



**Merchant Bank of  
Sri Lanka & Finance PLC**

**DEBENTURE ISSUE 2025**

# PROSPECTUS

Issue of Five Million (5,000,000) Unsecured Subordinated Redeemable Listed, Rated Five (05) year Debentures at a price of LKR 100/- each with an option to Issue upto a further Five Million (5,000,000) of the said Debentures at LKR 100/- each in the event of an oversubscription of the initial Five Million (5,000,000) Debentures to raise a sum upto Rupees One Billion (LKR 1.0 Billion)

(To be listed on the Colombo Stock Exchange)

**Rated as BBB+(lka) by Fitch Ratings**

ISSUE OPENING ON 20 MAY 2025

**MANAGERS, REGISTRARS & PLACEMENT AGENT TO THE ISSUE**

 **Merchant Bank of  
Sri Lanka & Finance PLC**  
CORPORATE ADVISORY & CAPITAL MARKETS DIVISION,  
LEVEL 18, "BANK OF CEYLON MERCHANT TOWER"  
No 28, ST. MICHAEL'S ROAD,  
COLOMBO 03

**JOINT MANAGERS & JOINT PLACEMENT AGENT TO THE ISSUE**

  
BANKERS to the Nation  
**INVESTMENT BANKING DIVISION,  
7<sup>TH</sup> FLOOR, BANK OF CEYLON HEAD OFFICE  
BOC SQUARE, NO 01, BANK OF CEYLON MAWATHA,  
COLOMBO 01**

# PROSPECTUS

This Prospectus is dated 09<sup>th</sup> May 2025

Merchant Bank of Sri Lanka & Finance PLC (Hereinafter sometimes referred to as “the Company” or “MBSL”) and its Directors having made all reasonable inquiries, confirm that to the best of their knowledge and belief the information contained herein is true and correct in all material respects and that there are no other material facts, the omission of which would make any statement herein misleading. While MBSL has taken reasonable care to ensure full and fair disclosure, MBSL does not assume responsibility for any investment decision made by the investors based on the information contained herein. In making an investment decision, prospective investors must rely on their own examination and assessments on MBSL, including the risks involved.

No person is authorized to give any information or make any representation not contained in this Prospectus and if given or made, any such information or representation must not be relied upon as having been authorized by MBSL.

## REGISTRATION

A copy of this Prospectus has been delivered to the Registrar of Companies of Sri Lanka for registration in accordance with the provisions contained in the Companies Act No. 07 of 2007.

The following documents were attached to the copy of the Prospectus delivered to the Registrar of Companies:

- The written consent of the Bankers to the Issue and the Trustee for inclusion of their names in the Prospectus.
- The written consent of the Joint Managers and Joint Placement Agent to the Issue, Company's Auditors/Reporting Accountants and the Rating Agency for inclusion of their names and their Reports/Statements in the form and context in which it is included in the Prospectus.
- A declaration made by each of the Directors of the Company confirming that each of them have read the provisions of the Companies Act relating to the issue of the Prospectus and that those provisions have been complied with.

The Bankers to the Issue and the Trustee have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for inclusion of their names in the Prospectus.

The Joint Managers and Joint Placement Agent to the Issue, Company's Auditors/ Reporting Accountants and the Rating Agency have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for inclusion of their names and for inclusion of their Reports/Statements in the form and context in which it is included in the Prospectus.

**This Prospectus has not been registered with any authority outside Sri Lanka.**

This issue as contemplated in this Prospectus is made in Sri Lanka and is subject to the exclusive jurisdiction of the Courts of Sri Lanka.



The delivery of this Prospectus shall not under any circumstance constitute a representation or create any implication or suggestion that there has been no material change in the affairs of the Company since the date of this Prospectus.

If you are in any doubt regarding the contents of this document or if you require any advice in this regard, you should consult your Stock Broker, Bank Manager, Lawyer or any other Professional Advisor.



The Colombo Stock Exchange (CSE) has taken reasonable care to ensure full and fair disclosure of information in this Prospectus. However, the CSE assumes no responsibility for the accuracy of the statements made, opinions expressed, reports included or for omitted statements in the Prospectus. Moreover, the CSE does not regulate the pricing of the Debentures, which is decided solely by the Company/Issuer.

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## THE ISSUE AT A GLANCE

<b>Issuer</b>	Merchant Bank of Sri Lanka & Finance PLC
<b>Instrument</b>	Unsecured Subordinated Redeemable Listed, Rated Five (05) Year Debentures to be issued at LKR 100/- each, categorized as Debentures of Types A and B as described below. These Debentures will be Listed on the Colombo Stock Exchange.
<b>Types of Debentures</b>	<p><b>Type A</b> Unsecured Subordinated Redeemable Listed, Rated Five (05) year Debentures of LKR 100 each bearing a Fixed Interest Rate of Twelve point Five percent (12.50%). per annum (before any Tax) on the principal sum, payable annually from the date of allotment until the date of maturity/redemption of the Debentures (Annual Effective Rate of 12.50% on the principal sum).</p> <p><b>Type B</b> Unsecured Subordinated Redeemable Listed, Rated Five (05) year Debentures of LKR 100 each bearing a Fixed Interest Rate of Eleven point Seven Five percent (11.75%) per annum (before any Tax) on the principal sum, payable bi-annually from the date of allotment until the date of maturity/redemption of the Debentures (Annual Effective Rate of 12.10% on the principal sum).</p>
<b>Number of Debentures to be Issued</b>	Five Million (5,000,000) Debentures with an option to increase upto Ten Million (10,000,000) Debentures in the event of an oversubscription of the initial Five Million (5,000,000) Debentures.
<b>Issue Price of a Debenture</b>	All categories of Debentures will be issued at a price of LKR 100/- each
<b>Par Value of Debenture</b>	LKR 100 each
<b>Date of Redemption</b>	The date on which redemption of the Debentures will take place as referred to in section 1.5 of the Prospectus.
<b>Method of Payment of Interest and Principal Sum</b>	Through electronic fund transfer mechanism recognised by the banking system of Sri Lanka, such as SLIPS and RTGS or by cheque marked "Account Payee Only". In the event accurate bank details are not provided or if the Applicant has not provided details of his bank account in the Application, the entity shall make such payments to the Applicant by way of cheque.
<b>Date of Payment of Interest</b>	<p><b>Type A</b> On the date of expiry of every One (01) year period from the Date of Allotment until the Date of Maturity/ Redemption of the Debentures.</p> <p><b>Type B</b> On the date of expiry of every Six (06) months period from the Date of Allotment until the Date of Maturity/Redemption of the Debentures.</p>
<b>Interest Payment Periods</b>	<p><b>Type A</b> The Twelve (12) month period from the date immediately succeeding a particular Interest Payment Date and ending on the next Interest</p>



	<p>Payment Date (inclusive of the aforementioned commencement date and end date) and shall include the period commencing from the Date of Allotment and ending on the first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the date immediately succeeding the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the aforementioned commencement date and end date).</p> <p><b>Type B</b>  The Six (6) month period from the date immediately succeeding a particular Interest Payment Date and ending on the next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and shall include the period commencing from the Date of Allotment and ending on the first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the date immediately succeeding the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the aforementioned commencement date and end date).</p>
<b>Minimum Subscription</b>	The minimum subscription per Application is LKR 10,000 or 100 Debentures of any type. Applications in excess of the minimum subscription shall be in multiples of Rupees Ten Thousand (LKR 10,000) or One Hundred (100) Debentures of any type.
<b>Total Value of the Debenture Issue</b>	Rupees Five Hundred Million (LKR 500,000,000) with an option to increase upto Rupees One Billion (LKR 1,000,000,000) in the event of an oversubscription of the initial Five Million (5,000,000) Debentures
<b>Instrument Rating</b>	BBB+(lka) by Fitch Ratings Lanka Limited
<b>Date of Opening of the Issue</b>	20 May 2025
<b>Date of Closure of the Issue</b>	06 June 2025 or such other earlier date in terms of Section 1.2 of this Prospectus
<b>Bankers to The Issue</b>	Bank of Ceylon Corporate Branch No. 04, Bank of Ceylon Mawatha, Colombo 01. Tel : +94 11 2203105
<b>Rating Agency</b>	Fitch Ratings Lanka Limited No.15-04, East Tower, World Trade Centre, Colombo 01 Tel: +94 11 2 541 900 / Fax: +94 11 2 541 903
<b>Trustee</b>	Hatton National Bank PLC Custody and Trustee Services Level 11, No. 479, T B Jayah Mawatha, Colombo 10

<b>Managers, Registrars &amp; Placement Agent to The Issue</b>	<p>Merchant Bank of Sri Lanka &amp; Finance PLC Corporate Advisory &amp; Capital Markets Division Level 18, "Bank of Ceylon Merchant Tower" No. 28, St. Michael's Road, Colombo 03 Tel : +94 11 4711778</p>
<b>Joint Managers, &amp; Joint Placement Agent to The Issue</b>	<p>Bank of Ceylon Investment Banking Division, 7<sup>th</sup> Floor, Bank of Ceylon Head Office BOC Square, No 01, Bank of Ceylon Mawatha, Colombo 01 Tel : +94 11 2346842</p>

## **IMPORTANT**

All Applicants should indicate in their Application for subscription of Debentures, their National Identity Card (NIC) number or the Company Registration No. (as the case maybe). The Passport number may be indicated only if the Applicant does not have a NIC number.

As per the Directive of the Securities and Exchange Commission of Sri Lanka made under Circular No. 08/2010 dated 22 November 2010 and Circular No.13/2010 issued by the Central Depository Systems (Pvt) Ltd (CDS) dated 30 November 2010, all Debentures shall be directly uploaded to the CDS, and hence all Applicants should indicate their CDS account number in their Application Form for subscription of Debentures.

Applicants who do not have a CDS Account are advised to open a CDS account prior to making the Application, in order to facilitate the uploading of allotted Debentures to the CDS.

A CDS account could be opened through any Trading Participant of the CSE, set out in Annexure I or through any Custodian Bank set out in Annexure II of this Prospectus.

PLEASE NOTE THAT UPON THE ALLOTMENT OF DEBENTURES UNDER THIS ISSUE THE ALLOTTED DEBENTURES WOULD BE CREDITED TO THE APPLICANT'S CDS ACCOUNT INDICATED IN THE APPLICATION FORM. PLEASE NOTE THAT DEBENTURE CERTIFICATES WILL NOT BE ISSUED.

APPLICATIONS WHICH DO NOT CARRY THE CDS ACCOUNT NUMBER, WHICH IS NOT OPENED AT THE TIME OF THE CLOSURE OF THE SUBSCRIPTION LIST OR WHICH INDICATE AN INCORRECT/INACCURATE CDS ACCOUNT NUMBER WILL BE REJECTED, AND NO ALLOTMENT WILL BE MADE.

## CORPORATE INFORMATION

<b>The Company/Issuer</b>	Merchant Bank of Sri Lanka & Finance PLC
<b>Legal Form</b>	A limited liability Company incorporated on 4 <sup>th</sup> March 1982 under the Companies Ordinance No. 51 of 1938 and Re-registered under the Companies Act No. 07 of 2007 and listed on the Colombo Stock Exchange
<b>Company Registration No.</b>	PQ 10 (formerly PBS 1142)
<b>Registered Office</b>	<p>“Bank of Ceylon Merchant Tower”  No. 28, St. Michael’s Road,  Colombo 3  Tel : 011 4 711 711  Fax: 011 4 711 741  mbslbank@mbslbank.com  <a href="http://www.mbslbank.com">http://www.mbslbank.com</a></p>
<b>Corporate Credit Rating</b>	A (Ika) by Fitch Ratings Lanka Limited
<b>Board of Directors</b>	<p>Mr. A M A Perera – Chairman - Non-Executive /Independent Director  Mr. G A Jayashantha - Non-Executive /Non-Independent Director  Mr. R M N Jeewantha - Non-Executive/ Non-Independent Director  Mr. H P K Silva - Non-Executive/ Non-Independent Director  Mr. Y A Jayathilaka - Non-Executive/ Non-Independent Director  Ms. R D Fernando - Non-Executive/ Independent Director  Mr. A J Ismail - Non Executive/ Non Independent Director  Mr. W C Rodrigo - Non-Executive/ Independent Director</p>
<b>Company Secretary</b>	<p>Ms. Theranjani Attanayake  Company Secretary  Merchant Bank of Sri Lanka &amp; Finance PLC  Level 18, “Bank of Ceylon Merchant Tower”  No. 28, St Michael’s Road,  Colombo 03  011 4711708</p>

<b>Rating Agency</b>	Fitch Ratings Lanka Limited No.15-04, East Tower, World Trade Centre, Colombo 01 Tel: +94 11 2 541 900 / Fax: +94 11 2 541 903
<b>Auditors/Reporting Accountants</b>	The Auditor General of Sri Lanka Auditor General's Department 306/75, Polduwa Road, Battaramulla
<b>Subsidiary Company</b>	MBSL Insurance Company Limited No. 519 T. B. Jayah Mawatha, Colombo 07
<b>Associate Company</b>	Lanka Securities (Pvt) Limited 3rd Floor," M2M Veranda Offices", No34, W.A.D. Ramanayeke Mawatha, Colombo 2.

## DEFINITIONS / ABBREVIATIONS AND INTERPRETATIONS

In this Prospectus the following Definitions/Abbreviations and Interpretations apply, unless the subject or context otherwise requires.

<b>ASPI</b>	All Share Price Index
<b>ATA</b>	Average Total Assets
<b>Bn</b>	Billion
<b>BOC</b>	Bank of Ceylon
<b>CAGR</b>	Compound Annual Growth Rate
<b>CBSL</b>	Central Bank of Sri Lanka
<b>CDS</b>	Central Depository Systems (Pvt) Ltd
<b>CSE</b>	Colombo Stock Exchange
<b>Date of Allotment</b>	The date on which the Debentures are allotted to the Debenture holders, which date will be notified by the Company to the Debenture holders, Trustee and the CSE
<b>Date of Maturity</b>	The date on which a period of <b>Five (05) Years</b> from the date of allotment of the Debentures expires which date shall be notified by the Company to the Debenture holders, Trustee and the CSE
<b>Date of Redemption</b>	The date of Maturity of the Debentures or such other date on which the Debentures are redeemed or become payable in terms of the Trust Deed
<b>Debenture Holders</b>	The persons in whose accounts the Debentures are lodged in the CDS as at the relevant date
<b>Debentures</b>	Unsecured Subordinated Redeemable Listed, Rated Debentures to be issued pursuant to this Prospectus at an Issue price of LKR 100 per Debenture and categorized as Debentures of <b>Types A and B</b> as described in Section 1.1 below.
<b>EBITDA</b>	Earnings Before Interest Tax Depreciation and Amortization
<b>IIA</b>	Inward Investment Account
<b>ISSUE</b>	The Issue of Debentures as envisaged by this Prospectus
<b>LCB</b>	Licensed Commercial Bank
<b>LKR</b>	Sri Lankan Rupees
<b>LSB</b>	Licensed Specialised Bank
<b>Market Day</b>	Any day on which the Colombo Stock Exchange is open for trading
<b>MBSL/ the Company</b>	Merchant Bank of Sri Lanka & Finance PLC
<b>Mn</b>	Million

<b>Offer</b>	The invitation for the subscription of Five Million (5,000,000) Unsecured Subordinated Redeemable Listed, Rated Five (5) Year Debentures at LKR 100/- per Debenture with an option to Issue upto a further Five Million (5,000,000) Debentures in the event of an oversubscription of the initial Five Million (5,000,000) Debentures to raise a sum upto Rupees One Billion (LKR 1.0 Billion)
<b>POA</b>	Power of Attorney
<b>Redemption</b>	Repayment of the principal monies on these Debentures
<b>Registered Address</b>	The address provided by the Debenture holders to the CDS
<b>RTGS</b>	Real Time Gross Settlements
<b>SEC</b>	Securities & Exchange Commission of Sri Lanka
<b>SLIPS</b>	Sri Lanka Inter Bank Payment System
<b>Subordinated</b>	The claims of the Debenture holders shall in the event of winding up of the Company rank after all the claims of depositors, Secured and other Unsecured Creditors of the Company and any preferential claims under any Statutes governing the Company but in priority to and over the claims and rights of the Shareholders of the Company
<b>Trust Deed</b>	The Trust Deed dated 05 May 2025 executed between Merchant Bank of Sri Lanka & Finance PLC and the Hatton National Bank PLC in respect of this Debenture Issue
<b>Trustee</b>	Hatton National Bank PLC or such other new Trustee appointed in terms of the Trust Deed
<b>Unsecured</b>	Repayment of the principal and Interest on these Debentures not being secured by any specific assets of the Company
<b>Working Day</b>	Any day (other than a Saturday, Sunday or any statutory holiday) on which the Banks are open for business in Sri Lanka
<b>WHT</b>	Withholding Tax

## 1. INFORMATION CONCERNING THE ISSUE

### 1.1 Invitation to Subscribe

The Board of Directors of Merchant Bank of Sri Lanka & Finance PLC (hereinafter sometimes referred to as “MBSL” or “the Company”) by a Resolution passed on 21 February 2025 resolved to raise a sum of Rupees Five Hundred Million (LKR 500,000,000) by the issue of Five Million (5,000,000) Unsecured Subordinated Redeemable Listed, Rated Five (05) Year Debentures of the Company at a price of LKR 100/ each with an option to increase the said amount upto Rupees One Billion (LKR 1,000,000,000) by the issue of upto a further Five Million (5,000,000) Unsecured Subordinated Redeemable Listed, Rated Five (05) Year Debentures at LKR 100/ each in the event of an oversubscription of the initial Five Million (5,000,000) Debentures and to list the said Debentures on the Colombo Stock Exchange. The Board of Directors of the Company by Resolution passed on 21 February 2025 resolved to pay interest on the said Debentures at the rates hereinafter mentioned.

The Central Bank of Sri Lanka (CBSL) by its letter dated 11 March 2025 has granted its approval for the said Debenture Issue, subject to terms and conditions set out therein.

The Company hereby invites applications for the subscription of the aforesaid Five Million (5,000,000) Unsecured Subordinated Redeemable Listed, Rated Debentures of the Company at an issue price of LKR 100 each payable in full as outlined in this Prospectus, with an option to issue upto a further Five Million (5,000,000) Debentures in the event of an oversubscription of the initial Five Million (5,000,000) Debentures. The Company invites applications for the subscription of Two (02) types of Debentures described below.

<b>Type A</b>	Unsecured Subordinated Redeemable Listed, Rated Five year Debentures of LKR 100 each bearing a Fixed Interest Rate of Twelve point Five percent (12.50%) per annum (before any Tax) on the principal sum, payable annually from the date of allotment until the date of maturity/redemption of the Debentures (Annual Effective Rate of 12.50% on the principal sum).
<b>Type B</b>	Unsecured Subordinated Redeemable Listed, Rated Five year Debentures of LKR 100 each bearing a Fixed Interest Rate of Eleven Point Seven Five percent (11.75%) per annum (before any Tax) on the principal sum, payable bi-annually from the date of allotment until the date of maturity/redemption of the Debentures (Annual Effective Rate of 12.10% on the principal sum).

These Debentures will rank equal and pari passu with each other without any preferences or priority to one over the other, except for the Interest rates and dates of Interest payment on the Debentures.

These Debentures will be listed on the **Colombo Stock Exchange**. The Company is not required to seek any approval from the shareholders for this Debenture Issue, as it is not applicable.

These Debentures are not subject to either early redemption or a convertible option, except in the circumstances set out in Clause 12.1 of the Trust Deed.



## 1.2 Subscription List

Subject to the provisions contained below, the subscription list for the Debentures will open at 9.30 a.m. on 20 May 2025 and shall remain open for 14 market days until closure at 4.30 p.m. on 06 June 2025.

In the event of an over-subscription of the initial Five Million (5,000,000) Debentures, the subscription list will close at 4.30 p.m. on the same day on which it is fully subscribed with notice to the CSE, unless otherwise decided by the Company to keep the subscription list open until subscription of a further Five Million (5,000,000) Debentures. In such event the subscription list will close at 4.30 p.m. on the day on which the entire Ten Million (10,000,000) Debentures, have been fully subscribed with notice to the CSE or on 06 June 2025 whichever is earlier. In the event the Company decides to keep the subscription list open until subscription of further Five million (5,000,000) Debentures (after the initial issue of Five million (5,000,000) Debentures being subscribed) but subsequently decides to close the subscription list upon part of the further issue of 5,000,000 Debentures being subscribed, such decision shall be notified to CSE immediately and then the subscription list will be closed at 4.30 p.m. on the following market day.

Applications may be made forthwith. The Procedure for Application is set out in Section 2 of this Prospectus.

## 1.3 Objectives of the Issue

The primary objective of this Debenture Issue is to enhance the Tier II Capital Base, and the secondary objective is to enhance the lending portfolio of MBSL. The proceeds of the Debenture Issue will be utilized fully for the lending purposes of the Company within a period of 12 months from the date of allotment of the Debentures. This will enable the Company to increase the lending portfolio and in return increase the Interest Income and Profit attributable to the Shareholders. The proposed debenture issue will enhance the Capital requirement (Tire II) of the company as follows

<b>The Capital Adequacy requirements (as per CBSL requirements)</b>		<b>The level of compliance by the Company as at 31.03.2025</b>	<b>The level of compliance by the Company after the proposed LKR 1Bn Debenture Issue</b>
Tier I	8.50%	10.94%	10.94%
Tier II	12.50%	13.76%	16.30%

The Central Bank of Sri Lanka (CBSL) has granted approval for this Debenture issue by their letter dated 11 March 2025. As mentioned in the said letter upon closure of the issue, approval from the Governing Board of CBSL will obtained to recognize the funds raised through the Debenture as part of MBSL's Tier II Capital Base.

The Company will invest the proceeds of the Debenture Issue during the interim period from the date of allotment of the Debentures until the funds are fully utilized in the Government securities available at that time at prevailing interest rates.

The Debenture Issue does not amount to a major transaction as per the Companies Act.

The Company will disclose the progress of the utilization of the proceeds of the Debenture issue with the timelines in all future interim and annual financial statements until the funds are fully utilized for the objectives stated in the Prospectus, clearly indicating the progress of achievement in the following format (as applicable)

**Debenture issue proceeds utilization as at dd.mm.yyy**

Objective Number	Objective as per Prospectus	Amount allocated as per Prospectus in LKR	Proposed date of utilization as per Prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amount utilized in LKR (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested(eg. whether lent to related party/ies etc.)

In the event the funds raised through the Debenture Issue are fully utilized by the Company in terms of the objective disclosed in the Prospectus between two financial periods, the Company shall disclose such fact in the immediate succeeding Annual Report or the Interim Financial Statements, whichever is published first as per the above template.

In the event the Company is unable to fully utilize the proceeds of the Debentures for lending purposes during the aforesaid Twelve (12) months period, the Company will invest the unutilized funds in the Government securities at Zero default risk subject to obtaining the necessary approvals from the Trustee, CBSL and the Debenture holders of 3/4<sup>th</sup> of the nominal value of the Debentures outstanding at that time and a market announcement will be made via CSE. The Company has obtained the approval of CBSL for the proposed Debenture issue in terms of the Finance Companies (Debt Instruments) Direction No.03 of 2013.

As per the regulations governing Capital Adequacy Requirement under the present Basel II, the maximum value of Subordinated Debt that will be recognized for Tier II capital is restricted to 50% of the Tier I capital. Accordingly, the maximum value of additional Debentures to be recognized for Tier II capital as at 31 March 2025 is LKR 1,772 Mn based on the Company's estimated Tier I capital of LKR 3,344 Mn as at 31 March 2025.

The Company has not identified any specific parties as at date of prospectus to lend the funds raised from the Debenture issue and the proceeds of these Debentures will be utilized in the normal course of lending business. The proceeds of the Debenture Issue will not be utilized for related party transactions.

**Risk associated with the objectives**

At present the Company's monthly average growth of the lending portfolio is around LKR 913 Mn and last 03 months average disbursement is LKR 1,612Mn. Therefore it is unlikely that the Company will not be able to utilize the proceeds of this Debenture issue for lending during the said one year period. However, in the event the Company is unable to utilize the proceeds of the Debentures during the aforesaid 12 months period, the Company will invest the unutilized funds in the Government securities at prevailing interest rates.

The Company has utilized the proceeds of all previous Debenture issues towards achieving the objectives of the respective issues.

#### 1.4 Interest rates and dates of payment of interest

<b>Type A</b>	A Fixed Interest Rate of Twelve point Five percent (12.50%) per annum (before any Tax) on the principal sum, payable annually on the date of expiry of every one (01) year period from the date of allotment until the date of maturity/redemption of the Debentures (Annual Effective Rate of 12.50% on the principal sum).
<b>Type B</b>	A Fixed Interest Rate of Eleven Point Seven Five percent (11.75%) per annum (before any Tax) on the principal sum, payable bi-annually on the date of expiry of every six (06) months period from the date of allotment until the date of maturity/redemption of the Debentures (Annual Effective Rate of 12.10% on the principal sum).

#### Dates of Payment of Interest

Interest payments shall be made by the Company within **Three (03) market days** from the due dates, except the final interest payment which will be made with the repayment of the Principal monies on the date of maturity/redemption of the Debentures in accordance with the provisions contained in the Trust Deed.

In order to accommodate the Debenture interest cycles in the CDS System, interest payments shall not include the Debenture holders holding Debentures in the CDS System as at the last day of the payment cycle **but one day prior to the due date of interest (entitlement date)**. If the entitlement date is a holiday, interest shall be calculated including the entitlement date.

Interest calculation shall be based upon the actual number of days in each interest payment period (Actual/Actual). For the purpose of computation of interest a year will comprise of 365 days.

#### 1.5 Redemption

The Company shall redeem the Debentures on the dates of Maturity of such Debentures or on such earlier date on which the Debentures become payable in accordance with the provisions contained in the Trust Deed.

The Debenture holders shall not have any right or option to call for redemption of the Debentures before the date of maturity of such Debentures, except in the circumstances where the Debentures have become immediately payable in terms of Clause 12.1 of the Trust Deed.

Repayment before the maturity of the principal sum on the Debentures in any circumstance mentioned in Clause 12.1 of the Trust Deed shall be subject to the prior written consent of the Central Bank of Sri Lanka and the approval of the holders of 3/4th of the nominal value of the Debentures outstanding at that time.

On the date of Maturity/Redemption of the Debentures the Company shall in accordance with the provisions contained in the Trust Deed pay to the Debenture holders the principal sum of the Debentures which ought to be redeemed and Interest (if any) remaining unpaid as at the date immediately preceding to the date of Redemption/Maturity of the Debentures.

If the date of Maturity/Redemption falls on a non-working day on which the Banks are closed for business in Sri Lanka, then the Debentures shall be redeemed on the next working day when the Banks are open for business in Sri Lanka together with interest up to the date immediately preceding the date of repayment of the principal sum.

## **1.6 Mode of payment of the principal sum and Interest**

Payment of the principal sum and Interest on the Debentures will be made in Sri Lankan Rupees after deducting any Withholding Tax and/or any other taxes and charges thereon, (as per the applicable laws prevailing in Sri Lanka at the time of making the respective payment) to the Debenture holders registered as at end of trading on the entitlement date (in the case of joint Debenture holders to the one whose name stands first in the register of Debenture holders) through electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as SLIPS and RTGS to a bank account provided to the CDS by the Debenture holders or by crossed cheques marked "Account Payee Only" sent by Registered mail to the addresses provided to the CDS by the Debenture holders.

SLIPS transfers are subject to a maximum limit of Sri Lankan Rupees Five Million (LKR 5Mn) imposed by the CBSL. There is no upper limit applicable for RTGS transfers.

Only in the event the Debenture holder has not provided to the CDS accurate and correct details of his/her bank account for the payment of Principal Sum and interest, such payment to the Debenture holder will be made by way of a cheque and sent by registered post to the address of such Debenture holder provided to the CDS.

Payment of Principal sum and Interest on the Debentures in respect of Foreign Institutional Investors including Country Funds, Regional Funds or Mutual Funds, Corporate Bodies incorporated outside Sri Lanka, Foreign Citizens whether resident in Sri Lanka or outside Sri Lanka and Sri Lankans resident outside Sri Lanka shall be made only into the "Inward Investment Account (IIA)" of such Investors opened and maintained in a licensed commercial bank in Sri Lanka in accordance with the directions given by the Director of the Department of Foreign Exchange to commercial banks in this regard.

If any cheques in respect of Interest payments or redemption of Debentures sent by post to the Debenture holders are returned to the Company undelivered or unrealized, the amounts represented by each of such cheques shall be transferred by the Company to a suspense account at the end of six months (06) from the date of issue of the such cheque and retained therein for a period of six (06) years from the date of Maturity/Redemption of the Debentures. Such monies shall be repaid to the Debenture holder if the same is claimed in writing by such Debenture holder within the aforesaid six (06) year period.

No person shall be entitled to claim any such redemption and Interest payment after the completion of six (06) years from the date of Maturity/Redemption of the Debentures and all unclaimed monies shall cease to be owed and payable by the Company to any Debenture holder after the expiry of the aforesaid period of six (06) years.

## 1.7 Trustee to the Issue

Hatton National Bank PLC has been appointed as the Trustee to this Debenture issue. The Company has entered into an Agreement/Indenture of Trust with the Trustee (hereinafter called the "Trust Deed"). In the Application Forms for subscription of Debentures the Applicants are required to irrevocably authorize the Trustee, subject to any overriding clauses in the Trust Deed to act as their agent in entering into such deeds, writings and instruments with the Company and to act as the Trustee for the benefit of and Interest of the Debenture holders on the terms and conditions contained in the said Trust Deed.

The rights and obligations of the Trustee are set out in the Trust Deed. The Trustee is independent and has no conflict of interest with the issuer (MBSL) for its services set out in the Trust Deed

The Company has agreed to pay a sum of Rupees Forty Thousand (LKR 40,000) per month plus the applicable Government Taxes on account of remuneration of the Trustee for its services. The said fee shall be paid by the Company monthly within Ten (10) days from the date of expiry of every One (01) month period commencing from the date of allotment of the Debentures until the date of maturity of the Debentures, subject to deduction of any Withholding Tax and/or any other taxes and charges thereon (if applicable, as per the laws prevailing in Sri Lanka at the time of making the said payment)

## 1.8 Rights of the Debenture holders

**The holders of these Debentures are entitled to,**

- Receive the Principal sum on the date of Maturity/Redemption and Interest on the Debentures as per sections 1.4, 1.5 and 1.6 of this Prospectus and the provisions contained in the Trust Deed.
- Receive the Annual Report of the Company within five (5) months from the end of each Financial Year of the Company in accordance with the Listing Rules of the CSE.
- Call, receive notice, attend and vote at the Meetings of the Debenture holders in accordance with the provisions contained in the Trust Deed.

The other rights of the holders of these Debentures are set out in the Trust Deed.

**The Holders of these Debentures are not entitled to,**

- Any privileges or rights of the Shareholders of the Company, including the right to,
  - receive notice, attend and vote at the General Meetings of the Company.
  - receive any dividend or distributions or share the profits of the Company.
  - participate in any surplus assets of the Company in the event of liquidation.
- Any privileges or rights of the holders of any other Debentures issued by the Company, including the right to receive notice, attend and vote at the Meetings of holders of other Debentures issued by the Company.

