.NC-PD-1969 .	Trial on 11/06/2025	Rs. 4,625,557/- and legal interest from the date of the Decree until payment in full.
17	MR 1115/2022 DC - Theldeniya	This action is an accident claim instituted against the Registered Owner (1st Defendant) and the Absolute Owner (2nd Defendant) of a vehicle bearing No. WP KD - 0574	Objection by the plaintiff for amended Answer on 04/03/2025.	Rs. 3,000,000/- and legal interest from the date of the Decree until payment in full.
18	22495/L DC - Homagama WP/HCCA/HO/ 282/24/LA	This action is filed by the owner of the adjacent land of the land which was already sold by the MBSL to the 2nd defendant, regarding the disputes arisen from the south eastern boundary.	22495/L DC - Commission Report Returnable on 22/04/2025. WP/HCCA/HO/282/24/LA - To Support on 11/03/2025.	Damages amounting to a Sum of Rs. 2,500,000/- together with Rs. 50,000/- per month from 13/10/2022 to 21/03/2023 and Rs. 10,000/- per month from 21/03/2023 to the decree date.
19	DHP/628/24	This action has been filed by a customer seeking an enjoining order against MBSL and the third party who has purchased the vehicle bearing No. 59-4502 at the auction, preventing sale of vehicle bearing No. 59-4502.	Enjoining Order extended against 1st defendant. Inquiry by way of written submission on 14/03/2025 & steps to be taken to serve summons against 2nd Defendant	Rs. 5,000,000/- and legal interest from the date of the Decree until payment in full.
20	13/305/2002 LT 13- Borella	Challenging the termination of service	Inquiry of the respondent has been commenced. Respondent's Witness will cross-examine on next date. Next date is 2/April/2025	Inter alia reinstatement with back wages and/or compensation.

47.1 Group

Contingencies and commitments of MBSL Insurance Company Limited.

47.1.1 Contingent assets

The litigation initiated by the company which is currently in favor to the company in the normal course of business are as follows:

- ⚙ A litigation has been initiated by the company against the Cricket Board of Sri Lanka to recover an unpaid premium of US \$ 619,158.

NOTES TO THE FINANCIAL STATEMENTS

47.1.2 Contingent Liabilities

Litigation which is currently against the company in the normal course of business will be categorised as follows.

As at 31 December	Group	
	2024	2023
	Rs.'000	Rs.'000
Bond claims	3,157	62,157
Insurance claims	4,650	24,659
Third party claims	642,021	558,043
	649,828	644,859

No provision has been made in the Financial Statements for a performance bond insurance claim amounting to Rs. 293,932,500 intimated in the year 2016. The performance bond was issued on behalf of a contractor, for a period of three years (from 1 November 2013 to 1 November 2016) annually renewable. However, the premium for the final year had not been settled by the contractor and the policy has been cancelled on 12th January 2016. The cancellation has been informed to the claimant in writing. On 1 September 2016, the claimant has called on the performance bond informing that the contractor has failed to perform as per the agreement entered with the claimant. There is a probability that the claimant would initiate legal action against MBSL Insurance Company Limited. However, the opinion of the directors in consultation with the company lawyers is that the claimant has no legal right to claim under the performance bond as it was cancelled by MBSL Insurance Company Limited for the non-settlement of premium and this was informed to the claimant several months before the claimant made the claim.

48. RISK MANAGEMENT

Risk Management of the Company is the systematic process of identifying, quantifying and managing all risks and opportunities that can affect the achievement of the Merchant Bank of Sri Lanka & Finance PLC strategic and financial goals. Merchant Bank of Sri Lanka & Finance PLC has established a sound risk management framework to identify and mitigate the risk exposure.

The Board of Directors (BOD) is primarily responsible for overall risk management of Merchant Bank of Sri Lanka & Finance PLC. Hence the BOD has established Integrated Risk Management Committee for prudent risk management. Integrated Risk Management Committee (IRMC) of the company is responsible for:

- Assessing all risks that affect to Merchant Bank of Sri Lanka & Finance PLC and taking necessary actions to mitigate risks.
- Reviewing the adequacy and effectiveness of all management level committees to address specific risks and managing those risks within quantitative risks limits identified by the committee.
- Assessing all aspects of risk management including updated business continuity plan.
- Take prompt corrective actions to mitigate the effects of specific risks identified by the IRMC or Risk Management division.

Merchant Bank of Sri Lanka & Finance PLC has identified 4 critical types of risk which can effect on MBSL's operations adversely as credit, market, liquidity and operational risks.

Risk Mitigation

Merchant Bank of Sri Lanka & Finance PLC has established IRMC, Assets and Liability Committee (ALCO), Investment and Credit Committees for mitigating the risk exposure, faced by the Company. Credit Committee is responsible to mitigate the credit risk while ALCO is responsible to mitigate the liquidity risk of Merchant Bank of Sri Lanka & Finance PLC by managing assets and liabilities of the Company. All the other committees report to the IRMC. The IRMC is responsible to manage the overall risk of Merchant Bank of Sri Lanka & Finance PLC and headed by a Board member. The Merchant Bank of Sri Lanka & Finance PLC uses accepted methods to mitigate risks faced by the Company.

Risk Measurement Systems

Merchant Bank of Sri Lanka & Finance PLC measures the expected and unexpected losses using various accepted models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. Merchant Bank of Sri Lanka & Finance PLC is developing exposure limits, forecasting, ratios and risk assessment forms to identify and measure the risk.

48.1. Credit Risk

Credit risk is the potential that a company, borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Financial Institutions need to manage the credit risk inherent in the entire portfolio as well as the risks associated with individual credits or transactions. Merchant Bank of Sri Lanka & Finance PLC has established a Credit committee to ensure the credit quality of the Company. Credit committee makes necessary amendments to collateral requirement, interest rates and exposure limits by analyzing credit worthiness of the counterparties. At present Merchant Bank of Sri Lanka & Finance PLC is in the process of developing a credit rating system to analyze the clientele. Exposure, Repayment capacity, Collateral value and purpose are used as criteria of credit ratings. Merchant Bank of Sri Lanka & Finance PLC analyzes the concentration to loan portfolio to mitigate the credit risk. Concentration is measured based on industry sector and geographical spread.

Consideration of current economic conditions on credit risk

Company continued to conduct in-debt analysis on the industries which has been affected and the scale of impact on company lending portfolio, through various stress testing techniques including stage shift assessment of evaluated risk industries. Uncertainties relating to the economic conditions in Sri Lanka stressed the importance of diversification of the Company loan's book across a wide range of industries which in turn would ensure the resilience of the Company in the economic environment of this nature. The Company is comfortable with the existing composition of its loan book and continuous monitoring activities are being carried out to avoid accumulation of exposures to risky economic segments.

Concentration Risk

Concentration risk can arise from uneven distribution of exposures to its borrowers. Concentration risk can create in several ways:

- (a). Individual counterparties
- (b). Groups of individual counterparties or related entities
- (c). Counterparties in specific geographical locations
- (d). Industry sectors
- (e). Specific products

Sector wise concentration and geographical concentration is considered to assess the concentration risk of the Company. Merchant Bank of Sri Lanka & Finance PLC focuses to maintain a diversified portfolio to reduce the concentration risk.

The methodology used in the determination of expected credit losses is explained in Note 3.5.11.1 to Financial Statements.

48.2 Movement of the total allowance for expected credit losses during the period

For the year ended 31 December	Note	Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 January		2,408,331	2,659,485	2,408,331	2,659,485
Net charge for the year	12.	(197,308)	(33,759)	(197,308)	(33,759)
Balance as at 31 December		2,211,023	2,625,726	2,211,023	2,625,726

NOTES TO THE FINANCIAL STATEMENTS

Sensitive Analysis

48.2.1 Impact of the measurement of the Company's allowance for expected credit losses for the year 2024

	Sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on income Statement Rs.000
	Stage 1	Stage 2	Stage 3	Total	
	Rs.000	Rs.000	Rs.000	Rs.000	
Change in Probability of Default (PD)					
Increase existing PD by 10% across all age buckets	116,113	21,501	-	137,614	137,615
Decrease existing PD by 10% across all age buckets	(95,013)	(21,500)	-	(116,513)	(116,513)
Change in Loss Given Default (LGD)					
1% increase	12,656	6,416	23,989	43,061	43,061
1% decrease	(12,640)	(6,414)	(24,007)	(43,061)	(43,061)
Change in Economic Factor Adjustment (EFA)					
Worse case 5% increase, best case 5% decrease, base case constant	1,539	757	-	2,296	2,296
Worse case 5% decrease, best case 5% increase, base case constant	(1,523)	(758)	-	(2,281)	(2,281)

48.2.2 Impact of the measurement of the Company's allowance for expected credit losses for the year 2023

	Sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on income Statement Rs.000
	Stage 1	Stage 2	Stage 3	Total	
	Rs.000	Rs.000	Rs.000	Rs.000	
Change in Probability of Default (PD)					
Increase existing PD by 10% across all age buckets	47,447	23,828	-	71,275	71,275
Decrease existing PD by 10% across all age buckets	(42,997)	(23,828)	-	(66,825)	(66,825)
Change in Loss Given Default (LGD)					
1% increase	7,814	9,453	36,023	53,290	53,290
1% decrease	(7,814)	(9,453)	(36,023)	(53,290)	(53,290)
Change in Economic Factor Adjustment (EFA)					
Worse case 5% increase, best case 5% decrease, base case constant	939	855	-	1,794	1,794
Worse case 5% decrease, best case 5% increase, base case constant	(957)	(856)	-	(1,813)	(1,813)

48.2.3 Overview of rescheduled/restructured loans and advances

An analysis rescheduled/restructured loans and advances of the Company, amounting to Rs. 486 Mn (2023 - Rs. 691 Mn) which are in stage 3 along with the impairment for ECL is as follows:

It is raised Rs. 73 Mn (2023 - Rs. 72 Mn) as impairment charge as at 31 December 2024. This does not include individually significant impaired loans and advances for which ECLs have been derived by discounting future cash flows of such loans.

48.2.4 Maximum Exposure to Credit Risk

Collateral and Other Credit Enhancements

The Company obtains different types of collaterals from the counterparties as a credit risk mitigates. The amount and the types of the collateral required depend on credit risk assessment of the counterparty. The acceptability of the collateral and valuation is determined based on the guidelines issued by the regulator and the bank's policy.

The main types of collaterals obtained are as follows

- ⚙ For commercial lending- charges over movable and immovable properties
- ⚙ For retail lending- mortgages over movable and immovable properties, cash and cash equivalents and gold articles

The Company monitors the market value of collaterals and will request additional collaterals if needed, in accordance with the underlying agreement. It is the Company's policy, to dispose of repossessed assets in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. In general, the Company does not use/occupy repossessed assets for its business use.

48.2.5 The following table shows the maximum exposure to credit risk, total fair value of collaterals, any surplus over collaterals and the net exposure to credit risk.

	2024	
	Maximum exposure to Credit Risk	Net Exposure
	Rs.'000	Rs.'000
Financial Assets		
Cash and cash equivalents	752,190	471,179
Placements with banks & financial institutions	203,332	203,332
Financial investments at fair value through profit or loss	8,534,914	8,534,914
Loans & receivables at amortised cost	28,350,339	2,338,361
Financial investments at fair value through other comprehensive income	16,554	16,554
Financial investments at amortised cost	3,473,969	3,473,969
	41,331,298	15,038,309

	2023	
	Maximum exposure to Credit Risk	Net Exposure
	Rs.'000	Rs.'000
Financial Assets		
Cash and cash equivalents	720,397	452,112
Placements with banks & financial institutions	574,588	574,588
Financial investments at fair value through profit or loss	8,161,368	8,161,368
Loans & receivables at amortised cost	21,714,200	1,493,182
Financial investments at fair value through other comprehensive income	14,348	14,348
Financial investments at amortised cost	3,727,940	3,727,940
	34,912,841	14,423,538

NOTES TO THE FINANCIAL STATEMENTS

48.3 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, commodity prices and equity prices. The company classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately.

Management of market risk

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

As at 31 December	2024			2023		
	Market Risk Measurement			Market Risk Measurement		
	Carrying Amount	Trading Portfolio	Non-trading Portfolio	Carrying Amount	Trading Portfolio	Non-trading Portfolio
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Treasury bills	2,612,017	-	2,612,017	234,720	-	234,720
Treasury bonds	861,952	8,239,090	861,952	3,493,220	7,807,122	3,493,220

48.3.1 Equity Risk

A summary of the VaR position of the Bank's trading equity goldings as at 31 December 2024 and during the period is as follows:

As at 31 December	2024	2023
Equity Portfolio Market Value (Rs.' Mn)	295.82	354.25
Value at Risk (at 99% Confidence Level)	-2.37%	-3.30%
Maximum possible loss of value (Rs.' Mn)	(7.02)	(11.69)

The principal tool used to measure and control market risk exposure within the Company is Value at Risk (VaR). The VaR of a portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model is used mainly based on historical simulation by the Company upon a 99 percent confidence level.

