DFCC BANK
Keep Growing

BUILDING A SUSTAINABLE TOMORROW

INTEGRATED ANNUAL REPORT 2024

INTEGRATED
ANNUAL REPORT
2024

BUILDING A SUSTAINABLE TOMORROW

For seven decades, we have been a driving force in Sri Lanka's progress – pioneering finance across multiple industries, empowering businesses, and uplifting communities. From funding the country's first private-sector renewable energy projects to shaping key economic sectors, our impact has been transformative. Today, as a fully-fledged banking powerhouse, DFCC Bank offers a comprehensive suite of financial solutions, driven by an unwavering commitment to customer centricity, sustainability, and innovation. With a focus on creating opportunities and fostering a greener, more inclusive future, we continue to empower generations to come.

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https://dfcc2024.annualreports.lk

OUR INTEGRATED ANNUAL REPORT

GRI 2-1, 2-2, 2-3

We are pleased to present the DFCC Bank Integrated Annual Report 2024 ("the Report" or "the Annual Report"), marking the Bank's 12th Integrated Annual Report. This Report provides a comprehensive yet concise account of DFCC Bank PLC's ("DFCC Bank," "DFCC," or "the Bank") strategies, goals, operations, governance, and achievements for the period 1 January 2024 to 31 December 2024. The primary scope of the Report covers the core banking activities of DFCC Bank, with an emphasis on both financial and non-financial aspects of its performance. While the Report provides an in-depth overview of the Bank's overall strategy and its functional units, it is written in the spirit of integrated reporting, cohesively reflecting the interconnections between various functions. It also highlights the Bank's approach to value creation in the short, medium, and long-term.

In addition to the Bank's core operations, the Report includes an overview and financial performance of the DFCC Bank Group ("the Group"), encompassing its subsidiaries and other affiliated entities:

SUBSIDIARIES

- DFCC Consulting (Pvt.) Ltd.
- Synapsys Ltd.
- Lanka Industrial Estates Ltd.

JOINT VENTURE

- Acuity Partners (Pvt.) Ltd.

ASSOCIATE COMPANY

- National Asset Management Ltd.

The Report aligns with the boundaries of the Bank's Financial Statements and integrates information on DFCC Bank and its subsidiaries. Stakeholders and entities addressed in this Report are identified and discussed in accordance with the Integrated Reporting <IR> framework outlined below:

Reporting Boundary

For Financial Reporting

Subsidiaries

Joint Venture

Associate Company

For ESG/Sustainability Reporting

For GHG Information Reporting (As per Control Approach)

Subsidiaries

Notes:

Acuity Partners was not included as it was disposed in January 2025

NAMAL was not included as DFCC Bank holds only a 30% minority interest

REPORTING FRAMEWORKS, GUIDELINES, CODES AND STANDARDS

DFCC Bank is dedicated to maintaining transparency and accountability in its reporting by adhering to globally recognised frameworks, standards, and guidelines. As part of our commitment to enhancing disclosure quality, we are actively reviewing the recently introduced IFRS/SLFRS S1 and S2 standards to achieve holistic alignment in future reporting cycles. Recognising our position as one of the Top 100 listed companies, we are working towards integrating these standards into our reporting practices wherever feasible.

To support this transition, we are streamlining internal data-capturing mechanisms and processes to enable full compliance with these standards. While qualitative aspects of these standards are reflected in this year's disclosures, we aim for a more comprehensive alignment in the coming years. This effort is complemented by our adherence to other globally recognised frameworks, including the SASB financial sector guidance and the TCFD recommendations, which further enrich the quality of our reporting.

DFCC Bank's approach to reporting is guided by the following key frameworks, standards, and regulations across different reporting domains:

Financial Reporting	Integrated Reporting	ESG/Sustainability	Governance, Compliance and Risk Reporting
• Sri Lanka Accounting Standards (LKASs/SLFRs) issued by the Institute of Chartered Accountants of Sri Lanka • Companies Act No. 07 of 2007 and amendments • Circular No. 5 of 2024 on the publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks issued by the Central Bank of Sri Lanka (CBSL) • Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 • Banking Act Direction No. 13 of 2021 on classification, recognition and measurement of credit facilities in Licensed Banks • Banking Act Direction No. 14 of 2021 on classification, recognition and measurement of financial assets other than credit facilities in Licensed Banks	• The International Integrated Reporting <IR> Framework of the International Financial Reporting Standards (IFRS) Foundation	• Global Reporting Initiative (GRI) Standards – "In Accordance with the GRI Standards", issued by the Global Sustainability Standards Board (GSSB) • Banking Act Direction No. 05 of 2022 on Sustainable Finance Activities of Licensed Banks issued by CBSL • Guidelines on Environmental, Social and Governance (ESG) Reporting issued by the Colombo Stock Exchange (CSE) • The United Nations Sustainable Development Goals (UN SDGs) • Sustainable Banking Principles of the Sustainable Banking Initiative of the Sri Lanka Banks' Association (SLBA-SBI) • Task Force on Climate-related Financial Disclosure (TCFD) • Green Bond Principles of the International Capital Market Association (ICMA) • Global GHG Accounting and Reporting Standard for the Financial industry issued by the partnership for Carbon Accounting Financials (PCAF) • Sustainability Accounting Standards for Commercial Banks of the Sustainability Accounting Standard Board (SASB) of the IFRS Foundation	• Banking Act No. 30 of 1988 and amendments • Companies Act No. 07 of 2007 and amendments • Code of Best Practice for Corporate Governance 2023 issued by The Institute of Chartered Accountants of Sri Lanka • Banking Act Direction No. 05 of 2024 on Corporate Governance for Licensed Banks • Banking Act Direction No. 01 of 2016 on Capital Requirements under Basel III and amendments • Listing Rules of the Colombo Stock Exchange (CSE) • Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, including directives and circulars

By integrating these diverse frameworks and standards, DFCC Bank ensures its reporting practices meet the highest levels of transparency, reliability, and alignment with global best practices. The Bank adheres to both mandatory and voluntary reporting frameworks, ensuring compliance with regulatory requirements while striving to align with industry-leading standards. This comprehensive approach reflects our commitment to delivering value to all stakeholders while driving sustainable growth.

VALUE CREATION

DFCC Bank's value creation process is comprehensively detailed in the Business Model (refer pages 52 and 53). The model conceptualises value creation through the lens of inputs, outputs, and outcomes across various forms of capital, highlighting their creation, transformation, and consumption. The value derived by the Bank and delivered to its stakeholders is articulated under outputs, while the broader impact of these outputs is described as outcomes.

The Bank classifies its reporting themes primarily in alignment with the <IR> framework conceptualised by IFRS, categorising them as Financial Strength, Institutional Wealth, Employees, Customers, Business Partners, Investors, Community, and Natural Resources. Integrated reporting assumes that the generation of financial strength, as well as the cohesive integration of other themes in supporting the creation of financial strength, is driven by their interdependencies, including non-financial interactions. Through its operations, the Bank creates value for both itself and its stakeholders, while also consuming, developing, and transforming these capitals in the process.

MATERIALITY

According to the principles of integrated reporting, a subject is deemed material if it substantively affects the ability of an organisation to create value in the short, medium, and long-term. Materiality is largely industry specific, but can also vary with the organisation. Ascertainment of material matters requires input from all key divisions of the Bank and must consider all stakeholder groups' perspectives. The process must also be placed in the context of the operating environment. Identification of material matters is interwoven with the identification of risks and opportunities featured throughout the Report. Please refer to page 70 for further details.

Guiding Principles	The Bank has applied the following guiding principles in preparing this report to ensure that it provides a credible review of our performance.
Materiality	We have reported on material matters with environmental, social and governance factors as the foundation.
Connectivity of information	Icons have been used to connect strategy, material themes and stakeholders throughout the report.
Faithful representation	We have presented a balanced view of our performance, including both positive, neutral and negative aspects.
Conciseness	Reporting in a concise manner has been a key objective, in conveying critical matters to users of the report. Where necessary, however, we have included details, for clarity and transparency.
Consistency and comparability	Indicators for measurement have been aligned to reporting frameworks and industry standards wherever possible, facilitating comparability.
Reliability	Internal processes and controls have been put in place to ensure reliability of both financial and non-financial information.

PRECAUTIONARY PRINCIPLE

We use the Precautionary Principle as a social and environmental decision-making guideline. The salient points of the principle are:

- Taking preventive action in the face of uncertainty
- Shifting the burden of proof to the proponents of an activity
- Exploring a wide range of alternatives to possibly harmful actions
- Increasing public participation in decision making

FORWARD–LOOKING STATEMENTS

This Report contains “forward-looking” statements which have been included to enhance the future orientation of the Report. These are based on information available at the time of preparation of the Report sourced from reliable and publicly available information, internal information and our perceptions and opinions.

These statements can be verified only with hindsight and therefore, have significant levels of uncertainty associated with the same. As Sri Lanka is on a path to economic recovery and geopolitical risks continue to remain high, the external operating environment continues to remain fluid, and readers are advised to exercise their judgement using the latest available information at the time of assessing such forward-looking statements. While significant efforts have been made to ensure the validity of these, all forward-looking statements are provided without recourse or any liability whatsoever to the Board or other preparers of the Annual Report due to the reasons enumerated above.

LOOKING AHEAD

Between 2020 and 2023, the Bank navigated a period of significant turbulence, marked by political, economic, and social uncertainties. While the current environment has shown signs of stabilisation, it remains somewhat fluid and dynamic. In this context, adopting a forward-looking perspective is essential. Although the future cannot be predicted with certainty, the Bank strives to anticipate and present the most probable scenarios based on informed analysis and strategic insights.

Reporting Best Practices Adopted

GHG

We have reported on material matters with environmental, social and governance factors as the foundation.

Icons have been used to connect strategy, material themes and stakeholders throughout the report.

We have presented a balanced view of our performance, including both positive, neutral and negative aspects.

Navigating the Report in the Value Creation Process

Six Capitals in <IR> Framework	Where to Find in the Report	Page Reference
Financial	Financial Strength	78
Natural	Environment	84
Human	Employees	99
Social and Relationship	Customers	111
	Business Partners	117
	Community	122
	Investors	154
Intellectual	Institutional Wealth	151
Manufactured	Manufactured Wealth	157

COMBINED ASSURANCE

GRI 2-5

The mandatory independent review of the Financial Statements, including the notes to the accounts, has been provided by External Auditors – Messrs KPMG Sri Lanka, Chartered Accountants. Their opinion is given on page 217.

Further, independent assurance on the following presented in this Report has been provided by Messrs Ernst & Young, Sri Lanka (EY).

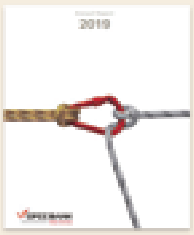
- Independent assurance on DFCC Bank’s reporting adherence to the GRI standards on page 411.
- Independent assurance on DFCC Bank’s reporting adherence to the Integrated Reporting Framework on page 413.

ICON LIBRARY

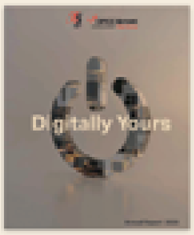
Following icons are used in this Report to depict the stakeholders, that are impacted by our business or impact us, by their market behaviour.