### **Obligations on the Debentures**

- The Company shall repay the Principal sum on the date of Maturity/Redemption and Interest on the Debentures as per sections 1.4, 1.5 and 1.6 of this Prospectus and the provisions contained in the Trust Deed and comply with all other terms and conditions stipulated in the Trust Deed in respect of these Debentures.

- When making payment of the Principal sum and Interest on the Debentures, the Company shall always act on the information furnished by the CDS and it shall be the responsibility/ obligation of each Debenture holder to keep all the information in respect of such Debenture holder updated in the CDS. Each Debenture holder shall absolve the Company, CSE & CDS from any responsibility or liability in respect of any error or absence of necessary changes initiated by the Debenture holders in the information recorded with the CDS.
- These Debentures are unsecured obligations of the Company. The rights of these Debenture holders for receipt of the Principal Sum and any accrued interest on these Debentures in the event of winding up of the Company would be subordinated to the rights of the Depositors, Secured and other Unsecured Creditors of the Company and any preferential claims under any Statutes governing the Company.

Therefore, the claims of these Debenture holders shall in the event of winding up of the Company rank after all the claims of the Depositors, Secured and other Unsecured Creditors of the Company and any preferential claims under any Statutes governing the Company but in priority to and over the claims and rights of the Shareholders of the Company.

### 1.9 Risk factors specifically associated with the Debentures

Subscribers to the Debentures will be exposed to the following risks :-

- **Interest Rate Risk**

The price of a typical Debenture will change in the opposite direction to a change in the market Interest rates assuming all other factors are equal. As market Interest rates rise, the price of the Debenture may fall and as market Interest rates fall, the price of the Debenture may rise. If an investor sells a Debenture prior to maturity when market Interest rate is higher than MBSL Debenture Interest rates, the investor may incur a capital loss. Similarly, if an investor sells a Debenture prior to maturity when the market Interest rate is lower than the MBSL Debenture Interest rate, then the investor may receive a capital gain. This uncertainty is known as Interest rate risk.

- **Reinvestment Risk**

An investor may decide to reinvest the Interest payment on the Debentures and earn Interest on Interest. Depending on the prevailing market Interest rates, the Debenture holder may be able to reinvest the Interest received at a higher or lower Interest rate than that is offered by these Debentures. This uncertainty is known as reinvestment risk.

- **Default Risk**

Default risk also known as credit risk, refers to the risk that the issuer of a Debenture may default, i.e. the issuer will be unable to pay Interest and principal when due. **Fitch Ratings Lanka Limited has assigned an instrument rating “BBB+ (lka)” to these Debentures which is the lowest eligibility criteria for such an instrument to seek a listing at the CSE.** Therefore in the event, the instrument rating gets downgraded subsequent to the allotment, but prior to listing – these debentures shall not be listed **and** MBSL shall obtain the requisite regulatory approvals (e.g. SEC) to issue such debentures contemplated by this prospectus as

unlisted debentures (as applicable). In the same way, if the rating is downgraded below the Investment Grade subsequent to the listing these debentures will be transferred to the Watch List. MBSL being a responsible corporate citizen of the country, it will take all necessary steps to mitigate the default risk during both good and bad times. MBSL has been issuing listed debentures since 2005, and none of the debentures have been defaulted or been delayed in payment of interest or capital. It is advisable for prospective investors to take into account the past performance, earnings and asset growth of the Company, present financial strengths as reflected in the Balance Sheet of the Company, its Risk Management Policies, credit rating of the Debentures, highly experienced and skilled Directors and Senior Management team and the Parent Company when forming an opinion on default risk.

- **Liquidity Risk**

Liquidity Risk refers to the ability to encash the Debenture by selling it whenever the Debenture holder deems it necessary. As these Debentures will be listed on the CSE, investors will be able to sell them in the secondary market at any given point of time and convert them to cash. Hence these Debentures carry low liquidity risk. However, the secondary debt market is not as developed as the secondary equity market.

### **1.10 Benefits in Investing in MBSL Debentures**

- An attractive Interest income for a fixed period.
- Opportunity to realize capital gain according to Interest rate fluctuations in the financial markets.
- Capacity to exit from the Investment at any time.
- Could be used as collateral to obtain credit facilities from banks and other financial institutions.

### **1.11 Transfer of the Debentures**

- a) These Debentures shall be freely transferable and the registration of such transfer shall not be subject to any restriction, save and except to the extent required for compliance with statutory and regulatory requirements, including the Exchange Control Regulations prevailing in Sri Lanka from time to time.
- b) These Debentures shall be freely transferable and transmittable through the CDS as long as the Debentures are listed in the CSE. Subject to the provisions contained in the Trust Deed, the Company may register without assuming any liability any transfer of Debentures, which are in accordance with the statutory and regulatory requirements and rules and regulations in force for the time being as laid down by Colombo Stock Exchange (CSE), Securities & Exchange Commission of Sri Lanka (SEC) and Central Depository Systems (Pvt) Ltd (CDS).
- c) In the case of the death of a Debenture holder,
  - i. the survivor where the deceased was a joint holder; and
  - ii. the executors or administrators of the estate of the deceased or where the administration of the estate of the deceased is in law not compulsory, the heirs of the deceased where such Debenture holder was the sole or only surviving holder; shall be the only persons recognized by the Company as having any title to his/her Debentures.

- d) Any person becoming entitled to any Debenture in consequence of bankruptcy or winding up of any Debenture holder, upon producing proper evidence that such Debenture holder sustains the character in respect of which such Debenture holder proposes to act or such Debenture holder's title as the Board of Directors of the Company thinks sufficient, may at the discretion of the Board be substituted and accordingly registered as a Debenture holder in respect of such Debentures subject to the applicable laws, rules and regulations of the Company, CSE, SEC and CDS.
- e) No change of ownership in contravention of these provisions will be recognized by the Company.

### 1.12 Listing

An application has been made to the CSE for permission to obtain a listing for the Debentures and the CSE has granted its approval in principle for the same.

However the CSE assumes no responsibility for the accuracy of the statements made or opinions expressed or reports included in this Prospectus. Listing on the CSE is not to be taken as an indication of the merits of MBSL or of these Debentures. However, the CSE reserves the right to withdraw such approval, in the circumstances set out in Rule 2.3 of the Listing Rules of the CSE.

### 1.13 Rating of the Instrument

Fitch Ratings Lanka Limited has assigned a rating of BBB+(lka) to these Debentures. Rating Rational dated 07 May 2025 issued by Fitch Ratings Lanka Limited in respect of these Debentures is attached hereto marked as **Annexure V**.

### 1.14 Cost of the Issue

The Directors estimate that the total cost of the Issue including the Listing Fees, Trustee Fees, Postage, Printing of allotment letters, brokerage, bankers processing fees and Marketing costs, etc will be approximately Rupees Ten Million (LKR 10 Million). Such costs will be borne by the Company from the internally generated funds.

### 1.15 Brokerage

Brokerage at the rate of Fifteen Cents (LKR 0.15) per Debenture shall be paid in respect of the number of Debentures allotted on Applications bearing the original seal of any Bank operating in Sri Lanka or a Trading Participant of the CSE or Joint Placement Agent (BOC) or any other party identified by the Managers as involved in the Issue.

### 1.16 Underwriting

The Debenture issue is not underwritten and with the support of the Joint Managers BOC Investment Banking Unit, Company is confident that this Debenture issue would be successful. The offering is not conditional to any minimum amount to be raised through this Issue. In the event of an under subscription, the Company is confident that the shortfall in the funds



required for the lending purposes can be financed through internally generated funds and other borrowings from financial institutions.

### **1.17 Inspection of Documents**

The Articles of Association of the Company, the Audited Financial Statements of the Company for the Financial Years ending on 31 December 2020, 2021, 2022, 2023 and 2024, Summarized Profit and Loss Account and Balance Sheet for the Financial Years ending on 31 December 2020 - 2024, Rating Report, Trust Deed and all other documents pertaining to the Company to which references are made in this Prospectus could be inspected by the public during normal working hours at the Registered Office of the Company Three (03) market days before the date of opening of the subscription list until the date of Redemption/Maturity of the Debentures.

This Prospectus and the Articles of Association of the Company and the Trust Deed will also be hosted in the website of the CSE ([www.cse.lk](http://www.cse.lk)) and the website of the Company ([www.mbslbank.com](http://www.mbslbank.com)) from the date of opening of the subscription list until the Date of Redemption/Maturity of the Debentures as stipulated in Rule 3.3.13 (b) of the CSE Listing Rules.

### **1.18 Waiver from listing Rule 2.4 (f)**

The Company has requested for a waiver of CSE Listing Rule 2.4. (f) not to print the Prospectus to reduce the lead time between publishing the Prospectus and the subscription list opening day to four (4) Market Days, considering the requirement to complete the allotments within a short timeframe, as well as the costs and time associated with printing. The CSE, upon careful deliberation of the said request made by the Company, has decided to grant a waiver. The softcopies of the Prospectus can be downloaded from the websites of the Colombo Stock Exchange ([www.cse.lk](http://www.cse.lk)) and Merchant Bank of Sri Lanka & Finance PLC (<https://www.mbslbank.com/>)

## 2. PROCEDURE FOR APPLICATION

### 2.1 Prospectus and Application forms

Soft copies of the Prospectus and the Application Form can be downloaded from the websites of the Colombo Stock Exchange ([www.cse.lk](http://www.cse.lk)) and website of Merchant Bank of Sri Lanka & Finance PLC (<https://www.mbslbank.com/>). Applicants should take due Care to comply with the provisions given in this prospectus.

### 2.2 Who may apply

Applications are invited for the subscription of the Debentures from the following categories of Applicants:

- Citizens of Sri Lanka who are resident in Sri Lanka and above 18 years of age.
- Companies, Corporations and other Corporate Bodies registered/incorporated/established in Sri Lanka.
- Approved Provident Funds, Trust Funds and Contributory Pension Schemes registered/established in Sri Lanka. (In this case, the Application should be in the name of the Trustee/ Board of Management)
- Foreign Institutional Investors including Country Funds, Regional Funds or mutual Funds, Corporate Bodies incorporated outside Sri Lanka, Foreign Citizens whether resident in Sri Lanka or outside Sri Lanka and Sri Lankans resident outside Sri Lanka and above 18 years of age.

Applications will not be accepted from individuals under the age of 18 years or in the name of sole proprietorships, partnerships, unincorporated trusts or non-corporate bodies.

Investment in Debentures by foreign investors and non-resident Sri Lankans shall be in compliance with the relevant Exchange Control Regulations.

### 2.3 How to apply

- 1 Applications must be made on the Application Forms issued with this Prospectus which can be downloaded from the websites of the Colombo Stock Exchange ([www.cse.lk](http://www.cse.lk)) and website of Merchant Bank of Sri Lanka & Finance PLC (<https://www.mbslbank.com/>) until the Closure Date. Exact size photocopies of Application Forms will also be accepted.
- 2 Care must be taken to follow the instructions on the reverse of the Application Form. Applications, which do not strictly conform to such instructions and/or the terms and conditions, set out in this Prospectus or which are incomplete or illegible may be rejected.
- 3 Applications should be made for a minimum of one hundred (100) Debentures (LKR 10,000) of any type. Applications exceeding 100 Debentures should be in multiples of 100 Debentures (LKR 10,000). Applications for less than 100 Debentures or for a number which is not in multiples of 100 Debentures will be rejected.
- 4 Only one type of Debentures should be applied per Application Form. Investors may apply for different types of Debentures on separate Application Forms which can be

downloaded from the websites of the Colombo Stock Exchange ([www.cse.lk](http://www.cse.lk)) and website of Merchant Bank of Sri Lanka & Finance PLC (<https://www.mbslbank.com/>). Only one Application should be made by any person or entity in respect of the same type of Debentures. **Multiple Applications for the same type of Debentures will be rejected.**

- 5 Applications by Companies, Corporations and other Corporate Bodies, registered/incorporated/established in Sri Lanka should be made under their common seal or in any other manner as provided by their Articles of Association or such other constitutional documents of such Applicants or as per the statutes governing them. In the case of Approved Provident Funds, Trust Funds and Approved Contributory Pension Schemes the Applications should be in the name of the Trustees/Board of Management.
- 6 A Sri Lankan Citizen must state his/her National Identity Card (NIC) number in the Application Form. In the case of companies, the Company Registration Number should be stated in the space provided in the Application Form. A foreign citizen must state his/her Passport number in the space provided. A Sri Lankan citizen can state the Passport number only when the NIC is not available.
- 7 If the ownership of the Debentures is desired in the name of one individual full details should be given under the heading "SOLE/FIRST APPLICANT" in the Application Form. In the case of joint applicants the particulars of all applicants should be given under the relevant headings. **An Applicant of a Joint Application will not be eligible to submit another Application either individually or jointly for the same type of Debentures.**
- 8 The Application Forms may be signed by someone on behalf of the Applicant(s) provided that such person holds the Power of Attorney (POA) of the Applicant(s). A copy of such POA certified by a Notary Public as "True Copy" should be attached with the Application Form. **Original of the POA should not be attached.**
- 9 Applicants, who wish to apply through their Margin Trading Accounts, should submit the Application signed by the Margin Provider, requesting a direct upload of the Debentures to the Applicant's Margin Trading Account in the CDS. The Margin Provider should indicate the relevant CDS Account number relating to the Margin Trading Account in the space provided in the Application Form. **A true copy** of the Margin Trading Agreement should be attached with the Application Form.
- 10 Margin Providers can apply under their own name and such Applications will not be construed as multiple Applications.
- 11 As per the Directive of the Securities and Exchange Commission of Sri Lanka made under Circular No. 08/2010 dated 22 November 2010 and Circular No. 13/2010 issued by the Central Depository Systems (Pvt) Ltd dated 30 November 2010, all Debentures shall be directly uploaded to the CDS and hence all Applicants should indicate their CDS Account number in their Application Form for subscription of Debentures.

Applicants who do not have a CDS Account are advised to open a CDS account prior to making the Application in order to facilitate the uploading of allotted Debentures to the CDS.

Please note that upon the allotment of Debentures under this issue the allotted Debentures would be credited to the Applicant's CDS account so indicated. Please note that Debenture Certificates shall not be issued.

Applications which do not carry the CDS account number, which is not opened at the time of the closure of the subscription list or which indicate an incorrect/inaccurate CDS account number shall be rejected, and no allotment will be made.

A CDS account could be opened through any Trading Participant of the CSE set out in **Annexure I** and any Custodian Bank set out in **Annexure II** of this Prospectus.

It should be noted that in the event the Applicant's CDS Account number is correctly stated in the Application Form all correspondence with such Applicant will be sent to the address given to the CDS by such Applicant.

Further, in the event the name or the address of the Applicant mentioned in the Application Form differ from the name or address given to the CDS by such Applicant in respect of the CDS Account mentioned in the Application Form, the name and the address given to the CDS by such Applicant in respect of the CDS account mentioned in the Application Form will be considered as the name and Address of such Applicant.

Therefore the Applicants shall ensure that their name and address mentioned in the Application Form tally with the name and address given to the CDS in respect of the CDS Account mentioned in the Application Form.

- 12 Foreign Investors and Non-Resident Investors may be affected by the laws of the Jurisdiction of the country of their residence. It is the responsibility of such Investors to comply with the laws relevant to their country of residence and the laws of Sri Lanka, when making an Application for subscription of the Debentures.
- 13 As per the Foreign Account Tax Compliance Act (FATCA) "US Persons" must provide the duly completed declaration as per the specimen given in Annexure VII together with the Application Form. Under the provisions of FATCA, "US Persons" include;
  - I. US Citizens (including an individual born in U.S. but resident in another country who has not renounced U.S. citizenship)
  - II. A lawful citizen of the U.S. (including Green card holders)
  - III. A person residing in the U.S.
  - IV. A person who spends certain number of days in the U.S. each year
  - V. U.S. Corporations, estates and trusts
  - VI. Any entity that has a linkage or ownership to U.S. or the U.S. territories
  - VII. Non U.S. entities that have at least one U.S. Person as a "substantial beneficial owner"
- 14 Application Forms properly filled in accordance with the instructions thereof, together with the remittance (cheque, bank draft, bank guarantee or RTGS transfer confirmation as the case may be) for the full amount payable on Application should be enclosed in a sealed envelope marked "**MBSL DEBENTURE ISSUE**" on the top left hand corner and

addressed and dispatched by post or courier or delivered by hand to the “Managers and Registrars to the Issue” at the following address:-

**Managers and Registrars to the Issue**  
Corporate Advisory and Capital Markets Division  
Merchant Bank of Sri Lanka & Finance PLC  
Level 18, “Bank of Ceylon Merchant Tower”,  
No. 28, St. Michael’s Road, Colombo 03.

Application forms could also be handed over to any of the Collection Points set out in **Annexure I**.

Applications sent by post or courier or delivered to any places mentioned in **Annexure I** (Collection Points) should reach the office of the Managers and Registrars to the Issue at least by 4.30 p.m. on the Third (03<sup>rd</sup>) working day immediately after the date of the closure of the subscription list. Applications received after the said period will be rejected even though they have been sent by courier or delivered to any of the Collection Points prior to the Closing date or carry a postmark dated prior to the Closing date.

Scanned copies of the duly filled Application Forms together with the scanned copies /soft copies of payment proof (i.e. electronic fund transfer confirmations) may also be submitted via emails to [mbsldebenture@mbslbank.com](mailto:mbsldebenture@mbslbank.com). The investors are required to mention the contact details (telephone/mobile numbers) clearly in the application form.

However, investors applying through Margin Trading accounts, under Power of Attorney, or making payments through cheques, bank drafts or bank guarantees, Foreign Citizens, Corporate Bodies, and Unit Trusts are not permitted to send applications through emails. All applications forms together with the payment proof should be received to the email [mbsldebenture@mbslbank.com](mailto:mbsldebenture@mbslbank.com) prior to 4.30 p.m. on the Earliest Closing Date of the Issue. Applications received through email after the said period shall be rejected.

## **2.4 Mode of payment**

- 1 Payment should be made only by way of cheque, bank draft, bank guarantee, SLIP or RTGS transfers, as the case may be. An Application Form should be accompanied by a cheque, bank draft, bank guarantee or payment proof/receipt, as the case may be, for the aggregate amount payable. Applications with two or more cheques, bank drafts or bank guarantees or payment proof/receipts will be rejected in the event the value of such Application is below Sri Lankan Rupees One Hundred Million (LKR 100,000,000).

***Application Forms accompanied by cash will not be accepted.***

- 2 The amount payable should be calculated by multiplying the number of Debentures applied for by the issue price of LKR 100/- per Debenture. If there is a discrepancy in the amount payable and the amount specified in the cheque/bank draft, bank guarantee or SLIP or RTGS Transfer, the Application will be rejected.

- 3 Payments for Applications for values above and inclusive of Sri Lankan Rupees One Hundred Million (LKR 100,000,000/-) should be supported by either a;
- Bank guarantee issued by a licensed commercial bank; or
  - Multiple bank drafts/cheques drawn upon any licensed commercial bank operating in Sri Lanka, each of which should be for values on the date of opening of the Issue.
  - SLIP or RTGS transfer with value on the date of opening of the Issue.

***Multiple Bank guarantees or RTGS transfers will not be accepted.***

- 4 Cheques and Bank Drafts should be drawn upon any licensed commercial bank in Sri Lanka and crossed "Account Payee Only" and made payable to "**MBSL - DEBENTURE ISSUE ACCOUNT**".

The Bank Guarantees should be in a form acceptable to the Company/Managers and Registrars to the Issue and should be issued by a licensed commercial bank in Sri Lanka and payable on demand unconditionally to "**MBSL-DEBENTURE ISSUE ACCOUNT**".

The format/s of the Bank Guarantee could be obtained from the office of the Managers & Registrars to the Issue.

- 5 In the event that cheques are not realized prior to the date of deciding the basis of allotment and realized after such date, the monies will be refunded and no allotment of Debentures will be made. Cheques must be honored on first presentation for the application to be valid.
- 6 All cheques/bank drafts received in respect of the applications will be banked on the next working day immediately after the date of closure of the subscription list.
- 7 In case of SLIP or RTGS transfers, such transfers should be made to the credit of "**MBSL - DEBENTURE ISSUE ACCOUNT**" bearing the account number 75345210 at Bank of Ceylon, Corporate Branch with value on the date of opening of the issue (i.e. the funds should be made available to the above account on the date of opening of the issue).

The Applicant should obtain a confirmation from the Applicant's bank, to the effect that arrangements have been made to transfer payment in full for the total value of Debentures applied for to the credit of "**MBSL - DEBENTURE ISSUE ACCOUNT**" bearing the account number 75345210 at Bank of Ceylon, Corporate Branch with value on the date of opening of the Issue (i.e. the funds to be made available to the above account on the date of opening of the issue) and such confirmation should be attached with the Application Form.

In respect of SLIP and RTGS transfers, all interest earned (if any) from the date of such transfers (date of opening of the issue) up to the date of Allotment will be paid back to the respective Applicant. For SLIP and RTGS transfers, the Applicants are entitled to an interest at the rate of Three per centum (3.00%) per annum from the date of such transfers (date of opening of the issue) up to the date of Allotment. However, no interest will be paid if the SLIP or RTGS transfers are not realised before the end of the closing date of the Issue. Furthermore, even if such SLIP or RTGS transfers are effected prior to the date of opening of the issue, no interest will be paid for the period prior to the date of opening of the issue.

- 8 Payment for the subscription of the Debentures by foreign institutional investors including Country Funds, Regional Funds or Mutual Funds, Corporate Bodies incorporated outside Sri Lanka, Foreign citizens whether resident in Sri Lanka or outside Sri Lanka and Sri Lankan citizens resident outside Sri Lanka shall be made only out of the monies available to the credit of an Inward Investment Account (IIA) of such investor opened and maintained in a Licensed Commercial Bank in Sri Lanka in accordance with the directions given by the Director of the Department of Foreign Exchange in that regard.

A confirmation from such Licensed Commercial Bank in Sri Lanka stating that such payment has been made out of the funds available in the IIA of the Applicant maintained with the said bank, should be attached with the Application Form.

## 2.5 Rejection of Applications

- 1 Application Forms and the accompanying cheques/bank drafts/bank guarantees RTGS or SLIP transfer proof/receipts, which are illegible or incomplete in any way and/or are not in accordance with the terms, conditions and instructions set out in this Prospectus will be rejected at the sole discretion of the Company.
- 2 Applications from individuals under the age of 18 years or in the names of sole proprietorships, partnerships or unincorporated trusts will also be rejected.
- 3 An Applicant of a Joint Application will not be eligible to submit another Application either individually or jointly for the same type of Debentures. Only one Application should be made by any person or entity for the same type of Debentures. Multiple Applications for the same type of Debentures will be rejected.
- 4 Applications which do not carry the CDS account number, which is not opened at the time of the closure of the subscription list or which indicate an incorrect/inaccurate CDS Account number shall be rejected, and no allotment will be made. Application Forms stating third party CDS account numbers, instead of their own CDS account numbers, except in the case of Margin Trading Accounts, will also be rejected.
- 5 Any Application Form which does not state the NIC, Passport or Company Registration Number, as the case may be, will be rejected.
- 6 Applications of value less than Sri Lankan Rupees One Hundred Million (LKR 100,000,000) with RTGS Transfers, two or more Cheques, Bank Drafts or Bank Guarantees will be rejected. Application Forms accompanied by cash will not be accepted.
- 7 In the event that Cheques are not realized prior to the date of deciding the basis of allotment and realized after such date the monies will be refunded and no allotment of Debentures will be made. Cheques must be honoured on first presentation for the Application to be valid. In the event cheques are dishonored/returned on first presentation the Application will be rejected.

- 8 Applications delivered by hand to the Managers and Registrars to the Issue, or to any Collection Points listed in **Annexure I** after the subscription list is closed will be rejected.
- 9 Applications sent by post or courier or delivered to any places mentioned in **Annexure I** (Collection Points) should also reach the office of the Managers & Registrars to the Issue at least by 4.30 p.m. on the the third (03<sup>rd</sup>) working day immediately after the date of the closure of the subscription list. Applications received after the said period will be rejected even though they have been sent by courier or delivered to any of the Collection Points prior to the closing date or carry a postmark dated prior to the closing date.
- 10 The Directors of the Company hereby also reserve the right to refuse any Application or to accept any Application in part only, without assigning any reason therefor.

## 2.6 Allotment of Debentures

In the event of an oversubscription of the initial Five Million (5,000,000) Debentures or the entire Ten Million (10,000,000) Debentures (as the case may be) the basis of allotment will be decided by the Board of Directors of the Company before the expiry of seven (07) market days from the date of closure of the Issue and notified to the CSE.

The Company reserves the right to refuse any application or to accept any Application in part only, without assigning any reason therefor.

The successful Applicants will be notified about their allotment within Ten (10) Market days from the date of closure of the Subscription List.

## 2.7 Refunds

- 1 Where an Application is not accepted, subsequent to the cheque being realized, the Applicant's money in full or where an Application is accepted only in part, the balance of the Applicant's money will be refunded.
- 2 If the Applicant has provided all details of the Applicant's bank account in the Application Form, the refund payment will be made to the bank account specified by the Applicant through the Sri Lanka Inter Bank Payment System (SLIPS) and a payment advice shall be issued to the Applicant. However, SLIPS transfers are subject to a **maximum limit of Sri Lankan Rupees Five Million (LKR 5 Million)** imposed by the CBSL. Therefore, even though an Applicant has requested for SLIPS transfer for refund amounts and submitted all details of the bank account in the Application Form, **refund amounts exceeding Sri Lankan Rupees Five Million (LKR 5 Million) will be made by RTGS transfers.**

Since the refund payments in respect of Non Resident/Foreign Investors will be made through an IIA account, the details of the IIA account filled in the Application Form need to be accurate.

Only If the Applicant has not provided details of the bank account in the Application Form or has provided incomplete details of the bank account, refund payment will be



made by a crossed cheque drawn in favour of the Applicant and sent by Registered Post to the registered address of such Applicant. In the case of a joint Application, a crossed cheque will be drawn in favour of the Applicant whose name appears first in the Application Form. Applicants can obtain details on bank and branch codes required for providing instructions on SLIP transfers at the following website;  
[http://www.lankaclear.com/products\\_and\\_services/sl\\_interbank\\_payment\\_system\\_guideline.php](http://www.lankaclear.com/products_and_services/sl_interbank_payment_system_guideline.php)

- 3 Refund payments on Debentures which have not been allotted either in full or part, will be arranged before the expiry of Eight (08) market days from the date of closure of the issue (excluding the date of closure of the Issue). Applicants would be entitled to receive Interest at the last quoted Average Weighted Prime Lending Rate (AWPLR) published by the Central Bank of Sri Lanka plus Five Percent (5%) on any refunds not made within this period.

In the event refund payment is effected via SLIP/RTGS based on the bank account details provided by the Applicant in the Application Form, but is rejected by the Applicant's Bank due to inaccurate information such refund payments would be made via crossed cheque drawn in favour of the Applicant and sent by Registered Post to the registered address of such Applicant. Such payment would be made at the earliest possible date and the Applicant should not hold the Company/the Managers & Registrars to the Issue responsible for such delays.

## 2.8 CDS lodgments and trading of Debentures

If the Applicant's CDS Account number is correctly stated in the Application Form the Debentures allotted will be directly uploaded to the CDS account stated in the Application Form before the expiry of **Twelve (12) Market days as per Rule 3.3.15 (b)**, from the date of closure of the Subscription List. A written confirmation in this regard will be sent to the Applicant within **Two (02) Market days** of crediting the CDS Account, by ordinary post to the Registered Address of such Applicant.

The Company shall submit to the CSE a 'Declaration' as set out in the listing rules of the CSE on the market day immediately following the day on which the investors' CDS Accounts are credited with the Debentures and trading of the Debentures will commence on or before the Third (03<sup>rd</sup>) Market day upon receipt of the declaration by the CSE.

## 2.9 Notification to Department of Foreign Exchange of Sri Lanka

In terms of the prevailing Exchange Control Regulations of Sri Lanka, the Company shall within **Thirty (30) days** from the date of receipt of remittances by Foreign Institutional Investors including Country Funds, Regional Funds or Mutual Funds, Corporate Bodies incorporated outside Sri Lanka, Foreign citizens whether resident in Sri Lanka or outside Sri Lanka and Sri Lankan citizens resident outside Sri Lanka for subscription of the Debentures furnish a Report to the Director Department of Foreign Exchange of Sri Lanka providing the following details:-

- (i) The total amount of monies received through Inward Investment Accounts (IIAs)
- (ii) The names and addresses of the Authorized Dealers through whom the remittances were received.
- (iii) The maturity date of the relevant Debentures.

### 3. AN OVERVIEW OF THE COMPANY

#### 3.1 Brief profile of MBSL

Merchant Bank of Sri Lanka & Finance PLC (MBSL) is incorporated in March 1982 and quoted on the Colombo Stock Exchange in 1991. MBSL is a Registered Finance Company under the Finance Business Act No. 42 of 2011, a Registered Leasing Company under the Finance Leasing Act No. 56 of 2000 (as amended) and a Registered Market Intermediary under the Categories of Margin Provider, Underwriter, Investment Manager and Corporate Finance Advisor in terms of the Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021 (as may be amended).

MBSL boasts of a rich experience in its principal lines of business – Leasing, Term Loans, Personal Loans, Savings, Deposits, Pawning and Corporate Advisory & Capital Market activities catering to a diverse clientele, both locally and globally. Exceeding customer expectation has always been MBSL's winning edge. The dynamic, multi-disciplined and dedicated Team at MBSL coupled with the latest technology always strives to provide an exceptional service to delight its customers. MBSL merged/amalgamated with its subsidiaries MBSL Savings Bank Limited and MCSL Financial Services Limited on 01 January 2015, whereby the surviving entity is MBSL. Currently MBSL is having 48 branches island wide with the total staff strength around 800 employees. Together with its subsidiary MBSL Insurance Company Limited and Associate Company Lanka Securities (Pvt) Limited, MBSL is equipped to deliver total solutions beyond the barriers of the traditional business lines of merchant banking.

Major shareholder of MBSL is Bank of Ceylon (BOC), which holds 401,577,367 (76.56%) Ordinary Voting shares of MBSL as at 31 December 2024.

The Board of Directors of MBSL comprises eminent leaders in Management/Industry and other decision makers in their own right, with affiliations to the private and public sectors.

MBSL has been awarded a long term institutional rating of A (Ika) with Stable Outlook by Fitch Rating Limited in January 2025.