Assumptions

Method	- Historical Simulation Method
Confidence Level	- 99%
Duration	- 1 Day

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the followings.

- ✿ The historical simulation method assumes that the statistical properties of the data remain constant over time, which may not always be true.
- ✿ The historical simulation method relies on past data to estimate the VaR, which means that it may not be able to capture extreme events that have not occurred in the past.
- ✿ The historical simulation method does not take into account current market conditions, such as changes in interest rates or economic conditions, which can affect the accuracy of the VaR estimate.
- ✿ The historical simulation method is a non-parametric approach, which means that it does not assume a specific distribution for the data.

The Company's VaR models are subject to regular review by Risk Management Department to ensure that they continue to perform as expected and that assumptions used in model development are still appropriate.

Additionally, the Company uses a wide range of stress tests to model the financial impact of various exceptional market of financial instruments such as equities and bonds. The results of the stress tests are reviewed periodically by the Asset and Liability Committee (ALCO) and Board Integrated Risk Management Committee (BIRMC).

As at 31 December	Magnitude of shock & the fall in value of equities (Rs.' Mn)			
	Portfolio market value	Scenario 1	Scenario 2	Scenario 3
		5%	10%	15%
2024	295.82	(16.55)	(33.09)	(49.64)
2023	354.25	(16.28)	(32.56)	(48.84)

The table above illustrates the sensitivity to a reasonably plausible alteration in quoted equity indices (ASPI), while maintaining all other variables constant on the Company's Statement of Profit or Loss. As of December 31, 2024, the All Share Price Index of the Colombo Stock Exchange was recorded at 15,944.6. Scenarios have been considered for a 5%, 10%, and 15% decrease from the year-end index.

Assumptions

- There is a direct relationship between the CSE All Share Price Index & the MBSL equity portfolio.
- Impact is calculated based on the beta factor of individual shares.

48.3.2 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The company's policy is to continuously monitor positions on a daily basis and use periodic interest re-pricing strategies to ensure positions are maintained within prudential levels.

The following tables demonstrate the sensitivity of the company's Statement of Profit or Loss for the year ended 31 December 2024 and 31 December 2023 to a reasonable possible change (increase) in interest rates, with all other variables held constant.

The below computation is based on the rate sensitive assets and liabilities which are to be matured or re-priced within one year.

Interest Rate Scenario(+/-)	2024	2023
2%	(186.7)	(105.1)
4%	(280.0)	(210.2)
6%	(373.4)	(315.3)

Assumptions

- Repricing Gap Model is used to calculate the interest rate impact.
- Changes in interest rates will equally impact to RSA & RSL.

NOTES TO THE FINANCIAL STATEMENTS

48.3.3 The below table analyses the Company's interest rate risk exposure on financial assets and liabilities. Company's assets and liabilities are included at carrying amount and categorized by the earlier of contractual reprising or maturity dates.

	Up to 03 months Rs.'000	3 - 12 months Rs.'000	1-3 years Rs.'000	3-5 years Rs.'000	More than 5 years Rs.'000	Non-Interest bearing Rs.'000	2024 Total Rs.'000
Cash and cash equivalents	752,190	-	-	-	-	-	752,190
Placements with banks & financial institutions	-	203,332	-	-	-	-	203,332
Financial investments at fair value through profit or loss	295,824	-	217,119	6,490,552	1,048,991	-	8,052,486
Loans & receivables at amortised cost	6,503,088	4,246,316	765,406	9,173,478	5,253,720	-	25,942,008
Financial investments at fair value through other comprehensive income	16,500	-	-	-	54	-	16,554
Financial investments at amortised cost	581,428	2,378,965	49,239	464,337	-	-	3,473,969
Financial other assets	-	12,542	-	-	65,690	-	78,232
Non financial assets	-	-	-	-	-	1,198,808	1,198,808
Total assets	8,149,030	6,841,155	1,031,764	16,128,367	6,368,455	1,198,808	39,717,579
Due to banks	7,663,377	-	-	480,711	-	-	8,144,088
Due to customers at amortised cost	5,829,028	13,774,958	5,611,138	652,469	88,582	-	25,956,175
Debt issued and borrowed funds at amortised cost	-	-	61,632	668,401	-	-	730,033
Other financial liabilities	132,820	-	-	-	-	-	132,820
Non financial liabilities	-	-	-	-	-	1,354,861	1,354,861
Total liabilities	13,625,225	13,774,958	5,672,770	1,801,581	88,582	1,354,861	36,317,977

48.3.4

	Up to 03 months Rs.'000	3 - 12 months Rs.'000	1-3 years Rs.'000	3-5 years Rs.'000	More than 5 years Rs.'000	Non-Interest bearing Rs.'000	2023 Total Rs.'000
Cash and cash equivalents	720,397	-	-	-	-	-	720,397
Placements with banks & financial institutions	-	406,925	167,663	-	-	-	574,588
Financial investments at fair value through profit or loss	354,247	212,614	2,241,809	4,896,453	456,245	-	8,161,368
Loans & receivables at amortised cost	5,571,781	3,484,393	519,779	4,528,424	4,950,338	-	19,054,716
Financial investments at fair value through other comprehensive income	13,750	-	-	-	598	-	14,348
Financial investments at amortised cost	103,390	2,781,092	335,621	507,837	-	-	3,727,940
Financial other assets	-	9,041	-	-	61,027	-	70,068
Non financial assets	-	-	-	-	-	1,375,698	1,375,698
Total assets	6,763,565	6,894,065	3,264,872	9,932,714	5,468,208	1,375,698	33,699,122
Due to banks	2,599,970	-	-	-	-	-	2,599,970
Due to customers at amortised cost	6,019,157	13,869,464	1,763,509	3,724,359	67,630	-	25,444,119
Debt issued and borrowed funds at amortised cost	-	-	-	741,030	-	-	741,030
Other financial liabilities	151,273	-	-	-	-	-	151,273
Non financial liabilities	-	-	-	-	-	1,092,058	1,092,058
Total liabilities	8,770,400	13,869,464	1,763,509	4,465,389	67,630	1,092,058	30,028,450

48.3.5 Commodity Price Risk

Commodity price risk of the Company is limited to the extent of the Pawning portfolio which is impacted by movements in the price of gold. Company uses conservative loan to value ratios to manage its exposures to commodity price risk.

As at 31 December	2024	2023
Market Value of Pawning Portfolio (Rs.' Mn)	6,523	5,587
Portfolio Balance (Pawning) (Rs.' Mn)	4,977	3,969
Loan to Value (LTV) Ratio	76%	71%
Market Price Scenario & Impact on LTV		
-10%	85%	79%
-20%	95%	89%
-30%	109%	102%

Assumptions

- ⚙ Market prices of gold at the year end is considered for the calculations.
- ⚙ LTV Impact is calculated considering the entire pawning portfolio & gold stock.

NOTES TO THE FINANCIAL STATEMENTS

48.4 Industry Analysis Risk Concentration

48.4.1 The Company's concentrations of risk are managed by industry sector.

As at 31 December	Financials	Agriculture	Manufacturing	Tourism	Transportation	Construction	Trade	Services	Consumption	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Total	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets											
Cash and cash equivalents	752,190	-	-	-	-	-	-	-	-	752,190	720,397
Placements with banks & financial institutions	203,332	-	-	-	-	-	-	-	-	203,332	574,588
Financial investments at fair value through profit or loss											
Equity securities - Quoted	84,417	56,949	-	-	-	73,198	10,373	70,888	-	295,824	354,246
Government securities	8,239,090	-	-	-	-	-	-	-	-	8,239,090	7,807,122
Financial investments at amortised cost											
Loans & receivables	4,145,748	1,758,054	1,762,559	792,201	5,790,924	2,966,853	2,886,082	568,400	7,679,518	28,350,339	21,714,200
Government securities	3,473,969	-	-	-	-	-	-	-	-	3,473,969	3,727,940
Financial investments at fair value through other comprehensive income											
Equity securities - Quoted	-	-	-	-	-	16,500	-	-	-	16,500	13,750
Equity securities - Unquoted	54	-	-	-	-	-	-	-	-	54	598
Other assets	78,232	-	-	-	-	-	-	-	-	78,232	70,068
Total financial assets as at 31 December 2024	16,977,031	1,815,003	1,762,559	792,201	5,790,924	3,056,551	2,896,455	639,288	7,679,518	41,409,530	
Total financial assets as at 31 December 2023	16,058,060	1,656,346	2,021,507	526,885	2,439,990	1,879,585	2,685,250	812,196	6,903,091		34,982,909

48.4.2 The Group's concentrations of risk are managed by industry sector.

As at 31 December	Financials	Agriculture	Manufacturing	Tourism	Transportation	Construction	Trade	Services	Consumption	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Total	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets											
Cash and cash equivalents	854,028	-	-	-	-	-	-	-	-	854,028	871,126
Placements with banks & financial institutions	644,044	-	-	-	-	-	-	-	-	644,044	645,823
Financial investments at fair value through profit or loss											
Equity securities - Quoted	85,446	56,949	7,139	-	-	78,090	10,373	70,887	-	308,884	362,806
Government securities	8,239,090	-	-	-	-	-	-	-	-	8,239,090	7,807,122
Financial investments at amortised cost											
Loans & receivables at amortised cost	4,145,748	1,758,054	1,762,559	792,202	5,790,924	2,966,853	2,886,082	572,894	7,679,518	28,354,833	21,719,447
Government securities	4,498,689	-	-	-	-	-	-	-	-	4,498,689	5,304,189
Financial investments at fair value through other comprehensive income											
Government securities	101,699	-	-	-	-	-	-	-	-	101,699	86,459
Equity securities - Quoted	-	-	-	-	-	16,500	-	-	-	16,500	13,750
Equity securities - Unquoted	54	-	-	-	-	-	-	-	-	54	598
Unit trust	-	-	-	16,805	-	-	-	-	-	16,805	18,414
Other assets	-	-	-	78,232	-	-	-	-	-	78,232	70,068
Total financial assets as at 31 December 2024	18,568,797	1,815,003	1,769,698	887,239	5,790,924	3,061,443	2,896,455	643,781	7,679,518	43,112,858	
Total financial assets as at 31 December 2023	17,873,272	1,656,345	2,025,331	615,367	2,439,990	1,883,713	2,685,250	817,443	6,903,091		36,899,802

NOTES TO THE FINANCIAL STATEMENTS

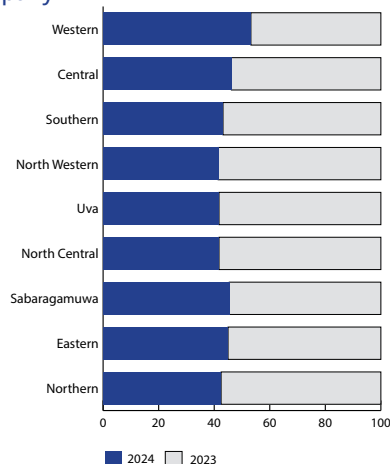
48.5 Geographical Analysis

The following table presents the distribution of financial assets of the Company & Group by geographical segment, allocated based on the location in which the financial assets and liabilities are recorded for the year ended 31 December 2024 together with comparative figures for the year ended 31 December 2023.