Financial Strength	Institutional Wealth	Employees	Customers	
Business Partners	Natural Resources	Investors	Community	Manufactured Wealth

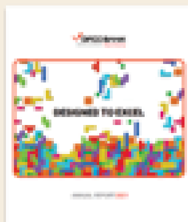
All previous Integrated Annual Reports including the most recent report for the financial year 2023 are available for viewing and downloading on the Bank's website – www.dfcc.lk.



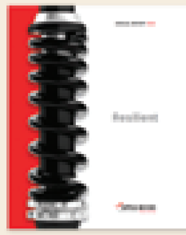
2019



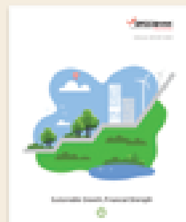
2020



2021



2022



2023

BOARD RESPONSIBILITY STATEMENT

The Board of Directors of DFCC Bank PLC confirms that the Annual Report 2024 has been prepared and presented in accordance with the <IR> Framework and acknowledges its responsibility for ensuring the integrity of this Integrated Report. Accordingly, the Board is satisfied with the presentation of information with regard to the Bank's strategy and value creation which addresses material matters relevant to the Bank and its stakeholders. The Board has considered the completeness of the information presented in the Report based on the combined assurance process outlined above.

Signed on behalf of the Board,

N H T I Perera
Director/Chief Executive Officer

FEEDBACK

GRI 2-3

For feedback or any clarification on this Report please write to:

Ms N Ranaraja
The Company Secretary

DFCC Bank PLC
73/5, Galle Road,
Colombo 3,
Sri Lanka.

Phone: +94 11 244 2442

Email: care@dfccbank.com

Website: www.dfcc.lk

ABOUT US

DFCC BANK

VISION

To be the leading financial solutions provider, sustainably developing individuals and businesses.

MISSION

To provide innovative and responsible solutions true to our values with the expertise of our multidisciplinary team of professionals and synergies of our financial services group.

VALUES

Passion

Authenticity

Courage

Collaboration

Excellence

DFCC Bank, established in 1955 as Sri Lanka's first development bank under an Act of Parliament, has been a key driver of the nation's socio-economic progress for 70 years. Originally founded as the Development Finance Corporation of Ceylon (DFCC) through a collaborative effort between the Government of Sri Lanka and the World Bank, the Bank played a pioneering role in fostering national development. In 1956, it became the first bank to be listed on the Colombo Stock Exchange (CSE), laying the foundation for the evolution of Sri Lanka's capital markets.

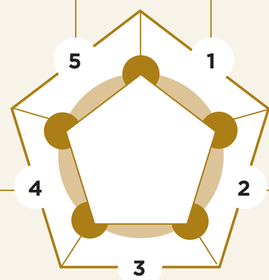
Over the decades, DFCC Bank has transformed into a fully-fledged banking powerhouse while retaining its founding spirit of supporting economic growth. In 2015, the Bank transitioned into a commercial bank through an amalgamation with its commercial banking subsidiary, strengthening its position in Sri Lanka's financial sphere. Recognising the transformative impact of technology and sustainability on the financial sector, DFCC Bank has since made significant strides in digital transformation and sustainable finance.

Today, it remains committed to innovation, customer-centric solutions, and environmental stewardship, reinforcing its legacy as a trusted financial partner in Sri Lanka.

SUSTAINABILITY

At DFCC Bank, sustainability is a fundamental pillar of its long-term strategy, reflecting a commitment to responsible banking that extends beyond short-term profitability. The Bank recognises that sustainable growth is essential for building resilience, creating long-term value, and contributing to a more environmentally and socially conscious future. As part of this commitment, DFCC Bank has set an ambitious target of achieving carbon neutrality by 2030, reinforcing its dedication to environmental stewardship.

A leader in financing clean energy projects, DFCC Bank continues to play a pivotal role in advancing sustainable finance in Sri Lanka. The Bank's efforts are underscored by key initiatives undertaken during the year, including:



Issuance of Sri Lanka's First Green Bond

In September 2024, DFCC Bank made history by issuing the first-ever Green Bond originating from Sri Lanka. Initially listed on the Colombo Stock Exchange (CSE), the bond was later dual-listed on the Luxembourg Stock Exchange (LuxSE) under the Luxembourg Green Exchange (LGX), reinforcing the Bank's commitment to international Environmental, Social, and Governance (ESG) standards.

Mangrove Restoration at Gin Oya Estuary, Waikkal

Continuing its commitment to marine conservation, the Bank expanded its mangrove restoration project at the Gin Oya estuary in Waikkal, a critical ecosystem for biodiversity and coastal protection. This initiative was carried out in collaboration with the Sri Lanka Navy and supported by various environmental organisations.

Reforestation of Knuckles Conservation Forest Reserve

In partnership with the Forest Department of Sri Lanka, DFCC Bank contributed to the reforestation of the Knuckles Conservation Forest Reserve, an important biodiversity hotspot. As part of this initiative, the Bank facilitated the planting of 100 native trees, ensuring the preservation and enhancement of this vital ecosystem.

DFCC *Thirasara Athwela* Programme

Under the DFCC *Thirasara Athwela* programme, the Bank provided training and awareness sessions to empower entrepreneurs and small businesses with environmentally, socially, and economically sustainable business strategies, fostering long-term resilience and growth.

Digitalisation for Environmental Impact

As part of its ongoing digital transformation journey, DFCC Bank continued to enhance digital banking services and streamline internal processes, significantly reducing paper usage across its operations.

By embedding sustainability into its core business strategy, DFCC Bank continues to lead the way in responsible banking, ensuring a greener, more inclusive, and resilient future for Sri Lanka.

BANK'S PRODUCTS AND SERVICES

GRI 2-6

DFCC Bank offers a comprehensive portfolio of financial solutions, spanning corporate banking, retail and SME banking, MSME banking, treasury and investment banking, international trade, remittances, credit cards, bancassurance, and institutional business development. This diverse range enables the Bank to serve a broad customer base, from large corporations and micro-enterprises to individuals across varying socio-economic segments.

The evolving needs of its clientele drive DFCC Bank's continuous innovation and refinement of its offerings. By adapting to market dynamics and emerging financial trends, the Bank remains committed to delivering relevant, high-quality, and customer-centric banking solutions that empower businesses and individuals alike.

Liability Products

DFCC WINNER | DFCC xtreme Money Market Account | DFCC GARUSARU | DFCC JUNIOR | DFCC JUNIOR PLUS | DFCC Investment Planner | DFCC Green Deposit | DFCC Fixed Deposit | DFCC Teen

Digital Products and Services

DFCC CHATZ | DFCC iCONNECT | DFCC Online Banking | DFCC Alerts (SMS) | DFCC ONE | DFCC MySpace (ATMs, CRMs, CHDMS, Pay&Go Machines) | eStatements | MTeller

Asset Products

DFCC Housing Loans | DFCC Personal Loans | DFCC Leasing | DFCC | KrushiBala | DFCC Solar Loan

Product Propositions

DFCC Prestige | DFCC Salary Plus | DFCC Pinnacle | DFCC | DFCC Freelancer For world class you! | DFCC Aloka | DFCC Pinnacle Junior | DFCC SalaryPartner

Other Products

DFCC Credit Cards | Bancassurance | Special Deposit Accounts

DIGITALISATION

In today's rapidly evolving financial landscape, digitalisation is no longer optional—it is imperative. DFCC Bank is steadfast in its commitment to becoming Sri Lanka's most convenient and digitally advanced bank, integrating technology to enhance efficiency, accessibility, and customer experience.

Digital transformation is embedded across nearly all the Bank's products and services, ensuring customers benefit from timely, accurate, and seamless banking experiences. By leveraging digital channels, DFCC Bank empowers its customers with secure, on-demand access to financial solutions, reinforcing its reputation as an innovative and customer-focused financial institution.

REACH

DFCC Bank maintains a strong island-wide presence, operating 138 branches and offering access to over 5,500 ATMs through the LankaPay ATM network. Beyond its physical footprint, the Bank continues to expand its digital presence through enhanced online and mobile banking services, catering to customers who seek banking solutions on the go.

Looking ahead, DFCC Bank aims to prioritise digital expansion over physical branch growth, aligning with evolving customer preferences and industry trends. This strategic shift will enable the Bank to deliver faster, more efficient, and highly personalised banking experiences, ensuring greater accessibility and convenience for all customers.

GENDER AND SMEs

The financial empowerment of women is a growing priority within the banking sector, and DFCC Bank is at the forefront of these efforts. Recognising that women-owned businesses account for approximately 25% of SMEs, the Bank has actively sought to increase women's participation in banking by offering tailored financial solutions that address the unique challenges they face.

Through customised SME financing, advisory support, and inclusive banking initiatives, DFCC Bank is committed to fostering greater financial inclusion while driving gender equality and economic development. By supporting women entrepreneurs and business owners, the Bank not only strengthens Sri Lanka's SME sector but also contributes to the country's broader economic resilience and growth.

THE GROUP STRUCTURE

DFCC BANK
Keep Growing

ASSOCIATE COMPANY

SUBSIDIARIES

DFCC Consulting (Pvt) Limited

Address	Number	Country of incorporation	Incorporation date
No. 73/5, Galle Road, Colombo 3, Sri Lanka	+94 11 244 2442	Sri Lanka	Sri Lanka
		Incorporation date	**Principal activity**
		9 September 2004	Consultancy

Synapsys Ltd.

Address	Number	Country of incorporation	Incorporation date
No. 540, Nawala Road, Rajagiriya, Sri Lanka	+94 11 288 0770	Sri Lanka	Sri Lanka
		Incorporation date	**Principal activity**
		11 October 2006	Information technology services and IT-enabled services

Lanka Industrial Estates Limited

Address	Number	Country of incorporation	Incorporation date
Pattiwila Road, Sapugaskanda, Makola, Sri Lanka	+94 11 240 0318	Sri Lanka	Sri Lanka
		Incorporation date	**Principal activity**
		12 March 1992	Operating an industrial estate

National Asset Management Limited

Address	Number	Country of incorporation	Incorporation date
No. 7, Glen Aber Place, Colombo 3, Sri Lanka	+94 11 244 5911/ +94 11 244 5757	Sri Lanka	Sri Lanka
		Incorporation date	**Principal activity**
		28 September 1990	Licensed unit trust and investment management

MILESTONES

1955

The Development Finance Corporation of Ceylon (DFCC) is incorporated under an Act of Parliament and is one of the first development banks to be established in Asia.

1956

DFCC becomes the first bank to be listed by the Colombo Share Brokers' Association, the precursor to the Colombo Stock Exchange.

1992

Lanka Industrial Estates Ltd. (LINDEL), Lanka Ventures Ltd. (LVL) and HDF Securities (Pvt) Ltd. are founded.

1993

Reached No. 1 position in market capitalisation.

1995

Asia Money ranks DFCC as the Best Managed Company in Sri Lanka.

1996

Fixed deposit scheme introduced. Sri Lanka's first private sector Renewable Energy power project is commissioned, financed by DFCC.

DFCC and Deutsche Bank appointed as advisors to the Government of Sri Lanka for privatisation of Sri Lanka Telecom.

DFCC divests stake in HDF Securities Ltd.

1997

DFCC renamed as DFCC Bank.

Appointed as the Administrative Unit of the Energy Services Delivery Project funded by the World Bank and Global Environment Facility (GEF).

2004

DFCC Consulting (Pvt) Ltd. is founded.

