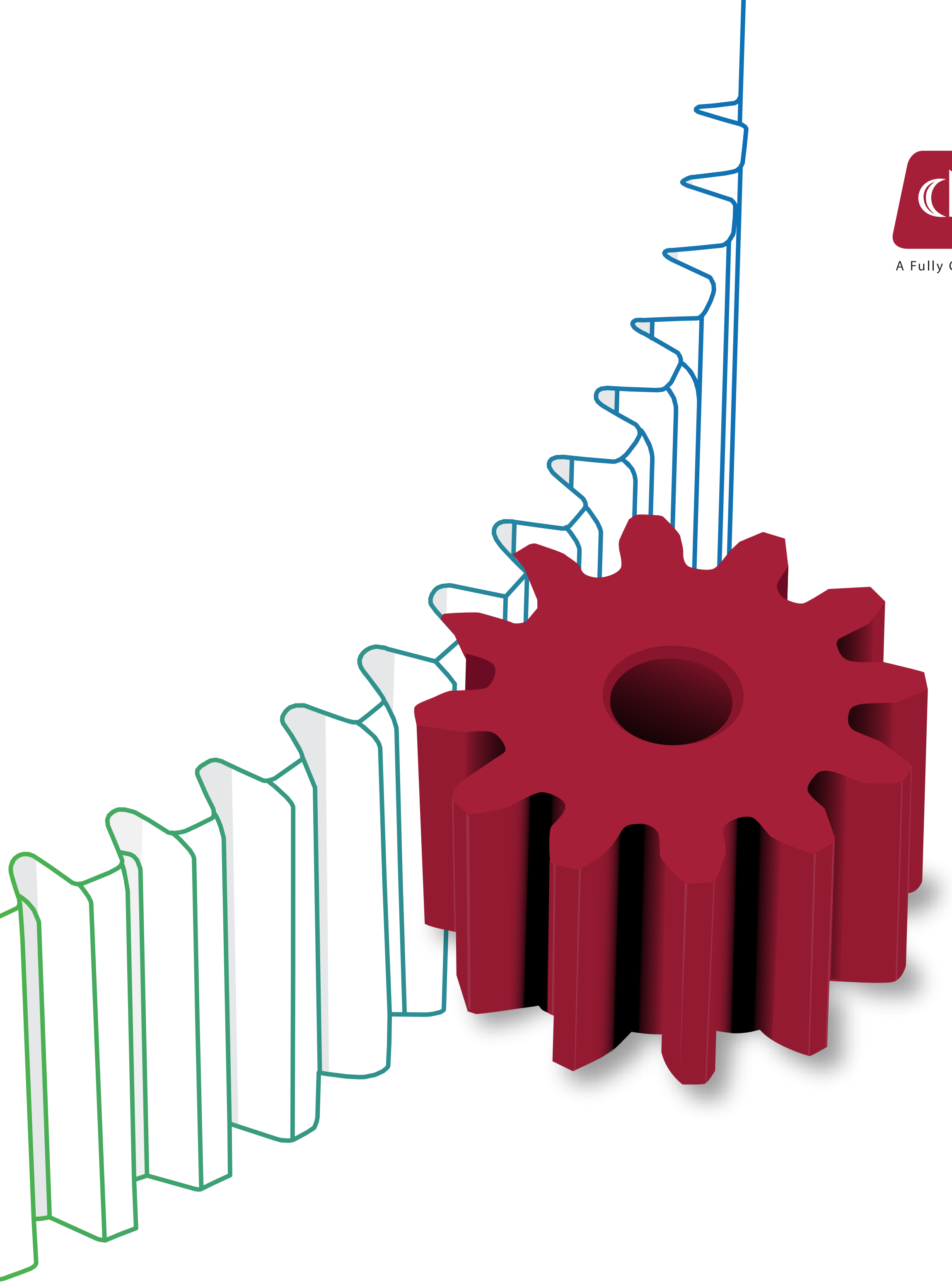
CBC FINANCE

A Fully Owned Subsidiary of Commercial Bank of Ceylon PLC



THE BANK BEHIND US.
THE COMMITMENT WITHIN US.

ANNUAL REPORT 2024

CBC FINANCE

A Fully Owned Subsidiary of Commercial Bank of Ceylon PLC

Backed by the strength of our parent and driven by the passion of our people, CBC Finance Ltd. approached 2024 with renewed confidence. The trust of a respected financial institution stands firmly behind us, enabling bold steps forward, while a culture of accountability and resolve powers our every move. This year marks the steady evolution of a company that knows where it stands and where it's going. Strengthened systems, smarter risk practices, and deeper customer engagement have converged into a sharper, more agile business. ***The Bank behind us. The Commitment within us.*** is not just a reflection of our foundation it's the spirit that drives our ambition. With both strength and belief at our side, we advance with resilience, clarity, and purpose.

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ABOUT THE REPORT

We are pleased to present the Annual Report of CBC Finance Ltd. for the financial year spanning from January 01, 2024, to December 31, 2024. This Report, while concise, offers a comprehensive overview of the Company's performance and strategic direction during a year marked by both challenges and opportunities.

It reflects our continued commitment to building a sustainable and ethically grounded business. The Report highlights key strategies and operational initiatives that contributed to our progress while referring to outcomes related to our 2022 goals in retrospect and outlines our approach to governance, risk management, financial stewardship, and stakeholder engagement.

We have also detailed our human capital practices, including employee development, performance management, and reward mechanisms. Additionally, our commitment to social and environmental responsibility is thoroughly addressed, underscoring our role as a responsible corporate citizen.

Report Boundary

This Report covers the operations of CBC Finance Ltd. (referred to as CBCF or the Company) and includes both financial and non-financial disclosures for the twelve-month period from January 01, 2024, to December 31, 2024. The reporting period aligns with the directive issued by the Department of Inland Revenue and matches the financial year of our parent company, Commercial Bank of Ceylon PLC.

Regulatory Compliance

CBC Finance Ltd. operates in strict compliance with all relevant laws, regulations, directions, and standards, as mandated by its regulatory authorities. The Company's primary oversight body is the Non-Bank Financial Institutions (NBFI) Supervisory Department of the Central Bank of Sri Lanka (CBSL). Upholding sound corporate governance is a key priority, and the Board of Directors assumes full responsibility for the accuracy and integrity of all disclosures presented in this Report.

Reporting Framework

Although this is not a fully integrated report, it adheres to several recognised reporting frameworks and guidelines to ensure comprehensive and transparent disclosure, including:

- Sri Lanka Accounting Standards (SLFRSs and LKASs) issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- All applicable laws and directives of the Central Bank of Sri Lanka relevant to NBFIs
- Directives issued by the Department of Inland Revenue
- The international Integrated Reporting <IR> Framework by the IFRS Foundation (www.ifrs.org)
- The Smart Integrated Reporting Methodology™ (Smart Annual Report – 4th Edition)
- The Code of Best Practice on Corporate Governance issued by CA Sri Lanka

Contact for Queries and Feedback

We welcome your feedback and any queries regarding this Report. Please contact:

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ABOUT US

CBC Finance Ltd. is a Non-Bank Financial Institution (NBFI) and a fully owned subsidiary of the Commercial Bank of Ceylon PLC the largest commercial bank in Sri Lanka and a frequent recipient of prestigious industry awards.

Originally incorporated in 1987 as Indra Finance Ltd., the Company was established by Indra Traders (Pvt) Ltd. to meet the rising demand in the vehicle financing market. In 2014, it was acquired by the Commercial Bank of Ceylon PLC as part of the Central Bank's Financial Sector Consolidation Plan and subsequently rebranded as Serendib Finance Ltd. In December 2020, the Company adopted the name CBC Finance Ltd. to better reflect its strong affiliation with the Commercial Bank and to leverage its parent's extensive industry expertise.

With a diversified product portfolio, CBC Finance Ltd. supports a range of economic sectors, helping individuals and businesses achieve their financial goals. The Company is committed to adding value to its parent entity while contributing to national economic development by driving activity in key growth areas.

CBC Finance Ltd. is licensed by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011 and holds a credit rating of A(lka)/ Stable from Fitch Ratings Lanka Ltd. to date.

Our Vision

To be a Financial Institution thriving on public confidence

Our Mission

Growth and stability within a regulated market

Our Values

Derive customer confidence through superior service

Be innovative and creative in delivering tangible value

Ensure all activities are subject to risk management

Deliver superior financial returns to attract and retain capital

Ownership Structure

The Commercial Bank of Ceylon PLC **100%** CBC Finance Ltd.

OUR JOURNEY

1987

Indra Finance (Pvt) Ltd. opened for business as a fully owned subsidiary of Indra Traders (Pvt.) Ltd. to cater to the growing market for financing vehicles.

2002

Re-registered as Indra Finance Ltd. under the registration number N(PVS/PBS)3261.

2007

The Company obtained registration as a specialised leasing company on August 06, 2007, in terms of Section 02 of the Finance Leasing Act No. 56 of 2000. Consequent to enacting the new Companies Act No. 07 of 2007, Indra Finance Ltd. was re-registered under the registration number PB276.

2008

The in-house IT team developed and implemented system to fully automate the lease financing process.

2010

The first branch of Indra Finance Ltd. was opened at Hingurakgoda on September 16, 2010.

2013

Indra Finance Ltd. was registered as a finance company on May 08, 2013 in the Central Bank of Sri Lanka in terms of the Finance Business Act No. 42 of 2011. The in-house developed core leasing system was replaced with an outsourced software module named the "e-financial" system. The Company moved to its Head Office premises at No. 187, Katugastota Road, Kandy.

2014

Commercial Bank acquired full ownership of Indra Finance Ltd. on September 01, 2014. As a result Mr Dharma Dheerasinghe, the Chairman of Commercial Bank of Ceylon PLC was appointed as the Chairman of Indra Finance Ltd.

2015

Consequent to the acquisition by Commercial Bank, the Company was renamed "Serendib Finance Ltd." on May 28, 2015. The Company launched its first website in June 2015.

2019

Fitch Ratings Lanka Ltd. assigned A+ (lka) to Serendib Finance Ltd. for the first time. The e-financial leasing system, the core operating module was replaced by the International Comprehensive Banking System (ICBS) of Fiserv Inc., the core banking system used by Commercial Bank, in September 2019.

2020

Fitch Ratings Lanka Ltd. upgraded the Company's rating to AA- (lka) which has since been revised to A (lka) following a recalibration of the agency's Sri Lankan national rating scale. The Company was renamed "CBC Finance Ltd."

2021

The Company's Total Assets exceeded LKR 10 Bn., while recently commenced deposit-taking provided the Company with a solid deposit base of over LKR 5 Bn.

2022

The Company expanded its services to the North-East region by opening its 11th, 12th, and 13th branches in Trincomalee, Vavuniya, and Batticaloa.

2023

The Company's total assets exceeded LKR 12 Bn., while the branch network was extended to 15 branches.

Three new products were launched in three product segments; one in gold loans; one in two-wheeler leases, one in three wheeler leases.

The Chairman of Commercial Bank of Ceylon PLC, the largest private sector commercial bank in Sri Lanka, Mr S Muhseen assumed duty as Chairman, CBCF.

2024

Record Asset Growth: The Company's total assets surpassed LKR 16.8 Bn., marking a significant achievement in its growth trajectory.

Product Portfolio Expansion: Both the Gold Loan and 2 & 3-Wheeler Loan portfolios each exceeded LKR 1 Bn. – a significant milestone in the lifecycle and growth trajectory of these products.

Network Development: The branch network was expanded to 18 locations, enhancing customer reach and accessibility.

Employer Recognition: The Company was honored with the "Great Place to Work" certification, reinforcing its commitment to employee wellbeing and a high-performance culture.

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HIGHLIGHTS

	2024	2023	Variance %
Financial performance (LKR. Mn.)			
Income	2,661.37	1,991.47	33.64
Net interest income	872.08	496.48	75.65
Net operating income	1,003.28	206.67	385.46
Profit before tax	157.66	(320.60)	149.18
Profit after tax	81.54	(225.18)	136.21
Position as at the year end (LKR. Mn.)			
Loans & receivables	13,445.18	10,142.40	32.56
Total asset	16,860.64	12,458.76	35.33
Total equity	3,058.91	2,977.34	2.74
Deposit liability	10,311.26	6,534.18	57.80
Due to banks	3,050.17	2,758.60	10.57
Profitability ratios (%)			
Net interest margin (%)	5.17	3.98	29.90
Return on assets (PBT) (%)	0.94	(2.57)	136.58
Return on equity (PAT) (%)	2.67	(6.72)	139.73
Cost to income ratio (%)	59.90	76.61	(21.81)
Capital adequacy and liquidity			
Capital adequacy ratio (%)	15.71	19.57	(19.72)
Liquid assets ratio (Times)	1.53	1.15	33.04
Advance to deposits ratio (%)	130.39	155.22	(15.99)
Other ratios			
Gross Stage 03 loans ratio (%)	24.95	29.42	(15.19)
Net Stage 03 loans ratio (%)	15.04	19.40	(22.47)
Stage 03 impairment cover ratio (%)	39.74	34.05	16.71
Manufactured capital			
Number of branches	18	15	20.00
Human capital			
Total workforce	318	271	17.34

Total assets
LKR 16.86 Bn.

Total income
LKR 2.66 Bn.

Deposit base reached
LKR 10.31 Bn.

New recruits
47

Hours of training
303

New loans and advances
LKR 13.67 Bn.

MESSAGE FROM THE CHAIRMAN

> “As stewards of sustainable value, we guided CBC Finance through a year of renewal and balancing strategic discipline with resilience. With strong governance, stakeholder alignment, and clear purpose, we are poised to unlock our long-term potential.”

It gives me great pleasure to present the Annual Report of CBC Finance for the year 2024, a year in which we demonstrated resilience, strategic discipline, and renewed momentum in a complex and evolving operating environment.

A Year of Turnaround and Recovery

The year under review marked a decisive turnaround for CBC Finance. Following a loss of LKR 225 Mn. in 2023 (primarily due to prudent Expected Credit Loss (ECL) provisioning on our legacy loan book), we returned to profitability in 2024, recording a profit after tax of LKR 81.5 Mn., a strong outcome in a challenging environment.

Our loan portfolio grew by 31% to LKR 15.2 Bn., while deposits rose by 58% to LKR 10.3 Bn. This growth reflects robust demand across our lending segments and strong customer confidence in our deposit products. The expansion was underpinned by targeted asset-backed lending initiatives and enhanced deposit mobilization strategies. Our fully asset-backed lending model, along with strengthened recovery processes and operational improvements, drove this progress also advancing our credit quality efforts.

Adapting to Market Headwinds and Regulatory Shifts

We were able to achieve these results, in spite of formidable macroeconomic and regulatory pressures. As such, CBC Finance faced significant headwinds from the prolonged vehicle import ban a core segment of our business and a challenge shared across the non-bank financial services industry. The stagnant vehicle market, coupled with intense price competition and high cost of funds, placed considerable strain on smaller players in particular. Despite these challenges, we maintained strategic focus and sustained growth, anchored in asset-backed lending and prudent credit practices.

On the regulatory front, 2024 marked the implementation of Phase II of the CBSL's non-performing loan (NPL) classification framework. In alignment with the banking sector, NPLs were reclassified on a 90-day past-due basis, replacing the earlier 120-day window. This transition demanded sharper credit discipline and more robust provisioning, which we successfully absorbed. Meanwhile, the Central Bank re-initiated Phase II of its consolidation programme for the non-bank financial sector, including the rollout of a new scoring model for individual institutions.

Executing Strategy with Discipline

CBC Finance advanced its strategic agenda across three key dimensions:

Expanding Reach and Product Offering: We extended our branch network to 19 locations to date and strengthened our frontline capacity by expanding the sales team and introducing dedicated personnel for gold loan operations. We expanded our lending portfolio with several new products, driving total vehicle-related loan disbursements to LKR 14 Bn. during the year.

Strengthening Risk Management Frameworks: In close collaboration with our parent, we reinforced our institutional risk posture by developing a comprehensive risk management framework, upgrading the risk function, establishing a Credit Administration Unit in Colombo, and enhancing internal audit capabilities. We introduced a risk-based pricing model to align credit terms more precisely with borrower profiles.

Enhancing Credit Quality and Managing NPLs: Since 2022, we have maintained NPL ratios well below industry benchmarks on newly disbursed loans, driven by stronger underwriting and tighter monitoring systems. We tackled legacy portfolio risks through joint recovery strategies, working closely with our parent's recovery teams.

One of the more significant operational challenges in 2024 was the legal recovery of written-down loans, hindered by the size of the legal portfolio and systemic delays in the court system. In response, we strengthened our legal team, prioritised high-value recoveries, outsourced selected cases, and improved the quality of legal information systems, steps that have laid the foundation for more effective recoveries ahead.

These efforts led to several key milestones. Our total assets and deposit base exceeded LKR 16.8 Bn. and LKR 10 Bn. respectively., while both the gold loan and two- and three-wheeler portfolios crossed the LKR 1 Bn. mark. We were also proud to be certified as a "Great Place to Work" in 2024, a valuable formal recognition of the culture we continue to build.

Embedding Sustainability and Governance for Long-Term Value

In a year still marked by the lingering aftershocks of the broader economic and political challenges, CBC Finance remained committed to supporting our stakeholders, particularly customers navigating hardship. We adopted a tailored, case-by-case approach to loan restructuring, carefully evaluating each request based on financial circumstances, prior relief, and intended use. This personalised support enabled many customers to return to performing status and stabilise their businesses, reinforcing trust and strengthening long-term relationships.

Beyond these immediate efforts, we continued to embed sustainability into our broader strategy, with increasing alignment to Environmental, Social, and Governance (ESG) principles. In line with our parent's ESG agenda, we expanded staff welfare initiatives and aligned our Corporate Social Responsibility (CSR) activities with national development priorities, including youth employment.

Internally, we strengthened the Board and its Subcommittees with enhanced representation from the parent and increased industry expertise, ensuring robust oversight. We strengthened our execution capability by making key changes to the senior management team and sharpened our focus on vehicle-backed lending, including gold loans to enhance portfolio resilience.

To support a stronger Capital Adequacy Ratio (CAR), we prioritised internal fund-raising options over equity infusions. Additionally, we strengthened our performance culture through the adoption of a Key Performance Indicator (KPI)-driven management approach and a budget-led Management Information System (MIS), which is monitored monthly with active Board oversight.

From Resilience to Growth: Our Outlook Ahead

As we move through 2025, we are cautiously optimistic. The lifting of the vehicle import ban is expected to revitalise demand in our core lending segments, while continued stability in interest rates and the absence of new taxation will support borrower affordability and credit quality. These macroeconomic tailwinds offer a welcome backdrop for sustained growth.

On the regulatory front, we are preparing to comply with Colombo Stock Exchange (CSE) listing requirements in line with our proposed listed debenture issuance. Further reforms are also on the horizon, including Phase III of the Central Bank's non-performing loan (NPL) framework, which from 2026 will allow declassification of NPLs upon full settlement of arrears, a move that enhances sector transparency and incentivises recoveries.

We view these developments not as constraints, but rather as catalysts for discipline, innovation, and market differentiation. With strong internal systems, prudent governance, and deep alignment with our parent institution, CBC Finance is well positioned to navigate the evolving financial landscape.

Looking further ahead, the Company is guided by a clear and ambitious five-year business plan. By 2029, we aim to be counted among the top 15 non-bank financial institutions (NBFIs) in Sri Lanka. This aspiration reflects our confidence in our strategic direction and our readiness to compete alongside NBFIs owned by the country's leading banks.

Our growth journey will be underpinned by capital support, technological enablement, and knowledge transfer from our parent. Digital transformation will be a key pillar of this evolution. Although several planned digital initiatives were delayed in 2024 due to operational priorities, we are set to accelerate progress in the year ahead. Our 2025 roadmap includes the rollout of a comprehensive loan origination system, the launch of a new savings product with debit card and ATM access, a full website revamp, and the automation of legal processes. These advancements will enhance the customer experience, streamline operations, and strengthen governance reinforcing our transformation into a more agile, data-driven financial institution.

Acknowledgements

On behalf of the Board of Directors, I extend my sincere appreciation to Mr Chamilantha Fernando, our Managing Director/CEO, for his steadfast leadership, and to the Senior Management team and all employees for their unwavering dedication throughout the year. I also wish to thank the newly appointed Chairs and members of our Board Subcommittees for their valuable counsel and oversight.

We welcome our new External Auditor, Ernst & Young, and record our deep appreciation to KPMG for their decade of independent service and partnership.

We gratefully acknowledge the continued guidance and support of our regulators. Above all, we thank our valued customers for their enduring trust in CBC Finance.

As we look to the year ahead, we do so with clarity of purpose, confidence in our direction, and a firm commitment to shaping the next chapter of our growth with integrity and foresight.

Sharhan Muhseen
Chairman

Colombo
June 20, 2025

MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S REVIEW

> "In 2024, we turned a corner – delivering profitability, expanding our asset base, and launching the groundwork for our listing journey. As we strengthen our capital position and digital capabilities, CBC Finance stands ready to lead with resilience, innovation, and purpose."

As the country emerged from the economic crisis; illustrating a more stable outlook, CBC Finance demonstrated resilience as well as our signature forward-thinking business approach through achieving profitability and asset base growth as at the financial year ended December 31, 2024. The Company implemented strategic adjustments into business expansion, diversification and increased technological adoption, supported by knowledge expansion to ensure sustainable business growth, and value creation for stakeholders. Mindful of the fact that evolving industry dynamics call for sustained value creation, stewardship and purposeful business expansion to achieve growth goals, CBCF remains committed to strategic transitioning in line with ongoing global and local business landscape shifts.

Company Performance

CBC Finance delivered a strong performance during the year under review, supported by the continued guidance and backing of our parent company. Total assets grew by 35% to LKR 16.86 Bn., driven by robust expansion in the lending portfolio particularly in vehicle and gold-backed loans. Net loans and advances rose to LKR 13.45 Bn., reflecting the effectiveness of our focused, small-ticket secured lending model.

The Company also achieved a 58% growth in deposits, reaching LKR 10.31 Bn., underpinned by successful mobilisation initiatives that enhanced our liquidity and supported sustainable growth. Improved credit quality, alongside a favourable operating environment, contributed to a 51% reduction in impairment provisions, which fell to LKR 237 Mn. This reflected the strength of our risk management practices and the health of the restructured loan portfolio. As a result, the Company recorded a profit after tax of LKR 81.54 Mn., marking a significant turnaround from the loss of LKR 225.18 Mn. in the prior year. Contributions to national development and staff well-being remained priorities, with LKR 178.9 Mn. paid in taxes, while employee welfare remained a priority, with LKR 362 Mn. in personnel expenses, even amid a competitive labour environment and emigration pressures.

These outcomes underscore our operational resilience, financial discipline, and ability to grow with purpose in a dynamic economic landscape.

Navigating the Challenges

In spite of the progress made in the economic front, the year under review was shaped by a volatile and complex operating environment, demanding both agility and resilience from financial institutions. CBCF met these challenges head-on, navigating regulatory shifts, macroeconomic headwinds, and sectoral disruptions with a balanced approach that prioritised stability, prudence, and stakeholder trust.

A significant structural challenge emerged from the new NPL classification and declassification regulations, which impacted asset quality assessments across the industry. CBCF's strategic pivot to a vehicle-based, secured lending model since 2022 enabled the Company to maintain NPLs at levels well below industry norms. The resilience of our current portfolio was further reinforced by targeted collection efforts and a disciplined credit culture. Legacy loans, particularly those previously under moratoria, continued to pose challenges; however, these are being addressed through close oversight and intervention, including direct customer engagements led by senior management and the expertise of our parent's recovery teams.

While our unique strength lies in our vehicle-backed credit model; the decentralised 19-branch network to date, a growing team of specialised staff, and a tightly integrated relationship with our parent's systems and infrastructure contributed to increased resilience. With over LKR 1.1 Bn. in average monthly disbursements in 2024, we continued to deliver high-yielding credit while maintaining NPL ratios well below industry averages. Our core banking system, maintained in close collaboration with the parent's Central System Support Department (CSSD) team, ensures operational reliability, while the involvement of the parent's Risk and Inspection teams has greatly enhanced governance and portfolio quality.

However, the continued restriction on vehicle imports required us to recalibrate our business development strategy. We responded by emphasising short-term, revolving products such as motor draft loans, and increasing our presence in high-yielding segments such as three-wheeler financing and gold loans. This shift, supported by geographic expansion through new branch openings and virtual business units, allowed us to retain and grow our customer base in a constrained market. The branch network expansion pivoted on a refreshed visual identity and service concept, resulting in enhanced commercial viability and relevance to customers.

CBCF also remained attuned to the needs of customers adversely impacted by the broader economic crisis. We adopted a case-by-case approach to restructuring and rescheduling requests, assessing customer backgrounds and previous relief support. This proactive stance helped many of our borrowers return to performing status and instilled financial discipline through advisory support on cash flow management and prudent financial practices.

Internally, one of our key priorities was managing staff turnover in the face of increasing outbound migration and competitor poaching. All the staff motivation actions have been taken to retain our entire workforce, reinforcing our commitment to employee well-being.

Regulatory compliance remained uncompromised, with the Company ensuring timely submission of all statutory reports and industry data requests.

These responses illustrate CBCF's unwavering focus on protecting stakeholder value while building long-term institutional strength. By addressing emerging risks decisively and adapting our business model to the realities on the ground, we have laid a strong foundation for continued progress, even amidst uncertainty.

Strategic Growth

Amidst an evolving operating landscape, CBC Finance remained firmly focused on executing a well-defined strategy for sustainable growth. The year under review was marked by a series of initiatives aimed at strengthening our core business model, expanding revenue streams, and enhancing the customer experience through innovation, efficiency, and agility.

One of the key pillars of our strategic agenda was the continued diversification and refinement of our product offering. Building on our expertise in secured lending, we introduced new vehicle loan products in 2024, followed by hybrid draft facilities, hybrid vehicle loans, and "Personal Edge" loans in 2025. These additions to our portfolio not only catered to emerging customer needs but also strengthened our position in niche, high-margin segments.

Meanwhile, we pursued process re-engineering and organisational restructuring to drive internal efficiency. All departments were reorganised to reduce back-office staffing to optimal levels, enabling us to deliver higher output with reduced cost. A newly established credit administration unit in Colombo helped accelerate credit delivery, while deposit operations were streamlined under two regional managers in Kandy and Colombo to elevate service standards and responsiveness.

We also made significant progress on our digital roadmap. Several new digital tools were rolled out for Management Information System (MIS) purposes in 2024, supporting the team in performance monitoring and providing timely assistance when needed. In 2025, we plan to implement a next-generation loan origination system that will streamline customer onboarding and the loan approval process with minimal documentation. These enhancements are critical to supporting real-time decision-making, risk oversight, and performance tracking across the organisation.

In terms of customer-facing innovation, we introduced a "green channel" for expedited credit appraisal and pre-printed documentation processes. These measures drastically reduced turnaround times and improved convenience, with relationship officers now able to complete documentation at the customer's location, reinforcing our service-oriented culture.

To augment non-interest income, CBCF signed several Memorandum of Understanding (MOUs) with key players in the insurance industry, effectively doubling our monthly insurance commission income compared to the previous year. MOUs and agreements were signed with vehicle dealers to support the business drive. Additionally, we began outsourcing write-off loan recoveries at the end of 2024, with early traction expected to materialise in the 2025 financials.

Collectively, these strategic initiatives reflect our proactive and adaptive approach to growth anchored in operational excellence, product innovation, and a commitment to stakeholder value creation.

We strengthened our recovery function with a focused approach to managing the legacy loan book and written-down cases, while also enhancing the monitoring of recoveries from new disbursements. The branch network was reorganised into two regions to improve oversight, and a dedicated team was established to handle legal recoveries and legacy portfolios more effectively.

Looking Ahead

In the near future, we will proactively embrace our roadmap for sustainable growth. Through a strategic focus on product and market development, expanding our branch footprint and virtual business units, and elevating brand visibility through targeted campaigns, we aim to organically achieve a 2.5% market share by 2029.

A major milestone on this journey will be our planned LKR 1.5 Bn. listed debenture issue in 2025, which will mark our transition to a publicly listed entity under the name "CBC Finance PLC." This move will not only diversify our funding sources but also signify a new chapter of transparency and accountability. Supporting this evolution, we are prioritising the strengthening of our treasury function, which will play a critical role in enhancing liquidity management and capital optimisation. The Company continues to maintain regulatory liquid asset thresholds in line with CBSL directives, ensuring prudent financial stewardship.

To further reinforce our capital structure, our parent company has committed to an equity capital infusion in 2025, underscoring their long-term confidence in our vision and strategy. Aligned with our long-term capital augmentation roadmap, we will thereafter independently address our future capital requirements through structured fund-raising mechanisms, including debentures, subordinated loans, and trust certificates.

Our progress has already garnered recognition. In 2024, CBCF was certified as a "Great Place to Work," validating our commitment to fostering a high-performance, people-first culture. Annual loan disbursements surpassed LKR 14 Bn., and our strong balance sheet growth was matched by consistent efforts to build institutional resilience through sound governance, digital transformation, and operational agility.

As we look ahead, we remain confident in our ability to navigate complexity and seize emerging opportunities. With the steadfast support of our Board, our parent company, regulators, and our exceptional team, CBCF is well-positioned to continue delivering value, driving innovation, and leading with purpose in a rapidly evolving financial services landscape.

Acknowledgements

Our pursuit of sustained growth is the result of collective effort and visionary guidance. As such, I extend my heartfelt appreciation to the Chairman and the Board of Directors for their vision and guidance, and to our leadership team for their unwavering dedication. To our team, your commitment and resilience are the lifeblood of our organisation. I also offer my sincere gratitude to our regulators for their constructive engagement, and above all, to our customers, for their continued trust in CBC Finance.

Together, we will continue to pursue excellence and create enduring value for all our stakeholders.

Chamilantha Fernando
Managing Director/Chief Executive Officer

Colombo
June 20, 2025

FINANCIAL REVIEW

The financial review provides insights into the Company's financial performance for the year ended December 31, 2024, and should be read in conjunction with the detailed Financial Statements presented on pages 121 to 204.

During the year under review, the Company delivered strong balance sheet growth, with total assets rising by an impressive 35% to LKR 16.86 Bn., compared to LKR 12.46 Bn. in the previous year. This robust performance was primarily driven by the continued expansion of the lending portfolio and effective resource mobilisation strategies.

Net loans and advances grew significantly to LKR 13.45 Bn. from LKR 10.14 Bn. in 2023, reflecting increased demand in the vehicle and gold loan segments – key areas of strategic focus under the Company's small-ticket, secured lending model.

Supporting this asset growth, the Company successfully executed targeted deposit mobilisation initiatives, resulting in a 58% increase in the deposit base. Total deposits reached LKR 10.31 Bn. as at end-2024, up from LKR 6.53 Bn. in the previous year. This strong inflow of customer deposits provided a stable and cost-effective funding source, reinforcing the Company's liquidity position and enabling continued growth momentum.

These results highlight the Company's ability to scale its operations effectively, enhance financial intermediation, and respond to market opportunities with agility and prudence.

As a result of improving credit quality and more favourable macroeconomic conditions, impairment provisions decreased by 51% year-on-year, amounting to LKR 237 Mn., compared to LKR 481 Mn. in 2023. This notable decline underscores the effectiveness of the Company's risk management practices and the resilience of its loan portfolio.

As a result of these factors, the Company reported a profit after tax (PAT) of LKR 81.54 Mn. for the financial year, in contrast to a loss of LKR 225.18 Mn. recorded the previous year.

Summary of Financials

	2024	2023	Variance %
Financial performance (LKR Mn.)			
Income	2,661.37	1,991.47	33.64
Net interest income	872.08	496.48	75.60
Net operating income	1,003.28	206.67	385.46
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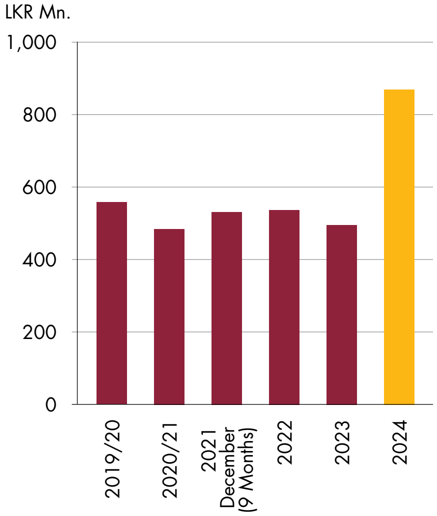
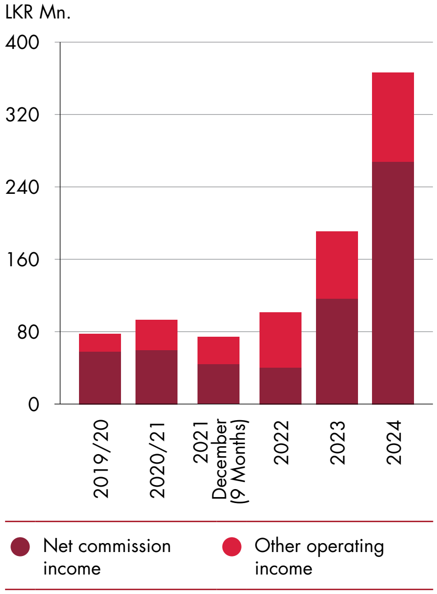
Profit after tax	81.54	(225.18)	136.21
Position as at the year-end (LKR Mn.)			
Loans and receivables	13,445.18	10,142.40	32.56
Total assets	16,860.64	12,458.76	35.33
Total equity	3,058.91	2,977.34	2.74
Deposit liability	10,311.26	6,534.18	57.80
Due to banks	3,050.17	2,758.60	10.57
Profitability ratios (%)			
Net interest margin	5.17	3.98	29.90
Return on assets (PBT)	0.94	(2.57)	136.58
Return on equity (PAT)	2.67	(6.72)	139.73
Cost to income ratio	59.90	76.61	(21.81)

	2024	2023	Variance %
Capital adequacy and liquidity			
Capital adequacy ratio (%)	15.71	19.57	(19.72)
Liquid assets ratio (times)	1.53	1.15	33.04
Advances to deposits ratio (%)	130.39	155.22	(15.99)
Other ratios			
Gross Stage 3 loans ratio (%)	24.95	29.42	(15.19)
Net Stage 3 loans ratio (%)	15.04	19.40	(22.47)
Stage 3 impairment cover ratio (%)	39.74	34.05	16.71
Manufactured capital			
Number of branches	18	15	20.00
Human capital			
Total workforce	318	271	17.34

Net Interest Income



Non-Interest Income



For the year ended December 31, 2024, the Company reported an increase of LKR 670 Mn. in interest income, marking a 25% year-on-year growth compared to 2023. This strong performance was primarily driven by the continued expansion of the loans and advances portfolio, underpinned by the Company's strategic focus on small-ticket, secured retail lending.

Following the sharp rise in interest rates that peaked in late 2022, the interest rate environment in Sri Lanka began to stabilise and gradually decline throughout 2024. In response, the Company proactively repriced its short-term lending products to remain competitive while maintaining healthy margins. These efforts reflect the

Company's ability to adapt to shifting macroeconomic conditions while continuing to deliver value through prudent portfolio management and customer-focused lending strategies.

Despite the substantial growth in interest income, interest expenses increased moderately by LKR 128 Mn., or 9%, rising from LKR 1,270.7 Mn. in 2023 to LKR 1,399.06 Mn. in 2024. This reflects the Company's prudent management of funding costs amid a dynamic interest rate environment.

The increase in interest expense was primarily driven by a significant 58% growth in the deposit base, which expanded from LKR 6.53 Bn. in 2023 to LKR 10.3 Bn. in 2024. Borrowings also rose during the year, reaching LKR 3,050.17 Mn. Notably, the Company maintained a stable and balanced funding mix, with the deposits-to-borrowings ratio remaining consistent at approximately 75:25 across both financial years. This disciplined approach to funding supported the Company's asset growth while effectively managing interest cost pressures.

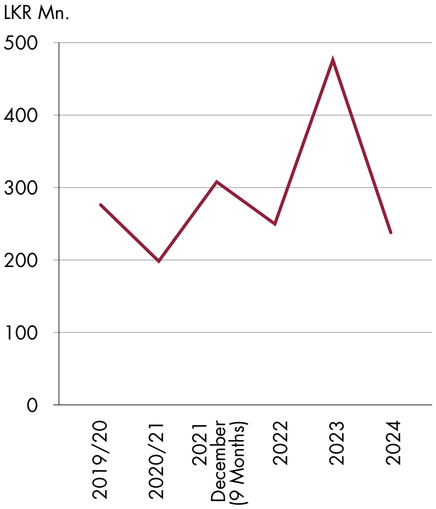
As a result of strong portfolio growth and effective management of funding costs, the Company recorded a significant increase in net interest income, which rose by LKR 375.6 Mn. or 75.6% year on year. This performance highlights the success of the Company's strategic focus on optimising asset yields while maintaining a prudent funding mix. Consequently, the net interest margin (NIM) improved to 5.17% in 2024, up from 3.98% the previous year, reflecting enhanced operational efficiency and the strengthening of core lending activities.

In 2024, the Company achieved a significant milestone in revenue diversification, with net fee and commission income increasing by 56% to LKR 269.26 Mn., up from LKR 117.4 Mn. in 2023. This strong growth reflects the Company's proactive efforts to capitalise on business growth opportunities and optimise ancillary income streams amid an evolving economic landscape.

The increase was supported by continued expansion and diversification of the Company's asset base, reinforcing its strategic focus on building a resilient, asset-backed portfolio. These efforts allowed the Company to tap into new revenue avenues, complementing its core lending operations.

This performance underscores the Company's ability to adapt its business model, respond effectively to market dynamics, and generate sustainable value through non-interest income channels.

Impairment Charges



During the financial year 2024, the Company reported a notable 51% reduction in impairment charges, which declined to LKR 236.86 Mn. from LKR 481.61 Mn. in 2023. This significant improvement reflects the Company's continued strengthening of credit risk management frameworks and its alignment with evolving industry standards.

The reduction in impairment charges was underpinned by enhanced portfolio monitoring and the application of prudent risk overlays that were determined following a comprehensive assessment of customer creditworthiness, demonstrating the Company's forward-looking and conservative approach to credit risk provisioning.

The Company also undertook a full provisioning exercise targeting selected legacy portfolios, particularly unsecured loans in arrears for more than one year and secured loans overdue for over three years. This initiative was aimed at ensuring that impairment provisions accurately reflect the recoverability of aged and higher-risk exposures.

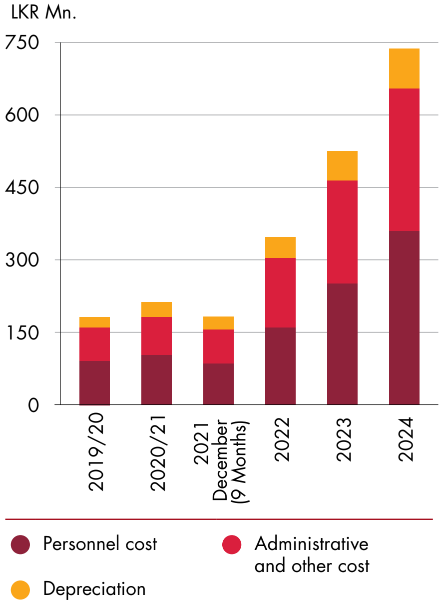
Collectively, these actions underscore the Company's commitment to maintaining a high-quality loan book, improving asset quality, and safeguarding financial stability in a dynamic operating environment.

Further, the parameters of the Expected Credit Loss (ECL) model – including Probability of Default (PD) and Loss Given Default (LGD) – were reviewed and updated to better capture current credit risk dynamics. These model enhancements led to additional provisioning requirements in accordance with applicable accounting standards.

In an effort to enhance the Company's provision coverage ratios in line with industry benchmarks, the impairment coverage levels were strengthened across all stages. As at year-end, the provision coverage stood at 1.34% for Stage 1, 5.17% for Stage 2, and 39.74% for Stage 3 exposures.

Management believes these proactive measures and the resulting impairment charges adequately reflect the expected credit losses across the portfolio, particularly within the legacy loan book, thereby positioning the Company on a stronger footing for sustainable credit risk management going forward.

Operating Expenses



In 2024, the Company's operating expenses increased 41% year on year, rising to LKR 742.81 Mn. from LKR 527.27 Mn. in 2023. This increase was primarily driven by deliberate and forward-looking investments aimed at strengthening the Company's operational capacity, market presence and human capital base.

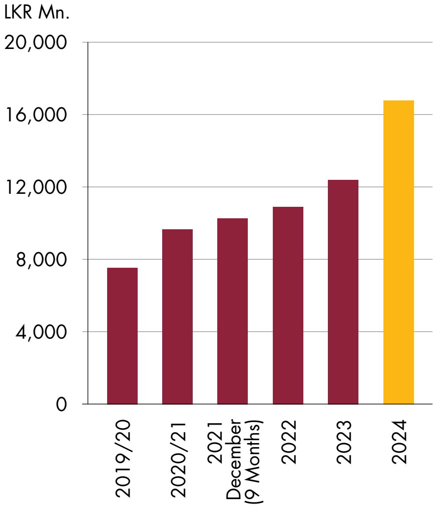
A significant portion of the increase was attributable to the expansion of the Company's physical footprint, with the opening of new branches in Ratnapura, Chilaw, and Galle. These strategic locations were selected to enhance regional outreach and customer accessibility, in line with the Company's long-term growth objectives. In parallel, the Company also invested in enhancing the visibility and functionality of its existing branch network.

To support this expansion and meet the needs of a growing business, the Company's workforce grew 17%, from 271 to 318 employees, during the year under review. Recognising the importance of talent retention and motivation, Management undertook a review of the remuneration framework and implemented a salary adjustment across the Organisation. This adjustment served both to acknowledge employee contributions and to provide support in a changing economic landscape, reinforcing the Company's commitment to investing in its people.

Marketing and business development efforts were also realigned in 2024 to reflect the Company's evolving business model. As a result, both revenue and capital expenditure increased in support of brand visibility, market positioning and customer engagement.

Importantly, despite the increase in absolute expenditure, the Company achieved improved operational efficiency, as reflected in a significant reduction in the cost-to-income ratio – from 77% in 2023 to 60% in 2024. This outcome underscores Management's disciplined approach to cost management and confidence in the long-term value creation of these strategic initiatives.

Total Assets



As at December 31, 2024, the Company's total assets recorded a robust growth of 35% year on year, reaching LKR 16.86 Bn., up from LKR 12.46 Bn. the previous year. This performance is particularly noteworthy, as it outpaced the industry's average asset growth of approximately 14%, reflecting the effectiveness of the Company's revised business strategy and operational resilience.

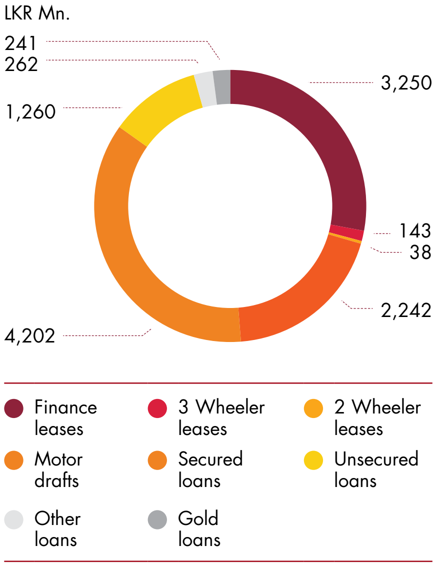
A key driver of the Company's asset expansion in 2024 was the strong growth in net loans and advances to customers, which increased by 33% year on year. This performance reflects the success of focused lending strategies, effective credit deployment and a keen alignment with evolving market needs.

During the year, the Company introduced the Hybrid Loan product, aimed at broadening the lending portfolio while enhancing risk diversification. This innovative product offering was designed to meet the diverse financial needs of customers, combining flexibility with asset-backed security to ensure both accessibility and credit quality.

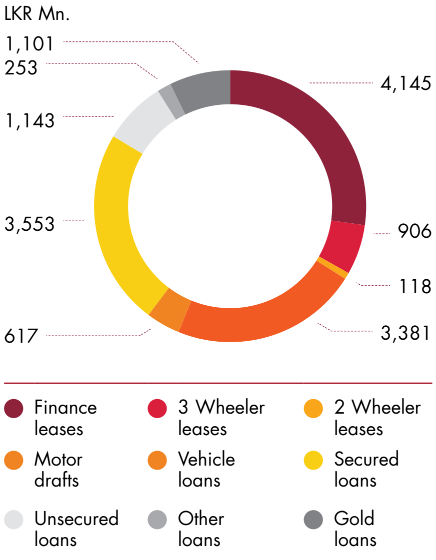
The introduction of new lending solutions, supported by robust credit risk assessment practices, allowed CBCF to expand its customer base, strengthen portfolio resilience, and drive sustainable asset growth. These developments reaffirm the Company's commitment to innovation and customer-centricity, which remain central to its long-term strategic objectives.

In 2024, the Company's total gross loan portfolio surpassed LKR 15.2 Bn. milestone, reflecting a robust 31% year-on-year increase. This achievement is particularly notable given the backdrop of reduced market interest rates and ongoing macroeconomic challenges, which tested the resilience of financial institutions across the industry.

Loans and Advances Mix 2023



Loans and Advances Mix 2024



The Company's ability to grow its lending book in such an environment underscores the effectiveness of its strategic repositioning and demand-driven credit offerings. A carefully calibrated product mix ensured a prudent balance between risk and return, with a continued emphasis on small-ticket, secured lending, particularly in vehicle and gold-backed loans.

This disciplined approach to portfolio management enabled the Company to expand its reach while maintaining credit quality and aligning with long-term strategic objectives. By proactively responding to shifting interest rate dynamics and evolving customer needs, the Company further reinforced its position as a trusted and adaptive financial services provider.

In addition to the strong growth in the Loan book, several other asset categories recorded notable expansion during the year, contributing to the overall strengthening of the Company's balance sheet.

Investments in Government Securities increased, reflecting a prudent allocation of surplus liquidity to low-risk, income-generating instruments in a declining interest rate environment. These investments also served to maintain regulatory liquidity requirements while preserving capital stability.

In 2024, CBCF also expanded its portfolio of Investment Properties, in line with its strategy to capitalise on emerging market opportunities and enhance long-term asset value. These additions reflect a measured approach to portfolio diversification and a commitment to building alternative income streams.

Growth was also seen in other asset categories, driven by the capitalisation of business opportunities aligned with CBCF's operational and strategic objectives. Collectively, these developments underscore the Company's disciplined asset growth strategy and its agility in responding to evolving market dynamics.

Overall, the Company's asset growth in 2024 demonstrates strong execution of its strategic priorities, prudent asset allocation and a commitment to supporting sustainable growth in a dynamic operating landscape.

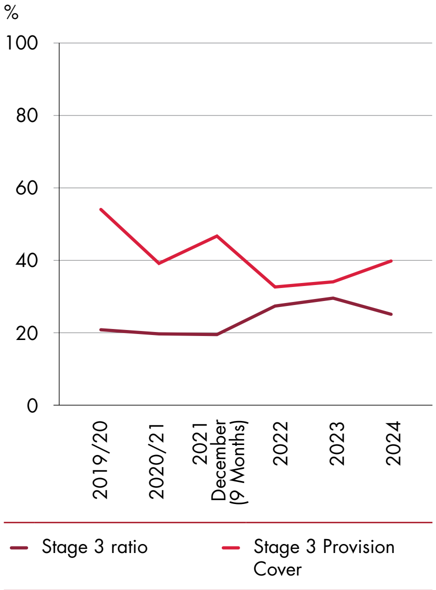
Asset quality

In 2024, the Company reaffirmed its commitment to prudent credit risk management amid a gradually improving yet still challenging economic climate. Strengthening its internal risk governance framework and focusing on the early identification of credit deterioration, the Company implemented enhanced measures to bolster credit oversight and align with industry best practices. This proactive approach fostered a more conservative and forward-looking credit risk assessment, which directly influenced the reported asset quality metrics. In this backdrop, the Company successfully reduced its Stage 3 loans ratio to 24.95% by year-end, down from 29.42% the prior year. Notably, this improvement was achieved despite changing the default point from 120 days past due to 90 days past due in compliance with the Central Bank of Sri Lanka (CBSL)'s directive on non-performing loans (NPL) classification.

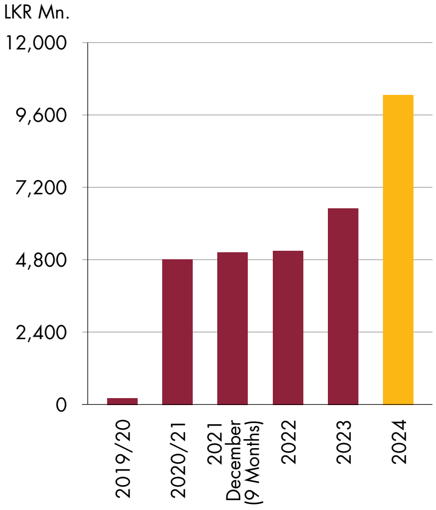
Managing non-performing loans during the year remained a key focus amid evolving economic conditions. While macroeconomic variables showed signs of improvement and deflationary trends emerged in 2024, certain sectors continued to face repayment challenges. The Company maintained a disciplined and forward-looking approach to credit risk management, supported by enhanced provisioning strategies to safeguard asset quality and sustain financial stability.

Management remains focused on active recovery efforts, continuous portfolio monitoring, and enhancement of underwriting standards to improve asset quality in the medium term. These measures, combined with a strong provisioning buffer, are expected to mitigate credit risk and support long-term financial stability.