### 3.2 Key products and services

<p><b>Capital Market Services</b></p> <ul style="list-style-type: none"> <li>• Structuring &amp; Managing Public Share Issues and Debt Issues</li> <li>• Margin Trading Facilities</li> <li>• Private Placement of Equity and Debt</li> <li>• Management of Mandatory and Voluntary Offers</li> <li>• Underwriting</li> <li>• Portfolio Management</li> </ul>	<p><b>Corporate Advisory Services</b></p> <ul style="list-style-type: none"> <li>• Corporate Valuations</li> <li>• Performance Improvements and Other Value Added Services</li> <li>• Corporate Plans and Business Plans</li> <li>• Employee Share Option Plans</li> <li>• Financial and Operational Restructuring</li> <li>• Consultancy Services</li> <li>• Feasibility Studies</li> <li>• Mergers and Acquisitions</li> <li>• Independent Opinions</li> <li>• Loan Syndications</li> </ul>
<p><b>Lending</b></p> <ul style="list-style-type: none"> <li>• Financial &amp; Operating Leases</li> <li>• Hire Purchase</li> <li>• Bills Discounting</li> <li>• Cheque Discounting</li> <li>• Term Loans</li> <li>• Project Loans</li> <li>• Bank Guarantees</li> <li>• Personal Loans</li> </ul>	<p><b>Savings &amp; Deposits</b></p> <ul style="list-style-type: none"> <li>• Fixed Deposits</li> <li>• Savings and Minor Savings</li> </ul>
	<p><b>Pawning / Gold Loan</b></p>

### 3.3 Board of Directors

#### **Mr. A M A Perera**

##### **Chairman - Non-Executive /Independent Director**

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

**Non-Executive/ Non-Independent 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 also member of the Integrated Risk Management Committee and Nomination 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 Jayawardenapura and the Institute of Bankers of Sri Lanka.

**Mr. H P K Silva**

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

**Non-Executive/ Non-Independent 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 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**

**Non-Executive/ Independent Director**

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, 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.

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, 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.

**Mr. A. Jehaan Ismail**

**Non-Independent/ Non-Executive Director**

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. W C Rodrigo****Non-Executive/ Independent**

Mr. 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, Mr. 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.

Mr. 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.

### **3.4 Senior Management**

**MR. DAMMIKA HAPUWINNA****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.



The Chief Executive Officer of the Company has not been involved in any of the following:

- A petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an executive officer;
- Convicted for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

#### **MR. CHARITHA VITHANA**

##### **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. HIMALA WIJAYATUNGA**

##### **Chief Risk Officer**

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 Jayewardenepura. 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. MAJINTHA ILLANKONE****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).

**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.

**MR. ASELA LIYANAGE****Deputy 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.

**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 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 has wide and varied exposure, experience and expertise in Corporate Legal matters, including Conveyancing, Litigation, 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.

#### **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 27 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 Jayawardhanapura, 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. 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. SAMAN PATHMADEERA**

##### **Assistant General Manager - Retail & 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. NIROSHAN SELVARAJ**

##### **Assistant General Manager**

Mr. Niroshan Selvaraj holds a B.sc 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 Branch Manager, Manager, Senior Manager, Acting Head of Credit & AGM.

#### **MRS. GAYATHRI DE SILVA**

##### **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's career with the MBSL group spans over 26 years, specialising in operational finance, financial planning & analysis (FP&A), budgeting, and reporting, as well as played a key role in cost control, compliance, ensuring operational efficiency, streamlining financial process and financial stability.

She holds an Executive 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.

## **MR. PANDULA BANDARA**

### **Compliance Officer**

Mr. Pandula began his career as an Audit Examiner at the Auditor General's Department. After three years, he transitioned to the banking and finance sector in 2005, taking on the role of Anuradhapura Branch Opening Manager at the Merchant Bank of Sri Lanka (MBSL). In 2008, he further enhanced his expertise by working with CDB and Central Finance. He rejoined MBSL in 2016 as Branch Manager for Negombo and has since held key positions such as Regional Credit Officer, Senior Manager within the Compliance Division, and most recently, Compliance Officer since September 2023.

With nearly two decades of professional experience, Mr. Pandula has developed an extensive skill set that includes auditing, branch management, pawning and gold loan administration, MoneyGram and foreign exchange operations, credit evaluation, and compliance. He is also qualified to serve as an external resource person at Anuradhapura Open University and Technical College.

Mr. Pandula holds a Bachelor of Business Administration from the University of Sri Jayawardenepura, a Postgraduate Diploma from SLIT, and is a Certified Business Accountant accredited by the Institute of Chartered Accountants (ICA). He is also an Associate Member of the Bankers Association. Beyond his accomplishments in the financial sector, he has pursued a strong interest in Counseling Psychology, earning an Advanced Diploma from IHRA, University of Colombo, and a Master's in Buddhist Counseling Psychology from the Kelaniya Pali and Buddhist Postgraduate Institute.

## **3.5 Board Subcommittees**

The members of the Board Subcommittees as at date are as follows:

### **1. Composition for the Board Audit Committee (BAC)**

NO.	NAME OF DIRECTOR	DIRECTORSHIP STATUS
1	Ms. R D Fernando - Chairman	Non-Executive /Independent Director
2	Mr. A M A Perera	Non-Executive /Independent Director
3	Mr. A J Ismail	Non-Executive/ Non-Independent Director

### **2. Composition for the Board Integrated Risk Management Committee (BIRMC)**

NO.	NAME OF DIRECTOR	DIRECTORSHIP STATUS
1	Mr. A M A Perera - Chairman	Non-Executive /Independent Director
2	Ms. R D 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

**3. Composition for the Human Resources & Remuneration Committee**

NO.	NAME OF DIRECTOR	DIRECTORSHIP STATUS
1	Ms. Dulani Fernando Chairman	Non-Executive /Independent Director
2	Mr. A M A Perera	Non-Executive /Independent Director
3	Mr. H P K Silva	Non-Executive /Non-Independent Director
4	Mr. R M N Jeewantha	Non Executive /Non Independent Director

**4. Composition for the RPTRC Committee**

NO.	NAME OF DIRECTOR	DIRECTORSHIP STATUS
1	Ms. R D Fernando - Chairman	Non-Executive /Independent Director
2	Mr. A M A Perera	Non-Executive /Independent Director
3	Mr. H P K Silva	Non Executive /Non Independent Director

**5. Composition for the Nominations and Governance Committee**

NO.	NAME OF DIRECTOR	DIRECTORSHIP STATUS
1	Ms. R D Fernando-Chairman	Non-Executive /Independent Director
2	Mr. A M A Perera	Non-Executive /Independent Director
3	Mr. G A Jayashantha	Non Executive /Non Independent Director

**3.6 Top 20 shareholders as at 31 December 2024**

	Name of the shareholder	No. of Shares	Holding %
1	Bank of Ceylon No. 1 Account	401,577,367	76.56
2	BOC Property Development & Management (Pvt ) Ltd	41,666,682	7.54
3	Bank of Ceylon A/C Ceybank Unit Trust	11,798,060	2.25
4	Hatton National Bank PLC/D N Sellamuttu	5,320,722	1.01
5	Mr. J A S M Jayawickrama	5,043,278	0.96
6	Mr. A.M. Weerasinghe	3,227,403	0.62
07	Thread Capital (Private) Limited	1,505,000	0.36
08	Hatton National Bank PLC/R E Rambukwelle	1,325,000	0.25
9	Amaliya Private Limited	1,317,656	0.25
10	Mr. B.T. Prathapasinghe	1,121,250	0.21
11	Mr. A.S.A.Fernando	1,000,000	0.19
12	People's Leasing & Finance PLC/Mr.R.R.S.Ananda	060,200	0.18
13	Mrs. S.M.D.R. Samarasinghe	779,771	0.15
14	Seylan Bank PLC/A.C.Senanka	772,835	0.15
15	Peopla's Leasing & Finance PLC/L.P.Hapangama	715,627	0.14
16	Mr. L.H.L.M.P.Haradasa	625,010	0.12
17	Mr. V. K. A. M. Karunarathne	607,480	0.12
18	Seylan Bank PLC/ Ms.L.A.M.Gunasekera	600,000	0.11
19	Dr. P.M.C.B.Digana	595,005	0.11
20	Dialog Finance PLC/K.W.J.P.L. Perera	593,725	0.11

### 3.7 Financial Information

The Accountants Report and 5 Year summary of the Company and Audited Financial Statements for the year ended 31 December 2024 are given in Annexure III and Annexure IV of this prospectus. The said financial information and latest Interim Financial Statements are also available on the websites of CSE ([www.cse.lk](http://www.cse.lk)) and the Company ([www.mbslbank.com](http://www.mbslbank.com)).

#### Summary of the Financial Position of MBSL

LKR ('000)

	Company Financial Position for the Year Ended		
	31-12-2024 Audited	31-12-2023 Audited	31-12-2022 Audited
Income	7,582,723	7,478,049	6,542,592
Net interest income	2,186,790	1,640,465	1,755,398
Profit /(Loss) before Income Tax	445,909	67,907	(656,914)
Profit / (loss) for the Year	240,454	20,888	(495,608)
Total assets	40,200,008	33,699,122	31,231,781
Total liabilities	36,317,977	30,028,450	27,536,237
Stated capital	4,276,448	4,276,448	4,276,448

### 3.8 Borrowings

Details of the borrowings (Capital Outstanding) as at 31 December 2024 is given below.

(LKR)

	Company	Group
Debentures	690,530,000	690,530,000
Short Term Loan and Money Market Loans	5,040,000,000	5,040,000,000
Other borrowings	2,400,000,000	2,400,000,000
Long Term Borrowing	475,000,000	475,000,000
<b>Total</b>	<b>8,605,530,000</b>	<b>8,605,530,000</b>

Details of other Debt issued by the Company as at the date of the Prospectus are given below.

Type of Debentures	Date of Issue	Date of Maturity	Applicable interest rate	Capital Outstanding LKR	Total Outstanding LKR
Listed Debentures	16.11.22	15.11.27	Type A 24% p.a. Fixed - Annually	23,990,000	23,990,000
			Type B 23.5%p.a. Fixed Bi-annually	32,880,000	32,880,000

			<b>Type C</b> Floating 363 days T bill plus 3% Cap of 29.5% p.a. Quarterly	10,830,000	10,830,000
<b>Listed Debentures</b>	10.04.23	09.04.28	<b>Type A</b> 29.50% p.a. Fixed – Annually	276,660,000	276,660,000
			<b>Type B</b> 28.00%p.a. Fixed Bi-annually	25,5140,000	25,5140,000
			<b>Type D</b> Floating 363 days T bill plus 3% Cap of 29.5% p.a. Quarterly	91,030,000	91,030,000
<b>Total</b>				<b>690,530,000</b>	<b>690,530,000</b>

The above mentioned Debenture Holders of MBSL will not be entitled to any of the rights and privileges available to the Shareholders of MBSL including the right to receive notice, to attend and vote at General Meetings of the Shareholders of MBSL. Debenture Holders' rights in respect of calling and attending meetings of Debenture Holders are stated in the respective Trust Deeds. The above mentioned Debenture Holders are in any event not barred from being Shareholders of MBSL and if they are Shareholders they will enjoy the rights and privileges entitled to Shareholders.

In the event of liquidation or winding up, the claims of the above mentioned Subordinated Debenture Holders will be ranked after all the claims of depositors, Secured and other Unsecured Creditors of the Company and any preferential claims under any Statutes governing the Company but in priority to and over the claims and rights of the Shareholders of MBSL

### 3.9 Gearing Ratios

<b>As at 31st December</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Debt / Equity Ratio % *	8.3	7.84	7.18	7.22	20.25
Interest Cover Ratio (Times) **	1.11	1.01	0.86	1.30	0.62

\* Debt Equity Ratio = Long-term borrowings / Shareholder's equity

\*\*Interest Cover = Profit before Interest & Tax / Interest Expenses



### 3.10 Debt Serving History during last 5 years

	LKR 'Mn				
Year	2024	2023	2022	2021	2020
Debenture interest	204.9	154.2	100	293	294
Interest paid on or before due date	204.9	154.2	100	293	294
Interest paid after the due date	None	None	None	None	None
Interest not paid as of to date	None	None	None	None	None

### 3.11 Litigation, disputes and contingent liabilities

There were no material legal, arbitration or mediation proceedings pending against the Company as at 31 March 2025 which may have or which had in the recent past any significant effects on the financial position or profits of the Company other than the actions set out in **Annexure VI** of the Prospectus.

In the normal course of business, the Company incurs certain contingent liabilities with legal recourse to its customers. Even though these obligations may not be recognized 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 by the Company as a result of these transactions.

### 3.12 Details of benefits paid to promoters

No benefits have been paid or given by the Company to any promoter during the preceding two (02) years and there are no benefits intended to be paid or given to any promoter during the next two (02) years.

### 3.13 Material contracts

The Company has not entered into any material contracts during the preceding two (02) years other than those contracts entered into as part of the ordinary course of business carried on or intended to be carried on by the Company.

## 4. DECLARATIONS

### 4.1 Declaration by the Directors

09<sup>th</sup> May 2025

We, the undersigned who are named herein as the Directors of Merchant Bank of Sri Lanka & Finance PLC (MBSL), hereby declare and confirm that this Prospectus has been seen and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that the provisions of the Listing Rules of the Colombo Stock Exchange and the Companies Act No. 07 of 2007 and amendments thereto have been complied with and after making all reasonable inquiries and to the best of our knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of MBSL have been given in the Prospectus, such representations have been made after due and careful inquiry of the information available to MBSL and making assumptions that are considered to be reasonable at the present point in time and according to our best judgments.

An application has been made to the Colombo Stock Exchange for permission to deal in and for a listing of all those Debentures to be issued by MBSL pursuant to this Prospectus. Such permission will be granted when the Debentures are listed on the Colombo Stock Exchange. The Colombo Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this Prospectus. Listing on the Colombo Stock Exchange is not to be taken as an indication of the merits of MBSL or of the Debentures issued

Name	Designation	Signature
Mr. Adikarige Mervin Anura Perera	Chairman , Non Executive/ Independent Director	Sgd.
Mr. Godakanda Arachchige Jayashantha	Non Executive/Non Independent Director	Sgd.
Mr. Hithanadura Priyal Kithsiri Silva	Non Executive/Non Independent Director	Sgd.
Mr. Rajapaksha Mudiyansele Nadira Jeewantha	Non Executive/Non Independent Director	Sgd.
Mr. Yaddehi Arachchige Jayathilaka	Non Executive/Non Independent Director	Sgd.
Ms. Rasa Dulani Fernando	Non Executive/ Independent Director	Sgd.
Mr. Ahamed Jehaan Ismail	Non Executive/Non Independent Director	Sgd.
Mr. Weliwitage Chandima Rodrigo	Non Executive/ Independent Director	Sgd.

#### 4.2 Declaration by the Managers, Registrars & Placement Agent to the Issue

We, Merchant Bank of Sri Lanka & Finance PLC of No.28, St. Michael's Road, Colombo 03 being the Managers, Registrars and Placement Agent to the Debenture Issue of MBSL, hereby declare and confirm that to the best of our knowledge and belief this Prospectus constitutes full and true disclosure of all material facts about the Issue and the Issuer (MBSL).

The Common Seal of Merchant Bank of Sri Lanka & Finance PLC is affixed hereto at Colombo on this 09<sup>th</sup> day of May 2025 in the presence of,

Sgd.  
Director  
Name : Mr. A M A Perera

Sgd.  
Director  
Name : Ms. R D Fernando

#### 4.3 Declaration by the Joint Managers & Joint Placement Agent to the Issue

We, Investment Banking Unit of Bank of Ceylon of 11<sup>th</sup> Floor, "BOC Square", No. 01, Bank of Ceylon Mawatha, Colombo 01 being the Joint Managers & Placement Agent to the Debenture Issue of Merchant Bank of Sri Lanka & Finance PLC (MBSL), hereby declare and confirm that to the best of our knowledge and belief this Prospectus constitutes full and true disclosure of all material facts about the Issue and the Issuer (MBSL).

Sgd.  
Authorised Signatory  
Name : Mr. G A Jayashantha  
Designation : Deputy General Manager  
- International, Treasury & Investment

Sgd.  
Authorised Signatory  
Name : Mr M R A Shakoor  
Designation : Assistant General Manager  
- Investments

Date: 09<sup>th</sup> May 2025

# ANNEXURES

# **Annexure I**

## **Collection Points**

## MANAGERS & REGISTRARS TO THE ISSUE

**Merchant Bank of Sri Lanka & Finance PLC**  
Corporate Advisory & Capital Markets Division  
Level 18, Bank of Ceylon Merchant Tower  
No 28, St Michael's Road, Colombo 3.  
Tel : +94 11 4711778

## Members of the CSE

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**Bartleet Religare Securities (Pvt) Ltd**

Level "G", "Bartleet House", 65,  
Braybrooke Place, Colombo 2.  
+94 11 5 220 200  
+94 11 2 434 985  
[info@bartleetstock.com](mailto:info@bartleetstock.com)  
<http://www.bartleetreligare.com>

**HNB Stockbrokers (Pvt) Ltd**

No. 53, Dharmapala Mawatha,  
Colombo 3.  
+94 11 2 206 206  
+94 11 2 206 298 / 9  
[sales@acuitystockbrokers.com](mailto:sales@acuitystockbrokers.com)  
<http://www.acuity.lk>

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**John Keells Stock Brokers (Pvt) Ltd**

186, Vauxhall Street,  
Colombo 2.  
+94 11 2 306 250  
+94 11 2 342 068  
[jstock@keells.com](mailto:jstock@keells.com)  
<http://www.jksb.com>

**Asha Securities Limited**

No.60, 5th Lane,  
Colombo 03.  
+94 11 2 429 100  
+94 11 2 429 199  
[asl@ashasecurities.net](mailto:asl@ashasecurities.net)  
<http://www.ashasecurities.net>

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**Almas Equities (Pvt) Ltd**

Westin Tower, 5th Level,  
No 2 - 4/1, Lake Drive,  
Colombo 8.  
+94 11 2 673 908  
[info@almasequities.com](mailto:info@almasequities.com)  
<https://online.almasequities.com>

**Somerville Stockbrokers (Pvt) Ltd**

410/95,1/1,  
Buddhaloka Mawatha,  
Colombo 7  
+94 112 502858 / +94 112 502862  
+94 11 2 502 852  
[contact@somerville.lk](mailto:contact@somerville.lk)

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**J B Securities (Pvt) Ltd**

No. 150, St. Joseph Street,  
Colombo 14.  
+94 11 2 490 900  
+94 11 2 430 070  
[jbs@jb.lk](mailto:jbs@jb.lk)  
<https://www.jbs.lk>

**Lanka Securities (Pvt) Ltd**

3<sup>rd</sup> Floor, " M2M Veranda Offices", No34, W.A.D.  
Ramanayeke Mawatha, Colombo 2.  
+94 11 4 706 757 / +94 11 2 554 942  
+94 11 4 706 767  
[info@lankasec.com](mailto:info@lankasec.com)  
<http://www.lankasecurities.com>

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**Asia Securities (Pvt) Ltd**

4th Floor, Lee Hedges Tower,  
No.349, Galle Road, Colombo 3.  
+94 11 7 722 000  
+94 11 258 4864  
[inquiries@asiasecurities.lk](mailto:inquiries@asiasecurities.lk)  
<http://asiasecurities.net>

**Capital Trust Securities (Pvt) Ltd**

42, Mohamed Macan Markar Mawatha,  
Colombo 3.  
+94 11 2 174 174 / +94 11 2 174 175  
+94 11 2 174 173  
[inquiries@capitaltrust.lk](mailto:inquiries@capitaltrust.lk)  
<http://www.capitaltrust.lk>

**S C Securities (Pvt) Ltd**

5th Floor, 26 B, Alwis Place,  
Colombo 3.  
+94 11 4 711 000 / +94 11 4 711 001  
+94 11 2 394 405  
[itdivision@sampathsecurities.lk](mailto:itdivision@sampathsecurities.lk)  
<http://www.sampathsecurities.lk>

**CT CLSA Securities (Pvt) Ltd**

4-14, Majestic City, 10, Station Road,  
Colombo 04.  
+94 11 2 552 290 – 4  
+94 11 2 552 289  
[info@ctclsa.lk](mailto:info@ctclsa.lk)  
<http://www.ctclsa.lk>

**First Capital Equities (Pvt) Ltd**

Level 12, Vallible Property Building,  
No. 480, Galle Road,  
Colombo 03.  
+94 11 2 123 901  
[equity@firstcapital.lk](mailto:equity@firstcapital.lk)  
<http://www.firstcapital.lk>

**NDB Securities (Private) Ltd**

Level 2, NDB Capital Building,  
No. 135, Bauddhaloka Mawatha, Colombo 4.  
+94 11 2 131 000  
+94 11 2 314 181  
[mail@ndbs.lk](mailto:mail@ndbs.lk)  
<http://www.ndbs.lk>

**ACS Capital (Pvt) Ltd**

No.44, Guildford Crescent,  
Colombo 07.  
+94 11 789 8302  
[info@nlequities.com](mailto:info@nlequities.com)  
<http://www.nlequities.com>

**Trading Members of the CSE****Capital Alliance Securities (Pvt) Ltd**

Level 5, "Millennium House",  
46/58 Navam Mawatha, Colombo 2.  
+94 11 2 317 777  
+94 11 2 3177 88  
[info@cal.lk](mailto:info@cal.lk)  
<https://cal.lk>

**Nestor Stock Brokers (Pvt) Ltd**

The Landmark Building,  
No 385, Galle Road, Colombo 03.  
+94 11 475 8813  
+94 11 2 550 100  
[info@nestorstockbrokers.lk](mailto:info@nestorstockbrokers.lk)  
<https://www.nestorstockbrokers.lk>

**Senfin Securities Limited**

46/58 Nawam Mawatha, Colombo 02.  
+94 11 2 359 100  
+94 11 2 305 522  
[info@senfinsecurities.com](mailto:info@senfinsecurities.com)  
<http://www.candor-holdings.com>

**First Guardian Equities (Pvt) Ltd**

32nd Floor, East Tower, World Trade Centre,  
Colombo 1.  
+94 11 5 884 400 (Hunting), +94 11 5 884 401  
[info@fge.lk](mailto:info@fge.lk)  
<http://www.fge.lk>

**Ambeon Securities (Pvt) Ltd**

No.100/1,2nd Floor,  
Elvitigala Mawatha, Colombo 8.  
+94 11 5 328 200 / +94 11 5 328 100  
+94 11 5 328 177  
[info@taprobane.lk](mailto:info@taprobane.lk)  
<http://www.taprobane.lk>

**Enterprise Ceylon Capital (Pvt) Ltd**

2nd Floor-4B, Liberty Plaza, 250, R. A. De Mel  
Mawatha, Colombo 3  
+94 112 445 644 , 112 301 861/2  
[info@ecc.lk](mailto:info@ecc.lk)  
<http://ecc.lk>

**Richard Pieris Securities (Pvt) Ltd**

No.310, High Level Road, Nawinna, Maharagama.  
+94 11 4 310 500  
+94 11 2 802 385  
[communication@rpsecurities.com](mailto:communication@rpsecurities.com)  
<http://www.arpico.com/>

**Softlogic Stockbrokers (Pvt) Ltd**

Level 16, One Galle Face Tower, Colombo 02.  
+94 11 7 277 000  
+94 11 7 277 099  
[ssb.inquiry@softlogic.lk](mailto:ssb.inquiry@softlogic.lk)  
<http://www.softlogicequity.lk>

**LOLC Securities Ltd**

No. 481, T.B.Jayah Mawatha, Colombo 10.  
+94 11 5 889 889, +94 11 2 662 883  
[info@lolcsecurities.com](mailto:info@lolcsecurities.com)  
<https://www.lolcsecurities.com>

**ACAP STOCK BROKERS (PVT) LTD.**

No. 46/46, Greenlanka Building, 6th Floor,  
Nawam Mawatha, Colombo 02.  
+94 117 564 000  
[info@acapstockbrokers.lk](mailto:info@acapstockbrokers.lk)  
<https://acapstockbrokers.lk>

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**Trading Members of the CSE – Debt**

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**Capital Alliance Ltd**

Level 5, "Millenium House" 46/58, Nawam Mawatha,  
Colombo 2.  
+94 11 2 317 777  
+94 11 2 317 788  
[info@cal.lk](mailto:info@cal.lk)  
<https://cal.lk>

**Wealthtrust Securities Ltd**

No. 102/1, Dr. N.M. Perera Mawatha,  
Colombo 08.  
+94 11 2 675 091 – 4  
+94 11 2 689 605  
[info@wealthtrust.lk](mailto:info@wealthtrust.lk)

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**Seylan Bank PLC**

Level3, Seylan Towers, 90, Galle Road, Colombo 03.  
+94 11 245 6300  
+94 11 245 2215  
[info@seylan.lk](mailto:info@seylan.lk)  
<https://www.seylan.lk/>



# **Annexure II**

## **Custodian Banks**

**Bank of Ceylon**

Head Office  
11th Floor, 04, Bank of Ceylon Mawatha,  
Colombo 01.  
Tel: +94 112 204064

**The Hongkong and Shanghai Banking Corporation Limited**

24, Sir Baron Jayathilake Mawatha, Colombo 01  
Tel: +94 11 2 325 435, +94 11 2 446 591,  
+94 11 2 446 303

**Citi Bank, N A**

65 C, Dharmapala Mawatha,  
P. O. Box 888,  
Colombo 07.  
Tel: +94 114 794728

**People's Bank**

Head Office - Treasury,  
5th Floor, Sir Chittampalam A. Gardiner Mawatha,  
Colombo 02.  
Tel: +94 11 2 206782

**Commercial Bank of Ceylon PLC**

Commercial House  
21, Bristol Street, P.O. Box 853,  
Colombo 01.  
Tel: +94 11 2 445 010-15

**Pan Asia Banking Corporation PLC**

Head Office  
50, Galle Road,  
Colombo 03.  
Tel: +94 11 2 565 565

**Deutsche Bank AG**

P.O. Box 314,  
86, Galle Road,  
Colombo 03.  
Tel: +94 11 2 447 062 / 011 2 438 057

**Standard Chartered Bank**

37, York Street,  
P. O. Box 112,  
Colombo 01.  
Tel: +94 112 480450

**Hatton National Bank PLC**

HNB Towers, 479, T. B. Jayah Mawatha,  
Colombo 10.  
Tel: +94 112 661 762

**Sampath Bank PLC**

110, Sir James Peiris Mawatha,  
Colombo 02.  
Tel: +94 115 331458, +94 114 730662

**Union Bank of Colombo PLC**

64, Galle Road,  
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Tel: +94 112 374205

**State Bank of India**

16, Sir Baron Jayathilake Mawatha, Colombo 01.  
Tel: +94 114 622350

**Nations Trust Bank PLC**

256, Sri Ramanathan Mawatha,  
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Tel: +94 114 313131

**Seylan Bank PLC**

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90, Galle Road,  
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Tel: +94 11 4 701 812, 011 4 701 819

**Annexure III**  
**Accountants Report and**  
**5 Year Summary**



# ජාතික විගණන කාර්යාලය

## தேசிய கணக்காய்வு அலுவலகம்

### NATIONAL AUDIT OFFICE



මගේ අංකය  
எனது இல.  
My No.

BAN/H/BOC-S/MBSL/DI/2025

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

01 April 2025

The Chairman

Merchant Bank of Sri Lanka & Finance PLC

### Report of the Auditor General on the Statistical Summary of the Merchant Bank of Sri Lanka & Finance PLC for the last five years ended 31 December 2024

I have audited the Financial Statements of the Merchant Bank of Sri Lanka & Finance PLC for the last five years ended 31 December 2024, from which the five years statistical summary were derived, in accordance with Sri Lanka Auditing Standards. In my reports dated 30 March 2021, 29 March 2022, 30 March 2023, 27 March 2024 and 27 March 2025, I expressed an opinion that the financial statements from which the five years statistical summary were derived gave a true and fair view.

In my opinion, the accompanying five years statistical summary is consistent, in all material respects, with the financial statements from which they were derived and on which I expressed unqualified opinion.

For a better understanding of the Bank's financial position and the results of its operations for the period and of the scope of our audit, the five years statistical summary should be read in conjunction with the financial statements from which the five years statistical summary were derived and my audit opinion thereon.

  
W.P.C. Wickramaratne  
Auditor General




# Merchant Bank of Sri Lanka & Finance PLC

## STATEMENT OF PROFIT OR LOSS

For the year ended 31 December

	2024 Rs.'000	2023 Rs.'000	2022 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Income</b>	<b>7,582,723</b>	<b>7,478,049</b>	<b>6,542,593</b>	<b>5,971,065</b>	<b>5,188,013</b>
Interest and similar income	6,207,886	6,559,123	6,451,083	5,525,955	4,950,638
Interest and similar expenses	(4,021,096)	(4,918,658)	(4,695,684)	(2,675,588)	(3,532,790)
<b>Net interest income</b>	<b>2,186,790</b>	<b>1,640,465</b>	<b>1,755,399</b>	<b>2,850,367</b>	<b>1,417,848</b>
Fee and commission income	211,880	123,292	129,157	185,602	116,893
Fee and commission expenses	(43,332)	(16,757)	(19,205)	(38,587)	(22,071)
<b>Net fee and commission income</b>	<b>168,548</b>	<b>106,535</b>	<b>109,952</b>	<b>147,015</b>	<b>94,822</b>
Net trading income	793,811	120,243	3,658	44,281	10,312
Net gain/(loss) on financial instruments at fair value through profit or loss	257,327	559,224	(132,131)	(23,435)	63,629
Other operating income	111,819	116,167	90,826	238,662	46,541
<b>Total operating income</b>	<b>3,518,295</b>	<b>2,542,634</b>	<b>1,827,704</b>	<b>3,256,890</b>	<b>1,633,152</b>
Impairment charges for loans and other assets	101,111	25,094	16,504	(74,450)	(563,431)
<b>Net operating income</b>	<b>3,619,406</b>	<b>2,567,728</b>	<b>1,844,208</b>	<b>3,182,440</b>	<b>1,069,721</b>
Personnel expenses	(1,400,614)	(1,289,690)	(1,333,268)	(1,200,450)	(1,091,985)
Depreciation and amortisation	(291,078)	(272,869)	(265,420)	(245,115)	(291,273)
Other operating expenses	(1,084,583)	(739,416)	(660,683)	(613,860)	(571,882)
<b>Total operating expenses</b>	<b>(2,776,275)</b>	<b>(2,301,975)</b>	<b>(2,259,371)</b>	<b>(2,059,425)</b>	<b>(1,955,140)</b>
<b>Operating profit/(loss) before VAT on financial services and impairment of investment in group companies</b>	<b>843,131</b>	<b>265,753</b>	<b>(415,163)</b>	<b>1,123,015</b>	<b>(885,419)</b>
Impairment reversal/(charge) of investment in subsidiary	(4,435)	95,065	(113,773)	(16,019)	(462,544)
Impairment reversal/(charge) of investment in associate	-	-	-	-	5,058
<b>Profit/(loss) from operations after impairment of investment in group companies</b>	<b>838,696</b>	<b>360,818</b>	<b>(528,936)</b>	<b>1,106,996</b>	<b>(1,342,905)</b>
Taxes on financial services	(392,787)	(292,911)	(127,978)	(294,268)	-
Share of associate company's profit/(loss) before tax	-	-	-	-	-
<b>Profit/(loss) before income tax</b>	<b>445,909</b>	<b>67,907</b>	<b>(656,914)</b>	<b>812,728</b>	<b>(1,342,905)</b>
Income tax (expense)/reversal	(205,455)	(47,019)	161,306	(283,684)	234,600
<b>Profit/(loss) for the year</b>	<b>240,454</b>	<b>20,888</b>	<b>(495,608)</b>	<b>529,044</b>	<b>(1,108,305)</b>
<b>Profit/(loss) for the year attributable to:</b>					
Equity holders of the parent	240,454	20,888	(495,608)	529,044	(1,108,305)
Non-controlling interests	-	-	-	-	-
<b>Profit/(loss) for the year</b>	<b>240,454</b>	<b>20,888</b>	<b>(495,608)</b>	<b>529,044</b>	<b>(1,108,305)</b>
<b>Earnings per share:</b>					
Basic/diluted earning per share (Rs.)	0.46	0.04	(0.94)	2.04	(6.68)

Figures in brackets indicate deductions.