2008

Acuity Partners (Pvt) Ltd. commences commercial operations.

2011

Shareholding in DFCC Vardhana Bank increased to 99.1%.

2014

Appointed by GOSL to administer the EUR 90 Mn SME and Green Energy Credit Line from the European Investment Bank.

2015

DFCC Bank and DFCC Vardhana Bank are amalgamated in October to form DFCC Bank PLC.

2016

DFCC Virtual Wallet launches as yet another financial inclusion enabler by DFCC Bank, a first in Sri Lanka's banking industry.

2022

DFCC Bank awarded Market Leader and Best Service for Cash Management at Euromoney Market Leaders Awards 2022.

2023

DFCC Bank becomes the first Sri Lankan entity accredited by the Green Climate Fund (GCF).

2024

DFCC Bank issues the first Green Bond in Sri Lanka listed on the CSE, demonstrating leadership in Sustainability.

1977

Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) is formed with DFCC as a founder member.

1984

Finance leasing is introduced.

1985

Medium-term working capital financing is introduced.

An insurance agency business is commenced.

1986

Moves to the present Head Office in Colombo 3.

1988

The first branch is opened in Kandy.

1989

Short-term Working Capital Financing is officially introduced.

1990

National Asset Management Ltd (NAMAL) is incorporated.

1991

Public issue of DFCC shares

1998

DFCC Bank issues a USD 65 Mn 10 year Floating Rate Note (guaranteed by the ADB) listed on the Luxembourg Stock Exchange – the first International Bond issued by a Sri Lankan entity.

1999

Asia Money ranks DFCC Bank as the Best Managed Company of the decade.

2000

Structured and managed Sri Lanka's First Rated Debenture Issue for Sri Lanka Telecom.

2001

DFCC Bank acquires ABN AMRO Securities (Pvt) Ltd. and renames the company to DFCC Stock Brokers (Pvt) Limited.

2002

Assigned the SL AA National Rating for Implied Long-term Unsecured Senior Debt by Fitch Ratings Lanka Ltd.

2003

DFCC acquires 94.16% of MERC Bank and renames it as DFCC Vardhana Bank.

Appointed as the Administrative Unit of the Renewable Energy for Rural Economic Development (RERED) project funded by the World Bank and GEF.

Managed the IPO of Sri Lanka Telecom, then the largest offering on the Colombo Stock Exchange.

2017

DFCC Bank launches DFCC Premier Go app to empower Premier customers.

2018

DFCC Bank launches DFCC iConnect, a cutting-edge payments solution for businesses.

DFCC Credit Cards relaunched with EMV-enabled chip and Visa PayWave contactless technology.

2020

DFCC Bank awarded the No. 1 Cash Management Service Provider in Sri Lanka by Euromoney.

DFCC Bank awarded Market Leader in Cash Management (Domestic Banks) and Best Services in Cash Management.

2021

DFCC Bank signs an agreement with the United States Development Finance Corporation (DFC) for a USD 150 Mn, credit line for SME financing.

HIGHLIGHTS

Year ended 31 December	Group				
	2024 LKR Mn	2023 LKR Mn	2022 LKR Mn	2021 LKR Mn	2020 LKR Mn
Operating Results					
Total income	90,156	107,442	75,471	43,029	43,604
Profit before tax	13,820	11,369	3,112	4,859	3,944
Tax expense	5,265	3,850	70	1,194	1,097
Profit attributable to equity holders of the Bank	9,778	8,485	2,932	3,549	2,745
Statement of Financial Position					
Assets					
Cash and short term funds	27,081	45,765	40,400	26,383	28,063
Loans to and receivables from banks and other customers	394,361	348,767	369,072	365,901	306,062
Financial investments	252,876	204,738	115,696	81,226	120,932
Investments in associate and joint venture	39	4,439	3613	2,840	2,481
Other assets	34,841	41,812	40,755	11,907	9,829
Total assets	709,198	645,521	569,536	488,257	467,367
Liabilities					
Due to depositors	464,360	406,585	369,746	319,362	309,566
Due to other borrowers	136,830	150,200	131,707	107,623	97,406
Other liabilities	18,163	16,360	13,762	9,507	8,686
Total liabilities	619,352	573,145	515,215	436,492	415,658
Equity					
Total equity attributable to equity holders of the Bank	89,400	71,984	54,015	51,448	51,426
Non-controlling interests	446	392	306	317	283
Total equity and liabilities	709,198	645,521	569,536	488,257	467,367
Return on equity (%)*	13.95	13.95	5.60	7.45	6.16
Return on total assets, (%)*	2.07	1.88	0.59	1.02	0.91
Earnings per share (LKR)**					
– Continuing operations	19.51	17.58	7.88	11.17	9.00
Net assets value per share (LKR)	206.63	170.60	134.14	160.51	168.06
Common equity tier I capital ratio (%) (Basel III)	13.61	12.46	9.94	9.28	10.82
Tier I capital ratio (%) (Basel III)	13.61	12.46	9.94	9.28	10.82
Total capital ratio (%) (Basel III)	16.96	14.48	12.99	13.00	15.75

* *After eliminating fair value reserve.*

** *With the decision taken by the Bank to divest from the investment in joint venture, the operating result of the investment was considered as discontinued operation.*

Key indicator	Unit/Measure	2024	2023
Environment			
Direct Greenhouse Gas emission – DFCC Bank, Synapsys, DFCC consulting (Scope 1)	tCO_2e	483.47	466.43*
Indirect Greenhouse Gas emission – DFCC Bank, Synapsys, DFCC consulting (Scope 2 & 3)	tCO_2e	4943.85	4,342.91*
Total Greenhouse Gas emission – DFCC Bank, Synapsys, DFCC consulting	tCO_2e	5427.32	4,809.34*
Emission Intensity – DFCC Bank, Synapsys, DFCC consulting	tCO_2e	2.17	2.28*
Total Greenhouse Gas emission – LINDEL	tCO_2e	288.08	Not assessed
Emission Intensity – LINDEL	tCO_2e	11.52	Not assessed
Solar power generated electricity – DFCC Bank	kWh	405,026	190,624
Solar power generated electricity – LINDEL	kWh	1,476,044	1,591,144
Energy intensity ratio(electricity) – DFCC Bank Head Office	kWh/Emp	1,446.69	1,906
Energy intensity ratio (electricity) – Ramanayaka Mawatha	kWh/Emp	2,206.44	2,958
Energy consumption (non-renewable sources)			
– DFCC owned vehicles	Diesel (litres)	56,925	44,315
– DFCC owned vehicles	Petrol(litres)	32,510	28,594
GHG emission reduction from waste paper recycling	kilograms	8,541	6,070
Total e-waste recycled	kilograms	1,753	3.5
Reduction of GHG emission through Green Bond issuance	tCO_2e	2,251	N/A
Social			
Total employees	Number	2,439	2,109
Total new recruits	Number	807	665
Total training hours	Hours	101,524	
Investment in training	LKR Mn	52.291	
Staff retention ratio	Percentage	87	87
Staff promotions	Number	371	426
Female representation in management (AVP and above)	Percentage	27	27
Gender diversity of employees (male: female)	Ratio	54:46	55:45
Gross income per employee	Number	36,720 ('000)	
Green financing portfolio	LKR Bn	12.89	10.96
Adoption of Environmental and Social Management System (ESMS)	Complied with	Yes	Yes
Adoption/publication of ESG policy	Implemented	Yes	No
Number of entrepreneurs/potential entrepreneurs upskilled from "*Thirasara Athwela*" programme	Number	Over 60	N/A
Beneficiaries in *"Vyapara Hamuwa"* entrepreneurship capacity building programme	Number	Over 260	Over 240
Number of students benefitted from DFCC scholarship programmes	Number	206	201
Number of beneficiaries from "Community Kitchen" and supplementary initiatives	Number	Over 3,000	Over 4,500
Governance			
Policies such as Corporate Governance Code, Code of Ethics etc.	Existence and operational	Yes	Yes
Senior body responsible for overseeing sustainability related matters	Existence and operational	ESMC & Board	ESMC & Board
Board independence – number of independent directors	Number	07	08
Board diversity – male:female	Ratio	7:2	7:4

** Recalculated/DFCC Bank only.*

AWARDS AND ACCOLADES

CMA Excellence in Integrated Reporting Awards 2024	**Merit Award**	
Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) Development Awards 2024	**Merit Award** Category 10: Corporate Social Responsibility	
SLIM DIGIS 2.4	**Silver Award** DFCC Bank Website-Tru Value Through SEO (Best SEO/SEM Campaign)	**Silver Award** DFCC Galaxy Virtual Branch (Best Use of Experiential Digital Marketing)
2nd ICC Emerging Asia Banking Conclave & Awards 2024	**Best Performance on Growth**	**Best Performance on Profitability**
Best Management Practices Company Awards 2024	**Excellence Awards** Best Management Practices	**Winner** Banking of Private Sector Category
	Overall Winner-**Gold**	

LK Domain Registry, best web.lk competition	**Special Award** Best Mobile User Experience Banking Website	**Gold Award** Best Banking Website	**Silver Award** Overall Best Website
Global Banking & Finance Awards 2024	**Banking Brand of the Year Awards Sri Lanka 2024**	**Best Bank for Sustainable Development Sri Lanka 2024**	**Fastest Growing Retail Bank Sri Lanka 2024**
Lanka Pay Technnovation Awards 2024	**Gold Award** Financial Institution of the Year for Financial Inclusivity – Category C	**Merit Award** Best Common ATM Enabler of the Year – Category B	
13th ACEF Global Customer Engagement Awards 2024	**Gold Award** Digital Marketing (Youtube) (Sri Lanka) – Creativity	**Gold Award** Digital Marketing (Banking sector) (Sri Lanka) – Innovative	
	Gold Award Digital Marketing (YouTube) (Sri Lanka) – Effectiveness	**Gold Award** Event – Successful Use of CSR activity	
	Overall Winner-**Gold**		

KEY EVENTS

DFCC Bank launches online digital onboarding facility – no travel, no queues, no paperwork, no hassle!

DFCC Bank highlights award-winning iConnect Digital Cash Management Solution at Power Breakfast for Tea Industry Stakeholders.

DFCC Bank staff Christmas carols 2024

DFCC *Poson Bhakthi Geetha* and *Dansal* programmes held in Colombo and Kandy

DFCC Bank partners with Home Lands Skyline to offer seamless housing loans solutions

Introducing DFCC Freelancer World Mastercard Credit Card – A first for freelancers in Sri Lanka

DFCC Bank launches MySpace ATM with cash deposit functionality in Dickoya

DFCC *Aloka* hosts special event to celebrate women in healthcare at Kandy General Hospital

DFCC Leasing partners with John Keells CG Auto to provide flexible and affordable leases for BYD vehicles

OUR LEADERSHIP

MESSAGE FROM THE CHAIRMAN

GRI 2-11, 2-22

At DFCC Bank, our core values define who we are and shape our business approach. We aspire to be the bank that is the most customer-centric and easiest to bank with, and this ethos is deeply embedded in our culture, operations, and service delivery.

The global economy over the past four years has faced unprecedented challenges, testing its resilience like never before. A once-in-a-century pandemic, geopolitical conflicts, and extreme climate events have not only disrupted supply chains but also deepened poverty, food, and energy crises, compelling governments worldwide to implement aggressive measures to contain inflation, safeguard livelihoods, and stabilise economies. The year under review was also remarkable for the sheer scale of elections globally, as voters in over 60 nations sought change and reform. Despite regional disparities, Asia remained a key driver of global growth, fuelled by increased demand for electronic components vital for the rapid expansion of investments in information and communication technology.