48.5.1 The Company's concentrations of risk are managed by geographical segment.

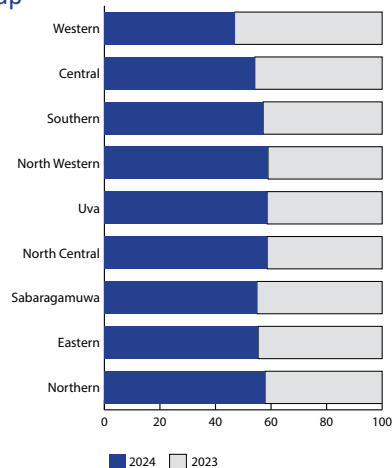
As at 31 December	Western	Central	Southern	North Western	Uva	North Central	Sabaragamuwa	Eastern	Northern	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Total	Total
Financial assets											
Cash and cash equivalents	599,476	26,103	25,453	41,649	4,226	10,586	13,348	17,644	13,705	752,190	720,397
Placements with banks & financial institutions	203,332	-	-	-	-	-	-	-	-	203,332	574,588
Financial investments at fair value through profit or loss											
Equity securities - Quoted	295,824	-	-	-	-	-	-	-	-	295,824	354,246
Government securities	8,239,090	-	-	-	-	-	-	-	-	8,239,090	7,807,122
Financial investments at amortised cost											
Loans & receivables at amortised cost	13,353,863	2,342,453	3,216,929	3,542,736	881,865	1,317,979	807,449	1,212,967	1,674,098	28,350,339	21,714,200
Government securities	3,473,969	-	-	-	-	-	-	-	-	3,473,969	3,727,940
Financial investments at fair value through other comprehensive income											
Equity securities - Quoted	16,500	-	-	-	-	-	-	-	-	16,500	13,750
Equity securities - Unquoted	54	-	-	-	-	-	-	-	-	54	598
Other assets	78,232	-	-	-	-	-	-	-	-	78,232	70,068
Total financial assets as at 31 December 2024	26,260,340	2,368,556	3,242,382	3,584,385	886,091	1,328,565	820,797	1,230,611	1,687,803	41,409,529	
Total financial assets as at 31 December 2023	25,225,661	1,717,046	2,080,506	2,140,394	536,145	803,745	576,769	849,819	1,052,824		34,982,908

Company



48.5.2 The Group's concentrations of risk are managed by geographical segment.

	Western	Central	Southern	North Western	Uva	North Central	Sabaragamuwa	Eastern	Northern	2024	2023
As at 31 December										Total	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets											
Cash and cash equivalents	701,314	26,103	25,453	41,649	4,226	10,586	13,348	17,644	13,705	854,028	871,126
Placements with banks & financial institutions	644,043	-	-	-	-	-	-	-	-	644,044	645,823
Financial investments at fair value through profit or loss											
Equity securities - Quoted	308,884	-	-	-	-	-	-	-	-	308,884	362,805
Government securities	8,239,090	-	-	-	-	-	-	-	-	8,239,090	7,807,122
Financial investments at amortised cost											
Loans & receivables at amortised cost	13,358,357	2,342,453	3,216,929	3,542,736	881,865	1,317,979	807,449	1,212,967	1,674,099	28,354,833	21,719,446
Government securities	4,498,689	-	-	-	-	-	-	-	-	4,498,689	5,304,189
Financial investments at fair value through other comprehensive income											
Government securities	101,699	-	-	-	-	-	-	-	-	101,699	86,459
Equity securities - Quoted	16,500	-	-	-	-	-	-	-	-	16,500	13,750
Equity securities - Unquoted	54	-	-	-	-	-	-	-	-	54	598
Unit trust	16,805	-	-	-	-	-	-	-	-	16,805	18,414
Other assets	78,232	-	-	-	-	-	-	-	-	78,232	70,068
Total financial assets as at 31 December 2024	27,963,667	2,368,556	3,242,382	3,584,385	886,091	1,328,565	820,797	1,230,611	1,687,804	43,112,858	
Total financial assets as at 31 December 2023	27,142,553	1,717,046	2,080,506	2,140,394	536,145	803,745	576,769	849,819	1,052,824		36,899,800

Group

NOTES TO THE FINANCIAL STATEMENTS

48.6 Liquidity Risk

Liquidity risk is the possibility of losses arising from fluctuations in Group's ability to sell or dispose the assets and settle the liabilities.

Group believes that effective management of liquidity risk is vital for continuing Group's operations successful. Accordingly, Merchant Bank of Sri Lanka & Finance PLC has implemented the Board Approved Liquidity Risk Management Policy and established an Assets and Liability Committee (ALCO). Merchant Bank of Sri Lanka & Finance PLC uses ratios and maturity gap analysis to identify the liquidity risk of the Group.

Maturity Analysis

The table below summarises the maturity profile of the contractual cash flows of the Company/Group's assets and liabilities as at 31 December 2024.

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to be paid and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

48.6.1

Company	On Demand	Up to 03 months	3 - 12 months	1-3 years	3-5 years	More than 5 years	2024 Total	2023 Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets								
Financial assets								
Cash and cash equivalents	752,190	-	-	-	-	-	752,190	720,397
Placements with banks & financial institutions	-	-	203,332	-	-	-	203,332	574,588
Financial investments at fair value through profit or loss	-	295,824	-	217,119	6,490,552	1,048,990	8,052,485	8,161,368
Loans & receivables at amortised cost	3,770,972	2,732,116	4,246,316	765,406	9,173,478	5,253,720	25,942,008	19,054,715
Financial investments at fair value through other comprehensive income	-	16,500	-	-	-	54	16,554	14,348
Financial investments at amortised cost	581,428	-	2,378,965	49,239	464,337	-	3,473,969	3,727,940
Financial other assets	-	-	12,542	-	-	65,690	78,232	70,068
Total financial assets as at 31 December 2024	5,104,590	3,044,440	6,841,155	1,031,764	16,128,367	6,368,454	38,518,770	
Total financial assets as at 31 December 2023	4,019,632	2,743,933	6,894,065	3,264,872	9,932,714	5,468,208		32,323,424
Non financial assets								
Real estate stock	-	-	40,446	-	-	-	40,446	58,158
Investment in associate company	-	-	-	-	-	81,084	81,084	81,084
Investment in subsidiary	-	-	-	-	-	348,261	348,261	352,696
Investment properties	-	-	-	-	-	-	-	95,446
Property, equipment and right-of-use assets	-	-	-	-	-	467,355	467,355	585,436
Intangible assets	-	-	-	-	-	61,329	61,329	67,117
Deferred tax assets	-	-	-	-	-	91,893	91,893	54,951
Other assets	-	-	33,581	74,860	-	-	108,441	80,810
Total non-financial assets as at 31 December 2024	-	-	74,027	74,860	-	1,049,922	1,198,808	
Total non-financial assets as at 31 December 2023	-	-	92,862	46,106	-	1,236,730		1,375,698
Total assets as at 31 December 2024	5,104,590	3,044,440	6,915,182	1,106,624	16,128,367	7,418,376	39,717,579	
Total assets as at 31 December 2023	4,019,632	2,743,933	6,986,927	3,310,978	9,932,714	6,704,938		33,699,122

Company	On Demand	Up to 03 months	3 - 12 months	1-3 years	3-5 years	More than 5 years	2024 Total	2023 Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial liabilities								
Due to banks	3,094,887	4,568,490	-	-	480,711	-	8,144,088	2,599,970
Due to customers at amortised cost	2,101,125	3,727,903	13,774,958	5,611,138	652,469	88,582	25,956,175	25,444,119
Debt issued and borrowed funds at amortised cost	-	-	-	61,632	668,401	-	730,033	741,030
Other financial liabilities	-	132,820	-	-	-	-	132,820	151,273
Total financial liabilities as at 31 December 2024	5,196,012	8,429,213	13,774,958	5,672,770	1,801,581	88,582	34,963,116	
Total financial liabilities as at 31 December 2023	1,103,856	7,666,544	13,869,464	1,763,509	4,465,389	67,630		28,936,392
Non financial liabilities								
Current tax liabilities	-	-	209,437	-	-	-	209,437	30,055
Lease liability	17,976	35,390	59,181	135,386	15,320	557	263,810	373,742
Other liabilities	-	498,440	-	-	-	-	498,440	333,893
Retirement benefits obligations	-	-	48,151	80,926	87,646	166,451	383,174	354,368
Total non-financial liabilities as at 31 December 2024	17,976	533,830	316,769	216,312	102,966	167,008	1,354,861	
Total non-financial liabilities as at 31 December 2023	-	379,789	158,487	144,309	49,899	359,574		1,092,058
Total liabilities as at 31 December 2024	5,213,988	8,963,043	14,091,727	5,889,082	1,904,547	255,590	36,317,977	
Total liabilities as at 31 December 2023	1,103,856	8,046,333	14,027,951	1,907,818	4,515,288	427,204		30,028,450
Equity								
Stated capital	-	-	-	-	-	4,276,448	4,276,448	4,276,448
Retained earnings	-	-	-	-	-	(1,189,204)	(1,189,204)	(1,289,648)
RLA reserve	-	-	424,622	-	-	-	424,622	371,590
OCI reserve	-	(22,100)	-	-	-	-	(22,100)	(31,892)
Statutory reserves	-	-	-	-	-	392,265	392,265	344,174
Total equity as at 31 December 2024	-	(22,100)	424,622	-	-	3,479,509	3,882,031	
Total equity as at 31 December 2023	-	(31,892)	371,590	-	-	3,330,974		3,670,672
Total liabilities and equity as at 31 December 2024	5,213,988	8,940,943	14,516,349	5,889,082	1,904,547	3,735,099	40,200,008	
Total liabilities and equity as at 31 December 2023	1,103,856	8,014,441	14,399,541	1,907,818	4,515,288	3,758,178		33,699,122

48.6.2

Group	On Demand	Up to 03 months	3 - 12 months	1-3 years	3-5 years	More than 5 years	2024 Total	2023 Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets								
Financial assets								
Cash and cash equivalents	851,882	-	2,146	-	-	-	854,028	871,126
Placements with banks & financial institutions	-	440,712	203,332	-	-	-	644,044	645,822
Financial investments at fair value through profit or loss	-	308,884	-	217,119	6,490,552	1,048,990	8,065,545	8,169,927

NOTES TO THE FINANCIAL STATEMENTS

Group	On Demand	Up to 03 months	3 - 12 months	1-3 years	3-5 years	More than 5 years	2024 Total	2023 Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Loans & receivables at amortised cost	3,770,972	2,736,610	4,246,316	765,406	9,173,478	5,253,720	25,946,502	19,059,962
Financial investments at fair value through other comprehensive income	-	16,500	16,805	-	101,699	54	135,058	119,221
Financial investments at amortised cost	581,428	-	2,605,763	847,512	464,337	(351)	4,498,689	5,304,190
Financial other assets	-	-	12,543	-	-	65,690	78,233	70,068
Total financial assets as at 31 December 2024	5,204,282	3,502,706	7,086,906	1,830,037	16,230,066	6,368,103	40,222,099	
Total financial assets as at 31 December 2023	4,113,475	10,636,094	7,890,380	1,295,244	5,122,720	5,182,403		34,240,316
Non financial assets								
Real estate stock	-	-	40,446	-	-	-	40,446	58,158
Investment in associate company	-	-	-	-	-	178,169	178,169	168,908
Investment properties	-	-	-	-	-	-	-	95,446
Property, equipment and right-of-use assets	-	-	-	-	-	542,233	542,233	695,697
Intangible assets	-	-	-	-	-	64,097	64,097	69,491
Deferred tax assets	-	-	-	-	-	100,473	100,473	64,355
Other assets	-	333,821	33,581	74,860	-	-	442,262	420,479
Total non-financial assets as at 31 December 2024	-	333,821	74,027	74,860	-	884,972	1,367,680	
Total non-financial assets as at 31 December 2023	-	339,672	92,862	46,103	-	1,093,897		1,572,534
Total assets as at 31 December 2024	5,204,282	3,836,528	7,160,932	1,904,897	16,230,066	7,253,075	41,589,779	
Total assets as at 31 December 2023	4,113,475	10,975,766	7,983,242	1,341,347	5,122,720	6,276,300		35,812,850
Financial liabilities								
Due to banks	3,094,887	4,568,490	-	-	480,711	-	8,144,088	2,603,003
Due to customers at amortised cost	2,101,125	3,727,903	13,558,541	5,611,138	652,469	88,582	25,739,758	25,245,868
Debt issued and borrowed funds at amortised cost	-	-	-	61,632	668,401	-	730,033	741,030
Other financial liabilities	-	132,820	-	-	-	-	132,820	151,274
Total financial liabilities as at 31 December 2024	5,196,012	8,429,213	13,558,541	5,672,770	1,801,581	88,582	34,746,699	
Total financial liabilities as at 31 December 2023	1,103,856	7,669,578	13,671,213	1,763,509	4,465,389	67,630		28,741,175
Non financial liabilities								
Insurance contract liabilities-life	-	-	454,704	-	-	-	454,704	393,030
Insurance contract liabilities-non life	-	-	397,423	-	-	-	397,423	671,728
Current tax liabilities	-	-	209,437	-	-	-	209,437	30,055
Lease liability	17,976	35,390	83,576	180,350	15,320	557	333,169	466,100
Other liabilities	-	498,440	441,384	-	-	1,964	941,788	788,636
Retirement benefits obligations	-	-	48,556	83,154	95,886	166,531	394,127	366,703
Total non-financial liabilities as at 31 December 2024	17,976	533,830	1,635,080	263,504	111,206	169,051	2,730,648	
Total non-financial liabilities as at 31 December 2023	-	507,897	1,348,688	183,101	124,148	552,418		2,716,252
Total liabilities as at 31 December 2024	5,213,988	8,963,043	15,193,621	5,936,274	1,912,787	257,633	37,477,347	
Total liabilities as at 31 December 2023	1,103,856	8,177,474	15,019,901	1,946,609	4,589,538	620,048		31,457,427

Group	On Demand	Up to 03 months	3 - 12 months	1-3 years	3-5 years	More than 5 years	2024 Total	2023 Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Equity								
Stated capital	-	-	-	-	-	4,276,448	4,276,448	4,276,448
Retained earnings	-	-	-	-	-	(940,833)	(940,833)	(1,042,034)
RLA reserve	-	-	424,622	-	-	-	424,622	371,590
OCI reserve	-	(22,100)	-	-	-	(106)	(22,206)	(33,607)
Statutory reserves	-	-	-	-	-	392,265	392,265	344,174
Non controlling interests	-	-	-	-	-	429,122	429,122	438,852
Total equity as at 31 December 2024	-	(22,100)	424,622	-	-	4,156,896	4,559,418	
Total equity as at 31 December 2023	-	(31,892)	371,590	-	-	4,015,725		4,355,423
Total liabilities and equity as at 31 December 2024	5,213,988	8,940,943	15,618,243	5,936,274	1,912,787	4,414,530	42,036,765	
Total liabilities and equity as at 31 December 2023	1,103,856	8,145,582	15,391,491	1,946,609	4,589,538	4,635,773		35,812,850

48.6.3 Current/Non Current Analysis

The table below summarises the current/non current assets and liabilities of the Company/Group.