  
**Dammika Hapuhinna**  
 Chief Executive Officer  
 Merchant Bank of Sri Lanka & Finance PLC  
 28, St. Michael's Road  
 Colombo 03

  
**Charitha Vithana**  
 Chief Financial Officer  
 Merchant Bank of Sri Lanka & Finance PLC  
 28, St. Michael's Road  
 Colombo 03



Merchant Bank of Sri Lanka & Finance PLC  
STATEMENT OF COMPREHENSIVE INCOME  
For the year ended 31 December

	2023 Rs.'000	2022 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Profit/(loss) for the year</b>	240,454	20,888	(495,608)	529,044
<b>Other comprehensive income/(expenses)</b>				
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</b>				
Gains/(Losses) on re-measuring financial investments at fair value through other comprehensive income	2,750	(1,515)	(10,735)	(22,217)
<b>Net other comprehensive income/(expenses) to be reclassified to profit or loss in subsequent periods</b>	2,750	(1,515)	(10,735)	(22,217)
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):</b>				
Actuarial gains/(losses) on defined benefit plans	(45,492)	(63,207)	47,045	59,658
Share of associates company's other comprehensive income	-	-	-	-
Deferred tax effect relating to components of other comprehensive income	13,648	18,962	(14,113)	(16,449)
<b>Net other comprehensive income/(expenses) not to be reclassified to profit or loss in subsequent periods</b>	(31,844)	(44,245)	32,932	43,209
<b>Other comprehensive income/(expenses) for the year, net of tax</b>	(29,094)	(45,760)	22,197	20,992
<b>Total comprehensive income/(expenses) for the year, net of tax</b>	211,360	(24,872)	(473,411)	550,036
<b>Total comprehensive income/(expenses) attributable to:</b>				
Equity holders of the parent	211,360	(24,872)	(473,411)	550,036
Non controlling interests	-	-	-	-
<b>Total comprehensive income/(expenses) for the year, net of tax</b>	211,360	(24,872)	(473,411)	550,036

Figures in brackets indicate deductions.

  
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Chief Executive Officer  
Merchant Bank of Sri Lanka & Finance PLC  
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**Charitha Vithana**  
Chief Financial Officer  
Merchant Bank of Sri Lanka & Finance PLC  
28, St. Michael's Road  
Colombo 03





# Merchant Bank of Sri Lanka & Finance PLC


## STATEMENT OF FINANCIAL POSITION

As at 31 December

	2023 Rs.'000	2022 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Assets</b>				
Cash and cash equivalents	752,190	720,397	748,724	1,191,374
Placements with banks & financial institutions	203,332	574,588	103,682	246,166
Financial investments at fair value through profit or loss	8,534,914	8,161,368	287,510	341,547
Loans & receivables at amortised cost	25,942,008	19,054,715	24,423,300	28,184,638
Financial investments at fair value through other comprehensive income	16,554	14,348	15,863	1,989,169
Financial investments at amortised cost	3,473,969	3,727,940	4,307,394	-
Real estate stock	40,446	58,158	96,937	175,816
Investment in associate company	81,084	81,084	81,084	81,084
Investment in subsidiary	348,261	352,696	257,631	371,404
Investment properties	-	95,446	104,798	107,703
Property, equipment and right-of-use assets	467,355	585,436	504,669	607,185
Intangible assets	61,329	67,117	103,208	128,578
Deferred tax assets	91,893	54,951	33,824	-
Other assets	186,673	150,878	163,157	852,795
<b>Total assets</b>	<b>40,200,008</b>	<b>33,699,122</b>	<b>31,231,781</b>	<b>34,277,459</b>
<b>Liabilities</b>				
Due to banks	8,144,088	2,599,970	2,925,953	4,116,812
Due to customers at amortised cost	25,956,175	25,444,119	23,524,609	22,267,862
Debt issued and borrowed funds at amortised cost	730,033	741,030	69,082	2,381,579
Current tax liabilities	209,437	30,055	49,029	178,898
Deferred tax liabilities	-	-	-	78,301
Other liabilities	895,070	858,908	686,361	764,118
Retirement benefits obligations	383,174	354,368	281,203	320,934
<b>Total liabilities</b>	<b>36,317,977</b>	<b>30,028,450</b>	<b>27,536,237</b>	<b>30,938,344</b>
<b>Equity</b>				
Stated capital	4,276,448	4,276,448	4,276,448	4,276,448
Statutory reserves	392,265	344,174	339,996	339,996
Retained earnings	(1,189,204)	(1,289,648)	(944,964)	(427,847)
RLA reserve	424,622	371,590	54,441	-
OCI reserve	(22,100)	(31,892)	(30,377)	(19,642)
Total equity attributable to equity holders of the parent	3,882,031	3,670,672	3,695,544	4,168,955
Non controlling interests	-	-	-	-
<b>Total equity</b>	<b>3,882,031</b>	<b>3,670,672</b>	<b>3,695,544</b>	<b>4,168,955</b>
<b>Total liabilities and equity</b>	<b>40,200,008</b>	<b>33,699,122</b>	<b>31,231,781</b>	<b>34,277,459</b>
Commitments and contingent liabilities	48,858	42,093	103,938	102,400
Net assets value per share (Rs.)	7.40	7.00	7.05	16.08

Certification,

Certified that the above Financial Statements have been extracted from the Audited Financial Statement of the Company

  
**Dammika Hapubinna**  
 Chief Executive Officer  
 Merchant Bank of Sri Lanka & Finance PLC  
 28, St. Michael's Road  
 Colombo 03

  
**Charitha Vithana**  
 Chief Financial Officer  
 Merchant Bank of Sri Lanka & Finance PLC  
 28, St. Michael's Road  
 Colombo 03




# Merchant Bank of Sri Lanka & Finance PLC

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

Company	Stated capital Rs.'000	Statutory reserves Rs.'000	RLA reserves Rs.'000	OCI reserve Rs.'000	Retained earnings Rs.'000	Total equity Rs.'000
Balance as at 01 January 2019	2,124,457	214,096	-	(7,461)	193,005	2,524,097
Net profit for the year	-	-	-	-	102,584	102,584
Other comprehensive income, net of tax	-	-	-	3,299	(22,192)	(18,893)
Transfers to statutory reserve fund	-	20,517	-	-	(20,517)	-
<b>Balance as at 31 December 2019</b>	<b>2,124,457</b>	<b>234,613</b>	<b>-</b>	<b>(4,162)</b>	<b>252,880</b>	<b>2,607,788</b>
Balance as at 01 January 2020	2,124,457	234,613	-	(4,162)	252,880	2,607,788
Net profit/(loss) for the year	-	-	-	-	(1,108,305)	(1,108,305)
Other comprehensive income, net of tax	-	-	-	6,737	(38,369)	(31,632)
Transfers to statutory reserve fund	-	-	-	-	-	-
<b>Balance as at 31 December 2020</b>	<b>2,124,457</b>	<b>234,613</b>	<b>-</b>	<b>2,575</b>	<b>(893,794)</b>	<b>1,467,851</b>
Balance as at 01 January 2021	2,124,457	234,613	-	2,575	(893,794)	1,467,851
Net profit/(loss) for the year	-	-	-	-	529,044	529,044
Other comprehensive income, net of tax	-	-	-	(22,217)	43,209	20,992
Issue of ordinary shares through right issue	2,151,991	-	-	-	-	2,151,991
Transaction cost related to rights issue	-	-	-	-	(923)	(923)
Transfers to statutory reserve fund	-	105,383	-	-	(105,383)	-
<b>Balance as at 31 December 2021</b>	<b>4,276,448</b>	<b>339,996</b>	<b>-</b>	<b>(19,642)</b>	<b>(427,847)</b>	<b>4,168,955</b>
Balance as at 01 January 2022	4,276,448	339,996	-	(19,642)	(427,847)	4,168,955
Net profit/(loss) for the year	-	-	-	-	(495,608)	(495,608)
Other comprehensive income, net of tax	-	-	-	(10,735)	32,932	22,197
Transfers to regulatory loss allowance reserve	-	-	54,441	-	(54,441)	-
<b>Balance as at 31 December 2022</b>	<b>4,276,448</b>	<b>339,996</b>	<b>54,441</b>	<b>(30,377)</b>	<b>(944,964)</b>	<b>3,695,544</b>
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)	-
<b>Balance as at 31 December 2023</b>	<b>4,276,448</b>	<b>344,174</b>	<b>371,590</b>	<b>(31,892)</b>	<b>(1,289,648)</b>	<b>3,670,672</b>
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	-	-	53,032	-	(53,032)	-
Transfers to statutory reserve fund	-	48,091	-	-	(48,091)	-
<b>Balance as at 31 December 2024</b>	<b>4,276,448</b>	<b>392,265</b>	<b>424,622</b>	<b>(22,100)</b>	<b>(1,189,203)</b>	<b>3,882,031</b>

  
**Dammika Hapubinna**  
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**Charitha Vithana**  
 Chief Financial Officer  
 Merchant Bank of Sri Lanka & Finance PLC  
 28, St. Michael's Road  
 Colombo 03





# Merchant Bank of Sri Lanka & Finance PLC

## STATEMENT OF CASH FLOWS

For the year ended 31 December

For the year ended 31 December

	2024 Rs.'000	2023 Rs.'000	2022 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Cash flows from operating activities</b>					
Profit/(loss) before income tax	445,909	67,907	(656,914)	812,728	(1,342,905)
<b>Adjustments for :</b>					
Net Interest Income	(2,186,790)	(1,640,465)	(1,755,399)	(2,850,367)	(1,417,848)
WHT movement for the year	(6,673)	(1,258)	-	(5,006)	-
Impairment charges for loans and other losses	(101,111)	(25,094)	(16,504)	78,211	563,431
Impairment (reversal)/charge of investment in subsidiary	4,435	(95,065)	113,773	16,019	462,544
Share of associate company's profit/(loss) before tax	-	-	-	-	-
Depreciation and amortisation	291,078	272,869	265,420	245,115	291,273
Profit from sales of real estate	(5,126)	(19,577)	(28,533)	-	-
Profit from sales of property & equipment	(7,893)	(1,558)	(540)	-	-
Dividend income from associates	-	(24,633)	-	(43,496)	-
Dividend income from financial assets at FVTPL	(10,914)	(8,805)	(7,207)	(5,874)	(6,060)
Contribution to defined benefit plans	73,878	72,052	61,641	48,608	56,674
Fair value change of financial assets at FVTPL	(257,327)	(559,224)	132,131	23,435	(63,629)
	(1,760,534)	(1,962,851)	(1,892,132)	(1,680,627)	(1,456,520)
Interest paid to customers at amortised cost	(3,587,723)	(4,398,503)	(3,312,186)	(1,929,843)	(2,697,594)
Interest paid on other borrowings	(627,693)	(457,648)	(1,246,872)	(620,938)	(1,077,837)
Interest received on loans & receivables at amortised cost	4,417,787	5,196,452	5,880,095	5,751,076	4,350,018
Interest received on other investment	2,055,740	1,217,138	571,457	225,079	436,380
Gratuity paid	(90,564)	(62,094)	(54,328)	(19,922)	(29,758)
<b>Change in operating assets</b>					
Loans & receivables at amortised cost	(6,760,705)	5,125,038	3,741,431	(1,875,681)	2,193,393
Other operating assets	(122,940)	(276,856)	599,715	(434,640)	(242,375)
<b>Change in operating liabilities</b>					
Due to customers at amortised cost	758,762	1,956,127	1,027,839	487,219	(846,681)
Payments made under operating leases	(225,602)	(204,952)	(196,488)	(182,821)	(172,550)
Insurance provision	-	-	-	-	-
Other liabilities	219,811	318,488	78,780	54,550	52,266
<b>Net cash generated from/(used in) operating activities before income tax</b>	<b>(5,723,661)</b>	<b>6,450,339</b>	<b>5,197,311</b>	<b>(226,548)</b>	<b>508,742</b>
Tax paid	(42,693)	(66,900)	(94,800)	-	-
<b>Net cash generated from/(used in) operating activities</b>	<b>(5,766,354)</b>	<b>6,383,439</b>	<b>5,102,511</b>	<b>(226,548)</b>	<b>508,742</b>
<b>Cash flows from investing activities</b>					
Net increase/(decrease) in financial investments at FVTOCI	160,245	662,107	(2,297,017)	(720,848)	(69,364)
Proceeds from real estate stock	22,839	58,356	107,411	154,371	(33,113)
Net (increase)/decrease in placements with banks & financial institutions	350,000	(403,000)	139,421	84,165	1,002,265
Net (increase)/decrease in investment of government securities at FVTPL	(401,113)	(6,968,774)	99,922	570,716	2,874
Net (increase)/decrease in other financial investments at FVTPL	205,019	(73,544)	(181,815)	14,314	55,943
Purchase of property & equipment	(48,759)	(27,437)	(38,053)	(38,612)	(57,171)
Purchase of intangible assets	(35,407)	(2,041)	(11,681)	(18,151)	(1,321)
Proceeds from sale of property & equipment	8,180	3,276	567	12,598	267
Dividends received	10,914	33,438	7,207	49,370	6,060
<b>Net cash used in investing activities</b>	<b>271,918</b>	<b>(6,717,619)</b>	<b>(2,174,038)</b>	<b>107,923</b>	<b>906,440</b>
<b>Cash flows from financing activities</b>					
Net increase/(decrease) reverse repo and repo agreements	2,400,000	(250,000)	164,000	(578,952)	(268,311)
Net increase/(decrease) in other borrowings at amortised cost	2,965,000	671,018	(2,911,972)	(1,371,850)	(1,835,150)
Proceeds from rights issue of shares	-	-	-	2,151,991	-
Transaction cost related to rights issue	-	-	-	(923)	-
<b>Net cash used in financing activities</b>	<b>5,365,000</b>	<b>421,018</b>	<b>(2,747,972)</b>	<b>200,266</b>	<b>(2,103,461)</b>
Net decrease in cash and cash equivalents during the year	(129,436)	86,838	180,501	81,641	(688,278)
Cash and cash equivalents at the beginning of year	683,502	596,664	416,163	334,522	1,022,800
<b>Cash and cash equivalents at the end of year</b>	<b>554,066</b>	<b>683,502</b>	<b>596,664</b>	<b>416,163</b>	<b>334,522</b>
<b>Analysis of cash and cash equivalents at the end of the year</b>					
Cash and short-term funds	752,190	720,397	748,724	1,191,374	683,924
Dues to banks	(198,124)	(36,895)	(152,060)	(775,211)	(349,402)
	<b>554,066</b>	<b>683,502</b>	<b>596,664</b>	<b>416,163</b>	<b>334,522</b>

Figures in brackets indicate deductions.

The accounting policies and the notes on pages 12 to 110 form an integral part of the Financial Statements.

  
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 Chief Executive Officer  
 Merchant Bank of Sri Lanka & Finance PLC  
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**Charitha Vithana**  
 Chief Financial Officer  
 Merchant Bank of Sri Lanka & Finance PLC  
 28, St. Michael's Road  
 Colombo 03



## **Annexure IV**

**Audited Financial Statements for the  
year ended 31 December 2024**

**MERCHANT BANK OF SRI LANKA & FINANCE PLC**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2024**



# ජාතික විගණන කාර්යාලය

## தேசிய கணக்காய்வு அலுவலகம்

### NATIONAL AUDIT OFFICE



මගේ අංකය  
எனது இல.  
My No.

BAN/H/BOC-S/MBSL/FA/2024

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

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.

Key Audit Matter	How my audit addressed the key audit matter
<p><b>Expected Credit Losses of Loans and Advances measured at amortized cost.</b></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"> <li>• The involvement of significant management judgments, assumptions and level of uncertainty associated with estimating future cash flows to recover such loans and advances; and</li> <li>• The materiality of the reported amount of expected credit losses.</li> </ul> <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"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• Evaluated the reasonableness of credit quality assessments and related stage classifications.</li> <li>• The following procedures were also performed: <ul style="list-style-type: none"> <li>➤ <b>For Loans and advances on an individual basis for impairment:</b> <ul style="list-style-type: none"> <li>▪ Tested arithmetical accuracy of the underlying individual impairment calculations.</li> <li>▪ Evaluated reasonableness of key inputs used in expected credit losses</li> </ul> </li> </ul> </li> </ul>

	<p>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.</p> <p>➤ <b>For Loan and advances assessed on a collective basis for impairment:</b></p> <ul style="list-style-type: none"> <li>▪ Tested key inputs and the calculations used in the allowances of expected credit losses.</li> <li>▪ 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.</li> </ul> <p>Assessed the adequacy of the related financial statement disclosures set out in Notes 3.5.11, 23 &amp; 48.2.</p>
<p><b>Information Technology (IT) systems related internal controls over financial reporting</b></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"> <li>• Obtained an understanding of the internal control environment of the processes and tested relevant key controls relating to financial reporting and related disclosures.</li> <li>• Involved our internal specialized resources and ;</li> <li>• 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</li> <li>• Obtained a high-level understanding of the cyber security risks affecting the Group and the actions taken to address these risks primarily through inquiry.</li> </ul>



	<ul style="list-style-type: none"> <li>• Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.</li> </ul>
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#### **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.
- 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

**Merchant Bank of Sri Lanka & Finance PLC**
**STATEMENT OF PROFIT OR LOSS**

For the year ended 31 December 2024

	Note	Company			Group		
		2024 Rs.'000	2023 Rs.'000	Change %	2024 Rs.'000	2023 Rs.'000	Change %
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)
<b>Net interest income</b>	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
<b>Net fee and commission income</b>	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
<b>Total operating income</b>		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
<b>Net operating income</b>		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
<b>Total operating expenses</b>		(2,776,275)	(2,301,975)	20.6	(3,154,712)	(2,722,695)	15.9
<b>Operating profit/(loss) before VAT on financial services and impairment of investment in group companies</b>		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)	-	-	-
<b>Profit/(loss) from operations after impairment of</b>		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)
<b>Profit/(loss) before income tax</b>		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
<b>Profit/(loss) for the year</b>		240,454	20,888	1,051.2	265,646	(85,861)	409.4
<b>Profit/(loss) for the year attributable to:</b>							
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
<b>Profit/(loss) for the year</b>		240,454	20,888	1,051.2	265,646	(85,861)	409.4
<b>Earnings per share:</b>							
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 12 to 120 form an integral part of the Financial Statements.

Merchant Bank of Sri Lanka & Finance PLC  
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Note	Company			Group		
		2024 Rs.'000	2023 Rs.'000	Change %	2024 Rs.'000	2023 Rs.'000	Change %
<b>Profit/(loss) for the year</b>		240,454	20,888	1,051.2	265,646	(85,861)	409.4
<b>Other comprehensive income/(expenses)</b>							
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</b>							
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
<b>Net other comprehensive income/(expenses) to be reclassified to profit or loss in subsequent periods</b>		2,750	(1,515)	281.5	5,738	2,965	93.5
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):</b>							
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)
<b>Net other comprehensive income/(expenses) not to be reclassified to profit or loss in subsequent periods</b>		(31,844)	(44,245)	(28.0)	(31,946)	(44,649)	(28.5)
<b>Other comprehensive income/(expenses) for the year, net of tax</b>		(29,094)	(45,760)	(36.4)	(26,208)	(41,684)	(37.1)
<b>Total comprehensive income/(expenses) for the year, net of tax</b>		211,360	(24,872)	949.8	239,438	(127,544)	287.7
<b>Total comprehensive income/(expenses) attributable to:</b>							
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
<b>Total comprehensive income/(expenses) for the year, net of tax</b>		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 12 to 120 form an integral part of the Financial Statements.


# Merchant Bank of Sri Lanka & Finance PLC

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

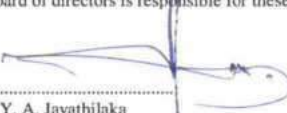
	Note	Company			Group		
		2024 Rs.'000	2023 Rs.'000	Change %	2024 Rs.'000	2023 Rs.'000	Change %
<b>Assets</b>							
Cash and cash equivalents	20	752,190	720,397	4.4	854,028	871,126	(2.0)
Placements with banks & financial institutions	21	203,332	574,588	(64.6)	644,044	645,823	(0.3)
Financial investments 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
<b>Total assets</b>		<b>40,200,008</b>	<b>33,699,122</b>	<b>19.3</b>	<b>42,072,208</b>	<b>35,812,850</b>	<b>17.5</b>
<b>Liabilities</b>							
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
<b>Total liabilities</b>		<b>36,317,977</b>	<b>30,028,450</b>	<b>20.9</b>	<b>37,477,347</b>	<b>31,457,427</b>	<b>19.1</b>
<b>Equity</b>							
Stated capital	41	4,276,448	4,276,448	0.0	4,276,448	4,276,448	-
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)
<b>Total equity</b>		<b>3,882,031</b>	<b>3,670,672</b>	<b>5.8</b>	<b>4,594,861</b>	<b>4,355,423</b>	<b>5.5</b>
<b>Total liabilities and equity</b>		<b>40,200,008</b>	<b>33,699,122</b>	<b>19.3</b>	<b>42,072,208</b>	<b>35,812,850</b>	<b>17.5</b>
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. Jayatilaka  
Director

  
R. Dulani Fernando  
Director

Figures in brackets indicate deductions.

The accounting policies and the notes on pages 12 to 120 form an integral part of the Financial Statements.

26 March 2025  
Colombo



STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

Company	Stated capital Rs.'000	Statutory reserves Rs.'000	RLA reserves Rs.'000	OCI reserve Rs.'000	Retained earnings Rs.'000	Total equity 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)	-
<b>Balance as at 31 December 2023</b>	<b>4,276,448</b>	<b>344,174</b>	<b>371,590</b>	<b>(31,892)</b>	<b>(1,289,648)</b>	<b>3,670,672</b>
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)	-
<b>Balance as at 31 December 2024</b>	<b>4,276,448</b>	<b>392,265</b>	<b>424,622</b>	<b>(22,100)</b>	<b>(1,189,204)</b>	<b>3,882,031</b>

Group	Stated capital Rs.'000	RR Reserve Rs.'000	Statutory reserves Rs.'000	RLA reserves Rs.'000	OCI reserve Rs.'000	Retained earnings Rs.'000	Non controlling interests Rs.'000	Total equity 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)	-	-
<b>Balance as at 31 December 2023</b>	<b>4,276,448</b>	<b>-</b>	<b>344,174</b>	<b>371,590</b>	<b>(33,607)</b>	<b>(1,042,034)</b>	<b>438,852</b>	<b>4,355,423</b>
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)	-	-
<b>Balance as at 31 December 2024</b>	<b>4,276,448</b>	<b>35,443</b>	<b>392,265</b>	<b>424,622</b>	<b>(22,206)</b>	<b>(940,833)</b>	<b>429,122</b>	<b>4,594,861</b>

Figures in brackets indicate deductions.

The accounting policies and the notes on pages 12 to 120 form an integral part of the Financial Statements.



# Merchant Bank of Sri Lanka & Finance PLC

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

### 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 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
<b>Cash flows from operating activities</b>					
Profit/(loss) before income tax		445,909	67,907	475,894	(30,755)
<b>Adjustments for :</b>					
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)
		<b>(1,760,534)</b>	<b>(1,962,851)</b>	<b>(1,987,632)</b>	<b>(2,306,670)</b>
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)
<b>Change in operating assets</b>					
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)
<b>Change in operating liabilities</b>					
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
<b>Net cash generated from/(used in) operating activities before income</b>		<b>(5,723,661)</b>	<b>6,450,339</b>	<b>(5,918,154)</b>	<b>6,614,670</b>
Tax paid		(42,693)	(66,900)	(42,693)	(66,900)
<b>Net cash generated from/(used in) operating activities</b>		<b>(5,766,354)</b>	<b>6,383,439</b>	<b>(5,960,847)</b>	<b>6,547,770</b>
<b>Cash flows from investing activities</b>					
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
<b>Net cash used in investing activities</b>		<b>271,918</b>	<b>(6,717,619)</b>	<b>420,554</b>	<b>(6,865,668)</b>
<b>Cash flows from financing activities</b>					
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
<b>Net cash used in financing activities</b>		<b>5,365,000</b>	<b>421,018</b>	<b>5,365,000</b>	<b>365,589</b>
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
<b>Cash and cash equivalents at the end of year</b>		<b>554,066</b>	<b>683,502</b>	<b>655,904</b>	<b>831,198</b>
<b>Analysis of cash and cash equivalents at the end of the year</b>					
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)
		<b>554,066</b>	<b>683,502</b>	<b>655,904</b>	<b>831,198</b>

Figures in brackets indicate deductions.

The accounting policies and the notes on pages 12 to 120 form an integral part of the Financial Statements.

# Merchant Bank of Sri Lanka & Finance PLC

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 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

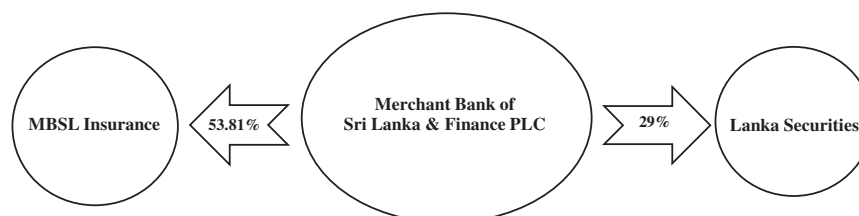
The Consolidated Financial Statements of Merchant Bank of Sri Lanka & Finance PLC for the year ended 31 December 2024, comprise the Company and its subsidiary (together referred to as the 'Group'), and the Group's interest in its associate company.

#### 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
<b>Company</b>	
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.
<b>Subsidiary</b>	
MBSL Insurance Company Limited	Underwriting of all classes of life and general insurance.
<b>Associate</b>	
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.

Merchant Bank of Sri Lanka & Finance PLC

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2024

**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.

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 circumstances 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.

**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. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

**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.

#### 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.

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. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

#### 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 it's ECL model the Company relies on broad range qualitative/quantitative forward looking information as economic input such as:

##### Quantitative

- GDP Growth
- Inflation
- Unemployment
- Interest Rates
- Exchange Rates

##### Qualitative

- Government Policies
- Status of the Industry Business
- Regulatory Impact

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 De-recognition of Financial Assets and Financial Liabilities**

**3.5.11.1 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.

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.

**3. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

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.

**3.5.11.2 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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**

**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.

**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 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.

##### **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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

#### 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	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: - 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  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.	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	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.  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.  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.	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 31st December 2024 in the preparation of the Financial Statements for the year ended 31st 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 billion and above shall comply With these directions with effect from 01.01.2026, and FCs with Assets less than Rs. 100 billion 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.

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**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.

**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.

	Company		Group	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
For the year ended 31 December				
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
	<b>7,582,723</b>	<b>7,478,049</b>	<b>8,289,221</b>	<b>8,356,704</b>

**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.

	Note	Company		Group	
		2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
For the year ended 31 December					
<b>Interest and similar income</b>					
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
		<b>6,207,886</b>	<b>6,559,123</b>	<b>6,467,481</b>	<b>6,915,047</b>
<b>Interest and similar expenses</b>					
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
		<b>4,021,096</b>	<b>4,918,658</b>	<b>4,003,227</b>	<b>4,897,486</b>
<b>Net interest income</b>		<b>2,186,790</b>	<b>1,640,465</b>	<b>2,464,254</b>	<b>2,017,561</b>

Merchant Bank of Sri Lanka & Finance PLC

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For the year ended 31 December 2024

**5. NET INTEREST INCOME (Contd.)**

**5.1 Interest and similar income - Loans & receivables product wise**

For the year ended 31 December

	<b>Company</b>		<b>Group</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
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
	<b>4,347,067</b>	<b>4,919,146</b>	<b>4,347,067</b>	<b>4,919,146</b>

**5.2 Interest and similar expenses - Due to customers product wise**

For the year ended 31 December

	<b>Company</b>		<b>Group</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
Savings deposits	56,813	44,150	56,657	44,068
Term deposits	3,284,204	4,317,736	3,254,873	4,279,770
	<b>3,341,017</b>	<b>4,361,886</b>	<b>3,311,530</b>	<b>4,323,838</b>

**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

	<b>Company</b>		<b>Group</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
<b>Fee and commission income</b>				
Trade & other related activities	211,880	123,292	200,512	110,309
Reinsurance commission income	-	-	-	5,353
Others	-	-	36,290	41,633
	<b>211,880</b>	<b>123,292</b>	<b>236,802</b>	<b>157,295</b>
<b>Fee and commission expenses</b>				
Commission expenses	43,332	16,757	49,503	24,883
	<b>43,332</b>	<b>16,757</b>	<b>49,503</b>	<b>24,883</b>
<b>Net Fee and commission income</b>	<b>168,548</b>	<b>106,535</b>	<b>187,299</b>	<b>132,412</b>

**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	<b>Group</b>	
	<b>2024</b>	<b>2023</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
Non-life insurance	617,879	728,684
Life insurance	23,933	29,463
<b>Total gross written premium</b>	<b>641,812</b>	<b>758,147</b>
Premium ceded to reinsurers	(305,519)	(242,359)
<b>Net premium income</b>	<b>336,292</b>	<b>515,788</b>
Change in unearned premium provisions-net	71,727	(21,326)
<b>Total net earned premium</b>	<b>408,020</b>	<b>494,462</b>

#### 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.

For the year ended 31 December	<b>Group</b>	
	<b>2024</b>	<b>2023</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
<b>General Insurance</b>		
Claims paid	481,697	410,517
Claims outstanding	(202,578)	7,174
	<b>279,119</b>	<b>417,691</b>
Reinsurance on claims paid	38,689	54,870
Reinsurance on claims outstanding	12,603	(18,224)
Reinsurance recoveries	<b>51,292</b>	<b>36,646</b>
<b>General insurance net claim and benefits</b>	<b>227,827</b>	<b>381,045</b>

Merchant Bank of Sri Lanka & Finance PLC

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2024

**8. NET CLAIMS AND BENEFITS (Contd.)**

**Life Insurance**

Claims paid	31,271	34,036
Change in life Insurance contract liabilities	73,236	161,291
	<b>104,507</b>	<b>195,327</b>
Claims outstanding	(2,699)	(723)
Gross claims - death, disability and hospitalisation	<b>101,808</b>	<b>194,604</b>
Reinsurance on claims paid	-	763
Reinsurance on claims outstanding	(170)	(349)
Reinsurance recoveries	<b>(170)</b>	<b>414</b>
Shareholder's profit	9,466	103,921
<b>Long term insurance net claim and benefits</b>	<b>92,512</b>	<b>90,269</b>
Underwriting and net acquisition costs	7,103	32,447
<b>Net claims and benefits</b>	<b>327,442</b>	<b>503,761</b>

**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
<b>Net trading income</b>	<b>793,811</b>	<b>120,243</b>	<b>793,811</b>	<b>120,243</b>

**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)
		<b>257,327</b>	<b>559,224</b>	<b>261,789</b>	<b>561,446</b>

**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	Note	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
		<b>111,819</b>	<b>116,167</b>	<b>121,319</b>	<b>108,211</b>



**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.

	Note	Company		Group	
		2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
For the year ended 31 December					
<b>Loans and receivables to customers</b>					
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
<b>Total impairment charges for loans and receivables to customers</b>		<b>(197,308)</b>	<b>(33,759)</b>	<b>(197,308)</b>	<b>(33,759)</b>
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
		<b>(101,111)</b>	<b>(25,094)</b>	<b>(101,111)</b>	<b>(25,094)</b>

**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.

	Company		Group	
	2024		2024	
	Individual Rs.'000	Collective Rs.'000	Individual Rs.'000	Collective Rs.'000
For the year ended 31 December				
<b>Loans &amp; receivables at amortised cost</b>				
Stage 1	-	53,248	-	53,248
Stage 2	-	(21,890)	-	(21,890)
Stage 3	839,109	(1,121,620)	839,109	(1,121,620)
<b>Write-off</b>				
Stage 3	53,845	-	53,845	-
<b>Cash and cash equivalents</b>				
Stage 1	-	(25)	-	(25)
<b>Placements with banks &amp; financial institutions</b>				
Stage 1	-	(65)	-	(65)
<b>Other assets</b>				
Stage 3	96,288	-	96,288	-
<b>Total impairment charges/(reversal)</b>	<b>989,242</b>	<b>(1,090,353)</b>	<b>989,242</b>	<b>(1,090,353)</b>

**12.1 Analysis of Impairment Charges (Contd...)**

For the year ended 31 December

	<b>Company</b>		<b>Group</b>	
	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>
	<b>Individual</b>	<b>Collective</b>	<b>Individual</b>	<b>Collective</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
<b>Loans &amp; receivables at amortised cost</b>				
Stage 1	-	(62,325)	-	(62,325)
Stage 2	-	(145,215)	-	(145,215)
Stage 3	(756,994)	881,802	(756,994)	881,802
<b>Write-off</b>				
Stage 3	48,973	-	48,973	-
<b>Cash and cash equivalents</b>				
Stage 1	-	28	-	28
<b>Placements with banks &amp; financial institutions</b>				
Stage 1	-	(36)	-	(36)
<b>Other assets</b>				
Stage 3	8,673	-	8,673	-
<b>Total impairment charges</b>	<b>(699,348)</b>	<b>674,254</b>	<b>(699,348)</b>	<b>674,254</b>

**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

	<b>Note</b>	<b>Company</b>		<b>Group</b>	
		<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
		<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
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
		<b>1,400,614</b>	<b>1,289,690</b>	<b>1,579,464</b>	<b>1,491,147</b>

**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

For the year ended 31 December	Company		Group		
	Note	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.