SRI LANKA'S ECONOMY – A FRAGILE BUT POSITIVE RECOVERY

Sri Lanka's economy demonstrated four consecutive quarters of growth, signalling gradual stabilisation aided by structural and policy reforms. The successful debt restructuring programme bolstered investor confidence, paving the way for medium-term growth prospects. Inflation remained subdued, though poverty alleviation remains a pressing challenge. Encouragingly, private sector credit rebounded, and the construction sector showed signs of revival, reinforcing a cautiously optimistic outlook.

That said, economic recovery remains vulnerable to external shocks, particularly fluctuations in commodity prices and global trade policies. However, higher tourism inflows and remittances strengthened Sri Lanka's Current Account, while improving fiscal revenues and controlled government spending helped manage public finances.

A VISION ROOTED IN VALUES

At DFCC Bank, our core values define who we are and shape our business approach. We aspire to be the bank that is the most customer-centric and easiest to bank with, and this ethos is deeply embedded in our culture, operations, and service delivery. We firmly believe that customer-centricity, strategic partnerships, and a future-ready workforce are the pillars of our success.

The Bank's transformation from a traditional development finance institution into a dynamic, full-service commercial bank has been pivotal in reshaping our strategic direction. Today, we stand as an innovative financial solutions provider catering to a diverse client base—from large corporates to SMEs and individual customers. Recognising that customer experience is our key differentiator, we have invested significantly in technology and talent development, ensuring that DFCC Bank remains at the forefront of Sri Lanka's financial landscape.

Our unwavering commitment is to foster a more inclusive and sustainable economy—one where businesses thrive, communities prosper, and financial solutions empower lives.

SUSTAINABILITY – A DEFINING MILESTONE

A landmark achievement in our sustainability journey was the issuance of Sri Lanka's first Green Bond, initially listed on the Colombo Stock Exchange and subsequently dual-listed on the Luxembourg Stock Exchange under the Luxembourg Green Exchange. This historic milestone underscores DFCC Bank's unwavering commitment to ESG leadership and solidifies our reputation as a responsible financial institution.

The Board plays a critical role in driving ESG integration, ensuring that sustainability principles are embedded within the Bank's strategy through the Executive Sustainability Management Committee. This Committee provides strategic oversight, ensuring that ESG factors are seamlessly incorporated into risk management, regulatory compliance, stakeholder engagement, sustainable finance innovation, and social impact initiatives.

Our sustainability agenda is not merely an initiative—it is a business imperative that aligns with global standards while delivering long-term value for our stakeholders.

COLLABORATING FOR A STRONGER FUTURE

Collaboration is the bedrock of success in today's interconnected world. At DFCC Bank, we foster an inclusive and innovative work culture, where employees are encouraged to ideate, contribute, and challenge the status quo. Through open communication platforms and strategic engagement, we empower our people to collaborate seamlessly, drive innovation, and achieve our collective goals. By equipping our workforce with future-ready skills, we ensure that DFCC Bank remains agile and adaptive in an evolving financial landscape.

GOVERNANCE AND COMPLIANCE – A COMMITMENT TO INTEGRITY

Adherence to the highest standards of governance and compliance is non-negotiable for DFCC Bank. The Bank operates within a robust policy framework that ensures full compliance with all regulatory mandates. Our Regulatory Compliance and Legal teams have proactively implemented all regulatory requirements, with zero compliance breaches recorded in 2024.

In addition, DFCC Bank remains committed to global best practices, adhering to internationally recognised UN standards and aligning with revised regulatory and industry standards. We continue to strengthen our governance framework, upholding transparency, accountability, and ethical banking practices at all levels.

FINANCIAL PERFORMANCE – A YEAR OF RECORD ACHIEVEMENTS

DFCC Bank achieved outstanding financial results in 2024, reinforcing our resilience and growth momentum.

As of 31 December 2024, total assets expanded by 9.6% YoY to LKR 703 Bn, driven by a robust increase in lending. The deposit base surged to LKR 465 Bn, with a notable improvement in the CASA ratio to 24.7%. This solid performance propelled DFCC Bank to record its highest-ever profit after tax of LKR 8.3 Bn.

The Bank's net assets value per share climbed to LKR 194.22, up from LKR 160.54 in 2023, reflecting strong shareholder returns. Our Tier I and Total Capital Adequacy Ratios comfortably exceeded regulatory requirements, standing at 12.4% and 15.76%, respectively. Meanwhile, the Stage 3 impaired loan ratio improved to 5.65%, supported by enhanced credit quality, while the Stage 3 provision cover strengthened to 54.06%.

A landmark achievement in our sustainability journey was the issuance of Sri Lanka's first Green Bond, initially listed on the Colombo Stock Exchange and subsequently dual-listed on the Luxembourg Stock Exchange under the Luxembourg Green Exchange.

CHALLENGES AND STRATEGIC RESPONSES

Despite an improving landscape, non-performing loans (NPLs) remain a challenge. While we have seen marginal improvements compared to 2023, we continue to focus on reviving distressed businesses in line with our sustainability principles. Through meaningful dialogue and tailored restructuring programmes, we have provided supportive repayment measures while strengthening our collection network to ensure financial stability.

Artificial Intelligence (AI) and its transformative potential remain a key discussion point at the Board and senior management level. As AI reshapes the global banking industry, we are actively deliberating its strategic applications, ensuring that DFCC Bank harnesses emerging technologies to drive efficiency, enhance customer experience, and secure a competitive advantage.

A VISION FOR THE FUTURE

DFCC Bank is a formidable force in Sri Lanka's banking industry, driven by a clear strategic vision and a deeply embedded value system. We aim to be the top-of-mind bank for every customer, offering cutting-edge financial solutions, unparalleled service excellence, and sustainable banking practices.

With a strong foundation, forward-thinking leadership, and a culture of innovation, we are well-positioned to navigate the opportunities and challenges of the evolving financial landscape and achieve our medium-to long-term objectives.

ACKNOWLEDGEMENTS

Our achievements are a testament to the collective efforts of our stakeholders. I extend my sincere gratitude to the Board of Directors and the Chief Executive Officer for their unwavering support and strategic foresight. I deeply appreciate our dedicated employees, whose commitment and passion continue to drive the Bank forward.

I also extend my heartfelt thanks to the Central Bank of Sri Lanka for their guidance and oversight, and to our loyal customers and business partners, whose trust and confidence fuel our journey of success.

With optimism and determination, we look forward to an era of growth, transformation, and sustainable prosperity.

J Durairatnam
Chairman

19 February 2025

CHIEF EXECUTIVE OFFICER'S REVIEW

Our commitment to service excellence is driving our transformation towards being Sri Lanka's most customer-centric bank. This effort is led by our specialist Service Excellence Unit, and is focused on refining every customer touchpoint.

It is with great pride that I reflect on DFCC Bank's outstanding performance in 2024—a year in which we not only surpassed key milestones but also created sustainable value for our shareholders. Despite the uncertainties of a recovering national economy and global geopolitical complexities, we remained resilient and agile, staying true to our core values while fostering financial inclusivity for all stakeholders.

ESG AND SUSTAINABILITY: THE CORNERSTONE OF OUR STRATEGY

Our values define our culture, and ESG and sustainability are central to our strategic direction. As climate change continues to pose challenges, exacerbated by natural disasters and energy shortages, we recognise the need for proactive solutions. In response, we introduced scalable financial solutions that drive a more sustainable future. A key milestone was the launch of Sri Lanka's first-ever Green Bond, which was initially listed on the Colombo Stock Exchange (CSE) and thereafter listed on the Luxembourg Stock Exchange (LuxSE) under the Luxembourg Green Exchange (LGX), reinforcing our leadership in sustainable finance. This achievement builds on our 2023 UN accreditation as Sri Lanka's only direct access entity of the Green Climate Fund (GCF), further strengthening our commitment to responsible banking.

To enhance our ESG framework, we have established the Executive Sustainability Management Committee to identify and mitigate ESG risks. A notable initiative was implementing a lending filter system to ensure that sustainability remains at the core of our financing decisions.

TRANSFORMATIONAL SERVICE EXCELLENCE

Our commitment to service excellence is driving our transformation towards being Sri Lanka's most customer-centric bank. This effort is led by our specialist Service Excellence Unit, and is focused on refining every customer touchpoint. Whether through our physical branches or digital platforms, we are redefining engagement to deliver seamless banking experiences.

Customer insights remain at the heart of our approach. By gathering and analysing real-time feedback, we continue to enhance service experiences and co-create solutions that address evolving customer needs. These efforts empower key segments, including women entrepreneurs, SMEs, and both corporate and retail clients.

TECHNOLOGY AND DIGITAL TRANSFORMATION

As digital innovation reshapes the financial landscape, we continue to invest in technology to enhance efficiency, security, and customer empowerment. To drive our fintech evolution and maintain our competitive edge, we have appointed a Chief Digital Officer to lead our digital transformation. Our roadmap integrates artificial intelligence (AI) within a robust IT infrastructure, ensuring data security and regulatory compliance.

In 2024, we introduced DFCC ONE, a mobile banking app that gives customers greater control over their finances. For corporate clients, we streamlined operations through virtual accounts, digital Letters of Credit, and an interactive trade module. Additionally, our digitised supply chain finance solutions are expected to further strengthen business partnerships.

OUR PEOPLE: THE HEART OF DFCC BANK

Our employees are our greatest asset, and their dedication has been instrumental in our success. With a dynamic team of over 2,400 professionals, we have navigated challenges and delivered strong financial results.

We continue to invest in attracting and retaining top talent while fostering a culture of collaboration and innovation. Our training and development programmes encompass leadership training, service excellence workshops, and technical skill-building initiatives to ensure our workforce remains future-ready.

To enhance the employee experience, we have introduced upgraded compensation and benefits, as well as initiatives such as our Listening Wall, which promotes open dialogue across all levels of the organisation. Recognising the evolving needs of younger professionals, we have also created modern, collaborative workspaces designed to inspire creativity and engagement.

COMMENDABLE FINANCIAL PERFORMANCE

Despite economic challenges, DFCC Bank demonstrated resilience and agility, delivering an outstanding financial performance in 2024:

- Total assets grew by 9.6% year-on-year to LKR 703 Bn as at 31 December 2024, driven by strong lending portfolio growth.
- Net interest income remained resilient despite interest rate volatility, reflecting prudent asset and liability management.
- Profit before tax increased by 23.16% year-on-year to LKR 13.5 Bn, with Earnings Per Share improving to LKR 19.40.
- Return on Assets and Return on Equity improved to 2.0% and 10.9%, respectively.
- Our capital position remains strong, with a Total Capital Adequacy Ratio of 15.76%, ensuring financial stability and a solid foundation for future growth.

RISK MANAGEMENT AND GOVERNANCE

A robust risk and governance framework underpins our operations, ensuring regulatory compliance, transparency, and ethical business practices. In 2024, we contributed LKR 9.5 Bn in taxes, playing a key role in supporting the national economy and demonstrating our commitment to responsible corporate citizenship.

We continue to refine our risk management frameworks, aligning with global and industry best practices to enhance stakeholder confidence and ensure sustainable growth.