Quality of Loan Portfolio



Deposit Liability



Since commencing deposit mobilisation in October 2019, the Company has successfully established deposits as its primary source of funding within a relatively short time frame. As at December 31, 2024, the Company's deposit base stood at LKR 10.31 Bn., reflecting a strong year-on-year growth rate of 58%.

The deposit portfolio continued its stable trajectory during the year, underpinned by strong foundations laid in prior periods. In the final quarter of 2022, amid peak market interest rates, many depositors opted for long-term fixed deposits to lock in higher returns. This behaviour contributed to a sustained expansion in the deposit base, which remained resilient through subsequent periods of monetary easing in 2023 and 2024. The Company continued to strengthen deposit mobilisation by aligning product offerings with evolving customer preferences and prevailing market dynamics.

Interest rates began to moderate following the first quarter of 2023, reflecting shifts in macroeconomic conditions and the Central Bank's monetary policy easing. Despite the downward trajectory in market rates, the Company successfully sustained depositor confidence by offering competitive deposit products, fostering strong client relationships, and maintaining a well-established reputation for financial prudence.

The consistent growth in deposits has significantly strengthened the Company's liquidity position and provided a solid foundation for lending activities and overall balance sheet expansion. Management remains focused on further diversifying the deposit base and optimising the maturity profile to ensure sustainable funding for future growth.

Capital Adequacy and Capital Management

The Company maintained a robust capital position throughout 2024, reflecting its financial resilience and disciplined capital management. As of December 31, 2024, the Company's core capital stood at LKR 2.7 Bn., comfortably exceeding the minimum regulatory requirement of LKR 2.5 Bn., thereby underscoring its strong compliance with statutory capital adequacy standards.

Risk-weighted assets (RWA) increased 20% during the year, rising from LKR 12.63 Bn. to LKR 15.19 Bn., in line with the Company's asset growth and portfolio expansion. Despite this increase, the capital adequacy ratios remained well above the regulatory minimum levels prescribed by CBSL.

As of year-end, both the Tier 1 Capital Ratio and Total Capital Ratio stood at 15.71%, compared to 19.57% in the previous year. These ratios remained significantly higher than the minimum requirements of 8.5% for Tier 1 Capital and 12.5% for Total Capital, highlighting the Company's robust capital buffer and its ability to absorb shocks while supporting future growth.

The Company continues to monitor its capital position closely and is committed to maintaining strong capital adequacy in line with regulatory standards and business expansion plans. This disciplined approach to capital management ensures the Company's ability to support lending growth, withstand market volatility, and deliver long-term value to stakeholders.

Funding and Liquidity Management

The Company adopts a prudent and proactive approach to funding and liquidity management, with the aim of achieving an optimal balance between profitability, financial stability, and regulatory compliance. A robust framework is in place to ensure the timely availability of funds to meet business needs, withstand liquidity shocks and support sustained growth.

Liquidity management is overseen by the Assets and Liabilities Committee (ALCO), which convenes on a monthly basis – or more frequently, as required – depending on prevailing market conditions. ALCO plays a critical role in reviewing the Company's current and projected funding requirements, assessing liquidity positions and guiding pricing strategies for financial products and services.

At each meeting, ALCO undertakes a comprehensive evaluation of internal and external factors that influence the Company's liquidity profile. These include market liquidity conditions, prevailing and expected interest rate trends, changes in policy rates, regulatory directives, credit demand forecasts, capital expenditure plans and contingency funding arrangements. This holistic review allows the Company to make informed decisions and maintain agility in a dynamic financial environment.

CBCF remains committed to maintaining adequate liquidity buffers, diversifying funding sources, and aligning its funding strategies with business growth objectives. This disciplined approach ensures resilience under stress conditions while allowing the Company to capitalise on emerging opportunities in the market.

OUR MODEL

Stakeholder Relationships **025**
Operating Environment **027**
How We Create Value **032**

STAKEHOLDER RELATIONSHIPS

Robust stakeholder relationships form the foundation of sustainable growth for CBC Finance Ltd. Mindful of this fact, we maintain a purposeful, inclusive and value-driven approach to stakeholder engagement across our business operations to create lasting value that nurture not only our own growth aspirations but also the unique requirements of each stakeholder group. CBCF's stakeholder engagement process remains insight driven and calculated to achieve sustained growth through the meaningful, and mutually beneficial interactions.

Stakeholder Engagement Process

Identification

We systematically identify key stakeholder groups based on their level of influence, interest, and relevance to our operations and long-term strategy.

Understanding expectations

We actively seek to understand each stakeholder group's evolving needs, concerns, and aspirations through both formal mechanisms (e.g., surveys, reviews, regulatory consultations) and informal interactions.

Strategic Engagement planning

Engagement is planned with a clear understanding of material topics, desired outcomes, and the most effective channels for dialogue, ensuring alignment with CBCF's strategic goals.

Responsive Interaction

Stakeholder engagement is conducted in a manner that is timely, transparent, and tailored to the stakeholder's profile—be it a customer, employee, regulator, or community member.

Feedback integration

Insights gathered through engagement are assessed and incorporated into our business processes, product development, risk management, and decision-making frameworks.

Value creation and communication

We deliver tangible value to stakeholders—financial, social, and operational—and communicate these outcomes clearly to reinforce trust and accountability.

Continuous evaluation and improvement

Our engagement processes are continuously monitored and refined based on effectiveness, feedback quality, and alignment with our ESG ambitions and stakeholder expectations.

As Sri Lanka transitioned from the period of crisis to a more stable outlook marked by slow economic recovery in 2024, CBCF responded with well-aligned strategies to meet the evolving expectations of our stakeholders. This approach enabled CBCF to remain a trusted financial partner and a responsible corporate citizen.

The table below outlines our approach to engaging each core stakeholder group, reflecting recent commitments and forward-looking actions that position us for long-term resilience and renewal.

Stakeholder	Key interests	Focus areas in 2024	Future focus
Customers	Accessible, responsive, and reliable financial services and credit relief during hardship.	• Expand branch network & introduce business unit concept to improve customer service points. • Introduce virtual loan service options. • Speed up lease & loan disbursements with green channel. • Real time connectivity through call centers. • Effective customer complain management process.	• Further expand branch network including virtual business units. • Debit card with ATM service. • Online apps & mobile apps improve the accessibility of customers. • Speed up financial services through new loan originating system.
Employees	Career growth, wellbeing, recognition, and purpose.	• Restructuring departments and identified potential promotions. • Strengthen staff welfare activities. • Periodic rewarding system & award cash prices. • Enhance training opportunities.	• Other benefits (Staff loans, vehicle loans, staff insurance, etc). • Restructuring employees' benefits in line with the industry based on an independent survey. • Market accepted KPI based annual evaluation process.
Business partners	Transparent procurement, long-term collaboration, innovation readiness.	• MOUs with vehicle agents based on long term business relationships. • MOUs with Insurance Companies as a risk mitigation option and to maximize the benefits. • Improved supplier registration system.	• Further enhances agreements with vehicle agents, insurance companies, and individual business introducers. • Digital options to monitor the effectiveness of business.
Shareholder (Commercial Bank of Ceylon PLC)	Capital strength, risk mitigation, strategic alignment.	• System support with more digital solutions and ideas. • Consulting to strengthen the risk framework of the Company. • Implemented periodic evaluation system of strategies via strategy tracker. • Knowledge sharing when required (SLFRS updates, changes in tax laws, etc)	• Capital infusions. • Support to strengthen the CAR with other debt instruments. • Support to introduce more digital solutions to NBFI sector with the expertise of the parent.
Society	Financial inclusion, ethical business, social value creation.	• Individual CSR programs. • Conduct business channels targeting the senior citizens in the country.	• Join CSR activities with the parent. • Convert as Paperless office concept. • Support for emission monitoring through the new SLFRS - S1 & S2.
Regulators	Regulatory compliance, good governance, sectoral stability.	• Board established robust process and controls to meet regulatory requirements and to maintain the good governance in line with culture of parent.	• Strengthen the governance and related reporting with the support of digital solutions (Automation of CBSL FINNET reporting, CSE reporting, tax remittances, etc).

Future Outlook

In the years ahead, CBC Finance will pivot stakeholder engagement on the core values of transparency and accountability, inclusivity as well as sustainability and progressive partnerships. We will continue to integrate stakeholder feedback into our decision-making process, and concentrate on long-term value creation through responsible business practices aligned with environmental, social, and governance (ESG) principles. As such, we remain committed to strengthening stakeholder trust and generating shared value as we contribute to rebuilding a resilient and inclusive financial ecosystem in Sri Lanka.

OPERATING ENVIRONMENT

In 2024, Sri Lanka's macroeconomic landscape witnessed a significant transformation, with the economy achieving real GDP growth of 5%, indicating the strongest performance since the year 2017. For CBC Finance Ltd., the improved operating environment fostered renewed momentum in lending, financial inclusion, and portfolio expansion, driven by regulatory stability, declining inflation, and improving consumer sentiment.

Global Economic Developments

According to the International Monetary Fund's January 2025 World Economic Outlook Update, the global economy remained resilient yet uneven, with growth stabilising at 3.2% in 2024. Global output is projected to increase to 3.3% in 2025, with robust activity in the United States (2.7%) balancing more moderate trends in Europe and China. Emerging and developing economies are expected to continue recovering at a measured pace, led by India and ASEAN countries.

Inflation eased in most economies, prompting a mix of monetary policy approaches. While some central banks began rate cuts, others remained cautious due to persistent services inflation. Core inflation hovered slightly above 2% globally, with greater volatility in selected emerging markets.

Developing economies faced secondary effects from global capital flows, driven by US fiscal and monetary policy shifts. A stronger US dollar and elevated interest rates tightened financial conditions in emerging markets, increasing external financing costs. Meanwhile, global commodity price trends remained mixed, with declining oil prices and rising food prices due to adverse weather conditions. Geopolitical tensions and protectionism continued to weigh on trade and investment globally.

These international dynamics underscore the importance of prudent macroeconomic management and proactive financial sector positioning, which are key considerations for non-bank financial institutions operating in a still-fragile recovery landscape.

Domestic Economic Context

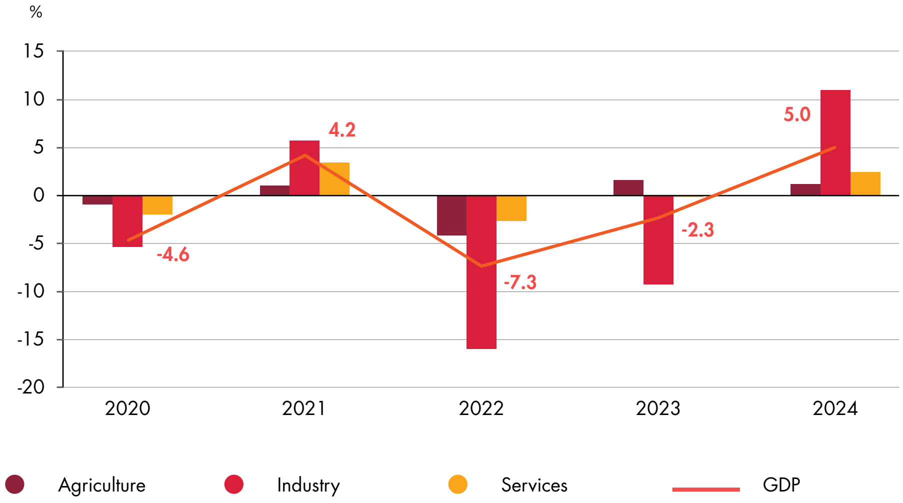
Sri Lanka's economic recovery continued in 2024 with progress made in external debt restructuring and exit from restricted default status. In this backdrop, investor confidence picked up driven by cautious optimism gained in view of monetary easing, falling inflation, and a resurgence in household and business credit.

The Central Bank of Sri Lanka maintained an accommodative monetary stance, enabling broader access to financial services. The external sector posted a current account surplus, the rupee appreciated significantly, and import restrictions were gradually lifted. Fiscal consolidation also progressed, with a surplus in the primary balance and notable growth in tax revenues.

Key Economic Indicators

In 2024, Real GDP expanded by 5.0%, with all four quarters recording positive growth, signifying an encouraging milestone after years of volatility. The industrial sector, particularly manufacturing and construction, alongside service sectors such as transport and accommodation, were primary drivers of this rebound. Nominal GDP rose to LKR 29.9 Tn., supported by a GDP deflator of 3.8%, while GDP in US dollar terms increased to USD 99.0 Bn., reflecting both economic expansion and the appreciation of the Sri Lankan rupee. Per capita GDP reached USD 4,516, up from USD 3,801 in the previous year, indicating improved national output and enhanced living standards amidst a stabilising macroeconomic environment.

Annual Real GDP Growth Rates (a)



(a) Based on the GDP estimates (base year 2015)

Source: Department of Census and Statistics

Inflation and Monetary Policy

Sri Lanka witnessed a notable transformation in its inflation landscape over the year under review. The period commenced with a pronounced decline in inflation, culminating in the Colombo Consumer Price Index (CCPI) recording its lowest level in nine years by the end of 2024. This decline was primarily attributed to reductions in electricity and fuel prices, alongside an appreciation of the Sri Lankan rupee.

As at the end of the year, headline inflation, as measured by the CCPI, stood at -1.7%, a substantial drop from 4.0% in 2023. The annual average inflation rate similarly fell to 1.2%, a sharp decrease from 17.4% recorded in the previous year. The National Consumer Price Index (NCPI) followed a parallel trend, with year-end inflation at -2.0% and an annual average of 1.6%.

Core inflation, based on the CCPI, remained relatively subdued throughout the year, concluding at 2.7%. This reflected minimal non-food price pressures, despite tax adjustments, with energy-driven deflation exerting limited influence on the core inflation metrics due to the exclusion of volatile items.

As a result, overall cost of living pressures eased significantly. Household consumption expenditure showed only modest growth rising by 1.2% on a CCPI basis and 1.6% on an NCPI basis marking a stark contrast to the sharp increases observed in 2022–2023. The resulting low inflation and low-interest rate environment fostered favourable conditions for credit expansion and supported a gradual recovery in household purchasing power, contributing to broadermacroeconomic stability.

However, with the inflation target remaining unmet, the Central Bank of Sri Lanka (CBSL) implemented a series of policy rate cuts. These measures were aimed at stimulating economic activity and guiding inflation expectations toward the Bank's medium-term objectives.

Market Interest Rates

Market interest rates in Sri Lanka continued their declining trajectory throughout the year, influenced by ongoing monetary policy easing, declining inflation, and improved investor confidence stemming from progress in debt restructuring efforts. The Central Bank implemented multiple policy rate reductions over the year and shifted to a single policy rate mechanism, setting the Overnight Policy Rate (OPR) at 8.00% in November 2024, thereby simplifying the monetary policy framework.

In response, short-term money market rates adjusted swiftly. The Average Weighted Call Money Rate (AWCMR) stabilised at around 8.00% by the end of the financial year. Both lending and deposit rates in the financial system experienced a notable decline.

The Average Weighted Prime Lending Rate (AWPLR) dropped by 3.2 percentage points, while the Average Weighted Deposit Rate (AWDR) and Average Weighted Fixed Deposit Rate (AWFDR) declined by 4.1% and 5.6%, respectively. Meanwhile, new deposit and lending rates also fell, albeit at a more moderate pace during the second half of the year.

Interest rates on SME loans eased as well, with the Average Weighted SME Lending Rate (AWSR) and Average Weighted New SME Lending Rate (AWNSR) falling by 2.9% and 3.4%, respectively. However, interest rates on micro and small-scale loans remained relatively elevated, reflecting persistent risk premiums.

These monetary easing measures were aligned with broader objectives to stabilise an economy that had contracted in 2022 and 2023. The Central Bank of Sri Lanka's policy decisions during the year aimed to stimulate economic growth, preserve price stability, and support the recovery process.

External Sector and Exchange Rate Stability

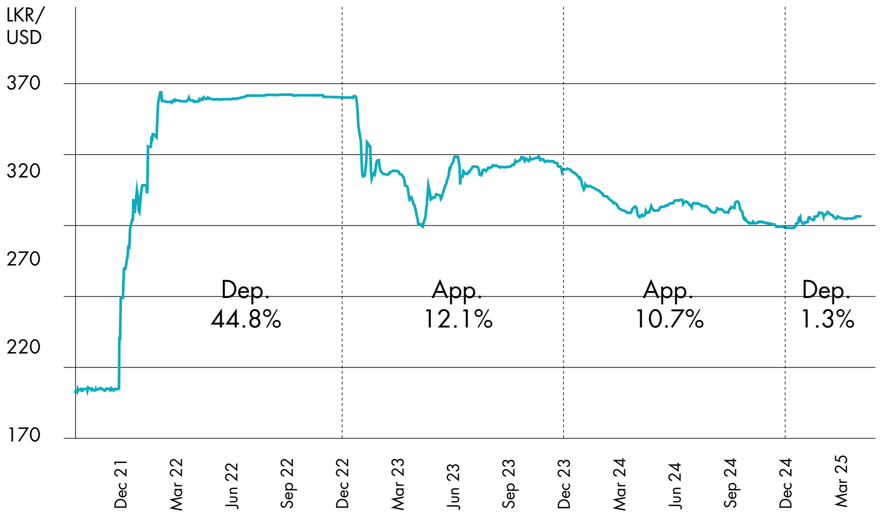
The rupee appreciated by 10.7% against the USD, supported by foreign inflows and stronger current account performance. The CBSL's forex market interventions enabled reserve accumulation, which helped anchor exchange rate expectations.

Market Liquidity and Access to Funds

Sri Lanka's financial system witnessed significant improvements in market liquidity and access to funds during the year under review. These developments were primarily driven by the Central Bank's net foreign exchange purchases, inflows from foreign loan disbursements, and a reduced dependence on Central Bank credit. As a result, system liquidity shifted from a deficit of LKR 70 Bn. in 2023 to a surplus of LKR168 Bn. by end-2024, thereby improving overall funding conditions across the financial system.

However, despite the aggregate surplus, liquidity distribution remained uneven among market participants, particularly during the first half of the year. To address these disparities, the Central Bank deployed Open Market Operations (OMOs), which were gradually tapered as market conditions became more stable.

Daily Exchange Rate Movements



Source: Central Bank of Sri Lanka

The liquidity upturn also contributed to a notable expansion in credit to the private sector. Finance companies experienced a 21.0% year-on-year growth in credit, surpassing the performance of the banking sector. This growth was largely driven by rising demand for personal loans, leasing, and pawning, facilitated by enhanced liquidity and declining interest rates.

From a monetary perspective, reserve money expanded by 15.8% in 2024, primarily due to an increase in currency in circulation and the growth of net foreign assets (NFA). The Central Bank's NFA turned positive for the first time since 2021, supported by continued reserve accumulation and external debt repayments.

Moreover, broad money supply (M2b) grew by 8.6%, reflecting improved reserve positions and stronger credit conditions within the economy.

Financial Sector Outlook

The financial sector in Sri Lanka exhibited continued resilience in 2024, underpinned by robust capital and liquidity buffers across major institutions. The banking sector maintained stability, with total asset growth supported by increased lending and investment activity. Deposit growth remained strong, and improvements in credit quality were evident through a decline in the Non-Performing Loans (NPL) ratio, although it remained at an elevated level. Profitability improved significantly, driven by higher net interest income and the reversal of impairment charges following the restructuring of International Sovereign Bonds (ISBs).

Licensed Finance Companies (LFCs) also demonstrated resilience, with asset growth attributed to a substantial increase in lending. While there was a decline in investments in government securities, the sector experienced gains in both asset quality and profitability.

The insurance industry recorded growth in Gross Written Premiums across both long-term and general insurance segments. At the same time, the equity market saw an upswing in indices and turnover, despite ongoing net foreign outflows. Liquidity conditions in the domestic money market improved, although imbalances within the banking system persisted. Yields in the government securities market fell across both primary and secondary markets, reflecting a boost in investor confidence.

Sri Lanka's financial infrastructure continued to operate efficiently. The use of digital payments rose steadily, while integration with global payment systems made further progress. The Central Bank of Sri Lanka advanced several strategic initiatives focusing on regulatory reforms, financial inclusion, consumer protection, anti-money laundering, and overall financial system stability.

Licensed Finance Companies Sector Overview

The Licensed Finance Companies (LFC) sector recorded 13.9% asset growth, driven primarily by a 22.8% increase in lending. Significant contributors to this expansion included finance leases and vehicle loans, which accounted for 64% of total loans and grew by 18.7%, as well as gold-backed lending, which made up 19.8% of the portfolio and increased by 30.4%. Non-Performing Loan (NPL) ratios showed improvement, reaching 11.3% (gross) and 6.6% (net), while profitability rose by 20.9%. Return on Assets (ROA) and Return On Equity (ROE) stood at 6.1% and 13.5%, respectively. The Central Bank of Sri Lanka's Consolidated Banking and Finance Companies reflected similar positive trends, with enhancements in portfolio quality, cost efficiency, and capital adequacy.

Sector-Specific Dynamics

In 2024, Sri Lanka's microfinance, leasing, and gold-backed financing segments demonstrated notable growth, supported by improved macroeconomic conditions, enhanced sector liquidity, and rising consumer credit demand. Micro loans surged by 49.9%, reaching LKR 11.4 Bn., while deposit mobilisation strengthened significantly, with the deposit base expanding by 35.7% to LKR 1.1 Bn. All Licensed Microfinance Companies (LMFCs) remained compliant with prudential capital requirements, reflecting the sector's continued resilience.

In the leasing segment, finance leases and vehicle loans comprised 64% of total loans and advances by the end of 2024 and recorded an 18.7% increase during the year. This growth contributed meaningfully to the overall 21% year-on-year rise in private sector credit extended by Licensed Finance Companies. The surge in leasing activity was largely driven by improved liquidity conditions and a rebound in consumer and business confidence.

Simultaneously, the gold market in Sri Lanka experienced significant volatility, shaped by both global economic developments including heightened geopolitical tensions and increased demand for safe haven assets and local financial dynamics. The sharp rise in global gold prices prompted a slowdown in consumer purchases as affordability concerns led many to delay buying. However, in the domestic context, strong gold prices played a vital role in stimulating gold-backed lending, particularly within the Non-Bank Financial Institution (NBFI) sector. LFCs reported a substantial increase in credit demand for gold-backed loans, with pawning services gaining momentum. The combination of favourable gold prices and enhanced liquidity made pawning a more attractive option, contributing positively to sectoral growth in 2024.

Debt Restructuring and IMF Engagement

Sri Lanka's external debt stock (face value) dropped to USD 57.2 Bn. in 2024 from USD 59.6 Bn. in 2023. The external debt-to-GDP ratio improved to 57.8%. Market value of debt rose, however, due to higher ISB prices. The IMF approved a USD 344 Mn. disbursement under its Extended Fund Facility following satisfactory programme performance.

Regulatory Developments

In 2024, the Central Bank of Sri Lanka (CBSL) remained committed to maintaining macroeconomic stability while advancing legal, regulatory, and institutional reforms aimed at strengthening the financial sector. Monetary policy was eased through three policy rate reductions during the year, facilitated by subdued inflation and an improved external sector performance. A significant milestone was reached in November 2024, when the CBSL transitioned to a single policy rate mechanism, thereby improving the effectiveness of policy transmission and signaling.

The CBSL continued to operate a flexible exchange rate regime, gradually phasing out crisis-era external sector controls. While limited interventions were conducted to mitigate exchange rate volatility and accumulate reserves, financial institutions benefited from lower market interest rates and enhanced liquidity, which in turn supported increased credit availability and economic recovery.

Several important legislative reforms were either enacted or advanced during the year, including:

The Banking (Amendment) Act, No. 24 of 2024, which enhanced the governance and regulatory oversight of licensed banks.

The Public Debt Management Act, No. 33 of 2024, which transferred public debt management responsibilities to the newly established Public Debt Management Office.

Progress in drafting the Public Financial Management Act, Microfinance and Credit Regulatory Authority Act, and the Financial Assets Management Companies Act.

Initiation of amendments to the Finance Business Act, Finance Leasing Act, and the Payment and Settlement Systems Act. In December 2024, the CBSL introduced a revised consolidation framework as part of Phase II of its masterplan for the consolidation of the Finance Companies (FCs) sector. This framework outlines a three-year execution plan beginning March 31, 2025, aimed at bolstering sectoral strength and stability over the medium to long-term.

Further reinforcing the regulatory landscape, the Financial Consumer Protection Regulations No. 01 of 2023 came into effect in August 2024, enhancing consumer safeguards. These regulations incorporated a range of requirements and good practices to ensure that individuals engaging with financial institutions receive fair and transparent treatment, empowering them to make informed financial decisions. As part of this initiative, the CBSL implemented Market Conduct Supervision (MCS) and conducted targeted inspections to address high lending rates, excessive fees, and unfair practices. Public awareness campaigns were also launched to further promote consumer rights and transparency in financial services.

Collectively, these regulatory and policy initiatives contributed to reinforcing financial system stability, supporting credit expansion, and fostering a more transparent, inclusive, and accountable financial sector.

Future Outlook

Sri Lanka’s macroeconomic outlook remains cautiously positive. For CBCF, continued monetary easing, stable prices, and rising credit demand present opportunities for growth. However, external risks, including the newly announced 44% US tariff on Sri Lankan exports, may impact borrower cash flows in export-linked sectors. CBCF will continue to monitor macroeconomic developments and calibrate its lending strategies to safeguard portfolio quality while pursuing sustainable expansion.

HOW WE CREATE VALUE

PARENT COMPANY: COMMERCIAL BANK OF CEYLON PLC

EXTERNAL ENVIRONMENT

SHARED VALUES, VISION AND PURPOSE

ROBUST CORPORATE

INPUTS

FINANCIAL CAPITAL

Shareholders' funds

Customer deposits

Borrowed funds

INTELLECTUAL CAPITAL

Institutionalised knowledge

Best practices

Brand equity

HUMAN CAPITAL

Skills

Expertise

Commitment

ACTIVITIES

PRIMARY

Lending

Mobilising deposits

Providing other fee-based services

ANCILLARY

Relationship management

Financial management and reporting

Support services

Product development

GOVERNANCE AND ACCOUNTABILITY

STRATEGY OF GROWTH

Risk management

Human resources management

Information technology

Marketing and sales

OUTPUTS	OUTCOME
FINANCIAL CAPITAL Prudent growth Profitability Funding and liquidity	**LKR 81.5 Mn.** Profit After Tax **LKR 872 Mn.** Net Interest Income **LKR 4.4 Bn.** growth in Total assets
INTELLECTUAL CAPITAL Compliance Innovation Ethical conduct Brand value	Scaling-up **digitalisation** Investing in **institutional knowledge** Innovative **marketing**
HUMAN CAPITAL Training and development Operational excellence Motivation Strong employee engagement Career progression	**303** hours of training **309** staff trained **LKR 362 Mn.** in salaries and benefits

OUR IMPACT

Intellectual Capital 035
Human Capital 039

INTELLECTUAL CAPITAL

Intellectual capital refers to the Intangible assets accumulated over time that are proprietary to the Company. These include the expertise of our employees, HR practices including training and development, business processes, brand value and perception in the market, and other information that positions the Company a step ahead of its competition in an aggressively competitive market.

We are pleased to record our success in developing and safeguarding our intellectual capital, which has over the years underpinned the sustainability of our business, delivering long-term value to our stakeholders.

Creating a Digital Footprint

Since its inception in 1987, CBCF has focused on expanding its digital footprint and advancing technological development, investing heavily in its information technology (IT) infrastructure. Working within a well laid out plan, the Company's Information Security Policy (ISP) defines in detail the structural demarcations, roles and responsibilities, and adherence to information security. This is further augmented by the support of the IT Department of the Commercial Bank of Ceylon PLC (the Bank) and its Central System Support Department (CSSD), demonstrating the value added by being a fully owned subsidiary of the Bank.

ORYSYS Limited formerly known as CBC Tech (Pvt) Ltd., another fully owned subsidiary of the Bank, is responsible for maintaining the Company's website, Credit monitoring system and MCAS System, adding great value to our digital journey.

CBC Finance has also initiated the internal development and deployment of several key systems – including a comprehensive dashboard, Info Hub, Customer Risk Profiling system, Reverse Screening system and a KPI management system – aimed at enhancing business operations. Additional system developments are currently in progress.

Achievements

Customer interface

The migration from the E-Financial system to the Integrated Computerised Banking System (ICBS system) supported the asset and liability product range, particularly deposit mobilisation. Other benefits included enhanced integration with the Bank's internally developed systems, procedures, and the establishment of audit trails enabling transparency in all our transactions.

Furthermore, a Gold Loan module was introduced within the ICBS to strengthen control measures and enhance system capabilities related to gold loan processing. This initiative, supported by the Commercial Bank's CSSD, was implemented with the objective of delivering improved and efficient services to customers.

Being a fully owned subsidiary, we were able to garner the Bank's support in implementing the Common Electronic Funds Transfer (CEFT) system from Lanka Clear (Pvt) Ltd. and Recovery Modules in ICBS.

Lead generation was revamped through system upgrades. A new quotation module and insurance module has speeded up the turnaround time for customer queries, while an SMS alert system ensures timely communication of customer transactions.

The acuity system carries out the mandated regulatory requirement of screening the customers prior to onboarding, especially in line with Sri Lanka's anti-money laundering (AML) regulations as well as US sanctions screening. Such technological advancements have contributed to on-boarding a high-quality customer base to our portfolios, supporting the development of sustainable, long-term business relationships.

The internally developed Customer Reverse Screening System is a crucial tool that aims to mitigate long-term risks associated with potentially unsuitable customers. With this system, businesses can proactively screen and filter out customers whose profiles may not align with the ethical standards of the Company. This not only helps prevent future financial losses but also safeguards the business' reputation and customer trust.

The internally developed Customer Risk Profiling System plays a critical role in strengthening the Company's overall risk management framework. By systematically assessing and categorising customers based on predefined risk parameters, the system enables proactive identification of potential risks at an early stage. This automated, process-driven approach ensures consistency, reduces manual errors, and enhances decision-making accuracy when onboarding new customers or monitoring existing ones. Overall, the Customer Risk Profiling System is an essential tool that empowers the Company to operate with greater confidence, security, and efficiency in a dynamic financial environment.

Operational excellence

The internally developed Asset Registry System has automated the Company's previously manual asset management processes, allowing more effective management and maintenance of business-owned assets.

We have implemented several IT platforms to fast-track daily operations routine work processes. Among these, the Memo Management System, server upgrades and back-up server systems, the Credit Monitoring System and the write-off system, web filtering protocols and the Board PAC solution have transformed our workflows and greatly improved the accuracy and efficiency of regulatory disclosures. Upgrading from a single-server virtual machine (VM) environment to a clustered server architecture has delivered several various benefits to businesses, one of the more significant advantages being improved reliability and availability. In a cluster environment, multiple servers work together to provide a more robust and fault-tolerant system.

In line with our commitment to operational excellence and robust information security, CBC Finance has successfully implemented the globally recognised G Suite solution to streamline and manage day to-day business operations effectively. This cloud-based productivity suite facilitates seamless collaboration across departments, enhances communication, and supports efficient workflow management.

To further strengthen our data security posture, we have integrated a comprehensive Data Loss Prevention (DLP) mechanism within the email system. This proactive feature helps prevent unauthorised disclosure of sensitive information, ensuring compliance with data protection regulations and safeguarding the Company's critical data assets.

The adoption of these advanced technological solutions reflects CBC Finance's dedication to leveraging innovative tools that drive efficiency, security, and sustainable growth.

With support from the Commercial Bank's IT team, the Company implemented the Board PAC solution to digitise Board-level meetings. This platform reduces manual paperwork, enables secure document sharing, and enhances accessibility, significantly improving the efficiency, accuracy, and confidentiality of board proceedings. The adoption of Board PAC marks a milestone in the Company's digital transformation and commitment to operational excellence.

People focus

The KPI Management System, internally developed by the Company's IT team, serves as a key performance evaluation tool to monitor and assess employee performance in a structured and automated manner. By aligning individual performance metrics with organisational goals, the system ensures transparency, objectivity and consistency in performance assessments.

This automation not only reduces administrative workload but also enables real-time tracking of key indicators, helping management identify high performers, address performance gaps, and make informed decisions on staff development and resource allocation. The system fosters a performance-driven culture and supports continuous improvement across all levels of the organisation. This KPI Management System is a strategic asset that contributes to enhanced operational efficiency and accountability within the Company.

Meanwhile, the CBCF intranet and the Fin Directory help keep close contact among all areas of the Company, promoting camaraderie and a sense of belonging.

Cyber security

In an era where FinTech firms generate dynamic software on a daily basis, we are more than comfortable in partnering with our parent, the Bank, in ensuring core database safety. We recognise the colossal responsibility that rests on us to protect our customer data as well as organisational data from hackers and cyber criminals. As the threat landscape continues to evolve, so do our efforts to strengthen cybersecurity measures.

The Company has implemented a range of security measures to ensure that high information security standards are maintained across the organisation.

Further steps have been taken to implement a process for performing daily anti-virus patch updates across all endpoints and servers to help prevent the spread of malware, protect against phishing attacks and prevent unauthorised access to sensitive data.

The Company has established a structured process for monitoring and reviewing cyber risk incidents through the implementation of Forti Analyser and Kaspersky Security Center. These advanced cybersecurity tools enable real-time threat detection, log analysis, and incident response management.

Forti Analyser provides centralised logging, analytics and reporting capabilities that help identify potential threats and vulnerabilities across the network. Meanwhile, the Kaspersky Security Centre supports the centralised management of endpoint security, allowing efficient deployment of updates, monitoring of system health, and rapid response to security events.

Together, these tools enhance the Company's ability to proactively detect, analyse and mitigate cyber threats, thereby strengthening its overall information security posture and ensuring compliance with cyber security best practices.

The Company has also implemented a Privileged Access Management (PAM) tool to effectively manage administrative users and safeguard against potential cyber incidents in the future.

Future Outlook

We plan our digital strategy with a clear focus on aligning with the high standards maintained by our parent company, Commercial Bank of Ceylon PLC. In this ongoing journey, the contribution of ORYSYS Ltd. has been of immense value, and we are confident that their continued support will play a critical role in our future technological advancements.

As part of our digital roadmap, we are preparing to introduce a Loan Origination System (LOS) and a new version of the Quotation Module. These systems are designed to automate the entire credit process, from application to disbursement, significantly enhancing operational efficiency, reducing manual intervention and improving the overall customer experience.

These initiatives reflect our commitment to innovation and operational excellence, while ensuring consistency with the best practices upheld by our parent company.

Our digital strategy for 2025-2026 encompasses a variety of work processes and a customer interface system.

CBC Finance is also in the process of introducing savings accounts and Visa debit cards for its customers, with the implementation scheduled for the year 2025. This strategic initiative marks a significant milestone in the Company's product portfolio, aimed at enhancing the range of financial services offered to our clients.

By launching savings accounts, CBC Finance seeks to encourage a culture of savings among customers while providing them with secure and convenient deposit facilities. The introduction of visa debit cards further complements this offering by enabling seamless, cashless transactions and access to a wide network of Combank ATMs and merchants globally.

Together, these products will elevate CBC Finance's competitive position in the market, improve customer experience, and align the Company with industry best practices. This development underscores our commitment to continuous innovation and delivering value-added services, reinforcing our standing as a forward-looking financial institution.

Chief among these is the customer Mobile App that is on the drawing boards, which is expected to allow our teams to operate effectively with maximum functionality towards the customer. The app will enable customer onboarding and online leasing and fixed deposit products, with launched planned for next year.

We are encouraged by the expansion of our digital footprint and remain committed to investing in IT infrastructure, an essential foundation for any effective and sustainable business.

Institutional knowledge

The Company's Senior Management comprises experienced and qualified professionals from the banking and NBFI sectors, equipped with the soft skills that are increasingly valued in today's marketplace. This core team collaborates with a broader group of banking and finance personnel, carefully recruited and well remunerated and performing the daily operations of CBCF. Together, these individuals form a strong foundation for the Company's future. We are proud to note that in 2024-25, this collective pool of talent and expertise proved invaluable in navigating significant challenges, enabling CBCF to emerge more resilient and better positioned for long-term success.

Continuous upgrading

At CBCF, we take a future-oriented view, while delivering value in the present. To this end, we continue to introduce state of the art IT systems, products and services that are in demand, demonstrating both our market-agility and a commitment to staff-friendly internal processes.

A valuable collaboration

We are fully owned by the award-winning premier commercial bank in Sri Lanka, the Commercial Bank of Ceylon PLC. This is foundational to our strength and longevity, as we draw on the synergies of the two entities to continue the growth trajectory we are on. The Bank supports CBCF in numerous areas, with particular emphasis on IT infrastructure development. Over the past several years, this support has helped us advance in leaps and bounds in this area, positioning CGCF as an agile, customer-focused organisation attuned to both latent and emerging needs. Needless to say, we value this partnership deeply and immensely.

HUMAN CAPITAL

Human capital refers to the collective skills, experience, and dedication of the Company's workforce, which form a critical pillar of its sustained success. This encompasses the knowledge and capabilities of employees across all levels, their alignment with the Company's values and goals, and their ability to adapt, innovate, and perform. Human capital is cultivated through continuous training and development, strong leadership, inclusive work culture, and effective talent management all of which contribute to higher productivity, service excellence, and long-term value creation.

Highlights 2024

Human Capital	Count
Staff members	318
Seconded staff	0
New recruitments	216
Female workforce	126
Employees under age 30 years	164

Since HR is a key function of the Company HR strategies need to be closely aligned with overall corporate strategy. HR becomes key contributor to overall competitiveness and agility.

The external environment also bears heavily on HR strategies and policies. Some of the impact of the financial crisis on 2022, continued into 2024. These included significant macroeconomic instability, high inflation, currency depreciation and tightened fiscal conditions, which in turn affected business confidence, morale of the employee and talent retention across the industries was also a challenge. However, to arrest these challenges many HR initiatives were implemented thus creating a more conducive working environment which resulted in winning best place to work award.

Many engagement activities and employee recognition programs including flexible work arrangements were also implemented.

Similarly, the COVID-19 pandemic has left its mark in terms of work practices. These have turned into strategic changes that have enhanced flexibility and productivity.

Equal Opportunity

CBC Finance is an equal opportunity employer, which does not discriminate on the basis of age or sex, and promotes diversity and inclusion. We believe that diversity in our work force helps build a diverse skill profile which is conducive to the long-term growth of the Company.

Gender and Status

	Male (Nos.)	Female (Nos.)
Permanent staff	95	64
Contract staff	5	2
Seconded staff	0	0
Trainee assistants/probation	108	41
Internships	1	2

Age Profile

Age Group	Male (Nos.)	Female (Nos.)
18-20 years	5	3
21-30 years	89	67
31-40 years	76	26
41-55 years	35	10
Over 55	4	3

Grade Profile

Grade	Male (Nos.)	Female (Nos.)
Senior Management and above	17	2
Executive staff	165	65
Junior executive staff	20	40
Minor staff	6	0
Other	1	2

Team Building and Synergy

The close coordination that has existed between us and our parent, Commercial Bank PLC, has yielded great benefits in building HR skills. Some of the areas where synergistic benefits have been most visible are talent acquisition and retention, shared learning and development resources, shared learning facilities and enhanced employer brand. Training and development were conducted in Tandem, realising synergies.

Initiatives and Performance During The Year

During the year many of the HR processes have been streamlined contributing to greater efficiency and effectiveness of the HR function, while supporting the organisation's strategic goals. Talent acquisition and talent management have been revamped, to align with the business requirements of the Company Automation processes to streamline data processing and record keeping have been initiated. Generational changes are having their impact on HR policies and processes. The changing profile of the workforce to include Millennials and Generation Z members has brought a need to cope with new attitudes and aspirations.

Talent Acquisition and Retention

With the financial crisis of 2022, there was a trend of migration particularly among the younger and more skilled staff. Despite the easing of the crisis this trend prevails. Change in attitudes among the Generation Z and Millennials also contribute to this.

Parental leave

CBCF scrupulously adheres to all statutory requirements regarding parental leave.

Description	Count
Number of employees who took maternity leave	2
Returned to work after maternity leave	2
Returned to work rate (%)	100

Training

Training is a vital need considering the fast-paced nature of the industry. Training programmes were crafted to include IT, product training, and soft skills. Programmes were conducted both onsite and offsite.

Training Hours by Category

Staff category	Training hours
Senior Management and above	44
Executive staff	138
Junior Executive staff	121
Minor staff	0
Others	0

Training Hours by Programme Category

Key areas of focus in training	Training hours
Evaluation of credit facility papers/risk management & credit operations	46
Debt moratorium/recovery operations	12
AML/CFT & compliance	24
HR & operations	8
Finance operations	16
Fixed deposits & operations	2
Information technology	4
Premises & logistics	2
Legal operations	10
Motivational & personal development	4
Gold loan operation	19
Operations	4

Compensation and Benefits

We not only follow all statutory requirements regarding compensation and benefits but go the extra mile. The statutory requirements include EPF, ETF, gratuity payments, paid leave and maternity leave. This pays off in employee satisfaction and loyalty.

Description	Amount
Salaries paid	254 Mn.
Benefits paid	71 Mn.
Gratuity paid	6 Mn.
Employer EPF/ETF contributions (15%)	31 Mn.

OUR STEWARDSHIP

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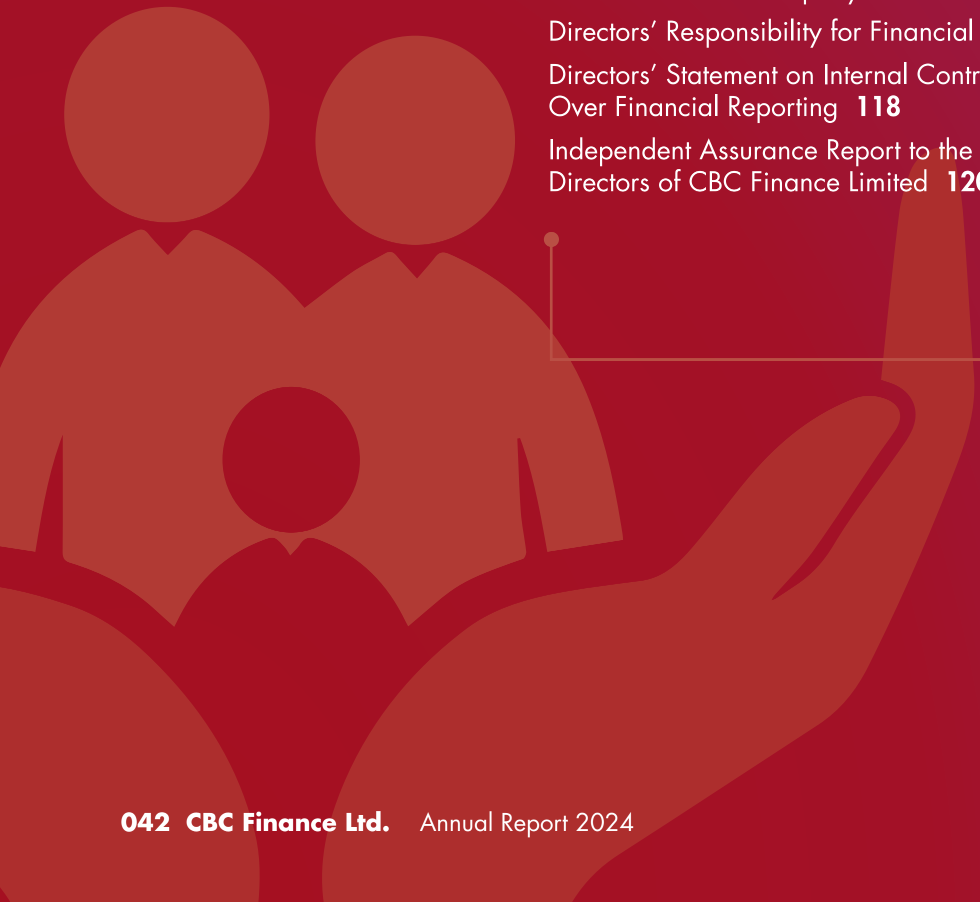


BOARD OF DIRECTORS' PROFILES

Mr Sharhan Muhseen

Chairman (Non-Independent, Non-Executive Director)

Appointed as a Non-Independent/ Non-Executive Director in September 2022 and as the Chairman of CBC Finance Ltd. in March 2023. Appointed as the Chairman of the Board Information and Technology Committee in October 2022 and as the Chairman of the Board Human Resources and Remuneration Committee in February 2023. (Abdicated responsibilities for the Chairmanship of both committees w.e.f. September 30, 2024 and March 23, 2025, respectively.)

He has been the Deputy Chairman of the Board of Directors of the parent company, Commercial Bank of Ceylon PLC since March 01, 2022, and became the Chairman of the Commercial Bank of Ceylon PLC in April 2024.

Mr Muhseen is a senior Investment Banker with comprehensive experience in the areas of Mergers and Acquisitions, Corporate Finance and Capital Markets. He has served in a senior capacity working with company boards and senior leadership teams of financial institutions across Asia to help drive their Strategic Corporate Agenda and Roadmap.

He is credited with some leading research reports, including reports on Banking sector efficiency, currency depreciation and budget deficit in his role as Head of Sri Lanka Banking Sector Research and Lead Economist at Jardine Flemming. Mr Muhseen has started out as a Management Trainee at Standard Chartered Bank in the Corporate Banking Division, and at Rodman and Renshaw stock and commodities broker based in Chicago.

In Mr Muhseen's Investment Banking career extending over more than 21 years, he has completed landmark mergers and capital-raising transactions in excess of USD 100 Bn. The Asia FIG sectors team at Merrill Lynch and Credit Suisse has won the "FIG Asia House of the Year" awards from the Asset magazine for several years under his leadership. In addition, multiple transactions he led have been awarded as best country deals and best financial sector capital raise transactions.

Mr Muhseen has experiences at the policy level working as a Team Leader at the National Council for Economic Development (NCED) under the Ministry of Finance as well as a Director at the Task Force to Rebuild the Nation (TAFREN), Presidential Task Force for rebuilding the economy after the 2004 Tsunami.

He has previously worked in best-in-class global investment banks, Credit Suisse, Bank of America, Merrill Lynch and J P Morgan in leading regional coverage roles. Mr Muhseen's most preceding role was as Managing Director, Head of South East Asia Financial Institutions Group and Head of Asia Insurance at Credit Suisse based in Singapore. He was a Director of Merrill Lynch and an Associate Director of Deloitte. He was also a Senior Advisor to TPG and BNP Paribas.

He serves as the Chairman/Director of Platinum Advisors Pte Ltd., a Director of H2O One Pte Ltd., David Pieris Holdings (Pvt) Ltd, and Canary Wharf Holdings Pte Ltd. He is the Deputy Chairman of Amana Takaful Life PLC and also an Independent Director of PCCW Limited, Hongkong. He is a senior advisor to Great Eastern Holdings Ltd., Singapore. In addition, Mr Muhseen has served as a Director of the Lankan Angel Network and Gestetner Ceylon PLC.

Mr Muhseen holds a Masters degree in Economics from the University of Colombo and a Bachelor of Business Administration (Hons) from Western Michigan University. He has completed the Corporate Finance training programme with JP Morgan in New York and undertaken several programmes in effective board leadership from the Singapore Management University.

Mr Sarath Jayasuriya

Independent, Non-Executive Director

Appointed as an Independent Non-Executive Director in December 2017. Mr Jayasuriya became the Chairman of the Board Audit Committee in July 2022 and the Chairman of the Board Integrated Risk Management Committee in February 2023 (Relinquished the Chairmanship of BIRMC, effective September 30, 2024). Appointed as the Senior Director of CBC Finance Ltd. in March 2023.

Mr Jayasuriya is an Associate member of the Institute of Bankers of Sri Lanka (AIB), a Fellow member of the Chartered Institute of Management Accountants (FCMA) (UK), a member of the Institute of Chartered Global Management Accountants (CGMA) (UK) and also a member of the Institute of Chartered Shipbrokers (MICS) (UK). He holds a Bachelor of Science Degree from the University of Sri Jayewardenepura.

Mr Jayasuriya has proven track records of over 33 years in Banking, specialised in Treasury, Investment Banking and International Banking.

Prior to his retirement from the Bank of Ceylon, he held positions such as the Deputy General Manager (International, Treasury & Investment Banking) and Deputy General Manager (Finance & Planning). He has served as a Director & Audit Committee Chairman of the BOC Property Development Ltd. (PDL) and Director of Transnational Lanka Records Solutions (Private) Ltd., Ceybank Asset Management Ltd. and MBSL Insurance Co Ltd. In addition, he was an Alternative Director for BOC Property Development & Management (Pvt) Ltd. and Credit Information Bureau of Sri Lanka (CRIB). He was the Chairman of the BOC Investment Committee, BOC Pension Fund, BOC Provident Fund and BOC W&OP Fund as well. In addition, he has served as a member of the Standing Cabinet Appointed Procurement Committee (SCAPC) which is the body to approve all tenders for procurement of petroleum and petroleum related products for Ministry of Petroleum Industry.

Mr Jayasuriya is currently serving as an Independent Director at Sierra Cables PLC and AgStar PLC.

Mr Dimuthu Senerath Bandara

Independent, Non-Executive Director

Appointed to the Board in December 2017, Mr Bandara is an Independent Non-Executive Director. He is a Senior Attorney at Law having enrolled in the profession in December 1996, and counts over 28 years as a Law Practitioner in the Private Bar. His practice spans over both original and appellate court work. He is a Counsel and a Resource Person in the fields of Criminal Law and Laws relating to Finance Leasing and Hire Purchase. He formerly served as the Chairman and the Deputy Chairman of the Criminal Law Committee of the Bar Association of Sri Lanka in recent years. He has also been a visiting lecturer for the post graduate programme at the Kothalawala Defense University. Mr Bandara holds a Bachelor of Arts degree from the University of Kelaniya and Masters of Law degree from the University of Staffordshire, UK.