	Company			Group		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets						
Cash and cash equivalents	752,190	-	752,190	854,028	-	854,028
Placements with banks & financial institutions	203,332	-	203,332	644,045	-	644,045
Financial investments at fair value through profit or loss	295,824	7,756,661	8,052,485	308,884	7,756,661	8,065,545
Loans & receivables at amortised cost	10,749,404	15,192,604	25,942,008	10,753,898	15,192,604	25,946,502
Financial investments at fair value through other comprehensive income	16,500	54	16,554	33,305	101,753	135,058
Financial investments at amortised cost	2,960,393	513,576	3,473,969	3,187,191	1,311,498	4,498,689
Real estate stock	40,446	-	40,446	40,446	-	40,446
Investment in associate company	-	81,084	81,084	-	178,169	178,169
Investment in subsidiary	-	348,261	348,261	-	-	-
Property, equipment and right-of-use assets	-	467,355	467,355	-	542,233	542,233
Intangible assets	-	61,329	61,329	-	64,097	64,097
Deferred tax assets	-	91,893	91,893	-	100,473	100,473
Other assets	46,123.23	140,550	186,673	379,945	140,550	520,495
Total assets as at 31 December 2024	15,064,213	24,653,367	39,717,580	16,201,742	25,388,038	41,589,780
Total assets as at 31 December 2023	13,750,491	19,948,631	33,699,122	23,072,483	12,740,367	35,812,850

NOTES TO THE FINANCIAL STATEMENTS

	Company			Group		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Liabilities						
Due to banks	7,663,377	480,711	8,144,088	7,663,377	480,711	8,144,088
Due to customers at amortised cost	19,603,986	6,352,189	25,956,175	19,387,569	6,352,189	25,739,758
Debt issued and borrowed funds at amortised cost	-	730,033	730,033	-	730,033	730,033
Insurance contract liabilities-life	-	-	-	454,704	-	454,704
Insurance contract liabilities-non life	-	-	-	397,423	-	397,423
Current tax liabilities	209,437	-	209,437	209,437	-	209,437
Other liabilities	743,807	151,263	895,070	1,209,586	198,191	1,407,777
Retirement benefits obligations	48,151	335,023	383,174	48,556	345,571	394,127
Total liabilities as at 31 December 2024	28,268,758	8,049,219	36,317,977	29,370,652	8,106,695	37,477,347
Total liabilities as at 31 December 2023	23,178,139	6,850,311	30,028,450	24,301,231	7,156,196	31,457,427
Net assets as at 31 December 2024	(13,204,545)	16,604,148	3,399,603	(13,168,910)	17,281,343	4,112,433
Net assets as at 31 December 2023	(9,427,648)	13,098,320	3,670,672	(1,228,748)	5,584,171	4,355,422

48.7 Contractual Maturities of Undiscounted Cash Flows of Financial Assets & Financial Liabilities

The table below summarizes the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 December 2024.

Repayments of short term loans which are subject to notice are treated as if notice were to be given immediately. However the company expects that banks will not request repayment on the earliest date that the company is required to pay and the table does not reflect the expected cash flows indicated by the company.

Company	Up to 03 months	3 - 12 months	1-3 years	3-5 years	More than 5 years	2024 Total	2023 Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets							
Cash and cash equivalents	-	752,190	-	-	-	752,190	720,397
Placements with banks & financial institutions	-	220,196	-	-	-	220,196	701,288
Financial investments at fair value through profit or loss	2,419,194	295,824	283,303	9,346,408	1,636,648	13,981,377	8,829,829
Loans & receivables at amortised cost	9,895,556	6,156,353	10,296,937	1,722,751	44,262	28,115,859	24,716,324
Financial investments at fair value through other comprehensive income	-	16,554	-	-	-	16,554	14,348
Financial investments at amortised cost	-	3,076,722	70,222	710,664	-	3,857,608	3,757,137
Financial other assets	-	12,542	-	-	65,690	78,232	70,068
Total financial assets as at 31 December 2024	12,314,750	10,530,381	10,650,462	11,779,823	1,746,600	47,022,016	
Total financial assets as at 31 December 2023	13,310,652	8,104,194	9,046,190	7,979,934	368,421		38,809,391

Company	Up to 03 months Rs.'000	3 - 12 months Rs.'000	1-3 years Rs.'000	3-5 years Rs.'000	More than 5 years Rs.'000	2024 Total Rs.'000	2023 Total Rs.'000
Financial liabilities							
Due to banks	5,078,233	541,168	-	-	-	5,619,401	2,578,595
Due to customers at amortised cost	6,865,886	14,648,756	7,012,316	601,487	113	29,128,558	29,978,100
Debt issued and borrowed funds at amortised cost	-	-	123,325	1,486,994	-	1,610,319	1,610,319
Other financial liabilities	132,820	-	-	-	-	132,820	151,273
Total financial liabilities as at 31 December 2024	12,076,939	15,189,924	7,135,641	2,088,481	113	36,491,098	
Total financial liabilities as at 31 December 2023	9,548,143	15,420,022	3,270,647	6,079,124	351		34,318,287
Group	Up to 03 months Rs.'000	3 - 12 months Rs.'000	1-3 years Rs.'000	3-5 years Rs.'000	More than 5 years Rs.'000	2024 Total Rs.'000	2023 Total Rs.'000
Financial assets							
Cash and cash equivalents	-	851,882	2,146	-	-	854,028	871,126
Placements with banks & financial institutions	440,712	220,196	-	-	-	660,908	772,522
Financial investments at fair value through profit or loss	2,419,194	308,884	283,303	9,346,408	1,636,648	13,994,437	16,645,510
Loans & receivables at amortised cost	9,900,050	6,156,353	10,296,937	1,722,751	44,262	28,120,353	24,721,570
Financial investments at fair value through other comprehensive income	-	16,554	-	-	-	16,554	14,348
Financial investments at amortised cost	-	3,303,520	868,495	710,664	(351)	4,882,327	5,333,387
Financial other assets	-	12,542	-	-	65,690	78,232	70,068
Total financial assets as at 31 December 2024	12,759,956	10,869,931	11,450,881	11,779,823	1,746,249	48,606,839	
Total financial assets as at 31 December 2023	13,387,132	17,147,346	9,375,257	7,979,934	538,861		48,428,531
Financial liabilities							
Due to banks	5,078,233	541,168	-	-	-	5,619,401	2,581,628
Due to customers at amortised cost	6,865,886	14,432,339	7,012,316	601,487	113	28,912,141	29,779,849
Debt issued and borrowed funds at amortised cost	-	-	123,325	1,486,994	-	1,610,319	1,610,319
Other financial liabilities	132,820	-	-	-	-	132,820	151,273
Total financial liabilities as at 31 December 2024	12,076,939	14,973,507	7,135,641	2,088,481	113	36,274,681	
Total financial liabilities as at 31 December 2023	9,551,176	15,221,772	3,270,647	6,079,124	351		34,123,069

NOTES TO THE FINANCIAL STATEMENTS

48.8 Insurance risk

The principal risk the company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, may differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts, by careful selection and implementation of underwriting strategies and by use of reinsurance arrangements. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance, which is taken out to reduce the overall exposure of the company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the company's net exposure to catastrophe losses.

MBSL Insurance Company Ltd (MBSLI), the subsidiary of the Company, operates both Life and General Insurance businesses. Major risks of Life Insurance business are:

48.8.1 Life insurance contracts

Life insurance contracts offered by the company include term assurance, endowment plans, annuity plans and group plans. Endowment and term assurance are conventional regular or single premium products where lump sum benefits are payable on death, maturity or in some cases, permanent total disability whichever happens earlier. Endowment products acquire a surrender value upon completion of three years.

The main risks that the company is exposed to under Life Insurance Contracts are as follows:

Mortality risk - risk of loss arising due to policy holders' death experience being different from expected.

Morbidity risk - risk of loss arising due to policy holders' health experience being different from expected.

Longevity risk - risk of loss arising due to the annuitant living longer than expected.

Investment return risk - risk of loss arising from actual returns being different from expected.

Expense risk - risk of loss arising from the expense experience being different from expected.

Policy holder decision risk - risk of loss arising due to policy holders' experiences (lapses and surrenders) being different from expected.

Prudent underwriting, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, detailed claims handling procedures, underwriting limits to enforce appropriate risk selection criteria, actively managing and promptly pursuing claims in order to reduce its exposure to unpredictable future developments are some of the strategies, policies and procedures adopted by MBSLI to mitigate the above risks.

The most prominent risks of the General Insurance business include:

⚙ Risk of perils

Climate leading to natural disasters, behavioral trends of people due to changing life styles and technology improvements.

⚙ Risk of fraud

Risk of loss arising due to fraudulent claims.

⚙ Inflation risk

Actual cash outflow being greater than the expected outflow of a policy, due to the general inflation during the time taken from the inception of a policy to claim settlement.

⚙ Currency risk

Actual cash outflow being greater than the expected outflow of a policy, due to the currency depreciation during the time taken from the inception of a policy to claim settlement.

⚙️ Reinsurance risk

The Company has to guard against any risk of default from reinsurers, risk of non-acceptance of a claim and risk of withdrawal.

⚙️ Credit risk

Risk of non-payment, mainly arising from financial assets such financial investments, premium receivables from policyholders, receivables from reinsurers.

Diversification across a large portfolio of insurance contracts and geographical areas, strict claim review policies to assess claims, actively managing and promptly pursuing claims, imposing maximum claim amounts on certain contracts, routine review of all outstanding reinsurance receivables to ensure all dues are collected or set off against payables on time, confining reinsurance partnerships to globally trusted and stable reinsurance companies are key measures implemented to reduce the risks mentioned.

48.8.2 Maturity of the Group's Contingent Liabilities and Commitments

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments.

For issued guarantees to customers the maximum amount of the guarantees is allocated to the earliest period in which the guarantee could be called.

	2024							Total 2023 Rs.'000
	On	Less than	3 - 12	1-3	3-5	Over 5	Total	
	Demand	3 Months	Months	Years	Years	Years	2024	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Company								
Financial guarantees & claims to the customers	195	5,846	42,617	200	-	-	48,858	42,093
Total Commitments and Contingencies at 31 December 2024	195	5,846	42,617	200	-	-	48,858	
Total Commitments and Contingencies at 31 December 2023	10,000	3,500	28,593	-	-	-		42,093
Group								
Financial guarantees & claims to the customers	195	5,846	42,617	8,007	-	-	56,665	128,909
Total Commitments and Contingencies at 31 December 2024	195	5,846	42,617	8,007	-	-	56,665	
Total Commitments and Contingencies at 31 December 2023	10,000	3,500	28,593	86,816	-	-		128,909

The Group expects that not all contingent liabilities and commitments will be drawn before expiry of commitments.

48.9 Operational Risk

Operational risk refers to the risk that risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk, but excludes strategic and reputational risk. Group's integrated risk management committee and risk management division has taken necessary actions to identify and manage the company operational risk prudently and effectively.

The Company recognises that operational risk is inherent in all business activities and can bring unprecedented losses or damages to its business through direct or indirect financial loss, brand or reputational damage, customer dissatisfaction, legal or regulatory penalties if such risks are not objectively managed.

NOTES TO THE FINANCIAL STATEMENTS

49. CAPITAL MANAGEMENT

The primary objectives of the Company's capital management policy are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes yet have been made in the objectives, policies and processes from the previous years, however, it is under constant scrutiny of the Board.