Our employees are our greatest asset, and their dedication has been instrumental in our success. With a dynamic team of over 2,400 professionals, we have navigated challenges and delivered strong financial results.

A VISION FOR THE FUTURE

DFCC Bank's achievements in 2024 reaffirm our commitment to sustainable growth, customer-centricity, and digital transformation. As we move forward, we will continue to build on our ESG principles, drive customer centricity, leverage advanced technology, and foster a culture of excellence to create long-term value.

We remain cautiously optimistic about Sri Lanka's economic recovery, acknowledging the challenges that may arise in 2025 and beyond. Lending activity is gradually gaining momentum, particularly with a modest revival in the construction sector. As a premier banking institution, we are well-positioned to support economic development, reinforcing our leadership in corporate, retail, and SME banking. Our sustainability agenda will continue to drive meaningful initiatives in environmental protection, while our stakeholder engagement framework will ensure integrity and transparency in all we do.

ACKNOWLEDGEMENTS

I extend my deepest gratitude to our dedicated employees, whose resilience and commitment have been the driving force behind our success. I also sincerely thank our Chairman and Board of Directors for their unwavering guidance and support. My appreciation extends to the Central Bank of Sri Lanka, the Governing Board, and the Monetary Policy Board for their regulatory oversight and policy direction.

Above all, I am grateful to our loyal customers, whose trust and confidence inspire us to continuously innovate and improve. As we move forward, DFCC Bank remains steadfast in its commitment to customer-centricity, innovation, service excellence, financial inclusion, and sustainable banking, ensuring a prosperous future for all stakeholders.

N H T I Perera
Chief Executive Officer

19 February 2025

BOARD OF DIRECTORS

GRI 2-9, 2-11

J Durairatnam

Chairman

Independent Non-Executive Director

(Member of the Board since August 2018 and as Chairman from July 2019)

Skills and Experience	Expertise	Other Current Appointments
Mr Durairatnam possesses extensive experience in banking having been with Commercial Bank of Ceylon PLC for 36 years. He served as a Director of Commercial Bank of Ceylon PLC from April 2012 to July 2014 and as the Managing Director/CEO from July 2014 until his retirement in July 2018. He has served in several other Senior Management positions at Commercial Bank of Ceylon PLC, including as Chief Operating Officer, Deputy General Manager – International, Assistant General Manager – International and Head of Imports. He has held the position of Managing Director of Commercial Development Company PLC and has served as a Director on the Board of Lanka Financial Services Bureau Limited. He holds a BSc from the University of Peradeniya and an Executive Diploma from the University of Colombo.	Banking, Management and International Trade.	**Listed companies:** Non-Executive Director of Asian Hotels and Properties PLC. **Others:** Non-Executive Director of Ceylinco Life Insurance Limited, Assetline Finance Limited and Enviro Solutions (Private) Limited.

N H T I Perera

Director/Chief Executive Officer (CEO)

(Member of the Board since July 2019 and as CEO from January 2022)

Skills and Experience	Expertise	Other Current Appointments
Mr Perera held the position of Deputy Chief Executive Officer from August 2017 to December 2021. He has held several senior positions in the banking sector and has over three decades of experience in the financial services and banking sector, both locally and internationally having been with the HSBC Group, both in Sri Lanka and overseas, Commercial Bank of Qatar, Barclays Bank PLC, UAE and at Hatton National Bank PLC. He has served as a Board member of HNB Assurance PLC, HNB General Insurance Limited and HNB Finance Limited. He has served as a Board member of Lanka Pay (Pvt) Ltd., Acuity Partners (Pvt) Ltd, Acuity Stockbrokers (Pvt) Limited, Guardian Acuity Asset Management Limited, Lanka Ventures PLC and LVL Energy Fund PLC. He is a Member of the Institute of Chartered Accountants of Sri Lanka and a finalist of the Chartered Institute of Management Accountants (CIMA) – UK.	Banking, Finance and Auditing.	**Listed companies:** None. **Others:** Non-Executive Chairman of Lanka Industrial Estates Limited and DFCC Consulting (Pvt) Limited. Non-Executive Director of Synapsys Limited. Board Member of Association of Development Financing Institutions in Asia and the Pacific (ADFIAP).

Ms L K A H Fernando

Independent Non-Executive Director

(Member of the Board since November 2017)

Skills and Experience	Expertise	Other Current Appointments
Ms Fernando started her career at Kreston MNS & Co, a correspondent firm of Grant Thornton International – Sri Lanka Division, a firm of Chartered Accountants. Currently, she serves as the Chief Executive Officer/Executive Director of R I L Property PLC, which is also the parent company of United Motors Lanka PLC and Panasian Power PLC. She counts over 30 years of professional and commercial experience in auditing, finance, and management. She is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka and a Fellow Member of the Association of Chartered Accountants (UK).	Finance, Audit and Management.	**Listed companies:** Chief Executive Officer/Executive Director of R I L Property PLC. Non-Executive Director of United Motors Lanka PLC and Panasian Power PLC. **Others:** Non-Executive Director of UML Heavy Equipment Ltd., Unimo Enterprises Ltd., Padiyapelella Hydropower Ltd., Powergen One (Pvt) Ltd., Rajarata Sustainable Development (Pvt) Ltd., PAP SPGM Solar (Pvt) Ltd., PAP MHPL Solar (Pvt) Ltd., PAP EGSS Solar (Pvt) Ltd., PAP PTS Solar (Pvt) Ltd, R-E-D Capital Asia (Pvt) Ltd., PARKLAND Integrated Solutions (Pvt) Ltd. and Solar One Asia (Pvt) Ltd. Partner of A & T Associates.

N K G K Nemmawatta

Independent Non-Executive Director

(Member of the Board since December 2018)

Skills and Experience	Expertise	Other Current Appointments
Mr Nemmawatta has held several executive positions in the public sector. He has served as Secretary of the State Ministry of Defence, Acting Director General of Sri Lanka Customs, Director General of the Department of Public Enterprise in the Ministry of Finance, Additional Secretary to the Ministry of Higher Education and Highways, Additional Secretary to the Ministry of Environment and Acting Director General of the Gems and Jewelery Authority. He has also served as Director of Sri Lanka Samurdhi Authority, Sri Lanka Customs and the Department of Trade, Tariff and Investment Policy in the Ministry of Finance. He served as Treasury representative in several State Owned Enterprises during his tenure in the Ministry of Finance. He also served as a member of the Committee to report on the Project Office/Project Management Units of Mega Projects implemented by the Government of Sri Lanka. He was a member of the Committee appointed to investigate unscheduled CEB power interruptions in June 2022. He was also a Member of Board of Management of the Sri Lanka Foundation Institute and Deputy Director General (Administration and Finance) of the South Asian Center for Teacher Development (SACTD). He served as the Chairperson of the E-Grama Niladari Committee. He holds a BCom (Sp.) from the University of Colombo, a Postgraduate Diploma in Devolution and Local Government Studies from the University of Colombo and an MSc in Management from the University of Sri Jayewardenepura.	Financial, Management and Environmental Planning.	**Listed companies:** None. **Others:** National Policy Consultant of Food and Agriculture Organization (FAO) *(for private sector engagement in climate smart agriculture).*

H A J De Silva Wijeyeratne

Independent Non-Executive Director

(Member of the Board since July 2020)

Skills and Experience	Expertise	Other Current Appointments
Mr Wijeyeratne counts over 30 years of experience in general management, financial management and auditing which has been acquired while being employed at Investcorp Bank, Bahrain, Grindlays Bahrain Bank, Ernst & Young, Bahrain and Ernst & Young, Sri Lanka. In addition, he has held the position of Chief Executive Officer of the Sri Lanka Institute of Nanotechnology (Pvt) Limited (SLINTEC) for over five years (2013 to 2019). He served as a Director of Union Assurance PLC and the Chairman of the Board Audit and Compliance Committee. He retired after completing 9 years in September 2020. He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants, UK.	Finance, Audit and Management.	**Listed companies:** Non-Executive Director of Trans Asia Hotels PLC and Chairman of the Audit Committee. Non–Executive Director of Ceylon Tobacco Company PLC and Chairman of the Audit Committee. Non-Executive Director of Ceylon Cold Stores PLC. **Others:** Audit Committee Chairman of MAS Holdings. Non-Executive Director of Gamini Corea Foundation. Trustee of SLINTEC Endowment Trust Fund. Founder/Owner of Avastha Financial Advisory Services. Co-Founder of Kalyana SL Guarantee Ltd., a mental health advocacy group.

N Vasantha Kumar

Independent Non-Executive Director

(Member of the Board since September 2021)

Skills and Experience	Expertise	Other Current Appointments
Mr Vasantha Kumar counts over 40 years of experience in banking, having been with ANZ Grindlays Bank for over 22 years and thereafter at People's Bank for over 18 years. During his service at People's Bank, he was the Chief Executive Officer/General Manager of People's Bank for a period of 8 years. He has previously served as a Director of People's Leasing and Finance PLC, People's Insurance PLC, People's Merchant Finance PLC, People's Travels Ltd., Alliance Finance PLC Dhaka Bangladesh, Lanka Financial Services Bureau Ltd., and the Credit Information Bureau of Sri Lanka. He is a Past President of the Sri Lanka FOREX Association and the Association of Primary Dealers. He served as a member of the Governing Board of the Institute of Bankers of Sri Lanka. He holds a Master's in Business Administration from the University of Wales, UK.	Banking, Management, Treasury and Investment Banking.	**Listed companies:** Non-Executive Director of Ceylinco Holdings PLC and Senkadagala Finance PLC. **Others:** Non-Executive Chairman of Safe Capital (Pvt) Ltd. Non-Executive Director of Wealth Lanka Management (Pvt) Ltd. Executive Director of Asset Trust Management (Pvt) Limited.

Ms A L Thambaiyah

Independent Non-Executive Director

(Member of the Board since October 2021)

Skills and Experience	Expertise	Other Current Appointments
Ms Thambiayah has worked as an Executive at Keells Hotel Management and John Keells Holdings – New Business Development and Group Initiatives for two and a half years. She commenced work at Hotel Renuka and Renuka City Hotel in 2008 and is currently the Joint Managing Director of both Renuka Hotels PLC and Renuka City Hotel PLC. She holds a Bachelor of Arts (Hons.) in Management Studies from the University of Nottingham, UK, and a Master of Science in International Business and Management from Manchester Business School, University of Manchester, UK.	Business Management, Human Resources and Marketing.	**Listed companies:** Joint Managing Director/Executive Director of Renuka City Hotel PLC and Renuka Hotels PLC. Non-Executive Director of Cargo Boat Development Company PLC. **Others:** Non-Executive Director of Renuka Consultants and Services Limited, Renuka Properties Limited, Lancaster Holdings Limited, Amalgamated Theaters (Pvt) Limited and Portfolio Management Services (Pvt) Limited.