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**15. OTHER OPERATING EXPENSES (Contd.)**

For the year ended 31 December	<b>Company</b>		<b>Group</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
Directors' emoluments	4,992	4,663	7,322	8,291
<b>Auditors' remuneration</b>				
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
	<b>1,084,583</b>	<b>739,416</b>	<b>1,247,526</b>	<b>922,240</b>

**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 IIIA 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	<b>Company</b>		<b>Group</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
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
	<b>392,787</b>	<b>292,911</b>	<b>392,787</b>	<b>292,911</b>

**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.

	Note	Company		Group	
		2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
<b>Current tax expense</b>					
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
<b>Total current tax expense</b>		<b>228,749</b>	<b>49,184</b>	<b>232,718</b>	<b>57,606</b>
<b>Deferred tax expense/(reversal)</b>					
Due to change in temporary differences	38.1	(23,294)	(2,165)	(22,470)	(2,500)
<b>Total deferred tax expense/(reversal )</b>		<b>(23,294)</b>	<b>(2,165)</b>	<b>(22,470)</b>	<b>(2,500)</b>
<b>Total income tax expense/(reversal)</b>		<b>205,455</b>	<b>47,019</b>	<b>210,248</b>	<b>55,106</b>
Effective tax rate		46.08%	69.24%	44.18%	-179.18%

16. TAXES (Contd.)

16.3 Reconciliation of the Accounting Profit to Current Tax Expense

	Company				Group			
	Rate %	2024 Rs.'000	Rate %	2023 Rs.'000	Rate %	2024 Rs.'000	Rate %	2023 Rs.'000
For the year ended 31 December								
<b>Profit as per the Statement of Profit or Loss</b>		<b>445,909</b>		<b>67,907</b>		<b>475,894</b>		<b>(30,755)</b>
Tax effect on accounting profit before tax	30.0	133,773	30.0	20,372	30.0	132,918	30.0	19,639
<b>Tax effect on</b>								
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
<b>Deferred tax expense/(reversal)</b>								
Due to change in temporary differences	(5.2)	(23,294)	(3.2)	(2,165)	(5.2)	(22,470)	(3.2)	(2,500)
<b>Total income tax expense/(reversal)</b>	<b>46.1</b>	<b>205,455</b>	<b>69.2</b>	<b>47,019</b>	<b>44.2</b>	<b>210,248</b>	<b>(179.2)</b>	<b>55,106</b>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

**16.4 The break up of Tax Losses is as follows;**

For the year ended 31 December

**Balance as at 01 January**

Tax loss during the year

Tax loss utilized during the year

**Balances as at 31 December**

<b>Company</b>		<b>Group</b>	
<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
-	-	1,780,732	1,812,238
-	-	(153,802)	261,145
-	-	(226,112)	(292,651)
-	-	1,400,818	1,780,732

**16.5 Taxes paid to the government during the year**

For the year ended 31 December

**Direct Taxes**

Income Tax

Value added tax on financial services

Social security contribution levy

**Total direct taxes**

**Indirect Taxes**

Value added tax

Withholding tax on interest

Stamp duty

PAYE/APIT tax

**Total indirect taxes**

<b>Company</b>		<b>Group</b>	
<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
42,693	66,900	42,693	66,900
352,100	195,205	352,100	195,205
52,588	30,214	52,588	30,214
459,504	292,319	459,504	292,319
16,630	9,309	172,109	88,823
210,072	222,632	213,571	225,351
58,556	16,210	59,363	17,038
53,711	38,767	65,265	50,758
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

Profit attributable to ordinary shareholders (Rs.'000)

Weighted-average number of ordinary shares used as denominator ('000)

Basic earnings per ordinary share (Rs.)

<b>Company</b>		<b>Group</b>	
<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
240,454	20,888	260,338	(82,098)
524,540	524,540	524,540	524,540
0.46	0.04	0.50	(0.16)

**17.1 Weighted average number of shares**

For the year ended 31 December

Brought forward number of shares

Weighted-average number of shares

<b>Company</b>		<b>Group</b>	
<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
524,540	524,540	524,540	524,540
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.

Merchant Bank of Sri Lanka & Finance PLC  
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 Rs.'000	Financial Instrument at FVTOCI Rs.'000	Financial Instrument at Amortised Cost Rs.'000	Total Rs.'000
<b>Assets</b>				
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
<b>Total financial assets</b>	<b>8,534,914</b>	<b>16,554</b>	<b>30,449,731</b>	<b>39,001,199</b>
			Financial Liabilities at Amortised Cost Rs.'000	Total Rs.'000
<b>Liabilities</b>				
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
<b>Total financial liabilities</b>			<b>34,963,116</b>	<b>34,963,116</b>

18.2 Company - 2023

	Financial Instrument at FVTPL Rs.'000	Financial Instrument at FVTOCI Rs.'000	Financial Instrument at Amortised Cost Rs.'000	Total Rs.'000
<b>Assets</b>				
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
<b>Total financial assets</b>	<b>8,161,368</b>	<b>14,348</b>	<b>24,147,708</b>	<b>32,323,424</b>
			Financial Liabilities at Amortised Cost Rs.'000	Total Rs.'000
<b>Liabilities</b>				
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
<b>Total financial liabilities</b>			<b>28,936,393</b>	<b>28,936,393</b>



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**18. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (Contd.)**

**18.3 Group - 2024**

	Financial Instrument at FVTPL Rs.'000	Financial Instrument at FVTOCI Rs.'000	Financial Instrument at Amortised Cost Rs.'000	Total Rs.'000
<b>Assets</b>				
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
<b>Total financial assets</b>	<b>8,547,974</b>	<b>135,058</b>	<b>32,021,495</b>	<b>40,704,528</b>
			Financial Liabilities at Amortised Cost Rs.'000	Total Rs.'000
<b>Liabilities</b>				
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
<b>Total financial liabilities</b>			<b>34,746,698</b>	<b>34,746,698</b>

**18.4 Group - 2023**

	Financial Instrument at FVTPL Rs.'000	Financial Instrument at FVTOCI Rs.'000	Financial Instrument at Amortised Cost Rs.'000	Total Rs.'000
<b>Assets</b>				
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
<b>Total financial assets</b>	<b>8,169,927</b>	<b>119,221</b>	<b>25,951,168</b>	<b>34,240,316</b>
			Financial Liabilities at Amortised Cost Rs.'000	Total Rs.'000
<b>Liabilities</b>				
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
<b>Total financial liabilities</b>			<b>28,741,176</b>	<b>28,741,176</b>

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Merchant Bank of Sri Lanka & Finance PLC

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2024

**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:

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Note	2024				2023			
	Rs.'000		Rs.'000		Rs.'000		Rs.'000	
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>19.1.1 Company</b>								
As at 31 December								
<b>Financial assets</b>								
<b>Financial investments measured at FVTPL</b>								
Government securities	8,239,090	-	-	8,239,090	7,807,122	-	-	7,807,122
Investment securities - Quoted	295,824	-	-	295,824	354,246	-	-	354,246
	8,534,914	-	-	8,534,914	8,161,368	-	-	8,161,368
<b>Financial investments measured at Amortized Cost</b>								
Cash in hand	281,011	-	-	281,011	268,285	-	-	268,285
Cash at bank	471,179	-	-	471,179	452,112	-	-	452,112
Fixed deposits and other deposits	-	203,332	-	203,332	-	574,588	-	574,588
Loans & receivables	-	22,794,684	-	22,794,684	-	21,589,161	-	21,589,161
Government securities	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
<b>Financial investments measured at FVTOCI</b>								
Equity securities - Quoted	16,500	-	-	16,500	13,750	-	-	13,750
Equity securities - Unquoted	-	-	54	54	-	-	598	598
	16,500	-	54	16,554	13,750	-	598	14,348
<b>Total</b>	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
<b>Total</b>	35,775,644	34,787,802

Merchant Bank of Sri Lanka & Finance PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

19. FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd.)

Note	2024				2023			
	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
<b>Financial assets</b>								
<b>Financial investments measured at FVTPL</b>								
Government securities	8,239,090	-	-	8,239,090	7,807,122	-	-	7,807,122
Investment securities - Quoted	308,884	-	-	308,884	362,805	-	-	362,805
	8,547,974	-	-	8,547,974	8,169,927	-	-	8,169,927
<b>Financial investments measured at Amortized Cost</b>								
Cash in hand	281,423	-	-	281,423	268,707	-	-	268,707
Cash at bank	570,459	-	-	570,459	545,533	-	-	545,533
Repurchase agreements	-	2,146	-	2,146	-	56,886	-	56,886
Fixed deposits and other deposits	-	644,044	-	644,044	-	645,823	-	645,823
Loans & receivables	-	22,794,684	-	22,794,684	-	21,589,167	-	21,589,167
Government securities	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
<b>Financial investments measured at FVTOCI</b>								
Government securities	101,699	-	-	101,699	86,459	-	-	86,459
Equity securities - Quoted	16,500	-	-	16,500	13,750	-	-	13,750
Equity securities - Unquoted	-	-	54	54	-	-	598	598
Unit trust	-	16,805	-	16,805	-	18,414	-	18,413
	118,199	16,805	54	135,058	100,209	18,414	598	119,220
<b>Total</b>	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:

	Group	
	2024	2023
	Rs.'000	Rs.'000
Pledged as collateral	2,895,691	-
Unencumbered	34,578,787	36,699,451
<b>Total</b>	37,474,478	36,699,451

## Merchant Bank of Sri Lanka & Finance PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

#### 19.1.3 Company

As at 31 December

##### Financial liabilities

##### Financial liabilities measured at Amortized Cost

	Note	2024			2023		
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
		Level 1	Level 2	Level 3	Level 1	Level 2	Total
Bank overdraft	33.1	-	198,124	-	-	36,895	36,895
Reverse repurchase agreements	33	-	2,408,440	-	-	-	-
Bank borrowings - Short-term loans	33	-	5,056,813	-	-	2,563,075	2,563,075
Bank borrowings - Long-term loans	33	-	480,711	-	-	-	-
Due to customers at amortised cost	34	-	25,756,040	-	-	27,203,535	27,203,535
Debt issued and borrowed funds at amortised cost	35	-	730,033	-	-	741,030	741,030
<b>Total</b>		-	34,630,161	-	-	30,544,535	30,544,535

#### 19.1.4 Group

##### Financial liabilities

##### Financial liabilities measured at Amortized Cost

	Note	2024			2023		
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
		Level 1	Level 2	Level 3	Level 1	Level 2	Total
Bank overdraft	33.1	-	198,124	-	-	39,928	39,928
Reverse repurchase agreements	33	-	2,408,440	-	-	-	-
Bank borrowings - Short-term loans	33	-	5,056,813	-	-	2,563,075	2,563,075
Bank borrowings - Long-term loans	33	-	480,711	-	-	-	-
Due to customers at amortised cost	34	-	25,756,040	-	-	27,001,479	27,001,479
Debt issued and borrowed funds at amortised cost	35	-	730,033	-	-	741,030	741,030
<b>Total</b>		-	34,630,161	-	-	30,345,512	30,345,512

#### 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.

Merchant Bank of Sri Lanka & Finance PLC

**NOTES TO THE FINANCIAL STATEMENTS**

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**19. FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd.)**

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.

19.2.1	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
<b>Financial assets</b>									
	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
	<b>Total</b>	29,697,541	26,550,217	23,427,311	25,961,757	31,167,467	26,990,929	25,080,042	26,032,998
<b>Financial liabilities</b>									
	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
	Other liabilities	132,820	132,820	151,274	151,274	132,820	132,820	151,274	151,274
	<b>Total</b>	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.

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**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.

	Note	Company		Group	
		2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
As at 31 December					
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
		<b>752,190</b>	<b>720,397</b>	<b>854,028</b>	<b>871,126</b>
<b>20.1 Analysis of Cash at Banks</b>					
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
		<b>471,179</b>	<b>452,112</b>	<b>570,459</b>	<b>545,533</b>
<b>20.1.1 Movement of impairment during the year - Company</b>					
		<b>Stage 1 Rs.'000</b>	<b>Stage 2 Rs.'000</b>	<b>Stage 3 Rs.'000</b>	<b>Total Rs.'000</b>
<b>Collective</b>					
<b>Balance as at 01 January 2023</b>		15	-	-	15
Charge during the year		28	-	-	28
<b>Balance as at 31 December 2023</b>		<b>43</b>	<b>-</b>	<b>-</b>	<b>43</b>
Reversals during the year		(25)	-	-	(25)
<b>Balance as at 31 December 2024</b>		<b>18</b>	<b>-</b>	<b>-</b>	<b>18</b>



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

20. CASH AND CASH EQUIVALENTS (Contd.)

Movement of impairment during the year - Group

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
<b>Collective</b>				
Balance as at 01 January 2023	15	-	-	15
Charge during the year	28	-	-	28
<b>Balance as at 31 December 2023</b>	<b>43</b>	<b>-</b>	<b>-</b>	<b>43</b>
Reversals during the year	(25)	-	-	(25)
<b>Balance as at 31 December 2024</b>	<b>18</b>	<b>-</b>	<b>-</b>	<b>18</b>

20.1.2 Cash and cash equivalents allocated for the liquidity requirement

	Company	
As at 31 December	2024 Rs.'000	2023 Rs.'000
Cash in hand	280,756	268,285
Balances in current accounts free from lien	452,098	10,131
	<b>732,854</b>	<b>278,416</b>

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	Company		Group		
	Note	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

Merchant Bank of Sri Lanka & Finance PLC  
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

**21.1 Movement of impairment during the year - Company**

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
<b>Collective</b>				
Balance as at 01 January 2023	(123)	-	-	(123)
Charge during the year	36	-	-	36
<b>Balance as at 31 December 2023</b>	<b>(87)</b>	<b>-</b>	<b>-</b>	<b>(87)</b>
Charge during the year	65	-	-	65
<b>Balance as at 31 December 2024</b>	<b>(22)</b>	<b>-</b>	<b>-</b>	<b>(22)</b>

**21.2 Movement of impairment during the year - Group**

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
<b>Collective</b>				
Balance as at 01 January 2023	(123)	-	-	(123)
Charge during the year	36	-	-	36
<b>Balance as at 31 December 2023</b>	<b>(87)</b>	<b>-</b>	<b>-</b>	<b>(87)</b>
Charge during the year	65	-	-	65
<b>Balance as at 31 December 2024</b>	<b>(22)</b>	<b>-</b>	<b>-</b>	<b>(22)</b>

**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.

As at 31 December	Note	Company		Group	
		2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 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
		<b>8,534,914</b>	<b>8,161,368</b>	<b>8,547,974</b>	<b>8,169,927</b>
<b>22.1 Government Securities</b>					
Treasury bonds		8,239,090	7,807,122	8,239,090	7,807,122
		<b>8,239,090</b>	<b>7,807,122</b>	<b>8,239,090</b>	<b>7,807,122</b>

Merchant Bank of Sri Lanka & Finance PLC  
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

**22. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Contd.)**

**22.2 Quoted Equities and Unit Trusts**

**Company**

As at 31 December

	<b>2024</b>			<b>2023</b>		
	<b>No of Shares</b>	<b>Total Cost Rs.'000</b>	<b>Fair Value Rs.'000</b>	<b>No of Shares</b>	<b>Total Cost Rs.'000</b>	<b>Fair Value Rs.'000</b>
<b>Application Software</b>						
hSenid Business Solutions PLC	65,000	1,362	793	65,000	1,362	748
		<u>1,362</u>	<u>793</u>		<u>1,362</u>	<u>748</u>
<b>Banks</b>						
Amana Bank PLC	10,212	270	250	102,124	270	235
		<u>270</u>	<u>250</u>		<u>270</u>	<u>235</u>
<b>Capital Goods</b>						
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
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
		<u>67,361</u>	<u>46,709</u>		<u>140,316</u>	<u>84,371</u>
<b>Consumer Durables &amp; Apparel</b>						
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
		<u>9,030</u>	<u>6,235</u>		<u>12,742</u>	<u>7,721</u>
<b>Commercial &amp; Professional Services</b>						
E M L Consultants PLC	925,000	3,906	3,793	556,585	2,468	1,892
		<u>3,906</u>	<u>3,793</u>		<u>2,468</u>	<u>1,892</u>

Merchant Bank of Sri Lanka & Finance PLC  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2024

As at 31 December

	<b>2024</b>			<b>2023</b>		
	<b>No of Shares</b>	<b>Total Cost Rs.'000</b>	<b>Fair Value Rs.'000</b>	<b>No of Shares</b>	<b>Total Cost Rs.'000</b>	<b>Fair Value Rs.'000</b>
<b>Consumer Services</b>						
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	-	-	-
		<b>60,098</b>	<b>53,965</b>		<b>80,558</b>	<b>70,025</b>
<b>Diversified Financials</b>						
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	-	-	-
		<b>78,955</b>	<b>84,167</b>		<b>76,519</b>	<b>36,619</b>

Merchant Bank of Sri Lanka & Finance PLC

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2024

**22. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Contd.)**

As at 31 December

	No of Shares	2024 Total Cost Rs.'000	Fair Value Rs.'000	No of Shares	2023 Total Cost Rs.'000	Fair Value Rs.'000
<b>Diversified Holdings</b>						
Richard Pieris & Company PLC	-	-	-	189,854	4,621	3,892
		<u>-</u>	<u>-</u>		<u>4,621</u>	<u>3,892</u>
<b>Food Beverage &amp; Tobacco</b>						
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	-	-	-
		<u>84,397</u>	<u>56,949</u>		<u>88,330</u>	<u>41,502</u>
<b>Health Care Equipment &amp; Services</b>						
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	-	-	-
		<u>4,385</u>	<u>3,878</u>		<u>2,351</u>	<u>2,110</u>
<b>Household &amp; Personal Products</b>						
B P P L Holdings PLC	89,971	2,132	1,943	-	-	-
		<u>2,132</u>	<u>1,943</u>		<u>-</u>	<u>-</u>
<b>Insurance</b>						
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
		<u>8,526</u>	<u>6,265</u>		<u>5,632</u>	<u>3,725</u>

Merchant Bank of Sri Lanka & Finance PLC

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2024

As at 31 December

	<b>2024</b>			<b>2023</b>		
	<b>No of Shares</b>	<b>Total Cost Rs.'000</b>	<b>Fair Value Rs.'000</b>	<b>No of Shares</b>	<b>Total Cost Rs.'000</b>	<b>Fair Value Rs.'000</b>
<b>Materials</b>						
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
		<u>16,744</u>	<u>13,367</u>		<u>63,164</u>	<u>44,817</u>
<b>Power and Energy</b>						
Vallibel Power Erathna PLC	-	-	-	716,322	4,966	5,158
		<u>-</u>	<u>-</u>		<u>4,966</u>	<u>5,158</u>
<b>Real Estate</b>						
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
		<u>16,665</u>	<u>13,123</u>		<u>20,008</u>	<u>11,001</u>
<b>Retailing</b>						
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	-	-	-
		<u>625</u>	<u>601</u>		<u>7,423</u>	<u>4,723</u>
<b>Telecommunication Services</b>						
Sri Lanka Telecom PLC	3,600	252	250	-	-	-
		<u>252</u>	<u>250</u>		<u>-</u>	<u>-</u>
<b>Trading</b>						
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
		<u>3,676</u>	<u>3,536</u>		<u>1,601</u>	<u>1,226</u>

Merchant Bank of Sri Lanka & Finance PLC  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2024

**22. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Contd.)**

As at 31 December	2024			2023	
	Total Cost Rs.'000	Fair Value Rs.'000		Total Cost Rs.'000	Fair Value Rs.'000
<b>Transportation</b>					
Expolanka Holdings PLC	-	-	67,987	16,936	9,739
	-	-		16,936	9,739
<b>Utilities</b>					
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
<b>Total value of financial assets at FVTPL</b>	358,382	295,824		563,401	354,246
Marked to market valuation loss	(62,558)			(209,155)	
<b>Fair value of financial assets designated at FVTPL</b>	295,824			354,246	

**22.3 GICS analysis of equity securities**

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
<b>Total value of financial assets at FVTPL</b>	358,381	295,824	563,401	354,246
Marked to market valuation loss	(62,558)		(209,155)	
<b>Fair value of financial assets designated at FVTPL</b>	295,824		354,246	



Merchant Bank of Sri Lanka & Finance PLC  
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

22.4 Quoted Equities and Unit Trusts

Group

As at 31 December

	No of Shares	2024		No of Shares	2023	
		Total Cost	Fair Value		Total Cost	Fair Value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
<b>Application Software</b>						
hSenid Business Solutions PLC	65,000	1,362	793	65,000	1,362	748
		<u>1,362</u>	<u>793</u>		<u>1,362</u>	<u>748</u>
<b>Banks</b>						
Amana Bank PLC	10,212	270	250	102,124	270	235
		<u>270</u>	<u>250</u>		<u>270</u>	<u>235</u>
<b>Capital Goods</b>						
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
		<u>70,705</u>	<u>51,539</u>		<u>143,661</u>	<u>88,453</u>
<b>Consumer Durables &amp; Apparel</b>						
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
		<u>9,030</u>	<u>6,235</u>		<u>12,742</u>	<u>7,721</u>
<b>Commercial &amp; Professional Services</b>						
E M L Consultants PLC	925,000	3,906	3,793	556,585	2,468	1,893
		<u>3,906</u>	<u>3,793</u>		<u>2,468</u>	<u>1,893</u>

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22. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Contd.)

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
<b>Consumer Services</b>						
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
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	-	-	-
		<u>60,099</u>	<u>53,965</u>		<u>80,558</u>	<u>70,025</u>
<b>Diversified Financials</b>						
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	-	-	-
		<u>80,133</u>	<u>85,196</u>		<u>77,698</u>	<u>37,227</u>
<b>Diversified Holdings</b>						
Richard Pieris & Company PLC	-	-	-	189,854	4,621	3,892
		<u>-</u>	<u>-</u>		<u>4,621</u>	<u>3,892</u>

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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
<b>Food Beverage &amp; Tobacco</b>						
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	-	-	-
		<u>84,397</u>	<u>56,949</u>		<u>88,330</u>	<u>41,502</u>
<b>Health Care Equipment &amp; Services</b>						
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	-	-	-
		<u>4,385</u>	<u>3,878</u>		<u>2,351</u>	<u>2,110</u>
<b>Household &amp; Personal Products</b>						
B P P L Holdings PLC	89,971	2,132	1,943	-	-	-
		<u>2,132</u>	<u>1,943</u>		<u>-</u>	<u>-</u>
<b>Insurance</b>						
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
		<u>8,526</u>	<u>6,265</u>		<u>5,632</u>	<u>3,725</u>
<b>Materials</b>						
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
		<u>17,869</u>	<u>13,367</u>		<u>64,289</u>	<u>44,817</u>

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22. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Contd.)

As at 31 December

	No of Shares	2024		No of Shares	2023	
		Total Cost Rs.'000	Fair Value Rs.'000		Total Cost Rs.'000	Fair Value Rs.'000
<b>Power and Energy</b>						
Vallibel Power Erathna PLC	-	-	-	716,322	4,966	5,158
		-	-		4,966	5,158
<b>Real Estate</b>						
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
<b>Retailing</b>						
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
<b>Telecommunication Services</b>						
Sri Lanka Telecom PLC	3,600	252	250	-	-	-
		252	250		-	-
<b>Trading</b>						
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
<b>Transpotation</b>						
Expolanka Holdings PLC	-	-	-	67,987	16,936	9,739
		-	-		16,936	9,739

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As at 31 December	2024			2023		
	No of	Total Cost	Fair Value	No of	Total Cost	Fair Value
	Shares	Rs.'000	Rs.'000	Shares	Rs.'000	Rs.'000
<b>Utilities</b>						
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
		<u>3,407</u>	<u>7,139</u>		<u>37,540</u>	<u>28,567</u>
<b>Total value of quoted equities</b>		<u>367,534</u>	<u>308,884</u>		<u>572,552</u>	<u>362,806</u>
Marked to market valuation loss		<u>(58,650)</u>			<u>(209,746)</u>	
<b>Fair value of financial assets designated at FVTPL</b>		<u>308,884</u>			<u>362,806</u>	

**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
<b>Total value of financial assets at FVTPL</b>	<u>367,534</u>	<u>308,884</u>	<u>572,552</u>	<u>362,806</u>
Marked to market valuation loss	<u>(58,650)</u>		<u>(209,746)</u>	
<b>Fair value of financial assets designated at FVTPL</b>	<u>308,884</u>		<u>362,806</u>	

**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	Note	Company		Group	
		2024	2023	2024	2023
		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		<b>28,350,339</b>	<b>21,714,200</b>	<b>28,354,833</b>	<b>21,719,447</b>
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
		<b>2,408,331</b>	<b>2,659,485</b>	<b>2,408,331</b>	<b>2,659,485</b>
Net loans and receivables		<b>25,942,008</b>	<b>19,054,715</b>	<b>25,946,502</b>	<b>19,059,962</b>

Merchant Bank of Sri Lanka & Finance PLC

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23.1 Analysis of loans and receivables

23.1.1 Product wise analysis of loans and receivables

As at 31 December	Company		Group	
	Note	2024	2023	2024
		Rs.'000	Rs.'000	Rs.'000
Finance lease/ijarah		11,411,480	8,174,480	11,411,480
Hire purchase/murabaha		199,063	211,240	199,063
Term loans		8,093,666	5,227,799	8,098,160
Personal loans		664,951	865,931	664,951
Margin trading		1,989,290	2,239,729	1,989,290
Micro finance		112,860	115,614	112,860
Pawning		4,980,481	3,978,103	4,980,481
Loans against fixed deposits		688,275	676,951	688,275
Bill Discounting		210,273	224,353	210,273
<b>Gross loans and receivables</b>		<b>28,350,339</b>	<b>21,714,200</b>	<b>28,354,833</b>

23.1.2 Sector/Industry wise analysis of loans and receivables

As at 31 December	Company		Group	
	Note	2024	2023	2024
		Rs.'000	Rs.'000	Rs.'000
Agriculture		1,758,054	1,614,844	1,758,054
Manufacturing		1,762,559	1,996,764	1,762,559
Tourism		792,201	526,885	792,201
Transportation		5,790,924	2,439,990	5,790,924
Construction		2,966,853	1,725,646	2,966,853
Trade		2,886,082	2,657,948	2,886,082
Services		568,400	733,697	572,894
Financials		4,145,748	3,120,493	4,145,748
Consumption		7,679,518	6,897,933	7,679,518
<b>Gross loans and receivables</b>		<b>28,350,339</b>	<b>21,714,200</b>	<b>28,354,833</b>

23.1.3 Contractual maturity analysis of loans and receivables - 2024

	Company/Group		
	Within one year	1 - 5 Years	Over 5 years
	Rs.'000	Rs.'000	Rs.'000
Agriculture	2,958,168	610,876	51,608
Manufacturing	1,409,898	649,951	90,587
Tourism	543,030	230,248	34,807
Transportation	1,885,487	3,350,739	621,049
Construction	1,292,166	1,518,079	251,291
Trade	1,622,885	1,388,245	237,764
Services	446,274	209,679	21,100
Financials	3,117,681	1,253,749	299,616
Consumption	3,010,799	1,085,371	159,192
<b>Gross loans and receivables</b>	<b>16,286,388</b>	<b>10,296,937</b>	<b>1,767,014</b>



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**23. LOANS AND RECEIVABLES AT AMORTISED COST (Contd.)**

**23.1.4 Contractual maturity analysis loans and receivables - 2023**

	Company/Group			
	Within one year Rs.'000	1 - 5 Years Rs.'000	Over 5 years Rs.'000	Total 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
<b>Gross loans and receivables</b>	<b>15,168,231</b>	<b>5,637,627</b>	<b>908,342</b>	<b>21,714,200</b>

**23.2 Bills receivable**

	Note	Company		Group	
		2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
As at 31 December					
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
<b>Net bills receivables</b>		<b>58,958</b>	<b>57,194</b>	<b>58,958</b>	<b>57,194</b>