49.1 Capital Adequacy Ratio (CAR)

Central Bank of Sri Lanka introduced Finance Business Act Direction No 03 of 2018 with effect from 1 July 2018 and accordingly the Licensed Finance Companies in Sri Lanka need to maintain a minimum Tier 1 Capital and Total Capital Ratios (CAR) as shown in table below.

	31-December-2024		31-December-2023	
	Required Ratio	Actual Ratio	Required Ratio	Actual Ratio
Tier 1 Capital	8.50	11.97	8.50	13.60
Total Capital	12.50	14.45	12.50	16.75

The Company has been comply with the Total capital requirement by April 2023. The caps has been removed by CBSL immediately after the Total capital requirements is complied.

To meet the total capital requirement, MBSL management decided to issue debentures worth Rs. 500 Mn, with an option for an additional issuance of Rs. 500 Mn debentures, aiming to raise a total of Rupees One Bn (Rs. 1.0 Bn). MBSL successfully collected Rs. 622,830,000 from this debenture issue, which opened on March 29, 2023, and the Debentures were allocated on April 10, 2023.

SUPPLEMENTARY INFORMATION



Agility, Efficiency & Determination

Engineered with precision and driven by purpose, MBSL mirrors the hummingbird's unmatched agility and resilience. Just as this tiny creature hovers with stability and shifts direction mid-flight, MBSL responds swiftly to market changes, ensuring seamless service and sharp decision-making. We extract value efficiently, adapt to evolving landscapes, and persevere through challenges, proving that strength isn't always measured in by size alone, but in focus and momentum. With speed, accuracy, and grace, MBSL continues to hover at the forefront of financial innovation and client trust.

QUARTERLY ANALYSIS

Statement of Profit or Loss	2024			
	31 December Rs.'000	30 September Rs.'000	30 June Rs.'000	31 March Rs.'000
For the quarter ended				
Net interest income	676,360	606,558	457,443	446,429
Net fee and commission income	37,977	77,149	26,627	26,795
Net gain/(loss) on financial instruments at fair value through profit or loss	397,978	(159,436)	(217,429)	236,214
Other operating income	270,436	40,202	404,780	186,641
Total operating income	1,382,751	564,473	676,276	894,793
Less : Impairment charges from loans and other losses	(84,895)	52,183	(116,723)	48,324
Net operating income	1,467,646	512,290	792,999	846,469
Less : Total operating expense	861,093	627,642	663,332	621,945
Profit/(loss) from operations	606,553	(115,352)	129,667	224,524
Less : Impairment charge/(Reversal)from investment in Group Companies	52,007	(47,571)	-	-
Profit/(loss) from operations after impairment from subsidiary investments	554,546	(67,781)	129,667	224,524
Less : Taxes on financial services	139,851	42,351	72,764	88,006
Social Security Contribution Levy (SSCL)	19,971	6,903	10,702	12,618
Profit before income tax	394,724	(117,035)	46,201	123,900
Less : Income tax expense/(Reversal)	129,993	(37,908)	31,454	80,688
Profit/(loss) for the period	264,731	(79,127)	14,747	43,212
Statement of Comprehensive Income				
Other comprehensive income for the period, net of tax	(28,094)	1,328	(2,328)	-
Total comprehensive income for the period, net of tax	236,637	(77,799)	12,419	43,213

STATEMENT OF FINANCIAL POSITION

As at	2024			
	31 December Rs.'000	30 September Rs.'000	30 June Rs.'000	31 March Rs.'000
Total assets	40,200,008	38,778,645	36,593,149	34,803,736
Loans & receivables at amortised cost	25,942,008	22,506,940	20,437,545	19,623,404
Due to customers at amortised cost	25,956,175	25,677,128	25,551,164	26,297,140
Total equity	3,885,142	3,648,505	3,726,303	3,713,884

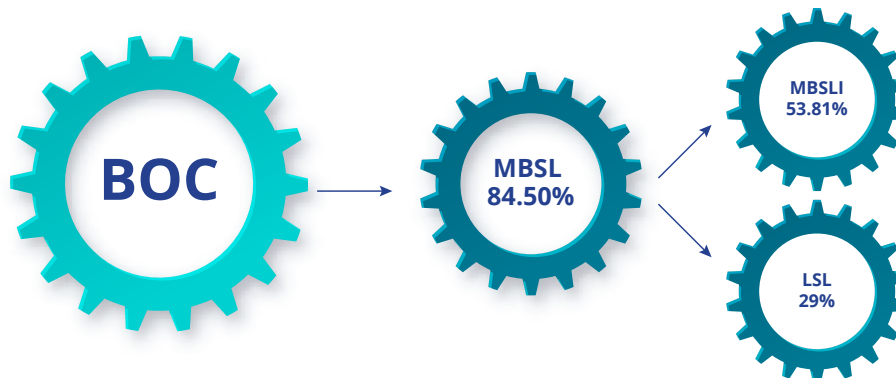
Regulatory Liquidity as at	2024			
	31 December	30 September	30 June	31 March
Required Minimum Amount of Liquid Assets (Rs.'000)	3,172,545	3,160,850	2,997,646	2,908,150
Available Total Liquid Assets (Rs.'000)	9,697,514	4,173,193	3,297,932	3,462,031
Statutory Liquid Asset Ratio	31.19%	13.50%	11.23%	12.12%

2023				
	31 December Rs.'000	30 September Rs.'000	30 June Rs.'000	31 March Rs.'000
	476,831	465,033	367,803	330,798
	29,570	26,741	11,774	38,451
	50,598	398,941	98,864	10,820
	84,469	100,135	27,085	12,503
	642,459	995,438	505,677	399,060
	(43,599)	(78,274)	36,861	59,918
	686,058	1,073,712	468,816	339,142
	619,185	565,135	546,722	571,103
	66,873	508,577	(77,906)	(231,961)
	(95,065)	-	-	-
	161,938	508,577	(77,906)	(231,961)
	79,450	127,334	34,483	14,468
	11,233	17,467	5,679	2,140
	71,255	363,776	(118,068)	(248,569)
	(4,763)	146,542	(18,836)	(75,951)
	76,018	217,234	(99,232)	(172,618)
	(45,728)	(32)	-	-
	30,290	217,202	(99,232)	(172,618)

2023				
	31 December Rs.'000	30 September Rs.'000	30 June Rs.'000	31 March Rs.'000
	33,699,530	34,104,181	29,317,954	29,492,946
	19,054,715	19,654,433	20,293,279	21,889,517
	25,444,119	24,863,377	22,319,701	23,724,910
	3,671,187	3,640,895	3,423,694	3,522,926

2023				
	31 December	30 September	30 June	31 March
	2,859,509	2,881,380	2,405,852	2,479,883
	3,257,794	3,530,673	3,084,491	3,697,985
	11.59%	12.44%	13.04%	15.15%

SHAREHOLDER INFORMATION



PUBLIC HOLDINGS

	2024		2023	
	No. of shares	% of holding	No. of shares	% of holding
Shares held by the public	81,295,572	15.50%	81,295,572	15.50%
No. of public shareholders	10,861	99.97%	10,926	99.97%

	2024		2023	
	No. of shares	% of holding	No. of shares	% of holding
Residents	524,078,909	99.91%	522,305,243	99.57%
Foreign	460,728	0.09%	2,234,394	0.43%

DISTRIBUTION OF ORDINARY SHARES

	As at 31 December 2024				As at 31 December 2023			
	No. of shareholders	No. of shareholders %	No. of shares	No. of shares %	No. of shareholders	No. of shareholders %	No. of shares	No. of shares %
1 to 1,000	8,852	81.48%	1,466,456	0.28%	8918	81.60%	1,480,185	0.28%
1,001 to 10,000	1,427	13.14%	5,132,306	0.98%	1472	13.47%	5,233,972	1.00%
10,001 to 100,000	473	4.35%	16,844,165	3.21%	439	4.02%	14,153,096	2.70%
100,001 to 1,000,000	102	0.94%	26,793,392	5.11%	89	0.81%	27,611,460	5.26%
over 1,000,000	10	0.09%	474,303,318	90.42%	11	0.10%	476,060,924	90.76%
Total	10,864	100.00%	524,539,637	100.00%	10929	100.00%	524,539,637	100.00%

COMPOSITION OF ORDINARY SHAREHOLDERS

	As at 31 December 2024				As at 31 December 2023			
	No. of shareholders	No. of shareholders %	No. of shares	No. of shares %	No. of shareholders	No. of shareholders %	No. of shares	No. of shares %
Resident - Individual	9,932	91.42%	47,443,125	9.04%	10018	91.66%	45,304,572	8.64%
- company	891	8.20%	476,635,784	90.87%	864	7.91%	477,000,671	90.94%
Non-Resident								
- Individual	40	0.37%	447,078	0.09%	43	0.39%	538,586	0.10%
- company	1	0.01%	13,650	0.00%	4	0.04%	1,695,808	0.32%
Total	10,864	100.00%	524,539,637	100.00%	10929	100.00%	524,539,637	100.00%

DIRECTORS' SHAREHOLDING

Names of Directors	No. of shares		No. of shares	
	31.12.2024	As a % of total shares	31.12.2023	As a % of total shares
Mr. Adikarige Mervin Anura Perera	-	-	-	-
Prof. Nishantha Sampath Punchihewa	-	-	-	-
Mr. Godakanda Arachchige Jayashantha	-	-	-	-
Mr. Jayasinghege Don Varuna Nayanadarshi Jayasinghe	-	-	-	-
Mr. Rajapaksha Mudiyanseelage Nadira Jeewantha	-	-	-	-
Mr. Hithanadura Priyal Kithsiri Silva	-	-	-	-
Mr. Yaddehi Arachchige Jayathilaka	-	-	-	-
Ms. R. Dulani Fernando	-	-	-	-

CEO'S SHAREHOLDING

	No. of shares		No. of shares	
	31.12.2024	As a % of total shares	31.12.2023	As a % of total shares
Mr. Hapuhinne Karunadipathi Divaratne Wasala Mudiyanseelage Dammika Kumara Hapuhinna	-	-	-	-

SHAREHOLDER INFORMATION

TWENTY LARGEST SHAREHOLDERS

Shareholder	As at 31 December 2024		As at 31 December 2023	
	No of Shares	Percentage holding	No of Shares	Percentage holding
BANK OF CEYLON NO. 1 ACCOUNT	401,577,367	76.56%	401,577,367	76.56%
BOC PROPERTY DEVELOPMENT & MANAGEMENT (PVT) LTD	41,666,682	7.94%	41,666,682	7.94%
BANK OF CEYLON A/C CEYBANK UNIT TRUST	11,798,960	2.25%	11,798,960	2.25%
HATTON NATIONAL BANK PLC/DINESH NAGENDRA SELLAMUTTU	5,320,722	1.01%	5,320,722	1.01%
MR. J.A.S.M. JAYAWICKRAMA	5,043,278	0.96%	5,445,926	1.04%
MR. A.M. WEERASINGHE	3,227,403	0.62%	2,727,403	0.52%
THREAD CAPITAL (PRIVATE) LIMITED	1,905,000	0.36%	1,905,000	0.36%
HATTON NATIONAL BANK PLC/RAVINDRA ERLE RAMBUKWELLE	1,325,000	0.25%	1,140,000	0.22%
AMALIYA PRIVATE LIMITED	1,317,656	0.25%	1,317,656	0.25%
MR. B.T. PRATHAPASINGHE	1,121,250	0.21%	1,121,250	0.21%
MR. A.S.A. FERNANDO	1,000,000	0.19%	-	-
PEOPLE'S LEASING & FINANCE PLC/MR.R.R.S.ANANDA	960,200	0.18%	-	-
MRS. S.M.D.R. SAMARASINGHE	779,171	0.15%	-	-
SEYLAN BANK PLC/A.C.SENANKA	772,835	0.15%	797,835	0.15%
PEOPLE S LEASING AND FINANCE PLC/L.P.HAPANGAMA	715,627	0.14%	-	-
MR. L.H.L.M.P. HARADASA	625,010	0.12%	200,010	0.04%
MR. V.K.A.M. KARUNARATHNE	607,480	0.12%	-	-
SEYLAN BANK PLC/MS.L.A.M.GUNASEKERA	600,000	0.11%	495,000	0.09%
DR. P.M.C.B. DIGANA	595,005	0.11%	595,005	0.11%
DIALOG FINANCE PLC/K.W.J.P.L. PERERA	593,725	0.11%	593,725	0.11%
Total of largest shareholders	481,552,371			
Total of other shareholders	42,987,266			
Total of all shareholders	524,539,637			

MARKET SHARE INFORMATION

	Quarterly Performance				Annual Performance	
	Q1	Q2	Q3	Q4	2024	2023

Share price (Rs.)