W R H Fernando

Independent Non-Executive Director

(Member of the Board since September 2022)

Skills and Experience	Expertise	Other Current Appointments
Mr Fernando has over 40 years of experience serving clients across audit and advisory platforms and has served as an audit partner for various publicly listed clients and senior advisory partner for many of Ernst & Young, Sri Lanka's largest clients. He served as an Ernst & Young (EY) Partner from 1988 to 2016 and as Country Managing Partner from 2016 until he retired in 2021. He has also served as a Council Member of the National Chamber of Commerce – Sri Lanka and National Chamber of Exporters of Sri Lanka and has previously served as the Chairman Lanka Securities (Pvt) Ltd. and as a Director of Sri Lanka Telecom PLC, Harischandra Mills PLC and Central Industries PLC. He holds a Master's in Business Administration from the University of Sri Jayewardenepura. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, a Fellow Member of the Chartered Institute of Management Accountants (CIMA) UK, and a Member of the Association of Certified Chartered Accountants (ACCA)-UK.	Management, Finance and Audit.	**Listed companies:** None. **Others:** Executive Director of Dedunu Property Developments (Pvt) Ltd., Dampe Resorts (Pvt) Ltd., Dedunu Eco Holidays (Pvt) Ltd., Dedunu Housing and Real Estate (Pvt) Ltd., Dedunu Lands (Pvt) Ltd., Dedunu Leisure Projects (Pvt) Ltd., Dedunu Properties (Pvt) Ltd., Dedunu Properties Digana (Pvt) Ltd., Dedunu Properties Ruhunu (Pvt) Ltd and Ranmin Eco Projects (Pvt) Ltd. Non-Executive Director of Matara Entrepreneur Services (Pvt) Ltd. Member of the Ruhuna Rainbow Trust (Gte) Ltd.

P A Jayatunga

Non-Executive Director

(Member of the Board since November 2024)

Skills and Experience	Expertise	Other Current Appointments
Mr Jayatunga counts over three decades of professional experience, having taken his oaths in 1989 as an Attorney-at-Law. He had been practising law for over 5 years, mainly in the Colombo Courts, before joining Stassen Group of Companies as a Legal Officer/Company Secretary. He has also worked in the Human Resources Department of Ceylon Cold Stores PLC and the Company Secretarial Department of C. W. Mackie PLC. He has been serving as the Company Secretary of Balangoda Plantations PLC and Madulsima Plantations PLC of Melsta Group of Companies, and heading the Legal and Company Secretarial Departments of Stassen Group of Companies for over 25 years.	Legal and Company Secretarial.	**Listed companies:** Executive Director/Company Secretary of Balangoda Plantations PLC and Madulsima Plantations PLC. **Others:** Heading the Legal and Company Secretarial Departments of Stassen Exports (Pvt) Ltd., Milford Exports (Ceylon) (Pvt) Ltd., Milford Developers (Pvt) Ltd., Stassen International (Pvt) Ltd., Stassen Foods (Pvt) Ltd., Stassen Natural Foods (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., CBD Exports (Pvt) Ltd., Lahugala Plantations (Pvt) Ltd., Bogo Power (Pvt) Ltd., Panchalingam Associates (Pvt) Ltd. and Macsen Range (Pvt) Ltd.

Ms N Ranaraja

Secretary to the Board

(Since August 2022)

Skills and Experience	Expertise	Other Current Appointments
Ms Ranaraja started her career as a Legal Trainee at Nithya Partners. She joined the Bank in 1997 and counts over 25 years of experience covering project financing and commercial banking. She is an Attorney-at-Law and holds a Bachelor of Law (LLB) (Hons) from the University of Colombo. She is an Associate of the Chartered Institute of Management Accountants (CIMA), UK.	Legal and Finance.	**Listed companies:** Company Secretary of DFCC Bank PLC. **Others:** None.

CORPORATE MANAGEMENT

Thimal Perera
Chief Executive Officer

Shamindra Marcelline
Deputy Chief Executive Officer

Nimali Ranaraja
Vice President
Company Secretary
Secretary to the Board

Prins Perera
Senior Vice President
Head of Treasury, Investment and Wholesale Banking

Chinthika Amarasekara
Senior Vice President
Chief Financial Officer

Asanga Uduwela
Senior Vice President
Chief Operating Officer

Renuka Amarasinghe
Chief Recoveries Officer
Head of Recoveries

Aasiri Iddamalgoda
Senior Vice President
Retail and Business Banking

Paduma Subasinghe
Senior Vice President
Chief Human Resources Officer

Anton Arumugam
Senior Vice President
Offshore Banking, Remittances
and Business Development

Kushan Jayasuriya
Senior Vice President
Integrated Risk Management
Chief Risk Officer

Sohantha Wijesingha
Senior Vice President
Head of Corporate Banking
and Trade

Vindya Solangaarachchi
Senior Vice President
Chief Information Officer

Sherine Dabarera
Vice President
Chief Legal Officer

Hasitha Samarasinghe
Vice President
Chief Marketing Officer

Thilani Punyawansa
Vice President
Chief Compliance Officer

Jayan Fernando
Vice President
Head of Internal Audit

Vidarsha Dharmasena
Vice President
Strategic Planning

MANAGEMENT TEAM

Pradeep Ariyaratne
Vice President
Premises and Administrative Services

Subhashi Cooray
Vice President
Operational Risk Management and LRM

Amanthi Balasooriya Dahanayake
Vice President
Branch Credit Management

Sanjeewa Dannangoda
Vice President
IT Infrastructure and Operations

Ravi Dassanayake
Vice President
Strategic Investments and Subsidiaries

Channa Dayaratne
Vice President
Treasury and Investment Banking

Udani Dayaratne
Vice President
Operations

Pradeepa De Alwis
Vice President
Head of Business Banking

Neil De Rose
Vice President
Trade Business Development – Business Banking

Anuradha De Silva
Vice President
Regional Manager

Pavithra Dias
Vice President
Head of Learning Academy

Terrence Etugala
Vice President
Regional Manager

Chandana Garusinghe
Vice President
Regional Manager

Chaminda Gunawardana
Vice President
Rehabilitation and Recoveries

Shera Hassen
Vice President
Head of Pinnacle and Aloka Propositions

Shan Heenkenda
Vice President
Employee Relations and Subsidiaries

Malake Herath
Vice President
Corporate Banking

Kosala Herath
Vice President
Corporate Banking

Bhatika Illangarathne
Vice President
Unit Head – Credit Hub
Kurunegala

Sampath Jayasinghe
Vice President
Treasury

Dinesh Jebamani
Vice President
Head of Digital Marketing

Candiah Jegarajah
Vice President
Regional Manager

Winston Joseph
Vice President
Corporate Banking

Samathri Kariyawasam
Vice President
General Legal

Nalin Karunatileka
Vice President
Sustainability and Consulting

Iresha Kumbukage
Vice President
Credit Risk Management

Denver Lewis
Vice President
Head of Card Centre

Jayanath Liyanage
Vice President
Acquired Asset and Recoveries

Dhananjaya Nandasiri
Vice President
Regional Manager

Jayangani Perera
Vice President
Branch Credit Management

Kelum Perera
Vice President
Head of Credit Hub

Thejaka Perera
Vice President
Litigation and Legal Recoveries

Prasanna Premaratne
Vice President
Trade Services

Wajira Punchihewa
Vice President
Branch Network Operations

Lakmal Rajasekara
Vice President
Regional Manager

Sachithra Rambukwella
Vice President
People and Organisational Development

Charith Rodrigo
Vice President
Integrated Risk Management and Asset and Liability Management

Omar Sahib
Vice President
Chief Digital Officer

Ruwan Saram
Vice President
Restructuring and Close Monitoring

Duminda Silva
Vice President
Head of Branches and Distribution

Udana Siriratna
Vice President
PFS Recoveries

Chandana Wanigasena
Vice President
MSME

Nilupa Wanniarachchi
Vice President
Business Solutions

Dushan Weerakoon
Vice President
PFS Central Processing

Nishan Weerasooriya
Vice President
System Implementation Group

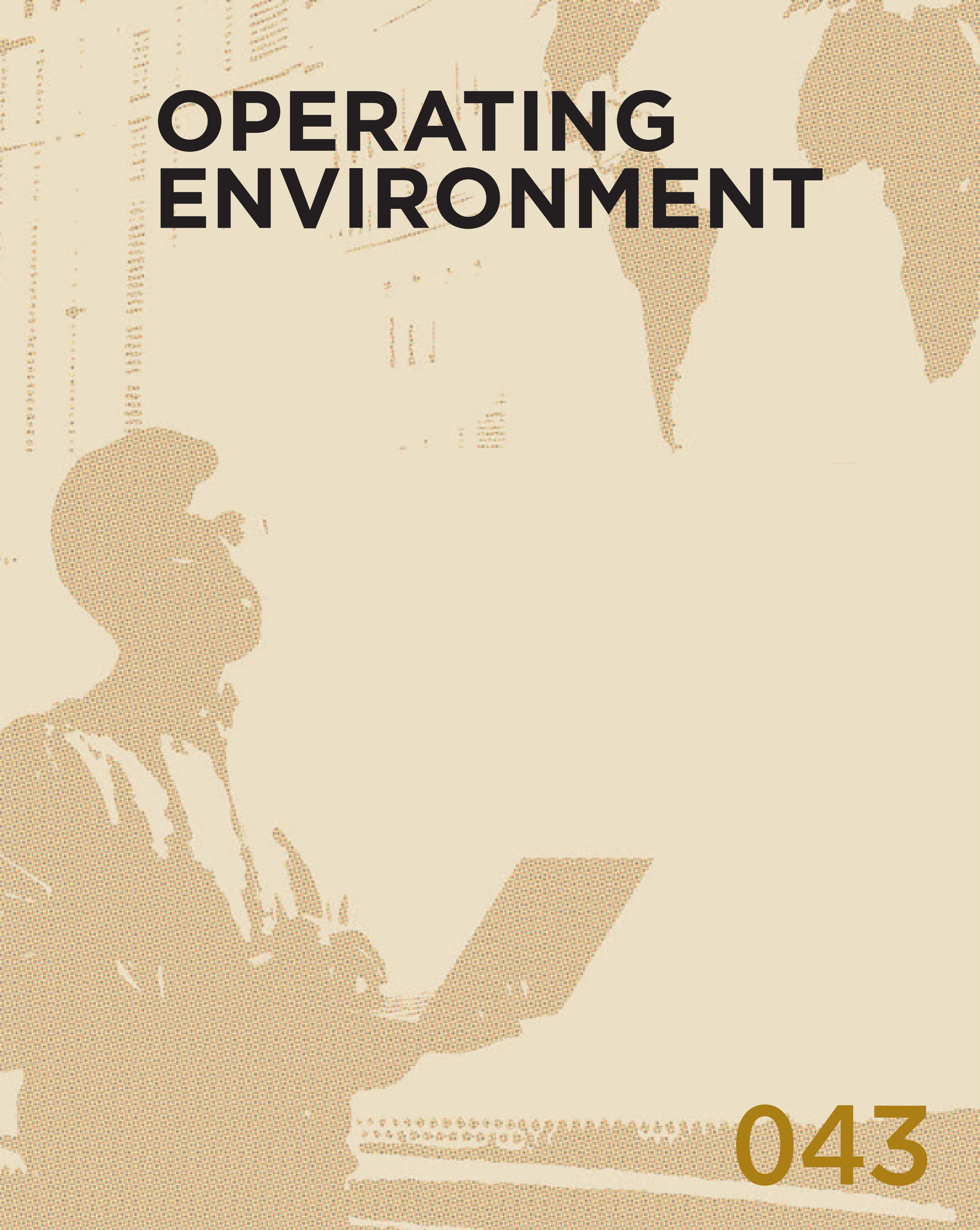
Vindhya Wijegunawardane
Vice President
Service Excellence and Transformation