Mr Hasrath Munasinghe

Non-Independent,
Non-Executive Director

Appointed to the Board in September 2020, Mr Munasinghe is a Non-Independent, Non-Executive Director. He previously held the position of Chairman of the Company's Board Information Technology Committee from November 2021 to October 2022 and was reappointed to this role effective October 01, 2024. Mr Munasinghe serves as Chairman of the Board Credit Committee since February 2023.

Mr Munasinghe currently serves as the Deputy General Manager – Retail Banking and Marketing of the parent company, Commercial Bank of Ceylon PLC. He also serves as a Trustee of the Commercial Bank CSR Trust. He oversees the Marketing function, Cards business, Digital Banking, Retail Products and Sustainability, CSR and Women Banking at the Bank. Mr Munasinghe possesses 31 years of experience including 14 years in Banking.

Mr Munasinghe is a recipient of multiple awards, the most coveted being one of the "Ten Outstanding Young Persons in Sri Lanka" in 2013. He was listed amongst the "100 Most Talented Global Marketing Leaders" by Chief Marketing Officers, Asia Council in 2014 and listed in the "New Establishment 100", the top new generation business leaders in Sri Lanka by the Echelon Magazine in 2019. Mr Munasinghe possesses over fifteen academic and professional qualifications including an MSc in IT from the University of Moratuwa and an MBA from the University of Southern Queensland, Australia. He is a Fellow of the Chartered Institute of Marketing (CIM) UK, a Fellow of the Sri Lanka Institute of Marketing (SLIM), a Fellow of the Institute of Bankers (FIB) Sri Lanka, a Fellow of Chartered Management Institute (CMI) UK and an Associate Chartered Management Accountant (ACMA) and Chartered Global Management Accountant (CGMA) from Chartered Institute of Management Accountants (CIMA) UK.

Mr Munasinghe was appointed as a Director of Global Compact Network Ceylon Guarantee Ltd in May 2024.

Mr M P Dharmasiri

Non-Independent,
Non-Executive Director

Appointed to the Board in September 2022, Mr Dharmasiri is an Associate member of the Institute of Bankers of Sri Lanka (AIB), 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.

In addition, Mr Dharmasiri holds a Master of Science in Management and a Bachelor of Science in Business Administration from the University of Sri Jayewardenepura and a Master of Arts in Financial Economics from the University of Colombo and counts over 35 years of experience in Banking.

Mr Dharmasiri joined the Commercial Bank of Ceylon PLC in March 1990 and currently serves as the Assistant General Manager – Planning, actively participating in the Strategic Planning process of the Commercial Bank. Apart from these, Mr Dharmasiri holds the Company Secretary position of CBC Tech Solutions LTD., one of our sister companies under the Commercial Bank Group.

Mrs Sharmini Wickramasekara

Independent, Non-Executive Director

Appointed as an Independent Non-Executive Director in March 2024. Mrs Wickremasekera is an accomplished professional with an illustrious career spanning across a variety of roles. She has exhibited exceptional leadership skills and expertise in the areas of accounting, finance, auditing, IT governance, and risk management. She holds globally recognised credentials vis CISA (Certified Information System Auditor) and CRISC (Certified in Risk and Information System Control).

Mrs Wickremasekera began her journey at Ford Rhodes Thornton & Company and joined LOLC in 1983 where she started out as an accounts clerk and successively promoted in recognition of her performance. She has played a pivotal role in introducing Standards in Internal Audit, IT Governance, Enterprise Risk Management, Business Continuity Management and fraud prevention for the LOLC Group. She retired as the Chief Risk Officer-LOLC Group, in March 2023.

Mrs Wickremasekera also served as the President of ISACA Sri Lanka Chapter from 2007 to 2009, breaking barriers as the first female president to lead a professional IT association in Sri Lanka. Under her leadership, the Chapter was recognised as the Best Medium-sized Chapter in Asia.

Moreover, she has held honorary positions on the Boards of Sri Lanka Cert from 2007 to 2009 and Infotel ICT Exposition from 2006 to 2009 as an Independent Non-Executive Director, further contributing to the information security landscape. Currently, she serves as an Independent Non-Executive Director at SUNTRUST Insurance Brokers (Pvt) Ltd., focusing on accounting and finance and, also at SUNTRUST Digital Innovation (Pvt) Ltd.

Mrs Wickremasekera has gained international recognition as a representative and speaker on risk management, participating in conferences both locally and overseas. She has contributed her expertise as a presenter, panellist & moderator in seminars such as Risk Minds Asia, National Conferences and Governance & Risk programmes organised by various professional bodies & corporates.

Her contributions & achievements had won numerous accolades. Notably, the ISACA SL Chapter was awarded the K Wayne Snipes Award in 2009 for the Best Medium-sized Chapter in Asia, by ISACA (USA) and the Achievement Award for GRC in the USA by the OCEG in 2012 for her role in implementing GRC standards in LOLC.

Mrs Wickremasekera was appointed as Chairperson of the Related Party Transactions Review Committee in June 2024 and assumed the role of Chairperson of the Board Integrated Risk Management Committee effective October 01, 2024.

Mr Chamilantha Fernando

Managing Director/
Chief Executive Officer

Appointed as Managing Director and Chief Executive Officer of CBCF in October 2023. Mr Fernando has an outstanding performance history spanning over two decades in the banking and finance industry.

As the current dynamic leader at the helm of CBC Finance Ltd. he brings a wealth of experience and expertise to his role. Armed with a Master of Science in Finance from Asia e University and a Bachelor of Commerce in Marketing from the University of Western Sydney, Australia, his academic prowess complements his extensive practical knowledge. Moreover, his commitment to professional development is evident through his certifications, including Certified Practicing Marketer (CPM – Asia Pacific), and Practicing Marketer (SLIM), his associations with the Sri Lankan Institute of Marketing (MSLIM) and the Chartered Institute of Marketing UK. Mr Fernando is also an associate member of Institute of Bankers of Sri Lanka.

Mr Fernando has started out his career in banking at Hong Kong and Shanghai Banking Corporation and then moved to Standard Chartered Bank and then to Nations Trust Bank where he was involved in Sales and Marketing at the time of the launch of American Express Credit cards to the local market. He has later got in to the Sri Lankan finance industry holding senior positions at Softlogic Finance PLC, Merchant Bank and Finance PLC, Orient Finance PLC and Finally at Dialog Finance PLC.

Mr Fernando's career journey continued through various prestigious institutions and positions has honed his strategic vision and business acumen. Notably, his tenure as Head of Business Development and handling the marketing of eZ Cash/Mobile Money Operations gave him the opportunity to get a thorough understanding and involvement in digitalisation, mobile applications and mobile money.

As a seasoned leader, Mr Fernando has consistently demonstrated his proficiency in steering organisations towards success. His roles as General Manager at Softlogic Finance PLC and Heading Business Development and Marketing at other financial institutions and his overall experience in the industry underscore his adeptness in operational management and driving sustainable growth.

Mrs Oshadi Gunasekara

Company Secretary

Appointed as the Company Secretary in September 2020, Mrs Gunasekara earned her Law Degree from Sri Lanka Law College and she is licensed to practice as an Attorney-at-Law of the Supreme Court of Sri Lanka since 2014. While in the Chambers of Dr Harsha Cabraal, President's Counsel she became well-versed in Commercial and Intellectual Property Law. She joined the Company in 2019 after serving as an Associate for M/s Paul Ratnayeke Associates. Her practice focused on complex Civil Law and White-Collar criminal cases attending to both local and international law suits. Mrs Gunasekara has also been extending her support and providing guidance to the litigation team in CBC Finance Ltd.

LEADERSHIP TEAM

Mr Chamilantha Fernando
Managing Director/Chief Executive Officer

Mr Krishantha Perera
Chief Operating Officer

Mr Purna Kandanaarachchi
Head of Finance

Mr Mahasen Kamathewatte
Compliance Officer

Mr Shiran Punchihewa
Head of Internal Audit

Mr Rukmal Fernando
Chief Risk Officer

Mr Rangana Shamil
Head of Business Development

Ms Yashikala Nawagamuwa
Head of Legal

Mr Nuwan Sardarathne
Chief Manager of Finance

Mr Sanka Fernando
Chief Manager of Recoveries

Mr Chathuranga Suraweera
Chief Manager of Information Technology

Mr Keerthi Samaratunga
Chief Manager of Human Resources & Administration

Mr Chamara Wickramaratne
Chief Manager of Credit

Mr Lakmal Kalansooriya
Chief Manager of Gold Loan

Mr Danushka Ariyarathne
Senior Manager of Recoveries

Mr Duminda Karunarathne
Cluster Manager (North Central Cluster)

Mr Chaminda Kumarasiri
Cluster Manager (Central Cluster)

Nuwan Wicramathilake
Cluster Manager (Colombo Cluster)

Mr Dilip Wickramasinghe
Cluster Manager (Southern Cluster)

Mr Raveendra Ranasinghe
Senior Manager of Micro Leasing

CORPORATE GOVERNANCE

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
1. Responsibilities of the Board of Directors		
1.1	The Board shall assume overall responsibility and accountability for the Finance Company (FC) operations by setting up the strategic direction, and governance framework, establishing the corporate culture and ensuring compliance with regulatory requirements. The Board shall carry out the functions listed in Direction 1.2 to 1.7 below, but not limited to, in effectively discharging its responsibilities.	It is complied with. The Board of Directors of CBC Finance Ltd., in line with its Board Charter reviewed and approved by the Board on June 25, 2024, and the Finance Business Act No. 5 of 2021, assumes full responsibility for setting the Company's strategic direction, establishing robust governance structures, and ensuring regulatory compliance.
1.2	Business Strategy and Governance Framework (a) Approving and overseeing the implementation of the FC's overall business strategy with measurable goals for the next three years and updating it annually because of the developments in the business environment. (b) Approving and implementing FC's governance framework commensurate with the FC's size, complexity, business strategy and regulatory requirements. (c) Assessing the effectiveness of its governance framework periodically. (d) Appoint the Chairperson and the Chief Executive Officer (CEO) and define the roles and responsibilities.	It is complied with. The Board of Directors is responsible for approving, overseeing, and monitoring the execution of the Company's strategic objectives, corporate values, overall business strategy, and policies. These matters are regularly discussed during monthly meetings involving the Board of Directors, Corporate Management, Senior Management, and other relevant groups. The Corporate Plan for the period 2023–2027 was initially approved by the Board on December 30, 2022. The Plan was subsequently re-evaluated and updated to cover the period 2025–2029, with the revised version approved by the Board on December 31, 2024. CBC Finance Ltd. has established a comprehensive governance framework to ensure sound management, regulatory compliance, and accountability across all levels of the organisation. At the core of this framework is the Board Charter, which sets out the roles, responsibilities, and operating procedures of the Board of Directors and its Committees. The Charter serves as the foundation for the Company's governance structure, complemented by a suite of policies, procedures, and internal controls that guide decision-making and oversight. This integrated framework supports effective leadership, risk management, and sustainable value creation in alignment with regulatory expectations and corporate objectives.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
1.3	Corporate Culture and Values (a) Ensuring that there is a sound corporate culture within the FC, which reinforces ethical, prudent and professional behaviour. (b) Playing a lead role in establishing the FC's corporate culture and values, including developing a code of conduct and managing conflicts of interest. (c) Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies. (d) Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers and other creditors, in the view of projecting a balanced view of the FC's performance, position and prospects in public and regulators.	The Board of Directors of CBC Finance Ltd. promotes a strong corporate culture based on ethical, prudent, and professional conduct, as outlined in the Board Charter. A Code of Conduct is in place to guide behaviour and manage conflicts of interest, with regular oversight by the Board. The Company integrates environmental, social, and governance (ESG) considerations into its business strategy to support sustainable finance and responsible growth. While a formal Stakeholder Communication Policy is not yet established, the Board ensures transparent and timely engagement with all stakeholders in line with regulatory expectations and sound governance practices.
1.4	Risk Appetite, Risk Management and Internal Controls (a) Establishing and reviewing the Risk Appetite Statement (RAS) aligns with FC's business strategy and governance framework. (b) Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently. (c) Adopting and reviewing the adequacy and effectiveness of the FC's internal control and management information systems periodically. (d) Approving and overseeing business continuity and disaster recovery plan for the FC to ensure stability and financial strength and preserve critical operations and services under unforeseen circumstances.	It is complied with. The Board approved the Risk Management Policy of the Company on June 25, 2024 and approved the business continuity and disaster recovery plan of the Company on November 28, 2024 and further, the Company's internal control systems were reviewed by the Board Audit Committee and approved by the Board of Directors on April 02, 2025. Risk indicators and monitoring of Credit Risk, Market Risk, Operational Risks, and other residual risks are discussed, and appropriate mitigating actions are recommended at the BIRMC meeting. The following policies were reviewed and approved by the Board of Directors on the respective dates: Social and Environmental Risk Assessment procedure V 1.1 – February 19, 2024 Reputational Risk Management Policy – December 31, 2024 Operational Risk Management Policy V 1.3 – August 23, 2024 Market Risk Management Policy V 1.1 – December 31, 2024. These approvals reflect the Company's commitment to strengthening the Company's risk management and governance practices.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
		The Board Audit Committee assists the Board in assessing the adequacy and integrity of the internal controls system, management information system (MIS), and financial reporting processes of the Company. The Internal Audit Department helps the process by conducting audits to assess the internal controls over financial reporting and MIS. Board-approved comprehensive Business Continuity and Disaster Recovery Plan (BCP) is in place. The BIRMC reviews BCP, and the current status is updated at meetings.
1.5	Board Commitment and Competency	It is complied with.
	(a) All members of the Board shall devote sufficient time to dealing with the matters relating to the affairs of the FC.	The Board adopted a scheme of self-assessment to evaluate the effectiveness of the overall function, responsibilities and duties of the Board of Directors.
	(b) All members of the Board shall possess the necessary qualifications, adequate skills, knowledge, and experience.	The chairperson evaluated the effectiveness of the performances and the contribution of each Director, filling out a questionnaire on the performance.
	(c) The Board shall regularly review and agree on all members' training and development needs.	All the individual Directors assessed the Chairperson's performance through a performance questioner.
	(d) The Board shall adopt a scheme of self-assessment to be undertaken by each Director annually on the individual performance of its Board as a whole and that of its Committees and maintain records of such assessments.	As per Section 7.2 of the Finance Business Direction No.6 of 2021, the Company submitted the annual information and documentation of the Company’s Directors for obtaining the Central Bank approval for their fitness and propriety to be key responsible persons of the Company on March 01, 2024 and approval received on July 17, 2024.
	(e) The Board shall resolve to obtain external independent professional advice to the Board to discharge duties to the FC.	The resolution concerning the summary of the Board assessment questioner was adopted at the Board meeting held on February 19, 2024.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
1.6	Oversight of Senior Management (a) Identifying and designating Senior Management, who can significantly influence policy, direct activities, and control business operations and risk management. (b) Defining the areas of authority and critical responsibilities for the Senior Management. (c) Ensuring the Senior Management possesses the qualifications, skills, experience and knowledge to achieve the FC's strategic objectives. (d) Ensuring appropriate oversight of the affairs of the FC by Senior Management. (e) Ensuring the FC has an appropriate succession plan for Senior Management. (f) Meeting regularly with the Senior Management to review policies, establish lines of communication and monitor progress towards strategic objectives.	It is complied with. Board has exercised oversight of the affairs of the Company during the Board meetings. KMPs within the Management are present by invitation at all critical oversight meetings and Board meetings. Such meetings are held regularly, ranging from monthly to quarterly. In line with the Central Bank of Sri Lanka (CBSL) direction on Corporate Governance, the Board of Directors and MD/CEO, COO, Head of Credit and Branch Administration, Head of Internal Audit, Head of Finance, Compliance Officer, CRO, Company Secretary and Head of Legal have been identified as Key Responsible Persons (KRPs). The Board approves Job Descriptions of the Key Responsible Personnel and includes the functions and responsibilities of the KRPs. Areas and limits of authority of the KRPs are covered under the Delegation Authority (DA) limits assigned to them.
1.7	Adherence to the Existing Legal Framework (a) Ensuring that the FC does not act detrimental to the interests of and obligations to depositors, shareholders and other stakeholders. (b) Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards. (c) Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.	It is complied with. The Board evaluated the effectiveness of Corporate Governance practice and agreed that the Company fully complied with regulatory requirements, relevant laws, regulations, and directions. The resolution concerning the summary of the assessment of the effectiveness of Corporate Governance practices in 2023 was adopted at the Board meeting held on February 19, 2024.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
2. Governance Framework		
2.1	The Board shall develop and implement a governance framework in line with these directions, including but not limited to the following. (a) Role and responsibilities of the Board (b) Matters assigned for the Board. (c) Delegation of authority. (d) Composition of the Board. (e) The Board's independence. (f) The nomination, election and appointment of Directors and appointment of Senior Management. (g) The management of conflicts of interests (h) Access to information and obtaining independent advice. (i) Capacity building of Board members. (j) The Board's performance evaluation. (k) Role and responsibilities of the Chairperson and the CEO. (l) Role of the Company Secretary. (m) Board Subcommittees and their role; and (n) limits on related party transactions.	It is complied with. The Board of Directors of CBC Finance Ltd. has established a governance framework in line with regulatory requirements, addressing key areas such as Board responsibilities, delegation of authority, composition and independence, appointments, conflict of interest management, and oversight of Subcommittees. This framework is guided by the Board Charter, reviewed in line with the latest Corporate Governance Direction and approved by the Board on June 25, 2024. As part of this framework, the Board Nomination Committee, governed by an approved Terms of Reference, plays a key role in Board appointments and governance matters. The ToR was last reviewed and approved by the Board on June 25, 2025.
3. Composition of the Board		
3.1	The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile FC.	It is complied with. The Board possesses the right skills, experience, diversity and independence to manage current and future critical issues.
3.2	The number of Directors on the Board shall not be less than seven (07) and not more than thirteen (13).	It is complied with. There were 7 Directors on the Board as of December 31, 2024.
3.3	The total service period of a Director other than a Director who holds the CEO/Executive Director position shall not exceed nine years, subject to Direction 3.4.	It is complied with. Based on the dates of appointment, the service of any Non-Executive Director does not exceed nine years.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
3.4	Non-Executive Directors, who directly or indirectly hold more than 10% of the voting rights or who are appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding nine years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions subject to provisions contained in Direction 4.2 and 4.3 provided, however the number of Non-Executive Directors eligible to exceed nine years is limited to one-fourth (1/4) of the total number of Directors on the Board.	It is complied with. As at the reporting date, none of the Directors of CBC Finance Ltd., including Executive and Non-Executive Directors, have served more than nine years on the Board. Therefore, the provisions under Directions 4.2 and 4.3 of the Corporate Governance Direction regarding extended tenure do not apply. The Company remains fully compliant with the applicable regulatory requirements on Board composition and tenure.
3.5	Executive Directors (a) Only an employee of an FC shall be nominated, elected and appointed, as an Executive Director of the FC, provided that the number of Executive Directors shall not exceed one-third (1/3) of the total number of Directors of the Board. (b) A shareholder who directly or indirectly holds more than 10% of the voting rights of the FC shall not be appointed as an executive Director or Senior Management. However, existing Executive Directors with a contract of employment and functional reporting line and existing Senior Management are allowed to continue as Executive Directors/Senior Management until the retirement age of the FC. After that, they may reappoint as Non-Executive Directors subject to provisions in directions 4.2 and 4.3. Existing Executive Directors without a contract of employment and functional reporting line need to step down from the Executive Director position from the effective date of this Direction. After that, they may reappoint as a Non-Executive Director subject to provisions in Directions 4.2 and 4.3.	It is complied with. The Company's CEO, who is also a full-time employee with a defined functional reporting line, was appointed as a Non-Independent Executive Director on October 13, 2023. The CEO serves as the sole Executive Director on the Board, keeping the number within the one-third limit. The Executive Director reports to the Board in accordance with the established governance framework.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
	(c) In the event of the presence of the Executive Directors, the CEO shall be one of the Executive Directors and may be designated as the Managing Director of the FC. (d) All Executive Directors shall have a functional reporting line in the organisation structure of the FC. (e) The Executive Directors are required to report to the Board through CEO. (f) Executive Directors shall refrain from holding Executive Directorships or Senior Management positions in any other entity.	
3.6	Non-Executive Directors (a) Non-Executive Directors shall possess credible track records and have the necessary skills, competency and experience to bring independent judgement on the issues of strategy, performance, resources and standards of business conduct. (b) A Non-Executive Director cannot be appointed or function as the CEO/Executive Director of the FC.	It is complied with. All Non-Executive Directors possess the required skills, experience, and professional integrity to provide independent judgement on matters of strategy, performance, governance, and conduct. There is only one Executive Director, who is also the Managing Director/CEO, appointed on October 13, 2023 in line with the requirement that Non-Executive Directors shall not function as Executive Directors or the CEO. The Fitness and Propriety Assessment of the Board was conducted by the Central Bank based on the annual submission made on March 01, 2024 and approval was granted for the Directors to continue their roles on the Board for the year 2024.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
3.7	Independent Directors (a) The number of Independent Directors of the Board shall be at least three (03) or one-third (1/3) of the total number of Directors, whichever is higher. (b) Independent Directors appointed shall be of the highest calibre, with professional qualifications, proven track records and sufficient experience. (c) A Non-Executive Director shall not be considered independent if such: i. Director has a direct or indirect shareholding exceeding 5% of the voting rights of the FC or exceeding 10% of the voting rights of any other FC. ii. Director or a relative has or had during one year immediately preceding the appointment as Director, a material business transaction with the FC, as described in a Direction 12.1(c) hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the FC as shown in its last audited statement of financial position. iii. The FC or its affiliates have employed Director or has been a Director of any of its affiliates during the one year immediately preceding the appointment as Director. iv. Director has been an advisor, consultant, or principal consultant/advisor in the case of a firm providing consultancy to the FC or its affiliates during the one year preceding the appointment as Director. v. Director has a relative who is a Director or Senior Management of the FC or has been a Director or Senior Management of the FC during the one year immediately preceding the appointment as Director or holds shares exceeding 10% of the voting rights of the FC or exceeding 20% of the voting rights of another FC. vi. The Director represents a shareholder, debtor, creditor or other similar stakeholder of the FC.	It is complied with. (a) As of December 31, 2024, the Board consisted of three Independent and four Non-Independent Directors. (b) The three Independent Directors have complied with all these regulatory requirements to maintain their independency on the Board, which was indicated in the information included in the affidavit signed by the Directors to submit to the Central Bank as annual Information of key responsible persons of the Company, on March 01, 2024. (c) It is complied with. (d) No such occasions raised.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
	vii. A Director is an employee or a Director or has a direct or indirect shareholding of 10% or more of the voting rights in a company in which any of the other Directors of the FC is employed or is a Director. viii. A Director is an employee or a Director or has a direct or indirect shareholding of 10% or more of the voting rights in a company which has a transaction with the FC as defined in Direction 12.1(c) or in which any of the other Directors of the FC has a transaction as defined in direction 12.1(c), aggregate value outstanding of which at any particular time exceeds 10% of the stated capital as shown in its last audited statement of financial position of the FC. (d) The Nomination Committee and Board should determine whether there is any circumstance or relationship, which is not listed in Direction 3.7, which might impact a Director's independence, or the perception of the independence. (e) An Independent Director shall immediately disclose to the Board any change in circumstances that may affect the status as an Independent Director. In such a case, the Board shall review such Director's designation as an Independent Director and notify the Director, Department of Supervision of Non-Bank Financial Institutions, in writing of its decision to affirm or change the designation.	
3.8.	Alternate Directors (a) Representation through an alternate Director is allowed only; i. With prior approval of the Director, Department of Supervision of Non-Bank Financial Institutions under Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) or as amended; and ii. If the current Director cannot perform the duties as a Director due to prolonged illness or cannot attend more than three consecutive meetings due to being abroad.	Not Applicable.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
	(b) The existing Directors of the FC cannot be appointed as alternate Directors to another existing Director of the FC. (c) A person appointed as an alternate Direct one of the Directors cannot extend the role as an alternate Director to another Director on the same Board. (d) An alternate Director cannot be appointed to represent an Executive Director. (e) If an alternate Director is appointed to represent an Independent Director, the person appointed shall also meet the criteria that apply to an Independent Director.	
3.9.	Cooling off Periods (a) There shall be a cooling off period of six months before an appointment of any person as a Director or CEO of the FC who was previously employed as a CEO or Director of another FC. Any variation to that in exceptional circumstances where the expertise of such persons requires to reconstitute a Board of an FC which needs restructuring shall be made with prior approval of the Monetary Board. (b) A Director, who fulfils the criteria to become an Independent Director, shall only be considered for such appointment after cooling-off of one year, if the Director has been previously considered non-independent under this Direction's provisions.	No such occasions raised.
3.10	Common Directorships The Director or Senior Management of an FC shall not be nominated, elected or appointed as a Director of another FC except where such FC is a parent company, subsidiary company or an associate company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f).	Not applicable

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
3.11.	The Board shall determine the appropriate limits for Directorships that Directors can hold. However, a Director of an FC shall not hold office as a Director or any other equivalent position (shall include alternate Directors) in more than 20 companies/ societies/bodies, including subsidiaries and associates of the FC.	It is complied with. None of the Directors held office as Directors or any other equivalent position in more than 20 companies.
4. Assessment of Fitness and Propriety Criteria		
4.1.	No person shall be nominated, elected or appointed as a Director of the FC or continue as a Director of such FC unless that person is a fit and proper person to hold office as a Director of such FC following the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.	It is complied with. The relevant regulators have assessed, evaluated and approved all the Directors' appointments.
4.2.	A person over 70 years shall not serve as a Director of a FC.	It is complied with.
4.3.	Notwithstanding provisions contained in 4.2 above, a Director who is already holding office at the effective date of this Direction and who attains the age of 70 years on or before March 31, 2025 is permitted to continue in office as a Director exceeding 70 years of age up to a maximum of 75 years of age subject to the following, (a) Assessment by the Director/Department of Supervision of Non-Bank Financial Institutions on the fitness and propriety based on the criteria specified in the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction. (b) Prior approval of the Monetary Board based on the assessment of the Director/Department of Supervision of Non-Bank Financial Institutions in 4.3(a). (c) The maximum number of Directors exceeding 70 is limited to one-fifth (1/5) of the total number of Directors. (d) The Director concerned shall have completed a minimum period of 3 continuous years in office as of the first approval date.	Not applicable.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
5. Appointment and Resignation of Directors and Senior Management		
5.1.	The appointments, resignations or removals shall be made under the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	It is complied with. The appointment of Mrs Sharmini Cynthia De Sayrah Wickremasekera to the Board was made in line with the above Direction and the applicable Corporate Governance requirements. The necessary documentation was submitted to the Central Bank, and regulatory approval for her appointment was granted on March 22, 2024.
6. The Chairperson and the CEO		
6.1.	There shall be a clear division of responsibilities between the Chairperson and CEO, and the responsibilities of each person shall be set out in writing.	It is complied with. The requirement is included in the approved Board Charter.
6.2.	The Chairperson shall be an Independent Director, subject to 6.3 below.	In accordance with regulatory requirements, the Chairperson of CBC Finance Ltd. is not classified as an Independent Director due to his concurrent role as Chairperson of the parent company.
6.3.	If the Chairperson is not independent, the Board shall appoint one of the Independent Directors as a Senior Director, with suitably documented terms of reference to ensure a more significant independent element. The Senior Director will serve as the intermediary for other Directors and shareholders. Non-Executive Directors, including Senior Directors, shall assess the Chairperson's performance at least annually.	It is complied with. To ensure a stronger independent element on the Board, an Independent Non-Executive Director was appointed as Senior Director on March 03, 2023, with clearly defined responsibilities. This appointment aligns with the Corporate Governance Direction. The performance of the Chairperson is assessed annually by the Non-Executive Directors, including the Senior Director.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
6.4.	Responsibilities of the Chairperson The responsibilities of the Chairperson shall at least include the following: (a) Provide leadership to the Board. (b) Maintain and ensure a balance of power between Executive and Non-Executive Directors. (c) Secure, effective participation of both Executive and Non-Executive Directors. (d) Ensure the Board works effectively and discharges its responsibilities. (e) Ensure the Board discusses all critical issues promptly. (f) Implement decisions/directions of the regulator. (g) Prepare the agenda for each Board meeting and may delegate the function of preparing the agenda and maintaining minutes in an orderly manner to the Company Secretary. (h) Not engage in activities involving direct supervision of Senior Management or any other day-to-day operational activities. (i) Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board. (j) Annual assessment of the performance and contribution during the past 12 months of the Board and the CEO.	It is complied with. The requirement is included in the approved Board Charter.
6.5.	Responsibilities of the CEO The CEO shall function as the apex Executive-In-Charge of the day-to-day-management of the FC's operations and business. The responsibilities of the CEO shall at least include the following: (a) Implementing business and risk strategies to achieve the FC's strategic objectives. (b) Establishing a management structure that promotes accountability and transparency throughout the FC's operations preserves control functions' effectiveness and independence.	It is complied with. The requirement is included in the approved Board Charter.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
	(c) Promoting a sound corporate culture within the FC, together with the Board, reinforcing ethical, prudent and professional behaviour. (d) Ensuring implementation of ethical compliance culture and being accountable for accurate submission of information to the regulator. (e) Strengthening the regulatory and supervisory compliance framework. (f) Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies promptly and appropriately. (g) CEO must devote all of the professional time to the service of the FC and shall not carry on any other business except as a Non-Executive Director of another company, subject to Direction 3.10.	
7. Meetings of the Board		
7.1.	The Board shall meet at least twelve times a financial year monthly. Obtaining the Board's consent through the circulation of papers is to be avoided as much as possible.	It is complied with. The Company held 12 Board meetings during the period under review Attendance details of the Directors at meetings are provided on page 87.
7.2.	The Board shall ensure that arrangements are in place to enable matters and proposals by all Directors of the Board to be represented in the agenda for scheduled Board Meetings.	It is complied with. The agenda is circulated to the members of the Board. Suppose any further matters are to be discussed. In that case, the Company Secretary is informed via formal communication by the Directors, and those are included under "Any Other Businesses" in the agenda. Directors can include matters in the agenda before the circulation of the same.
7.3.	A notice of at least three days shall be given for a scheduled Board meeting. For all other Board meetings, a reasonable notice shall be given.	It is complied with.
7.4.	A Director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	It is complied with.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
7.5.	A meeting of the Board shall not be duly constituted, although the number of Directors required to constitute the quorum at such meeting is present unless at least one-fourth (1/4) of the number of Directors that constitute the quorum at such meeting are Independent Directors.	No such occasions raised.
7.6.	The Chairperson shall hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary and at least twice a year.	Chairman held two meetings with the Non-Executive Directors, without the presence of Executive Directors, during the year. These meetings were conducted on July 30, 2024 and November 28, 2024, facilitating independent discussion and oversight.
7.7.	A Director shall abstain from voting on any Board resolution concerning a matter in which such Director or relative or a concern in which he has a substantial interest is interested, and he shall not be counted in the quorum for the relevant agenda item in the Board meeting.	No such occasions raised.
7.8.	A Director who has not attended at least two-thirds (2/3) of the meetings in 12 months immediately preceding or has not attended three consecutive meetings shall cease to be a Director. Participation at the Directors' meetings through an alternate Director shall be acceptable as attendance, subject to appropriate directions for alternate Directors.	No such occasions raised.
7.9.	Scheduled Board meetings and Ad Hoc Board meetings For the scheduled meetings, participation in person is encouraged, and for ad hoc meetings where the Director cannot attend on short notice, participation through electronic means is acceptable.	It is complied with.
8. Company Secretary		
8.1	(a) The Board shall appoint a Company Secretary, considered Senior Management, whose primary responsibilities shall be to handle the secretarial services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	It is complied with. A company's Senior Management member was appointed as the Company Secretary on September 13, 2020.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
	(b) The Board shall appoint its Company Secretary, subject to the transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the Company Secretary, such person shall become an employee of FC and shall not become an employee of any other institution.	
8.2	All Directors shall have access to the advice and services of the Company Secretary to ensure the Board procedures, laws, directions, rules and regulations are followed.	It is complied with.
8.3	The Company Secretary shall be responsible for preparing the agenda in the event chairperson has delegated to carry out such function.	It is complied with. Further, the Chairman has delegated the function of preparing the agenda to the Company Secretary. Secretary prepares the agenda, and Chairman is responsible for reviewing and confirming the agenda before the Board meeting.
8.4	The Company Secretary shall maintain minutes of the Board meetings with all submissions to the Board and voice recordings/video recordings for at least six years.	It is complied with.
8.5	The Company Secretary is responsible for maintaining minutes orderly and following the proper procedure in the Articles of Association of the FC.	It is complied with.
8.6	Minutes of the Board meetings shall be recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall include the following: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent, including the contribution of each Director; (d) the explanations and confirmations of relevant parties, which indicate compliance with the Board's strategies and policies and adherence to relevant laws, regulations, directions; (e) the Board's knowledge and understanding of the risks to which the FC is exposed and an overview of the risk management measures adopted; and (f) the decisions and Board resolutions.	It is complied with. The requirement is included in the approved Board Charter.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
8.7	The minutes shall be inspected at any reasonable time on reasonable notice by any Director.	It is complied with.
9. Delegation of the Functions by the Board		
9.1	The Board shall approve a Delegation of Authority (DA) and give clear directions to the Senior Management as to the matters that the Board shall approve before decisions are made by Senior Management on behalf of the FC.	It is complied with.
9.2	In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	No such occasions were raised.
9.3	The Board may establish appropriate Senior Management level Subcommittees with appropriate DA to assist in Board decisions.	It is complied with. The Company has formulated Executive-level Committees such as ECC, ALCO, MACC, EIRMC, and ITSC comprising Senior Management members.
9.4	The Board shall not delegate any matters to a Board Subcommittee, Executive Directors or Senior Management to the extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	It is complied with.
9.5	The Board shall review the delegation processes in place periodically to ensure that they remain relevant to the needs of the FC.	It is complied with.
10. Board Subcommittees		
10.1 (a)	To specify the requirements for Board Committees, FCs are divided into two categories based on the asset base as per the latest audited statement of financial position as FCs with an asset base of more than LKR 20 Bn. and FCs with an asset base of less than LKR 20 Bn., subject to transitional provisions stated in direction 19.3.	It is complied with. The Board has appointed seven Subcommittees: Audit Committee, Integrated Risk Management Committee, Nomination Committee, Credit Committee, Human Resources and Remuneration Committee, Board Information Technology Committee and the Related Party Transactions Review Committee.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
10.1 (b)	Each Board Subcommittee shall have board-approved written terms of reference specifying its authority and duties.	It is complied with. BIRMC TOR – reviewed and Board approval obtained on July 30, 2024. BAC TOR- reviewed, and Board approval was obtained on November 28, 2024. BCC TOR- reviewed and Board approval obtained on April 26, 2024. BHR & RC- TOR- reviewed, and Board approval obtained on November 28, 2024. BITC TOR- reviewed and Board approval was obtained on May 20, 2024. BNC TOR- reviewed and Board approval obtained on June 25, 2024. RPTRC TOR- Committee was formulated and the TOR was approved by the Board, on June 25, 2024.
10.1 (c)	The Board shall present a report on the performance of duties and functions of each Board Subcommittee at the annual general meeting of the FC.	It is complied with. Included in this annual report (Page number 111)
10.1 (d)	Each Subcommittee shall appoint a Secretary to arrange its meetings, maintain minutes, voice or video recordings, maintain records and carry out such other secretarial functions under the supervision of the Chairperson of the Committee.	It is complied with.
10.1 (e)	Each Board Subcommittee shall consist of at least three Board members and shall only consist of members of the Board who have the skills, knowledge and experience relevant to the Committee's responsibilities.	It is complied with. All the Board Subcommittees consist of three Board members.
10.1 (f)	The Board may consider the occasional rotation of members and the Chairperson of Board Subcommittees to avoid undue concentration of power and promote new perspectives.	It is complied with. Based on the recommendation of the Board Nomination Committee dated October 04, 2024, changes to the composition of the Board Subcommittees were approved on October 15, 2024. The revised compositions became effective from October 01, 2024, ensuring alignment with governance best practices and avoiding undue concentration of power.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
10.2 Board Audit Committee		
10.2 (a)	The Chairperson of BAC shall be an Independent Director with qualifications and experience in accountancy and/or audit.	It is complied with. Appointed to the Board in December 2017, Mr Jayasuriya is an Independent Non-Executive Director. An Associate member of the Institute of Bankers of Sri Lanka (AIB), a Fellow member of the Chartered Institute of Management Accountants (FCMA) (UK), a member of the Chartered Global Management Accountants (CGMA) (UK) and also a member of the Chartered Shipbrokers (MICS) (UK). Mr Jayasuriya holds a Bachelor of Science Degree from the University of Sri Jayewardenepura and counts over 33 years of experience in Banking, specialised in Treasury, Investment Banking and International Banking.
10.2 (b)	The Board members appointed to the BAC shall be Non-Executive Directors, and the majority shall be Independent Directors with necessary qualifications and experience relevant to the scope of the BAC.	It is complied with. All members of the Audit Committee are Non-Executive Directors. As per the Board resolution passed on July 01, 2022, the following members were appointed for the Committee. Mr S M S C Jayasuriya – Chairman Mr D M D S S Bandara Mr M P Dharmasiri Mrs S C De S Wickremasekera was also appointed to the BAC w.e.f. April 26, 2024. Attendance details of the Directors at meetings are provided on page 87.
10.2 (c)	The Secretary to the BAC shall preferably be the Chief Internal Auditor (CIA).	It is complied with. From January to July 2024, the Company Secretary served as the Secretary to the Committee. Effective August 2024, the Head of Internal Audit assumed this responsibility, thereby ensuring the continued facilitation of the Committee's functions in accordance with Section 10.2(c) of the Finance Business Act Direction No. 5 of 2021 on Corporate Governance.
10.2 (d) (I)	The BAC shall make recommendations on matters concerning the appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes, the service period, the audit fee and any resignation or dismissal of the Auditor.	It is complied with.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
10.2 (d) (II)	Engagement of an audit partner shall not exceed five years, and the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. Further, FC shall not use the service of the same external audit firm for not more than ten years consecutively.	It is complied with. All engagements are confirmed based on the recommendations of the Board Audit Committee. Before the appointment of External Auditors for audit services, necessary action is taken by the Audit Committee to ensure compliance with applicable legal & statutory requirements. The Committee has discussed the engagement letter and fee proposal submitted by External Auditors for statutory audit for 12 months from January 01, 2024 to December 31, 2024, and recommendations were given at the meeting held on October 2, 2024. The Committee has discussed the engagement letter and fee proposal submitted by External Auditors for the Corporate Governance Report and Internal Control Report reviews after the statutory audit for 12 months, from January 01, 2024 to December 31, 2024. Recommendations were given at the meeting held on October 02, 2024.
10.2 (d) (III)	The audit partner of an FC shall not be a substantial shareholder, Director, Senior Management or employee of any FC.	It is complied with.
10.2 (d) (IV)	The Committee shall review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit processes following applicable standards and best practices.	It is complied with. All engagements are confirmed based on the recommendations of the Board Audit Committee. Before the appointment of External Auditors for audit services, necessary action is taken by the Audit Committee to ensure compliance with applicable legal & statutory requirements.
10.2 (d) (V)	The audit partner shall not be assigned to any non-audit services with the FC during the same financial year the audit is being carried out. The BAC shall develop and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services permitted under the relevant regulatory framework. In doing so, the BAC shall ensure that the provision of service by an External audit firm of non-audit services does not impair the external Auditor's independence or objectivity.	It is complied with. Policy on engagement of External Auditors to provide non-audit services was approved by the Board on April 26, 2024. If the Management believes that the independence is likely impaired, such non-audit services are not awarded to External Auditors. Further, the relevant information is obtained from External Auditors to ensure that their independence is not impaired due to providing any non-audit services.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
10.2 (d) (VI)	The Committee shall, before the audit commences, discuss and finalise with the External Auditors the nature and scope of the audit, including (i) an assessment of the relevant establishment compliance with Directions issued under the Act and the Management's internal controls over financial reporting; (ii) The preparation of Financial Statements following applicable accounting principles and reporting obligations; and (iii) The coordination between Auditors where more than one auditor is involved.	It is complied with. The Auditors presented at the Board Audit Committee meeting with details of the proposed Audit Plan and the scope at the Audit Committee meeting held on June 26, 2024. Members of the Board Audit Committee obtain clarifications regarding the contents of the presentation if deemed necessary. Since there is only one Auditor, coordination between Auditors was not required.
10.2 (d) (VII)	The BAC shall review the financial information of the FC to monitor the integrity of the Financial Statements of the FC in its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the FC's annual report and accounts and periodical reports before submission to the Board, the Committee shall focus mainly on (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.	It is complied with.
10.2 (d) (VIII)	The BAC shall discuss issues, problems and reservations arising from the interim and final audits and any matters the Auditor may wish to discuss, including those that may need to be discussed in the absence of Senior Management, if necessary.	It is complied with. The meeting was held on June 26, 2024.
10.2 (d) (IX)	The BAC shall review the External Auditor's management letter and the management's response within three months of submission of such and report to the Board.	It is complied with.
10.2 (e)	The BAC shall at least annually review the effectiveness of the system of internal controls.	It is complied with.
10.2 (f)	The BAC shall ensure that the Senior Management is taking necessary corrective actions promptly to address internal control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies concerning the internal audit function of the FC.	It is complied with.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
Internal Audit Function		
10.2 (g) (I)	The Committee shall establish an independent internal audit function (either in-house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations) Direction or as amended that provides an objective assurance to the committee on the quality and effectiveness of the FC's internal control, risk management, governance systems and processes.	It is complied with.
10.2 (g) (II)	The internal audit function shall have a clear mandate, be accountable to the BAC, be independent, and have sufficient expertise and authority within the FC to carry out its assignments effectively and objectively.	It is complied with.
10.2 (g) (III) (I)	Review the adequacy of the internal audit department's scope, functions, skills and resources and ensure the internal audit department has the necessary authority to carry out its work.	It is complied with.
10.2 (g) (III) (II)	Review the internal audit programme and results of the internal audit process and, where necessary, ensure appropriate actions are taken on the internal audit recommendations.	It is complied with.
10.2 (g) (III) (III)	Assess the performance of the internal audit department's head and senior staff members.	It is complied with.
10.2 (g) (III) (IV)	Ensure the internal audit function is independent, and activities are performed with impartiality, proficiency and due professional care.	It is complied with.
10.2 (g) (III) (V)	Ensure the internal audit function conducts periodic reviews of compliance functions and regulatory reporting to regulatory bodies.	It is complied with.
10.2 (g) (III) (VI)	Examine the significant findings of internal investigations and Management's responses to them.	It is complied with.
10.2 (h)	The BAC shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL), ensure corrective actions are taken promptly, and monitor the time-bound action plan's progress quarterly.	It is complied with.
10.2 (i)(I)	The BAC shall meet as specified in 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	It is complied with.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
10.2 (i) (II)	Other Board members, Senior Management or any other employee may attend meetings upon the Committee's invitation when discussing matters under their purview.	It is complied with.
10.2 (i) (III)	BAC shall meet at least twice a year with the External Auditors without other Directors/Senior Management/employees being present.	It is complied with.
10.3 Board Integrated Risk Management Committee (BIRMC)		
10.3.(a)	An Independent Director shall chair the BIRMC. The Board members appointed to BIRMC shall be Non-Executive Directors with knowledge and experience in banking, finance, and risk management issues and practices. In addition, the CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with Senior Management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.	It is complied with. The Committee was initially appointed on September 30, 2014, comprising three Non-Executive Directors, including two Independent Non-Executive Directors and an Executive Director. The following four Non-Executive Directors function as members of the BIRMC while CEO and CRO participate for the meetings as invitees. 1. Mr S M S C Jayasuriya – Chairman relinquished on September 30, 2024 2. Mrs S C De S Wickremasekera Appointed as a Chairperson on October 1, 2024 3. Mr D M D S S Bandara 4. Mr M P Dharmasiri The Company has obtained a confirmation from the CBSL dated December 29, 2015 under ref no: 24/03/005/0062/002 that the IRMC structure in place complies with the applicable CBSL Direction. Attendance details of the Directors at meetings are provided on page 87.
10.3.(b)	The Secretary to the Committee may preferably be the CRO.	It is complied with. The CRO was appointed as Secretary to the Committee on March 01, 2022.
10.3.(c)	The Committee shall assess the impact of risks, including credit, market, liquidity, operational, strategic, compliance and technology, to the FC at least on once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board.	It is complied with. The documentation process for the risk management process has been streamlined since April 2015. Therefore, with effect from May 2015, these risks are analysed and presented in a report to the BIRMC.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
10.3.(d)	Developing FC's risk appetite through a Risk Appetite Statement (RAS) articulates the individual and aggregate level and types of risk a FC will accept, or avoid to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations following which the FC is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision-making and establishing the means to raise risk issues and strategic concerns throughout the FC.	It is complied with. It is included in the Risk management Policy.
10.3.(e)	The BIRMC shall review the FC's risk policies, including RAS, at least annually.	It is complied with.
10.3.(f)	The BIRMC shall review the adequacy and effectiveness of Senior Management level Committees (such as credit, market, liquidity investment, technology and operational) to address specific risks and manage those risks within the committee's quantitative and qualitative risk limits.	It is complied with.
10.3.(g)	The Committee shall assess all aspects of risk management, including updated business continuity and disaster recovery plans.	It is complied with.
10.3.(h)	BIRMC shall annually assess the performance of the compliance officer and the CRO.	It is complied with.
Compliance Function		
10.3.(i)(I)	Compliance Function BIRMC shall establish an independent compliance function to assess the FC's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business operations.	It is complied with.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
10.3.(i)(II)	For FCs with an asset base of more than LKR 20 Bn., a dedicated compliance officer considered Senior Management with sufficient seniority, independent from day-to-day management, shall carry out the compliance function and report to the BIRMC directly. The compliance officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be 'dual hating', i.e. the Chief Operating Officer, Chief Financial Officer, Chief Internal Auditor, Chief Risk Officer, or any other Senior Management shall not serve as the Compliance Officer.	It is complied with. Though the company's asset base is yet below the LKR 20 Bn. threshold, a separate Compliance department has been established which is headed by a dedicated Compliance Officer who is a KRP and is reporting to the BIRMC.
10.3.(i)(III)	For FCs with an asset base of less than LKR 20 Bn., an officer with adequate seniority considered Senior management shall be appointed Compliance Officer, avoiding any conflict of interest.	It is complied with.
10.3.(i)(IV)	The BIRMC shall ensure responsibilities of a Compliance Officer would broadly encompass the following: (i) develop and implement policies and procedures designed to eliminate or minimise the risk of breach of regulatory requirements; (ii) ensure compliance policies and procedures are clearly communicated to all levels of the FC to enhance the compliance culture; (iii) ensure reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards; (iv) understand and apply new legal and regulatory developments relevant to the business of FC; (v) secure early involvement in the design and structuring of new products and systems, to ensure conformity with the regulatory requirements, internal compliance and ethical standards; (vi) highlight severe or persistent compliance issues and where appropriate, work with the management to ensure that they are rectified within an acceptable time; and (vii) maintain regular contact and good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with highest integrity.	It is complied with.
10.3.(j)(I)	Risk Management Function BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the FC.	It is complied with.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
10.3.(j) (II)	For FCs with an asset base of more than LKR 20 Bn., it is expected to have a separate risk management department and a dedicated CRO considered to be Senior Management shall carry out the risk management function and report to the BIRMC periodically.	Though the Company's asset base is yet below the LKR 20 Bn. threshold, a separate risk management department has been established which is headed by a dedicated CRO who is a KRP and is reporting to the BIRMC.
10.3.(j) (III)	The CRO is primarily responsible for implementing the Board approved risk management policies and processes, including RAS, to ensure the FC's risk management function is robust and effective to support its strategic objectives and fulfil broader responsibilities to various stakeholders.	It is complied with. Prepared and obtained Board approval for the Risk Management Policy on June 25, 2024.
10.3.(j) (IV)	The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers: (i) various potential risks and frauds; (ii) possible sources of such risks and frauds; (iii) mechanism of identifying, assessing, monitoring and reporting of such risks which includes quantitative and qualitative analysis covering stress testing ; (iv) effective measures to control and mitigate risks at prudent levels; and (v) relevant officers and Committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually.	It is complied with. Prepared and obtained Board Approval for the Risk Management Policy on June 25, 2024.
10.3.(j) (V)	The CRO shall also participate in crucial decision-making processes such as capital and liquidity planning, new product or service development, etc., and make recommendations on risk management.	It is complied with. The CRO attend the meetings of ALCO, EIRMC, and MACC, assisting the decision-making process at the executive level.
10.3.(j) (VI)	The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC quarterly.	To be implemented.
10.3.(j) (VII)	The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.	It is complied with.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
10.4. Nomination Committee		
10.4. (a)	The Committee shall comprise Non-Executive Directors; preferably, the majority may be independent. An Independent Director shall chair the Committee. The CEO may be present at meetings by invitation of the Committee.	It is complied with. The Committee was initially appointed on September 30, 2014, and comprised of the following members during the year 2024. • Mr Subasinghe Mudiyanselage Sarath Chandralal Jayasuriya Independent, Non-Executive Director – Chairman of the Committee (appointed w.e.f. February 01, 2023) • Mr Sharhan Muhseen Non-Independent Non-Executive Director • Mr Danapala Mudiyanselage Dimuthu Sanjeewa Senarath Bandara Independent Non-Executive Director Attendance details of the Directors at meetings are provided on page 87.
10.4. (b)	Secretary to the Nomination Committee may preferably be the Company Secretary.	It is complied with.
10.4. (c)	The Committee shall implement a formal and transparent procedure to select/appoint new Directors and Senior Management. Senior Management is to be appointed with the recommendation of the CEO, excluding the CIA, CRO and Compliance Officer.	It is complied with.
10.4. (d)	The Committee shall ensure that Directors and Senior Management are fit and proper persons to perform their functions as per the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	It is complied with. Every Director appointment has been deliberated, evaluated and recommended by the Board Nomination Committee, and based on such recommendation, the Board decides upon the appointment.
10.4. (e)	The selection process shall include reviewing whether the proposed Directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfil their responsibilities on the Board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to carry out their responsibilities fully.	It is complied with. The Board Nomination Committee considers all the relevant criteria and assesses the capability, competence and Director’s suitability for the job role.
10.4. (f)	The Committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the FC as a whole.	It is complied with. The Board has never been influenced, infected, or dominated by any individual or a group of individuals detrimentally to the shareholder's interest.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
10.4. (g)	The Committee shall set the criteria, such as qualifications, experience and critical attributes required for eligibility, to be considered for appointment to the CEO and Senior Management post.	It is complied with. The qualification and experience of MD/CEO and Senior Management have been documented in job descriptions (JDs) which were recommended by the BHRRC and approved by the Main Board.
10.4. (h)	Upon the appointment of a new Director to the Board, the Committee shall assign the responsibility to the Company Secretary to disclose to shareholders: (i) a brief resume of the Director; (ii) the nature of the expertise in relevant functional areas; (iii) the names of companies in which the Director holds Directorships or memberships in Board Committees; and (iv) whether such Director can be considered as independent.	It is complied with. The Company Secretary tabled a comprehensive Board paper that includes the required information of the Director at the Board meeting that the Shareholder representatives attend.
10.4. (i)	The Committee shall consider and recommend (or not recommend) the reelection of current Directors, taking into account the combined knowledge, performance towards strategic demands faced by the FC and contribution made by the Director concerned towards the discharge of the Board's overall responsibilities.	It is complied with.
10.4. (j)	The Committee shall consider and recommend, from time to time, the requirements of additional/ new expertise and the succession arrangements for retiring Directors and Senior Management	It is complied with. With the recommendation of BHRRC, the Succession of the Senior Management has been approved by the Board.
10.4. (k)	A member of the Nomination Committee shall not participate in decision-making relating to their appointment/reappointment, and the Chairperson of the Board should not chair the Committee when it is dealing with the appointment of the successor.	The Company conforms to the stated section.
10.5. Human Resource and Remuneration Committee		
10.5.(a)	A Non-Executive Director shall chair the Committee, and most members shall consist of Non-Executive Directors.	It is complied with. The Committee was initially appointed on September 30, 2014, and comprising Mr Muhseen Mohamed Sharhan Mohamed (Chairman) appointed w.e.f. February 01, 2023 ● Mr Dimuthu Senarath Bandara – stepped down w.e.f. September 30, 2024 ● Mr Lasantha Hasrath Munasinghe ● Mrs Sharmini Cynthia De Sayrah Wickremasekera- appointed w.e.f. October 01, 2024, as at December 31, 2024. Attendance details of the Directors at meetings are provided on page 87.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
10.5. (b)	The Human Resource and Remuneration Committee Secretary may preferably be the Company Secretary.	It is complied with. The Company Secretary was appointed as Secretary to the Committee on February 22, 2022.
10.5. (c)	The Committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to Executive Directors and Senior Management of the FC and the fees and allowances structure for Non-Executive Directors.	It is complied with. The remuneration and benefits of the Company, the salaries, allowances, and other financial benefits related to the Executive Directors and Senior Management are decided by the BHRRC.
10.5. (d)	There shall be a formal and transparent procedure in developing the remuneration policy.	It is complied with.
10.5. (e)	The Committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances and other financial incentives for all employees of the FC. The policy shall be subject to periodic review by the Board, including when material changes are made.	It is complied with. The HR Policy is reviewed annually. The reviewed policy is recommended by the BHRRC and approved by the main Board.
10.5. (f)	The remuneration structure shall align with the FC's business strategy, objectives, values, long-term interests and cost structure. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivise employees to take excessive risks or to act in self-interest.	It is complied with. The remuneration structure is in line with the Company's business strategy, objectives, values, long-term interests, and cost structure.
10.5. (g)	The Committee shall review the performance of the Senior Management (excluding the Chief Internal Auditor, Compliance Officer, and Chief Risk Officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.	It is complied with. The performance of the Senior Management, excluding the Manager Audit, CRO and Compliance Officer, has been reviewed by the BHRRC.
10.5. (h)	The Committee shall ensure that the Senior Management shall abstain from attending Committee meetings when matters relating to them are being discussed.	It is complied with.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
11. Internal Controls		
11.1.	FCs shall adopt well-established internal control systems, including the organisational structure, segregation of duties, clear management reporting lines and adequate operating procedures to mitigate operational risks.	The Board Audit Committee assists the Board in assessing the adequacy and integrity of the Internal Controls System and the Management Information System, and the Company's financial reporting processes. In addition, the internal Audit Department helps the process by conducting audits to assess the internal controls over financial reporting and management information systems. Further, the External Auditors were engaged in assuring the 'Directors' Responsibility Statement on Internal Controls over Financial Reporting included in the Annual Report', and their opinion was submitted to the Board.
11.2.	A proper internal control system shall: (a) promote effective and efficient operations; (b) provide reliable financial information; (c) safeguard assets; d) minimise the operational risk of losses from irregularities, fraud and errors; e) ensure effective risk management systems; and (f) ensure compliance with relevant laws, regulations, directions and internal policies.	
11.3.	All employees shall be responsible for internal controls as part of their accountability for achieving objectives.	
12. Related party Transactions		
12.1	Board shall establish a policy and procedures for related party transactions, which covers the following.	
12.1(a)	All Companies shall establish a Related Party Transactions Review Committee (RPTRC) and the chairperson shall be an independent director and the members shall consist of non-executive directors.	The Board has established a Board Related Party Transactions Review Committee, in conformity with the relevant CBSL Direction. Attendance details of the Directors at meetings are provided on page 87.
12.1 (b)	All related party transactions shall be prior reviewed and recommended by the RPTRC.	A Board approved mechanism is in place in this regard.
12.1 (c)	The business transactions with a related party that are covered in this Direction shall be the following: (i) Granting accommodation; (ii) Creating liabilities to the Company in the form of deposits, borrowings and any other payable; (iii) Providing financial or non-financial services to the Company or obtaining those services from the Company; or (iv) Creating or maintaining reporting lines and information flows between the Company and any related party which may lead to share proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party	There is a documented process approved by the Board which speaks on types of related party transactions for the Company to avoid any conflicts of interest that may arise from any transaction with the related parties. All related party transactions have been disclosed in the Financial Statements. No accommodation has been granted to Directors and/or their close relatives during the year 2024.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
12.2	The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the Company with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises.	The Board is well aware of the requirement of identification of related party transactions and a Board approved Related Party Transaction policy and conflict of Interest policy is in place which discusses categories of related parties, and aids the Company to avoid any conflicts of interest that may arise from any transaction of the Company
12.2 (a)	Directors and Senior Management.	
12.2 (b)	Shareholders who directly or indirectly holds more than 10% of the voting rights of the Company.	
12.2 (c)	Subsidiaries, associates, affiliates, holding company, ultimate parent company and any party (including their subsidiaries, associates and affiliates) that the Company exert control over or vice versa.	
12.2 (d)	Directors and senior management of legal persons in paragraph (b) or (c).	
12.2 (e)	Relatives of a natural person described in paragraph (a), (b) or (d).	
12.2 (f)	Any concern in which any of the Company's directors, senior management or a relative of any of the Company's director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest.	
12.3	The Board shall ensure that the Company does not engage in business transactions with a related party in a manner that would grant such party "more favourable treatment" than that is accorded to other similar constituents of the Company. For the purpose of this paragraph, "more favourable treatment" shall mean:	There is a documented process approved by the Board which clearly defines related party transactions and ensures that the Company does not engage in such transactions in a manner that would grant such related parties "more favourable treatment" than what is accorded to other constituents of the Company carrying out similar transactions with the Company.
12.3 (a)	Granting of "total accommodation" to a related party, exceeding a prudent percentage of the Company's regulatory capital, as determined by the Committee	