Highest	5.50	6.60	5.80	6.30	6.60	6.30
Lowest	4.00	5.00	4.60	5.10	4.00	3.00
Closing	5.10	5.30	5.30	6.00	6.00	4.40

Share Market Details	Q1	Q2	Q3	Q4	2024	2023
No. of transactions	13,317,888	19,447,726	3,155,446	18,121,976	54,043,036	34,470,027
No. of shares traded	1,619	2,407	1,111	2,741	7,878	7,894
Shares traded to total shares	0.0003%	0.0005%	0.0002%	0.0005%	0.0015%	0.0015%
Turnover (Rs. Mn)	64	118	17	105	304.51	152.00
MBSL turnover to total market turnover	7.79%	9.71%	2.40%	3.99%	5.66%	3.70%
No. of days traded	58	57	63	62	240	242
Average daily turnover - CSE (Rs. Mn)	1,424	2,135	1,102	4,256.77	2,240.15	1,697.00
Market Capitalisation - CSE (MC) (Rs. Bn)	4,534.65	4,760.00	4,381.83	5,695.56	5,695.56	4,249.00
Market Capitalisation - MBSL (MC) (Rs. Bn)	2.68	2.78	2.78	3.15	3.15	2.00
MBSL MC to CSE MC	0.059%	0.058%	0.063%	0.055%	0.055%	0.050%
MBSL market capitalisation ranking	165	167	166	178	178	174
Float Adjusted Market Capitalization (Rs.)	414,607,417	430,866,532	430,866,532	487,773,432	487,773,432	357,700,517
Total issued shares MBSL	524,539,637	524,539,637	524,539,637	524,539,637	524,539,637	524,539,637
Total market turnover (Mn)	82,617	121,696	69,403	263,919	82,617	410,629

FLOAT ADJUSTED MARKET CAPITALIZATION

The Float adjusted market capitalization of the Company falls under Option 5 of Rule 7.13.1 (a), of the Listing Rules of the Colombo Stock.

Exchange and in terms of section 7.14.1 of the listing rule of the Colombo Stock Exchange, upon being transferred to the Diri Savi Board of the CSE w.e.f. 26th April 2023, the Company is now compliant with the minimum public holding requirement.

DEBENTURE INFORMATION

Debenture - Market Information							
2024							
Type	Type A 23 APR	Type B 23 APR	Type D 23 APR	Type A22 NOV	Type B 22 NOV	Type C 22 NOV	
Tenure	5 years	5 years	5 years	5 years	5 years	5 years	
Issue date	10-Apr-23	10-Apr-23	10-Apr-23	16-Nov-22	16-Nov-22	16-Nov-22	
Maturity date	10-Apr-28	10-Apr-28	10-Apr-28	15-Nov-27	15-Nov-27	15-Nov-27	
Interest rate	29.50%	28.00%	24.57%	24.00%	23.50%	One Year Avg T Bill Rate + 300 basis points	
Coupon rate (%)	29.50%	28.00%	30.00%	24.00%	23.50%		
Effective annual yield (%)	29.50%	29.96%	24.57%	24.00%	24.88%		
Interest rate comparable government security (%) (T Bill Rate & 5 Year Board)	8.96%	8.77%	10.75%	8.96%	8.77%	8.62%	
Frequency of interest payable	Annually	Bi - annually	At Maturity	Annually	Bi - annually	Quarterly	
Rating	BBB: Lanka Rating Agency			BBB: Lanka Rating Agency			
Amount (Rs. Mn)	276.66	255.14	91.03	23.99	32.88	10.83	
ISIN No.	LK0186D25084	LK0186D25092	LK0186D25100	LK0186D25001	LK0186D25027	LK0186D25019	
Highest	HAS NOT BEEN TRADED						
Lowest							
Closing							
Current yield (%)							
YTM (%)							

2023						
Type A 23 APR	Type B 23 APR	Type D 23 APR	Type A 22 NOV	Type B 22 NOV	Type C 22 NOV	
5 years	5 years	5 years	5 years	5 years	5 years	
10-Apr-23	10-Apr-23	10-Apr-23	16-Nov-22	16-Nov-22	16-Nov-22	
10-Apr-28	10-Apr-28	10-Apr-28	15-Nov-27	15-Nov-27	15-Nov-27	
29.50%	28.00%	24.57%	24.00%	23.50%	One Year Avg T Bill Rate + 300 basis points	
29.50%	28.00%	30.00%	24.00%	23.50%		
29.50%	29.96%	24.57%	24.00%	24.88%		
12.93%	14.16%	14.21%	12.93%	14.16%	14.51%	
Annually	Bi - annually	At Maturity	Annually	Bi - annually	14.6	
BBB: Lanka Rating Agency			BBB: Lanka Rating Agency			
276.66	255.14	91.03	23.99	32.88	10.83	
LK0186D25084	LK0186D25092	LK0186D25100	LK0186D25001	LK0186D25027	LK0186D25019	
HAS NOT BEEN TRADED	HAS NOT BEEN TRADED	HAS NOT BEEN TRADED	HAS NOT BEEN TRADED	HAS NOT BEEN TRADED	HAS NOT BEEN TRADED	

DECADE AT A GLANCE

Statement of Comprehensive Income (Rs.'000)	2024	2023	2022
Operating Results			
Income	7,582,723	7,478,049	6,542,592
Interest expenses	4,021,096	4,918,658	4,695,684
Net interest income	2,186,790	1,640,465	1,755,398
Operating expenses & provisions	2,675,164	2,276,881	2,242,865
Profit/(Loss) before income tax	445,909	67,907	(656,914)
Income tax on profit (Expense)/ Reversal	(205,455)	(47,019)	161,306
Profit/(Loss) for the year	240,454	20,888	(495,608)

Statement of Financial Position Information (Rs.'000)	2024	2023	2022
Assets			
Cash & cash equivalents including placements	955,522	1,294,986	852,406
Reverse Repurchase Agreement	-	-	-
Financial assets designated at FVPL	8,551,468	8,175,716	4,307,394
Loans & receivable at amortised cost	25,942,008	19,054,715	24,423,300
Financial Investment at amortised cost	3,473,969	3,727,940	303,373
Investment in associate & subsidiary companies	429,345	433,780	338,715
Property & equipment, intangible assets, investment properties and Real estate stock	528,684	748,000	712,675
Other assets	319,012	263,987	293,918
Total assets	40,200,008	33,699,121	31,231,781
Liabilities			
Due to banks	8,144,088	2,599,970	2,925,953
Cash collateral on securities lent and repurchase agreements	-	-	-
Due to customers	25,956,175	25,444,119	23,524,609
Debt issued and borrowed funds	730,033	741,030	69,082
Other liabilities & deferred taxation	1,487,681	1,243,332	1,016,593
Total liabilities	36,317,977	30,028,451	27,536,237
Net assets	3,882,031	3,670,669	3,695,544
Capital Employed			
Stated capital	4,276,448	4,276,448	4,276,448
Retained earnings & reserves	(394,417)	(605,776)	(580,904)

	2024	2023	2022
Investors Ratios			
Market value of a voting share - Rs.	6.00	4.40	3.40
Basic Earnings Per Share - Rs.	0.46	0.04	(0.94)
Net Assets Value Per Share - Rs.	7.40	7.00	7.05
Price Earnings Ratio - Times	13.09	110.49	(3.60)
Earning Yield - %	7.64	0.91	(27.79)
Operating Ratios			
Return on Net Assets - %	6.37	0.57	(12.60)
Net Profit - %	3.17	0.28	(7.58)
Return on Assets - %	0.65	0.06	(1.51)
Net Interest Margin - %	6.52	5.55	5.85
Cost to Income Ratio - %	78.91	90.54	123.62
Income Growth - %	1.40	14.30	9.57
Assets Growth - %	19.29	7.90	(8.89)
Net Assets Growth - %	5.76	(0.67)	(11.36)
Gearing Ratios			
Debt to Equity - Times	2.29	7.84	7.18
Interest Cover - Times	1.11	1.01	0.86
Liquidity Ratios			
Quick Ratio - Times	-	-	-
Liquidity Ratio - %	31.19	11.59	13.41

2021	2020	2019	2018	2017	2016	2015
5,971,065	5,188,013	6,839,015	6,549,905	6,402,825	4,888,155	4,216,991
2,675,588	3,532,790	4,331,275	3,752,471	3,708,808	2,709,604	2,133,325
2,850,367	1,417,848	2,201,454	2,442,466	2,448,478	2,028,170	1,939,834
2,133,875	2,518,571	2,401,990	2,140,150	2,465,367	1,945,654	2,119,094
812,728	(1,342,905)	57,194	446,676	228,650	232,897	(35,428)
(283,684)	234,600	45,390	(265,391)	(127,799)	(154,247)	42,878
529,044	(1,108,305)	102,584	181,285	100,851	78,650	(78,306)

2021	2020	2019	2018	2017	2016	2015
1,437,540	1,041,852	2,832,888	965,197	1,928,482	520,234	820,923
-	-	-	1,292,670	1,302,748	265,687	785,965
-	-	-	-	-	-	-
28,184,638	26,787,036	29,262,864	30,781,975	29,233,023	27,109,765	23,282,286
2,330,716	2,242,628	2,161,677	1,448,104	2,046,445	3,059,300	2,296,177
452,488	468,508	925,994	160,360	102,201	158,390	391,281
843,466	1,348,377	1,490,405	711,918	671,726	470,738	403,918
1,028,611	470,808	301,288	504,202	360,582	342,640	294,000
34,277,459	32,359,209	36,975,116	35,864,426	35,645,207	31,926,754	28,274,550
4,116,812	5,436,682	7,749,021	5,869,317	123,849	201,635	258,062
-	-	-	-	437,672	401,820	416,472
22,267,862	21,725,261	22,755,930	20,831,021	21,918,869	18,518,419	15,846,306
2,381,579	2,568,829	2,466,268	5,331,077	8,818,862	8,722,787	7,883,323
1,342,251	1,160,586	1,396,109	1,308,907	1,112,135	975,578	862,325
30,108,504	30,891,358	34,367,328	33,340,322	32,411,387	28,820,239	25,266,488
4,168,955	1,467,851	2,607,788	2,524,104	3,233,820	3,106,515	3,008,062
4,276,448	2,124,457	2,124,457	2,124,457	2,124,457	2,124,457	2,124,457
(107,493)	(656,606)	483,331	399,647	1,109,363	982,058	883,602

2021	2020	2019	2018	2017	2016	2015
5.90	7.50	9.60	9.60	13.50	13.60	15.00
2.04	(6.68)	0.62	1.09	0.60	0.50	(0.47)
16.08	8.85	15.72	19.33	19.50	18.73	18.13
2.89	(1.12)	15.52	8.78	22.20	28.68	(31.77)
34.59	(89.09)	6.44	11.38	4.50	3.49	(3.15)
18.77	(54.39)	4.00	6.30	3.18	2.57	(2.54)
8.86	(21.32)	1.50	2.77	1.58	1.61	(1.86)
1.59	(3.20)	0.28	0.51	0.30	0.26	(0.28)
9.42	4.50	6.52	7.83	7.64	7.18	7.61
63.23	119.72	85.51	70.70	73.10	71.89	66.89
15.09	(24.14)	4.41	2.30	30.99	15.92	(10.93)
5.77	(12.48)	3.10	0.62	11.65	12.92	3.52
184.02	(43.71)	3.32	(21.95)	4.10	3.27	(4.55)
7.22	20.25	13.18	13.21	9.68	8.96	8.11
1.30	0.62	1.01	1.12	1.06	1.09	0.98
-	-	-	-	0.77	0.66	0.76
12.92	8.17	12.30	10.20	11.49	10.75	11.25

BASIS OF RATIO & GLOSSARY

A

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis

Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Actuarial Assumptions

An actuarial assumption is an entity's unbiased and mutually compatible best estimates of the demographic and financial variable that will determine the ultimate cost of providing postemployment benefits.

Amortisation

The systematic allocation of the depreciable amount of an asset over its useful life.

Amortised Cost

The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount.

Asset and Liability Committee (ALCO)

A risk management committee that generally comprises the senior management levels of the Company. The ALCO's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure. Among the factors considered are liquidity risk, interest rate risk, operational risk and external events that may affect the Company's forecast and strategic balance sheet allocations.

Associate Company

An entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Available-for-Sale Financial Asset

Non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Average Weighted Lending Rate

AWLR is based on interest rates of all outstanding rupee loans and advances extended by LCBs.

Average Weighted Deposit Rate (AWDR)

AWDR reflects the movements in interest rates pertaining to all outstanding interest bearing rupee deposits held with LCBs.