**23.2.1 Analysis of bill discounting on maximum exposure to credit risk as at 31st December 2024**

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
<b>Gross receivables</b>	-	1,505	208,768	210,273
Individual impairment	-	-	(148,086)	(148,086)
Collective impairment	-	(44)	(3,185)	(3,229)
<b>As at 31 December</b>	<b>-</b>	<b>1,461</b>	<b>57,497</b>	<b>58,958</b>

**23.2.2 Movement of impairment during the year 2024**

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
<b>Individual</b>				
As at 01 January	-	-	49,699	49,699
Charge during the year	-	-	98,387	98,387
<b>As at 31 December</b>	<b>-</b>	<b>-</b>	<b>148,086</b>	<b>148,086</b>
<b>Collective</b>				
As at 01 January	191	-	117,269	117,460
Charge during the year	(191)	44	(114,084)	(114,230)
<b>As at 31 December</b>	<b>-</b>	<b>44</b>	<b>3,185</b>	<b>3,229</b>

**23.2.3 Analysis of bill discounting on maximum exposure to credit risk as at 31st December 2023**

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
<b>Gross receivables</b>	1,908	-	222,445	224,353
Individual impairment	-	-	(49,699)	(49,699)
Collective impairment	(191)	-	(117,269)	(117,460)
<b>As at 31 December</b>	<b>1,717</b>	<b>-</b>	<b>55,477</b>	<b>57,194</b>

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For the year ended 31 December 2024

## 23.2.4 Movement of impairment during the year 2023

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
<b>Individual</b>				
As at 01 January	-	-	147,790	147,790
Charge during the year	-	-	(98,091)	(98,091)
As at 31 December	-	-	49,699	49,699
<b>Collective</b>				
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

## 23.3 Loans and receivables to customers

	Note	Company		Group	
		2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
As at 31 December					
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
<b>Net loans and receivables</b>		<b>14,997,933</b>	<b>11,317,499</b>	<b>15,002,427</b>	<b>11,322,746</b>

## 23.3.1 Analysis of term loans receivables on maximum exposure to credit risk as at 31st December 2024

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
<b>Gross receivables</b>	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)
<b>As at 31 December</b>	<b>10,848,915</b>	<b>2,064,492</b>	<b>2,084,526</b>	<b>14,997,933</b>

## 23.3.2 Movement of impairment during the year 2024

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
<b>Individual</b>				
As at 01 January	-	-	690,269	690,269
Charge during the year	-	-	303,191	303,191
As at 31 December	-	-	993,460	993,460
<b>Collective</b>				
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

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For the year ended 31 December 2024

23. LOANS AND RECEIVABLES AT AMORTISED COST (Contd.)

23.3.3 Analysis of term loans receivables on maximum exposure to credit risk as at 31st December 2023

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total 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 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
<b>Individual</b>				
As at 01 January	-	-	933,234	933,234
Charge during the year	-	-	(242,965)	(242,965)
As at 31 December	-	-	690,269	690,269
<b>Collective</b>				
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

	Note	Company 2024 Rs.'000	Company 2023 Rs.'000	Group 2024 Rs.'000	Group 2023 Rs.'000
As at 31 December					

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
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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

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## 23.4.4 Analysis of lease and hire purchase receivable on maximum exposure to credit risk as at 31st December 2024

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
<b>Gross receivables</b>	8,730,499	1,578,151	1,368,004	<b>11,676,654</b>
Individual impairment	-	-	(595,744)	<b>(595,744)</b>
Collective impairment	(75,142)	(30,969)	(89,683)	<b>(195,793)</b>
<b>As at 31 December</b>	<b>8,655,358</b>	<b>1,547,182</b>	<b>682,577</b>	<b>10,885,117</b>

## 23.4.5 Movement of impairment during the year 2024

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
<b>Individual</b>				
As at 01 January	-	-	158,213	<b>158,213</b>
Charge during the year	-	-	437,531	<b>437,531</b>
<b>As at 31 December</b>	<b>-</b>	<b>-</b>	<b>595,743</b>	<b>595,743</b>
<b>Collective</b>				
As at 01 January	42,857	49,599	573,081	<b>665,537</b>
Charge during the year	32,284	(18,630)	(483,399)	<b>(469,744)</b>
<b>As at 31 December</b>	<b>75,142</b>	<b>30,969</b>	<b>89,683</b>	<b>195,793</b>

## 23.4.6 Analysis of lease and hire purchase receivable on maximum exposure to credit risk as at 31st December 2023

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
<b>Gross receivables</b>	4,453,644	1,843,952	2,206,176	<b>8,503,772</b>
Individual impairment	-	-	(158,213)	<b>(158,213)</b>
Collective impairment	(42,857)	(49,599)	(573,081)	<b>(665,537)</b>
<b>As at 31 December</b>	<b>4,410,787</b>	<b>1,794,353</b>	<b>1,474,882</b>	<b>7,680,022</b>

## 23.4.7 Movement of impairment during the year 2023

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
<b>Individual</b>				
As at 01 January	-	-	574,151	<b>574,151</b>
Charge during the year	-	-	(415,938)	<b>(415,938)</b>
<b>As at 31 December</b>	<b>-</b>	<b>-</b>	<b>158,213</b>	<b>158,213</b>
<b>Collective</b>				
As at 01 January	76,755	171,413	301,755	<b>549,923</b>
Charge during the year	(33,898)	(121,814)	271,326	<b>115,614</b>
<b>As at 31 December</b>	<b>42,857</b>	<b>49,599</b>	<b>573,081</b>	<b>665,537</b>

Merchant Bank of Sri Lanka & Finance PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

23. LOANS AND RECEIVABLES AT AMORTISED COST (Contd.)

23.4.8 Credit exposure and expected credit loss (impairment provision) movement - Stage wise

	Stage 1			Stage 2			Stage 3			Total
	Gross carrying amount Rs.'000	Impairment (ECL) Rs.'000	Gross carrying amount Rs.'000	Gross carrying amount Rs.'000	Impairment (ECL) Rs.'000	Gross carrying amount Rs.'000	Gross carrying amount Rs.'000	Impairment (ECL) Rs.'000	Gross carrying amount Rs.'000	Impairment (ECL) Rs.'000
<b>Financial assets measured at amortised cost</b>										
<b>Loans and receivables</b>										
<b>As at 01 January 2023</b>	12,202,913	129,324	5,948,819	227,488	2,385,406	9,013,786	27,165,518	2,742,218		
Transfer from Stage 1	626,462	6,273	(501,595)	(4,867)	(1,406)	(124,867)	-	-		
Transfer from Stage 2	(836,710)	(19,521)	1,041,002	24,236	(4,715)	(204,292)	-	-		
Transfer from Stage 3	(289,558)	(20,314)	(555,141)	(39,561)	59,875	844,699	-	-		
New assets originated or purchased	4,798,627	34,089	1,105,943	4,442	253,347	935,660	6,840,230	291,878		
Financial assets derecognized or repaid	(4,588,987)	(33,092)	(2,750,215)	(48,078)	(203,518)	(2,023,503)	(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)	72,962	(535,783)	(2,879,870)	(40,950)		
Reschedule	(88,258)	(3,734)	413,078	6,500	(2,766)	(324,820)	-	-		
<b>As at 31 December 2023</b>	<b>10,406,746</b>	<b>66,999</b>	<b>3,775,547</b>	<b>82,274</b>	<b>2,510,212</b>	<b>7,531,907</b>	<b>21,714,200</b>	<b>2,659,485</b>		
Transfer from Stage 1	231,035	2,234	(188,641)	(1,843)	(391)	(42,394)	-	-		
Transfer from Stage 2	(761,898)	(15,397)	846,833	16,661	(1,264)	(84,935)	-	-		
Transfer from Stage 3	(46,200)	(4,500)	(40,227)	(5,489)	9,989	86,427	-	-		
New assets originated or purchased	15,563,687	99,432	2,074,845	23,124	5,543	139,595	17,778,127	128,099		
Financial assets derecognized or repaid	(4,559,953)	(23,720)	(2,234,047)	(26,509)	(340,984)	(2,262,466)	(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	(70,676)	(414,663)	(2,031,677)	(65,807)		
Reschedule	61,409	7,946	91,265	19,818	(27,764)	(152,674)	-	-		
<b>As at 31 December 2024</b>	<b>19,747,339</b>	<b>129,848</b>	<b>3,856,048</b>	<b>116,051</b>	<b>2,030,820</b>	<b>4,746,952</b>	<b>28,350,339</b>	<b>2,276,719</b>		

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

**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.

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 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 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
<b>Net financial investments at FVTOCI</b>		<b>16,554</b>	<b>14,348</b>	<b>135,058</b>	<b>119,221</b>
<b>24.1 Government Securities</b>					
Treasury bonds		-	-	101,699	86,459
		-	-	101,699	86,459

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**24. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Contd.)**

**24.2 Equity Securities - Quoted**

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
<b>Company</b>						
<b>Power and Energy</b>						
LVL Energy Fund PLC	2,500	20,000	16,500	2,500	20,000	13,750
		<u>20,000</u>	<u>16,500</u>		<u>20,000</u>	<u>13,750</u>
<b>Group</b>						
<b>Power and Energy</b>						
LVL Energy Fund PLC	2,500	20,000	16,500	2,500	20,000	13,750
		<u>20,000</u>	<u>16,500</u>		<u>20,000</u>	<u>13,750</u>

**24.3 Equity Securities - Unquoted**

As at 31 December	Company					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
				<u>18,654</u>	<u>54</u>		<u>36,200</u>	<u>598</u>
Adjustment due to impairment				<u>(18,600)</u>			<u>(35,602)</u>	
<b>Total unquoted investments</b>				<u>54</u>			<u>598</u>	

**24.4 Equity Securities - Unquoted**

As at 31 December	Group					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
				<u>18,654</u>	<u>54</u>		<u>36,200</u>	<u>598</u>
Adjustment due to impairment				<u>(18,600)</u>			<u>(35,602)</u>	
<b>Total unquoted investments</b>				<u>54</u>			<u>598</u>	

**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

Government securities

Company		Group	
2024	2023	2024	2023
Rs.'000	Rs.'000	Rs.'000	Rs.'000
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**

Treasury bills  
Treasury bonds

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
861,952	3,493,220	1,437,757	3,964,922
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

Government securities, maturing within one year, free from any lien or charge

Company	
2024	2023
Rs.'000	Rs.'000
-	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

Real estate stock

Company		Group	
2024	2023	2024	2023
Rs.'000	Rs.'000	Rs.'000	Rs.'000
40,446	58,158	40,446	58,158
40,446	58,158	40,446	58,158



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**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'.

					Company			
As at 31 December					2024		2023	
	Country of Incorporation	Principal Activity	No. of Shares	Holding	Cost Rs.'000	Fair Value Rs.'000	Cost Rs.'000	Fair Value Rs.'000
<b>Unquoted</b>								
	Lanka Securities (Pvt) Ltd	Sri Lanka	Share Brokering	5,212,543	29%	81,084	81,084	81,084
	Balance as at 31 December					81,084	81,084	
<b>27.1 Carrying Value on Equity Basis</b>								
					<b>Group</b>			
					<b>Lanka Securities (Pvt) Ltd</b>			
As at 31 December					<b>2024</b>	<b>2023</b>		
					<b>Rs.'000</b>	<b>Rs.'000</b>		
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)
<b>Net assets at the end of the year</b>							<b>178,170</b>	<b>168,908</b>
<b>27.2 Summarized Financial Information of Associate</b>								
					<b>Lanka Securities (Pvt) Ltd</b>			
For the year ended 31 December					<b>2024</b>	<b>2023</b>		
					<b>Rs.'000</b>	<b>Rs.'000</b>		
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
<b>Profit/(loss) for the period</b>							<b>31,939</b>	<b>71,585</b>
Defined Benefit Plan Actuarial Gains/(Losses)							-	(296)
Tax impact on Actuarial (Loss)/Gain							-	89
<b>Total comprehensive income/(expense) for the period</b>							<b>31,939</b>	<b>71,378</b>
As at 31 December					<b>2024</b>	<b>2023</b>		
					<b>Rs.'000</b>	<b>Rs.'000</b>		
Total assets							865,568	865,568
Total liabilities							298,120	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 31st December 2024. The Life Insurance business operates with a deficit of TAC as of 31st 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:

28.1	As at 31 December	2024						2023		
		Note	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	28.2	Insurance	Sri Lanka	53.81	1,016,096	348,260	53.81	1,016,096	352,696
	Less : Impairment provision	28.2				667,835			663,400	
	Balance as at 31 December					<u>348,261</u>			<u>352,696</u>	

**28.2** The following table summarises the investment made in subsidiary-MBSLI:

	MBSL Insurance Rs.'000
<b>Cost</b>	
Balance as at 01 January 2023	1,016,096
Investment made during the year	-
Balance as at 31 December 2023	<u>1,016,096</u>
Investment made during the year	-
Balance as at 31 December 2024	<u>1,016,096</u>
<b>Impairment provision</b>	
Balance as at 01 January 2023	(758,465)
Impairment reversal/(charge)	95,065
Balance as at 31 December 2023	<u>(663,400)</u>
Impairment reversal/(charge)	(4,435)
Balance as at 31 December 2024	<u>(667,835)</u>
As at 31 December 2023	352,696
As at 31 December 2024	348,261

The following table summaries 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.

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**28. INVESTMENT IN SUBSIDIARIES (Contd.)**

**28.3 Summarized Financial Information of MBSL Insurance Company Ltd**

	<b>2024 Total Rs.'000</b>	<b>2023 Total Rs.'000</b>
Non-controlling interest (NCI) percentage (%)	<b>46.19%</b>	<b>46.19%</b>
Net operating income	390,756	412,573
Operating expenses	(378,439)	(420,719)
<b>Profit before income tax</b>	<b>12,317</b>	<b>(8,146)</b>
Income tax (expense)/reversal	(824)	-
<b>Profit/(loss) for the year</b>	<b>11,493</b>	<b>(8,146)</b>
<b>Profit allocated to non-controlling interest (NCI)</b>	<b>5,309</b>	<b>(3,763)</b>
<b>Other comprehensive income allocated to non-controlling interest (NCI)</b>	<b>1,333</b>	<b>1,910</b>
<b>28.4 As at 31 December</b>	<b>2024 Rs.'000</b>	<b>2023 Rs.'000</b>
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
<b>Total assets</b>	<b>2,339,792</b>	<b>2,576,853</b>
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
<b>Total liabilities</b>	<b>1,375,787</b>	<b>1,627,228</b>
<b>Net assets value</b>	<b>964,005</b>	<b>949,625</b>
<b>Carrying amount of non-controlling interest (NCI)</b>	<b>445,274</b>	<b>438,632</b>

**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.

	Note	Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31 December					
<b>Cost as at 01 January</b>		145,247	148,246	145,247	148,246
Less: Provision		98,301	6,557	98,301	6,557
<b>Cost as at 31 December</b>	29.1	46,946	141,689	46,946	141,689
Accumulated depreciation as at 31 December		46,946	46,243	46,946	46,243
<b>Net book value as at 31 December</b>		-	<b>95,446</b>	-	<b>95,446</b>
<b>Accumulated depreciation</b>					
<b>Balance as at 01 January</b>		46,243	39,849	46,243	39,849
Charge for the year		703	6,394	703	6,394
<b>Balance as at 31 December</b>		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

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29. INVESTMENT PROPERTIES (Contd.)

29.1 Investment Properties Held by the Company/Group

As at 31 December

Location	Buildings	Building sq.ft	Extent	Fair Value Hierarchy	Cost/Carrying amount			Net Book Value			Fair Value		
					Land	Buildings	Total	Provision	Accumulated Depreciation	Total	Land	Buildings	Total
			Perches		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
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	-	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
Kumbuthukuliya 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 Kesbawa 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
					<b>87,132</b>	<b>58,115</b>	<b>145,247</b>	<b>98,301</b>	<b>46,946</b>	<b>-</b>	<b>670,500</b>	<b>119,809</b>	<b>757,809</b>

29.2 Investment Properties Held by the Company/Group

As at 31 December

Location	Buildings	Building sq.ft	Extent	Fair Value Hierarchy	Cost/Carrying amount			Net Book Value			Fair Value		
					Land	Buildings	Total	Provision	Accumulated Depreciation	Total	Land	Buildings	Total
			Perches		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	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
Kumbuthukuliya watte, Bangadeniya Road, Puttalam.			2.0A	Level 3	600	-	600	600	-	-	-	-	-
Fingara town & country Club, No.50/21, Old Kesbawa 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
					<b>90,131</b>	<b>58,115</b>	<b>148,246</b>	<b>6,557</b>	<b>46,243</b>	<b>95,446</b>	<b>441,191</b>	<b>100,000</b>	<b>541,191</b>

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 Total Value of Land	LKR. 3,500,000/- P.P. LKR. 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 Depreciating Rate Capitalizing Rate Market Value of the Lease	LKR. 150/-,200/-,225/-,250/- 40% 7% LKR. 176,000,000/-
Ms. K P S K Chandani. Incorporated & Registered Valuer	Kumbuthukuliya waite, Bangadeniya Road, Puttalam.	Market Comparable Method Price per perch Total Value of Land	LKR. 275,000/- P.P. LKR. 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 Total Value of Land Total Fair Value of Existing Buildings & Improvements	LKR. 800,000/- P.P. LKR. 350,000,000/- LKR. 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
<p>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.</p>	<ul style="list-style-type: none"> <li>• Price per perch for land</li> <li>• Price per square foot for building</li> <li>• Depreciation rate for building</li> </ul>	<p><b>Estimated fair value would increase/ (decrease) if;</b></p> <ul style="list-style-type: none"> <li>• Price per perch of land would (increase/decrease)</li> <li>• Price per square foot for building would increase/(decrease)</li> <li>• Depreciation rate for building would increase/(decrease)</li> </ul>

"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."

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**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**

The cost of replacing a part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of day to day servicing of property and equipment are charged to the Statement of Profit or Loss as incurred.

**Repairs and Maintenance**

Repairs and maintenance are charged to the Statement of Profit or Loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

**Derecognition**

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

**Borrowing costs**

There were no capitalised borrowing costs relating to the acquisition of property & equipment during the year.

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30.1 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
<b>Cost</b>								
<b>Balance as at 01 January 2023</b>	14,000	-	118,950	-	319,864	405,236	726,428	1,584,478
Additions during the year	-	-	-	-	6,925	20,512	301,901	329,338
Disposals during the year	-	-	-	-	(3,259)	(13,845)	(358,263)	(375,367)
<b>Balance as at 31 December 2023</b>	14,000	-	118,950	-	323,530	411,903	670,066	1,538,449
Additions during the year	-	-	-	-	33,709	15,050	89,585	138,344
Disposals during the year	-	-	(2,079)	-	(150)	(2,743)	(35,142)	(40,114)
<b>Balance as at 31 December 2024</b>	14,000	-	116,871	-	357,089	424,210	724,509	1,636,679
<b>Accumulated Depreciation</b>								
<b>Balance as at 01 January 2023</b>	-	-	104,812	-	261,166	235,652	478,179	1,079,809
Charge for the year	-	-	10,220	-	26,458	32,136	159,529	228,343
On disposals	-	-	-	-	(3,113)	(12,434)	(339,592)	(355,139)
<b>Balance as at 31 December 2023</b>	-	-	115,032	-	284,511	255,354	298,116	953,013
Charge for the year	-	-	3,918	-	22,311	32,785	190,166	249,180
On disposals	-	-	(2,079)	-	(149)	(2,457)	(28,184)	(32,869)
<b>Balance as at 31 December 2024</b>	-	-	116,871	-	306,673	285,682	460,098	1,169,324
<b>Net book value</b>								
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
<b>Cost</b>								
<b>Balance as at 01 January 2023</b>	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)
<b>Balance as at 31 December 2023</b>	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)
<b>Balance as at 31 December 2024</b>	14,000	-	117,109	-	442,157	536,251	871,285	1,980,802
<b>Accumulated Depreciation</b>								
<b>Balance as at 01 January 2023</b>	-	-	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)
<b>Balance as at 31 December 2023</b>	-	-	115,271	-	350,986	347,290	373,078	1,186,625



**30. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS (Contd.)**

	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
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)
<b>Balance as at 31 December 2024</b>	-	-	117,110	-	378,439	384,783	558,237	1,438,569
<b>Net book value</b>								
As at 31 December 2023								695,697
As at 31 December 2024								542,233

**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	31st 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:

	Company		Group	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
As at 31 December				
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
<b>Total</b>	<b>486,161</b>	<b>387,605</b>	<b>622,221</b>	<b>456,373</b>

**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

	<b>Computer Software Rs.'000</b>	<b>Total Rs.'000</b>
<b>Cost</b>		
<b>Balance as at 01 January 2023</b>	313,125	313,125
Additions and improvements during the year	2,041	2,041
Disposals during the year	(25,240)	(25,240)
<b>Balance as at 31 December 2023</b>	<u>289,926</u>	<u>289,926</u>
Additions and improvements during the year	35,407	35,407
Disposals during the year	-	-
<b>Balance as at 31 December 2024</b>	<u>325,334</u>	<u>325,334</u>
<b>Accumulated amortisation</b>		
<b>Balance as at 01 January 2023</b>	209,917	209,917
Amortisation for the year	38,132	38,132
Disposals during the year	(25,240)	(25,240)
<b>Balance as at 31 December 2023</b>	<u>222,809</u>	<u>222,809</u>
Amortisation for the year	41,195	41,195
Disposals during the year	-	-
<b>Balance as at 31 December 2024</b>	<u>264,005</u>	<u>264,005</u>
<b>Net book value</b>		
As at 31 December 2023		<u>67,117</u>
As at 31 December 2024		<u>61,329</u>

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31. INTANGIBLE ASSETS (Contd.)

31.2 Group

	Computer Software Rs.'000	Goodwill Rs.'000	Total Rs.'000
<b>Cost</b>			
<b>Balance as at 01 January 2023</b>	364,572	18,193	382,765
Additions and improvements during the year	2,041	-	2,041
Disposals during the year	(25,240)	-	(25,240)
<b>Balance as at 31 December 2023</b>	<b>341,373</b>	<b>18,193</b>	<b>359,566</b>
Additions and improvements during the year	36,812	-	36,812
Disposals during the year	-	-	-
<b>Balance as at 31 December 2024</b>	<b>378,185</b>	<b>18,193</b>	<b>396,378</b>
<b>Accumulated amortisation and impairment</b>			
<b>Balance as at 01 January 2023</b>	258,176	18,193	276,369
Amortisation for the year	38,946	-	38,946
Disposals during the year	(25,240)	-	(25,240)
<b>Balance as at 31 December 2023</b>	<b>271,882</b>	<b>18,193</b>	<b>290,075</b>
Amortisation for the year	42,206	-	42,206
Disposals during the year	-	-	-
<b>Balance as at 31 December 2024</b>	<b>314,088</b>	<b>18,193</b>	<b>332,281</b>
<b>Net book value</b>			
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	
As at 31 December	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 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.

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**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 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 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
	<b>186,673</b>	<b>150,878</b>	<b>520,495</b>	<b>490,547</b>

**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 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 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	-
	<b>8,144,088</b>	<b>2,599,970</b>	<b>8,144,088</b>	<b>2,603,003</b>

**33.1 Analysis of Cash and Cash Equivalents at the End of the Year**

As at 31 December	Company		Group	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Dues to banks	198,124	36,895	198,124	39,928
	<b>198,124</b>	<b>36,895</b>	<b>198,124</b>	<b>39,928</b>

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For the year ended 31 December 2024

**33. DUE TO BANKS (Contd.)**

**33.2 Bank Borrowings - Long-term loans**

	Interest Payable Frequency	Obtained Date	Maturity Date	Company & Group	
				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	-
				<b>480,711</b>	<b>-</b>

**33.3 Contractual Maturity Analysis of Reverse Repurchase and Other Bank Loans - 2024**

	Company/Group			
	Within one year Rs.'000	1 - 5 Years Rs.'000	Over 5 years Rs.'000	Total 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
	<b>7,465,253</b>	<b>480,711</b>	<b>-</b>	<b>7,945,964</b>

**33.4 Contractual Maturity Analysis of Reverse Repurchase and Other Bank Loans - 2023**

	Company/Group			
	Within one year Rs.'000	1 - 5 Years Rs.'000	Over 5 years Rs.'000	Total Rs.'000
Reverse repurchase agreements	-	-	-	-
Bank borrowings - Short-term loans	2,563,075	-	-	2,563,075
Bank borrowings - Long-term loans	-	-	-	-
	<b>2,563,075</b>	<b>-</b>	<b>-</b>	<b>2,563,075</b>

**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 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 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
	<b>25,956,175</b>	<b>25,444,119</b>	<b>25,739,758</b>	<b>25,245,868</b>

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**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 31st December 2024.

**34.2 Contractual Maturity Analysis of Customer Deposits**

	2024			Total
	Within one year Rs.'000	1 - 5 Years Rs.'000	Over 5 years Rs.'000	
<b>Company</b>				
Savings deposits	822,482	354,228	88,557	1,265,267
Time deposits	18,781,504	5,909,379	25	24,690,908
	<b>19,603,986</b>	<b>6,263,607</b>	<b>88,582</b>	<b>25,956,175</b>
<b>Group</b>				
Savings deposits	820,140	354,228	88,557	1,262,925
Time deposits	18,781,504	5,695,304	25	24,476,833
	<b>19,601,644</b>	<b>6,049,532</b>	<b>88,582</b>	<b>25,739,758</b>

**34.3 Contractual Maturity Analysis of Customer Deposits**

	2023			Total
	Within one year Rs.'000	1 - 5 Years Rs.'000	Over 5 years Rs.'000	
<b>Company</b>				
Savings deposits	627,247	270,345	67,550	965,142
Time deposits	19,261,373	5,217,523	81	24,478,977
	<b>19,888,620</b>	<b>5,487,868</b>	<b>67,631</b>	<b>25,444,119</b>
<b>Group</b>				
Savings deposits	623,683	270,345	67,550	961,578
Time deposits	19,151,430	5,132,779	81	24,284,290
	<b>19,775,113</b>	<b>5,403,124</b>	<b>67,631</b>	<b>25,245,868</b>

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 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Debentures	35.1	730,033	741,030	730,033	741,030
<b>Total debt issued and borrowed funds</b>		<b>730,033</b>	<b>741,030</b>	<b>730,033</b>	<b>741,030</b>

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35. DEBT ISSUED AND BORROWED FUNDS AT AMORTISED COST (Contd.)

35.1 Debentures- 2024

Company/Group										
ISIN No.	Interest Rate			Colombo Stock Exchange Listing	Security	Interest Payable Frequency	Allotment Date	Term of Redemption	Value as at 2024	
	Coupon Rate	Effective Annual Yield	Comparable Government Security						Face Value 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		Company/Group		
	Coupon Rate	Effective Annual Yield	Comparable Government Security	Stock Exchange Listing	Security	Interest Payable Frequency	Allotment Date	Term of Redemption	Face Value	Value as at	
									Rs '000	2023 Rs.'000	
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	
	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 31st December 2024.

No.	Objective as per the prospectus	Amount allocated as per prospectus LKR	Date of Utilization	Amount allocated from proceeds LKR (A)	% of Total Proceeds	Amount Utilized in LKR (B)	% of Utilization (B/A)	Clarification if not fully utilized
Issue of listed, unsecured, subordinated redeemable Debentures amounting LKR 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	16-Nov-22	67,700,000	100%	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).					40,620,000	60%	Discounting of the amount counted as capital by 1/5 each preceding years till maturity.
Issue of listed, unsecured, subordinated redeemable Debentures amounting LKR 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 preceding years till maturity.



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**36. INSURANCE CONTRACT LIABILITIES**

**Accounting Policy**

**36.1 Valuation of life insurance fund**

The valuation of life insurance fund as at 31st 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.

**36.1.1 Insurance Contract Liabilities-Life**

Note	Group	
	2024	2023
	Rs.'000	Rs.'000
As at 31 December		
<b>Balance as at 1 January</b>	420,581	356,208
Increase in life fund	-	-
	420,581	356,208
Fair value reserve	-	-
Life fund balance as at 31st December	36.1.2 420,581	356,208
Unclaimed benefits	34,123	36,822
<b>Balance as at 31 December</b>	<b>454,704</b>	<b>393,030</b>

**36.1.2 Life insurance fund**

The movement of Life insurance fund is as follows;

Balance as at 1st 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
	<b>420,581</b>	<b>356,208</b>

**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 31st 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 LKR194,243,171 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.

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**Insurance Contract Liabilities-Non Life**

As at 31 December	Group	
	2024 Rs.'000	2023 Rs.'000
Provision for reported claims by policy holders	189,575	373,695
provision for claims IBNR	23,039	41,497
<b>Outstanding Claims provision</b>	212,614	415,192
Provision for Unearned Premiums	184,809	256,536
<b>Total Non life insurance contract liabilities</b>	<b>397,423</b>	<b>671,728</b>

**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 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Current tax liabilities	209,437	30,055	209,437	30,055
<b>Balance at 01 January</b>	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)
<b>Balance as at 31 December</b>	<b>209,437</b>	<b>30,055</b>	<b>209,437</b>	<b>30,055</b>

**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.

	<b>Company</b>		<b>Group</b>	
	<b>Note</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>
		<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
As at 31 December				
Net deferred tax asset	38.1	(91,893)	(54,951)	(100,473)
		(91,893)	(54,951)	(100,473)

**38.1 Deferred Tax Movement**

	Accelerated Depreciation for Property, Plant & Equipment	Leased Assets	Provision for Loan Losses	Retirement Benefit Obligation	Tax Losses on Operation	Right of Use Assets	T-Bond & Bills	Total
<b>Company</b>								
<b>Balance as at 01 January 2023</b>	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)
<b>Other comprehensive income</b>	-	-	-	(18,962)	-	-	-	(18,962)
Due to change in temporary differences	-	-	-	(18,962)	-	-	-	(18,962)
<b>Balance as at 31 December 2023</b>	53,854	10,555	(2,321)	(106,311)	-	(10,728)	-	(54,951)
<b>Balance as at 01 January 2024</b>	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)
<b>Other comprehensive income</b>	-	-	-	(13,648)	-	-	-	(13,648)
Due to change in temporary differences	-	-	-	(13,648)	-	-	-	(13,648)
<b>Balance as at 31 December 2024</b>	40,841	4,215	(11,933)	(114,953)	-	(10,063)	-	(91,893)
<b>Group</b>								
<b>Balance as at 01 January 2023</b>	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)
<b>Other comprehensive income</b>	-	-	-	(18,962)	-	-	-	(18,962)
Due to change in temporary differences	-	-	-	(18,962)	-	-	-	(18,962)
<b>Balance as at 31 December 2023</b>	55,594	10,553	(2,322)	(109,917)	-	(16,890)	(1,373)	(64,355)
<b>Balance as at 01 January 2024</b>	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)
<b>Other comprehensive income</b>	-	-	-	(13,648)	-	-	-	(13,648)
Due to change in temporary differences	-	-	-	(13,648)	-	-	-	(13,648)
<b>Balance as at 31 December 2024</b>	41,719	4,213	(11,934)	(118,192)	-	(16,278)	-	(100,473)

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**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.