Niranjali Wijesinghe
Vice President
Regional Manager

Ravihara Wijesinghe
Vice President
Chief Information Security Officer

Chandrin Wimaladharma
Vice President
Internal Audit

OPERATING ENVIRONMENT



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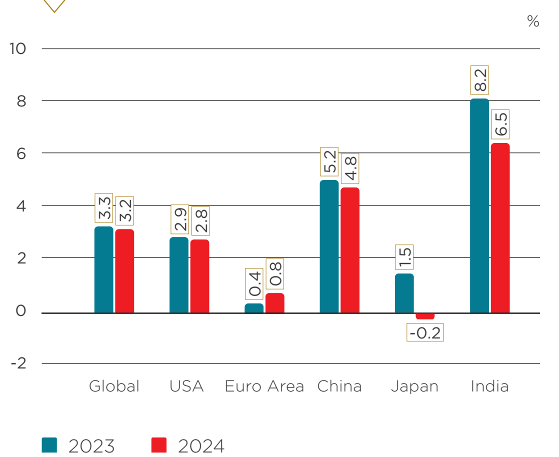
GLOBAL ECONOMY

The global economy has faced significant challenges over the last four years, owing to the COVID-19 pandemic, geopolitical conflicts, and extreme weather events that have strained output and fuelled inflation. Despite these challenges, the global economy has demonstrated resilience, with a projected growth of 3.2% for 2024 and 3.3% for 2025. After years of elevated inflation, headline inflation is expected to decline to 4.2% by 2025 and 3.5% in 2026, driven by easing supply chain disruptions and monetary tightening. Notably, this progress has been achieved without triggering a global recession. In advanced economies, disinflation has also avoided adverse effects on employment, owing to faster-than-expected declines in energy prices and labour market support from increased immigration.

The growth rates for key global markets and overall global economy in 2023-24 are outlined below:

Growth rates for major markets and globally for 2023-24



Source: *IMF World Economic Outlook, January 2025*

Inflation in services remains above pre-COVID-19 levels in many countries, and several emerging markets face rising inflation driven by higher food prices, geopolitical conflicts, and climate change impacts. Global growth prospects are also clouded by potential risks, including financial market volatility, commodity price spikes, and ongoing geopolitical tensions. Challenges in China's real estate sector, given its significant role in global trade, pose further uncertainty. Rising trade protectionism, particularly under the policies of the newly elected US President, threatens to disrupt supply chains and reduce market efficiency.

The shift to lower interest rates necessitates three critical policy adjustments. First, cutting policy rates in many advanced and emerging economies will help alleviate unemployment in developed nations and ease food price pressures in developing ones. Second, tightening fiscal policy is essential to stabilise debt levels and build fiscal buffers, requiring a concerted effort to narrow the gap between revenues and public expenditures (excluding debt servicing). Third, structural reforms must focus on bolstering growth and productivity. This involves addressing pressing challenges, such as ageing populations in some countries, creating opportunities for burgeoning youth populations in others, tackling climate change, and safeguarding vulnerable communities.

Looking ahead, there is cautious optimism for the global economy. The OECD forecasts global growth of 3.3% in 2025, with inflation in OECD countries expected to ease from 5.4% in 2024 to 3.8% in 2025. However, regional growth prospects vary. For instance, China's growth contrasts sharply with Japan's dismal performance.

In the short term, although growth prospects in the USA may pick up, there are downside risks in many countries, due to policy uncertainties. Intensive protectionist policies, increasing trade tensions, and the possibility of escalation to trade wars could be harbingers of lower investment, constraints on trade flows, and disrupted supply chains.

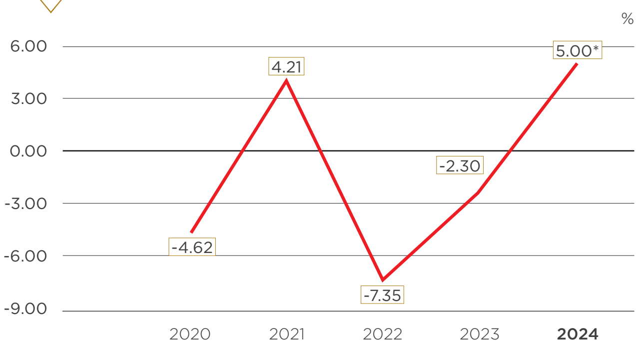
SRI LANKAN ECONOMY

ECONOMIC GROWTH

DFCC Bank capitalised on the economic turnaround in 2024, making it a stronger year for the Bank. The Sri Lankan economy is estimated to have grown by 5% in 2024, and is forecasted to grow at a similar rate in 2025. Key contributors for the economic recovery in 2024 included tourism, the recovery of the construction sector and the resilience of food and beverage manufacturing. During the first half of 2024, cement consumption and industrial electricity sales saw significant increases, signalling growth in construction and industry. This was further reflected in a rise in the Index of Industrial Production.

Sector-specific growth rates in the second quarter of 2024 were 10.9% for industry, 1.7% for agriculture, and 2.5% for services. Export earnings and import expenditures also rose year-on-year during 2024 by 10.0% and 29.3%, respectively, with contributions from both industrial and agricultural products. The Central Bank projects annual GDP growth for 2024 and 2025 at 5.0%, surpassing the IMF's baseline forecast of 2.0% for 2024 and 2.7% for 2025. However, the ADB forecasts a 2.6% and 2.8% growth for 2024 and 2025 respectively.

GDP growth rates



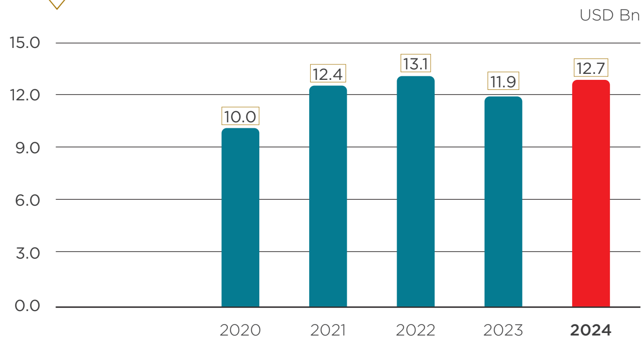
** Estimated figure*

BALANCE OF PAYMENTS

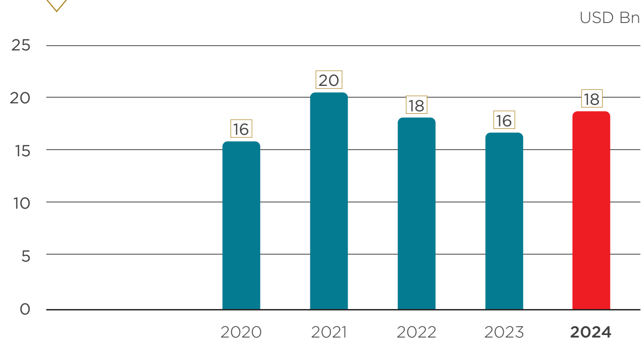
Sri Lanka's trade deficit widened to USD 6.07 Bn in 2024 from USD 4.9 Bn in 2023 as import growth grew faster than export earnings. Merchandise exports rose by 7.2% to USD 12.8 Bn, driven by petroleum products, textiles and garments, tea, and coconut-related products, while gems, diamonds, and machinery exports declined. Merchandise imports grew by 12.1% to USD 18.8 Bn, with significant increases in machinery, textiles, chemicals, and consumer goods, despite a decline in fuel imports. Relaxation of imports also helped drive the increase. Total exports reached USD 16.17 Bn in 2024.

The rise in the merchandise deficit was partially offset by robust earnings from tourism and remittances. Tourism earnings soared by 52% to USD 3.2 Bn in 2024, the highest since 2019. The target for 2025 is USD 5 Bn. Foreign remittances reached a record USD 6.6 Bn, an increase of 10.1% over 2023.

Merchandise exports



Merchandise imports



INFLATION

2024 ended with four consecutive months of negative inflation, as measured by the Colombo Consumer Price Index (CCPI). Although inflation was relatively high in the first two months due to agricultural disruptions and new tax measures, it stayed within low to negative single digits throughout the rest of the period. By year end, inflation had declined to -1.7%. Key factors contributing to this reduction included lower utility and transport prices, moderating global commodity prices, currency appreciation, improved supply conditions, and subdued demand. As the Governor of the Central Bank highlighted, there has been no undue expansion of the money supply during the year.

Inflation is expected to remain within the Central Bank's target rate of 5% during 2025.

FOREIGN RESERVES

Sri Lanka's foreign currency reserves were maintained at USD 6.1 Bn as at December 2024. The Central Bank purchased a record USD 2.3 Bn from the market during the year, supported by inflows from multilateral institutions such as the World Bank, IMF, and the Asian Development Bank (ADB). Substantial reductions in the fiscal deficit over the past two years have positioned Sri Lanka closer to achieving a primary fiscal surplus.

FINANCING STATE SECTOR

A cost-reflective pricing mechanism was implemented in the state sector, significantly reducing the financial burden on the Treasury. The Central Bank is working to end the practice of the banking sector financing loss-making state-owned enterprises (SOEs). While SOEs are given time to adapt, the pricing mechanism is expected to lower their financial losses. In the future, SOEs will be encouraged to secure funding from the broader banking sector, reducing reliance on state banks to cover deficits.

EXTERNAL FINANCING

Under Sri Lanka's External Fund Facility Agreement with the IMF, a staff-level agreement was reached in November 2024 for the third review, unlocking an additional USD 333 Mn in financing, totalling the full disbursed quantum under the agreement to USD 1.33 Bn. The new government's commitment to the agreement ensures its continuity, subject to approval by IMF management and the Executive Board.

OUR STRATEGIC DIRECTION

STRATEGIC DIRECTION AND OUTLOOK

Our Vision, Mission, and Values form the basis for setting strategy, which is firmly within our sustainability framework and guided by integrity and ethical conduct.

Visionary but relevant to market forces, we map out our strategy by considering current and emergent risks and opportunities while weighing threats and weaknesses. As we engage in our business, we also evaluate and adjust when necessary.