B

Bill Discounted

A Promissory Note or Bill of Exchange that has been purchased for less than face value, the difference representing interest on the unexpired term of the bill. At maturity, the holder collects the face value of the bill for its own account.

Basis Point (BP)

One hundred of a percentage point (0.01 per cent); 100 basis points is 1 percentage points: Used in quoting movements in interest rates or yields on securities.

C

Capital Adequacy Ratio

by the Bank for International Settlements (BIS) and as modified by the Central Bank of Sri Lanka to suit local requirements.

Cash Equivalents

Short-term highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Flows

Cash flows are inflows and outflows of cash and cash equivalents

Cash Generating Units (CGU)

A cash generating unit is the smallest group of assets that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets.

Collective Impairment Provisions

Impairment is measured on a collective basis for homogeneous groups of loans that are not considered individually significant.

Commercial Paper

An unsecured short term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meet short-term liabilities. The debt is usually issued at a discount, reflecting prevailing market interest rates.

Commitments

Credit facilities approved but not yet utilized by the clients as at the reporting date.

Compounded Annual Growth Rate (CAGR)

The rate at which it would have grown if it grew at an even rate compounded annually.

Consolidated Financial Statements

Financial statements of a holding company and its subsidiaries based on their combined assets, liabilities and operating results.

Contingencies

A condition or situation existing on the statement of financial position where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

Cost Method

This is a method of accounting for an investment whereby the investment is initially recognised at cost. The investor recognises income from the investment only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

Cost of Equity

In finance, the cost of equity is the return a firm theoretically pays to its equity investors

Cost to Income Ratio

A ratio expressing Company's cost effectiveness which sets operating expenses including Financial Value Added Tax and excluding Loan Loss Provision in relation to operating income.

$$\frac{\text{Total operating cost without VAT on financial services}}{\text{Net operating income}} \times 100$$

Counterparty

The other party (including a bank) with whom a deal is made or closed

Credit Ratings

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk

Credit risk is the possibility of a loss due to failure of a borrower to repay full or part of their financial obligation when due.

Current Ratio

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables.

$$\frac{\text{Current assets}}{\text{Current liabilities}}$$

D**Debt Equity Ratio**

Long-term borrowings divided by shareholder's equity

Deferred Taxation

Sum set aside for income tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition

Removal of a previously recognized financial asset or financial liability from an entity's Statement of Financial Position.

Derivative

A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (e.g. an interest rate), that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

Discount Rate

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

Dividend Per Share (DPS)(Rs:)

Value of the total dividend paid out and proposed to ordinary shareholders divided by the number of ordinary shares in issue; indicates the proportion of current years dividend attributable to an ordinary share in issue

$$\frac{\text{Profit/(Loss) attributable to ordinary share}}{\text{Number of ordinary share}}$$

Dividend Yield

Dividend per share as a percentage of its market value.

$$\frac{\text{Dividend per ordinary share}}{\text{Market price per share}} \times 100$$

E**Earnings Yield (EY)**

The earnings yield refers to the earnings per share for the period divided by the current market price per share. The earnings yield (which is the inverse of the P/E ratio) shows the percentage of the Company's earnings per share.

BASIS OF RATIO & GLOSSARY

Earnings per Ordinary Share (EPS)

Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

$$\frac{\text{Profit/(Loss) attributable to ordinary shareholders}}{\text{Average number of share}}$$

Price Earning (PE) Ratio (Times)

$$\frac{\text{Market price per share}}{\text{Earning per share}}$$

Economic Value Added (EVA)

A measure of productivity that takes into consideration cost of total invested equity.

Effective Interest Rate (EIR)

The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Effective Tax Rate

Provision for taxation excluding deferred tax expressed as a percentage of the profit before taxation.

Employee Turnover (%)

Employee turnover refers to the workers leaving an organization over a period as a percentage of average employees during the period.

$$\frac{\text{Number of attritions during the year}}{\text{Average number of employees during the year}} \times 100$$

Equity Method

This is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

Equity Return Premium

An equity risk premium is an excess return earned by an investor when they invest in the stock market over a risk-free rate.

Equity Securities

An equity security is a financial instrument that represents an ownership share in a corporation.

Expected Credit Loss(ECL)

ECLs are probability-weighted estimate of the present value of cash shortfalls (i.e. the weighted average credit losses, with respective risks of defaults occurring in a given time period used as the weights). ECL measurements are unbiased and are determined by evaluating a range of possible outcomes.

Exposure

A claim, contingent claim or position which carries a risk of financial loss.

Exposure at Default

This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal & interest and expected drawdowns of committed facilities.

F

Fair Value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair Value Through Profit or Loss

A financial asset/liability: Acquired/incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or a derivative (except for a derivative that is a financial guarantee contract)

Finance Lease

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

Financial Asset

Any asset that is cash ,an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial Guarantee Contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial Instrument

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial Liability

A contractual obligation to deliver cash or another financial asset to another entity.

G**Gearing**

Long term borrowings divided by the total funds available for shareholders.

Global Reporting Initiative (GRI)

GRI is a leading organization in the sustainability field. GRI promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to sustainable development.

Going Concern

The Financial Statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

Group

A group is a parent and all its subsidiaries.

Guarantees

Three party agreement involving a promise by one party (the guarantor) to fulfil the obligations of a person owing a debt if that person fails to perform.

H**Held-to-Maturity (HTM) Investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity that an entity has the positive intention and ability to hold till maturity.

I**Impaired Loans**

Loans where identified impairment provisions have been raised and also include loans which are collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing.

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Impairment Allowances

Impairment allowances are a provision held as a result of the raising of a charge against profit for the incurred loss.

Individually Assessed Impairment

Exposure to loss is assessed on all individually significant accounts and all other accounts that do not qualify for collective assessment.

Intangible Asset

An intangible asset is an identifiable non-monetary asset without physical substance.

Interest Cover

A ratio showing the number of times interest charges are covered by earnings before interest and tax.

$$\frac{\text{Profit before interest \& tax}}{\text{Interest expenses}}$$

Interest in Suspense

Interest suspended on non-performing leases, hire purchases and other advances.

Interest Margin

Net interest income expressed as a percentage of average interest earnings assets.

Interest Rate Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rates.

Interest Spread

Represents the difference between the average interest rate earned on interest earnings assets and the average interest rate paid on interest-bearing liabilities.

International Financial Reporting Standards (IFRS)

A set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board (IASB).

Investment Properties

Investment property is property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both rather than for use or sale.

K**Key Management Personnel (KMP)**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

L**Lease**

A contract, or part of contract that conveys the right to use as asset (the underline asset) for a period of time in exchange for consideration.

BASIS OF RATIO & GLOSSARY

Lending Portfolio

Total value of lending products net of unearned income, amounts received in advance and allowance for impairment.

Lifetime Expected Credit Loss (LTECL)

The expected credit losses that result from all possible default events over the expected life of a financial instrument.

Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with Banks, bills of exchange and Treasury Bills and Bonds.

Liquid Assets Ratio

Liquid assets expressed as a percentage of total liabilities other than shareholders' funds.

Liquidity Risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loan to Value Ratio (LTV)

The LTV ratio is a mathematical calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The LTV ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

Loans and Receivables

Conventional loan assets that are unquoted (originated or acquired).

Loan to Deposit Ratio

Calculate LDR by dividing the Company total amount gross loans by its total amount of deposits without interest and expressing it as a percentage

$$\frac{\text{Gross loans}}{\text{Deposit without interest}} \times 100$$

Loss Allowance

The allowance for expected credit losses on financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and the provision for expected credit losses on loan commitments and financial guarantee contracts.

Loss Given Default (LGD)

LGD is the percentage of an exposure that a lender expects to lose in the event of obligor defaults. It is based on the difference between the contractual cash flows due and those that the lender would receive including any collateral.

M

Market Capitalisation

Number of ordinary shares in issue multiplied by the market value of a share as at the year end.

$$\text{Market price per share} \times \text{Number of shares}$$

Market Risk

This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

Mortgage

A lien on real property used to secure a borrowing.

N

Net Assets Value per Ordinary Share

Shareholders' funds excluding preference shares, if any, divided by the number of ordinary shares in issue.

$$\frac{\text{Total share holders equity}}{\text{Average number of shares}} \times 100$$

Net Interest Income (NII)

The difference between income earned from interest bearing assets and cost incurred on financial instrument / facilities used for funding the interest bearing assets.

Net Interest Margin (NIM - %)

Net interest income expressed as a percentage of average interest earning assets.

$$\frac{\text{Net interest income}}{\text{Average interest earnings assets}} \times 100$$

Non-Controlling Interest

Equity in a subsidiary not attributable, directly or indirectly, to a parent.

Non-Performing Ratio

Total non-performing leases, hire purchase loans and other advances divided by total advances portfolio.

$$\frac{\text{Gross non-performing portfolio}}{\text{Gross loans and receivables}} \times 100$$

Net profit

Net profit expressed as a percentage of total Income

O**Objective Evidence**

Information based on facts that can be proved through analysis, measurement, observation and other such means of research.

Off-Balance Sheet Transactions

Transactions that are not recognised as assets or liabilities in the Balance Sheet, but which give rise to contingencies and commitments.

Offsetting of Financial Statements

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Operational Risk

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

P**Parent Company**

A Parent is an entity which has one or more subsidiaries.

Past Due

A financial asset is past due when a counter party has failed to make a payment when contractually due.

Price Earnings Ratio (P/E Ratio)

Market price of an ordinary share divided by earnings per share.

$$\frac{\text{Market price per share}}{\text{Earnings per share}}$$

Price to Book Value (PBV - Times)

$$\frac{\text{Market price per share}}{\text{Net assets per share}}$$

Probability of Default (PD)

The Probability that an obligor will default within a one-Year time horizon.

Prudence

Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

R**Related Parties**

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specified date and price

Return on Assets (ROA)

Profit after tax expressed as a percentage of the average assets.

$$\frac{\text{Profit after tax}}{\text{Average assets}} \times 100$$

Return on Equity (ROE)

Net profit for the year, less dividends on preference shares, if any, expressed as a percentage of average ordinary shareholders' equity.

$$\frac{\text{Profit after tax}}{\text{Average equity}} \times 100$$

Reverse Repurchase Agreement

Transaction involving the purchase of securities by a bank or a dealer and resale back to the seller at a future date at a specified price.

Right-of-use Asset (ROU)

ROU asset is a lessee's right to use an asset over the life of a lease. The asset is calculated as the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received.

Rights Issue

Issue of shares to the existing shareholders at an agreed price, generally lower than market price.

Risk Free Rate

The risk-free rate is the theoretical rate of return on an investment with zero risk

Risk Mitigation

A technique to reduce the credit risk associated with an exposure by application of risk mitigants such as collateral, guarantee and credit protection

BASIS OF RATIO & GLOSSARY

Risk Premium

The risk premium is the rate of return on an investment over and above the risk-free or guaranteed rate of return

Risk Weighted Assets

On statement of financial position assets and the credit equivalent of off-balance sheet assets multiplied by the relevant risk weighting factors.

S

Securitisation

This involves the transfer of income producing assets to a vehicle company that finances the purchase through the issue of debt (usually notes of commercial paper).

Segment Analysis

Analysis of financial information by segments of an entity specifically the different business in which it operates.

Shareholders' Funds

Total of stated capital and reserves.

Specific Impairment Provisions

Impairment is measured individually for loans that are individually significant to the Company.

Sri Lanka Financial Reporting Standards (SLFRSs)

Standards and Interpretations adopted by Institute of Chartered Accountants of Sri Lanka. They comprise Sri Lanka Accounting Standards (SLFRS & LKAS); and Interpretations adopted by the Council of ICASL (IFRIC and SIC).

Stress Testing

Stress Testing is used to determine the stability of a given sector/ institution to withstand potential vulnerabilities emanating from certain unlikely but plausible events or movements in macro-financial variables.

Subsidiary Company

A subsidiary is an enterprise that is controlled by another enterprise which is known as the parent.

Substance over Form

The consideration that the accounting treatment and the presentation in Financial Statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

T

Terminal Growth

The terminal growth rate is the constant rate that a company is expected to grow at forever.

Tier I Capital

Tier I: Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II Capital

Representing general provisions and other capital instruments which combines certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

Total Return of Share (%)

Total shareholder return is the financial gain that results from a change in the stock's price plus any dividends paid by the company during the measured interval divided by the initial purchase price of the stock.

$$\frac{(\text{Closing market price} - \text{opening market price}) + \text{Dividend per share}}{\text{Opening market price}} \times 100$$

Transaction Costs

Incremental costs that is directly attributable to the acquisition, issue or disposal of a financial asset or financial liability

Treasury Bonds (T-Bond)

A long-dated security issued by the Central Bank of Sri Lanka. T-Bonds carry a coupon rate of interest.