	Note	Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31 December					
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
		<b>895,070</b>	<b>858,908</b>	<b>1,407,777</b>	<b>1,406,010</b>

**39.1** The below table shows the carrying amounts of lease liabilities and the movements during the period:

	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31 December				
<b>Operating Lease</b>				
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	<b>263,810</b>	<b>373,742</b>	<b>333,169</b>	<b>466,100</b>

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 31st 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 LKR Rs. 0.19 Mn (2023 it Was 0.25 Mn).

1% increase/(decrease) in discount rate as at 31st 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 LKR 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.

Merchant Bank of Sri Lanka & Finance PLC  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2024

**40. RETIREMENT BENEFITS OBLIGATIONS (Contd.)**

**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.

**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.

	<b>Company</b>		<b>Group</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
As at 31 December	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
<b>Balance as at 01 January</b>	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
<b>Balance as at 31 December</b>	<b>383,174</b>	<b>354,368</b>	<b>394,127</b>	<b>366,703</b>

**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
<b>Expense recognised during the year</b>	<b>73,838</b>	<b>72,052</b>	<b>76,892</b>	<b>75,604</b>
Past service cost	40	-	40	-
<b>Expense Recognised in the Statement of Profit or Loss</b>	<b>73,878</b>	<b>72,052</b>	<b>76,932</b>	<b>75,604</b>

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'.

Merchant Bank of Sri Lanka & Finance PLC

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For the year ended 31 December 2024

	<b>Company</b>	
	<b>2024</b>	<b>2023</b>
<b>Financial Assumptions</b>		
Discount rate	11.00%	14.00%
<b>Demographic Assumptions</b>		
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.

Increase/(Decrease) in Discount Rate	Increase/ (Decrease) in Salary Increment	<b>2024</b>	
		Sensitivity Effect on the Statement of Profit or Loss Increase/(Reduction) in Results for the Year Rs. Mn	Sensitivity Effect on Employment Benefit Obligation Increase / (Decrease) in the Liability 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

	<b>Company</b>		<b>Group</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
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
<b>Total</b>	<b>383,174</b>	<b>354,368</b>	<b>394,127</b>	<b>366,703</b>

Merchant Bank of Sri Lanka & Finance PLC

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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2024

**41. STATED CAPITAL**

	<b>Company</b>		<b>Group</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
As at 31 December				
Issued and fully paid ordinary shares	4,276,448	4,276,448	4,276,448	4,276,448
Balance as at 31 December	<b>4,276,448</b>	<b>4,276,448</b>	<b>4,276,448</b>	<b>4,276,448</b>
	<b>Company</b>		<b>Group</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>No. of Shares</b>	<b>No. of Shares</b>	<b>No. of Shares</b>	<b>No. of Shares</b>
As at 31 December				
<b>No. of shares in issue</b>	524,539,637	524,539,637	524,539,637	524,539,637
Balance as at 31 December	<b>524,539,637</b>	<b>524,539,637</b>	<b>524,539,637</b>	<b>524,539,637</b>

Merchant Bank of Sri Lanka & Finance PLC  
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**42. RESERVES**

**42.1 Statutory Reserves**

As at 31 December	Company		Group	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
<b>Balance as at 01 January</b>	344,174	339,996	344,174	339,996
Add: Transfers during the year	48,091	4,178	48,091	4,178
<b>Balance as at 31 December</b>	<b>392,265</b>	<b>344,174</b>	<b>392,265</b>	<b>344,174</b>

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 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
<b>Balance as at 01 January</b>	(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)
<b>Balance as at 31 December</b>	<b>(1,189,204)</b>	<b>(1,289,648)</b>	<b>(940,833)</b>	<b>(1,042,034)</b>

**42.3 RLA reserve**

As at 31 December	Company		Group	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
<b>Balance as at 01 January</b>	371,590	54,441	371,590	54,441
Transfers during the year	53,032	317,149	53,032	317,149
<b>Balance as at 31 December</b>	<b>424,622</b>	<b>371,590</b>	<b>424,622</b>	<b>371,590</b>

**42.4 RR reserve**

As at 31 December	Company		Group	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
<b>Balance as at 01 January</b>	-	-	-	-
Transfers during the year	-	-	35,443	-
<b>Balance as at 31 December</b>	<b>-</b>	<b>-</b>	<b>35,443</b>	<b>-</b>

**42.5 OCI Reserve**

As at 31 December	Company		Group	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
<b>Balance as at 01 January</b>	(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	-
<b>Balance as at 31 December</b>	<b>(22,100)</b>	<b>(31,892)</b>	<b>(22,206)</b>	<b>(33,607)</b>



**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.

**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. D. 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 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
<b>(a) Remuneration to Board of Directors</b>				
Short term employees benefits	4,992	4,663	7,322	8,463
	<b>4,992</b>	<b>4,663</b>	<b>7,322</b>	<b>8,463</b>
<b>(b) Remuneration to Corporate Management</b>				
Short term employees benefits	105,014	102,361		
Post employment benefits	278	13,267		
	<b>105,292</b>	<b>115,628</b>		

Transactions, arrangements and agreements involving Key Management Personnel (KMPs), their close family members and other entities.

NOTES TO THE FINANCIAL STATEMENTS

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	Board of Directors		Corporate Management	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>(a) Items in the Statement of Financial Position</b>				
<b>Company</b>				
Assets - Loan and receivables	-	-	8,336	12,949
Liabilities - Due to customers	-	-	3,416	11,256
<b>Group</b>				
Assets - Loan and receivables	55,166	54,599	-	-
Liabilities - Due to customers	27	26	13,976	12,975
<b>(b) Items in the Statement of Profit or Loss</b>				
<b>Company</b>				
Interest income	-	-	379	339
Interest expense	-	6	259	1,881
<b>Group</b>				
Interest income	567	6,146	-	-
Interest expense	1	1	1,354	1,890
<b>(c) Net Accommodation as a % of capital funds</b>				
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**

	Company	
	2024	2023
As at 31 December		
No. of ordinary shares held	-	-

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

## 43. RELATED PARTY DISCLOSURE (Contd.)

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		
<b>Company</b>								
<b>Transactions with parent company</b>								
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)	-	-			
<b>Transactions with subsidiary</b>								
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)	-	-			
<b>Transactions with associate</b>								
Lanka Securities (Pvt) Ltd	Dividend received	-	24,633	-	-			
	Fixed Deposits and savings	-	-	(1)	(1)			
<b>Transactions with other companies</b>								
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)	-	-			
<b>Transactions exceeding 10% of the gross income of the Company</b>								
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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

**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

		Company			Group		
		Current	As Reported	Impact	Current	As Reported	Impact
Reference	Presentation	Rs.'000	Previously Rs.'000	Rs.'000	Presentation Rs.'000	Previously Rs.'000	Rs.'000
<b>Statement of Profit or Loss</b>							
<b>Fee and commission expenses</b>							
Commission expenses	1	-	-	-	24,883	3,774	21,109
<b>Other operating expenses</b>							
Office administration & establishment expenses	1	-	-	-	792,955	814,064	(21,109)

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.

# Merchant Bank of Sri Lanka & Finance PLC

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 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.

Merchant Bank of Sri Lanka & Finance PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

Group	Leasing		Loans and Receivables		Corporate Advisory & Capital Markets		Insurance		Eliminations/Other		Total	
	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
<b>Revenue from external customers</b>												
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
<b>Net interest income</b>	<b>1,005,205</b>	<b>411,623</b>	<b>847,334</b>	<b>950,252</b>	<b>64,062</b>	<b>289,193</b>	<b>277,464</b>	<b>377,096</b>	<b>270,189</b>	<b>(10,603)</b>	<b>2,464,254</b>	<b>2,017,561</b>
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	-	-	-	-	-	-	-	-	-	-	-	-
Real estate profit	-	-	5,126	19,576	-	-	-	-	261,789	561,446	261,789	561,446
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
<b>Total operating income</b>	<b>1,087,941</b>	<b>484,974</b>	<b>952,201</b>	<b>1,021,962</b>	<b>244,246</b>	<b>305,931</b>	<b>392,623</b>	<b>435,639</b>	<b>1,232,038</b>	<b>703,204</b>	<b>3,909,050</b>	<b>2,951,711</b>
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
<b>Net operating income</b>	<b>1,109,771</b>	<b>785,298</b>	<b>1,024,819</b>	<b>1,053,238</b>	<b>547,639</b>	<b>50,263</b>	<b>392,623</b>	<b>435,639</b>	<b>935,308</b>	<b>652,366</b>	<b>4,010,161</b>	<b>2,976,805</b>
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
<b>Segment result</b>	<b>412,307</b>	<b>176,090</b>	<b>187,574</b>	<b>279,908</b>	<b>488,849</b>	<b>(23,186)</b>	<b>(13,333)</b>	<b>(8,145)</b>	<b>(219,949)</b>	<b>(191,694)</b>	<b>855,448</b>	<b>232,974</b>
<b>Profit/(loss) before VAT on financial services</b>											<b>855,448</b>	<b>232,974</b>
Taxes on financial services											<b>(392,787)</b>	<b>(292,911)</b>
Share of associate company's profit/(loss) before tax											<b>13,232</b>	<b>29,182</b>
<b>Profit/(Loss) before income tax</b>											<b>475,894</b>	<b>(30,755)</b>
Income tax expense/(reversal)											<b>(210,248)</b>	<b>(55,106)</b>
<b>Profit/(Loss) for the year</b>											<b>265,646</b>	<b>(85,861)</b>
<b>Assets</b>												
<b>Capital expenditures</b>												
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
<b>Total segment assets</b>	<b>10,885,118</b>	<b>7,680,022</b>	<b>13,416,274</b>	<b>9,658,898</b>	<b>1,997,935</b>	<b>2,147,795</b>	<b>232,176</b>	<b>242,056</b>	<b>15,540,705</b>	<b>16,084,079</b>	<b>42,072,208</b>	<b>35,812,850</b>
<b>Total segment liabilities</b>	<b>9,123,900</b>	<b>7,946,910</b>	<b>10,952,459</b>	<b>10,087,811</b>	<b>2,037,432</b>	<b>2,072,459</b>	<b>1,375,787</b>	<b>1,627,228</b>	<b>13,987,768</b>	<b>9,723,018</b>	<b>37,477,347</b>	<b>31,457,427</b>

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**46. FINANCIAL REPORTING BY SEGMENT (Contd.)**

Group	Western	Central	Southern	North Western	Uva	North Central	Sabaragamuwa	Eastern	Northern	2024
As at 31 December	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Revenue from external customers</b>										
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
<b>Net interest income</b>	971,741	69,902	325,548	361,267	121,695	174,377	113,196	137,748	188,780	2,464,254
<b>Net fee and commission income</b>	111,503	11,286	21,790	16,882	7,581	7,522	5,932	2,506	2,297	187,299
<b>Net gain/(loss) on financial instruments at fair value through profit or loss</b>	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
<b>Total operating income</b>	2,323,671	85,363	350,863	384,379	129,466	183,105	119,728	140,882	191,592	3,909,049
<b>Allowance for impairment losses charge for loans and other assets</b>	83,087	947	5,010	8,905	358	2,519	4,346	3,103	(7,164)	101,111
<b>Net operating income</b>	2,406,758	86,310	355,873	393,284	129,824	185,624	124,074	143,985	184,428	4,010,161
<b>Personnel expenses</b>	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
<b>Segment result</b>	(33,463)	(31,718)	188,416	249,911	89,214	117,459	82,658	79,230	113,742	855,449
<b>Profit/(loss) before VAT on financial services</b>										855,448
Taxes on financial services										(392,787)
Share of associate company's profit/(loss) before tax										13,232
<b>Profit/(Loss) before income tax</b>										475,894
Income tax expense/(reversal)										(210,248)
<b>Profit/(Loss) for the year</b>										265,646
<b>Assets</b>										
<b>Capital expenditures</b>										
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
<b>Total segment assets</b>	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
<b>Total segment liabilities</b>	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

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Group	Western	Central	Southern	North Western	Uva	North Central	Sabaragamuwa	Eastern	Northern	2023
As at 31 December	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Revenue from external customers</b>										
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
<b>Net interest income</b>	<b>786,353</b>	<b>(43,270)</b>	<b>281,072</b>	<b>264,072</b>	<b>94,180</b>	<b>154,329</b>	<b>101,248</b>	<b>148,745</b>	<b>230,832</b>	<b>2,017,561</b>
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
<b>Total operating income</b>	<b>1,613,282</b>	<b>(27,898)</b>	<b>299,297</b>	<b>282,313</b>	<b>99,286</b>	<b>163,128</b>	<b>105,254</b>	<b>157,361</b>	<b>238,552</b>	<b>2,930,575</b>
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
<b>Net operating income</b>	<b>1,641,431</b>	<b>(38,734)</b>	<b>299,745</b>	<b>289,592</b>	<b>100,623</b>	<b>163,654</b>	<b>106,018</b>	<b>154,164</b>	<b>239,176</b>	<b>2,955,669</b>
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
<b>Segment result</b>	<b>(465,850)</b>	<b>(135,440)</b>	<b>145,875</b>	<b>167,802</b>	<b>67,939</b>	<b>107,658</b>	<b>68,374</b>	<b>95,064</b>	<b>181,552</b>	<b>232,974</b>
<b>Profit/(loss) before VAT on financial services</b>										<b>232,974</b>
Taxes on financial services										<b>(292,911)</b>
Share of associate company's profit/(loss) before tax										<b>29,182</b>
<b>Profit/(Loss) before income tax</b>										<b>(30,755)</b>
Income tax expense/(reversal)										<b>(55,106)</b>
<b>Profit/(Loss) for the year</b>										<b>(85,861)</b>
<b>Assets</b>										
<b>Capital expenditures</b>										
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
<b>Total segment assets</b>	<b>27,211,719</b>	<b>1,507,360</b>	<b>1,758,778</b>	<b>1,836,617</b>	<b>506,275</b>	<b>665,557</b>	<b>526,758</b>	<b>800,123</b>	<b>999,663</b>	<b>35,812,850</b>
<b>Total segment liabilities</b>	<b>24,131,173</b>	<b>2,328,463</b>	<b>1,222,611</b>	<b>1,856,166</b>	<b>194,719</b>	<b>281,016</b>	<b>235,416</b>	<b>494,814</b>	<b>713,049</b>	<b>31,457,427</b>



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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.

	Company		Group	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31 December				
Financial guarantees & claims to the customers	48,858	42,093	56,665	128,909
<b>Total Commitments and Contingencies</b>	<b>48,858</b>	<b>42,093</b>	<b>56,665</b>	<b>128,909</b>

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 31.12.2024 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 28th 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 LKR 7.5 Mn).
2	DMR/3675/11 DC - Colombo	This action has been filed against MBSL to recover LKR 2,500,000/- as damages for refusal to grant a Hire Purchase facility.	Written submission on 26/03/2025.	LKR 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 LKR 500,000/- and further LKR 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 LKR 50,761,866.10 made by the Plaintiff to MBSL and a further sum of LKR 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 LKR 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 LKR 50 Million as damages.

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No.	Action / Case No.	Purpose / Cause of Action	Status as at 28/02/2023	Claim amount
5	9473/L DC - Embilipitiya	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.	LKR 500,000 and damages of LKR 50,000 from Oct 2006 till the decree
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	LKR 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	LKR 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	LKR 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	LKR 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.	LKR 10,000,000

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47. CONTINGENT LIABILITIES AND COMMITMENTS (Contd.)

No.	Action / Case No.	Purpose / Cause of Action	Status as at 28/02/2023	Claim amount
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 LKR 95,000,000
13	Mis/236/2020 DC - Killinochchi	State has instituted this action against MBSL and two others seeking damages amounting to LKR 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	LKR 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	LKR 1,834,336.64
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	LKR 5,000,000/-
16	DMR/1492/21 DC - Colombo	This action has been filed against MBSL to recover LKR 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	LKR 4,625,557/- and legal interest from the date of the Decree until payment in full.
17	IMR 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.	LKR 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	LKR 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.

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**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.

**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	<b>Group</b>	
	<b>2024</b>	<b>2023</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
Bond claims	3,157	62,157
Insurance claims	4,650	24,659
Third party claims	642,021	558,043
	<b>649,828</b>	<b>644,859</b>

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 1st November 2013 to 1st 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 1st 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 at 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.

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**48. Current/Non Current Analysis**

The table below summarises the current/non current assets and liabilities of the Company/Group.

	<b>Company</b>			<b>Group</b>		
	Within 12 Months <b>Rs.'000</b>	After 12 Months <b>Rs.'000</b>	<b>Total Rs.'000</b>	Within 12 Months <b>Rs.'000</b>	After 12 Months <b>Rs.'000</b>	<b>Total Rs.'000</b>
<b>Assets</b>						
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
<b>Total assets as at 31 December 2024</b>	<b>15,064,213</b>	<b>24,653,367</b>	<b>39,717,580</b>	<b>16,201,742</b>	<b>25,388,038</b>	<b>41,589,780</b>
<b>Total assets as at 31 December 2023</b>	<b>13,750,491</b>	<b>19,948,631</b>	<b>33,699,122</b>	<b>23,072,483</b>	<b>12,740,367</b>	<b>35,812,850</b>
<b>Liabilities</b>						
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
<b>Total liabilities as at 31 December 2024</b>	<b>28,268,758</b>	<b>8,049,219</b>	<b>36,317,977</b>	<b>29,370,652</b>	<b>8,106,695</b>	<b>37,477,347</b>
<b>Total liabilities as at 31 December 2023</b>	<b>23,178,139</b>	<b>6,850,311</b>	<b>30,028,450</b>	<b>24,301,231</b>	<b>7,156,196</b>	<b>31,457,427</b>
<b>Net assets as at 31 December 2024</b>	<b>(13,204,545)</b>	<b>16,604,148</b>	<b>3,399,603</b>	<b>(13,168,910)</b>	<b>17,281,343</b>	<b>4,112,433</b>
<b>Net assets as at 31 December 2023</b>	<b>(9,427,648)</b>	<b>13,098,320</b>	<b>3,670,672</b>	<b>(1,228,748)</b>	<b>5,584,171</b>	<b>4,355,422</b>

**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 2024	Note	Company		Group	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st 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 31st December		<b>2,211,023</b>	<b>2,625,726</b>	<b>2,211,023</b>	<b>2,625,726</b>

**48. RISK MANAGEMENT (Contd.)**

**48.2.1 Sensitive Analysis**

**Impact of the measurement of the Company's allowance for expected credit losses for the year 2024**

As at 31 December	Sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on income Statement
	Stage 1 Rs.000	Stage 2 Rs.000	Stage 3 Rs.000	Total Rs.000	Rs.000
<b>Change in Probability of Default (PD)</b>					
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)
<b>Change in Loss Given Default (LGD)</b>					
1% increase	12,656	6,416	23,989	43,061	43,061
1% decrease	(12,640)	(6,414)	(24,007)	(43,061)	(43,061)
<b>Change in Economic Factor Adjustment (EFA)</b>					
Worse case 5% increase, best case	1,539	757	-	2,296	2,296
5% decrease, base case constant					
Worse case 5% decrease, best case	(1,523)	(758)	-	(2,281)	(2,281)
5% increase, base case constant					

**48.2.2 Impact of the measurement of the Company's allowance for expected credit losses for the year 2023**

As at 31 December	Sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on income Statement
	Stage 1 Rs.000	Stage 2 Rs.000	Stage 3 Rs.000	Total Rs.000	Rs.000
<b>Change in Probability of Default (PD)</b>					
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)
<b>Change in Loss Given Default (LGD)</b>					
1% increase	7,814	9,453	36,023	53,290	53,290
1% decrease	(7,814)	(9,453)	(36,023)	(53,290)	(53,290)
<b>Change in Economic Factor Adjustment (EFA)</b>					
Worse case 5% increase, best case	939	855	-	1,794	1,794
5% decrease, base case constant					
Worse case 5% decrease, best case	(957)	(856)	-	(1,813)	(1,813)
5% increase, base case constant					

**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 31st 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.

	<b>2024</b>	
	Maximum exposure to Credit Risk	Net Exposure
	<b>Rs.'000</b>	<b>Rs.'000</b>
<b>Financial Assets</b>		
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
	<b>41,331,298</b>	<b>15,038,309</b>
	<b>2023</b>	
	Maximum exposure to Credit Risk	Net Exposure
	<b>Rs.'000</b>	<b>Rs.'000</b>
<b>Financial Assets</b>		
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
	<b>34,912,841</b>	<b>14,423,538</b>

#### 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.

	<b>2024</b>			<b>2023</b>		
	Carrying Amount	Market Risk Measurement		Carrying Amount	Market Risk Measurement	
		Trading Portfolio	Non-trading Portfolio		Trading Portfolio	Non-trading Portfolio
As at 31st December	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. RISK MANAGEMENT (Contd.)**

**48.3.1 Equity Risk**

A summary of the VaR position of the Bank's trading equity holdings as at 31st December 2024 and during the period is as follows:

As at 31 December	2024	2023
Equity Portfolio Market Value (LKR' Mn)	295.82	354.25
Value at Risk (at 99% Confidence Level)	-2.37%	-3.30%
Maximum possible loss of value (LKR' 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 (LKR' Mn)			
	Portfolio market value	Scenario 1 5%	Scenario 2 10%	Scenario 3 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 31st December 2024 and 31st 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.

**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
<b>Total assets</b>	<b>8,149,030</b>	<b>6,841,155</b>	<b>1,031,764</b>	<b>16,128,367</b>	<b>6,368,455</b>	<b>1,198,808</b>	<b>39,717,579</b>
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
<b>Total liabilities</b>	<b>13,625,225</b>	<b>13,774,958</b>	<b>5,672,770</b>	<b>1,801,581</b>	<b>88,582</b>	<b>1,354,861</b>	<b>36,317,977</b>

**48. RISK MANAGEMENT (Contd.)**

<b>48.3.4</b>	<b>Up to 03 months Rs.'000</b>	<b>3 - 12 months Rs.'000</b>	<b>1-3 years Rs.'000</b>	<b>3-5 years Rs.'000</b>	<b>More than 5 years Rs.'000</b>	<b>Non-Interest bearing Rs.'000</b>	<b>2023 Total Rs.'000</b>
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
<b>Total assets</b>	<b>6,763,565</b>	<b>6,894,065</b>	<b>3,264,872</b>	<b>9,932,714</b>	<b>5,468,208</b>	<b>1,375,698</b>	<b>33,699,122</b>
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	-	-	-	741,030	-	-	741,030
Other financial liabilities	151,273	-	-	-	-	-	151,273
Non financial liabilities	-	-	-	-	-	1,092,058	1,092,058
<b>Total liabilities</b>	<b>8,770,400</b>	<b>13,869,464</b>	<b>1,763,509</b>	<b>4,465,389</b>	<b>67,630</b>	<b>1,092,058</b>	<b>30,028,450</b>

**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	<b>2024</b>	<b>2023</b>
Market Value of Pawning Portfolio (LKR' Mn)	6,523	5,587
Portfolio Balance (Pawning) (LKR' 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.

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 48.4 Industry Analysis Risk Concentration

#### 48.4.1 The Company's concentrations of risk are managed by industry sector.

As at 31 December									2024	2023	
	Financials Rs.'000	Agriculture Rs.'000	Manufacturing Rs.'000	Tourism Rs.'000	Transportation Rs.'000	Construction Rs.'000	Trade Rs.'000	Services Rs.'000	Consumption Rs.'000	Total Rs.'000	Total 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

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48. RISK MANAGEMENT (Contd.)

48.4.2 The Group's concentrations of risk are manage by industry sector.

As at 31 December	Financials								2024		2023	
	Rs.'000	Agriculture Rs.'000	Manufacturing Rs.'000	Tourism Rs.'000	Transportation Rs.'000	Construction Rs.'000	Trade Rs.'000	Services Rs.'000	Consumption Rs.'000	Total Rs.'000	Total 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	

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NOTES TO THE FINANCIAL STATEMENTS

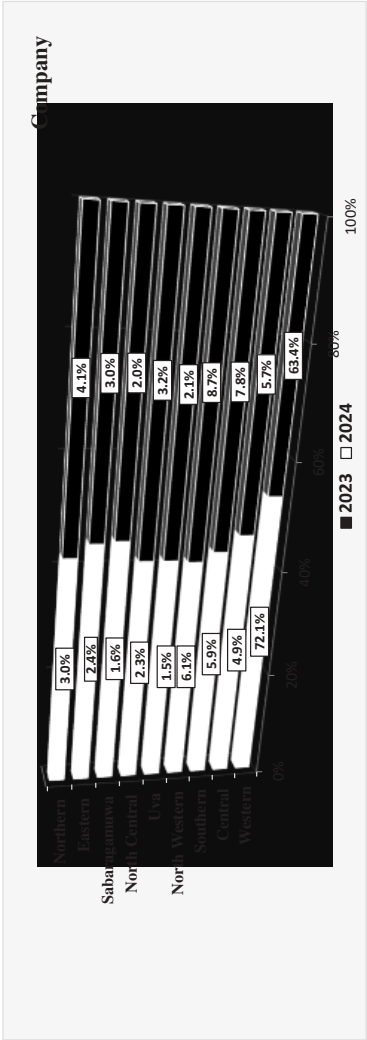
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48.5 Geographical Analysis

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 Rs. '000	Central Rs. '000	Southern Rs. '000	North Western Rs. '000	Uva Rs. '000	North Central Rs. '000	Sabaragamuwa Rs. '000	Eastern Rs. '000	Northern Rs. '000	2024 Total Rs. '000	2023 Total Rs. '000
<b>Financial assets</b>											
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
<b>Financial investments at fair value through profit or loss</b>											
Equity securities - Quoted	295,824	-	-	-	-	-	-	-	-	295,824	354,246
Government securities	8,239,090	-	-	-	-	-	-	-	-	8,239,090	7,807,122
<b>Financial investments at amortised cost</b>											
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
<b>Financial investments at fair value through other comprehensive income</b>											
Equity securities - Quoted	16,500	-	-	-	-	-	-	-	-	16,500	13,750
Equity securities - Unquoted	54	-	-	-	-	-	-	-	-	54	598
Other assets	78,232	-	-	-	-	-	-	-	-	78,232	70,068
<b>Total financial assets as at 31 December 2024</b>	<b>26,260,340</b>	<b>2,368,556</b>	<b>3,242,382</b>	<b>3,584,385</b>	<b>886,091</b>	<b>1,328,565</b>	<b>820,797</b>	<b>1,230,611</b>	<b>1,687,803</b>	<b>41,409,529</b>	
<b>Total financial assets as at 31 December 2023</b>	<b>25,225,661</b>	<b>1,717,046</b>	<b>2,080,506</b>	<b>2,140,394</b>	<b>536,145</b>	<b>803,745</b>	<b>576,769</b>	<b>849,819</b>	<b>1,052,824</b>		<b>34,982,908</b>



Merchant Bank of Sri Lanka & Finance PLC

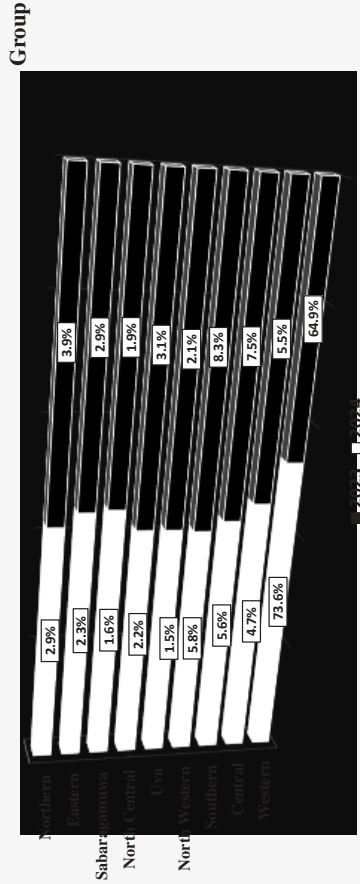
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48. RISK MANAGEMENT (Contd.)