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
12.3 (b)	Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty;	
12.3 (c)	Providing preferential treatment, such as favourable terms, that extends beyond the terms granted in the normal course of business with unrelated parties;	
12.3 (d)	Providing or obtaining services to or from a related party without a proper evaluation procedure	
12.3 (e)	Maintaining reporting lines and information flows between the Company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions	
13. Group Governance		
13.1	The FC is responsible for exercising adequate oversight over its subsidiaries and associates while complying with the independent legal, regulatory and governance responsibilities that apply to them.	The Company is a fully owned subsidiary of Commercial Bank of Ceylon PLC. Further, the Company does not have subsidiaries or associates.
13.2	Responsibilities as a Subsidiary If the FC is a subsidiary of another financial institution subject to prudential regulation, FC shall discharge its legal and governance responsibilities.	The Company is a fully owned subsidiary of Commercial Bank of Ceylon PLC. Accordingly, the Company fulfils its own legal and governing obligations.
14. Corporate Culture		
14.1.	An FC shall adopt a Code of Conduct, which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, the integrity of reporting, protection and proper use of company assets and fair treatment of customers.	It is complied with. Board-approved Code of Ethics provides required guidelines for confidentiality, conflicts of interest, reporting integrity, protection and proper use of company assets and fair treatment of customers.
14.2.	The FC shall maintain records of code of conduct breaches and address such breaches in a manner that upholds high standards of integrity.	No such occasion was raised. The Company maintains records of breaches of the Code of Conduct. If any breach of the Code of Conduct is reported, the disciplinary procedure is implemented, and subsequent actions are taken as per the gravity of such incidents.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
14.3.	An FC shall establish a Whistleblowing policy that identifies avenues for objectively investigating and addressing legitimate concerns. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confidential manner and without the risk of reprisal. The BAC shall review the policy periodically.	It is complied with. The whistleblowing policy was approved and implemented on November 28, 2024.
15. Conflicts of Interest		
15.1.(a)	Relationships between the Directors shall not exercise undue influence or coercion. A Director shall abstain from voting on any Board resolution concerning a matter in which such Director or any of the relatives or a concern in which such Director has a substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting.	No such occasion was raised.
15.1.(b)	The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall, (i) Identify circumstances which constitute or may give rise to conflicts of interest. (ii) Express the responsibility of Directors and Senior Management to avoid, to the extent possible, activities that could create conflicts of interest. (iii) Define the process for Directors and Senior Management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest. (iv) Implement a rigorous review and approval process for the Director and Senior Management to follow before they engage in certain activities that could create conflicts of interest. (v) Identify those responsible for maintaining updated records on conflicts of interest with related parties, and (vi) Articulate how any non-compliance with the policy is to be addressed.	The Board approved a Conflict of Interest Policy on June 25, 2024, reinforcing our commitment to ethical conduct. The policy sets out clear guidelines for identifying, disclosing, and managing conflicts involving directors, Senior Management, and related parties.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
16. Disclosure		
16.1	The Board shall ensure that: (a) annual audited Financial Statements and periodic Financial Statements are prepared and published under the formats prescribed by the regulatory and supervisory authorities, and applicable accounting standards and that (b) such statements are published in the newspapers in Sinhala, Tamil and English. The Board shall ensure that at least the following disclosures are made in the Annual Report of the FC.	It is complied with. Annual audited Financial Statements and periodic Financial Statements are prepared and published following the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards. Further, such statements are published in Sinhala, Tamil and English newspapers.
	i. Financial Statements- In addition to the set of Financial Statements as per LKAS 1 or applicable standard annual report shall include, • A statement that the annual audited Financial Statements have been prepared in line with applicable accounting standards and regulatory requirements, including specific disclosures. • A statement of the Board's responsibility in preparing and presenting Financial Statements.	This is disclosed in the "Annual Report" on pages 111 to 116.
	ii. Chairperson, CEO and Board-Related Disclosures • Name, qualification and a brief profile. • Whether Executive, Non-Executive and/or Independent Director. • Details of the Director serving as the Senior Director, if any. • The nature of expertise in relevant functional areas. • Relatives and/or any business transaction relationships with other company Directors. • Names of other companies in which the Director/ CEO is a Director, whether in an executive or non-executive capacity. • Number/percentage of Board meetings of the FC attended during the year; and • Names of Board Committees in which the Director serves as the Chairperson or a member.	Details of the Directors, including names and transactions with the Finance Company, are given on pages 43 to 47 of the Annual Report. The declaration was obtained from the Company's Board of Directors, and there is no business relationship with other Directors of the Company.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
	iii. Appraisal of Board Performance • An overview of how the performance evaluations of the Board and its Committees have been conducted	A process is in place for the annual self-assessments of Directors to be undertaken by each Director, and the Company Secretary maintains the records of such assessments. The summary of the self-assessment is submitted to the Board, enabling Directors to discuss relevant matters if any
	iv. Remuneration • A statement on the remuneration policy, which includes Board fee structure and breakdown of remuneration of Senior Management level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation) • The aggregate values of remuneration paid by the FC to its Directors and Senior Management.	Performance-driven remuneration and increments to the remuneration package shall depend on the achievement of agreed performance standards or financial benchmarks set as per the Annual Strategic Plan and the Budget. All employee's annual promotions, increments, and bonuses directly relate to the employee's performance, contribution, commitment, professional conduct and behaviour. The remuneration structure of the staff, Senior Management and Executive Directors shall align with the Company's business strategy, objectives, values, long-term interest, and cost structure. Directors' fees are given in Note 15 of the Financial Statement
	v. Related Party Transactions • The nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board. • Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in each category of related parties as a percentage of the FC's core capital. • The aggregate values of the transactions of the FC with its Senior Management during the financial year, set out by broad categories such as accommodation granted and deposits or investments made in the FC.	Details of the Directors, including names and transactions with the Finance Company, are given on page 184 of the Annual Report. The declaration was obtained from the Company's Board of Directors, and there is no business relationship with other Directors of the Company. The nature of the relationship, if any, between the Chairperson and the CEO and the relationship among members of the Board. Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the FCs core capital. Net accommodation for Directors – Nil Net accommodation for Senior Management – LKR 0.95 Mn. The aggregate values of the transactions of the FC with Senior Management is as follows; Deposits – LKR 3.6 Mn.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
	vi. Board Appointed Committees • The details of the Chairperson and members of the Board Committees and attendance at such meetings.	Please refer 'Directors' attendance and Committee memberships' tables given on page 87 of the Annual report.
	vii. Group Structure • The group structure of the FC within which it operates. • The group governance framework	The Company is a fully owned subsidiary of Commercial Bank of Ceylon PLC. Accordingly, the Company fulfils its own legal and governing obligations.
	viii. Director's Report – A report which shall contain the following declarations by the Board • The FC has not engaged in any activity contravening laws and regulations. • The Directors have declared all related party transactions with the FC and abstained from voting on matters they were materially interested in. • The FC has endeavored to ensure fair treatment for all stakeholders, particularly the depositors. • The business is a going concern with supporting assumptions; and • The Board has conducted a review of internal controls covering material risks to the FC and has obtained reasonable assurance of their effectiveness	Given on page 111 of the Annual Report.
	ix. Statement on Internal Control • A report by the Board on the FC's internal control mechanism confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of Financial Statements for external purposes has been done following relevant accounting principles and regulatory requirements. • The External Auditor's assurance statement on the effectiveness of the internal control mechanism referred to above, in respect of any statement prepared or published. • A report detailing the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances. • A statement of the regulatory and supervisory concerns on lapses in the FC's risk management or non-compliance with the Act and rules and directions.	Given on pages 118 to 119 of the Annual Report.

Relevant para in the Direction	Corporate Governance Principle	Compliance Level
	x. Corporate Governance Report • Shall disclose the manner and extent to which the Company has complied with the Corporate Governance Direction and the External Auditor's assurance statement of the compliance with the Corporate Governance Direction.	The Corporate Governance Report is set out on pages 51 to 87 of the Company's Annual Report. In addition, the Company has obtained an independent assurance report from the External Auditors regarding compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance.
	xi. Code of Conduct • FC's business conduct and ethics code for Directors, Senior Management and employees. • The Chairperson shall certify that the Company has no violations of this code's provisions.	A Board-approved Code of Ethics for Directors and all employees are in place. Please refer to the Chairperson's message on pages 10 to 12 that the Company has no violations of any of the provisions of this code.
	xii. Management Report • Industry structure and developments. • Opportunities and threats. • Risks and concerns. • Sustainable finance activities carried out by the Company. • Prospects for the future.	Please refer Managing Director's Review on pages 13 to 16.
	xiii. Communication with Shareholders • The policy and methodology for communication with shareholders. • The contact person for such communication.	The Board-approved Communication Policy (on July 30, 2024) is in place, which covers all stakeholders, including Depositors, Creditors, Shareholders, and Borrowers. The Board of Directors, corporate management, and employees comply with the policy to ensure effective communication for the best interests of all stakeholders.

Attendance at the Board and Sub-Committee Meetings

Name of the Director	Board 12 meetings	BAC 10 meetings	BIRMC 12 meetings	BCC 12 meetings	BHR & RC 3 meetings	BITC 2 meetings	BNC 2 meetings	RPTRC 2 meetings
Mr Sharhan Muhseen*	12/12	–	–	–	3/3	1/1	2/2	–
Mr S M S C Jayasuriya	12/12	10/10	12/12	12/12	–	–	2/2	2/2
Mr D M D S S Bandara	12/12	8/10	11/12	12/12	3/3	2/2	2/2	–
Mr L H Munasinghe	12/12	–	–	12/12	3/3	2/2	–	–
Mr. M P Dharmasiri	10/12	10/10	11/12	–	–	–	–	2/2
Mrs S C D E S Wickremasekera**	9/9	7/7	8/8	8/8	1/1	1/1	–	2/2
Mr G A J C S Fernando	12/12	–	–	–	–	2/2	–	–

* Mr Sharhan Muhseen relinquished his position on the Board Information Technology Committee w.e.f. September 30, 2024.

** Mrs S. C. De S. Wickremasekera was appointed to the Board w.e.f. March 22, 2024. She was subsequently appointed to the Board sub-committees as follows: BAC, BIRMC, and BCC w.e.f. April 26, 2024; RPTRC w.e.f. June 25, 2024; and BHR&RC and BITC w.e.f. October 1, 2024.

BOARD AUDIT COMMITTEE REPORT

Composition of the Committee

The Board Audit Committee (BAC) appointed by the Board of Directors comprised of the following members during the year under review.

Mr S M S C Jayasuriya	Independent Non-Executive Director (Appointed as Chairman of BAC w.e.f. July 01, 2022)
Mr D M D S S Bandara	Independent Non-Executive Director (Appointed w.e.f. January 12, 2021)
Mr M P Dharmasiri	Non-Independent Non-Executive Director (Appointed w.e.f. October 01, 2022)
Mrs S C De S Wickremasekera	Independent Non-Executive Director (Appointed w.e.f. April 26, 2024)

Brief profiles of the members are given from page 43 to 47 of the Annual Report.

The Chairman of the Committee, Mr S M S C Jayasuriya, an Independent, Non-Executive Director is a qualified senior banker by profession and a Fellow member of the Chartered Institute of Management Accountants (FCMA -UK) and a member of Chartered Global Management Accountants (CGMA – UK). Mr Jayasuriya counts over 31 years of service in Banking, specialised in Treasury, Investment Banking and International Banking and he has been serving on our Board as an Independent, Non-Executive Director since December 2017.

From January to July 2024, the Company Secretary served as the Secretary to the Committee. Effective August 2024, the Head of Internal Audit assumed this responsibility, thereby ensuring the continued facilitation of the Committee's functions in accordance with Section 10.2(c) of the Finance Business Act Direction No. 5 of 2021 on Corporate Governance.

Conduct of meetings

The Committee held 10 meetings during the year ended December 31, 2024. Attendance details for each member are provided on page 87 of the Annual Report. The proceedings of these meetings, with adequate details of matters discussed, were minute and regularly reported to the Board of Directors. The Managing Director/ Chief Executive Officer, the Chief Operating Officer, the Head of Finance, Chief Risk Officer and Compliance Officer attended the Committee meetings by invitation with adequate safeguards so their presence can never impair the independence of the internal audit function. Representatives of the Company's External Auditors, M/s E&Y also participated in a BAC meeting during the period by invitation and the BAC members had private meetings with them in the absence of the Company management in compliance with the Section 10.2. (h) (iii) of the Finance Business Act Direction No. 5 of 2021 on Corporate Governance. In addition, Deputy General Manager – Management Audit or in his absence, an experience officer from the Inspection Department attended the meeting regularly and Assistant General Manager – Compliance/Compliance Officer of the Bank attended meetings by invitation of the Committee.

During the year 2023 two (02) meetings were held with the External Auditors, without any other Directors, Senior Management and employees being present in compliance with the Section 10.2 (h) (ii) of the Finance Business Act Direction No. 5 of 2021 on Corporate Governance.

Charter of the Committee

The Board approved Charter of the BAC clearly defines the Terms of Reference of the Committee. It is annually reviewed with the concurrence of the Board Audit Committee to ensure that new developments relating to the functions of the Committee are addressed. The Audit Charter of the Committee was last reviewed in line with the latest CBSL Direction No. 5 of 2021 on Corporate Governance and approved by the Board in November 2024.

The Committee assists the Board in discharging its responsibilities and exercising oversight function of the following:

- The integrity of the Company's Financial Statements
- The Company's compliance with legal and regulatory requirements
- The External Auditor's engagement, qualifications and independence
- The establishment of a sound system of internal control
- The performance of the Company's internal audit function and the Company's external audit.

Reporting of Financial Position and Performance

The Board Audit Committee assisted the Board of Directors in its oversight on the preparation of Financial Statements to evidence an accurate and fair view on financial position and performance. This process is based on the Company's accounting records and in accordance with the stipulated requirements of the Sri Lanka Accounting Standards. Accordingly, the Committee reviewed the following:

- Adequacy and effectiveness of the internal controls, systems and procedures to provide reasonable assurance that all transactions are accurately and entirely recorded in the books of accounts.
- Effectiveness of the financial reporting systems to ensure the reliability of the information provided to the stakeholders.
- Selection of most appropriate accounting policies after considering the alternatives available.
- Processes by which compliance with Sri Lanka Accounting Standards (SLFRSs/LKASs) and other regulatory provisions relating to financial reporting and disclosures.
- Financial Statements in the Annual Report and Interim Financial Statements prepared for publication before submission to the Board.

External Audit

The Committee ensured the independence and objectivity and effectiveness of the audit process in accordance with applicable standard, regulations, Corporate Governance Principles and/or best practices.

assisted the Board in engaging External Auditors for Audit Services, in compliance with the Direction.

Based on the statutory directions provided in Section 10.2 (d)(vi) of the Finance Business Act Direction No. 5 of 2021 on Corporate Governance, the Committee discussed the audit plan and scope of the audit before commencing the Audit.

During the period, the Committee met the Partner of E&Y, who is in charge of the audit of the Company and reviewed the Company's ECL provision for the year ended December 31, 2024.

Further, the Committee engaged M/S E&Y to attend to the Company's Corporate Governance reporting and Internal Control reporting as required by Section 16.1 of the Finance Companies Act Direction No. 05 of 2021 of the Central Bank of Sri Lanka.

In June 2024, the Committee reviewed the Management Letter of the External Auditors for the year ended December 31, 2023 and instructed the management to initiate necessary action to rectify the issues highlighted.

Internal Audit Function

Internal audit is an independent, objective assurance, oversight and consultative activity managed within the Company as an integral part of its control procedures concerning governance, risk management, compliance, information systems, and financial reporting. It assists the management in accomplishing its corporate objectives by bringing a systematic, disciplined approach to assess and improve internal controls. In that regard, internal audit:

- Ensures that the internal controls are in place and functioning effectively;
- Evaluates the adequacy of measures and controls to ensure compliance with policies, plans, procedures and business objectives and that they are sufficiently robust and in place to minimise the risk of frauds, errors and other irregularities;
- Provides reliable, valued and timely assurance to the Board and the Corporate Management over the effectiveness of controls mitigating current and evolving high risks and in so doing enhance the control culture within the Company;
- Reviews/identifies and recommends changes where necessary to the business processes and procedures and internal control mechanism in place that add value;

- Provides an independent and objective assurance that risk management measures recommended by the Risk Management function are in place and they are reviewed from time to time;
- In a consultative capacity, advises on the efficiency of controls and effectiveness of structure on new initiatives and during change management processes and carry out the best post-implementation audits.

The Committee ensured that the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care.

The internal audit function was instituted jointly by the Company's Internal Audit Department and the Inspection Department of Commercial Bank of Ceylon PLC consequent to migrating the Core Operating System to ICBS in 2020. This enabled online monitoring of Company operations by the Bank's Inspection Department, thereby enhancing the scope to mostly near the time and real-time auditing on set frequency and providing an opportunity to the Company to address audit observations proactively on a near-time basis.

During the period, the Committee initiated the following actions regarding the internal audit function:

- The Committee approved the programme of internal audits for 2024 formulated jointly by the Internal Audit Department and Commercial Bank's Inspection Department. and reviewed its progress of implementation regularly.
- Onsite and Online inspection reports of the Company operations conducted by the Internal Audit Unit and Inspection Department of the Commercial Bank, which highlighted the operational deficiencies, risks and recommendations, received the attention of the Committee.
- Reviewed significant findings, recommendations related to IT Governance, Network Security, Physical, Logical Access Management, and IT System Administration made in the reports on Information Systems carried out by the Information Systems Audit Unit of Commercial Bank.
- Reviewed the job description for the Internal Auditor

In addition, the Committee initiated the following actions to enhance the effectiveness of internal control systems of the Company:

- Reviewed the Impairment Policy of the Company.
- Monitored the progress on implementing the recommendations made in the Statutory Examination report of the Central Bank of Sri Lanka through regular follow up.

Oversight on Regulatory Compliance

The Committee continuously monitored the extent of compliance with statutory and other compliance requirements and ensured that the systems and procedures are in place to ensure compliance with such requirements. In addition, the internal audit function conducts independent test checks to verify the extent of compliance by the Company and reports any exceptions to the Committee.

Evaluation of the Committee

The other members of the Board carried out an independent evaluation of the effectiveness of the Committee during the year. Considering the overall conduct of the Committee and its contribution to the overall performance of the Company, the Board has strongly agreed that the Committee has been effective in discharging its responsibilities.

S M S C Jayasuriya
Chairman – Board Audit Committee
June 20, 2025

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

In accordance with Section 8(3) of the Finance Companies (Corporate Governance) Direction, No. 3 of 2008, issued by the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011, the Board established a Board Integrated Risk Management Committee (BIRMC). The scope and functions of the Committee adhere to the provisions outlined in sections 8(3)(a) to (h) of the aforementioned direction. The Terms of Reference for the BIRMC were reviewed and updated in compliance with Section 10.3 of the Finance Business Act Direction No. 5 of 2021, issued on December 31, 2021 by the CBSL.

Composition of the Committee

The Board Integrated Risk Management Committee, appointed by the Board of Directors, comprises the following members and their attendance records:

Board Members and attendance

Mrs S C De S Wickremasekera* (Chairperson)	Appointed as Chairperson w.e.f. October 01, 2024
Mr S M S C Jayasuriya*	Former Chairman from February 17, 2023 to September 30, 2024
Mr D M D S S Bandara*	(Director)
Mr M P Dharmasiri	(Director)

Regular attendees by invitation

Mr C Fernando	Managing Director/Chief Executive Officer
Mr S K K Hettihamu	Chief Risk Officer – Commercial Bank of Ceylon PLC
Ms A V P K T Amarasinghe	Compliance Officer – Commercial Bank of Ceylon PLC
Mrs R M C K Siyambalagastenne	Compliance Officer – Commercial Bank of Ceylon PLC w.e.f. August 17, 2024

**Independent Non-Executive Director*

The Chief Risk Officer is Secretary to the Committee.

The BIRMC assists the Board of Directors in overseeing the Company's risk management framework and activities, including the review of major risk exposures and the steps taken to monitor and control those exposures. The duties of the BIRMC include evaluating the adequacy and effectiveness of these measures and ensuring the Company's actual risk profile aligns with the Board-defined desirable risk profile.

The BIRMC supports the Board in determining the Company's risk appetite and ensures significant risks are managed appropriately. This includes assessing the impacts of risks such as credit, market, liquidity, operational, strategic, compliance, and IT through appropriate risk indicators and management information, and making recommendations on risk strategies and appetite to the Board.

The Committee held eleven (11) meetings during the financial year under review. Attendance details for each member are provided on page 87 of the Annual Report.

The Committee has delegated the executive-level risk management function to the Executive Integrated Risk Management Committee (EIRMC), which includes members from core divisions such as Risk, Compliance, Credit, Recoveries, Legal, Operational, and Finance. The Managing Director/Chief Executive Officer chairs the EIRMC

All Key Management Personnel report to the EIRMC regarding risk management issues in their operational areas. This reporting is facilitated by the Executive Credit Committee (ECC), Assets and Liability Committee (ALCO), and Information Technology Steering Committee (ITSC), which meet regularly to address risk management issues and decision-making.

Critical functions performed during the year under review:

- **Business Strategy Review:** The Committee reviewed the Company's new business strategy, focusing on asset-based lending strategies such as leases, motor drafts, three-wheeler, two-wheeler financing, and gold loans. Strategic decisions were made to improve net interest income moving forward accordingly.

- **Risk Management Continuity:** Continued integrated risk management functions and reviewed periodic management reports on risk metrics, ensuring risks are monitored and managed appropriately.
- **Framework Improvements:** Recommended improvements to the Company's Risk Management Framework and related policies and procedures, considering anticipated changes in the economic and business environment.
- **Key Risk Indicators:** Regularly reviewed the adequacy of Key Risk Indicators (KRIs) designed to monitor specific risks and ensure they meet intended risk management objectives.

Credit risk

- Reviewed and approved Credit Risk Management Policy, Valuation Policy Lending Guidelines.
- Assessed the portfolio quality of the Company and focused on improving the high NPA ratio through actions decided by the Slippage Committee.
- Evaluated updates on Collections, Recoveries, Loan Review Mechanism, and the activities of the Credit and Risk Management Committees.

Operational risk

- Conducted the bi-annual Risk Control Self-Assessment (RCSA) process covering the main departments of Credit, Operation, Finance, IT, Compliance & Risk.
- Reviewed Operational Risk reports, including significant risks, incidents, and losses.
- Addressed Key Risk Indicator breaches related to Human Resources, Information Technology, Finance, Compliance, and Business lines.
- Ensured the Company's Business Continuity Management (BCM) policy was in place, including a Business Continuity Plan (BCP) and an IT Disaster Recovery Plan (IT DRP).
- Reviewed and approved the Reputational Risk Management Policy and Operational Risk Management Policy.

Market and liquidity risk

- Reviewed and approved the Company's Market Risk policy.
- Reviewed exposures and information and monitored the effectiveness of the management of Market and Asset Liability Risk Management, including strategies and other relevant issues related to financial market activities and the business environment.
- Analysis of the Asset and Liability Committee (ALCO) reports and decisions taken by each committee and assessment of the effectiveness of the committees in line with relevant TORs.

In addition to the above, the Committee performed other functions necessary to discharge its duties, and the Committee plans to gradually expand the review process further to strengthen its prudent and effective risk management parameters.

Mrs S C De S Wickremasekera
Chairperson
Board Integrated Risk Management Committee
June 20, 2025

BOARD NOMINATION COMMITTEE REPORT

The Board Nomination Committee (the "Committee") of CBC Finance Ltd. is pleased to present its report for the year ended December 31, 2024. The Committee operates under a formal Terms of Reference approved by the Board of Directors and in alignment with the Finance Business Act Directions No. 5 and No. 6 of 2021, issued by the Central Bank of Sri Lanka. The committee is primarily responsible for overseeing matters related to Board composition, succession planning, appointments to the Board and Senior Management, and ensuring the leadership of the Company remains strong, diverse, and fit for purpose.

The Committee is composed entirely of Non-Executive Directors, with the majority being Independent Directors. The Chairperson of the Committee is an Independent Director, ensuring objectivity and independence in deliberations. The Company Secretary serves as the Secretary to the Committee. The Managing Director/Chief Executive Officer (MD/CEO) attends meetings by invitation, contributing Management's perspective when necessary.

Composition of the Committee

The Committee comprised of the following members during the year

Mr S M S C Jayasuriya	Independent, Non-Executive Director – Chairman of the Committee (appointed w.e.f. February 01, 2023)
Mr Sharhan Muhseen	Non-Independent Non-Executive Director
Mr D M D S S Bandara	Independent Non-Executive Director

During the year under review, the Committee held two formal meetings — on June 25, and November 28, 2024 — with full attendance at both meetings. The MD/CEO was invited to attend and participate in the discussions, ensuring Management's perspective was considered where relevant. All meetings were properly minuted and the Committee's deliberations were regularly reported to the Board.

One of the key governance priorities for the Committee during 2024 was the review of the Committee's own Terms of Reference. This was undertaken to ensure its continued relevance and alignment with the evolving regulatory environment. The Committee resolved to revise its review frequency to an annual basis, thereby reinforcing its commitment to continuous improvement and adherence to best governance practices.

Additionally, the Committee conducted a comprehensive review of the Company's Board Charter. This review took into account supervisory concerns raised during the 2023 statutory examination and incorporated enhancements in several areas including conflict of interest management, access to information, capacity building, roles of Board subcommittees, and limitations on related party transactions.

The Committee also reviewed and confirmed the adequacy and compliance of the Terms of Reference for the Senior Independent Director reaffirming its alignment with both regulatory requirements and industry best practices.

Strengthening the capabilities of the Board through structured training and development was a continued focus area.

In the area of Board composition and appointments, the Committee evaluated and recommended the appointment of Mrs Sharmini Cynthia De Sayrah Wickremasekera as an Independent Non-Executive Director with effect from March 22, 2024. The Committee reviewed her qualifications, professional experience, integrity, and alignment with the strategic needs of the Board. Her appointment was considered a significant value addition to the Board's capabilities, enhancing its overall effectiveness while also ensuring compliance with the Finance Business Act Direction No. 5 of 2021, which requires at least three or one-third of the Directors to be Independent.

In response to increasing regulatory emphasis on oversight of related party transactions, the Committee played a central role in the formation of the Related Party Transactions Review Committee (RPTRC) in June 2024. The Committee prioritised the review and endorsement of the Company's Related Party Transactions Policy, recognising it as a critical component of the governance framework. In support of this, the Committee oversaw the approval of the Terms of Reference of the Related Party Transactions Review Committee (RPTRC) and guided the development of a standardised format for reporting related party transactions.

Further, the Committee identified the future need to appoint a Director with strong financial and business expertise to support the Company's strategic goals. It also recognised the emerging importance of IT governance and recommended the eventual appointment of a Director with a sound understanding of technology and its implications for financial services. These recommendations reflect the Committee's ongoing commitment to proactive succession planning and Board renewal.

Throughout the year, the Committee maintained a clear focus on ensuring that the Company's leadership both at the Board and Senior Management levels is composed of individuals who are competent, diverse, and aligned with the Company's values and strategic direction. All appointments and recommendations were evaluated against the fitness and propriety criteria set out in Direction No. 6 of 2021.

The Committee continues to work closely with the Board and other Subcommittees to support sound corporate governance and ethical leadership. The Chairman of the Committee was present at the Annual General Meeting to respond to shareholder questions concerning the Committee's activities.

In conclusion, the Board Nomination Committee remains committed to enhancing the leadership strength of CBC Finance Ltd. Through structured governance processes, a focus on continuous improvement, and strong alignment with regulatory standards, the Committee plays a vital role in supporting the long-term success of the Company.

S M S C Jayasuriya
Chairman
Board Nomination Committee
June 20, 2025

BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

For the year ended December 31, 2024

The Board Human Resources and Remuneration Committee (the Committee) of CBC Finance Ltd. is responsible for overseeing the Company's human capital management, including executive appointments, remuneration policies, organisational structure, and staff development strategies. The Committee operates under the authority delegated by the Board and adheres to relevant regulatory frameworks.

Composition of the Committee

As at December 31, 2024, the Committee comprised the following members:

Mr Sharhan Muhseen (Chairman)	Non-Independent Non-Executive Director (Appointed w.e.f. February 01, 2023)
Mr D M D S S Bandara	Independent Non-Executive Director (Appointed w.e.f December 05, 2017 and stepped down w.e.f. October 01, 2024)
Mr L H Munasinghe	Non-Independent Non-Executive Director (Appointed w.e.f. January 12, 2021)
Mrs S C De S Wickremasekera	Independent Non-Executive Director (Appointed w.e.f. October 01, 2024)

The Managing Director/Chief Executive Officer, Chief Operating Officer, and other members of Senior Management attended meetings by invitation, while the Company Secretary served as Secretary to the Committee.

Meetings

During the year under review, the Committee met three times to deliberate on matters within its purview.

Key Focus Areas in 2024

During 2024, the Committee focused on several key areas to support CBC Finance Ltd.'s strategic objectives and foster a high-performance culture.

Organisational Structure and Leadership Appointments

The Committee reviewed and endorsed revisions to the Company's organisational structure designed to streamline operations and clarify reporting lines. These changes aim to improve operational efficiency and align roles with evolving business priorities. Critical leadership appointments were made in key functions including Credit and Branch Administration, Recoveries, and Internal Audit, strengthening the management team and succession planning efforts.

Human Resources and Remuneration Policies

In line with the Company's commitment to a merit-based culture, the Committee approved enhancements to the performance evaluation framework for sales and recovery staff. A performance-linked incentive scheme was introduced to align employee rewards with defined Key Performance Indicators (KPIs). The Committee approved the annual salary increment for 2024 and the payment of an ex-gratia bonus in recognition of staff contributions during 2023.

Talent Development and Succession Planning

Recognising the importance of leadership continuity, the Committee provided strategic guidance on internal promotions and development programmes to nurture talent from within. Emphasis was placed on training and capacity building to strengthen leadership capabilities across the organisation.

Governance of Key Responsible Persons (KRPs)

The Committee ensured compliance with the Finance Business Act Direction No. 6 of 2021 by reviewing and approving the list of Key Management Personnel (KMP). It also emphasised ongoing role-specific development to enhance governance and accountability.

Compensation Benchmarking and Pay Structure Review

To maintain competitive remuneration practices, the Committee directed a review of market compensation benchmarks, focusing particularly on recovery and back-office functions. This initiative supports the Company's goal to attract and retain skilled professionals while promoting fairness and transparency in pay structures.

Policy Review and Governance

The Committee conducted an annual review of its Terms of Reference and key HR-related policies, including the HR Policy, Fire and Life Safety Policy, Outsourcing Policy, and Whistleblower Policy, ensuring these remain aligned with best practices and regulatory requirements.

The Committee remains committed to supporting the Board in fostering an agile, motivated, and well-governed workforce. Through ongoing oversight of human resource strategies and remuneration governance, the Committee contributes to CBC Finance Ltd.'s sustained growth and organisational effectiveness.

Sharhan Muhseen*
Chairman
Board Human Resources
and Remuneration Committee
June 20, 2025

S M S C Jayasuriya**
Chairman
Board Human Resources
and Remuneration Committee
June 20, 2025

**Chairman of the Board Human Resources and Remuneration Committee up to March 23, 2025*

*** Chairman of the Board Human Resources and Remuneration Committee w.e.f. March 24, 2025*

BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Board Related Party Transactions Review Committee was established by the Board on June 25, 2024. During the year under review, the Board Related Party Transactions Review Committee (BRPTRC) comprised both Independent and Non-Independent Directors, in accordance with the requirements of Section D.5.2 of the Code of Best Practice on Corporate Governance 2023, issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The Committee carried out its duties with diligence, ensuring that all related party transactions were conducted in a manner that was fair, transparent, and in the best interest of the Company and its shareholders and to strengthen the Company's internal controls and mitigate conflicts of interest in transactions involving related parties.

Composition of the Committee

The Committee consists of Three members, chaired by an Independent Non-Executive Director, with one (01) Independent Non-Executive Director and one (01) Non-Independent Non-Executive Directors.

The Committee members during the reporting period ending December 31, 2024 were:

Mrs S C De S Wickremasekera	Chairperson – Independent, Non-Executive Director (Appointed w.e.f. June 25, 2024)
Mr S M S C Jayasuriya	Independent Non-Executive Director (Appointed w.e.f. June 25, 2024)
Mr M P Dharmasiri	Non-Independent, Non-Executive Director (Appointed w.e.f. June 25, 2024)

Detailed profiles of Committee members are available on pages 43 to 47 of the Annual Report.

The Managing Director/Chief Executive Officer attends meeting by invitation. The Chief Operating Officer, Compliance Officer, Chief Risk Officer and Head of Internal Auditor were present of discussions where appropriate. Head of Finance has served as the Committee Secretary.

Meetings

During 2024, the Committee convened two (02) times. Member attendance records are presented in the table on page 87 of the Annual Report.

Terms of Reference

The Committee operates under the authority of the Board-approved Terms of Reference and Related Party Transactions Policy, which together establish detailed procedures for identifying, evaluating, approving, and disclosing related party transactions to ensure transparency and regulatory compliance.

Role and Responsibilities

The Committee's mandate is established in accordance with the Company's corporate governance framework and applicable regulatory requirements. It is tasked with ensuring transparency, accountability, and fairness in all related party dealings. The Committee's key responsibilities include:

a) As per the Section 12.1 of the Finance Business act Direction No. 5 of 2021, and subject to the exceptions given under Rule 27, in the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka, the Committee shall review in advance all proposed Related Party Transactions.

b) At each subsequent scheduled meeting of the Committee, the Management shall update the Committee as to any proposed material changes in any previously reviewed Related Party Transactions and seek approval of the Committee for such proposed material changes prior to the completion of the transaction.

c) When seeking Committee's views of a Related Party Transaction, the Senior Management shall provide the Committee with the facts and circumstances of the proposed Related Party Transaction.

d) No Director shall participate in any discussion of a proposed Related Party Transaction for which he or she is a related party, except that the Director, at the request of Related Party Transactions Review Committee, may participate in discussions for the express purpose of providing information concerning the Related Party Transaction to the Committee. Where deemed necessary because of the potential conflict issues presented, the Committee may recommend the creation of a special committee to review and approve the proposed Related Party Transaction.

e) If a Related Party Transaction will be ongoing (Recurrent Related Party Transaction), the Related Party Transactions Review Committee may establish guidelines for Senior Management to follow in its ongoing dealings with the related party. Thereafter, the Committee, on an annual basis, shall review and assess ongoing relationships with the related party to see that they follow the Committee's guidelines and that the Related Party Transaction remains appropriate.

f) The Committee shall be provided with adequate resources and shall have the authority to procure the services of independent experts in carrying out its mandate.

Declaration

The Committee ensures that all related party transactions are conducted in a manner that upholds the best interests of all stakeholders, maintaining a high level of transparency throughout the review and approval processes. All reviewed transactions are duly communicated to the Board of Directors for their comments and guidance. A formal declaration by the Board, affirming compliance with the applicable Directions issued by the Central Bank of Sri Lanka for Licensed Finance Companies, is provided on pages 80 to 82 of this Annual Report.

On behalf of the Board Related Party Transactions Review Committee

Mrs S C De S Wickremasekera
Chairperson
Board Related Party Transactions Review Committee
June 20, 2025

BOARD CREDIT COMMITTEE REPORT

For the year ended December 31, 2024

The Board Credit Committee (the "Committee") is a Subcommittee appointed by and accountable to the Board of Directors (the "Board"). The Committee is entrusted with supporting the Board in effectively discharging its responsibilities pertaining to credit strategy, credit risk oversight, and adherence to credit policies and lending guidelines. It plays a pivotal role in fostering sound credit practices and ensuring compliance with all relevant regulatory requirements.

The composition of the Committee is determined by the Board from time to time. Meetings are convened monthly, with a minimum quorum of two members, at times and venues as decided by the Committee. During the year under review, the Committee convened twelve (12) times. Member attendance at these meetings is detailed on page 87 of this report.

The Executive Credit Committee (ECC), chaired by the Managing Director/ Chief Executive Officer, has been delegated authority for day-to-day credit management, operating under the overarching framework and oversight of the Board Credit Committee.

Composition of the Committee

(As at December 31, 2024)

Mr L H Munasinghe	Non-Independent Non-Executive Director (Appointed with effect from February 17, 2024)
Mr S M S C Jayasuriya	Independent Non-Executive Director (Appointed with effect from December 05, 2017)
Mr D M D S S Bandara	Independent Non-Executive Director (Appointed with effect from January 12, 2021)
Mrs S C De S Wickramasekara	Independent Non-Executive Director (Appointed with effect from April 26, 2024

Scope and Responsibilities

The Committee supports the Board in shaping and guiding the Company's credit direction and lending policies to uphold prudent lending standards. It ensures that credit decisions and exposures are in line with regulatory expectations and the Company's strategic objectives.

Key Responsibilities include:

- Providing oversight on credit strategy and lending objectives.
- Reviewing and monitoring credit risk management practices.
- Recommending portfolio limits consistent with the Company's credit risk appetite.

Functions of the Committee

- Reviewing and approving changes to credit policy and lending guidelines.
- Evaluating the effectiveness of credit risk controls and pricing of lending proposals.
- Ensuring compliance of credit proposals with internal policies and external regulations.
- Assessing and recommending high-value or strategic credit proposals to the Board.
- Reviewing sectoral exposure and making appropriate recommendations.
- Monitoring reporting requirements as mandated by the Board.
- Setting lending directions in response to economic developments.

Delegated Authority Levels

The Board defines the Delegated Authority (DA) levels of the Committee. Any revisions to these authority levels require the approval or ratification of the Board of Directors.

Reporting to the Board

Following each meeting, the Committee submits a comprehensive report to the Board outlining discussions, decisions, and recommendations relating to its mandate. Where necessary, the Committee makes further recommendations to enhance credit governance or mitigate emerging risks.

Key Activities undertaken during 2024

Between January 01, and December 31, 2024, the Committee approved credit proposals falling within its delegated authority, adhering to the Company's credit policies and risk appetite. Proposals exceeding the Committee's authority were thoroughly reviewed and recommended to the Board for final approval.

Other notable activities included:

- Approval of interest and fee waivers for select customers.
- Monitoring of both performing and non-performing credit portfolios.
- Evaluation of existing product performance.
- Recommendations for the introduction of new lending products.
- Continued efforts to strengthen internal credit control systems and risk management practices, especially in response to the prevailing economic volatility.

Looking ahead, the Committee remains committed to enhancing the robustness of the Company's credit governance framework and ensuring resilience in credit risk management.

L H Munasinghe
Chairman
Board Credit Committee
June 20, 2025

BOARD INFORMATION TECHNOLOGY COMMITTEE REPORT

For the year ended December 31, 2024

The Board Information Technology Committee (BITC) is responsible for overseeing the Company's technology strategy, information security, governance, digital transformation, and IT risk management. The Committee ensures that technology initiatives are aligned with CBC Finance Ltd.'s strategic objectives and comply with regulatory requirements, particularly those issued by the Central Bank of Sri Lanka.

Composition of the Committee

As at December 31, 2024, the Committee comprised the following members:

Mr Sharhan Muhseen	Non-Independent, Non-Executive Director (Chairman until September 30, 2024)
Mr L H Munasinghe	Non-Independent, Non-Executive Director (Chairman from October 01, 2024)
Mr D M D S S Bandara	Independent, Non-Executive Director
Mr G A J C S Fernando	Executive Director/Managing Director
Mrs S C De S Wickremasekera	Independent, Non-Executive Director (Appointed from October 01, 2024)

The Committee convened two meetings during the year.

Key Focus Areas in 2024

Technology Governance and Strategy

The Committee reviewed and approved an updated IT strategic roadmap covering a three-year horizon later restructured into five core pillars: Digitalisation, Operations, Automation, Infrastructure, and Compliance. The roadmap prioritises improved customer experience, operational efficiency, and regulatory alignment.

Information Security and Regulatory Compliance

In line with the CBSL's Technology Risk Management and Resilience Direction, the Committee approved the implementation of a Privileged Access Management (PAM) solution (CyberArk). The Committee emphasised the importance of strengthening information security leadership through a dedicated CISO role, either in-house or through a shared services model.

IT Infrastructure and Resilience

The Committee monitored progress on key IT initiatives including:

- Recovery and Gold Loan sub-systems
- New insurance workflows
- VMware-based server virtualisation and backup enhancements
- Implementing Google workspace

A long-term approach to disaster recovery (DR) planning was endorsed, with emphasis on geographic redundancy for backups and improved recovery time objectives.

Strategic Collaboration with Parent Company

The Committee supported initiatives to formalise the relationship with the parent company through a Service Level Agreement (SLA) and a comprehensive IT services directory. The Committee endorsed the recruitment of additional IT personnel dedicated to managing deliverables dependent on the parent company's infrastructure.

Digital Transformation Priorities

The Loan Origination System (LOS) and new Savings Product were identified as near-term priorities within the digital roadmap. The Committee encouraged external sourcing for non-core systems to preserve parent company bandwidth for mission-critical support.

Looking Ahead

In 2025, the Committee will continue to guide CBC Finance Ltd.'s digital transformation with a focus on:

- Finalising the SLA and IT service governance with the parent company
- Ensuring timely deployment of the PAM solution
- Enhancing DR capabilities and data resilience
- Strengthening IT compliance and audit readiness
- Prioritising roadmap execution with measurable KPIs
- Enhancing Information Security capabilities, including finalising the CISO structure

The Committee remains committed to ensuring that technology remains a key enabler of CBC Finance Ltd.'s growth, innovation, and risk resilience in an increasingly digital and regulated financial services environment.