U

Unit Trust

An undertaking formed to invest in securities under the terms of a trust deed.

V

Value at Risk (VAR)

A risk management methodology that estimates the potential loss arising from adverse movement in market interest or exchange rates over a defined holding period.

Value Added

Value of wealth created by providing financial and other-related services less the cost of providing such services.

Y

Yield

Return of an investment in percentage terms, taking in to account annual income and any changes in capital value

Yield to Maturity

Discount rate at which the present value of future cash flows would equal the security's current price.

CONTACT INFORMATION

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390, Colombo Road, Gampaha.	033-4200110 033-4200109		Mr. Hasintha Thennakoon Branch Manager	(77) 324-0011	hasinthat@mbslbank.com
KANDY BRANCH - CITY OFFICE					
No.88, "Ceybank House" Dalada Veediya, Kandy.	081-2237378 081-2237380 081-2237379	081-2237378	Mr. Sumith Sanjaya Karunaratna Zonal Manager - Range 02	(77) 324-0329	sumiths@mbslbank.com

ADDRESS	TELEPHONE	FAX	HEAD OF BRANCH	COMPANY MOBILE NO	E-Mail
MONARAGALA BRANCH					
No-39, Wellawaya Road, Monaragala.	055-4929361 055-4929362		Mr. Prasanna Rathnayaka Branch Manager	(77) 896-8561	prasannar@mbslbank.com
KANDY BRANCH					
284, Katugasthota Road, Kandy.	081-2224818/9 081-4951786/7		Mr. Asanka Weerasinghe Manager	(77) 324-1168	asankaw@mbslbank.com
RATNAPURA BRANCH					
No.231, Main Street, Rathnapura.	045-4928089 045-4928093		Mr. Harsha Pradeep Wimalarathna Branch Manager	(77) 324-1108	harshaw@mbslbank.com
BANDARAWELA BRANCH					
No.11, Thanthiriya, Badulla Road, Bandarawela	057-4926910 057-4926911		Mr. Chandana Rathnayake Branch Manager	(77) 324-0335	rohanr@mbslbank.com
HATTON BRANCH					
No: 36,Circular Road, Hatton	051-4924641 051-4924642		Mr. L H N Janaka Udayanath Wijethunga Branch Manager	(77) 670-4323	janakau@mbslbank.com
BATTICALOA BRANCH					
No:28, Bar Road, Batticaloa	065-4926787 065-4926799		Mr. Satchithanantham Uganthan Branch Manager	(77) 696-0228	uganthans@mbslbank.com
NITTAMBUWA BRANCH					
No.48/3, Kandy Road, Nittambuwa.	033-4937564 033-4937565		Mr. Kanchana Costa Manager	(74) 093-4308	kanchanag@mbslbank.com
AMPARA BRANCH					
No.6, D S Senanayake Veediya, Ampara	063-4923540 063-4923541		Mr. Priyantha Lakmal Manager	(77) 448-5019	priyanthag@mbslbank.com
AVISSAWELLA BRANCH					
No.89 /1/1, Ratnapura Road, Avissawella	036-4928208 036-4928209		Mr. Amal Geekiyanage Manager	(77) 324-0384	amals@mbslbank.com

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Forty Third (43rd) Annual General Meeting of Merchant Bank of Sri Lanka & Finance PLC (MBSL) will be held at The Grand Maitland, Maitland Place, Colombo 07 on 06th June 2025 at 10.00 a.m. for the following purposes;

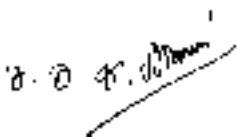
1. To receive and consider the Annual Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31 December 2024 together with the Report of the Auditors thereon.
2. To re-elect Mr. H P K Silva who retires by rotation in terms of Article 86 read with Article 87 of the Articles of Association of MBSL
3. To re-elect Mr. R M N Jeewantha who retires by rotation in terms of Article 86 read with Article 87 of the Articles of Association of MBSL.
4. To elect Ms. R Dulani Fernando who was appointed to the Board since the last Annual General Meeting, under and in terms of Article 93 of the Articles of Association of MBSL.
5. To elect Mr. A J Ismail who was appointed to the Board since the last Annual General Meeting, under and in terms of Article 93 of the Articles of Association of MBSL.
6. To elect Mr. W C Rodrigo who was appointed to the Board since the last Annual General Meeting, under and in terms of Article 93 of the Articles of Association of MBSL.
7. To authorize the Directors to determine donations for the financial year ending 31.12.2025.
8. To consider any other business of which due notice has been given.

AUDITORS OF THE COMPANY

According to Section 55 of the National Audit Act No. 19 of 2018, the Auditor General or any person authorized by the Auditor General shall carry out the audit of MBSL.

By Order of the Board

MERCHANT BANK OF SRI LANKA & FINANCE PLC



Theranjani Attanayake
Company Secretary

06 May 2025
Colombo

NOTES:

1. A Form of Proxy is attached hereto, for use if necessary, in which event, it should be completed and returned to the Registered Office of the Company – BOC Merchant Tower, No. 28, St. Michael's Road, Colombo 3 not less than 48 hours before the time appointed for the holding of the Annual General Meeting.
2. A Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. A Proxy need not be a Shareholder of the Company.
3. The instrument appointing a Proxy may be in writing under the hand of the appointor or of his/her Attorney, or if such appointor is a corporation under its Common Seal or under the hand of its Attorney or duly authorized person.

FORM OF PROXY

I/We of being a shareholder/ shareholders of the Merchant Bank of Sri Lanka & Finance PLC (MBSL), hereby appoint (Name) of (Address) whom failing (Mr. A M A Perera/ Mr. G A Jayashantha/ Mr. R M N Jeewantha/ Mr. H P K Silva/Mr. Y A Jayathilaka/Ms. R Dulani Fernando/ Mr. A J Ismail/ Mr. W C Rodrigo) as *my/our Proxy, to represent * me/us, and* to vote on *my/our behalf at the Annual General Meeting of the Company to be held at The Grand Maitland, Maitland Place, Colombo 07, on 06th June 2025 at 10.00 a.m. or at any adjournment thereof and at every poll which may be taken in consequence thereof. *I/We the undersigned hereby authorize my/our Proxy to vote on *my/our behalf in accordance with the preference indicated below:

	For	Against
01. To receive and consider the Annual Report of the Board of Directors and the Audited Financial Statements of the Company for the year ended 31 December 2024 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
02. To re-elect Mr. H P K Silva who retires by rotation in terms of Article 86 read with Article 87 of the Articles of Association of MBSL.	<input type="checkbox"/>	<input type="checkbox"/>
03. To re-elect Mr. R M N Jeewantha who retires by rotation in terms of Article 86 read with Article 87 of the Articles of Association of MBSL.	<input type="checkbox"/>	<input type="checkbox"/>
04. To elect Ms. R Dulani Fernando who was appointed to the Board since the last Annual General Meeting, under and in terms of Article 93 of the Articles of Association of MBSL.	<input type="checkbox"/>	<input type="checkbox"/>
05. To elect Mr. A J Ismail who was appointed to the Board since the last Annual General Meeting, under and in terms of Article 93 of the Articles of Association of MBSL.	<input type="checkbox"/>	<input type="checkbox"/>
06. To elect Mr. W C Rodrigo who was appointed to the Board since the last Annual General Meeting, under and in terms of Article 93 of the Articles of Association of MBSL.	<input type="checkbox"/>	<input type="checkbox"/>
07. To authorize the Directors to determine donations for the financial year ending 31.12.2025.	<input type="checkbox"/>	<input type="checkbox"/>

AUDITORS OF THE COMPANY

According to Section 55 of the National Audit Act No. 19 of 2018, the Auditor General or any person authorized by the Auditor General shall carry out the audit of MBSL.

Signed this day of Two Thousand and Twenty Five.

.....
Signature

Notes:

1. Please delete the words which are not applicable.
2. Please indicate with 'X' in the space provided as to how your proxy is to be voted. In view of the proxy holder when there is a doubt with regard to the instructions given in the manner the proxy has been completed as to the way the proxy holder should vote, the proxy holder shall vote as he/she thinks fit.
3. If you wish your proxy to speak at the meeting, you should instruct the words "to speak" in the space indicated with an asterisk.
4. A proxy holder need not be a shareholder of the Company. A proxy so appointed shall have the right to vote on a show of hands or on a poll and to speak at the Meeting.
5. Instructions as to the completion of the Form of Proxy are given on the reverse hereof.

FORM OF PROXY

INSTRUCTIONS AS TO THE COMPLETION OF THE FORM OF PROXY

1. To be valid, this form of proxy must be deposited at the Registered Office of MBSL at BOC Merchant Tower, No. 28, St. Michael's Road, Colombo 3 not less than 48 hours before the time appointed for the holding of the Annual General Meeting.
2. Kindly perfect the form of proxy after filling legibly your full name and address by signing in the space provided and filling the date of signature.
3. Please indicate your preference with "X" in the appropriate cages provided in the form of proxy, as to how your proxy is to vote on the resolutions. If no indication is given the proxy he/she may vote as he/she thinks fit.
4. The instrument appointing a proxy may be in writing under the hand of the appointor or of his/her Attorney, duly authorized in writing, or if such appointor is a corporation under its Common Seal or under the hand of its Attorney or duly authorized person. If the form of proxy is signed by an Attorney, a notarial certified copy of the relevant Power of Attorney should also accompany the completed form of proxy, if it has not already been registered with the Company.

CORPORATE INFORMATION

NAME OF COMPANY

Merchant Bank of Sri Lanka & Finance PLC
(Formerly known as 'Merchant Bank of Sri Lanka PLC')

COMPANY REGISTRATION NO

PQ10

LEGAL FORM

A limited liability company incorporated on 4th March 1982 under the Companies Ordinance No. 51 of 1938 and re-registered under the Companies Act No. 07 of 2007 on 4th May 2007 and quoted on the Colombo Stock Exchange.

A Registered Finance Leasing Company under the Finance Leasing Act No. 56 of 2000.

A Registered Finance Company licensed under the Finance Business Act No. 42 of 2011.

STOCK EXCHANGE LISTING

25th April 1991

REGISTERED OFFICE

Bank of Ceylon Merchant Tower,
No. 28, St. Michael's Road,
Colombo 03
Tel. 011 4711711
Fax. 011 4711742
Web. www.mbslbank.com

TAX PAYER IDENTIFICATION NO.

124011426

VAT REGISTRATION NO.

124011426-7000

CENTRAL BANK REGISTRATION NO.

050

FINANCIAL YEAR END

31st December

WEBSITE

www.mbslbank.com

BOARD OF DIRECTORS:

Mr. A M A Perera (Chairman)
Mr. G A Jayashantha
Mr. R M N Jeewantha
Mr. H P K Silva
Mr. Y A Jayathilaka
Ms. R Dulani Fernando
Mr. A J Ismail
Mr. W C Rodrigo

BOARD SUB COMMITTEES

Audit Committee
Integrated Risk Management Committee
Related Party Transactions Review Committee
Human Resources & Remuneration Committee
Nominations & Corporate Governance Committee
Information & Communications Technology Committee

CHIEF EXECUTIVE OFFICER:

Mr. Dammika Hapuhinna
Tel: 011 4711700
Fax: 011 4711704
E-mail: dammikah@mbslbank.com

COMPANY SECRETARY

Ms. Theranjani Attanayake
Tel: 011 4711708
E-mail : theranjaniambslbank.com

SUBSIDIARY COMPANY

MBSL Insurance Company Limited
No. 519, T B Jayah Mawatha,
Colombo - 10
Tel : 0112 304500
Fax: 0112 300499
E-mail : info@mbslinsurance.lk
Web : www.mbslinsurance.lk

ASSOCIATE COMPANY

Lanka Securities (Pvt.) Ltd
No. 228/1, Galle Road
Colombo 04
Tel : 011 4706757
Fax: 011 4706767
E-mail: info@lankasec.com
Web : www.lankasecurities.com

AUDITORS

The Auditor General
No. 306/72, Polduwa Road,
Battaramulla

LAWYERS

Julius & Creasy
Attorneys-at-Law, Solicitors & Notaries Public
No. 371, R A De Mel Mawatha
Colombo 03

PRINCIPAL BANKER

Bank of Ceylon,
"BoC Square",
No. 01, Bank of Ceylon Mawatha, Colombo 01

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Annual Reports



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Sri Lanka & Finance PLC**

MERCHANT BANK OF SRI LANKA & FINANCE PLC

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No. 28, St. Michael's Road, Colombo 03
Tel. 011 4711711 | Fax. 011 4711742
www.mbslbank.com