48.5.2 The Group's concentrations of risk are managed by geographical segment.

As at 31 December											2024		2023	
	Western	Central	Southern	North Western	Uva	North Central	Sabaragamuwa	Eastern	Northern	Total	Rs. '000	Total	Rs. '000	Total
<b>Financial assets</b>														
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	854,028	871,126	
Placements with banks & financial institutions	644,043	-	-	-	-	-	-	-	-	644,044	645,823	644,044	645,823	
<b>Financial investments at fair value through profit or loss</b>														
Equity securities - Quoted	308,884	-	-	-	-	-	-	-	-	308,884	362,805	308,884	362,805	
Government securities	8,239,090	-	-	-	-	-	-	-	-	8,239,090	7,807,122	8,239,090	7,807,122	
<b>Financial investments at amortised cost</b>														
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	28,354,833	21,719,446	
Government securities	4,498,689	-	-	-	-	-	-	-	-	4,498,689	5,304,189	4,498,689	5,304,189	
<b>Financial investments at fair value through other comprehensive income</b>														
Government securities	101,699	-	-	-	-	-	-	-	-	101,699	86,459	101,699	86,459	
Equity securities - Quoted	16,500	-	-	-	-	-	-	-	-	16,500	13,750	16,500	13,750	
Equity securities - Unquoted	54	-	-	-	-	-	-	-	-	54	598	54	598	
Unit trust	16,805	-	-	-	-	-	-	-	-	16,805	18,414	16,805	18,414	
Other assets	78,232	-	-	-	-	-	-	-	-	78,232	70,068	78,232	70,068	
<b>Total financial assets as at 31 December 2024</b>	<b>27,963,667</b>	<b>2,368,556</b>	<b>3,242,382</b>	<b>3,584,385</b>	<b>886,091</b>	<b>1,328,565</b>	<b>820,797</b>	<b>1,230,611</b>	<b>1,687,804</b>	<b>43,112,858</b>				
<b>Total financial assets as at 31 December 2023</b>	<b>27,142,553</b>	<b>1,717,046</b>	<b>2,080,506</b>	<b>2,140,394</b>	<b>536,145</b>	<b>803,745</b>	<b>576,769</b>	<b>849,819</b>	<b>1,052,824</b>		<b>36,899,800</b>			



#### 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 Rs.'000	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
<b>Assets</b>								
<b>Financial assets</b>								
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
<b>Total financial assets as at 31 December 2024</b>	<b>5,104,590</b>	<b>3,044,440</b>	<b>6,841,155</b>	<b>1,031,764</b>	<b>16,128,367</b>	<b>6,368,454</b>	<b>38,518,770</b>	
<b>Total financial assets as at 31 December 2023</b>	<b>4,019,632</b>	<b>2,743,933</b>	<b>6,894,065</b>	<b>3,264,872</b>	<b>9,932,714</b>	<b>5,468,208</b>		<b>32,323,424</b>
<b>Non financial assets</b>								
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
<b>Total non-financial assets as at 31 December 2024</b>	<b>-</b>	<b>-</b>	<b>74,027</b>	<b>74,860</b>	<b>-</b>	<b>1,049,922</b>	<b>1,198,808</b>	
<b>Total non-financial assets as at 31 December 2023</b>	<b>-</b>	<b>-</b>	<b>92,862</b>	<b>46,106</b>	<b>-</b>	<b>1,236,730</b>		<b>1,375,698</b>
<b>Total assets as at 31 December 2024</b>	<b>5,104,590</b>	<b>3,044,440</b>	<b>6,915,182</b>	<b>1,106,624</b>	<b>16,128,367</b>	<b>7,418,376</b>	<b>39,717,579</b>	
<b>Total assets as at 31 December 2023</b>	<b>4,019,632</b>	<b>2,743,933</b>	<b>6,986,927</b>	<b>3,310,978</b>	<b>9,932,714</b>	<b>6,704,938</b>		<b>33,699,122</b>
<b>Financial liabilities</b>								
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
<b>Total financial liabilities as at 31 December 2024</b>	<b>5,196,012</b>	<b>8,429,213</b>	<b>13,774,958</b>	<b>5,672,770</b>	<b>1,801,581</b>	<b>88,582</b>	<b>34,963,116</b>	
<b>Total financial liabilities as at 31 December 2023</b>	<b>1,103,856</b>	<b>7,666,544</b>	<b>13,869,464</b>	<b>1,763,509</b>	<b>4,465,389</b>	<b>67,630</b>		<b>28,936,392</b>
<b>Non financial liabilities</b>								
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
<b>Total non-financial liabilities as at 31 December 2024</b>	<b>17,976</b>	<b>533,830</b>	<b>316,769</b>	<b>216,312</b>	<b>102,966</b>	<b>167,008</b>	<b>1,354,861</b>	
<b>Total non-financial liabilities as at 31 December 2023</b>	<b>-</b>	<b>379,789</b>	<b>158,487</b>	<b>144,309</b>	<b>49,899</b>	<b>359,574</b>		<b>1,092,058</b>
<b>Total liabilities as at 31 December 2024</b>	<b>5,213,988</b>	<b>8,963,043</b>	<b>14,091,727</b>	<b>5,889,082</b>	<b>1,904,547</b>	<b>255,590</b>	<b>36,317,977</b>	
<b>Total liabilities as at 31 December 2023</b>	<b>1,103,856</b>	<b>8,046,333</b>	<b>14,027,951</b>	<b>1,907,818</b>	<b>4,515,288</b>	<b>427,204</b>		<b>30,028,450</b>
<b>Equity</b>								
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
<b>Total equity as at 31 December 2024</b>	<b>-</b>	<b>(22,100)</b>	<b>424,622</b>	<b>-</b>	<b>-</b>	<b>3,479,509</b>	<b>3,882,031</b>	
<b>Total equity as at 31 December 2023</b>	<b>-</b>	<b>(31,892)</b>	<b>371,590</b>	<b>-</b>	<b>-</b>	<b>3,330,974</b>		<b>3,670,672</b>
<b>Total liabilities and equity as at 31 December 2024</b>	<b>5,213,988</b>	<b>8,940,943</b>	<b>14,516,349</b>	<b>5,889,082</b>	<b>1,904,547</b>	<b>3,735,099</b>	<b>40,200,008</b>	
<b>Total liabilities and equity as at 31 December 2023</b>	<b>1,103,856</b>	<b>8,014,441</b>	<b>14,399,541</b>	<b>1,907,818</b>	<b>4,515,288</b>	<b>3,758,178</b>		<b>33,699,122</b>



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**48. RISK MANAGEMENT (Contd.)**

**48.6.2 Group**

	On Demand Rs.'000	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
<b>Assets</b>								
<b>Financial assets</b>								
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
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
<b>Total financial assets as at 31 December 2024</b>	<b>5,204,282</b>	<b>3,502,706</b>	<b>7,086,906</b>	<b>1,830,037</b>	<b>16,230,066</b>	<b>6,368,103</b>	<b>40,222,099</b>	
<b>Total financial assets as at 31 December 2023</b>	<b>4,113,475</b>	<b>10,636,094</b>	<b>7,890,380</b>	<b>1,295,244</b>	<b>5,122,720</b>	<b>5,182,403</b>		<b>34,240,316</b>
<b>Non financial assets</b>								
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
<b>Total non-financial assets as at 31 December 2024</b>	<b>-</b>	<b>333,821</b>	<b>74,027</b>	<b>74,860</b>	<b>-</b>	<b>884,972</b>	<b>1,367,680</b>	
<b>Total non-financial assets as at 31 December 2023</b>	<b>-</b>	<b>339,672</b>	<b>92,862</b>	<b>46,103</b>	<b>-</b>	<b>1,093,897</b>		<b>1,572,534</b>
<b>Total assets as at 31 December 2024</b>	<b>5,204,282</b>	<b>3,836,528</b>	<b>7,160,932</b>	<b>1,904,897</b>	<b>16,230,066</b>	<b>7,253,075</b>	<b>41,589,779</b>	
<b>Total assets as at 31 December 2023</b>	<b>4,113,475</b>	<b>10,975,766</b>	<b>7,983,242</b>	<b>1,341,347</b>	<b>5,122,720</b>	<b>6,276,300</b>		<b>35,812,850</b>
<b>Financial liabilities</b>								
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
<b>Total financial liabilities as at 31 December 2024</b>	<b>5,196,012</b>	<b>8,429,213</b>	<b>13,558,541</b>	<b>5,672,770</b>	<b>1,801,581</b>	<b>88,582</b>	<b>34,746,699</b>	
<b>Total financial liabilities as at 31 December 2023</b>	<b>1,103,856</b>	<b>7,669,578</b>	<b>13,671,213</b>	<b>1,763,509</b>	<b>4,465,389</b>	<b>67,630</b>		<b>28,741,175</b>
<b>Non financial liabilities</b>								
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
<b>Total non-financial liabilities as at 31 December 2024</b>	<b>17,976</b>	<b>533,830</b>	<b>1,635,080</b>	<b>263,504</b>	<b>111,206</b>	<b>169,051</b>	<b>2,730,648</b>	
<b>Total non-financial liabilities as at 31 December 2023</b>	<b>-</b>	<b>507,897</b>	<b>1,348,688</b>	<b>183,101</b>	<b>124,148</b>	<b>552,418</b>		<b>2,716,252</b>
<b>Total liabilities as at 31 December 2024</b>	<b>5,213,988</b>	<b>8,963,043</b>	<b>15,193,621</b>	<b>5,936,274</b>	<b>1,912,787</b>	<b>257,633</b>	<b>37,477,347</b>	
<b>Total liabilities as at 31 December 2023</b>	<b>1,103,856</b>	<b>8,177,474</b>	<b>15,019,901</b>	<b>1,946,609</b>	<b>4,589,538</b>	<b>620,048</b>		<b>31,457,427</b>
<b>Equity</b>								
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
<b>Total equity as at 31 December 2024</b>	<b>-</b>	<b>(22,100)</b>	<b>424,622</b>	<b>-</b>	<b>-</b>	<b>4,156,896</b>	<b>4,559,418</b>	
<b>Total equity as at 31 December 2023</b>	<b>-</b>	<b>(31,892)</b>	<b>371,590</b>	<b>-</b>	<b>-</b>	<b>4,015,725</b>		<b>4,355,423</b>
<b>Total liabilities and equity as at 31 December 2024</b>	<b>5,213,988</b>	<b>8,940,943</b>	<b>15,618,243</b>	<b>5,936,274</b>	<b>1,912,787</b>	<b>4,414,530</b>	<b>42,036,765</b>	
<b>Total liabilities and equity as at 31 December 2023</b>	<b>1,103,856</b>	<b>8,145,582</b>	<b>15,391,491</b>	<b>1,946,609</b>	<b>4,589,538</b>	<b>4,635,773</b>		<b>35,812,850</b>

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**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 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
<b>Financial assets</b>							
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
<b>Total financial assets as at 31 December 2024</b>	<b>12,314,750</b>	<b>10,530,381</b>	<b>10,650,462</b>	<b>11,779,823</b>	<b>1,746,600</b>	<b>47,022,016</b>	
<b>Total financial assets as at 31 December 2023</b>	<b>13,310,652</b>	<b>8,104,194</b>	<b>9,046,190</b>	<b>7,979,934</b>	<b>368,421</b>		<b>38,809,391</b>
<b>Financial liabilities</b>							
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
<b>Total financial liabilities as at 31 December 2024</b>	<b>12,076,939</b>	<b>15,189,924</b>	<b>7,135,641</b>	<b>2,088,481</b>	<b>113</b>	<b>36,491,098</b>	
<b>Total financial liabilities as at 31 December 2023</b>	<b>9,548,143</b>	<b>15,420,022</b>	<b>3,270,647</b>	<b>6,079,124</b>	<b>351</b>		<b>34,318,287</b>
<b>Group</b>							
	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
<b>Financial assets</b>							
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
<b>Total financial assets as at 31 December 2024</b>	<b>12,759,956</b>	<b>10,869,931</b>	<b>11,450,881</b>	<b>11,779,823</b>	<b>1,746,249</b>	<b>48,606,839</b>	
<b>Total financial assets as at 31 December 2023</b>	<b>13,387,132</b>	<b>17,147,346</b>	<b>9,375,257</b>	<b>7,979,934</b>	<b>538,861</b>		<b>48,428,531</b>
<b>Financial liabilities</b>							
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
<b>Total financial liabilities as at 31 December 2024</b>	<b>12,076,939</b>	<b>14,973,507</b>	<b>7,135,641</b>	<b>2,088,481</b>	<b>113</b>	<b>36,274,681</b>	
<b>Total financial liabilities as at 31 December 2023</b>	<b>9,551,176</b>	<b>15,221,772</b>	<b>3,270,647</b>	<b>6,079,124</b>	<b>351</b>		<b>34,123,069</b>

## Merchant Bank of Sri Lanka & Finance PLC

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### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

#### 48. RISK MANAGEMENT (Contd.)

##### 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. RISK MANAGEMENT (Contd.)**

**48.8 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.

Company	2024						Total 2024 Rs.'000	Total 2023 Rs.'000
	On Demand Rs.'000	Less than 3 Months Rs.'000	3 - 12 Months Rs.'000	1-3 Years Rs.'000	3-5 Years Rs.'000	Over 5 Years Rs.'000		
Financial guarantees & claims to the customers	195	5,846	42,617	200	-	-	48,858	42,093
<b>Total Commitments and Contingencias at 31 December 2024</b>	<b>195</b>	<b>5,846</b>	<b>42,617</b>	<b>200</b>	<b>-</b>	<b>-</b>	<b>48,858</b>	
<b>Total Commitments and Contingencias at 31 December 2023</b>	10,000	3,500	28,593	-	-	-		42,093
<b>Group</b>								
Financial guarantees & claims to the customers	195	5,846	42,617	8,007	-	-	56,665	128,909
<b>Total Commitments and Contingencias at 31 December 2024</b>	<b>195</b>	<b>5,846</b>	<b>42,617</b>	<b>8,007</b>	<b>-</b>	<b>-</b>	<b>56,665</b>	
<b>Total Commitments and Contingencias at 31 December 2023</b>	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.

# Merchant Bank of Sri Lanka & Finance PLC

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

### 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 1st 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 LKR 500 million, with an option for an additional issuance of LKR 500 million debentures, aiming to raise a total of Rupees One Billion (LKR 1.0 Billion). MBSL successfully collected LKR 622,830,000 from this debenture issue, which opened on March 29, 2023, and the Debentures were allocated on April 10, 2023.

**Annexure V**  
**Rating Report by**  
**Fitch Ratings Lanka Limited**

**RATING ACTION COMMENTARY****Fitch Assigns Merchant Bank of Sri Lanka's Subordinated Debt Final 'BBB+(lka)'**

Wed 07 May, 2025 - 4:38 AM ET

Fitch Ratings - Colombo - 07 May 2025: Fitch Ratings has assigned Merchant Bank of Sri Lanka & Finance PLC's (MBSL, A(lka)/Stable) proposed subordinated debentures of up to LKR1 billion a final National Long-Term Rating of 'BBB+(lka)'.

The final rating is in line with the expected rating published on 2 May 2025 and follows the receipt of documents conforming to information already received.

The proposed Sri Lankan rupee-denominated debentures will mature in five years and will be listed on the Colombo Stock Exchange. The company plans to use the proceeds to strengthen its Tier 2 capital base and support loan-book expansion.

**KEY RATING DRIVERS**

MBSL's Sri Lankan rupee-denominated subordinated debentures are rated two notches below its National Long-Term Rating. We applied the Bank Rating Criteria in rating this instrument, as we believe Sri Lankan finance companies have a prudential capital framework closer to that for banks. The rating reflects our baseline notching for loss severity for this debt class and our expectation of poor recovery in the event of default. There is no additional notching for non-performance risk, as the notes do not contain going-concern loss-absorption features.

MBSL's National Long-Term Rating was upgraded to 'A(lka)' from 'BBB+(lka)' on 24 January 2025 following the upgrade of parent Bank of Ceylon's (BOC, AA-(lka)/Stable) National

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Please refer to our commentary, [Fitch Upgrades 10 Sri Lankan NBFIs' Ratings, Affirms 8 Following National Scale Recalibration](#), published 24 January 2025 for details on the key rating drivers.

**RATING SENSITIVITIES**

**Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade**

A downgrade of MBSL's National Long-Term Rating would lead to a downgrade of the subordinated debt rating.

**Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

An upgrade of MBSL's National Long-Term Rating would lead to an upgrade of the subordinated debt rating.

**Date of Relevant Committee**

10-Mar-2025

**REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

**PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS**

MBSL's rating is linked to BOC's National Long-Term Rating.

**RATING ACTIONS**

ENTITY / DEBT ⚡	RATING ⚡	PRIOR ⚡
Merchant Bank of Sri Lanka & Finance PLC		

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## APPLICABLE CRITERIA

[National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)

[Bank Rating Criteria - Effective from 15 March 2024 to 21 March 2025 \(pub. 16 Mar 2024\)](#)  
(including rating assumption sensitivity)

[Non-Bank Financial Institutions Rating Criteria \(pub. 01 Feb 2025\) \(including rating assumption sensitivity\)](#)

## ADDITIONAL DISCLOSURES

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## ENDORSEMENT STATUS

Merchant Bank of Sri Lanka & Finance PLC

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**Annexure VI**

**Pending Litigation against MBSL**

**as at 31 March 2025**



### STATUS OF LEGAL ACTIONS AGAINST MERCHANT BANK OF SRI LANKA & FINANCE PLC

No.	Action / Case No.	Purpose / Cause of Action	Status as at 31/03/2025	Claim
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 LKR 7.5 Mn)
2	DMR/3675/11 DC - Colombo	This action has been filed against MBSL to recover LKR 2,500,000/- as damages for refusal to grant a Hire Purchase facility.	Written submission on 27/06/2025	LKR 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.	For Order on 08/09/2025	Damages of LKR 500,000/- and further LKR 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 LKR 50,761,866.10 made by the Plaintiff to MBSL and a further sum of LKR 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.	Order on 27/06/2025	Refund of the advance payment of LKR 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 LKR 50 Million as damages.
5	9473/L DC Embilipitiya	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.	LKR 500,000 and damages of LKR 50,000 from Oct 2006 till the decree
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 20/05/2025. 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	LKR 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 18/06/2025	LKR 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 02/06/2025	LKR 9,000,000

No.	Action / Case No.	Purpose / Cause of Action	Status as at 31/03/2025	Claim
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.	Further Trial on 30/05/2025	LKR 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 the Parties needs to take steps to terminate the Proceedings of this case.	LKR 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 to be filed in the Registry by the Appellant on 30/04/2025  To be mentioned to tender the Written submission of the Respondent on 30/05/2025	VAT on LKR 95,000,000
13	Mis/236/2020 DC-Killinochchi	State has instituted this action against MBSL and two others seeking damages amounting to LKR 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	LKR 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	LKR 1,834,336.64
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.	Action dismissed on 17/03/2025 since no appearance for the Plaintiff	LKR 5,000,000/-
16	DMR/1492/21 DC Colombo	This action has been filed against MBSL to recover LKR 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	LKR.4,625,557/- and legal interest from the date of the Decree until payment in full.
17	2963/L DC - Gampaha	Plaintiff filed this action seeking a declaration that the Mortgage Bond taken as security by MBSL be declared a nullity.	Further Trial on 02/06/2025	No monetary claim against MBSL
18	19426/L DC Colombo	This action is filed to set aside the Mortgage Bond executed in favour of MBSL on the grounds that the owner of the property denies the signature in the Mortgage Bond.	Case was laid by until identification of the heirs of the Plaintiff	No monetary claim against MBSL

No.	Action / Case No.	Purpose / Cause of Action	Status as at 31/03/2025	Claim
19	Mt. Lavinia 2357/07/L (L/18/08) DC Nugegoda 8/08 Connected to DC Col 17451/MB	Third party seeks a declaration of title on the property that was mortgaged to MBSL by the Borrower where judgment has been entered in favour of MBSL.	Case is Laid by until identification of the heirs of the Plaintiff	No monetary claim
20	SC/SPL/CA/139/2019 CA 198/07 HC(Civil) 145/98/01	The Restitution in integrum action filed by the Petitioner to set aside the judgment of Commercial High Court dated 01/09/2003, which was in favour of MBSL and to set aside the auction held on 17/01/2005, was dismissed by the Order of the Court of Appeal dated 15.03.2019. This leave to appeal application was filed in the Supreme Court against the said Order dated 15/03/2019.	Support on 12/06/2025	No monetary claim specified. Only costs.
21	826/L -DC Attanagalla	This action has been filed against MCSL Financial Services Limited (5th Defendant), seeking for an order declaring Mortgage Bond No1505 dated 16/11/2011 attested by J.C Ponnaiah, Notary Public and Deed of Transfer null and void.	Judgement given in favour of the plaintiff on 11/03/2025	No Monetary Claim
22	1520/MR/14 - DC Kaduwela	This action has been filed against MCSL Financial Services Limited (1st Defendant) and two others by a Customer of MCSL Financial Services Limited who has obtained a Lease Facility and defaulted. MCSL Financial Services Limited has been made a party to this action only for the notice purpose.	Judgement on 02/05/2025	No Monetary Claim
23	DSP 98/10 - DC Colombo (WP/HCCA/COL 125/2016 (F) SC/LA/389/2022	The Plaintiff has filed action against MCSL Financial Services Limited (1st Defendant) and another person (2nd Defendant- Customer of Lease Facility) seeking a declaration that the Plaintiff is the owner of the land which has been mortgaged to MCSL Financial Services Limited. On 25/04/2016 Judgment delivered in favour of MBSL. The Plaintiff appealed against the said judgement and the said appeal was allowed by the HCCA of Colombo and SC/LA/389/2022 was filed by MBSL against the said judgement .	Leave to Appel application filed by MBSL in the Supreme Court ( SC/LA/389/2022 ) was withdrawn by MBSL on 27/06/2024 since the financial facility granted by the MCSL has been settled in full.	No Monetary Claim
24	3114/L - DC Gampaha	This action has been filed against MCSL Financial Services Ltd (2nd Defendant) seeking a declaration of title for the land which has been Mortgaged to MCSL Financial Services Ltd by the 1st Defendant.	Trial on 25/04/2025	No monetary claim. Only for giving notice.
25	3149/L DC-Gampaha	This action has been filed against MBSL seeking a declaration of a title for the land which has been mortgaged to MBSL (former MCSL Financial Services Ltd)	Trial on 25/04/2025	No monetary claim against MBSL
26	DLA 8014/2017 - DC Negombo	This action has been filed by the Plaintiff against MBSL and another in the District Court of Negombo seeking interim injunction preventing MBSL auctioning the mortgaged property . Further the Plaintiff has sought to nullify the Mortgage Bond executed in favour of MBSL.	1D - S/R 2D - Answer filed by MBSL on 24/07/2025	No monetary claim against MBSL
27	DC-GAMPAHA 3385/L	This is an action instituted by the Plaintiff seeking to have the Mortgage Bond executed in favour of MBSL as security for the facility declared a nullity, on the basis of a constructive trust.	Further Trial on 24/07/2025	No monetary claim against MBSL

No.	Action / Case No.	Purpose / Cause of Action	Status as at 31/03/2025	Claim
28	2093/L DC - MARAWILA	This is an action instituted by the Plaintiff seeking to have the Mortgage Bond executed in favour of MBSL as security for the facility declared a nullity on the basis that the plaintiff was not in a mentally fit and sound state at the time of execution of the Mortgage Bond,	Further trial on 02/06/2025	No monetary claim against MBSL
29	988/T DC Gampaha	Testamentary case filed with regard to the intestate estate of the owner of a property mortgaged to MBSL for a financial facility.	Call for the notice of 2nd Respondent on 30/04/2025	No monetary claim against MBSL
30	8691/Land Kegalle	DC This action is filed by a third party against MBSL and a customer of MBSL who has executed the Mortgage Bond in favour of MBSL, based on constructive trust seeking inter alia cancellation of the said Mortgage Bond	Fiscal Report due for 1st Defendant on 30/04/2025. MBSL has filed the Answer on 09/01/2019	No monetary claim against MBSL
31	8707/Land DC Kegalle	This action is filed by a third party against MBSL and a customer of MBSL who has executed the Mortgage Bond in favour of MBSL, based on constructive trust, seeking inter-alia cancellation of the said Mortgage Bond.	Further Trial on 08/05/2025	No monetary claim against MBSL
32	SPL/1018 Matara DC	This action is filled by a third party against MBSL and a customer of MBSL who has executed the Mortgage Bond in favour of MBSL based on constructive trust, seeking inter-alia cancellation of the said Mortgage Bond.	Further Trial on 30/06/2025	No monetary claim against MBSL
33	3379/Land DC - Gampaha	The Plaintiff had been the previous owner of a property which had been mortgaged to MBSL. This action has been filed on the basis that the alienation of the said property to the mortgagor is a forgery. Therefore the Plaintiff has sought a declaration nullifying the Deed of Gift executed in favour of the Mortgagor. In this matter MBSL has been named as the 3rd Defendant being the Mortgagee of the said property.	Further Trial on 28/05/2025	No monetary claim against MBSL
34	(L 4796 DC - MATHUGAMA) WP/HCCA/LA/KAL/44/23	Plaintiff instituted this action seeking to nullify the Mortgage Bond executed in favour of MBSL. Matter was called on 24/10/2023 and judge ordered to release the 2nd defendant from the case. Plaintiff has filed the Leave to Appeal action (WP/HCCA/LA/KAL/44/23) seeking to dismiss the order given by District Judge to release the 2nd Defendant (MBSL).	Appeal allowed on 05/03/2025	No monetary claim against MBSL
35	L 944 DC - ELPITIYA	Plaintiff has instituted this action against MBSL (the 2nd Defendant) and another. No cause of action has been disclosed in the plaint against the 2nd Defendant	Answer on 04/04/2025	No monetary claim against MBSL
36	DCL/009/19 DC-Kandy	This action was filed by a claimant, claiming the articles seized by MBSL through fiscal in the execution of writ against 1st Guarantor of the case No. CHC/29/14/MR	Take steps and move. Notice has not been served on the 2nd Respondent.	No monetary claim against MBSL
37	01/2010/Claim - Rathnapura HC	This claim action has been filed by a Third Party to set aside the Order made by the Commercial High Court of Colombo to seize of the mortgaged property belonging to the Lessee who obtained a lease facility from MBSL. (formally Ceylease Financial Services Limited)	Case Dismissed on 22/01/2025	No monetary claim against MBSL
38	01/2019/Claim. KURUNEGALA HC	This Claim action has been filed by the Plaintiff to set aside the Order issued to seize his properties.	Case was Laid by on 27/09/2022	No monetary claim against MBSL

No.	Action / Case No.	Purpose / Cause of Action	Status as at 31/03/2025	Claim
39	DLA 25/21 - DC Colombo	Land Acquisition case filed by the RDA in order to determine the legal entitlement of the compensation granted by the government in relation to the land acquired by the government which is Mortgaged to MBSL.	Case laid by on 11/01/2023 until determination of the actual owner of the land through legal actions filed by the parties who claim the title of the mortgaged Property. Mortgage Bond action filed by MBSL against the 3rd Defendant bearing case No. DC-Colombo 16901/MB is fixed for further trial on 28/05/2025.	No monetary claim against MBSL
40	L 2835/2021 DC - Panadura	Plaintiff has instituted this action against MBSL and two others claiming that the property which has been mortgaged to former MBSL Savings Bank Ltd by the 2nd Defendant is held on a constructive trust and has sought for an enjoining order against MBSL preventing the auction.	Trial on 29/04/2025	No monetary claim against MBSL
41	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	Call for the objection of 3rd Defendant on 5/8/2025	LKR 3,000,000/- and legal interest from the date of the Decree until payment in full.
42	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 - Order on 16/05/2025	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
43	DTS/119/22 DC Colombo	Customer deceased - Intervened to the Testamentary Case bearing No. DTS/119/22 which has been filed for the Estate of the said Customer	Counter Objection on 28/04/2025.	No monetary claim against MBSL
44	SC/HC/LA/100/2023 HC/ARB/408/20121	This is an appeal filed in the Supreme Court by the Respondent against the Judgement delivered in favour of MBSL in case No. HC/ARB/408/20121. The Respondent alledged that the learned Commercial High Court Judge had delivered two different judgements pertaining to the same High Court Arbitration enforcement action. The Respondent seek leave of Supreme Court to set aside both judgements.	Support on 27/06/2025	No monetary claim against MBSL
45	MB/209/2024 DC Kesbawa	This case has been filed by a 3rd party against MBSL (2nd Def.) and MBSL's customer (1st Def) stating that his land has been mortgaged by MBSL's customer to MBSL without informing him while he is in the possession of the subject land Plaintiff seeks a declaration from Court that the transfer deed executed by him infavour of MBSL's Customer should be recognized as a mortgage bond and to cancel the said transfer deed and the mortgage bond which has been executed infavour of MBSL.	2D- Answer filed. 1D - S/R on 16/05/2025	No monetary claim against MBSL
46	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. Written submission filed on 28/03/2025 and matter fixed for order on 11/04/2025 & steps to be taken to serve summons against 2nd Defendant	LKR 5,000,000/- and legal interest from the date of the Decree until payment in full.

No.	Action / Case No.	Purpose / Cause of Action	Status as at 31/03/2025	Claim
47	L/17066 DC - Galle	This matter has been filed against MBSL requesting Court to release the Land already mortgaged to MBSL. The matter has been heard Ex Parte against MBSL and MBSL filed an application under and in terms of the Section 86(2) of CPC	Further Inquiry on 30/05/2025	No monetary claim against MBSL
48	SC/HC/LA/96/2024	An application for leave to appeal against MBSL seeking an order to set-aside the Judgement dated 28-05-2024 of the case bearing no - CHC/387/2023/ARB	Support on 07/05/2025	No monetary claim against MBSL
49	CHC/834/2018/MR	This is an appeal filed against MBSL seeking an order to set-aside the Judgement dated 05-09-2024 of the case bearing no - CHC/834/2018/MR	Petition of appeal was filed on 26/10/2024. Written Submission of the appellant was not filed. Written submission of the Respondent to be filed .	No monetary claim against MBSL
50	CL/20/24 DC- Dambulla	This claim case was filed by a third party against MBSL in the DC-Dambulla to stay the auction in connection to the casebearing no. CHC/308/12/MR filed against MBSL's Customer. The Court didn't grant the stay order and the auction was held and subject property was purchased by MBSL on 24/10/2024.	Written Submission on 28/04/2025	To release the subject property to the claimant which was seized by MBSL. (Case value is Rs. 50M)
51	136/25/L DC Welisara	This case has been filed by a third party against MBSL and its customer stating that his land has been transferred to MBSL's Customer fraudulently and it has been mortgaged to MBSL .Plaintiff seeks a declaration that the subject land is owned by him	Calling on 29/04/2025 being the Summons Returnable Date	No monetary claim against MBSL
52	M/7122 DC Kalutara	Notice of Appeal has been filed by the Plaintiff Appealeant against all four defendant Respondents including MBSL.The Plaintiff Appelant seeks to set aside the Judgement dated 21/02/2025 delivered by the DC Kalutara and to make an order in favour of the Plaintiff Appelant and to rehear this matter.	Notice of Appeal has been dispatched to all Respondents for the purpose of information	No monetary claim against MBSL
53	1A/29/2019	Challenging the termination of service	Inquiry of the Respondent. Cross examination of Mr.Sanjaya Ranathunga. FCFIU summons to bring facility files under their custody. Next date is 2/April/2025	Inter alia reinstatement with back wages or compensation in lieu of reinstatement
54	02/921/2019	Challenging the termination of service	Respondent case has been concluded . Inquiry of the applicant has concluded. Written submissions need to be filed. Next date is 06/June/2025	Inter alia reinstatement with back wages or compensation in lieu of reinstatement
55	03/79/2019	Challenging the termination of service	Respondent case has been concluded . Inquiry of the applicant has been commenced. Cross examination of Ms. Chathurika. Next date is 29/April/2025	Inter alia reinstatement with back wages or compensation in lieu of reinstatement

No.	Action / Case No.	Purpose / Cause of Action	Status as at 31/03/2025	Claim
56	23/Ku/13/2020	Challenging the termination of service	Written Submissions were filed. Date fix for the judgement- 29/04/2025	Inter alia reinstatement with back wages or compensation in lieu of reinstatement
57	02/959/2020	Challenging the termination of service	Respondent case has been concluded . Inquiry of the applicant has been commenced. Evidence in chief and Cross examination- done. Re-examination -pending. Next date is 21/April/2025	Inter alia reinstatement with back wages or compensation in lieu of reinstatement
58	04/G/224/2020	Challenging the termination of service	Inquiry of the respondent has been commenced. New witness has given evidence in 10 Feb 2025. He will be cross examine on next date. Next date is 5/May/2025	Inter alia reinstatement with back wages or compensation in lieu of reinstatement
59	LT/M/26/63/2021	Challenging the termination of service	Inquiry of the respondent has been commenced. Ms. Lalani giving evidence. Next date is 23/May/2025	Inter alia reinstatement with back wages or compensation in lieu of reinstatement
60	13/305/2002	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 or compensation in lieu of reinstatement

**MERCHANT BANK OF SRI LANKA & FINANCE PLC****FATCA DECLARATION FORM**

I/we.....and ..... of  
(address)..... holder/s of  
Passport Number/NIC Number.....  
of a US Persons under the provisions of the Foreign Account Tax Compliance Act ("FATCA")  
which is US legislation aimed at preventing tax evasion by US persons through overseas  
assets. I/We confirm that I/We understand FATCA is extra-territorial by design and requires  
"US Persons" to report their financial assets held overseas.

I/We hereby request Merchant Bank of Sri Lanka which is recognized as a Foreign Financial  
Institutions (FFIs) in terms of the FATCA to report all information pertaining to the accounts  
and investments held by me/us in the Merchant Bank of Sri Lanka and to transfer  
any..... to the internal Revenue Service (IRS) of United  
States of America.

I/We further confirm that this request is made by me/us with full knowledge and understanding  
of FATCA.

Date.....

.....

Signature/s of the Applicant/s





“BANK OF CEYLON MERCHANT TOWER”  
No 28, ST. MICHAEL’S ROAD,  
COLOMBO 03

Tel : 011 4711 711