L H Munasinghe
Chairman
Board Information Technology Committee

June 20, 2025

MANAGING RISK

In today's rapidly evolving financial landscape, effective risk management is more essential than ever. The financial industry is continuously being reshaped by innovative ideas, technological advancements, and a significant increase in the variety, volume, and speed of financial transactions. CBC Finance competes not only with other Non-Banking Financial Institutions (NBFIs) but also with other types of financial institutions currently operating in the country. The regulatory environment is in a state of constant flux, prompting the creation of more robust risk management frameworks within CBC Finance. Advances in both risk management methodologies and technology have enabled CBC Finance to more efficiently identify, assess, monitor, and control risks. The acceleration of communication and data processing capabilities has further enhanced CBC Finance's ability to promptly evaluate risks and refine risk management strategies across its current operations.

At CBC Finance, risk evaluation focuses on future uncertainties to identify the potential benefits or drawbacks they may bring. The primary goal of the risk management function is to minimise potential negative impacts while strategically maximising opportunities within established risk tolerance limits.

For effective risk management at CBC Finance, clear risk limits have been set and communicated through policies, guidelines and procedures. These measures specify the responsibilities and authorities related to the various risks undertaken by the institution.

The risk management process at CBC Finance employs a variety of tools to continuously identify, measure, and manage risks. In addition, CBC Finance has implemented a thorough risk monitoring system using Key Risk Indicators (KRI). By empowering company staff with the knowledge and tools for risk-aware decision-making, CBC Finance has significantly strengthened its operational resilience.

Approach to Risk Management process of the CBC Finance

Risk management is an integral part of the overall governance structure. As a Licensed Finance Company, CBC Finance Ltd. is engaged in non-bank financial services, which presents a higher overall risk than the banking sector. This fact suggests higher significance being placed on risk management, as the Company cannot eliminate risks in its operations.

Being a fully owned subsidiary of Commercial Bank of Ceylon PLC (the Bank), CBCF is subject to the Group policies adopted on risk management. Accordingly, the Bank's risk management policy shall be the apex policy concerning the management of risk at CBCF.

The Board of Directors at CBC Finance holds the ultimate responsibility for overseeing the institution's risk management. They determine the risk appetite, regularly review the governance structure, and update the policy framework and risk management processes to ensure they remain effective and compliant. The system of internal control shall, however, be designed to manage the Company's key risk areas within an acceptable risk profile rather than to eliminate the risk of failure to achieve the Company's policies and objectives. Hence, CBC Finance internal control system will provide reasonable assurance against material misstatements of management and financial information and records or against financial losses.

The Board established a mechanism for identifying, evaluating, and managing material risks. This process included enhancing the system of internal control when needed in line with changes in the business environment or regulations. The management of the Company shall assist the Board in implementing the policies and procedures on risk and control by identifying and assessing the risks faced and, in the design, operation and monitoring of suitable internal controls to control risks.

Risk Governance and Management Structure

To support its risk oversight functions, the Board has established several specialised committees:

Committee	Key Objectives
Board Integrated Risk Management Committee (BIRMC)	The Committee ensures that risks are managed within the Risk Strategy and Appetite as approved by the Board of Directors and assists the Board in overseeing the risk management function.
Board Credit Committee (BCC)	To approve high-value credit in line with the Company's risk appetite and line with regulatory requirements and monitors compliance with the Board's set risk appetite in credit operations and oversees the credit risk management processes.
Board Audit Committee (BAC)	To assist the Board in maintaining an effective system for internal control, compliance with legal and regulatory requirements of CBSL, external financial reporting and internal audit functions.
Executive Credit Committee (ECC)	Review and approve credit proposals under ECC's delegated authority as directed by BCC.
Executive Integrated Risk Management Committee (EIRMC)	Review, monitor, and evaluate the policies and procedures in credit, operational, and market risks in accordance with the BIRMC guidelines.
Asset Liability Committee (ALCO)	Optimise financial resources and manage the connected risks in Asset and Liability Management.
IT Steering Committee	To monitor and review the IT infrastructure to support the optimisation of overall business strategy and mitigate technological risks.

Risk Management Objectives:

The main objectives of risk management in the Company are:

1. Establishing a process for identifying, measuring, monitoring, analysing, documenting and reporting all the current and future risks to the Management and the Board of Directors.
2. Breaking down the risks to the individual risk level so that trends and benchmarks are identified, and exceptions can be easily reported and rectified.
3. Adopting necessary tools, controls and strategies for managing and mitigating the identified risks. Enhance transparency and accountability to protect earnings and economic value of assets and liabilities for ensuring financial soundness and protection of the Company's reputation.
4. Defining and documenting the overall risk appetite and the corresponding tolerance levels for each risk type and implementing processes to ensure that these limits are not breached.
5. Ensuring efficient capital allocation and availability of comfortable liquidity at optimum cost to support the business activities and future expansion.
6. Acting as a restraint against excessive risk-taking, thereby promoting sustainable growth of the Company through prudent risk management.
7. Inculcate a risk awareness culture and understanding of risks involved in carrying out the Company's business activities across the entire organisations to manage risks effectively.
8. Establishing KPIs designed to drive functional and business unit behaviour in alignment with the Company strategy and rewarding effective articulation and management of critical risks.

9. Identifying gaps in the management of risks based on changes in Company objectives, strategies and the operating environment and ongoing monitoring, communication and review.
10. Ensuring compliance with applicable laws, rules and regulations through adopting best practices and fostering a culture of good governance and ethical conduct.

Risk Management Overview in 2024

In 2024, the Sri Lankan economy continued to stabilise as the country adopted fiscal management strategies in line with the directions aligned with International Monitory Fund's emergency funding programme. The economy has shown slow and low but steady growth supported by political stability, cost-reflective utility pricing, innovative revenue strategies and tighter monetary policies. A resurgent in tourism industry and increased trade and worker remittances continued to contribute as major revenue earners. Government debt restructuring process has continued with favourable outcome to support the ongoing economic recovery activities.

The global economic growth faced challenges from the Ukraine-Russia conflict, Israel and Palestine conflict escalation to a war, rising global inflation, climate-induced disasters, disruptions in food and energy supply chains, cyber threats and shifts in the dominance of the US Dollar.

Integrated Risk Management Department (IRMD)

The IRMD faced the challenge of managing increased risk levels within the Company's risk appetite while supporting innovation and growth, ultimately delivering desired results for stakeholders. The IRMD diligently monitored and managed risks within acceptable thresholds, striving to balance risk mitigation with organisational objectives.

The lending portfolio of CBC Finance continued to face heightened credit risks due to rising defaults mainly from the legacy portfolio affecting the credit portfolio quality. The main contributors to this decline were large borrower defaults in debt repayments including Moratorium Loans extended during the stressed economic conditions prevailed from the year 2019. CBCF's higher focus on asset-based lending, including Leasing, Motor Draft, 3 wheel and 2-wheel leasing and Gold loans since the year 2022 has enabled to grow a lending portfolio with better quality.

Despite the rapidly changing risk landscape and the resultant significant stresses, CBCF operated with utmost vigilance and maintained operational resilience by being incisive, adaptable, and innovative in managing the various risks associated with its business model.

Pragmatic measures, such as conducting risk-control self-assessments, regularly evaluating risk management processes and tools, monitoring Key Risk Indicators (KRIs), introducing additional risk reviews and ensuring strict compliance with laws, regulatory guidelines and internal controls across all operations, helped CBC Finance manage risks.

Key Risk Management Initiatives Adopted in 2024

In response to the numerous challenges faced, CBCF implemented various risk management initiatives throughout the year, including the following:

1. **Strengthened the Existing Risk Management Policy Framework:**

   CBC Finance reinforced its risk management policy framework to ensure robust governance and comprehensive risk oversight across all operations by reviewing and upgrading the risk management policies and processes.

2. **Increased Portfolio Monitoring:**

   Credit Portfolio analysis and monitoring process was strengthened during the year with periodic reporting to Executive Integrated Risk Management Committee and Board Integrated Risk Management Committee. Monitoring process of Pre-non-Performing and Non-Performing credit facilities was strengthened through monthly meetings of the Slippage Committee.

3. **Enhanced Operational Risk Resilience:**

   Operational risk resilience was significantly bolstered, equipping CBC Finance to better withstand and adapt to potential operational disruptions.

Company's Priorities for 2025

In order to integrate strategic focus and risk management plans effectively with the capital plan, the risk department is planning to introduce the following initiatives:

1. **Introduction of the ICAAP Process:**

   CBC Finance aims to implement the Internal Capital Adequacy Assessment Process (ICAAP), aligning strategic focus with risk management plans in a structured manner.

2. **Implementation of Stress Testing Plan and Policy:**

   CBC Finance will introduce a comprehensive stress testing plan and policy that includes scenario analysis and sensitivity analysis. This initiative aims to assess and manage material risks such as credit risk (including NPCF) and liquidity risk.

3. **Enhancement of Risk Reporting:**

   Risk reporting process shall be improved to ensure relevance, focus, and quality. This enhancement shall specifically be focused on reporting of Operational Risk events/ Incidents to provide timely and insightful information to support effective decision-making across the organisation.

4. **Improvement of the Risk Registry:**

   The company will update and validate its Risk Registry to ensure it accurately reflects the current risk landscape and supports informed decision-making and risk mitigation efforts.

Risk Management Framework of the CBC Finance

CBC Finance has established an Integrated Risk Management Framework (IRMF) aligned with guidelines from the Central Bank of Sri Lanka (CBSL) and adhering to the 'Three Lines of Defence' model. This structured framework defines the roles of different departments within the organisation, aligning their efforts to enhance overall risk management effectiveness. It encompasses all types of risk exposures and is supported by robust organisational structures, systems, processes, procedures, and industry best practices. The IRMF proactively addresses potential risks, losses, and uncertainties faced by CBC Finance, ensuring a resilient risk management approach aligned with international standards.

Regular reviews and updates of the IRMF ensure its relevance and responsiveness to changes in regulatory requirements and operational environments.

Risk Governance

Risk governance at CBC Finance is designed to ensure prudent risk taking within the defined risk appetite limits whilst adhering to regulatory directions and company's business objectives. To effectively facilitate risk governance, a structured organisational setup is in place to maintain high standards of governance in risk-related decision-making which includes committees, regulations, processes and mechanisms that guide risk-related decision making. The primary goal of risk governance is to foster a robust risk culture to effectively oversee and manage risks across the organisation.

The 'Three Lines of Defence' model implementation has enhanced the risk culture of the Company with clear accountability at every level. The Board of Directors plays a pivotal role in establishing a strong governance framework that integrates corporate governance best practices with risk management principles. This governance structure encompasses Board committees, executive functions, and empowered committees, ensuring accountability for risks across all levels and types within the organisation.

Decision-making in risk management is centralised across various risk management committees, ensuring an integrated and cohesive approach that aligns with CBC Finance's strategic objectives and risk management goals. Decision-making in risk management is centralised across various risk management committees, ensuring an integrated and cohesive approach that aligns with CBC Finance's strategic objectives and risk management goals.

Risk Management Model of the CBC Finance

First Line of Defence	Second Line of Defence	Third Line of Defence
Business Lines	**Risk Management & Compliance**	**Assurance**
Takes ownership of and manages risks directly associated with daily operations. Assesses risks using informed judgement, ensuring they align with the Company's risk appetite and policies. Implements robust internal controls and fosters a culture of risk awareness throughout the organisation.	Independently oversees the implementation of the risk management framework. Promotes a culture of heightened risk awareness across all departments and ensures adherence to established risk management policies. Develops and maintains a comprehensive risk management policy framework. Monitors, measures, and reports on risks to both Management and the Board Integrated Risk Management Committee.	Includes internal audit, external audit, and regulatory reviews to provide objective assurance to the Board regarding the effectiveness of the First and Second Lines of Defence. Upholds rigorous governance and control standards. Delivers timely reports of findings to Management and the Board Audit Committee, supporting informed decision making processes.
Department Heads / Branch Managers	**Risk Management Department/Compliance Department**	**Internal Audit/ External Audit**

First Line of Defence:

At CBC Finance, the first line of defence comprises the business units supported by centralised support functions. These units engage in various activities that expose them to diverse risks, managed through well-documented procedures, internal controls, and limits approved by the Board. Front-office and back-office teams diligently execute their responsibilities in alignment with regulatory requirements and approved internal policies, procedures, and controls. Their diligent efforts not only identify potential risk factors but also nurture a culture of risk awareness, thereby enhancing overall risk management practices across the organisation.

Second Line of Defence:

The second line of defence includes the Executive Integrated Risk Management Committee (EIRMC), Risk Management Department and the Compliance Department and is pivotal in effective risk management, ensuring that risk-taking remains within the defined risk appetite. The EIRMC identifies and evaluates primary and emerging risks, events, and outcomes that could significantly impact profitability and reputation. They implement appropriate controls and provide regular updates to the Board of Directors through Board Integrated Risk Management Committee (BIRMC) on these critical matters.

The Compliance Division serves a crucial function by coordinating risk management processes and embedding risk management and internal control systems deeply within the organisation's culture. They provide assurance to the EIRMC and the Audit Committee on regulatory compliance and risk tolerance. Additionally, they establish robust policies, processes, and procedures to ensure compliance with regulations issued by the Central Bank of Sri Lanka (CBSL) and other relevant regulatory bodies.

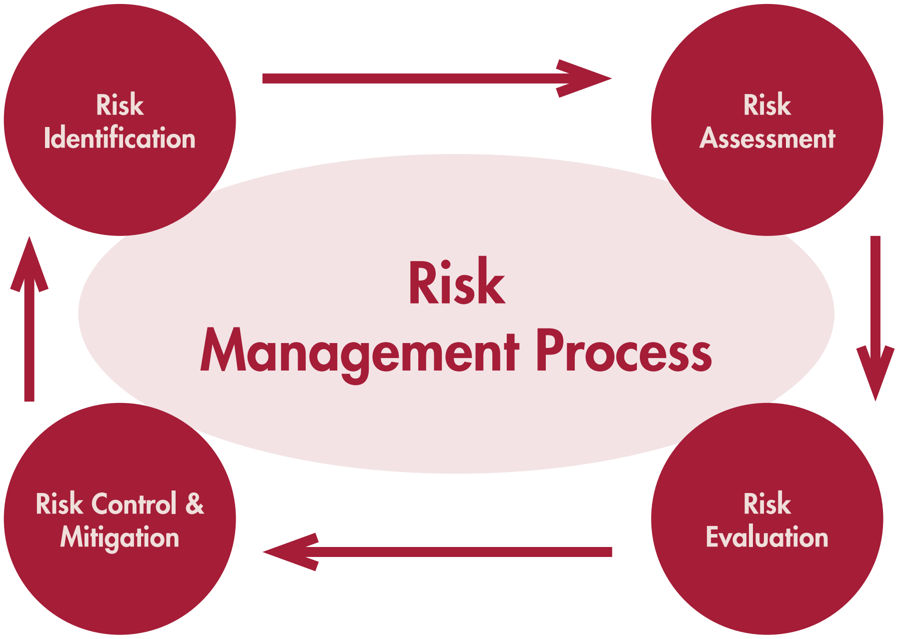
Third Line of Defence:

The third line of defence consists of internal and external audits, serving as the final layer of control to ensure the practical implementation of processes and controls. Internal auditors routinely communicate their findings and assurance through monthly review reports to the Board Audit Committee. This Committee thoroughly assesses financial reporting, evaluates the effectiveness of internal controls, and monitors the Group's adherence to statutory and regulatory requirements, including the established code of conduct.

The collaboration among these three lines of defence at CBC Finance ensures a robust risk management framework where risks are systematically identified, evaluated, and addressed throughout the organisation. This multi-layered approach enhances risk mitigation, promotes regulatory compliance, fortifies the control environment, instills stakeholder confidence, and fosters sustainable growth.

Risk Management Process

The risk management process enables risk identification, assessment, evaluation, and control. This approach ensures proactive risk mitigation and informed decision-making throughout the organisation.



Risk Identification

The potential risk identification process involves regular interactions with all the departments in the Company and the business lines to identify risks that may arise during the Company's business transactions. The Risk Department and the Senior Management continuously monitor the Macroeconomic, Market, Technological and Regulatory developments to identify external risks that could affect the Company.

Risk Assessment

The risk assessment process is a structured approach to measure the potential impact and the probability of a risk materialising. The process involves data gathering and analysing relating to external and internal fraud, operational processes lapses and gaps, evaluating IT system vulnerabilities and failures and monitoring market conditions. At CBC Finance, following key elements of the risk assessment process are considered during the risk assessment:

- **Risk Appetite Evaluation:**
  Company's risk appetite is measured using both qualitative and quantitative parameters and these parameters are evaluated from time to time and adjusted to reflect the vulnerabilities in the market and the macroeconomic sentiments the company is confronted with.

- **Gathering and Analysing External and Internal Frauds:**
  CBC Finance diligently collects and analyses data related to external and internal fraud incidents. This includes

investigating the underlying reasons behind such frauds and assessing the integrity levels of the staff involved. By understanding the root causes of fraud, the organisation can implement appropriate measures to mitigate the risk of future occurrences.

- **Regular Review of Operational Processes:**

  CBC Finance reviews its operational processes to identify any potential gaps or weaknesses. This allows for the timely detection and rectification of operational risks, ensuring that processes are efficient, effective, and aligned with industry best practices.

- **Analysis and Review of IT System Failures and Vulnerabilities:**

  CBC Finance pays close attention to IT system failures, such as system outages, power disruptions, and malfunctions in CCTV and alarm systems. These evaluations help identify vulnerabilities and weaknesses in the IT infrastructure. Additionally, physical controls, access controls, and network vulnerabilities are evaluated to ensure the reliability and security of the IT systems.

- **Review of Market Conditions:**

  CBC Finance recognises the impact of ever-changing market conditions on its operations. Accordingly, regular reviews of market conditions and trends are conducted to assess potential risks arising from market dynamics and enable proactive decision-making and the implementation of appropriate risk management strategies to mitigate possible adverse effects.

Key Risk Indicators (KRIs)

Key Risk Indicators (KRIs) serve as early warning signals for CBC Finance, reflecting potential adverse events or thresholds that could impact the company. KRIs are formulated based on identified key risk areas and regularly monitored to detect emerging risks.

Risk Appetite and Tolerance Limits

Risk appetite at CBC Finance refers to the amount and type of risk the organisation is willing to pursue or retain. Linked to business decisions, CBC Finance collects appropriate metrics to measure risk appetite, ensuring alignment with strategic objectives and regulatory requirements. Tolerance limits, on the other hand, quantify the highest level of risk the company is prepared to accept. These limits are set at the enterprise level, covering key areas such as credit and funding, and are monitored against actual risk levels to prevent regulatory breaches while capitalising on business opportunities.

Risk Control and Mitigation

This process refers to implementing policies and procedures that help avoid or minimise risks, which could be further extended towards risk transfer and risk financing. Risk mitigation involves four key strategies: acceptance, avoidance, limitation and transference.

- **Risk Acceptance:** Risk acceptance processes involve evaluating risk-reward trade-offs and considering the costs of alternative risk management options like avoidance or limitation before assuming certain types of risk, such as credit risk. Examples include credit approval procedures and pre-disbursement processes, as well as approvals for borrowings.
- **Risk Avoidance:** Risk avoidance is the act of completely eliminating exposure to a particular risk. For instance, rejecting credit facilities that do not meet predefined criteria is an example of risk avoidance.
- **Risk Limitation:** Risk limitation involves reducing a company's exposure to risk by taking specific actions. It allows managing risk by accepting a certain level while avoiding it to some extent. Examples include setting transaction-level limits based on size or duration and establishing single borrower limits to control aggregate risk assumed by the Company.
- **Risk Transference:** Risk transference entails transferring risk to a willing third party. Common methods include outsourcing certain activities to external entities or obtaining insurance coverage to mitigate potential losses.

Identifying and categorising Types of Risk

to facilitate the process of risk identification and assessment, CBC Finance employs risk categories that assist in classifying the organisation's various risks. These categories enable a structured approach to understanding and addressing the risks that may affect the achievement of the Company's objectives. The following risk categories have been established at CBC Finance:

Credit risk

Credit risk is a significant area of focus for CBC Finance, representing the potential for loss arising from borrower or counterparty default on contractual obligations. Accordingly, the Company is committed to maintaining a high-quality loan portfolio by adhering to its risk appetite and proactively working on managing non-performing loans below industry norms.

At the core of CBC Finance's robust credit risk management framework is its Credit Policy, sanctioned by the Board of Directors. This policy serves as a foundational guide for lending activities, supplemented by detailed guidelines and circular instructions that direct lending responsibilities. Regular reviews of the Credit Policy and Lending Guidelines ensure alignment with the dynamic financial landscape, enabling CBC Finance to effectively pursue its business objectives.

The Company continued to adapt to meet the challenging operating environment through proactive measures such as close monitoring of credit facilities under stress, intensifying recovery initiatives, enhancing scrutiny in credit assessments, rationalising credit exposures through thorough analysis and initiating post-sanction monitoring and recovery efforts. Early Warning Signals (EWS) systems were employed to identify stressed borrowers with maximum effort to mitigating potential credit risks.

In tandem with the comprehensive credit risk management framework guiding CBC Finance in managing both new and existing exposures, the Company exercises prudence in customer, product, industry, segment and geographic selection. Continuous monitoring of loan age analysis and movement across overdue loan categories allows CBC Finance to take timely action, effectively mitigating default risks.

Operational risk

Operational risk is a pivotal aspect of CBC Finance's business activities, encompassing potential losses stemming from internal process deficiencies, system failures, human errors and external events, including legal risks. Effective management of operational risk is integral to CBC Finance's ongoing operations, necessitating robust practices to mitigate these risks.

The governance of operational risks at CBC Finance follows the three lines of defence approach, aimed at safeguarding the Company, its customers, and shareholders from potential losses and reputational damage. This approach ensures transparency, accountability, and a clear segregation of duties in risk management.

CBC Finance has developed a Operational Risk Management Policy aligned with regulatory guidelines, describing the responsibilities of each section for managing operational risks. Losses from operational risk incidents can be severe, impacting not only financially but also threatening the company's overall business and reputation.

Key challenges in operational risk management include defining efficient risk parameters, managing large datasets and complex logic, and achieving a consolidated enterprise-wide view. Board-approved manuals comprehensively cover all company-wide processes to ensure thorough documentation and adherence to operational standards.

To address cyber security threats, CBC Finance conducts regular IT audits to identify and mitigate security vulnerabilities. Findings from these audits inform upgrades to the existing IT infrastructure. A board-approved Business Continuity Plan (BCP) is in place, encompassing Disaster Recovery planning. CBC Finance regularly tests its Disaster Recovery plan to assess its adequacy and readiness.

In addition to internal risk management practices, CBC Finance employs risk transfer strategies to further mitigate operational risks. This includes securing insurance coverage for risks such as fire, natural disasters, theft/robbery and fraud. The Risk and Insurance Departments collaborate to ensure insurance policies are adequate and that outsourced activities maintain requisite controls before engagement.

The effectiveness of CBC Finance's operational risk management practices can be demonstrated through various methods, including:

Incident Reporting and Investigation Procedures:

Incident reporting and investigation procedures have been implemented to promptly identify, report and address operational incidents. This proactive approach ensures that any potential risks or incidents are swiftly identified, assessed, and mitigated to minimise their impact on operations.

Business Continuity Plans:

CBC Finance maintains Business Continuity Plans (BCPs) to ensure uninterrupted operations during disruptions. Enhancements included conducting regular BCP testing and simulations to validate effectiveness and identify areas for improvement, establishing redundant systems and alternate work arrangements to minimise disruptions during emergencies or unforeseen events and collaborating closely with key vendors and partners to ensure their BCPs align with CBC Finance's continuity objectives and expectations.

Ongoing Training and Awareness Programmes:

CBC Finance emphasises ongoing training and awareness programmes for employees to enhance risk awareness and foster a robust risk culture.

Continuous Monitoring and Review of Operational Processes:

CBC Finance engages in continuous monitoring and review of operational processes, systems, and controls to identify gaps and implement necessary improvements.

Regular Review and Updating of Operational Risk Policies:

CBC Finance regularly reviews and updates its operational risk policies and frameworks to align with evolving industry practices and regulatory requirements.

Market risk

Market risk at CBC Finance encompasses the potential for losses mainly in on-balance sheet position. This includes risks such as Interest Rate Risk (IRR), Equity Price Risk and Commodity Price Risk. Managing market risk effectively is crucial for CBC Finance to protect its financial positions and ensure stability.

The Asset and Liability Management Committee (ALCO) assumes a central role in overseeing market risk management at CBC Finance, particularly focusing on Interest Rate, Liquidity, and Equity Price Risks. To guide these efforts, CBC Finance has established robust risk management policies, including the Market Risk Management Policy and the Asset and Liability Management Policy. These policies provide a structured framework for identifying, assessing, and mitigating various market risks.

The Integrated Risk Management Department and Finance Department collaborate closely to develop and implement effective market risk management strategies. They define guidelines for risk measurement methodologies, establish risk limits and deploy appropriate risk management techniques. This collaborative approach ensures consistency and coherence across all aspects of market risk management within the organisation.

CBC Finance remains particularly sensitive to fluctuations in market interest rates, which can impact its net interest income and net interest margin significantly. The Company's exposure to interest rate risk primarily arises from its borrowing activities, which predominantly consist of floating-rate borrowings. Despite minimal floating-rate lending facilities, CBC Finance manages repricing risk stemming from differences in interest rate adjustment frequencies between its borrowing and lending portfolios. Additionally, unexpected shifts in the market yield curve could further amplify the company's exposure to interest rate fluctuations. Therefore, the Market Risk Management Policy guides comprehensive measures to proactively manage these risks, ensuring CBC Finance's financial stability amid market uncertainties.

Liquidity risk

At CBC Finance, managing liquidity risk is pivotal to ensuring the Company's ability to meet financial obligations promptly, regardless of market conditions. The Company aims to optimise liquidity to safeguard against unacceptable losses and uphold organisational integrity.

The Company's approach to liquidity management emphasises maintaining sufficient liquidity to support business operations and accommodate growth while minimising funding costs. The Asset and Liability Management Committee (ALCO) oversees this process, analysing and monitoring liquidity risk across market cycles. The Company maintains statutory liquid asset ratios and adheres strictly to the Asset and Liability Management Policy to manage daily liquidity risk effectively.

Monitoring liquidity risk involves assessing key indicators such as the liquid asset ratio, conducting maturity gap analyses and evaluating funding concentrations. These assessments are integral part of the monthly ALCO meetings, where liquidity risk management remains a priority agenda item. ALCO ensures robust liquidity management through strategies that attract deposits at competitive rates and secure low-cost funding, balancing our lending and borrowing portfolios to mitigate maturity mismatches.

Given the dynamic economic landscape, forecasting cash flows under various stress scenarios is essential. This proactive approach during ALCO meetings enables us to closely monitor liquidity positions and adjust strategies as needed. By diligently managing liquidity risk and anticipating potential stressors, CBC Finance protects its financial stability and enhances our value proposition to stakeholders.

Cyber risk

Cyber risk is the risk of financial loss, disruption, or damage to an organisation caused by issues with the information technology systems they use. While cyber risks can have significant consequences for an organisation, they most commonly arise due to operational lapses.

CBC Finance has accorded top priority to addressing IT risk and has focused on cyber security strategies to protect the Company and its customers from cyber threats. CBC Finance's cyber security strategy is focused on securely enabling new technology and business initiatives while maintaining a persistent focus on protecting the company from cyber threats.

Reputational risk

Reputational risk encompasses the potential harm to CBC Finance's reputation resulting from one or more reputation events, including negative publicity related to business practices, conduct or financial stability. Such adverse publicity, regardless of its veracity, has the potential to erode public trust in CBC Finance, leading to legal challenges, diminished customer loyalty, and reduced business opportunities. In the financial sector, effective reputation risk management involves proactive forecasting and evaluation of potential reputational risks, coupled with the implementation of strategies to mitigate their impact. This comprehensive approach enables financial institutions to actively shape public perceptions of their products, services, and brand, thereby fostering trust and confidence among stakeholders.

The reputation risk management process adopted by CBC Finance encompasses the identification, assessment, control, monitoring and reporting of reputation risks. Through this structured approach, CBC Finance aims to safeguard its reputation and uphold its commitment to transparency, integrity and customer satisfaction. The Reputational Risk Management Policy serves as a guiding framework for these efforts, ensuring diligent oversight and mitigation of reputation-related challenges.

Key Risk Indicators of the Company

Ratio	December 2024	December 2023	Regulation/Budget
Gross NPA (%)	24.95	21.04	<20
Net NPA (%)	13.10	8.19	<15
Infection ratio (%)	0.25	1.02	<1
Stage III cover (%)	40.43	34.05	>35
Total cover (%)	11.16	12.85	>15
Aggregate of exposures exceeding 2.5% of capital (%)	15.27	25.98	<50 of the total portfolio
Loan to value ratio of the mortgage portfolio (Market value) (%)	Below 75	Below 75	<=75
Loan to value ratio of the leasing portfolio (Market value) (%)	Below 80	Below 80	<=80
Unsecured loans to total loans (%)	7.56	10.11	<10
Advances to deposits & debt ratio (%)	100	114	110
Fixed rate:Floating rate (%)	100 Fixed rate	100 Fixed rate	100 Fixed rate
Single borrower limit	Below the threshold (Max – LKR 289.2 Mn.)	Below the threshold (Max – LKR 241.0 Mn.)	Individual – 12.5% of the Total Capital Base
Debits to income statement o/a operational losses	Nil	Actual Loss – LKR 1.235 Mn. (Max 3% – LKR 45.72 Mn.)	< 03% of the average gross income for the last 3 audited years
Staff turnover rate (monthly) (%)	5.26	2.27	<5
Net interest margin (%)	5.94	4.69	>7.12
Net interest spread (%)	4.88	1.68	>3.0
Financial leverage/gearing ratio	1.15 times	0.95 times	< 5 times
Liquid assets ratio (times)	1.53 times	1.15 times	>1.10 times
Borrowings to total assets (%)	18.12	21.55	<26.33
Wholesale deposits to total deposits ratio (%)	51.81	69.55	Below 60
Top 10 depositors to total deposits (%)	29.67	29.40	Below 40
ROA (PBT) (%)	0.88	-2.99	>1.25
ROE (PAT) (%)	2.01	-7.18	>10
Total capital adequacy ratio (%)	15.71	19.57	>12.5
Net advances to total assets (%)	80	81.41	<86

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

For the twelve months ended December 31, 2024

The details set out herein provide the information required by the section 168 (1) of the Companies Act No. 7 of 2007 and recommended best accounting practice.

1. General

The Directors have pleasure in presenting to the member their Report together with the audited Financial Statements and the Audit Report thereon of CBC Finance Ltd. (CBCF) (formerly Serendib Finance Ltd. and Indra Finance Ltd.), a limited liability company incorporated in Sri Lanka under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 7 of 2007 and operating as a Licensed Finance Company under the Finance Business Act No. 42 of 2011.

The Financial Statements were authorised for issue by the Directors on March 24, 2025.

2. Review of Business

2.1 Principal activities:

The Company has obtained the license to carry on finance business as per the Finance Business Act No. 42 of 2011. The principal activities of the Company comprise of finance leasing, hire purchase financing, gold financing, other credit financing, trading of leased assets and accepting public deposits.

Other than the above, there have been no significant changes in the nature of the principal activities of the Company during the twelve months period under review.

2.2 Financial Statements:

The Financial Statements of the Company have been duly certified by the Head of Finance and approved by two Directors in compliance with the requirements of the Sections 151, 152 and 168 (1) (b) of the Companies Act No. 7 of 2007.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. The Directors are of the view that the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement, Significant Accounting Policies and Notes thereto have been prepared in accordance with the requirements of the Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRSs) and Lanka Accounting Standards (LKASs) promulgated by The Institute of Chartered Accountants of Sri Lanka, and the provisions in the Companies Act No. 7 of 2007 and the Finance Business Act No. 42 of 2011.

2.3 Auditors' Report:

Company's Auditors, Messrs Ernst and Young performed the audit on the Financial Statements for the twelve months period ended December 31, 2024 and the Auditors' Report on the Financial Statements is attached hereto which forms an integral part of this Report as required by Section 168 (1) (c) of the Companies Act No. 07 of 2007.

2.4 Significant accounting policies and changes during the period:

The Significant Accounting Policies adopted in the preparation of Financial Statements are presented in the Notes to the Financial Statements as required by Section 168 (1) (d) of the Companies Act No. 7 of 2007. The changes in these accounting policies during the period under review are also disclosed therein. All other policies are consistent with those adopted in the previous financial year as required by Sri Lanka Accounting Standards.

2.5 Interests register:

An Interests Register is maintained by the Company, as per the requirements of the Companies Act No. 7 of 2007. All Directors have made declarations as provided for in Section 192 (2) of the Companies Act aforesaid. The related entries were made in the Interests Register during the period under review. Entries were made in the Interests Register on share disposal, Directors' interest in contracts and remuneration paid to the Directors etc. The Interests Register is available for inspection as required by Section 119 (1) (d) of the Companies Act No. 7 of 2007.

2.6 Directors' remuneration and other benefits:

Directors' remuneration and other benefits, in respect of the Company for twelve months period ended December 31, 2024 is given in Notes to the Financial Statements as required by section 168 (1) (f) of the Companies Act No. 07 of 2007.

2.7 Information on directorate:

List of Directors

The Board of Directors of the Company as at December 31, 2024 was as follows:

- Mr Muhseen Mohamed Sharhan Mohamed (Chairman)
- Mr Subasinghe Mudiyanselage Sarath Chandralal Jayasuriya
- Mr Danapala Mudiyanselage Dimuthu Sanjeewa Senarath Bandara
- Mr Lasantha Hasrath Munasinghe
- Mr Megelhewage Pushpakumara Dharmasiri
- Mrs Sharmini Cynthia De Sayrah Wickremasekera
- Mr Gardiyawasan Albratulage Jagath Chamilantha Sampath Fernando

Names of the Directors, who were the Directors at any time during the twelve months ended December 31, 2024 of the Company as required by the section 168 (1) (h) of the Companies Act No. 7 of 2007 are given below:

- Mr Muhseen Mohamed Sharhan Mohamed (Chairman)
- Mr Subasinghe Mudiyanselage Sarath Chandralal Jayasuriya
- Mr Danapala Mudiyanselage Dimuthu Sanjeewa Senarath Bandara
- Mr Lasantha Hasrath Munasinghe
- Mr Megelhewage Pushpakumara Dharmasiri
- Mrs Sharmini Cynthia De Sayrah Wickremasekera
- Mr Gardiyawasan Albratulage Jagath Chamilantha Sampath Fernando

New Appointments and Resignations:

New Appointments

- Mrs Sharmini Cynthia De Sayrah Wickremasekera (appointed on March 22, 2024)

Resignations

None

2.8 Gross income:

The income of the Company for the twelve months period ended December 31, 2024 was LKR 2,661 Mn. An analysis of the income is given in Notes to the Financial Statements attached hereto.

3. Dividends and Reserves:

3.1 Profit and appropriations

The details of profit of the Company are given below.

For the period ended December 31,	12 months period ended December 31, 2024 LKR '000	12 months period ended December 31, 2023 LKR '000	12 Months period ended December 31 2022 LKR '000	09 Months period ended December 31, 2021 LKR '000
Profit/(loss) before tax	157,664	(320,604)	9,726	88,113
Taxation	(76,123)	95,427	29,857	(54,870)
Net other comprehensive income	(2,523)	(305)	5,846	(1,347)
Total comprehensive income after tax	79,018	(225,483)	45,429	31,896
Unappropriated profit brought forward	(431,325)	(205,842)	(138,979)	(169,213)
Surcharge levied under Surcharge Act	–	–	(110,313)	–
Profit/(loss) available for appropriation	(352,308)	(431,325)	(203,863)	(137,317)
(Transfers)/reversals to/from reserves	(258,134)	–	(1,979)	(1,662)
Final dividend paid	–	–	–	–
Unappropriated profit/(loss) carried forward	(610,441)	(431,325)	(205,842)	(138,979)

4. Dividends on Ordinary Shares

The Board has not declared any dividends for the twelve months period ended December 31, 2024, and financial years 2022 and 2023.

4.1 Provision for taxation

Income tax for the twelve months period ended December 31, 2024 has been provided at 30% for on taxable income arising from the operations of the Company and has been disclosed in accordance with Sri Lanka Accounting Standards.

Information on income Tax Expenses and Deferred Taxes is given in respective Notes to the Financial Statements attached hereto.

4.2 Reserves

The Company's total reserves as at December 31, 2024 amounted to LKR 414.4 Mn. (December 31, 2023 – LKR 153.7 Mn.). The movement of the reserves is given in the Statement of Changes in Equity and Notes to the Financial Statements attached hereto.

5. Property, Plant and Equipment, Leasehold Property and Intangible Assets

Cumulative capital expenditure on property, plant and equipment net of accumulated depreciation is as follows;

Period	2024 LKR Mn.	2023 LKR Mn.	2022 LKR Mn.	Nine months period ended December 31, 2021 LKR Mn.	2020/21 LKR Mn.
Property, plant and equipment	432.5	408.5	316.8	276	249

Details are given in relevant Notes to the Financial Statements.

6. Market Value of Freehold Properties

The value of freehold properties owned by the Company as at December 31, 2024 is included in the Financial Statements at LKR 249.6 Mn. (December 31, 2023 – LKR 249.6 Mn.). Latest Revaluation of the Company's freehold properties was carried out as of March 31, 2023, and Directors are of the opinion that the carrying value of properties is more fully in line with the current market values.

Details of these are given in relevant Notes to the Financial Statements attached hereto.

7. Stated Capital

The stated capital of the Company as at December 31, 2024 was LKR 3,255 Mn. comprising of 221.8 Mn. ordinary shares (December 31, 2023 – LKR 3,255 Mn.). The details of the stated capital are given in relevant Notes to the Financial Statements attached hereto.

8. Share Information

Details of share-related information are given in relevant notes and information relating to earnings and dividends per share is given in respective notes to the financial statements attached hereto.

8.1 Issue of shares

There were no new shares issued by the Company during the twelve months period ended December 31, 2024.

9. Substantial Shareholding

All the shares of the Company are owned by Commercial Bank of Ceylon PLC.

9.1 Equitable treatment to all stakeholders

We value the patronage of all our stakeholders and the Company has made all endeavours to ensure equitable treatment to all of them.

10. Directors

10.1 Information on Directors

The names of the persons who were Directors of the Company at any time during the twelve months period ended December 31, 2024 are given in Section 2.7 of this Report.

10.2 Board Subcommittees

Information with regard to Board Subcommittees is as follows.

Board Audit Committee:

- Mr Subasinghe Mudiyanselage Sarath Chandralal Jayasuriya (Chairman) appointed w.e.f. July 01, 2022
- Mr Danapala Mudiyanselage Dimuthu Sanjeewa Senarath Bandara
- Mr Megelhewage Pushpakumara Dharmasiri
- Mrs Sharmini Cynthia De Sayrah Wickremasekera (appointed w.e.f. April 26, 2024)

Board Integrated Risk Management Committee:

- Mr Subasinghe Mudiyanselage Sarath Chandralal Jayasuriya (Chairman) appointed w.e.f. January 01, 2023 and relinquished w.e.f. September 30, 2024
- Mr Danapala Mudiyanselage Dimuthu Sanjeewa Senarath Bandara
- Mr Megelhewage Pushpakumara Dharmasiri
- Mrs Sharmini Cynthia De Sayrah Wickremasekera – appointed as the Chairperson w.e.f. October 01, 2024

Board Human Resources and Remuneration Committee:

- Mr Muhseen Mohamed Sharhan Mohamed (Chairman) appointed w.e.f. February 01, 2023
- Mr Dimuthu Senarath Bandara-stepped down w.e.f. September 30, 2024
- Mr Lasantha Hasrath Munasinghe
- Mrs Sharmini Cynthia De Sayrah Wickremasekera – appointed w.e.f. October 01, 2024

Board Credit Committee:

- Mr Lasantha Hasrath Munasinghe (Chairman) appointed w.e.f. February 17, 2023
- Mr Subasinghe Mudiyanselage Sarath Chandralal Jayasuriya
- Mr Danapala Mudiyanselage Dimuthu Sanjeewa Senarath Bandara
- Mrs Sharmini Cynthia De Sayrah Wickremasekera (appointed w.e.f. April 26, 2024)

Board Nominations Committee:

- Mr Subasinghe Mudiyanselage Sarath Chandralal Jayasuriya – appointed as the Chairman w.e.f. February 01, 2023
- Mr Muhseen Mohamed Sharhan Mohamed
- Mr Danapala Mudiyanselage Dimuthu Sanjeewa Senarath Bandara

Board Information and Technology Committee:

- Mr Muhseen Mohamed Sharhan Mohamed – relinquished w.e.f. September 30, 2024
- Mr Lasantha Hasrath Munasinghe – appointed as the Chairman w.e.f. October 01, 2024
- Mr Dimuthu Senarath Bandara
- Mr Gardiyawasan Albratulage Jagath Chamilantha Sampath Fernando
- Mrs Sharmini Cynthia De Sayrah Wickremasekera – appointed w.e.f. October 01, 2024

Board Related Party Transactions Review Committee:

- Mrs Sharmini Cynthia De Sayrah Wickremasekera Chairperson appointed as w.e.f. June 25, 2024
- Mr Subasinghe Mudiyanselage Sarath Chandralal Jayasuriya Appointed on June 25, 2024
- Mr Megelhewage Pushpakumara Dharmasiri Appointed on June 25, 2024

11. Disclosures of Directors' Dealings in Shares

11.1 Directors' interest in ordinary shares

Directors did not hold any shares of the Company as at December 31, 2024.

12. Directors' Interest in Contracts or Proposed Contracts

Directors have no direct or indirect interest in any contract or proposed contract with the Company for the twelve months period ended December 31, 2024,other than those disclosed in relevant Notes to the Financial Statements attached hereto.

13. Environmental Protection

The Directors to the best of their knowledge and belief are satisfied that the Company has not engaged in any activities, which have caused adverse effects on the environment and it has complied with the relevant environmental regulations.

14. Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to the Government and employees have been made/provided for up to date.

15. Events after the Reporting Date

There have been no material events that occurred after the reporting date that would require adjustments to or disclosure in the Financial Statements other than those disclosed, if any, in relevant Notes to the Financial Statements attached hereto.

16. Going Concern

The Board of Directors reviewed the Company's business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements of the Company have been prepared based on the going concern concept.

17. Appointment of External Auditors

The Financial Statements for the period have been audited by Messrs Ernst and Young , Chartered Accountants. Accordingly, pursuant to the Section 10.2 (d)(ii) of Finance Business Act Direction No. 5 of 2021, Corporate Governance, a resolution to re-appoint Messrs Ernst and Young as Auditors will be proposed at the Annual General Meeting.

18. Auditors' Remuneration and Interest in Contracts with the Company

The Auditors, Messrs KPMG was paid LKR 2.21 Mn. (2023 – LKR 2.28 Mn.) as audit and related fees by the Company during the period. Apart from this, the Company has engaged external Auditors for several other permitted non-audit services.

As far as the Directors are aware, the Auditors do not have any other relationship or interest in contracts with the Company.

19. Risk Management and System of Internal Controls

19.1 Risk management

specific steps that have been taken by the Company in managing both business risk and financial risk are detailed in relevant disclosure Notes to the Financial Statements attached to this report.

19.2 System of Internal Controls

The Board of Directors has established an effective and comprehensive system of internal controls to ensure that proper controls are in place to safeguard the assets of the Company, to detect and prevent frauds and irregularities, to ensure that proper records are maintained and Financial Statements presented are reliable. Monthly management accounts are prepared, providing management with relevant, reliable and up to date Financial Statements and key performance indicators.

The Audit Committee reviews on a regular basis, the reports, policies and procedures to ensure that a comprehensive internal control framework is in place.

19.3 Audit Committee

The composition of the Audit Committee is given above in Section 10.2 of this report.

20. Corporate Governance

The Company is committed to high standards of Corporate Governance. The main corporate governance practices of the Company are in compliance with the Finance Companies (Corporate Governance) Direction No. 05 of 2021 and subsequent amendments thereto issued by the Central Bank of Sri Lanka.

21. Human Resources

The Company continues to regard communication with its employees as a key aspect of its policies. Information is given to employees about employment matters and about the financial and economic factors affecting the Company's performance. Employees are encouraged to discuss operational and strategic issues with their line management and to make suggestions aimed at improving performance.

22. Compliance with Applicable Laws and Regulations

To the best of our knowledge there has been no violation or possible violation of laws or regulations in any jurisdiction whose effect should be disclosed. There have been no irregularities involving management or employees that could have a material financial effect or otherwise.

23. Outstanding Litigation

In the opinion of the Directors and in consultation with the Company's Lawyers, litigation currently pending against the Company will not have a material impact on the reported financial results or future operations of the Company.

24. Notice of Meeting

The details of the Annual General Meeting are given in the Notice of Meeting.

25. Acknowledgement of the Contents of the Report

As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledges the contents of the report.

S M S C Jayasuriya
Director

H D U O Gunasekara
Company Secretary
June 20, 2025

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Board of Directors ("the Board") of CBC Finance Ltd ("the Company") presents this report, in compliance with Section 16.1 of the Finance Business Act Direction (Corporate Governance) No. 5 of 2021.

As per the Sections 148 (1) and 151 (1) of the Companies Act No. 7 of 2007, the Company has to ensure that it keeps proper books of account of all the transactions and prepare Financial Statements that give an accurate and fair view of the state of affairs and the profits/losses for the period.

Accordingly, the Directors have caused the Company to maintain proper books of account and review the financial reporting system at regular meetings and through the Board Audit Committee. The Board Audit Committee Report is given on page 88 of this Report. The Financial Statements for the period ended December 31, 2024 prepared and presented in this Report are consistent with the underlying books of account. They conform with the requirements of the Companies Act, Sri Lanka Accounting Standards, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Finance Leasing Act No. 56 of 2000 and the Finance Business Act No. 42 of 2011. In preparing the Financial Statements exhibited on page 121 onwards, the Directors believe that they have adopted accounting policies consistently and supported by reasonable and prudent judgements and estimates.

The Directors are also responsible for ensuring that the Company maintains adequate general supervision, control and administration of the affairs and business of the Company. The Directors believe that the Internal Control System in place is capable of safeguarding the assets, preventing and detecting frauds and errors, ensuring accuracy and completeness of the accounting records and timely preparation of reliable financial information. To the best of their knowledge, the Directors confirm that all taxes, dues to or on behalf of employees, statutory dues and levies payable by the Company as of the balance sheet date have been paid or, where relevant, provided for.

The Company's External Auditors, Messrs Ernst & Young, conduct audit verification on a sample basis on the internal controls over the financial reporting system. They consider expressing their opinion on the Financial Statements is appropriate and necessary. The Directors have the discretion to engage the Auditors on further agreed-upon procedures when additional assurance as to the accuracy of the financial information is required.

Messrs Ernst & Young, the Company's External Auditors, have examined the Financial Statements made available by the Board of Directors with all the financial records, related data, and the Shareholder and Directors' meeting minutes. They have expressed their opinion, which they reported on page 122 and 123 of this report.

Accordingly, the Directors view that they have discharged their responsibilities as set out in this statement.

By order of the Board.

H D U O Gunasekara
Company Secretary
March 24, 2025

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Board's Responsibility:

This Report on Internal Control has been presented under Section 16.1 (ix) of the Finance Business Act Directions No. 5 of 2021 (Corporate Governance) of the Central Bank of Sri Lanka.

The Board of Directors is responsible for the adequacy and effectiveness of the CBC Finance Ltd.'s internal control system on financial reporting. However, the internal control system has been designed to manage the Company's key risk areas within an acceptable risk profile rather than to eliminate the risk of failure to achieve the Company's policies and objectives. Hence, the Company's internal control system can only provide reasonable but not absolute assurance against material misstatements of management and financial information and records or financial losses.

The Board has established an ongoing process for identifying, evaluating and managing material risks. This process includes enhancing the system of internal control when needed in line with changes in the business environment or regulations. The Management of the Company assists the Board in implementing the policies and procedures on risk and control by identifying and assessing the risks faced and in the design, operation and monitoring of appropriate internal controls to control risks.

The process adopted by the Board in applying and reviewing the design and effectiveness of the internal control mechanism on financial reporting:

The key processes that have been established for reviewing the adequacy and integrity of the system of internal controls of financial reporting are as follows:

- The Board established various appointed Committees, including those mandatory Committees as required by the Finance Business Act Directions No. 5 of 2021 (Corporate Governance) of the Central Bank of Sri Lanka. This is to assist the Board in ensuring the effectiveness of the Company's daily operations and that the Company's operations are conducted in line with the corporate objectives, strategies and annual budget, as well as the policies and business directions that have been approved.
- Policies are developed covering all functional areas of the Company, which are recommended by Board appointed Committees and approved by the Board. Such policies are reviewed and approved at least annually.
- Relevant Heads of Departments have been delegated the task of applying controls to capture their related transactions onto a defined and structured information recording system supporting financial reporting. At the same time, the Finance Department headed by the Head of Finance has been delegated to prepare the Accounts and Annual Financial Statements in line with applicable Sri Lanka Accounting Standards, other applicable regulations and industry best practices.
- The Company has reorganised and strengthened the Internal Audit Department, which is entrusted with the task of carrying out the Company's internal audit function periodically to verify compliance with policies and procedures and the effectiveness of the internal control systems and providing feedback on such reviews to the Audit Committee on any non-compliance and recommendations for improvements.
- The Internal Audit Department has sought confirmations from the management on internal controls adopted in the respective processes they handled and confirmed to the Board upon testing such controls.
- Being a 100% owned subsidiary of Commercial Bank of Ceylon PLC, the Company is subjected to audit and review by the Inspection Department of the Bank. It is entrusted with conducting inspections of the Company's operations periodically to verify compliance with policies and procedures and the effectiveness of the internal control systems. It also provides feedback on such reviews to the Board Audit Committee on any non-compliance and recommendations for improvements. Besides onsite inspections, the Inspection Department commenced an online monitoring system on CBCF's day-to-day operations after implementing the ICBS. Similarly, oversight functions are carried out by the Information Systems Audit Department and the Integrated Risk Management Department of the Bank, engaged on the basis mentioned herein.
- The Board Audit Committee of the Company, which is set up on Terms of Reference approved by the Board of Directors, meets regularly to review internal control issues identified by Internal Auditors in their periodic reviews, queries raised by the External Auditors consequent to their statutory reviews and other matters brought up by the management. In addition, the Committee evaluates the adequacy and effectiveness of the Company's internal control systems.
- The Board Audit Committee further reviews the work of Internal Auditors on their scope and quality of audits. The Committee follows up on matters with the management and, in turn, provides feedback to the Board on matters of concern for their deliberation and resolution.

- Other Subcommittees appointed by the Board assist the Board in reviewing the effectiveness of areas relevant to such Committees. This includes ensuring that related operations follow corporate objectives, policies and established procedures and would help provide feedback to the Board on any shortcomings.
- The matters highlighted by the External Auditors relating to the internal controls in the year ended December 31, 2023 were attended, and corrective measures were initiated to rectify such concerns.
- The recommendations made by the External Auditor in the financial year ended December 31, 2024 including repeated items from 2023 in connection with the internal control system will be addressed in future.

Since adopting the Sri Lanka Accounting Standard – SLFRS 09 on "Financial Instruments" on April 01, 2018, processes required to comply with the latest requirements of recognition, measurement, presentation and disclosures were introduced and implemented as necessary. Continuous monitoring is in progress, and steps are being taken to improve the processes and enhance effectiveness and efficiency.

The existing models to calculate Expected Credit Losses (ECL) are inherently complex, and judgement is applied to determine the correct construction of the models. Several critical assumptions are also used in the models, including the selection and input of forward-looking information. External consultants reviewed these models independently, and their opinions were considered for model improvements. The Company has documented the relevant processes relating to SLFRS 09 in the procedure manual whilst necessary changes are being made with the BAC and the Board's approval.

In addition, the Company is closely monitoring the impact of the extraordinary macroeconomic circumstances on its customers, incorporating separate management overlays to the ECL model and stressing the qualitative factors used to assess forward-looking macroeconomic indicators.

Confirmation by the Board:

The Board believes that the system of internal controls is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting. Accordingly, based on the established internal control mechanism explained above, the Board confirms that the financial reporting system of the Company has been designed and continuously upgraded to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes is done in line with Sri Lanka Accounting Standards and as per the requirements of the industry regulator.

During that period, Company tested the adequacy of internal controls with the help of the Internal Auditor, who accordingly tested the essential internal controls and confirmed the same to the Board of Directors.

The Company is continuously reviewing policies/procedures manuals for the key processes and the recommendations made by the Auditors on the internal controls of the Company, which are continually dealt with.

External Auditor's Review of the Statement:

The External Auditors have reviewed the above Directors' Statement on Internal Control for December 31, 2024. They reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the design and effectiveness of the internal control system of the Company over financial reporting.

Sarath Jayasuriya
Chairman – Board Audit Committee

Chamilantha Fernando
Managing Director/
Chief Executive Officer

March 24, 2025

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF CBC FINANCE LIMITED

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Report on the Statement on Internal Control Over Financial Reporting included in the Directors' Statement on Internal Control

We were engaged by the Board of Directors of CBC Finance Ltd. ("The Company") to provide assurance on the Statement of Internal Control Over Financial Reporting included in the Directors' Statement on Internal Control for the year ended December 31, 2024 ("The Statement") included in the annual report for the year ended December 31, 2024.

Management's Responsibility

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

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities and Compliance with SLSAE 3051

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

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for License Finance Company/Finance Leasing Company on Directors' Statement on Internal Control, issued by the institute of Charted Accountants of Sri Lanka.

This standard required that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

For purpose of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed an audit or review of the financial information.

Summary of Work Performed

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

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

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

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

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our Conclusion

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

Ernst & Young

March 24, 2025

Colombo

FINANCIAL REPORTS

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INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF CBC FINANCE LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of CBC Finance Limited ("Company") which comprise the Statement of Financial Position as at December 31, 2024, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cashflows for the year then ended, and Notes to the Financial Statements, including material accounting policy information.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Company as at December 31, 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The Financial Statements of the Company for the year ended December 31, 2023, were audited by another auditor who expressed an unmodified opinion on those statements on March 27, 2024.

Responsibilities of Management and those charged with Governance for the Financial Statements

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

In preparing the Financial Statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SLAuSs, we exercise professional

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judgment and maintain professional skepticism throughout the audit. We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charge with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Report on Other Legal and Regulatory Requirements

Requirements of Section 163(2) of the Companies Act. No. 07 of 2007

We have obtained all the information and explanations that were required for the audit. As far as appears from our examination, in our opinion, proper accounting records have been kept by the Company.

Ernst & Young

March 24, 2025

Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31,	Notes	2024 LKR	2023 LKR
Gross income	9	2,661,366,764	1,991,470,180
Interest income		2,271,136,833	1,767,177,189
Interest expenses		(1,399,057,829)	(1,270,698,792)
Net interest income	10	872,079,004	496,478,397
Fee and commission income		291,433,391	149,882,005
Fee and commission expenses		(22,167,639)	(32,488,653)
Net fee and commission income	11	269,265,752	117,393,352
Other operating income	12	98,796,540	74,410,986
Total operating income		1,240,141,296	688,282,735
Impairment charges and other losses	13	(236,864,852)	(481,615,526)
Net operating income		1,003,276,444	206,667,209
Operating expenses			
Personnel expenses	14	(362,379,028)	(253,178,874)
Depreciation and amortisation		(81,544,128)	(61,802,622)
Other operating expenses	15	(298,887,425)	(212,290,253)
Operating profit before taxes on financial services		260,465,863	(320,604,540)
Taxes on financial services	16	(102,802,202)	–
Profit/(loss) before taxation		157,663,661	(320,604,540)
Income tax expense	17	(76,122,654)	95,427,017
Profit/(loss) for the year		81,541,007	(225,177,523)
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Revaluation surplus of property, plant and equipment	24	–	27,169,343
Deferred tax charge on revaluation surplus of property, plant and equipment	17	–	(8,150,803)
		–	19,018,540
Actuarial gains/(losses) on defined benefit plans, net of tax			
Actuarial gain/(losses) on defined benefit plans	30	(3,605,250)	(436,423)
Deferred tax reversal/(charge) on actuarial losses	17	1,081,575	130,927
		(2,523,675)	(305,496)

Year ended December 31,	Notes	2024 LKR	2023 LKR
Unquoted equity securities, net of tax			
Net change in fair value of FVOCI financial assets	38	172,960	64,814
Deferred tax (charge) on fair value reserve	17	(51,888)	(19,444)
		121,072	45,370
Items that are or may be reclassified to profit or loss			
Net change in fair value of FVOCI financial assets		3,482,780	8,976,735
Deferred tax (charge)/reversal on fair value reserve	17	(1,044,834)	(2,693,021)
		2,437,946	6,283,714
Other comprehensive income for the period, net of tax		35,343	25,042,128
Total comprehensive income for the period		81,576,350	(200,135,395)
Basic earnings per share	18	0.37	(1.02)

Figures in brackets indicate deductions.

The annexed Notes to the Financial Statements form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at December 31,	Notes	**2024** **LKR**	2023 LKR
Assets			
Cash and cash equivalents	20	166,599,890	154,177,733
Financial investments at fair value through other comprehensive income	21	1,634,253,594	712,023,869
Loans and advances	22	13,445,176,774	10,142,399,731
Investment properties	23	680,900,000	538,875,000
Property, plant and equipment	24	432,503,997	408,560,886
Intangible assets	25	33,576,762	31,727,740
Right-of-use assets	26	68,159,813	62,696,695
Current tax assets	33	394,940	–
Deferred tax assets	32	283,122,147	359,259,949
Other assets	27	115,951,395	49,039,147
Total assets		16,860,639,312	12,458,760,750
Liabilities			
Deposit liabilities	28	10,311,261,790	6,534,180,634
Due to banks	29	3,050,169,109	2,758,596,459
Employee benefits	30	23,097,606	15,694,914
Lease liabilities	31	74,210,693	64,874,901
Current tax liabilities	33	–	2,605,060
Other liabilities	34	342,987,530	105,472,548
Total liabilities		13,801,726,728	9,481,424,516
Equity			
Stated capital	35	3,254,999,964	3,254,999,964
Accumulated losses	36	(610,441,417)	(431,325,175)
Other reserves	37	414,354,037	153,661,445
Total equity		3,058,912,584	2,977,336,234
Total liabilities and equity		16,860,639,312	12,458,760,750

The annexed Notes to the Financial Statements form an integral part of these Financial Statements.

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

Nuwan Sardarathne
Chief Manager – Finance

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

Chamilantha Fernando
Managing Director/Chief Executive Officer

S M S C Jayasuriya
Director

March 24, 2025
Kandy

STATEMENT OF CHANGES IN EQUITY

		Other reserves							
	Stated capital	Capital reserve	Revaluation reserve	Statutory reserve fund	Fair value reserve	General reserve	Regulatory loss allowance reserve	Retained earnings/ (accumulated losses)	Total equity
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Balance as at January 01, 2023	3,254,999,964	50,000	79,498,538	33,328,578	(4,661,184)	20,097,889	–	(205,842,157)	3,177,471,627
Comprehensive income									
Profit for the year	–	–	–	–	–	–	–	(225,177,522)	(225,177,522)
Other comprehensive income for the year net of tax	–	–	19,018,540	–	6,329,084	–	–	(305,496)	25,042,128
Total comprehensive income	–	–	19,018,540	–	6,329,084	–	–	(225,483,018)	(200,135,394)
Balance as at December 31, 2023	3,254,999,964	50,000	98,517,078	33,328,578	1,667,900	20,097,889	–	(431,325,175)	2,977,336,233
Balance as at January 01, 2024	3,254,999,964	50,000	98,517,078	33,328,578	1,667,900	20,097,889	–	(431,325,175)	2,977,336,233
Comprehensive income									
Profit for the year	–	–	–	–	–	–	–	81,541,007	81,541,007
Other comprehensive income for the year net of tax	–	–	–	–	2,559,018	–	–	(2,523,675)	35,343
Total comprehensive income	–	–	–	–	2,559,018	–	–	79,017,332	81,576,350
Transactions recognised directly in equity									
Transfers during the year	–	–	–	4,077,050	–	–	254,056,524	(258,133,574)	–
	–	–	–	4,077,050	–	–	254,056,524	(258,133,574)	–
Balance as at December 31, 2024	3,254,999,964	50,000	98,517,078	37,405,628	4,226,918	20,097,889	254,056,524	(610,441,417)	3,058,912,583

Figures in brackets indicate deductions.

The annexed Notes to the Financial Statements form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended December 31,	Notes	2024 LKR	2023 LKR
Cash flows from operating activities			
Profit before taxation		157,663,661	(320,604,539)
Adjustments for:			
Interest expenses	10.2	1,399,057,829	1,270,698,792
Impairment charges and other losses	13	236,864,852	481,615,526
Interest income from bank deposits and government securities	10.1	(131,941,469)	(168,577,924)
Dividend income	12	(228,565)	(179,520)
Depreciation	24	47,377,080	34,746,169
Amortisation		5,147,598	27,056,453
Provision for defined benefit plans	30.1	5,526,345	4,690,036
(Profit)/loss on sale of property, plant and equipment		(13,478,345)	(380)
(Profit)/loss on sale of investment property		3,225,000	–
Fair value loss/(gain) on investment properties	23	550,000	(13,980,000)
Operating profit before working capital changes		1,709,763,986	1,315,464,613
Increase in loans and receivables		(3,685,441,895)	(2,117,177,242)
Increase in other assets		(72,375,366)	(530,649,977)
Increase in deposit liabilities		2,596,808,888	411,470,878
Increase/(decrease) in other liabilities		271,997,551	44,388,849
Cash generated from/(used in) operations		820,753,164	(876,502,879)
Taxes paid	33	(3,000,000)	(31,120,764)
Gratuity paid	30	(1,728,903)	(761,673)
Net cash flows generated from/(used in) operating activities		816,024,261	(908,385,316)
Cash flows from investing activities			
Purchase of property, plant and equipment	24	(72,372,911)	(99,332,344)
Proceeds from sale of property, plant and equipment		14,531,065	89,019
Proceeds from sale and maturity of financial investments – FVOCI		(918,573,985)	895,030,959
Purchase of intangible assets	25	(6,996,620)	(5,613,385)
Interest received		131,941,469	168,577,924

Statement of Cash Flows

For the year ended December 31,	Notes	2024 LKR	2023 LKR
Dividend received	12	228,565	179,520
Net cash flows (used in) from investing activities		(851,242,417)	958,931,693
Cash flows from financing activities			
Loans obtained during the period	29	5,425,000,000	3,990,000,000
Repayments of loans during the period	29	(5,309,829,031)	(3,669,352,951)
Interest paid on loans		(210,588,357)	(258,953,321)
Interest paid on overdraft		(5,074,420)	(15,294)
Repayment of lease liabilities	31	(33,259,587)	(26,432,781)
Net cash flows (used in)/generated from financing activities		(133,751,395)	35,245,653
Net increase in cash and cash equivalents		(168,969,551)	85,792,030
Cash and cash equivalents at the beginning of the period		128,448,253	42,656,223
Cash and cash equivalents at the end of the period*		(40,521,298)	128,448,253
Analysis of cash and cash equivalents at the end of the period*			
Cash and bank balances	20	166,599,890	154,177,733
Bank overdraft	29	(207,121,188)	(25,729,480)
		(40,521,298)	128,448,253

Figures in brackets indicate deductions.

The annexed Notes to the Financial Statements form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

1.1 General

CBC Finance Limited ("the Company"), regulated under the Finance Business Act No. 42 of 2011, was incorporated in 1987 as a Limited Liability Company domiciled in Sri Lanka under provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007 under the Company Registration No. PB 276.

The registered office and the principal place of business of the Company is located at No. 187, Katugastota Road, Kandy.

1.2 Principal activities and nature of operations

The principal activities of the Company are granting of Lease Facilities, Hire Purchase, Mortgage Loans and Other credit facilities, whilst accepting public deposits from customers. There were no significant changes in the nature of the principal activities of the Company during the financial period under review.

1.3 Parent entity and ultimate parent entity

The Company's parent enterprise and the ultimate parent enterprise is Commercial Bank of Ceylon PLC.

1.4 Number of employees

The number of employees as at December 31, is 318 (December 31, 2023: 271).

2. Basis of Preparation

2.1 Statement of compliance

The Financial Statements of the Company which comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow and Accounting Policies and Notes, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011.

2.2 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company for the year ended December 31, 2024 were approved and authorised for issue by the Board of Directors in accordance with the resolution of the Directors on March 24, 2025.

2.3 Basis of measurement

The Financial Statements of the Company have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position:

- Financial Assets classified as Fair Value through Other Comprehensive Income are measured at fair value.
- Liabilities for defined benefit obligations are recognised at the present value of the defined benefit obligation.
- Land and buildings measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation.
- Right-of-use assets measured at cost and lease liability measured at the present value of the lease payments that are not paid.
- Investment property measured at cost at the time of acquisition and subsequently at fair value.

2.4 Functional and presentation currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('The Functional Currency'). The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency.

Rounding

The amounts in the Financial Statements have been rounded-off to the nearest Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 01 on "Presentation of Financial Statements."

2.5 Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statements of Financial Position are listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 38.

2.6 Materiality and aggregation

In compliance with Sri Lanka Accounting Standard – LKAS 01, (Presentation of Financial Statements), each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately unless they are immaterial.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of profit or loss and other comprehensive income unless required or permitted by an Accounting Standard.

2.7 Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous financial year 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.

2.8 Use of Judgements and estimates

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

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

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- **Note 3.2 –** classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are Solely Payment of Principal and Interest (SPPI) on the principal amount outstanding.
- **Note 3.2.2 –** establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of Expected Credit Loss (ECL) and selection and approval of models used to measure ECL.
- **Note 11 –** revenue recognition: whether revenue is recognised over time or at a point in time;

(a) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties as at December 31, 2024 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following Notes:

- **Note 3.2.2 –** Impairment of financial assets;
- **Note 3.9** – Impairment of non-financial assets;
- **Note 3.6.2 –** Fair value of investment property;
- **Note 3.7.4 –** revaluation of property, plant and equipment;
- **Note 3.11.1.1 –** measurement of defined benefit obligations: key actuarial assumptions;
- **Note 3.12 and 3.13 –** provisions and contingencies;
- **Note 5.1 –** recognition of current tax expense;
- **Note 5.1.2 –** recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised and
- **Note 7 –** Determination of the fair value of financial instruments with significant unobservable inputs.

Going concern

The Directors have made an assessment of 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 directors are satisfied that the Financial Statements continue to be prepared on going concern basis.

3. Material Accounting Policies – Statement of Financial Position

Material accounting policies applied by the Company in the preparation of the Financial Statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements of the Company, unless otherwise indicated.

In addition, the Company adopted Disclosures of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 01 January 2023. The amendments require the disclosure of 'Material', rather than 'Significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information.

3.1 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

3.2 Financial instruments

Recognition and initial measurement

Loans and advances are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

"Day 1" Profit or Loss

When the transaction price of the instrument differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Company recognises the difference between the transaction price and fair value as a 'Day 1' profit or loss. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or Loss when the inputs become observable, or when the instrument is derecognised.

Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as, measured at: amortised cost; FVOCI (Fair value through OCI) – debt investment; FVOCI – equity investment; or FVTPL (Fair value through profit or loss).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets classified as measured at FVOCI and amortised cost and financial liabilities classified as measured at amortised cost are presented in Note 18.

Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- How the performance of the portfolio is evaluated and reported to the Company's management;
- The risks that affect the performance of the business model (the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'Principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

– contingent events that would change the amount or timing of cash flows;
– leverage features;
– terms that may adjust the contractual coupon rate, including variable-rate features;
– prepayment and extension features;
– terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features); and
– features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model.

3.2.1 Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

3.2.2 Identification and measurement of Impairment of financial assets

The Company recognises loss allowances for ECLs on:

- Financial assets measured at amortised cost; and
- Debt investments measured at FVOCI.

No impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit impaired.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as "Stage 2 financial instruments".

Financial instruments for which a lifetime ECL is recognised but which are credit-impaired are referred to as "Stage 3 financial instruments".

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The Company has provided reliefs such as deferment of repayment terms of credit facilities, for the affected businesses and individuals due to COVID-19 and prevailing extraordinary macroeconomic circumstances in line with the directions issued by the CBSL. Given the high degree of uncertainty and unprecedented circumstances in the short-term economic outlook, the Management exercised judgments in the assessment of the impact of the COVID-19 outbreak and economic downturn on the loans and advances portfolio of the Company, relying more on the long-term outlook as evidenced by past experience and taking into consideration various relief measures.

The impact of the outbreak and economic downturn has been assessed and adjusted in these Financial Statements based on the available information and assumptions made as at reporting date in line with the guidelines issued by the CBSL and the CA Sri Lanka. Accordingly, customers operating in risk elevated industries were assessed for lifetime ECL unless such exposures have specifically been identified as Stage 1 reflecting forward looking view of the economy in relation to the business.

The management decided to increase the weightings assigned for worst case scenario while decrease the weightings assigned for base case scenario when assessing the probability weighted forward looking macro-economic indicators. In addition, management overlay adjustment on the ECL computation, based on the qualitative indicators on forward looking macro-economic factors were considered with the objective of capturing recovery from the impact of economic downturn related uncertainties and volatilities.

	2024 %	2023 %
Base case	30	45
Best case	5	5
Worst case	65	50

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Individual assessment of impairment

For financial assets above a predetermined threshold (i.e. for individually significant financial assets), if there is objective evidence that an impairment loss had been incurred, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that had not been incurred). The carrying amount of the asset was reduced through the use of a provision account and the amount of impairment loss was recognised in profit or loss. Interest income is accrued and recorded in "interest income" on the reduced carrying amount/impaired balance for Stage 3 loans and others to be continued on gross carrying amount and was accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The present value of the estimated future cash flows was discounted at the financial asset's original EIR.

Collective assessment of impairment

Those financial assets for which, the Company determined that no provision was required under individual impairment, are then collectively assessed for any impairments that had been incurred but not identified. For the purpose of a collective evaluation of impairment, financial assets were grouped on the basis of similar risk characteristics such as collateral type and product type. Future cash flows on a group of financial assets that were collectively evaluated for impairment, are estimated based on the historical loss experiences of assets with similar credit risk characteristics to those in the Group.

Collateral valuation

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letter of guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and to fall in line with the CBSL directives. To the extent possible, the Company uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuation specialists.

Restructured/rescheduled financial assets

The Company renegotiates loans to customers in financial difficulties (referred to as 'rescheduled/restructured') to maximise collection opportunities and minimise the risk of default. Under the Company's policy, loan rescheduled/restructured is granted on a selective basis if the customer is currently in default on its debt or if there is a high risk of default, there is evidence that the customer made all reasonable efforts to pay under the original contractual terms and the customer is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. The Company Credit Committee regularly reviews reports on rescheduled/restructured activities.

For financial assets modified as part of the Company's rescheduled/restructured policy, the estimate of PD reflects whether the modification has improved or restored the Company's ability to collect interest and principal and the previous experience of similar forbearance action. As part of this process, the Company evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of rescheduled/restructured may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour as agreed under the modified contractual terms over a period as specified in the Central Bank directives before the exposure is no longer considered to be credit-impaired/in default such that it upgrade to Stage 1 or 2 by the Company's Recovery Department based on their independent evaluation of the customers.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Purchased or originated credit impaired financial assets

Originated credit impaired assets are financial assets that are credit impaired on initial recognition. They are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

Presentation of allowance for ECL in the Statement of Financial Position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-Off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in other operating income in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3.3 Cash and cash equivalents

'Cash and cash equivalents' include notes and coins in hand and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.4 Loans and advances

'Loans and advances' captions in the statement of financial position include:

- loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method; and
- finance lease/hire purchase receivables.

When the Company purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Company's Financial Statements.

3.5 Financial investments

The 'Financial Investments' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Company elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

3.6 Investment property

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date.

3.6.1 Classification of investment property

Management uses its judgement to determine whether a property qualifies as an investment property. A property that is held either to earn rental income or for capital appreciation or both and thus generates cash flows largely independently of the other assets held by the Company are classified as investment property. On the other hand, a property used in production or supply of goods and services or administrative purposes and thus generates cash flows that are attributable not only to property but also to other assets used in the production or supply process are classified as property, plant & equipment. The Company assesses the accounting classification of its investment properties on an annual basis, taking into consideration the current use of such properties.

3.6.2 Fair valuation of investment property

Fair valuation of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties of similar location and category. They have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location.

3.6.3 Gain or loss on disposal of investment property

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by a Chartered valuation surveyor. Any gain or loss arising from a change in fair value is recognised through profit or loss.

3.6.4 Derecognition of investment property

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Company considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer, if any.

3.6.5 Transfer in and out of investment property

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3.7 Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Company applies the requirements of the Sri Lanka Accounting Standard – LKAS 16 (Property, Plant and Equipment) in accounting for these assets.

3.7.1 Recognition

Property, plant & equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be reliably measured.

3.7.2 Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of, or service 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 the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of computer equipment.

3.7.3 Cost model

The Company applies cost model to property, plant and equipment except for freehold land and buildings and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

3.7.4 Revaluation model

The Company applies the Revaluation Model for the entire class of freehold land and buildings for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation. Freehold land and buildings of the Company are revalued by independent professional valuers every three years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised in Revaluation Reserve in Equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to profit or loss. In this circumstance, the increase is recognised as income only to extent of the previous write down in value. Any decrease in the carrying amount is recognised as an expense in profit or loss or charged to Revaluation Reserve in equity through OCI, only to the extent of any credit balances existing in the Revaluation Reserve in respect of that asset, is not transferred any part of revaluation reserve to Retained Earnings on retirement or disposal of the asset.

3.7.5 Subsequent cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be reliably measured. The costs of day to day servicing of property, plant and equipment are charged to profit or loss as incurred. Costs incurred in using or redeploying an item is not included under carrying amount of an item.

3.7.6 Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from de-recognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised.

When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

3.7.7 Depreciation

The Company provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company of the different types of assets. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The periods of depreciations based on the estimated useful lives are as follows:

Class of asset	Period
Buildings	30 - 35 years
Furniture and fittings	8 years
Office equipment	8 years
Motor vehicles	5 years
Computers & accessories	5 years
Telephone system	4 years
Electrical equipment	8 years
Sign boards	8 years
Fixtures and fittings	8 years

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at the end of each reporting period.

3.7.8 Changes in estimates

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

3.8 Intangible assets

An intangible asset is an identifiable monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes.

3.8.1 Basis of recognition

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably. An intangible asset is initially measured at cost.

3.8.2 Computer software

Cost of all computer software licensed for use by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it is probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category Intangible Assets and carried at cost less accumulated amortisation and any accumulated impairment losses.

3.8.3 Subsequent expenditure

Expenditure incurred on software is capitalised only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

3.8.4 Derecognition of intangible assets

The carrying amount of an item of intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of intangible asset is included in profit or loss when the item is derecognised.

3.8.5 Amortisation of intangible assets

Intangible assets, except for goodwill, are amortised on a straight line basis in profit or loss from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the Company. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. The Company assumes that there is no residual value for its intangible assets.

Class of asset	Period
Computer software	10 years

3.8.6 Lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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

The Company presents right-of-use assets that do not meet the definition of investment property in 'Right-of-use assets' and lease liability in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies SLFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease. Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from SLFRS 16.

3.9 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU's) 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 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, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date 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 Company estimates the asset's or CGU's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount 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 profit or loss.

3.10 Share capital

3.10.1 Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with LKAS 12.

3.10.2 Dividends payable

Provision for final dividends is recognized at the time the dividend recommended and declared by the Board of Directors, is approved by the shareholders. Interim dividends payable is recognised when the Board approves such dividend in accordance with the Companies Act No. 07 of 2007.

Dividends for the period that are declared after the reporting date are disclosed in Notes to the Financial Statements as an event after the Reporting Period in accordance with the Sri Lanka Accounting Standard – LKAS 10 (Events after the Reporting Period).

3.11 Employee benefits

3.11.1 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan' as defined in the Sri Lanka Accounting Standard – LKAS 19 (Employee Benefits).

3.11.1.1 Defined benefit plan – gratuity

All the employees of the Company are eligible for gratuity under the Payment of Gratuity Act No. 12 of 1983.

Employees those who have resigned or whose services are terminated other than by retirement are eligible to receive the terminal gratuity under the Payment of Gratuity Act No. 12 of 1983 at the rate of one half of the Gross Salary applicable to the last month of the reporting period in which the employment is terminated or resigned, for each year of completed service, for those who have served in excess of 05 years.

The defined benefits obligation is calculated annually by Independent actuary using Projected Unit Credit Method as recommended by LKAS 19 (Employee Benefits).

The assumptions based on which the results of actuarial valuation was determined, are included in Note 30.1.2 to the Financial Statements.

3.11.1.2 Recognition of actuarial gains or losses

Actuarial gains or losses are recognised in the OCI in the period in which they arise.

3.11.1.3 Funding arrangements

The Gratuity liability is not externally funded.

3.11.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods as defined in the Sri Lanka Accounting Standard – LKAS 19 (Employee Benefits).

The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense under 'personnel expenses' as and when they become due. Unpaid contributions are recorded as a liability.

3.11.2.1 Employees' Provident Fund

The Company and the Employees contribute 12% and 8% respectively on the salary of each employee to the Government Provident Fund.

3.11.2.2 Employees' Trust Fund

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund.

3.12 Provisions

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

3.13 Commitments and contingencies

All discernible risks are accounted for in determining the amount of all known liabilities.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless the probability of settlement is remote.

3.14 Earnings per Share (EPS)

The Company presents Basic Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.15 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Chief Operating Decision Maker to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

For management purposes, the Company has identified four operating segments based on products and services, as follows:

- Leasing and hire purchases
- Mortgage loans
- Personal, business and other unsecured loans
- Investments and Others

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses. Income taxes are managed on a Company basis and are not allocated to operating segments.

Interest income is reported net as management primarily relies on net interest revenue as a performance measure, not the gross income and expense.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Company's total revenue in December 31, 2024 or December 31, 2023.

4. Recognition of Income and Expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

4.1 Interest income and interest expenses

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- Interest on financial assets and financial liabilities measured at amortised cost; and
- Interest on debt instruments measured at FVOCI.

Other interest income presented in the Statement of Profit or Loss and OCI includes interest income on finance leases.

Interest expense presented in the Statement of Profit or Loss and OCI include financial liabilities measured at amortised cost.

4.2 Fee and commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate

Other fee and commission income – including sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Company's Financial Statements may be partially in the scope of SLFRS 9 and partially in the scope of SLFRS 15. If this is the case, then the Company first applies SLFRS 9 to separate and measure the part of the contract that is in the scope of SLFRS 9 and then applies SLFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

4.3 Dividend income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in other revenue based on the underlying classification of the equity investment.

4.4 Expenditure recognition

Expenses are recognised in the statement of profit or loss and other comprehensive income 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 has been charged to income in arriving at the profit for the period.

5. Taxation

5.1 Income tax

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

5.1.1 Current taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current period and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date.

Accordingly, Provision for taxation is based on the profit for the period adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No 24 of 2017 and the amendments thereto.

5.1.2 Deferred taxation

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 of the Company.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each Reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rate enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5.1.3 Tax exposures

In determining the amount of current and deferred tax, the Company considers the favourable/adverse impact to the tax liability due to assessments, revision to legislature etc. Such changes to tax liabilities could impact the tax expense in the period in which such revision is considered, as an over or under provision.

As per Notice dated December 15, 2022 issued by the Inland Revenue Department on "Changes to the Inland Revenue Act No. 24 of 2017", effective from October 01, 2022, Corporate Income Tax rate was revised from 24% to 30%. Such revised tax rate been considered in computing the income tax liabilities and deferred taxation.

5.2 Value Added Tax (VAT) on financial services

VAT on Financial Services is calculated in accordance with Value Added Tax Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of Value Added Tax on Financial Services is the accounting profit before VAT and income tax adjusted for the economic depreciation and emoluments of employees computed at 18%.

The VAT on Financial service is recognised as expense in the period it becomes due.

5.3 Social Security Contribution Levy (SSCL)

Social Security Contribution Levy shall be paid by any person carrying on the business of supplying of financial services, on the liable turnover specified in the second schedule of the Social Security Contribution Levy Act No. 25 of 2022, at the rate of 2.5% with effect from 1 October 2022. SSCL is payable on 100% of the value addition attributable to financial services.

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 to in Chapter IIIA of the Value Added Tax Act No. 14 of 2002.

5.4 Regulatory provisions

5.4.1 Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from April 01, 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

The CIL is recognised as expense in the period it becomes due.

5.4.2 Deposit insurance and liquidity support scheme

All Licensed Finance Companies were required to insure their deposit liabilities in the “Sri Lanka Deposit Insurance and Liquidity Support Scheme” in terms of the regulations, No. 2 of 2021, issued on August 06, 2021, and accordingly, the Company paid a premium of 0.15% of the eligible deposits as deposit insurance premium.

5.4.3 Surcharge tax

As per provisions of the Government Bill issued on February 07, 2022 if the aggregate of the taxable income of the holding company and all subsidiaries in a group of companies, for the Year of Assessment 2020/21, exceed rupees two thousand million (LKR 2 Bn.), each company in the group of companies is liable to pay Surcharge Tax calculated at 25% on the taxable income (after deducting profit from dividends received from subsidiaries included in the taxable income). The surcharge tax was paid in two equal instalments on March 31, and June 30, of 2022, to the Commissioner General of Inland Revenue.

6. Statement of Cash Flows

The cash flow statement has been prepared by using ‘The Indirect Method’ in accordance with the Sri Lanka Accounting Standard - LKAS 7 ‘Statement of Cash Flows’, whereby operating activities, finance activities and investing activities have been recognised. Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalent include cash in hand and balances with banks.

7. Fair Value Measurement

7.1 Fair value measurement

‘Fair value’ is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

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

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

7.2 Fair value hierarchy

The Company measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

Level 1

Inputs that are unadjusted quoted market prices in an active market for identical instruments.

When available, the Company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Inputs other than quoted prices included within Level that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)

This category includes instruments valued using;

(a) quoted market prices in active markets for similar instruments,

(b) quoted prices for identical or similar instruments in markets that are considered to be less active, or

(c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3

Inputs that are unobservable

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's value.

Valuation techniques include net present value and discounted cash flow models comparison with similar instruments for which observable market prices exists and other valuation models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and government securities such as treasury bills and bonds. Availability of observable prices and model inputs reduces the need for management judgement and estimation while reducing uncertainty associated in determining the fair values.

Models are adjusted to reflect spread for bid and ask prices to reflect cost to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('Day 1 'profit or loss') is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

8. New Accounting Standards issued but not effective as at the Reporting Date

The following new or amended standards and interpretations have been issued, but not yet effective, as at the reporting date of the Financial Statements. These are not expected to result in material impact to the Company's Financial Statements on adoption.

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 is effective for annual reporting periods beginning on or after January 01, 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.

Lack of exchangeability – Amendments to LKAS 21

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 January 01, 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

9. Gross Income

For the year ended 31 December,	Note	2024 LKR	2023 LKR
Interest income		2,271,136,833	1,767,177,189
Fee and commission income	10.1	291,433,391	149,882,005
Other operating income	11.1	98,796,540	74,410,986
Total income	12	2,661,366,764	1,991,470,180

10. Net Interest Income

10.1 Interest income

For the year ended 31 December,	2024 LKR	2023 LKR
Cash and cash equivalents	6,295,024	6,543,366
Financial investments measured at FVOCI	125,646,445	162,034,558
Loans and advances	2,139,195,364	1,598,599,265
Total interest income	2,271,136,833	1,767,177,189

10.2 Interest expenses

For the year ended 31 December,	2024 LKR	2023 LKR
Interest on deposit liabilities	1,180,272,268	1,006,504,346
Interest on bank borrowings	210,672,750	257,294,112
Interest expense on lease liabilities	8,112,811	6,900,334
Total interest expenses	1,399,057,829	1,270,698,792
Net interest income	872,079,004	496,478,397

The amounts reported above include interest income and expense, calculated using the effective interest method, that relate to the following financial assets and financial liabilities.

For the year ended 31 December,	2024 LKR	2023 LKR
Financial assets		
Financial assets measured at amortised cost	2,145,490,388	1,605,142,631
Financial assets measured at FVOCI	125,646,445	162,034,558
Total	2,271,136,833	1,767,177,189
Financial liabilities measured at amortised cost	1,399,057,829	1,270,698,792

11. Net fee and Commission Income

11.1 Disaggregation of fee and commission income

In the following table, fee and commission income from contracts with customers in the scope of SLFRS 15 is disaggregated by major type of services. The table also includes a reconciliation of the disaggregated fee and commission income.

For the year ended 31 December,	2024 LKR	2023 LKR
Fee and commission income		
Loans and advances related services	67,543,341	54,456,298
Other financial services	223,890,050	95,425,707
Total fee and commission income	291,433,391	149,882,005
Fee and commission expenses		
Loans and advances related services	21,354,348	31,773,717
Other financial services	813,291	714,936
Total fee and commission expenses	22,167,639	32,488,653
Net fee and commission income	269,265,752	117,393,352

The fees and commission presented in this note include income of LKR 291.4 Mn. (December 31, 2023: LKR 149.9 Mn.) and expense of LKR 22.1 Mn. (December 31, 2023: LKR 32.4 Mn.) relating to financial assets and financial liabilities not measured at FVTPL. These figures exclude amounts incorporated in determining the effective interest rate on such financial assets and financial liabilities.

11.2 Performance obligations and revenue recognition policy

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under SLFRS 15
Retail and corporate finance service	The Company provides lending services to retail and corporate customers, including provision of other loan facilities. Transaction-based fees for interchange and loans are charged to the customer's account when the transaction takes place.	Revenue related to transactions is recognised at the point in time when the transaction takes place.

12. Other Operating Income

For the year ended 31 December,	2024 LKR	2023 LKR
Dividend income	228,565	179,520
Recoveries of loans written-off	81,168,521	59,145,820
Profit on disposal of property, plant and equipment	13,478,345	380
Rental and other income	3,921,109	1,105,266
Fair value gain on investment properties	–	13,980,000
Total	98,796,540	74,410,986

13. Impairment Charges and Other Losses

For the year ended 31 December,	Note	2024 LKR	2023 LKR
Loans and advances			
Collective impairment	22.1	278,122,832	320,899,251
Write-off against the provision		3,445,950	206,550,458
Direct write-off for the year		12,947,278	–
Total impairment charges – Loans and advances		294,516,060	527,449,709
Other financial assets		(3,270,388)	1,802,364
Interest unwinding on stage three contracts		(54,380,820)	(47,636,547)
Total impairment charges		236,864,852	481,615,526

14. Personnel Expenses

For the year ended 31 December,		2024 LKR	2023 LKR
Salaries and other related expenses		254,335,003	147,587,006
Employer's contribution to Employees' Provident Fund		24,972,011	14,966,005
Employer's contribution to Employees' Trust Fund		6,264,752	3,741,501
Gratuity charge for the year	29.1	5,526,345	4,690,036
Other staff related expenses		71,280,917	82,194,326
Total		362,379,028	253,178,874

15. Other Operating Expenses

For the year ended 31 December,	2024 LKR	2023 LKR
Directors' emoluments	7,890,000	4,360,000
Auditors' remuneration – Audit and audit related services	2,211,062	2,277,972
Auditors' remuneration – Non-audit related services	1,147,513	1,022,028
Professional and legal expenses	2,646,904	5,543,428
General insurance expenses	6,803,910	2,731,120
Office administration and establishment expenses	259,642,058	180,223,226
Fair value loss on investment property	550,000	–
Disposal loss on sale of investment property	3,225,000	–
Sales, marketing and business promotional expenses	14,770,978	16,132,479
Total	298,887,425	212,290,253

16. Taxes on Financial Services

For the year ended 31 December,	2024 LKR	2023 LKR
Value added tax on financial services (FS VAT)	90,265,348	–
Social Security Contribution Levy (SSCL)	12,536,854	–
	102,802,202	–

17. Income Tax Charge/(Reversal)

17.1 Amounts recognised in profit or loss

For the year ended 31 December,	2024 LKR	2023 LKR
Current tax expense		
Under provision in relation to prior years (2019/20)	–	3,152,833
Over provision in relation to prior years (2022/23)	–	(6,519,836)
	–	(3,367,003)
Deferred tax expense		
Origination of deferred tax assets	76,122,654	(92,060,014)
Total	76,122,654	(95,427,017)

17.2 Amount recognised in OCI

For the year ended 31 December,	2024 LKR	2023 LKR
Income that will not be reclassified to profit or loss		
Revaluation surplus of capital assets	–	8,150,803
Remeasurement of defined benefit liability	(1,081,575)	(130,927)
Net change in fair value of unquoted equity securities	51,888	19,444
	(1,029,687)	8,039,320
Items that are or may be reclassified subsequently to profit or loss		
Movement in fair value reserve (debt instruments)	1,044,834	2,693,021
	15,147	10,732,341

17.3 Reconciliation of effective tax rate

Reconciliation of effective tax rate	2024 Effective tax rate %	2024 LKR	2023 Effective tax rate %	2023 LKR
(Loss)/profit for the year		81,541,007		(225,177,523)
Income tax charge		76,122,654		(95,427,017)
(Loss)/profit before taxation		157,663,661		(320,604,540)
Tax using the domestic corporation tax rates of 30%	30	47,299,098	30	(96,181,362)
Tax effect of aggregate disallowable items	84	132,308,242	-52	166,577,369
Tax effect of aggregate allowable expenses	-94	(148,390,660)	47	(149,873,313)
Tax effect of capital portion of rentals	1	969,705	-2	7,502,915
Tax effect on B/F tax losses	-20	(32,186,385)	-22	71,974,391
Adjustment for prior years	0	–	1	(3,367,003)
Deferred tax charge/(reversal) due to temporary difference	48	76,122,654	29	(92,060,014)
	48	76,122,654	30	(95,427,017)

17.4 Amounts recognised directly in equity

There were no items recognised directly in equity during the year ended December 31, 2024.

17.5 Tax losses carried forward

For the year ended December 31,	2024 LKR	2023 LKR
Tax loss brought forward	238,753,926	–
Tax loss for the year of assessment	–	238,753,926
Set off against the current taxable income	(107,287,951)	–
Tax loss carried forward	131,465,975	238,753,926

17.6 The income tax provision of the Company is calculated on its adjusted profits at the standard rate of 30% in accordance with the Inland Revenue Act No. 24 of 2017 and amendments thereto.

18. Basic Earnings/(Loss) Per Share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year.

For the year ended 31 December,	2024 LKR	2023 LKR
Profit/(loss) attributable to ordinary shareholders (LKR)	81,541,007	(225,177,523)
Weighted average number of ordinary shares in issue	221,793,834	221,793,834
Basic earnings/(loss) per ordinary share (LKR)	0.37	(1.02)

18.1 There were no potentially dilutive ordinary shares outstanding at any time during the year, hence diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share.

19. Analysis of Financial Instruments by Measurement Basis

As at December 31, 2024	Note	At amortised cost LKR	Fair value through OCI LKR	Other financial liabilities at amortised cost LKR	Total LKR
Assets					
Cash and cash equivalents		166,599,890	–	–	166,599,890
Financial investments		–	1,634,253,594	–	1,634,253,594
Loans and advances		13,445,176,774	–	–	13,445,176,774
Other assets	27	12,814,599	–	–	12,814,599
Total financial assets		13,624,591,263	1,634,253,594	–	15,258,844,884
Liabilities					
Deposit liabilities		–	–	10,311,261,790	10,311,261,790
Due to banks		–	–	3,050,169,109	3,050,169,109
Lease liabilities		–	–	74,210,693	74,210,693
Other liabilities	34	–	–	30,363,849	30,363,849
Total financial liabilities		–	–	13,466,005,441	13,466,005,441

As at December 31, 2023	Note	At amortised cost LKR	Fair value through OCI LKR	Other financial liabilities at amortised cost LKR	Total LKR
Assets					
Cash and cash equivalents		154,177,733	–	–	154,177,733
Financial investments		–	712,023,869	–	712,023,869
Loans and advances		13,445,176,774	–	–	13,445,176,774
Other assets	27	23,836,965	–	–	23,836,965
Total financial assets		13,623,191,472	712,023,869	–	14,335,215,368
Liabilities					
Deposit liabilities		–	–	6,534,180,634	6,534,180,634
Due to banks		–	–	2,758,596,459	2,758,596,459
Lease liabilities		–	–	64,874,901	64,874,901
Other liabilities	34	–	–	30,363,849	30,363,849
Total financial liabilities		–	–	9,388,015,843	9,388,015,843

20. Cash and Cash Equivalents

For the year ended December 31,	2024 LKR	2023 LKR
Cash in hand held in local currency	98,406,072	50,616,608
Balances with licensed commercial banks	68,193,818	103,561,125
Total	166,599,890	154,177,733

21. Financial investments at Fair Value through Other Comprehensive Income

21.1 Financial investments – FVOCI

For the year ended December 31,	Note	2024 LKR	2023 LKR
Investments in unquoted equities	21.1	2,358,002	2,185,042
Investments in government securities		1,631,895,592	709,838,827
Total		1,634,253,594	712,023,869

21.2 Unquoted equities

For the year ended December 31,	2024			2023		
	Number of shares LKR	Cost LKR	Carrying value/ fair value LKR	Number of shares LKR	Cost LKR	Carrying value/ fair value LKR
Credit Information Bureau	100	123,700	2,358,002	100	123,700	2,185,042
Total		123,700	2,358,002		123,700	2,185,042

These are investments held for regulatory purposes. When measuring fair values of Financial Investments the Company used the latest publicly available Financial Statements. No strategic investment were disposed of during the year and there were no transfers at any cumulative gain or loss with in equity relating to these investments.

22. Loans and Advances

For the year ended December 31,	Note	2024 LKR	2024 LKR
Loans and advances		18,943,150,100	14,912,738,244
Less: Unearned income		(3,724,614,129)	(3,275,102,148)
Gross loans and advances		15,218,535,971	11,637,636,096
Less: Allowance for impairment losses	22.1	(1,773,359,197)	(1,495,236,365)
Net loans and advances		13,445,176,774	10,142,399,731

22.1 Allowance for impairment losses

For the year ended December 31,	2024 LKR	2023 LKR
As at 01 January,	1,495,236,365	1,174,337,114
Charge for the period – collective impairment	281,568,782	527,449,709
Write-off against the provision	(3,445,950)	(206,550,458)
As at December 31,	1,773,359,197	1,495,236,365

Loans and advances with the contractual amount of LKR 3,445,950.00 has written down during the 2024 are still subject to enforcement activity.

22.1.1 Analysis of allowance for impairment losses by product

For the year ended December 31,	Note	2024 LKR	2023 LKR
Leases	22.2.1	374,389,467	344,175,051
Hire purchase	22.2.2	116	120
Mortgage loans	22.2.3	477,540,312	503,797,976
Other loans	22.2.4	921,429,302	647,263,218
		1,773,359,197	1,495,236,365

22.1.1 The Company assesses impairment based on collective models developed for specific products. Further Impairment has not been assessed based on individual impairment model for the years ended December 31, 2024 as lack of information to perform to back-testing to ensure the model accuracy due to unavailability of sufficient past data due to moratorium/concessions granted during the previous years based on the circular's issued from the Central Bank of Sri Lanka and limitations to re-assess the accuracy and reliability of estimated future cash flow projections and the other objective evidences and related assumptions under prevailing unstable economic situation of the country. Accordingly, impairment charge of LKR 281,568,782.00 recorded during the year over the total portfolio considered for impairment under collective approach.

22.2 Analysis by product

As at December 31,	Note	2024 LKR	2023 LKR
Leases	22.2.1	4,795,591,393	3,086,508,365
Hire purchase	22.2.2	–	–
Mortgage loans	22.2.3	2,580,991,155	3,413,855,413
Other loans	22.2.4	6,068,594,226	3,642,035,952
		13,445,176,774	10,142,399,730

22.2.1 Leases

As at December 31,	Note	2024 LKR	2023 LKR
Gross lease receivable			
Within one year	22.2.1 (a)	1,947,666,975	1,502,128,103
One to five years	22.2.1 (b)	3,222,313,885	1,928,555,313
Over five years	22.2.1 (c)	–	–
		5,169,980,860	3,430,683,416
Less: Allowance for impairment losses		(374,389,467)	(344,175,051)
Net lease receivable		4,795,591,393	3,086,508,365

22.2.1 (a) Gross lease receivable within one year

As at December 31,	2024 LKR	2023 LKR
Total lease receivable within one year	2,885,472,454	2,119,861,784
Less: Unearned income	(937,805,479)	(617,733,681)
	1,947,666,975	1,502,128,103

22.2.1 (b) Gross lease receivable within one to five years

As at December 31,	2024 LKR	2023 LKR
Total lease receivable within one to five years	4,344,984,752	2,699,991,501
Less: Unearned income	(1,122,670,867)	(771,436,188)
	3,222,313,885	1,928,555,313

22.2.1 (c) Gross lease receivable over five years

As at December 31,	2024 LKR	2023 LKR
Total lease receivable over five years	–	–
Less: Unearned income	–	–
	–	–

22.2.2 Hire purchase

As at December 31,	Note	2024 LKR	2023 LKR
Gross hire purchase receivable			
Within one year	22.2.2 (a)	116	120
One to five years		–	–
Over five years		–	–
		116	120
Less: Allowance for impairment losses		(116)	(120)
Net hire purchase receivable		–	–

22.2.2 (a) Gross hire purchase receivable within one year

For the year ended 31 December,	2024 LKR	2023 LKR
Total hire purchase rentals receivable	116	120
Less: Unearned income	–	–
	116	120

22.2.3 Mortgage loans

For the year ended December 31,	Note	2024 LKR	2023 LKR
Gross mortgage loans receivable			
Within one year	22.2.3 (a)	1,637,234,677	1,361,319,810
One to five years	22.2.3 (b)	1,303,609,818	2,274,099,562
Over five years	22.2.3 (c)	117,686,972	282,234,018
		3,058,531,467	3,917,653,389
Less: Allowance for impairment losses		(477,540,312)	(503,797,976)
Net mortgage loans receivable		2,580,991,155	3,413,855,413

22.2.3 (a) Gross mortgage loans receivable within one year

For the year ended December 31,	2024 LKR	2023 LKR
Total mortgage loans receivable	1,957,994,954	1,852,839,582
Less: Unearned income	(320,760,277)	(491,519,772)
	1,637,234,677	1,361,319,810

22.2.3 (b) Gross mortgage loans receivable within one to five years

For the year ended December 31,	2024 LKR	2023 LKR
Total mortgage loans receivable	1,775,455,740	3,068,627,375
Less: Unearned income	(471,845,922)	(794,527,813)
	1,303,609,818	2,274,099,562

22.2.3 (c) Gross mortgage loans receivable over five years

For the year ended December 31,	2024 LKR	2023 LKR
Total mortgage loans receivable	128,888,099	329,848,721
Less: Unearned income	(11,201,127)	(47,614,703)
	117,686,972	282,234,018

22.2.4 Other loans

For the year ended December 31,	Note	2024 LKR	2023 LKR
Gross other loans receivable			
Within one year	22.2.4 (a)	5,941,818,438	3,872,005,612
One to five years	22.2.4 (b)	939,341,445	388,831,609
Over five years	22.2.4 (c)	108,863,645	28,461,949
		6,990,023,528	4,289,299,170
Less: Allowance for impairment losses		(921,429,302)	(647,263,218)
Net other loans receivable		6,068,594,226	3,642,035,952

22.2.4 (a) Gross other loans receivable within one year

For the year ended December 31,	2024 LKR	2023 LKR
Total other loans receivable	6,510,789,954	4,331,459,000
Less: Unearned income	(568,971,516)	(459,453,388)
	5,941,818,438	3,872,005,612

22.2.4 (b) Gross other loans receivable within one to five years

For the year ended December 31,	2024 LKR	2023 LKR
Total other loans receivable	1,216,996,489	475,674,759
Less: Unearned income	(277,655,044)	(86,843,150)
	939,341,445	388,831,609

22.2.4 (c) Gross other loans receivable over five years

For the year ended December 31,	2024 LKR	2023 LKR
Total other loans receivable	122,567,542	34,435,402
Less: Unearned income	(13,703,897)	(5,973,453)
	108,863,645	28,461,949

22.2.4 (d) Other loans includes personal loans, business loans, gold loans and other unsecured loans.

23. Investment Properties

As at December 31,	2024 LKR	2023 LKR
Cost/Valuation		
As at January 01,	538,875,000	26,350,000
Additions during the year	154,800,000	498,545,000
Removal during the year	(12,225,000)	–
Fair value gain	(550,000)	13,980,000
As at December 31,	680,900,000	538,875,000

23.1 Details of investment properties

			Extent	
Location	Date of valuation	Number of buildings	Land (Perches)	Buildings (Square feet)
Lot 04, Plan No.1,652, Bulumulla, Kiribathkumbura.	31.12.2024	–	18.70	–
Lot 01, Plan No.1,366, Alapalawala, Handessa, Peradeniya.	31.12.2024	–	312.00	–
Lot 8,247, Plan No.7,790 C/5,367, Suranimala Place, Pamankada, Thimbirigasyaya.	31.12.2024	3	–	5,280
Lots 5,112 and 5,113, Plan No.224, No 122/37, High level road, Kirulapone.	31.12.2024	–	22.81	–
Lots 01, Plan No.896,Yatiwawala, Katugastota, Kandy.	31.12.2024	–	272.01	–
Lot 01, Plan No.496,Polwatta, Mawanella.	31.12.2024	1.00	98.50	12,550
Lot 02, Plan No.2,648,Ballapana Pathabage, Galigamuwa.	31.12.2024	–	105.30	–
Lot 02, Plan No.678,Iriyagama, Gangapalatha, Yatinuwara, Kandy.	31.12.2024	–	12.00	–
Lot No B, Plan No.1,085,Katukoliha, Hikkaduwa.	31.12.2024	1	49.00	1,164
Lot 11, Plan No.2,099, Mary Mount, Kandy Road, Kurunegala.	31.12.2024	1	13.50	3,590
Lot 57, Plan No.426,No – 40, Main Street, Pathana Bazar, Kotagala, Nuwara Eliya.	31.12.2024	1	8.50	2,942
Lot 1, 2 & 3 Plan No.183-2013, Dewpahala, Kuruwita, Rathnapura.	31.12.2024	–	3,992.00	–
Lot 1, Plan No.7,183, Gorakagahawatta, Udahamulla Village, Maharagama.	31.12.2024	–	9.20	–
Lot 2, Plan No.1,801, 1st Lane, Ramahera Mawatha, Kaduwela.	31.12.2024	–	55.34	–
Lot 1 A, Plan No.3,867, Perakumba Road, Kadawatha Road, Nedimala, Dehiwala.	31.12.2024	–	7.00	–

23.2 Measurement of fair value

The Company engages independent professional valuers for revaluation of its Investment Property and the valuation is carried out every financial year.

The fair value measurement for the investment properties of the Company has been categorised as a Level 3 fair value measurement based on the inputs to the valuation techniques used.

Price		Fair value of the investment property		Carrying value of investment property before fair valuation		Fair value gain/(losses) recognized in income statement	
Land (Perches) LKR	Buildings (Square feet) LKR	Land LKR	Building LKR	Land LKR	Building LKR	Land LKR	Building LKR
300,000	–	5,600,000	–	6,350,000	–	(750,000)	–
60,000	–	18,700,000	–	21,850,000	–	(3,150,000)	–
–	22,633	–	119,500,000	–	109,000,000	–	10,500,000
6,250,000	–	142,000,000	–	144,000,000	–	(2,000,000)	–
346,678	–	94,300,000	–	98,250,000	–	(3,950,000)	–
75,000	1,547	7,387,500	19,412,500	7,387,500	21,612,500	–	(2,200,000)
900,000	–	94,800,000	–	94,800,000	–	–	–
600,000	–	7,200,000	–	7,200,000	–	–	–
350,000	1,500	17,150,000	1,750,000	15,925,000	275,000	1,225,000	1,475,000
850,000	4,500	11,475,000	16,125,000	12,150,000	18,150,000	(675,000)	(2,025,000)
450,000	3,000	3,825,000	5,675,000	2,825,000	5,675,000	1,000,000	–
11,774	–	47,000,000	–	47,000,000	–	–	–
1,850,000	–	17,000,000	–	17,000,000	–	–	–
550,000	–	31,000,000	–	31,000,000	–	–	–
3,000,000	–	21,000,000	–	21,000,000	–	–	–

Details of the professional valuer	Location	Method of valuation and significant unobservable inputs
S A S Fernando Chartered Valuer FRICS (ENG.) IRRV (ENG.) FIV (S,L) MIV (R S,A) F.I.V. (Sri Lanka) R.N : F/100	Lot 04, Plan No. 1,652, Bulumulla, Kiribathkumbura.	Market comparable method price per perch
	Lot 01, Plan No. 1,366, Alapalawala, Handessa, Peradeniya.	Market comparable method price per perch
	Lot 8247, Plan No. 7,790 C/5,367, Suranimala Place, Pamankada,Thimbirigasyaya.	Investment method – Gross monthly rental Years purchase
	Lots 01, Plan No. 896, Yatiwawala, Katugastota, Kandy.	Market comparable method – price per perch
	Lot No. B, Plan No. 1,085, Katukoliha, Hikkaduwa.	Market comparable method – price per perch-price per Sq.Ft
	Lot 11, Plan No. 2,099, Mary Mount, Kandy Road, Kurunegala.	Market comparable method – price per perch – price per Sq.Ft
	Lot 2, Plan No. 1,801, 1st Lane, Ramahera Mawatha, Kaduwela.	Market comparable method – price per perch
	Lot 1 A, Plan No. 3,867, Perakumba Road, Kadawatha Road, Nedimala, Dehiwala.	Market comparable method – price per perch
D S Premasiri Associate Incorporated Valuer B. Sc. (Estate Management & Valuation) (SP), (USJP) AIV (SL) No. A/750	Lot 01, Plan No. 496, Polwatta, Mawanella.	Market comparable method – price per perch – price per Sq.Ft – Depreciation rate
	Lot 02, Plan No. 2,648, Ballapana Pathabage, Galigamuwa.	Market comparable method – price per perch
	Lot 02, Plan No. 678, Iriyagama, Gangapalatha, Yatinuwara, Kandy.	Market comparable method – price per perch
	Lot 57, Plan No. 426,No. 40, Main Street, Pathana Bazar, Kotagala, Nuwara Eliya.	Market comparable method – price per perch – price per Sq.Ft – Depreciation rate
	Lot 1, Plan No. 7,183, Gorakagahawatta, Udahamulla Village, Maharagama.	Market comparable method – price per perch
L Dasanayake Chartered Valuer, Court Commissioner & Valuer	Lots 5,112 and 5,113, Plan No. 224, No 122/37, High level road, Kirulapone.	Market comparable method – price per perch
G M Gamini Senevirathne Chartered Valuer, F.I.V. (Sri Lanka) R.N - F/325	Lot 1, 2 & 3 Plan No. 183-2013, Dewpahala, Kuruwita, Rathnapura.	Market comparable method – price per perch

Range of estimate for significant unobservable inputs	Fair value of the Investment Property		Carrying value of Investment Property before Fair Valuation		Fair Value Gain/(Losses) recognised in Income Statement	
	Land LKR	Building LKR	Land LKR	Building LKR	Land LKR	Building LKR
300,000 p.p.	5,600,000	–	6,350,000	–	(750,000)	–
60,000 p.p.	18,700,000	–	21,850,000	–	(3,150,000)	–
175,000 p.m. 24.10	–	119,500,000	–	109,000,000	–	10,500,000
346,678 p.p.	94,300,000	–	98,250,000	–	(3,950,000)	–
350,000 p.p. 1500 p. sq. ft.	17,150,000	1,750,000	15,925,000	275,000	1,225,000	1,475,000
850,000 p.p. 4500 p. sq. ft.	11,475,000	16,125,000	12,150,000	18,150,000	(675,000)	(2,025,000)
550,000 p.p.	31,000,000	–	31,000,000	–	–	–
3,000,000 p.p.	21,000,000	–	21,000,000	–	–	–
75,000p.p. 1547 p.sq.ft 26%	7,387,500	19,412,500	7,387,500	21,612,500	–	(2,200,000)
900,000 p.p.	94,800,000	–	94,800,000	–	–	–
600,000 p.p.	7,200,000	–	7,200,000	–	–	–
450,000 p.p. 2942 p.sq.ft 35%	3,825,000	5,675,000	2,825,000	5,675,000	1,000,000	–
1,850,000 p.p.	17,000,000	–	17,000,000	–	–	–
6,250,000 p.p.	142,000,000	–	144,000,000	–	(2,000,000)	–
11,774 p.p.	47,000,000	–	47,000,000	–	–	–
	518,437,500	162,462,500	526,737,500	154,712,500	(8,300,000)	7,750,000

23.2.1 Valuation techniques and sensitivity of the fair value measurement

Valuation technique	Significant unobservable valuation inputs	Sensitivity of the fair value measurement to input
Market comparable method – This method to property valuation is an approach which uses the value of recently sold comparable assets to determine the value of a property.	Price per perch for land Price per square foot for building Depreciation rate for building	The estimated fair value would increase/(decrease) if price per perch/Sq.ft./Depreciation rate would higher/(lesser)
Investment method – This method consider the current market rent by an independent valuer to value the specific property.	Gross monthly rental Years purchase Void period	The estimated fair value would increase/(decrease) if monthly rental would higher/(lesser)

24. Property, Plant and Equipment

	Land LKR	Buildings LKR	Furniture and fittings LKR	Office equipment LKR
At cost/valuation				
Balance as at January 01, 2023	83,730,000	115,689,635	13,967,685	24,312,260
Additions	–	33,419,661	6,129,598	15,250,567
Revaluation surplus	9,170,000	17,999,343	–	–
Disposals	–	–	–	–
Transfers	–	(10,408,639)	–	–
Balance as at December 31, 2023	92,900,000	156,700,000	20,097,283	39,562,827
At cost/valuation				
Balance as at January 01, 2024	92,900,000	156,700,000	20,097,283	39,562,827
Additions	–	–	8,141,696	12,830,996
Revaluation surplus	–	–	–	–
Disposals	–	–	–	–
Transfers	–	–	–	–
Balance as at December 31, 2024	92,900,000	156,700,000	28,238,979	52,393,823
Accumulated Depreciation				
Balance as at January 01, 2023	–	7,262,509	8,241,033	11,246,793
Charge for the year	–	3,146,131	1,345,436	3,176,779
Disposals	–	–	–	–
On revaluation	–	(10,408,640)	–	–
Balance as at December 31, 2023	–	–	9,586,469	14,423,572
Net book value as at Accumulated Depreciation				
Balance as at January 01, 2024	–	–	9,586,469	14,423,572
Charge for the year	–	4,003,295	2,298,962	4,875,132
Disposals	–	–	–	–
On revaluation	–	–	–	–
Balance as at December 31, 2024	–	4,003,295	11,885,431	19,298,704
As at December 31, 2024	92,900,000	152,696,705	16,353,548	33,095,119
As at December 31, 2023	92,900,000	156,700,000	10,510,814	25,139,255

Computers and accessories LKR	Sign boards LKR	Telephone system LKR	Electrical equipment LKR	Motor vehicles LKR	Fixtures and fittings LKR	Capital work-in-progress LKR	Total LKR
83,648,755	5,681,913	1,742,115	16,303,292	21,883,498	14,558,124	30,742,706	412,259,983
50,148,062	1,068,979	3,092,540	9,925,328	1,466,052	9,574,263	2,676,955	132,752,005
–	–	–	–	–	–	–	27,169,343
(692,692)	–	–	–	–	–	–	(692,692)
–	–	–	–	–	–	(33,419,661)	(43,828,300)
133,104,125	6,750,892	4,834,655	26,228,620	23,349,550	24,132,387	–	527,660,339
133,104,125	6,750,892	4,834,655	26,228,620	23,349,550	24,132,387	–	527,660,339
29,915,079	1,949,958	3,411,760	10,403,967	(0)	5,719,455	–	72,372,911
–	–	–	–	–	–	–	–
(171,850)	–	–	–	(12,325,204)	–	–	(12,497,054)
–	–	–	–	–	–	–	–
162,847,354	8,700,850	8,246,415	36,632,587	11,024,346	29,851,842	–	587,536,196
38,583,899	2,029,238	1,133,393	4,856,661	17,936,095	4,076,356	–	95,365,977
18,859,686	722,439	540,001	2,532,826	2,022,479	2,400,392	–	34,746,169
(604,053)	–	–	–	–	–	–	(604,053)
–	–	–	–	–	–	–	(10,408,640)
56,839,532	2,751,677	1,673,394	7,389,487	19,958,574	6,476,748	–	119,099,453
56,839,532	2,751,677	1,673,394	7,389,487	19,958,574	6,476,748	–	119,099,453
25,365,735	861,246	1,378,265	3,645,906	1,766,191	3,182,348	–	47,377,080
(119,085)	–	–	–	(11,325,249)	–	–	(11,444,334)
–	–	–	–	–	–	–	–
82,086,182	3,612,923	3,051,659	11,035,393	10,399,516	9,659,096	–	155,032,199
80,761,172	5,087,927	5,194,756	25,597,194	624,830	20,192,746	–	432,503,997
76,264,593	3,999,215	3,161,261	18,839,133	3,390,976	17,655,639	–	408,560,886

24.1 Acquisition of property, plant and equipment during the year

During the financial year, the Company acquired property, plant and equipment including transfer from the capital work-in-progress to the aggregate value of LKR 72,372,911.00 (Year ended December 31, 2023 – LKR 132,752,005.00).

24.2 Title restriction on property, plant and equipment

There are no restrictions that existed on the title of the property, plant and equipment of the Company as at the reporting date.

24.3 Capitalisation of borrowing costs

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year ended December 31, 2024 (Year ended December 31, 2023: Nil).

24.4 Amount of contractual commitments for the acquisition of property, plant and equipment

The Company had no contractual commitments for the acquisition of property, plant and equipment as at the reporting date (Year ended December 31, 2023: Nil).

24.5 Property, plant and equipment included fully depreciated assets amounting to LKR 78,077,528.00 as at December 31, 2024 (as at December 31, 2023 – LKR 54,414,510.00).

24.6 Measurement of fair values

The fair value of land and buildings was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's land and buildings every 3 years.

The fair value measurement of all of the land and buildings has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

24.7 Information on valuation of freehold land and buildings of the Company

Date of valuation: December 31, 2023

Name of the professional valuer/location and address	Location of the property	Extent		Method of valuation and significant unobservable inputs	Range of estimation for unobservable inputs
		Land (Perches)	Buildings (Square feet)		
Sarath G. Fernando. F.I.V. Chartered Valuer, Wattegama, Sri Lanka.	No. 187, Katugastota Road, Kandy.	11.93	10892	• Valuation on Comparative Method. • Useful life period of the building. • Price per perch for land • Price per square feet for building Depreciation rate	• Useful life period of the building is 30 years • Price per perch LKR 6,000,000.00 • Price per sq.ft. LKR 13,700.00 • Depreciation rate – 15%
	No. 182, Katugastota Road, Kandy.	3.29	3714		• Useful life period of the building is 25 years • Price per perch LKR 6,500,000.00 • Price per sq.ft. LKR 10,000.00 • Depreciation rate – 20%

24.7.1 The carrying amount of Company's revalued assets that would have been included in these Financial Statements had these assets been carried at cost less accumulated depreciation is as follows:

For the year ended December 31,	2024			2023		
	Cost	Accumulated depreciation LKR	Carrying value LKR	Cost LKR	Accumulated depreciation LKR	Carrying value LKR
Land	40,313,868	–	40,313,868	40,313,868	–	40,313,868
Building	82,904,684	14,298,587	68,606,097	82,904,684	12,640,494	70,264,190
Total	123,218,552	14,298,587	108,919,965	123,218,552	12,640,494	110,578,058

24.8 Fair value measurement hierarchy

Measurement of the fair value of the land and building is using the unobservable inputs, which need to be treated as Level 3 in accordance with SLFRS 13 Fair Value Measurement.

24.9 Impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment loss of property, plant and equipment as at December 31, 2024 specially considering the present economic condition. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of property, plant and equipment. The management has taken necessary actions to safeguard the assets to ensure its future economic value would not diminish.

Carrying value before valuation of		Revaluation amount of		Revaluation gain Recognised on	
Land LKR	Buildings LKR	Land LKR	Buildings LKR	Land LKR	Buildings LKR
65,630,000	106,726,655	71,600,000	127,000,000	5,970,000	20,273,345
18,100,000	31,974,002	21,300,000	29,700,000	3,200,000	(2,274,002)
83,730,000	138,700,657	92,900,000	156,700,000	9,170,000	17,999,343

24.10 Property, plant and equipment pledged as security

Details of property, plant and equipment which have been pledged as securities as at the reporting date are disclosed in Note 29.4.

24.11 Market comparable method

The comparison method to property valuation is an approach which uses the value of recently sold comparable assets to determine the value of a property.

25. Intangible Assets

As at December 31,	2024 LKR	2023 LKR
Computer software		
Cost		
As at January 01	56,266,999	50,653,614
Additions during the year	6,996,620	5,613,385
As at December 31	63,263,619	56,266,999
Amortisation		
As at January 01,	24,539,259	20,045,243
Additions during the year	5,147,598	4,494,016
As at December 31	29,686,857	24,539,259
Carrying value as at December 31	33,576,762	31,727,740

26. Right-of-Use Assets

As at December 31,	2024 LKR	2023 LKR
As at January 01,	62,696,695	67,406,857
Additions during the year	34,482,568	17,852,275
Amortisation for the year	(29,019,450)	(22,562,437)
As at December 31	68,159,813	62,696,695

27. Other Assets

As at December 31,	Note	2024 LKR	2023 LKR
Financial			
Refundable deposits		12,814,599	8,146,600
Debtors		1,783,178	1,783,178
Insurance premium receivable		–	19,947,446
		14,597,777	29,877,224
Allowance for impairment losses – debtors & insurance premium receivable	27.1	(1,783,178)	(6,040,259)
		12,814,599	23,836,965
Non-financial			
Prepayments		29,126,130	15,685,198
Other receivables		73,367,855	9,189,915
WHT receivable		642,811	327,069
		103,136,796	25,202,182
Total		115,951,395	49,039,147

27.1 Allowance for impairment losses – debtors and insurance premium receivable

As at December 31,	2024 LKR	2023 LKR
Debtors	(1,783,178)	(1,783,178)
Insurance premium receivable	–	(4,257,081)
	(1,783,178)	(6,040,259)

28. Deposit Liabilities

As at December 31,	2024 LKR	2023 LKR
Savings deposits	–	334,386,247
Fixed deposits	10,311,261,790	6,199,794,387
	10,311,261,790	6,534,180,634

29. Due to Banks

As at December 31,	Note	2024 LKR	2023 LKR
Bank overdrafts		207,121,188	25,729,480
Securitised borrowings	29.1	1,349,656,460	2,170,195,258
Unsecuritised borrowings	29.2	1,493,391,461	562,671,721
Total		3,050,169,109	2,758,596,459

29.1 Securitised borrowings

For the year ended December 31, 2024	As at January 01, 2024 LKR	Loans obtained during the year LKR	Interest expense for the year LKR	Repayments during the year LKR	As at December 31, 2024 LKR
Direct bank borrowings					
Term loans					
Commercial Bank of Ceylon PLC	2,170,195,258	3,260,000,000	162,584,491	(4,243,123,289)	1,349,656,460
Total	2,170,195,258	3,260,000,000	162,584,491	(4,243,123,289)	1,349,656,460

For the year ended December 31, 2023	As at January 01, 2023	Loans obtained during the year	Interest expense for the year	Repayments during the year	As at December 31, 2023
Direct bank borrowings					
Term loans					
Commercial Bank of Ceylon PLC	2,280,285,530	3,100,000,000	193,292,899	(3,403,383,171)	2,170,195,258
Total	2,280,285,530	3,100,000,000	193,292,899	(3,403,383,171)	2,170,195,258

29.2 Unsecuritised borrowings

For the year ended December 31, 2024	As at January 01, 2024 LKR	Loans obtained during the year LKR	Interest expense for the year LKR	Repayments during the year LKR	As at December 31, 2024 LKR
Sampath Bank PLC	491,051,151	1,165,000,000	37,411,264	(1,197,721,267)	495,741,148
DFCC Bank PLC	71,620,570	–	1,442,262	(73,062,832)	–
HNB	–	500,000,000	117,260	–	500,117,260
Think Capital Partners (Pvt) Ltd.	–	500,000,000	4,043,053	(6,510,000)	497,533,053
Total	562,671,721	2,165,000,000	43,013,839	(1,277,294,099)	1,493,391,461

For the year ended December 31, 2023	As at January 01, 2023 LKR	Loans obtained during the year LKR	Interest expense for the year LKR	Repayments during the year LKR	As at December 31, 2023 LKR
Sampath Bank PLC	–	890,000,000	40,946,619	(439,895,468)	491,051,151
DFCC Bank PLC	133,608,903	–	23,039,300	(85,027,633)	71,620,570
Total	133,608,903	890,000,000	63,985,919	(524,923,101)	562,671,721

29.3 Institutional borrowings

Institution	As at January 01, 2024 LKR	Loan obtained during the year LKR	Interest expense for the year LKR	Repayments Capital LKR	Interest LKR	As at December 31, 2024 LKR	Tenure of loan LKR	Security offered LKR	Prevailing interest rate %
Commercial Bank of Ceylon PLC	2,170,195,258	3,260,000,000	162,584,491	4,072,132,601	170,990,688	1,349,656,460	5 years/ revolving	Primary property mortgage & mortgage over lease and loan receivables	9.60
Sampath Bank PLC	491,051,151	1,165,000,000	37,411,264	1,159,999,999	37,721,268	495,741,148	Revolving	Commercial Bank letter of Comfort	9.10
DFCC Bank PLC	71,620,570	–	1,442,262	71,186,431	1,876,401	–	5 years revolving	Commercial Bank letter of Comfort	9.60
Hatton National Bank PLC	–	500,000,000	117,260	–	–	500,117,260	Revolving	Commercial Bank letter of Comfort	8.56
Think Capital Partners (Pvt) Ltd.	–	500,000,000	4,043,053	6,510,000	–	497,533,053	3 years/ revolving	Mortgage over lease receivables	11.40
	2,732,866,979	5,425,000,000	205,598,330	5,309,829,031	210,588,357	2,843,047,921			

29.4 Assets pledged

The following assets have been pledged as security for liabilities.

Nature of assets	Facility	2024 LKR	2023 LKR
Lease and loan receivable	Commercial Bank of Ceylon PLC – loans and bank overdraft	5,701,947,694	3,630,638,526
Property at No. 182 & 187, Katugastota Road, Kandy	Commercial Bank of Ceylon PLC – loan and bank overdraft	75,000,000	75,000,000
Lease and loan receivable	Think Capital – Trustee NDB	650,265,709	75,000,000
		5,776,947,694	3,705,638,526

30. Employee Benefits

30.1 Defined benefit plans

As at December 31,	Note	2024 LKR	2023 LKR
Movement in the present value of the defined benefit obligations			
As at January 01,		15,694,914	11,330,128
Included in profit or loss			
Current service cost		3,564,481	2,650,613
Interest cost		1,961,864	2,039,423
		5,526,345	4,690,036
Included in other comprehensive income			
Actuarial losses during the year	30.1.1	3,605,250	436,423
Payments made during the year		(1,728,903)	(761,673)
As at December 31,		23,097,606	15,694,914
30.1.1 Amount recognised for defined benefit obligation in other comprehensive income			
Cumulative (gain)/losses as at January 01,		(2,696,464)	(3,132,887)
Actuarial losses recognised during the year		3,605,250	436,423
Cumulative losses/(gain) as at December 31,		908,786	(2,696,464)

30.1.2 Actuarial assumptions

As at December 31,	2024	2023
Financial assumptions		
Discount rate	11.0% p.a.	12.5% p.a.
Salary increment rate	10.0% p.a.	9.0% p.a.
Demographic assumptions		
Staff turnover	16%	13%
Mortality	A 1967/70 Mortality Table	
Disability	10% of Mortality Table	
Retirement age	Normal retirement age, the employees who are aged over the specified retirement age have been assumed to retire on their respective next birthday.	

The average duration of the defined benefit plan obligation at the end of the reporting period is 6.0 years for the Company (2023 – 6.0 years)

An actuarial valuation of the gratuity was carried out as at December 31, 2024 by Mr M Poopalanathan, AIA, of Actuarial and Management Consultants (Pvt) Limited, a firm of professional actuaries. The valuation method used by the actuary to value the fund is the "Projected Unit Credit Method", recommended by LKAS 19.

30.1.3 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	2024		2023	
	Increase LKR	Decrease LKR	Increase LKR	Decrease LKR
Discount rate (1% movement)	(1,203,374)	1,343,246	(781,466)	865,757
Salary increment rate (1% movement)	1,352,745	(1,232,600)	905,427	(829,192)

31. Lease Liabilities

As at December 31,	2024 LKR	2023 LKR
As at January 01,	64,874,901	66,555,073
Additions during the year	34,482,568	17,852,275
Accrual of interest for the year	8,112,811	6,900,334
Payments made during the year	(33,259,587)	(26,432,781)
Balance as at December 31,	74,210,693	64,874,901

31.1 Amounts recognised in Financial Statements

31.1.1 Amounts recognised in profit or loss under SLFRS 16

As at December 31,	2024 LKR	2023 LKR
Interest on lease liabilities	8,112,811	6,900,334
Right-of-use asset amortisation	29,019,450	22,562,437
Expenses relating to short term leases	6,811,798	4,242,520

31.1.2 Amounts recognised in statement of cash flows under SLFRS 16

As at December 31,	2024 LKR	2023 LKR
Lease interest paid	(8,112,811)	(6,900,334)
Capital payment of lease liabilities	(25,146,776)	(19,532,447)

31.1.3 Undiscounted lease payable

The following table sets out the maturity analysis of lease payment showing the undiscounted lease payments to be paid after the reporting date.

As at December 31,	2024 LKR	2023 LKR
Less than one year	33,553,735	32,265,487
One to two years	26,407,730	26,436,935
Two to three years	16,861,871	17,585,930
Three to four years	12,251,130	7,776,731
Four to five years	3,793,240	2,646,150
	92,867,706	86,711,233

32. Deferred Tax Assets

As at December 31,	Notes	2024 LKR	2023 LKR
As at January 01,		(359,259,949)	(277,932,277)
Origination/(reversal) of temporary differences			
– Recognised in profit or loss	32.2	76,122,655	(92,060,013)
– Recognised in other comprehensive income	32.2	15,147	10,732,341
As at December 31,		(283,122,147)	(359,259,949)

32.1 Summary of net deferred tax

As at December 31,		2024		2023	
	Note	Temporary difference LKR	Tax effect LKR	Temporary difference LKR	Tax effect LKR
Deferred tax liabilities					
Accelerated depreciation for tax purposes – Lease assets	32.4	–	–	3,232,349	969,705
Accelerated depreciation for tax purposes – Own assets		82,508,268	24,752,480	72,165,178	21,649,553
Accelerated depreciation for tax purposes – Right-of-use assets		68,159,813	20,447,944	62,696,695	18,809,009
Revaluation surplus on buildings		80,003,929	24,001,179	82,676,293	24,802,888
Tax on capital assets (lands)	32.3	52,586,132	15,775,840	52,586,132	15,775,840
Fair value gain on investment properties		6,918,367	2,075,510	7,468,367	2,240,510
Unrealised gain on FVOCI		6,038,453	1,811,536	2,382,713	714,814
		296,214,962	88,864,489	283,207,727	84,962,319

As at December 31,	Note	2024 Temporary difference LKR	2024 Tax effect LKR	2023 Temporary difference LKR	2023 Tax effect LKR
Deferred tax assets					
Defined benefit plans		23,097,600	6,929,280	15,694,914	4,708,474
Carried forward tax losses		131,465,975	39,439,793	239,914,637	71,974,391
Carried forward unclaimed impairment losses		1,011,181,183	303,354,355	1,160,256,443	348,076,933
Amortisation of lease liabilities		74,210,693	22,263,208	64,874,901	19,462,470
		1,239,955,451	371,986,636	1,480,740,895	444,222,268
Net deferred tax assets as at December 31,		(943,740,489)	(283,122,147)	(1,197,533,168)	(359,259,949)

32.2 Deferred tax assets and liabilities are attributable to the following:

As at December 31,	Note	Recognised in Profit or Loss Year ended December 31, 2024 LKR	Recognised in Profit or Loss Year ended December 31, 2023 LKR	Recognised in Other Comprehensive Income Year ended December 31, 2024 LKR	Recognised in Other Comprehensive Income Year ended December 31, 2023 LKR	Statement of Financial Position As at December 31, 2024 LKR	Statement of Financial Position As at December 31, 2023 LKR
Deferred tax liabilities							
Accelerated depreciation for tax purposes – Lease assets	32.4	(969,705)	(7,502,915)	–	–	–	969,705
Accelerated depreciation for tax purposes – Own assets		3,102,927	4,182,858	–	–	24,752,480	21,649,553
Amortisation of right-of-use assets		1,638,935	(1,413,048)	–	–	20,447,944	18,809,009
Revaluation surplus on buildings		(801,709)	(520,788)	–	5,399,803	24,001,179	24,802,888
Revaluation surplus on lands	32.3	–	–	–	2,751,000	15,775,840	15,775,840
Fair value gain on investment properties		(165,000)	2,240,510	–	–	2,075,510	2,240,510
Unrealised gain on FVOCI		–	–	1,096,722	714,814	1,811,536	714,814
		2,805,448	(3,013,383)	1,096,722	8,865,617	88,864,489	84,962,319

As at December 31,		Recognised in Profit or Loss		Recognised in Other Comprehensive Income		Statement of Financial Position	
	Note	Year ended December 31, 2024 LKR	Year ended December 31, 2023 LKR	Year ended December 31, 2024 LKR	Year ended December 31, 2023 LKR	As at December 31, 2024 LKR	As at December 31, 2023 LKR
Deferred tax assets							
Defined benefit plans		(1,139,231)	(1,178,509)	(1,081,575)	(130,927)	6,929,280	4,708,474
Carried forward tax losses		32,534,598	(71,974,391)	–	–	39,439,793	71,974,391
Carried forward unclaimed impairment losses		44,722,578	(18,351,272)	–	–	303,354,355	348,076,933
Amortisation of right of use assets		(2,800,738)	504,052	–	–	22,263,208	19,462,470
Unrealised loss on FVOCI		–	–	–	1,997,651	–	–
Fair value losses on investment properties		–	1,953,490	–	–	–	–
		73,317,207	(89,046,630)	(1,081,575)	1,866,724	371,986,636	444,222,268
Deferred tax effect on statement of profit or loss and other comprehensive income		76,122,655	(92,060,013)	15,147	10,732,341	–	–
Net deferred tax assets as at December 31,						(283,122,147)	(359,259,949)

32.3 As per the Inland Revenue Act No. 24 of 2017, which is effective from April 01, 2018, Capital Assets attract tax at applicable corporate tax rate on the gains at the time of disposal. Accordingly, deferred tax liability has been recognised at 30% (2023 – 30%) on the revaluation surplus relating to freehold land in these Financial Statements.

32.4 As per the Inland Revenue Act No. 24 of 2017, which is effective from April 01, 2018, Finance Lease agreements need to be considered as a loan granted by the lessor to the lessee. Accordingly, the previous method of calculating the profits from the business of finance lease has been changed and the leasing business would be subject to tax on profits derived from such operations being the lease interest less expenses.

However, any profit, loss, receipt or payment in respect of any finance lease agreement entered into, prior to April 01, 2018, will be computed in accordance with the respective provisions of the Inland Revenue Act, No. 10 of 2006. Therefore, a deferred tax liability has been recognised on accelerated depreciation for tax purposes on lease assets as at December 31, 2023 which were entered into prior to April 1, 2018.

33. Current Tax Liabilities

As at December 31,	2024 LKR	2023 LKR
As at January 01,	2,605,060	37,092,827
Under provision in relation to prior years	–	(3,367,003)
Payments made during the year	(3,000,000)	(31,120,764)
As at December 31,	(394,940)	2,605,060

34. Other Liabilities

As at December 31,	2024 LKR	2023 LKR
Financial		
Trade payables	30,363,849	23,807,707
	30,363,849	23,807,707
Non-financial		
Accrued expenses	308,938,016	72,994,331
Stamp duty payable	3,685,665	8,670,510
	312,623,681	81,664,841
Total	342,987,530	105,472,548

35. Stated Capital

As at December 31,	2024		2023	
	Number of shares LKR	Value of shares LKR	Number of shares LKR	Value of shares LKR
Fully paid ordinary shares				
As at January 01,	221,793,834	3,254,999,964	221,793,834	3,254,999,964
As at December 31,	221,793,834	3,254,999,964	221,793,834	3,254,999,964

35.1 Shareholders as at

As at December 31,	2024 Holding %	2024 Number of shares	2023 Number of shares
Commercial Bank of Ceylon PLC	100	221,793,834	221,793,834
Total	100	221,793,834	221,793,834

The holder of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at meetings of the shareholders or one vote per share in the case of a poll.

36. Accumulated Losses

As at December 31,	Note	2024 LKR	2023 LKR
As at January 01,		(431,325,175)	(205,842,157)
Profit for the year		81,541,007	(225,177,522)
Actuarial losses on defined benefits plans, after tax		(2,523,675)	(305,496)
Transferred to statutory reserve fund	37.1	(4,077,050)	–
Transferred to regulatory loss allowance reserve		(254,056,524)	–
As at December 31,		(610,441,417)	(431,325,175)

37. Other Reserves

As at December 31,	Note	2024 LKR	2023 LKR
Capital reserve		50,000	50,000
Statutory reserve fund	37.1	37,405,628	33,328,578
Revaluation reserve	37.2	98,517,078	98,517,078
Fair value reserve	37.3	4,226,918	1,667,900
General reserve	37.4	20,097,889	20,097,889
Regulatory loss allowance reserve		254,056,524	–
Total		414,354,037	153,661,445

37.1 Statutory reserve fund

As at December 31,	2024 LKR	2023 LKR
As at January 01,	33,328,578	33,328,578
Transferred from retained earnings	4,077,050	–
As at December 31,	37,405,628	33,328,578

"Statutory reserve fund" is a capital reserve which contains profits transferred as required by Department of Supervision of Non Bank Financial Institutions of Central Bank of Sri Lanka, under the Finance Companies (Capital Funds) Direction No. 01 of 2003. Accordingly, 5% of the net profit for the year is transferred to the Statutory reserve fund during the financial year.

37.2 Revaluation reserve

As at December 31,	2024 LKR	2023 LKR
As at January 01,	98,517,078	79,498,538
Revaluation surplus of property, plant and equipment	–	27,169,343
Deferred tax charge on revaluation surplus	–	(8,150,803)
As at December 31,	98,517,078	98,517,078

The revaluation reserve relates to revaluation of freehold land and buildings and represents the fair value changes of the land and buildings, as at the date of revaluation.

37.3 Fair value reserve

The fair value reserve comprises;

- the cumulative net change in the fair value of equity securities designated at FVOCI and,
- the cumulative net change in fair value of debt securities at FVOCI until the assets are derecognised or reclassified. This amount is reduced by the amount of loss allowance.

37.4 General reserve

The purpose of setting up the general reserve is to meet potential future unknown liabilities and the balance comprises of the amounts appropriated by the Board of Directors as a general reserve.

38. Fair Value of Financial Instruments

The Company has an established control framework with respect to the measurement of fair values of investments. The Asset and Liability Committee (ALCO) has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements are carried out by the finance division, which include:

- Verification of observable pricing;
- Re-performance of model valuations;
- Quarterly calibration and back-testing of models against observed market transactions;
- Analysis and investigation of significant daily valuation movements; and

Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 as explained below.

When third party information, such as broker quotes or pricing services, is used to measure fair value, documents of evidence are obtained from third parties to support the conclusion that such valuations meet the requirements of SLFRS/LKAS.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

December 31, 2024	Note	Classification	Carrying amount LKR	Fair value			
				Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Financial assets measured at fair value							
Investment in unquoted shares		Fair value through OCI	2,358,002	–	–	2,358,002	2,358,002
Investments in government securities			1,631,895,592	–	1,631,895,592	–	1,631,895,592
			1,634,253,594				
Financial assets not measured at fair value							
Cash and cash equivalents		Amortised cost	166,599,890	–	–	–	–
Loans and advances			13,445,176,774	–	–	–	–
Other assets	27		12,814,599	–	–	–	–
			13,624,591,263	–	–	–	–
Financial liabilities not measured at fair value							
Deposit liabilities		Amortised cost	10,311,261,790	–	–	–	–
Due to banks			3,050,169,109	–	–	–	–
Lease liabilities			74,210,693	–	–	–	–
Other liabilities	34		30,363,849	–	–	–	–
			13,466,005,441				

December 31, 2023	Note	Classification	Carrying amount	Fair value			
				Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Financial assets measured at fair value							
Investment in unquoted shares		Fair value through OCI	2,185,042	–	–	2,185,042	2,185,042
Investments in government securities			709,838,827	–	709,838,827	–	709,838,827
			712,023,869				
Financial assets not measured at fair value							
Cash and cash equivalents		Amortised cost	154,177,733	–	–	–	–
Loans and advances			10,142,399,731	–	–	–	–
Other assets	27		23,836,965	–	–	–	–
			10,320,414,429				
Financial liabilities not measured at fair value							
Deposit liabilities		Amortised cost	6,534,180,634	–	–	–	–
Due to banks			2,758,596,459	–	–	–	–
Lease liabilities			64,874,901	–	–	–	–
Other liabilities	34		23,807,707	–	–	–	–
			9,381,459,701				

38.1 Financial assets measured at fair value

Methodologies and assumptions used to determine fair value of financial instruments which are already recorded at fair value in the Statement of Financial Position are as follows.

a. Investments in government securities

As Treasury Bills/Treasury Bonds are valued using Central Bank published rates, investments in government securities are classified under Level 2.

b. Unquoted shares

The unquoted shares, which are held for regulatory purposes, are valued based on internal management information derived from the audited Financial Statements based on the net asset value of the investee, which is a significant unobservable input in measuring the fair value and hence it is categorised under level 3 in the fair value hierarchy.

c. Level 3 fair values

Reconciliation of Level 3 fair value

The following table shows a reconciliation form the opening balances to the closing balances for Level 3 fair values.

	Note	Unquoted equity securities LKR
Balance as at January 01, 2023		2,120,228
– Net change in fair value (unrealised)		64,814
Balance as at December 31, 2023	21.1	2,185,042
Balance as at January 01, 2024		2,185,042
– Net change in fair value (unrealised)		172,960
Balance as at December 31, 2024	21.1	2,358,002

Fair value of the unquoted shares are derived based on the following unobservable input.

Significant unobservable input	Value of the inputs
Net assets value per share	LKR 23,580

38.2 Financial assets not measured at fair value

Methodologies and assumptions used to determine fair value of financial instruments which are not already recorded at fair value in the Statement of Financial Position are as follows.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost (e.g. fixed rate loans and receivables, fixed rate borrowings) 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.

Sensitivity of significant unobservable inputs used to measure fair value of fixed rate financial instruments

A significant increase/(decrease) in the market interest rate would result in lower/(higher) fair value being disclosed.

Assets for which fair value approximates carrying value

For financial assets and liabilities with short-term maturities or with short term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value.

38.3 Transfers between Level 1 and Level 2

There were no transfers between Level 1 and Level 2 during the year ended December 31, 2024.

39. Maturity Analysis of Assets and Liabilities

Remaining contractual period to maturity as at the date of statement of financial position of the liabilities and shareholders' funds employed by the Company is detailed below.

	2024			2023		
	Within 12 months LKR	After 12 months LKR	Total as at December 31, 2024 LKR	Within 12 months LKR	After 12 months LKR	Total as at December 31, 2023 LKR
Assets						
Cash and cash equivalents	166,599,890	–	166,599,890	154,177,733	–	154,177,733
Financial investments - FVOCI	1,631,895,592	2,358,002	1,634,253,594	709,838,827	2,185,042	712,023,869
Loans and advances	8,416,607,060	5,028,569,714	13,445,176,774	5,870,063,533	4,272,336,198	10,142,399,731
Investment property	340,450,000	340,450,000	680,900,000	–	538,875,000	538,875,000
Property, plant and equipment	48,292,247	384,211,750	432,503,997	42,245,339	366,315,547	408,560,886
Intangible assets	5,323,695	28,253,067	33,576,762	4,659,430	27,068,310	31,727,740
Right-of-use assets	26,135,614	42,024,199	68,159,813	24,338,480	38,358,215	62,696,695
Current tax assets	394,940	–	394,940	–	–	–
Deferred tax assets	–	283,122,147	283,122,147	–	359,259,949	359,259,949
Other assets	37,583,510	78,367,885	115,951,395	40,672,981	8,366,166	49,039,147
Total assets	10,673,282,548	6,187,356,764	16,860,639,312	6,845,996,323	5,612,764,427	12,458,760,750
Percentage (%)	63	37	100	55	45	100
Liabilities						
Deposit liabilities	8,806,273,979	1,504,987,811	10,311,261,790	5,417,337,419	1,116,843,215	6,534,180,634
Due to banks	2,034,133,855	1,016,035,254	3,050,169,109	2,428,346,980	330,249,479	2,758,596,459
Employee benefits	–	23,097,606	23,097,606	–	15,694,914	15,694,914
Lease liabilities	23,483,888	50,726,805	74,210,693	22,373,834	42,501,067	64,874,901
Current tax liabilities	–	–	–	2,605,060	–	2,605,060
Other liabilities	155,149,239	187,838,291	342,987,530	86,214,930	19,257,619	105,472,549
Total liabilities	11,019,040,961	2,782,685,767	13,801,726,728	7,956,878,223	1,524,546,294	9,481,424,517
Equity						
Stated capital	–	3,254,999,964	3,254,999,964	–	3,254,999,963	3,254,999,963
Retained earnings	–	(610,441,417)	(610,441,417)	–	(431,325,175)	(431,325,175)
Other reserves	–	414,354,037	414,354,037	–	153,661,445	153,661,445
Total equity	–	3,058,912,584	3,058,912,584	–	2,977,336,233	2,977,336,233
Total equity and liabilities	11,019,040,961	5,841,598,351	16,860,639,312	7,956,878,223	4,501,882,527	12,458,760,750
Percentage (%)	65	35	100	64	36	100

40. Related Party Transactions

The Company 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", the details of which are reported below.

40.1 Parent and ultimate controlling party

On September 01, 2014, Commercial Bank of Ceylon PLC fully acquired the CBC Finance Limited (formerly known as Indra Finance Limited and Serendib Finance Limited) and accordingly the ownership of the Company was transferred to the Commercial Bank of Ceylon PLC. Therefore in the opinion of Directors, Commercial Bank of Ceylon PLC became the parent and ultimate controlling party of the CBC Finance Limited from September 01, 2014 to as of date.

40.2 Transactions with key management personnel (KMP)

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities directly or indirectly. Accordingly, the KMP include members of the Board of Directors of the Company and selected key employees who meet the criteria for KMP.

As Commercial Bank of Ceylon PLC is the ultimate parent of the Company and the Board of Directors of Commercial Bank of Ceylon PLC has the authority and responsibility of planning, directing and controlling the activities of the Company, the Directors of Commercial Bank of Ceylon PLC have also been identified as KMP of the Company.

40.2.1 Compensation of key management personnel

Year ended December 31,	2024 LKR	2023 LKR
Short-term employee benefits	19,723,750	11,666,615
Post employment benefits	2,319,525	862,500

40.2.2 Transactions with KMP

40.2.2.1 Statement of financial position

Year ended December 31,	2024 LKR	2023 LKR
Deposit liabilities	17,693,393	30,184,893

40.2.2.2 Statement of profit or loss and other comprehensive income

Year ended December 31,	2024 LKR	2023 LKR
Interest on deposits	2,363,311	6,352,302

40.2.3 Transactions, arrangements and agreements involving Close Family Members (CFMs) of KMP

CFMs of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children, children of the KMP's domestic partner and dependents of the KMP or the KMP's domestic partner.

40.2.3.1 Statement of financial position

Year ended December 31,	2024 LKR	2023 LKR
Deposit liabilities	54,573,782	13,893,142

40.2.3.2 Statement of profit or loss and other comprehensive income

Year ended December 31,	2024 LKR	2023 LKR
Interest on deposits	7,331,925	2,701,137

40.2.4 Transactions with the parent and related entities

Name of the Company	Nature of transactions	Value of transactions		Balance as at 31 December	
		Year ended December 31, 2024 LKR	Year ended December 31, 2023 LKR	2024 LKR	2023 LKR
Commercial Bank of Ceylon PLC (Parent)	Overdraft balance	–	–	(10,455,787)	(25,729,480)
	OD interest	410,665	7,847	–	–
	Loan balance	–	–	(1,349,656,460)	(2,170,195,258)
	Loan interest expense	162,584,491	193,292,899	–	–
	Loan interest paid	170,990,688	195,047,172	–	–
	Loans obtained	3,260,000,000	3,100,000,000	–	–
	Loan repayment	4,072,132,601	3,208,335,999	–	–
	Deposits/advances	–	–	(60,354,084)	(84,522,606)
	Interest on deposits/advances	6,295,024	6,543,366	–	–
	Building rent received	790,404	968,628	–	–
	Commission for deposits	11,000	37,000	–	–
Commercial Development Company PLC (Affiliate)	Deposits	–	–	(977,021,795)	(645,000,000)
	New deposits, net of withdrawals	(332,021,795)	145,000,000	–	–
	Interest on deposits	107,805,959	106,006,849	(50,473,356)	(55,321,918)
CBC Tech Solutions Ltd (Affiliate)	Deposits	–	–	(254,017,240)	(213,366,531)
	New deposits, net of withdrawals	(40,650,709)	81,889,055	–	–
	Interest on deposits	31,943,022	37,295,186	(14,117,426)	(24,964,623)
	Software development	1,361,088	802,119	–	(2,999,258)
Commercial Insurance Brokers (Affiliate)	Corporate agent fee	472,060	460,456	–	–

Commercial Bank of Ceylon PLC has provided letters of comfort to Sampath Bank PLC, DFCC Bank PLC and Hatton National Bank PLC as security against the term loans obtained amounting to LKR 3.5 Bn., LKR 0.9 Bn. and LKR 1.5 Bn. respectively.

40.2.5 Related party disclosure

CBC Finance Ltd (the Company) carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as related parties as per the Sri Lanka Accounting Standard – LKAS 24 "Related Party Disclosures".

41. Risk Management

Introduction

Risk is inherent in the Company's activities but it managed through a process of ongoing identification, measurement and monitoring. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to their responsibilities. The Company has exposure to the following risks arising from financial instruments.

1 Credit Risk

2 Liquidity Risk

3 Market Risk

4 Operational Risk

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has delegated its authority to Board Integrated Risk Management Committee (BIRMC) which is responsible for developing and monitoring Company's risk management policies. The Committee is headed by a non-executive director and comprises Executive and Non-Executive Directors. Meetings of BIRMC are held regularly, and the Board of Directors is duly updated of its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor adherence to established limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, continuously updates and maintains a disciplined and constructive control environment, in which all employees are assigned and made to understand their respective roles and responsibilities.

The economic downturn prevailing in the country has resulted in significant erosion of purchasing power of households and led to decline in disposable income of the customers which had considerable impact on increase in default risk. The Company has offered various forms of assistants to make sure that customer's ability to service contractual obligations do not deteriorate due to the prevailing economic crisis in the country. Significant increase in credit risk (SICR) has been evaluated based on the numerous measures like present financial position of the customer, future earning capacity and the sector in which they operates and facilities stress tested and required overlays reviewed considering the latest economic revival & reforms take place in the latter part of the financial year.

Maintaining a liquidity position during this uncertain period remains a key priority for the Company. The management has assessed the impact of the economic uncertainty on the performance and cash flows of the Company and has ensured the financial strength of the Company.

Senior Management involvement in Risk Management

The Business units (i.e. Credit Department, Recovery Department, Finance Department etc.) have primary responsibility for Risk Management. The Senior Management team comprising Managing Director/Chief Executive Officer, Chief Operating Officer, Chief Risk Officer, Compliance Officer, Head of Finance, Head of Sales and Marketing, Chief Manager Finance, Chief Manager IT, Chief Manager Recovery and Chief Manager Credit and Branch Administration, provide an independent oversight function and acts as the 2nd line of defence.

Risk Measurement & Reporting

The Company's Risks are measured using appropriate techniques based on the type of risk, and industry best practices. The Company also carries out procedures to identify the effect of extreme events/worst case scenarios in most of the major type of risks and the results are reported to BIRMC on a periodic basis. Monitoring and controlling risks is primarily performed based on policies, limits and thresholds established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept. The Corporate Management team meets every month and deliberates on matters of interest in risk management arising from operations. The monthly risk management meeting is held to shortlist matters to be forwarded to BIRMC.

Board Credit Committee

Board Credit Committee is chaired by the Non Independent Non-Executive Director and comprises solely by non-executive Directors. The Committee meets regularly to monitor and manage the Company's lending portfolio, asset quality and recovery actions. The Committee also periodically reviews the Company's credit policy and lending rates to different business segments, in light of prevailing market conditions and industry dynamics.

A separate Executive Credit Committee chaired by the Managing Director/ Chief Executive Officer reports to the Board Credit Committee and is responsible for managing the Company's credit risk.

Board Audit Committee Oversight

The Board Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. A separate Management Audit Compliance Committee chaired by the Managing Director/Chief Executive Officer reports to the Board Audit Committee and is responsible for monitor compliance with the Company's risk management policies and procedures.

41.1 Credit risk

Credit risk is the risk of financial loss to the Company if a borrower or counterparty to a financial instrument, fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers and investments in debt securities. Credit risk constitutes the Company's largest risk exposure category. This can be broadly categorised into two types; default and concentration risk.

Default risk is the risk of the potential financial loss resulting from the failure of customer or counterparty to meet its debt or contractual obligations and arises principally from the Company's loans and advances to customers.

Concentration risk is the credit exposure being concentrated as a result of excessive build up of exposure to a single counterparty, industry, product, geographical location or insufficient diversification.

41.1.1 Management of credit risk

The Board of Directors created the Board Credit Committee for the oversight of credit risk. A separate Executive Credit Committee, reporting to the Board Credit Committee, is responsible for managing the Company's credit risk, including the following.

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by the Company's Executive Credit Committee, Board Credit Committee or the Board of Directors, as appropriate.
- Reviewing and assessing credit risk: the Company's Executive Credit Committee and Board Credit Committee assess all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities)
- Developing and maintaining the Company's processes for measuring ECL: This includes processes for:
  - initial approval, regular validation and back-testing of the models used;
  - determining and monitoring significant increase in credit risk; and
  - incorporation of forward-looking information.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of portfolios are provided to Board Credit Committee, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

Each business unit is required to implement the Company's credit policies and procedures, with credit approval authorities delegated from the Board Credit Committee. The Executive Credit Committee reports on all credit-related matters to local management and the Board Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of business units and the Company's credit processes are undertaken by internal audit.

41.1.2 Credit quality analysis

The following table sets out information about the overdue status of financial assets measured at amortised cost, FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms "Stage 1", "Stage 2" and "Stage 3" is included in Note 3.2.2.

As at December 31,	2024				2023
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR	Total LKR
i. Loans and advances at amortised cost					
Current	6,021,934,440	–	–	6,021,934,440	4,384,976,136
Overdue less than 30 days	2,495,004,433	–	–	2,495,004,433	1,670,391,108
Overdue 30 to 90 days	–	2,904,043,020	–	2,904,043,020	2,158,672,244
Overdue more than 90 days	–	–	3,797,554,078	3,797,554,078	3,423,596,608
Gross carrying amount	8,516,938,873	2,904,043,020	3,797,554,078	15,218,535,971	11,637,636,096
Loss allowance	(114,012,152)	(150,233,794)	(1,509,113,251)	(1,773,359,197)	(1,495,236,365)
Carrying amount	8,402,926,721	2,753,809,226	2,288,440,827	13,445,176,774	10,142,399,731
ii. Debt investment securities at FVOCI					
Low-fair risk	1,631,895,592	–	–	1,631,895,592	709,838,827
Carrying amount – fair value	1,631,895,592	–	–	1,631,895,592	709,838,827
iii. Cash and cash equivalents at amortised cost					
Low-fair risk	166,599,890	–	–	166,599,890	154,177,733
Carrying amount	166,599,890	–	–	166,599,890	154,177,733
iv. Other assets at amortised cost					
Current	100,000	–	–	100,000	9,908,536
Overdue more than 30 days	–	–	14,497,777	14,497,777	19,968,688
Gross carrying amount	100,000	–	14,497,777	14,597,777	29,877,224
Loss allowance	–	–	(1,783,178)	(1,783,178)	(6,040,259)
Carrying amount	100,000	–	12,714,599	12,814,599	23,836,965

41.1.3 Collateral held and other credit enhancements

The Company holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure	Gross receivable		Percentage of exposure that is subject to collateral requirements		Principal type of collateral
As at December 31,	2024 LKR	2023 LKR	2024 %	2023 %	
Loans and advances at amortised cost					
Mortgage lending	3,058,531,467	3,917,653,390	94.78	87.58	Residential and commercial properties, movable assets.
Other loans	6,990,023,528	4,289,299,170	83.81	67.80	Motor vehicles, equipment and gold article.
Finance leases	5,169,980,860	3,430,683,416	98.81	99.07	Motor vehicles and equipment.
Hire purchase	116	120	0.00	0.00	Motor vehicles and equipment.
	15,218,535,971	11,637,636,096			
Other assets at amortised cost					
Refundable deposits	12,814,599	8,146,600	–	–	None
Debtors	1,783,178	1,783,178	–	–	None
Insurance premium receivable	–	19,947,446	–	–	None
	14,597,777	29,877,224			

There was no change in the Company's collateral policy during the year. Further, The Company did not observe any significant deterioration in the quality of the collaterals and other credit enhancements during the reporting period.

The Company has not been recognised allowance for ECL for government securities denominated in Sri Lankan rupees, other financial assets secured by government guarantees, treasury bills and treasury bonds. Except for the above, Company has recognised ECL for all other financial assets classified at amortised cost and debt instruments at FVOCI.

Loan-to-value analysis of loans and advances

The following tables stratify credit exposures from loans and advances by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the forced sale value determined by the professional valuer.

As at December 31,	2024 LKR	2023 LKR
LTV Ratio		
Less than 50%	2,306,694,371	1,703,412,266
51% - 70%	3,880,595,628	2,237,314,316
71% - 90%	6,241,526,236	4,741,444,013
91%- 100%	317,050,466	364,055,594
More than 100%	1,493,353,915	1,383,606,111
Unsecured	979,315,355	1,207,803,796
	15,218,535,971	11,637,636,096

Credit-impaired loans

As at December 31,	2024 LKR	2023 LKR
LTV Ratio		
Less than 50%	453,533,787	548,904,263
51% - 70%	268,707,110	274,590,954
71% - 90%	757,082,158	721,513,426
91%- 100%	221,190,284	275,729,772
More than 100%	1,335,280,648	922,588,907
Unsecured	761,760,090	680,269,286
	3,797,554,078	3,423,596,608

Assets Obtained by Paking Possession of Collateral

Details of financial and non-financial assets obtained by the Company during the year by taking possession of collateral held as security against loans and advances and held at the year end are shown below.

	2024 LKR	2023 LKR
Motor vehicles	49,637,242	57,260,081
	49,637,242	57,260,081

The Company's policy is to pursue timely realisation of the collateral in an orderly manner. The Company does not generally use the non-cash collateral for its own operations.

41.1.4 Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

Refer accounting policy in Note 3.2.2.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date;
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Company uses three criteria for determining whether there has been a significant increase in credit risk:

- Quantitative test based on movement in PD;
- Qualitative indicators;
- A backstop of 30 days past due

Generating the term structure of PD

Days past due are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by type of product and borrower.

The Company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors on the risk of default. For most exposures, key macro-economic indicators include : GDP growth, inflation, interest rate and unemployment. Based on consideration of a variety of external actual and forecast information, the Company formulates a "base case" view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Company then uses these forecast to adjust its estimates of PDs.

Determining whether credit risk has increased significantly

The Company assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower. What is considered significant differs for different types of lending.

Using its expert credit judgement and where possible relevant historical loss experiences, the Company may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Definition of default and cure

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Company; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Company for regulatory capital purposes.

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the material default criteria have been presented and the borrower is no longer considered as non-performing in accordance with the Directives of the Central Bank. The corresponding reduction in ECL due to the number of financial assets re-classified out of Stage 3 is recognised under "Impairment charge/reversal" in Note 13 to the Financial Statements.

Once cured, the decision whether to classify an asset as Stage 2 or Stage 1 mainly depends on the days past due, at the time of the cure. The Company's criterion for 'cure' for rescheduled loans is more stringent than ordinary loans and is explained in Note 3.2.1.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Company formulates three economic scenarios: a base case, which is the median scenario assigned a 30% probability of occurring, and two less likely scenarios, one upside and other downside, each assigned a 5% and 65% probability of occurring respectively. The base case is aligned with information used by the Company for other purposes such as strategic planning and budgeting. Also stress the forecasted macro-economic elements to reflect fair forward looking information.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The Company has identified and documented key drivers of credit risk both quantitative and qualitative for various portfolio segments. Quantitative economic factors are based on economic data and forecasts published by CBSL and IMF.

Quantitative	Qualitative
GDP growth rate	Status of industry business
Rate of inflation	Regulatory impact
Interest rate (AWPLR)	Government policies
Unemployment	Management outlook

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Loss allowance

The following table shows reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

Loans and advances at amortised cost

December 31,	2024			
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance as at January 01,	141,840,917	187,587,250	1,165,808,196	1,495,236,363
Transfer to Stage 1	73,718,987	(30,074,939)	(43,644,048)	–
Transfer to Stage 2	(25,920,826)	43,347,887	(17,427,061)	–
Transfer to Stage 3	(12,992,525)	(43,593,776)	56,586,302	–
Net remeasurement of loss allowance	(78,698,655)	(18,937,156)	440,769,637	343,133,826
New financial assets originated or purchased	75,770,564	73,101,409	18,864,863	167,736,836
Financial assets that have been derecognised	(59,706,309)	(61,196,881)	(108,398,688)	(229,301,878)
Write-offs	–	–	(3,445,950)	(3,445,950)
Balance as at December 31,	114,012,152	150,233,794	1,509,113,251	1,773,359,197

As at December 31,	2023			
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance as at January 01,	39,085,575	274,647,056	860,604,483	1,174,337,114
Transfer to Stage 1	61,762,144	(53,642,667)	(8,119,477)	–
Transfer to Stage 2	(6,277,719)	8,895,040	(2,617,321)	–
Transfer to Stage 3	(6,697,580)	(86,123,813)	92,821,393	–
Net remeasurement of loss allowance	(39,082,136)	(7,757,678)	380,161,415	333,321,601
New financial assets originated or purchased	109,293,217	99,951,847	137,540,304	346,785,368
Financial assets that have been derecognised	(16,242,584)	(48,382,534)	(88,032,142)	(152,657,260)
Write-offs	–	–	(206,550,458)	(206,550,458)
Balance as at December 31,	141,840,917	187,587,251	1,165,808,197	1,495,236,365

As at the reporting date, the Company has captured the impact on ECL due to affected borrowers amidst the prevailing extraordinary macro-economic circumstances via the modelled outcome as well as management overlays. Management overlays include additional ECL provisions of LKR 65 Mn. (approx.) on assessing lifetime ECL on the exposures outstanding from the borrowers operating in the risk elevated industries and impact on changing the probability weightages assigned for multiple economic scenarios and stressing the quantitative factors used to assess forward looking macro economic indicators on ECL amounting to LKR 9.5 Mn. (approx.).

Modified financial assets

Overview of rescheduled/ restructured loans and advances upgraded during the year

The Company upgrades rescheduled/ restructured loans from life time expected credit losses (Stage 3/ Stage 2) to 12 months expected credit losses (Stage 1) as per the upgrading policy described in Note 3.2.2 of the Financial Statements. During the year the Company upgraded LKR 190.34 Mn. (2023: LKR 163.24 Mn.) worth of rescheduled/restructured loans to Stage 1. Due to this upgrade, the impairment provision against these loans decreased by LKR 29.83 Mn. from LKR 35.44 Mn. as at December 31, 2023 to LKR 5.61 Mn. as at December 31, 2024.

Purchased or originated credit impaired financial assets

The Company did not have originated credit impaired assets as at December 31, 2024 and 2023. The details of policy criteria is explained in Note 3.2.2.

Impact due to the uncertain and volatile macroeconomic condition

The Company analysed the current situation prevailing in the country and further considered the impact of COVID-19. The ongoing extraordinary macroeconomic circumstances in the country have increased the estimation uncertainty in preparing Financial Statements. However, the specific areas of judgement may not change. The impact of an economic downturn resulted in applying further judgement within those areas and the limited recent experience of such an event's economic and financial impacts. The estimation uncertainty is associated with the extent and duration of the expected economic downturn. This includes the disruption to capital markets, deteriorating credit, liquidity concerns, increasing unemployment, declines in consumer discretionary spending, reductions in production because of decreased demand, and other restructuring activities. The key to overcoming the current crisis is the effectiveness of government and central bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn. Furthermore, with debt restructuring backed by the IMF programme, there would be hope for overcoming the current economic crisis. The changes to estimates were made in measuring Company's assets where applicable.

The Company derives income by way of interest from its loan & advances and by way of financial assets, respectively. The Company has adequate liquid financial resources and unutilised financing sources with banks to service its financial obligations. Based on the expected economic downturn, the estimates and assumptions in Company's Expected Credit Loss model (ECL) have been reviewed, and respective impairments regarding loans & advances have been adequately assessed under a futuristic approach. We do not anticipate any impact on the fair value of our properties and investment properties because of its prime location, other than any future impact due to market conditions. Accordingly, we do not anticipate any decrease in the value of financial assets held by the Company. The Company also do not anticipate any material impairments in respect of any of the assets held by the Company as of date.

41.1.5 Analysis of credit risk concentration

Industry

The following table shows the credit risk concentration by industry for the components of the Statement of Financial Position.

As at December 31, 2024	Cash and bank balances LKR	Financial investments – FVOCI LKR	Loans and advances LKR	Other assets LKR	Total financial assets LKR
Agriculture	–	–	1,217,011,630	–	1,217,011,630
Manufacturing	–	–	238,469,463	–	238,469,463
Tourism	–	–	449,146,721	–	449,146,721
Transport	–	–	289,486,302	–	289,486,302
Construction	–	–	508,415,934	–	508,415,934
Trading	–	–	1,481,581,981	–	1,481,581,981
Financial services	166,599,890	–	–	–	166,599,890
Government	–	1,631,895,592	–	–	1,631,895,592
Other	–	–	9,261,064,743	12,814,599	9,273,879,342
Total	166,599,890	1,631,895,592	13,445,176,774	12,814,599	15,256,486,855

As at 31 December 2023	Cash and bank balances LKR	Financial investments – FVOCI LKR	Loans and advances LKR	Other assets LKR	Total financial assets LKR
Agriculture	–	–	335,010,404	–	335,010,404
Manufacturing	–	–	237,886,165	–	237,886,165
Tourism	–	–	469,114,852	–	469,114,852
Transport	–	–	258,738,479	–	258,738,479
Construction	–	–	792,481,763	–	792,481,763
Trading	–	–	2,502,111,392	–	2,502,111,392
Financial services	154,177,733	–	–	–	154,177,733
Government	–	709,838,827	–	–	709,838,827
Other	–	–	5,547,056,676	23,836,965	5,570,893,641
Total	154,177,733	709,838,827	10,142,399,731	23,836,965	11,030,253,256

Provincial breakdown for loans and advances within Sri Lanka is as follows.

As at December 31,,	2024 LKR	2023 LKR
Province		
Central	2,005,680,376	2,081,881,088
North Central	1,713,827,135	1,339,091,347
North Western	1,071,689,488	793,216,879
Sabaragamuwa	1,573,162,163	1,326,485,405
Southern	1,099,193,769	489,716,510
Western	4,037,773,611	3,060,941,120
Eastern	1,094,927,182	693,878,366
Northern	848,923,050	357,189,016
Total	13,445,176,774	10,142,399,731

41.1.6 Cash and cash equivalents

The Company held Cash and cash equivalents, net of bank overdraft of (LKR 41 Mn.) as at 31 December 2024 (December 2023 – LKR 128 Mn.) which represents its maximum credit exposure on these assets.

Commercial Bank of Ceylon PLC – AA-(lka)
Bank of Ceylon – AA-(lka)
People’s Bank – AA-(lka)
Sampath Bank PLC – AA-(lka)
Hatton National Bank PLC – AA-(lka)
Seylan Bank PLC – A+ (lka)
NDB Bank PLC – A (lka)
DFCC Bank PLC – A (lka)
Cargills Bank Ltd – A (lka)

41.2 Liquidity risk

Liquidity risk refers to the possibility of Company not having sufficient cash to meet its payment obligations. This arises primarily due to mismatches in the maturity profile of Company's assets and liabilities. Adequate liquidity is critical to meet the Company's financial commitments and to accommodate additional funding needs of the growing business volumes.

Management of liquidity risk

The Company's Board of Directors sets the Company's strategy for managing liquidity risk and oversight of the implementation is administered by Asset and Liability Committee (ALCO). ALCO approves the Company's liquidity policies and procedures. Finance department manages the Company's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of the Company.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always has sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key elements of the Company's liquidity strategy are as follows:

- Maintaining a diversified funding and maintaining contingency facilities.
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.
- Monitoring maturity mismatches, behavioural characteristics of the Company's financial assets and financial liabilities, and the extent to which the Company's assets are encumbered and so not available as potential collateral for obtaining funding.

Furthermore the Company maintains the statutory liquid assets ratio at its required level as a method to measure and control daily liquidity risk and further, any unprecedented events.

41.2.1 Maturity analysis for financial assets and financial liabilities

Remaining contractual period to maturity of the financial assets and financial liabilities of the Company is as follows;

As at December 31, 2024	On demand	Less than 03 months LKR	03-12 months LKR	01-05 years LKR	Over 05 years LKR	Total LKR
Financial assets						
Cash and cash equivalents	98,406,072	68,193,818	–	–	–	166,599,890
Financial investments – FVOCI	–	1,631,895,592	–	–	2,358,002	1,634,253,594
Loans and advances	2,748,621,078	1,270,773,095	4,397,212,887	4,828,418,196	200,151,518	13,445,176,774
Other assets	–	100,000	–	12,295,000	419,599	12,814,599
Total financial assets	2,847,027,150	2,970,962,505	4,397,212,887	4,840,713,196	202,929,119	15,258,844,857
Financial liabilities						
Deposit liabilities	148,089,562	3,207,499,842	5,450,684,575	1,504,987,811	–	10,311,261,790
Due to banks	210,146,696	1,049,050,759	774,936,400	1,016,035,254	–	3,050,169,109
Lease liabilities	–	6,335,495	17,148,393	50,726,805	–	74,210,693
Other liabilities	–	30,363,849	–	–	–	30,363,849
Total financial liabilities	358,236,258	4,293,249,945	6,242,769,368	2,571,749,870	–	13,466,005,441
Total net financial assets/ (liabilities)	2,488,790,892	(1,322,287,440)	(1,845,556,481)	2,268,963,326	202,929,119	1,792,839,416

As at December 31, 2023	On demand	Less than 03 Months LKR	03-12Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial assets						
Cash and cash equivalents	50,616,608	103,561,125	–	–	–	154,177,733
Financial investments – FVOCI	–	659,585,449	50,253,378	–	2,185,042	712,023,869
Loans and advances	1,903,033,127	664,997,587	3,302,032,819	4,001,559,329	270,776,869	10,142,399,731
Other assets	8,776,404	2,371,685	4,343,711	8,045,165	300,000	23,836,965
Total financial assets	1,962,426,139	1,430,515,846	3,356,629,908	4,009,604,494	273,261,911	11,032,438,298
Financial labilities						
Deposit liabilities	383,385,377	837,500,084	4,196,451,958	1,116,843,215	–	6,534,180,634
Due to banks	32,388,268	218,039,998	2,177,918,714	330,249,479	–	2,758,596,459
Lease liabilities	–	5,207,879	17,165,955	42,501,067	–	64,874,901
Other liabilities	–	23,807,707	–	–	–	23,807,707
Total financial liabilities	415,773,645	1,084,555,668	6,391,536,627	1,489,593,761	–	9,381,459,701
Total net financial assets/ (liabilities)	1,546,652,494	345,960,178	(3,034,906,719)	2,520,010,733	273,261,911	1,650,978,597

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled less than 12 months after the reporting date.

As at 31 December	2024 LKR	2023 LKR
Financial assets		
Cash and cash equivalents	166,599,890	154,177,733
Financial investments – FVOCI	1,631,895,592	709,838,827
Loans and advances	8,416,607,060	5,870,063,533
Other assets	100,000	15,491,800
	10,215,202,542	6,749,571,893
Financial liabilities		
Deposit liabilities	8,806,273,979	5,417,337,419
Due to banks	2,034,133,855	2,428,346,980
Lease liabilities	23,483,888	22,373,834
Other liabilities	23,807,707	23,807,707
	10,887,699,429	7,891,865,940

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date.

As at December 31,	2024 LKR	2023 LKR
Financial assets		
Financial investments – FVOCI	2,358,002	2,185,042
Loans and advances	5,028,569,714	4,272,336,198
Other assets	12,714,599	8,345,165
	5,043,642,315	4,282,866,405
Financial liabilities		
Deposit liabilities	1,504,987,811	1,116,843,215
Due to banks	1,016,035,254	330,249,479
Lease liabilities	50,726,805	42,501,067
	2,571,749,870	1,489,593,761

41.2.2 Liquidity reserves

The following table sets out the components of the Company's liquidity reserves.

As at December 31,	2024		**2023**	
	Carrying value LKR	Fair value LKR	Carrying value LKR	Fair value LKR
Cash and cash equivalents	166,599,890	166,599,890	154,177,733	154,177,733
Investment in government securities	1,631,895,592	1,631,895,592	709,838,827	709,838,827
Total liquidity reserves	1,798,495,482	1,798,495,482	864,016,560	864,016,560

41.2.3 Financial assets available to support future funding

The following table sets out the availability of the Company's financial assets to support future funding.

December 31, 2024	Encumbered		Unencumbered		
	Pledged as collateral LKR	Other * LKR	Available as collateral LKR	Other ** LKR	Total
Cash and cash equivalents	–	–	166,599,890	–	166,599,890
Financial investments – FVOCI	–	–	1,631,895,592	2,358,002	1,634,253,594
Loans and advances	5,701,947,694	–	7,743,229,080	–	13,445,176,774
Other assets	–	–	12,814,599	–	12,814,599
	5,701,947,694	–	9,554,539,161	2,358,002	15,258,844,857

December 31, 2023	Encumbered		Unencumbered		
	Pledged as collateral LKR	Other * LKR	Available as collateral LKR	Other ** LKR	Total LKR
Cash and cash equivalents	–	–	154,177,733	–	154,177,733
Financial investments – FVOCI	–	–	709,838,827	2,185,042	712,023,869
Loans and advances	3,630,638,526	–	6,511,761,205	–	10,142,399,731
Other assets	–	–	23,836,965	–	23,836,965
	3,630,638,526	–	7,399,614,730	2,185,042	11,032,438,298

* Represents assets that are not pledged but that the Company believes it is restricted from using to secure funding, for legal or other reasons.
** Represents assets that are not restricted for use as collateral, but that the Company would not consider readily available to secure funding in the normal course of business.

41.3 Market risk

Market risk refers to the possible losses to the Company that could arise from changes in market variables like interest rates, and equity prices. Among them, interest rate risk has been identified as the most critical risk given Company's business profile.

Management of market risks

Overall authority for market risk is vested in Board Integrated Risk Management Committee (BIRMC). BIRMC sets up limits for each type of risk in aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios. The Asset and Liability Committee (ALCO) is responsible for the development of detailed risk management policies (subject to review and approval by BIRMC) and for the day-to-day review of their implementation.

Exposure to currency risk

As at the reporting date, there were no any foreign currency exposure to the Company.

41.3.1 Interest rate risk

Interest rate risk is a key constitute of the market risk exposure of the Company due to adverse and unanticipated movements in future interest rate which arises from core business activities; granting of credit facilities, accepting deposits and issuing debt instruments.

Due to the nature of operations of the Company, the impact of interest rate risk is mainly on the interest margin of the Company rather than the market value of portfolios. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities; basis risk which is the threat to income arising due to differences in the bases of interest rates.

Excessive movements in market interest rate could result in severe volatility to Company's net interest income and net interest margin. Company's exposure to interest rate risk is primarily associated with factors such as;

- Repricing risk arising from a fixed rate borrowing portfolio where repricing frequency is different to that of the lending portfolio.
- Yield curve risk arising from unanticipated shifts of the market yield curve.

41.3.1.1 Interest rate exposure – sensitivity analysis

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Company's financial assets and financial liabilities to various interest rate scenarios.

The following table demonstrates the sensitivity of the Company's Income Statement as at reporting date to a reasonable possible change in interest rates, with all other variables held constant.

	2024		2023	
	Increase in 100 bp LKR	Decrease in 100 bp LKR	Increase in 100 bp LKR	Decrease in 100 bp LKR
Net interest income				
As at December 31,	8,713,028	(8,714,770)	4,982,951	(4,983,948)
Average for the year	7,510,470	(7,511,972)	4,046,501	(4,047,311)
Maximum for the year	8,713,028	(8,714,770)	5,132,849	(5,133,875)
Minimum for the year	6,267,797	(6,269,051)	3,162,849	(3,163,482)

41.3.1.2 Interest rate risk exposure on financial assets and liabilities

the table below analyses the Company's interest rate risk exposure on financial assets and liabilities. The Company's assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

As at December 31, 2024	Up to 03 months LKR	03-12 months LKR	01-03 years LKR	03-05 years LKR	Over 05 years LKR	Non-interest bearing LKR	Total as at December 31, 2024 LKR
Financial assets							
Cash and cash equivalents	166,599,890	–	–	–	–	–	166,599,890
Financial investments – FVOCI	1,631,895,592	–	–	–	2,358,002	–	1,634,253,594
Loans and advances	4,019,394,173	4,397,212,887	3,233,452,108	1,594,966,088	200,151,518	–	13,445,176,774
Other assets	100,000	–	7,115,000	5,180,000	419,599	–	12,814,599
Total financial assets	5,817,989,655	4,397,212,887	3,240,567,108	1,600,146,088	202,929,119	–	15,258,844,857
Percentage (%)	38	29	21	10	1	0	100
Financial liabilities							
Deposit liabilities	3,355,589,404	5,450,684,575	1,380,132,032	124,855,779	–	–	10,311,261,790
Due to banks	1,259,197,455	774,936,400	797,363,453	218,671,801	–	–	3,050,169,109
Lease liabilities	6,335,495	17,148,393	41,830,998	8,895,807	–	–	74,210,693
Other liabilities	30,363,849	–	–	–	–	–	30,363,849
Total financial liabilities	4,651,486,203	6,242,769,368	2,219,326,483	352,423,387	–	–	13,466,005,441
Percentage (%)	35	46	16	3	0	0	100
Interest sensitivity gap	1,166,503,452	(1,845,556,481)	1,021,240,625	1,247,722,701	202,929,119	–	1,792,839,416
Percentage (%)	65	–103	57	70	11	0	100

As at December 31, 2023	Upto 03 months LKR	03-12 months LKR	01-03Years LKR	03-05 years LKR	Over 05 years LKR	Non-Interest bearing LKR	Total as at December 31, 2023 LKR
Financial assets							
Cash and cash equivalents	154,177,733	–	–	–	–	–	154,177,733
Financial investments - FVOCI	659,585,449	50,253,378	–	–	2,185,042	–	712,023,869
Loans and advances	2,568,030,714	3,302,032,819	2,820,445,831	1,181,113,498	270,776,869	–	10,142,399,731
Other assets	11,148,089	4,343,711	6,291,784	1,753,381	300,000	–	23,836,965
Total financial assets	3,392,941,985	3,356,629,908	2,826,737,615	1,182,866,879	273,261,911	–	11,032,438,298
Percentage (%)	31	30	26	11	2	0	100
Financial liabilities							
Deposit liabilities	1,220,885,461	4,196,451,958	196,554,049	920,289,166	–	–	6,534,180,634
Due to banks	250,428,266	2,177,918,714	170,009,492	160,239,987	–	–	2,758,596,459
Lease liabilities	5,207,879	17,165,955	33,589,412	8,911,655	–	–	64,874,901
Other liabilities	23,807,707	–	–	–	–	–	23,807,707
Total financial liabilities	1,500,329,313	6,391,536,627	400,152,953	1,089,440,808	–	–	9,381,459,701
Percentage (%)	16	68	4	12	0	0	100
Interest sensitivity gap	1,892,612,672	(3,034,906,719)	2,426,584,662	93,426,071	273,261,911	–	1,650,978,597
Percentage (%)	115	–184	147	6	17	0	100

41.4 Operational risk

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

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

The Board of Directors has established Board Integrated Risk Management Committee, which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

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

Compliance with Company standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the Company's Board Integrated Risk Management Committee, with summaries submitted to the Board Audit Committee and senior management of the Company.

41.5 Capital management

The primary objective of Company's capital management strategy is to ensure that the Company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximise shareholder's value.

The Company's strategy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on shareholders' returns is also recognised and the Company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a stronger capital position.

The Company and its individually regulated operations have complied with all externally imposed capital requirements.

Capital Adequacy

Capital adequacy measures the Company's aggregate capital in relation to the risk, which may arise from its assets and off balance sheet transactions, its dealing operations and its human activities, technology and natural incidents. The Central Bank of Sri Lanka has prescribed the minimum risk sensitive capital with effect from July 01, 2018. This guidelines requires the Company to maintain minimum capital ratio of 8.5% and minimum risk weighted core capital of 12.5%.

Capital and risk weighted assets	Minimum requirement		Ratio	
	2024 %	2023 %	2024 %	2023 %
Capital to risk weighted asset ratio				
Tier I capital	8.50	8.50	15.71	19.57
Total capital	**12.50**	**12.50**	**15.71**	**19.57**

42.1 Basis of segmentation

The Company has the following four strategic divisions, which are its reportable segments. These divisions offer different services, and are managed separately because they require different credit risk management strategies.

The following summary describes the operations of each reportable segment.

Reportable segments	Operations
Leasing	Finance leases related transactions and balances with customers.
Mortgage loans	Mortgage Loans related transactions and balances with customers.
Other loans	Gold loans, Personal loans, Business loans and Other unsecured loans related transactions and balances with customers.
Investments and others	Financial investments kept for liquidity requirements and other short term-investments related transactions and balances.

The Company's Board of Directors reviews the internal management reports of each division at least monthly.

42.2 Information about reportable segments

As at December 31,
External revenue
Interest
Fees and commissions
Dividends
Other income
Total external revenue
Inter-segment revenue
Total revenue before impairment
Impairment (charges)/reversal
Net revenue
(Loss)/profit before tax
Income tax expenses
(Loss)/profit after tax
Segment assets
Segment liabilities

Leasing		Mortgage Loans		Other loans		Investments and others		Total	
2024 LKR	2023 LKR	2024 LKR	2023 LKR	2024 LKR	2023 LKR	2024 LKR	2023 LKR	2024 LKR	2023 LKR
926,380,996	475,555,866	462,507,605	562,988,124	750,306,763	560,055,275	131,941,469	168,577,924	2,271,136,833	1,767,177,189
142,437,145	69,751,022	62,154,934	40,417,759	71,950,975	34,937,395	14,890,337	4,775,829	291,433,391	149,882,005
–	–	–	–	–	–	228,565	179,520	228,565	179,520
–	–	–	–	–	–	98,567,975	74,231,466	98,567,975	74,231,466
1,068,818,141	545,306,888	524,662,539	603,405,883	822,257,738	594,992,670	245,628,346	247,764,739	2,661,366,764	1,991,470,180
–	–	–	–	–	–	–	–	–	–
1,068,818,141	545,306,888	524,662,539	603,405,883	822,257,738	594,992,670	245,628,346	247,764,739	2,661,366,764	1,991,470,180
(30,363,537)	(215,509,276)	38,562,909	(29,835,245)	(248,334,612)	(234,468,642)	3,270,388	(1,802,364)	(236,864,852)	(481,615,526)
1,038,454,604	329,797,612	563,225,448	573,570,638	573,923,126	360,524,028	248,898,734	245,962,375	2,424,501,912	1,509,854,654
–	–	–	–	–	–	–	–	157,663,661	(320,604,539)
–	–	–	–	–	–	–	–	(76,122,654)	95,427,017
–	–	–	–	–	–	–	–	81,541,007	(225,177,522)
6,578,953,625	2,063,234,283	3,323,910,838	3,774,944,565	5,209,274,922	3,722,310,983	1,556,136,870	1,550,031,548	16,860,639,312	12,458,760,750
5,542,842,160	2,596,215,675	2,720,876,012	2,872,826,011	4,264,191,149	2,832,770,556	1,273,817,406	1,179,612,276	13,801,726,728	9,481,424,517

43. Contingencies

There were no material contingent liabilities as at the reporting date, which require adjustments to or disclosures in the Financial Statements.

43.1 Litigations and claims

There have been no material litigations and claims as at the reporting date, which require adjustments or disclosures in the Financial Statements.

44. Commitments

There were no material commitments as at the reporting date, which require adjustments to or disclosures in the Financial Statements.

45. Events after the Reporting Period

There have been no material events occurring after the reporting date, which require adjustments to or disclosure in the Financial Statements.

46. Comparative Information

Comparative information has been reclassified where necessary to conform to current year's presentation.

47. Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements in accordance with Sri Lanka Accounting Standards.

SUPPLEMENTARY INFORMATION

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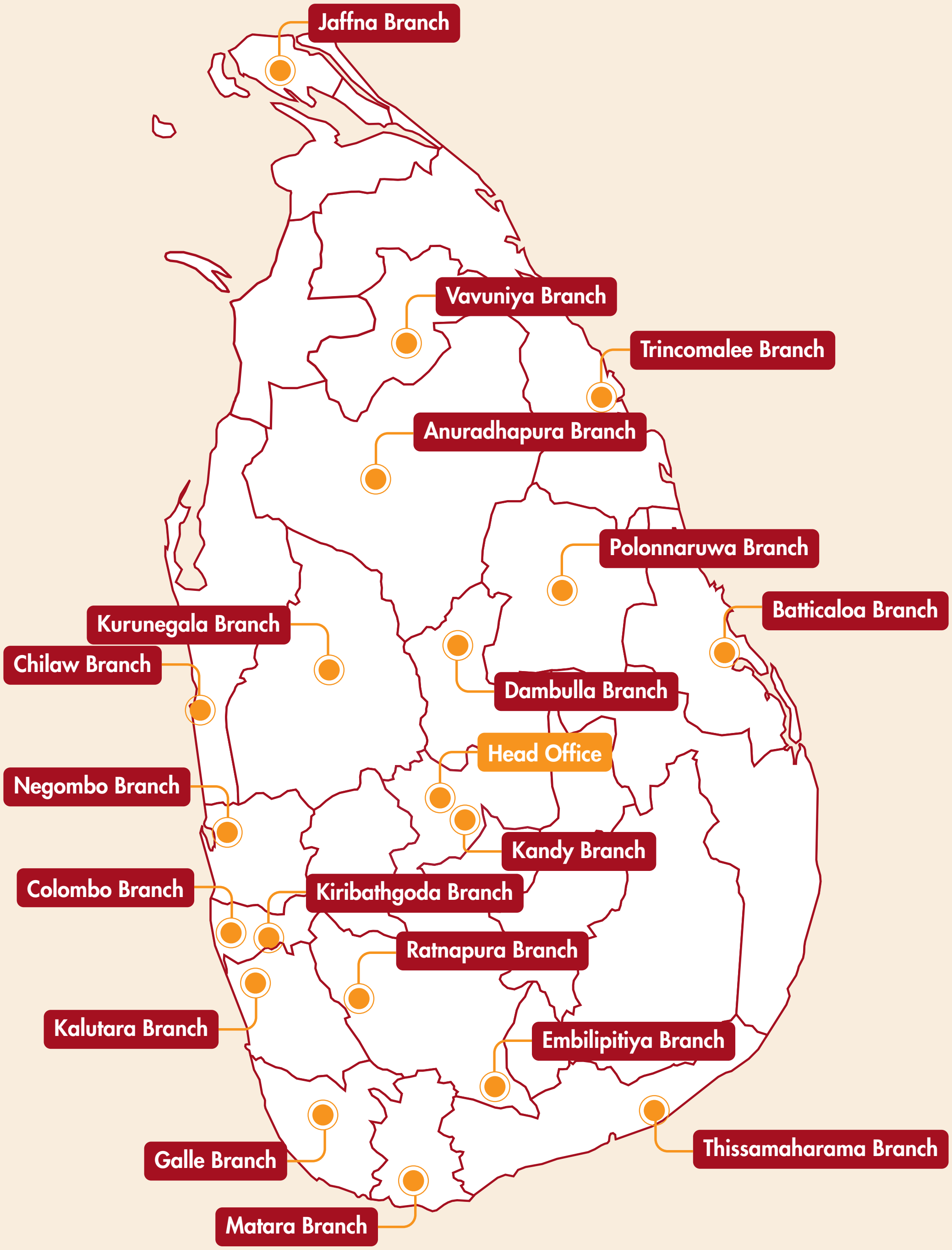
BRANCH NETWORK



Branch Network

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No.187, Katugastota Road, Kandy.
Phone : +94 81 220 0272
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EIGHT YEAR SUMMARY

Results for the year	2024 LKR Mn.	2023 LKR Mn.	2022 LKR Mn.	2021 – December (9 months) LKR Mn.	2020/21 LKR Mn.	2019/20 LKR Mn.	2018/19 LKR Mn.	2017/18 LKR Mn.
Income	2,661.37	1,991.47	1,636.16	944.67	1,058.00	1,211.00	871.80	981.65
Interest income	2,271.14	1,767.18	1,523.74	867.33	963.00	1,131.11	816.79	911.21
Interest expenses	1,399.06	1,270.70	986.33	334.44	480.98	572.37	470.46	572.63
Net interest income	872.08	496.48	537.41	532.89	482.02	558.74	346.33	338.58
Non-interest income	368.06	191.80	102.49	74.61	93.56	78.30	55.01	70.44
Total operating income	1,240.14	688.28	639.90	607.50	575.59	637.04	401.33	409.02
Personal cost	362.38	253.18	164.81	89.54	104.42	92.16	74.83	73.69
Administrative and other cost	298.89	212.29	139.84	68.43	82.34	69.99	75.74	76.68
Depreciation	81.54	61.80	47.20	27.28	29.80	20.72	10.34	11.34
Total operational expenses	742.1	527.27	351.85	185.25	216.57	182.86	160.91	161.71
Provision for bad debts/impairment	236.86	481.62	249.16	308.80	196.48	276.36	205.71	403.07
Taxes on financial services	102.8	–	29.17	25.34	33.10	49.77	14.63	–
Profit/(loss) before tax	157.66	(320.60)	9.73	88.11	129.44	128.04	20.08	(155.76)
Taxation	76.12	(95.43)	(29.86)	54.87	64.95	59.07	0.38	(33.85)
Profit/(loss) after tax	81.54	(225.18)	39.58	33.24	64.49	68.98	19.70	(121.91)

Position as at March 31,	2024 LKR Mn.	2023 LKR Mn.	2022 LKR Mn.	2021 – December LKR Mn.	2020/21 LKR Mn.	2019/20 LKR Mn.	2018/19 LKR Mn.	2017/18 LKR Mn.
Cash and cash equivalents	166.60	154.18	96.31	154.60	324.31	56.38	60.92	227.00
Financial investments	1,634.25	712.02	1,598.01	838.54	739.31	274.84	332.08	275.92
Loan and advances (Net)	13,445.18	10,142.40	8,505.04	8,712.64	8,070.14	6,810.62	5,626.46	4,204.78
PPE and intangible assets	466.08	440.29	347.50	305.65	280.14	246.23	207.03	206.16
Other assets	1,148.53	1,009.87	408.28	301.62	287.00	187.45	179.11	18.04
Total assets	16,860.64	12,458.76	10,955.14	10,313.05	9,700.90	7,575.52	6,405.61	4,931.89
Deposit liability	10,311.26	6,534.18	5,116.21	5,068.85	4,838.98	222.66	–	–
Due to banks	3,050.17	2,758.60	2,467.54	1,769.50	1,411.12	5,085.41	4,426.03	3,668.03
Other liabilities	440.29	188.65	193.91	219.68	227.84	113.24	85.21	100.11
Total liabilities	13,801.73	9,481.42	7,777.66	7,058.04	6,477.94	5,421.31	4,511.24	3,768.14
Total equity	3,058.91	2,977.34	3,177.47	3,255.01	3,222.96	2,154.21	1,894.37	1,163.76
Total liabilities and equity	16,860.64	12,458.76	10,955.14	10,313.05	9,700.90	7,575.52	6,405.61	4,931.89

Eight Year Summary

Ratio	2024	2023	2022	2021 – December	2020/21	2019/20	2018/19	2017/18
Regulatory Capital Adequacy								
Core capital (Tier 1 capital) (LKR Mn.)	2,702.11	2,863.17	3,102.63	3,167.52	3,135.62	2,071.83	1,661.32	1,099.13
Total capital base (LKR Mn.)	2,702.11	2,863.17	3,102.63	3,167.52	3,135.62	2,071.83	1,661.32	1,099.13
Core capital adequacy ratio; core capital as % of risk weighted assets	15.71	19.57	24.89	25.49	26.57	21.82	23.34	24.48
Total capital adequacy ratio; total capital as % of risk weighted assets	15.71	19.57	24.89	25.49	26.57	21.82	23.34	24.48
Capital funds to total deposit liabilities ratio	25.84	43.52	59.99	62.49	64.80	967.49	0	0
Assets Quality (Quality of Loan Portfolio)								
Gross non performing accommodation ratio (%)	24.95	21.04	16.98	13.14	14.08	22.56	22.33	26.86
Net non performing accommodation ratio (%)	15.04	8.19	8.10	1.30	3.48	9.07	3.71	7.46
Profitability (%)								
Return on assets (before tax)	0.94	(2.57)	0.09	0.88	1.50	1.83	0.35	(2.94)
Return on equity (after tax)	2.67	(6.72)	1.25	1.03	2.40	3.41	1.29	(13.41)
Earnings per share (LKR)	0.37	(1.02)	0.18	0.15	0.35	0.48	0.24	(3.36)
Net assets per share (LKR)	13.79	13.42	14.33	14.68	14.53	14.22	13.63	21.81
Memorandum Information								
Number of employees	318	271	176	145	145	131	120	111
Number of branches	18	15	13	10	10	10	4	5
Number of service centers	0	0	0	0	0	0	6	6
Fitch rating	BBB+(lka)/ Stable	BBB+(lka)/ Stable	A(lka)/ Negative	A(lka)/ Stable	A(lka)/ Stable	A+(lka)/ Negative	A+(lka)/ Stable	N/A

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the ANNUAL GENERAL MEETING of CBC Finance Ltd. will be held at the Conference Room of Commercial Bank of Ceylon PLC of No. 21, Sir Razik Fareed Mawatha, Colombo 01 on Monday, June 23, 2025, immediately after the conclusion of the Meeting of the Board of Directors which is scheduled to be held at 9.00am for the following purposes.

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company, the Statement of Compliance, and Audited Financial Statements of the Company for the year ended December 31, 2024 together with the Report of the Auditors thereon.
2. To re-appoint the retiring Auditors Messrs. Ernst and Young, Chartered Accountants, to hold office as the Company's External Auditors for the financial year ending December 31, 2025.

By Order of the Board of
CBC Finance Ltd.

H D U Oshadi Gunasekara
Company Secretary
May 29, 2025
Colombo

NOTE:

1) A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to participate in his/her stead and vote on a poll. A form of proxy accompanies this notice.
2) A proxy holder need not be a shareholder of the Company.
3) A proxy holder (who is not a Shareholder) may vote on a show of hands.
4) The completed form of proxy must be deposited at the Company's Registered Office at No. 187, Katugastota Road, Kandy, not less than 48 hours before the time fixed for the meeting.

FORM OF PROXY

I/We...

of ....

being the Shareholder of C B C Finance Ltd., hereby appoint ....

(N I C No. .... of ....whom

failing:

Mr Muhseen Mohamed Sharhan Mohamed	whom failing
Mr Subasinghe Mudiyanselage Sarath Chandralal Jayasuriya	whom failing
Mr Dhanapala Mudiyanselage Dimuthu Sanjeewa Senarath Bandara	whom failing
Mr Lasantha Hasrath Munasinghe	whom failing
Mr Megelhewage Pushpakumara Dharmasiri	whom failing
Mrs Sharmini Cynthia De Sayrah Wickremasekera	whom failing
Mr Gardiyawasan Albratulage Jagath Chamilantha Sampath Fernando	

As my/our proxy holder to represent me/us and to speak at the meeting and to vote on a show of hands or a poll on my/our behalf as indicated below at the ANNUAL GENERAL MEETING of the Company to be held on Monday, June 23, 2025, and at any adjournment thereof and at every poll which may be taken in consequence thereof. (Please indicate your preference with an "X" in the relevant box).

	For	Against
1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company, the Statement of Compliance and the Audited Financial Statements of the Company for the year ended December 31, 2024 together with the Report of the Auditors thereon.	☐	☐
2. To re-appoint the retiring Auditors, Messrs Ernst and Young Chartered Accountants, to hold office as the Company's External Auditors for the financial year ending December 31, 2025	☐	☐

Signed on this .... day of ....Two Thousand and Twenty- Five.

....

Signature of Shareholder

NOTES:

1. Please indicate with an "X" in the space provided how your Proxy is to vote. If there is doubt in the view of the proxy holder (by reason of how the instructions contained in the proxy have been completed) as to how the proxy holder should vote, the proxy holder shall vote as he thinks fit.
2. A proxy holder need not be a member of the Company.
3. Instructions as to completion appear below.

INSTRUCTIONS AS TO COMPLETION

1. To be valid, this Form of Proxy must be deposited at the Registered Office of the Company at No. 187, Katugastota Road, Kandy not less than 48 hours before the time appointed for the holding of the meeting.
2. The instrument appointing a proxy shall be signed by the appointer or by his Attorney in the case of an individual. In the case of a Company/Corporation, the proxy form must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association or other constitutional documents.
3. If the Form of Proxy is signed under a Power of Attorney, the original Power of Attorney or a notarially certified copy thereof should also accompany the completed Form of Proxy if it has not already been registered with the Company.
4. The full name and address of the proxy holder and the Shareholder appointing the proxy holder should be entered legibly in the Form of Proxy.

CORPORATE INFORMATION

Name of Company

CBC Finance Ltd.

Company Registration Number

PB276

Legal form

A limited liability company incorporated in Sri Lanka on February 18, 1987 under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007.

CBC Finance Limited is licensed under the Finance Business Act No. 42 of 2011 and registered under the Finance Leasing Act No. 56 of 2000.

Fully owned subsidiary of the "Commercial Bank of Ceylon PLC".

Credit Rating

"A(lka)/Stable" by Fitch Ratings Lanka Limited.

Registered Office

No. 187, Katugastota Road, Kandy.

Head Office

No. 187, Katugastota Road, Kandy.

Contact Details

Telephone (General) :
+94 81 221 3498
Fax : +94 81 222 4521
Email : info@cbcfinance.lk
Web : www.cbcfinance.lk

Financial Year

December 31

Tax Payer Identification Number (TIN)

114032611

Auditors

Messrs Ernst & Young
(Chartered Accountants),
Rotunda Towers,
No 109, Galle Road,
P O Box 101,
Colombo 3

Board of Directors

Mr S Muhseen – Chairman
(Non-Independent/
Non-Executive Director)

Mr S M S C Jayasuriya
(Independent/Non-Executive Director)

Mr D M D S S Bandara
(Independent/Non-Executive Director)

Mr L H Munasinghe
(Non-Independent/
Non-Executive Director)

Mr M P Dharmasiri
(Non-Independent/
Non-Executive Director)

Mrs S C De S Wickremasekera
(Appointed on March 22, 2024)
(Independent/Non-Executive Director)

Mr G A J C S Fernando
(Managing Director/
Chief Executive Officer)

Board Subcommittees

Board Credit Committee

Mr L H Munasinghe - Chairman
(Appointed on February 17, 2024)
Mr S M S C Jayasuriya
Mr D M D S S Bandara
Mr S C De S Wickremasekera
(Appointed on April 26, 2024)

Board Integrated Risk Management Committee

Mrs S C De S Wickremasekera –
Chairperson (Appointed as Chairperson w.e.f. October 01, 2024)
Mr S M S C Jayasuriya
Mr D M D S S Bandara
Mr M P Dharmasiri

Board Audit Committee

Mr S M S C Jayasuriya – Chairman
Mr D M D S S Bandara
Mr M P Dharmasiri
Mrs S C De S Wickremasekera
(Appointed on April 26, 2024)

Board Nomination Committee

Mr S M S C Jayasuriya – Chairman
Mr S Muhseen
Mr D M D S S Bandara

Board Human Resources and Remuneration Committee

Mr S Muhseen – Chairman
Mr D M D S S Bandara (Appointed w.e.f December 05, 2017 and stepped down w.e.f. October 01, 2024)
Mr L H Munasinghe
Mrs S C De S Wickremasekera
(Appointed on October 01, 2024)

Board Information Technology Committee

Mr L H Munasinghe – Chairman
(Appointed as Chairman w.e.f. October 01, 2024)
Mr S Muhseen
Mr D M D S S Bandara
Mr G A J C S Fernando
Mrs S C De S Wickremasekera
(Appointed on October 01, 2024)

Board Related Party Transaction Review Committee

Mrs S C De S Wickremasekera –
Chairperson (Appointed as Chairperson w.e.f. July 25, 2024)
Mr S M S C Jayasuriya (Appointed on July 25, 2024)
Mr M P Dharmasiri (Appointed on July 25, 2024)

Company Secretary

Mrs H D U O Gunasekara

Compliance Officer

Mr K W M S B Kamathewatte

Bankers

Commercial Bank of Ceylon PLC
Bank of Ceylon
People's Bank
Sampath Bank PLC
Seylan Bank PLC
DFCC Bank PLC
Hatton National Bank PLC
Cargills Bank PLC

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