Strengths

- A strong brand image backed by 70 years of supporting individuals and businesses across diverse segments
- Trusted and recognised by DFIs and multilateral donor agencies alike for prudent financial management and project management capabilities
- A comprehensive portfolio of products and services catering to diverse financial needs
- Adequate capital and liquidity buffers to accommodate growth initiatives
- A balanced portfolio of assets and investments yielding stable returns
- A strong culture of governance, ethical business practices and robust risk management frameworks

Weaknesses

- Slow expansion of the economy limiting greenfield opportunities
- Delayed recovery in certain economic segments from the effects of COVID-19 and economic downturn
- Comparatively high NPL ratios impacting returns and driving recovery costs

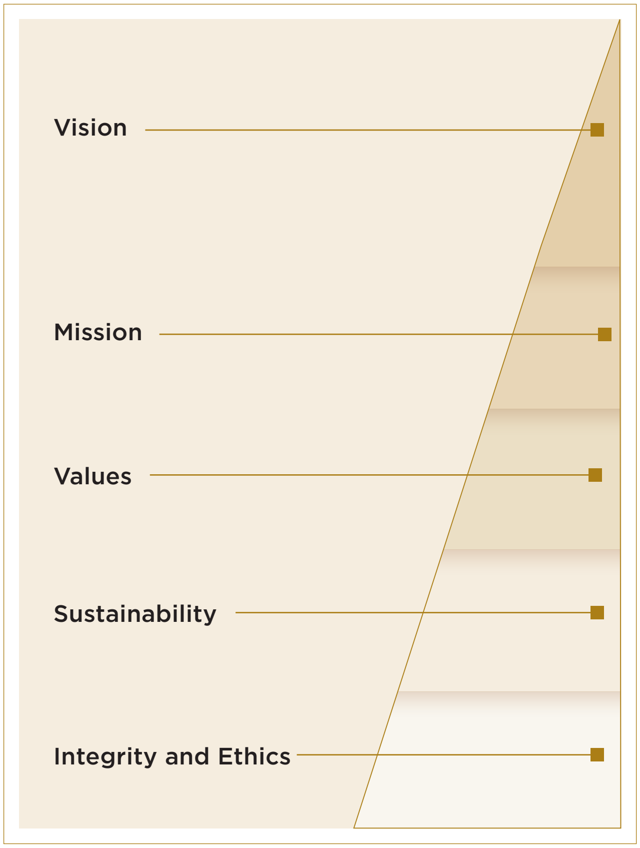
Opportunities

- Political and social stability leading to higher demand for banking products and services
- Withdrawal of trade restrictions boosting business opportunities
- Upcoming Colombo Port City Financial Centre's potential to convert Sri Lanka into a regional financial services hub
- GCF accreditation and other green finance links positioning the Bank as the premier bank for Green Financing in Sri Lanka
- Presence in fast growing business segments such as MSME and remittances

Threats

- Extreme competition among banks driving down income
- Non-banking institutions introducing competing products
- Wallets, blockchains and cryptocurrency proliferation disrupting traditional banking channels
- Information security concerns and deepfake technologies leading to higher cybersecurity needs
- Low interest regime drawing deposits away from banking sector
- Numerous scams and schemes impacting the financial well-being of certain customer segments
- High levels of immigration leading to loss of intellectual capacity
- Increasing operating expenses leading to thinner margins

LONG-TERM VALUE CREATION



Long-term Strategic Objectives

Enhancing customer centricity	Placing the customer at the centre of the Bank's operations
Becoming a top-of-mind commercial bank	Expanding brand reach and acquiring mind share
Optimising key customer -facing operations	Raising efficacy, speed and convenience of processes to deliver best in-class customer experience

As the macroeconomic factors indicated a slow but gradual recovery, headline inflation turned negative at the end of 2024, and the Central Bank of Sri Lanka maintained an accommodative stance, cutting policy rates that pushed commercial bank lending and deposit rates downwards. Credit to the private sector, however, remained sluggish up until mid-2024. By Q3, Sri Lanka recorded an economic growth of 5.5%, with disinflation at -4.0% (https://www.cbsl.gov.lk/en/sri-lanka-economy-snapshot). Please refer to the section on Operating Environment on page 43 for more details on macroeconomic factors.

With this marginal recovery that continued to show positive trends, the Bank concentrated on its three key pillars of strategy definition to achieve its strategic goals and capture a larger market share from the segments that were being revived.

The Board is primarily responsible for setting the strategic direction in consultation with the CEO and relevant senior resources. Implementation, monitoring, and reporting rests with the Strategic Planning Department, which has a clear mandate to ensure that defined plans are translated into profitable action. In 2024, the Bank focused on several key themes to achieve its long term strategic objectives.

STRATEGIC PRIORITIES

Enhancing Customer Centricity

Key Initiatives and Focus

Product and Service Alignment

With 25.2% of the population termed as "below the poverty line" by the World Bank in 2024, DFCC Bank focused on growing the SME and MSME segments of the economy that were waking up to a sluggish but gradual uptick in economic activity. The tourism sector moved faster than the rest as tourist arrivals increased, and the credit appetite saw a marginal upward trend. We defined products and services that supported growth while sharing knowledge with different stakeholder groups in conducting profitable and sustainable businesses.

Funding the Non-Funded

We also supported the non-funded income streams through our range of banking services, while strategically driving our lending products in the retail assets sphere. Maintaining the cost of funds at competitive but manageable levels was executed with utmost diligence, while catering to a stable deposit base. Growing the CASA portfolio continued with effective fund mobilisation strategies.

Optimising Key Customer Facing Operations

Key Initiatives and Focus

Digitalisation, Multi-channel Banking and Process Re-engineering

Customer traffic into the Bank is fading fast, as digitalisation and finger-tip banking are fast becoming the norm. Millennials and Gen Zs are moving away from visits to the Bank and prefer internet or mobile banking. We continued to work on a hybrid strategy, where digital and physical banking facilities were offered to our customers of different age groups with differing banking needs.

Several back office operations were also digitalised and enhanced to achieve accuracy and speed to market. At the same time, HR processes were also upgraded to provide employees with speedy resolution of issues, to maintain a healthy, safe workplace, that is also pleasant and welcoming.

Detailed information on the Digital Journey is provided on page 59, for your further information.

Becoming the Top-of-Mind Bank

Key Initiatives and Focus

Committed to Sustainability

We continued our unwavering efforts in ethical and green banking, culminating in the successful issuance of Sri Lanka's first Green Bond. Our strategic goal definition places ESG-based financial decision-making at the forefront, addressing climate change, inequality, and good governance. Working on the premise of being a conscientious and responsible financial institution, we aim to promote inclusivity in achieving financial goals for a profitable organisation and societal benefit.

In 2024, we implemented several key projects that contributed to further strengthening our brand, leading to high visibility among our stakeholders. In addition, our investment and input on the broader community helped us to reach the unbanked or under-banked sections of society to ensure further inclusivity.

Our sustainability Agenda 2030 works on a robust framework, encompassing all our business activities, which will have an even greater focus in 2025.

For a detailed report on our sustainability agenda, please refer to page 54.

FUTURE FOCUS

Continuing on our three-pillar foundation, we will focus on achieving significant growth in the consumer asset portfolio, with a high-yield-low-risk combination of products such as leasing, housing loans, pawning and *Garusaru* loans, which yielded stable and profitable growth in 2024. Digitalisation will continue to be a focus area for further enhancements in line with market requirements and operational innovation, driven by our sustainability Agenda 2020-2030, augmenting DFCC Bank's strength as an industry leader.

STRATEGY IN VALUE CREATION

Aligning with our three strategic pillars and the triple bottom line approach to operating our business, we achieved significant success in 2024 based on a sustainable business model.

Key Indicator	Unit of Measurement	Target 2024	Achievement 2024
Economic			
Asset value	LKR Mn	688,392	703,508
PBT	LKR Mn	11,050	13,498
PAT	LKR Mn	7,006	8,353
Value per share	LKR	169.42	194.22
Governance			
Tax paid (includes "taxes on financial services" and "income tax expense")	LKR Mn	7,602	9,562

**The above figures represent data at the Bank level*

OPERATING ENVIRONMENT GRI 2-6

Vision, Mission, Values

Inputs

Financial Strength

Refer page 78

- Deposits: LKR 465,153 Mn
- Loans to customers: LKR 394,361 Mn
- Treasury investments: LKR 252,816 .Mn
- Liquidity Coverage Ratio: 280.26%
- Capital Adequacy Ratio: Tier I – 12.402%
- Capital Adequacy Ratio: Total – 15.759
- Fitch Rating A (lka) Stable

Investors

Refer page 154

- Share capital: LKR 14,710 Mn
- Debentures issued: LKR. 30,365 Mn
- Green Bond issued: LKR. 2,560 Mn
- Borrowings: LKR. 103,905 Mn

Employees

Refer page 99

- Employees on permanent cadre: 2,439
- Contractual/outsourced employees: 8
- Investments in Training and Development: LKR 53.29 Mn
- Employee well-being programme: 17

Institutional Wealth

Refer page 151

- ICT upgrades: LKR 1,706 Mn
- Investment in digital transformation

Community

Refer page 122

- Investment in CSR: LKR 9.9 Mn
- Employee volunteerism
- Community and entrepreneurship – Educational support programmes
- Capacity building programmes
- Senior citizen wellness
- Grievance redress

Business Partners

Refer page 117

- Contractual obligations
- Goodwill-building efforts
- Athwela – business partner awareness sessions

Customers

Refer page 111

- Total customer base: 815,643
- App downloads
- New customers: 105,302
- Customer interaction events
- Complaint management

Natural Capital

Refer page 93

- Environmental and Social Management Systems (ESMS)
- Sustainability pledge
- Green financing
- GHG assessment
- Solar energy expansions
- Environmental CSR initiatives

Manufactured Wealth

Refer page 157

- Upgrades, new acquisitions, renovations of property, plant and equipment

Business Drivers

Material Themes

Refer page 70

- Resilient business and inclusive economic growth
- Inclusive growth in communities
- Equal opportunity employment and employee well-being
- Customer-centricity and future proofing the business
- Sustainable procurement and resource efficiency
- Transparent reporting and communication

Strategic Pillars

Refer page 50

- Enhancing customer-centricity
- Becoming a top-of-mind commercial bank
- Optimising key customer-facing operations

Key Risks

Refer page 160

- Credit risk
- Regulatory risk
- Reputational risk
- Liquidity risk
- Data security risk
- Sustainability risk
- Skill migration risk
- Political uncertainty and macro-economic risk
- Climate risk

Revenue Creators

Refer page 157

- Infrastructure and technology
- Digital transformation
- Employees

Cost Consumption

Refer pages 213, 59, 99

- Interest paid
- Investments in ICT, property, plant and equipment
- Digitalisation
- Salaries and benefits
- Energy/water

Activities

Digital Transformation and Technological Innovation

While enhancing our digital capabilities geared to provide convenience to customers, we also automated operational processes to further strengthen our regulatory reporting and branch reporting efficiently.

Through process automation, we eliminated six manual registers from across our branch network, freeing time for our staff to engage in more value adding and customer-centric services.

Enhance Customer-centricity

We continued on our journey of relentlessly adding value to our customers, mainly through digitalisation and convenient banking, offering market-competitive products and services, and speedy issue resolution through our dedicated contact centre

Strong Brand Presence

We maintained our premier brand presence in the industry by disseminating authentic communications through a variety of channels, accurate and timely regulatory reporting, engagement with industry specific events and maintaining our visibility by being represented at governmental, regulatory, and business forums.

Commitment to Sustainability and ESG

We implemented several initiatives and actively participated in activities that promoted sustainability, marking our contribution to the UN SDGs. We took a keen interest in contributing to conserving the environment and carried out initiatives that also made communities aware of the importance of caring for our planet.

Employee Well-being and Work-Life Balance

We encouraged our employees to actively engage in activities that promote their well-being, prioritised women's empowerment, and provided opportunities to upgrade their skills, knowledge, and career progression.

Goals and Strategies

Strong Governance and Policies

Stewardship

Monitoring and Evaluation

Output	Outcome
• Profit before tax LKR 13,498 Mn • Profit after tax: LKR 8,353 Mn • Return on equity: 12.9% • Earnings per share: LKR 19.40 • Asset value growth: LKR 62,558 Mn • Taxes paid: LKR 9,562 Mn	• Strong balance sheet • Well capitalised • Building stakeholder confidence for the long term • The taxes paid supports the development of the country and helps the maintenance of essential services
• Proposed dividend: LKR 6.00 • Cash: LKR 4.00 • Scrip: LKR 2.00	• Investment opportunities • Return on Investment
• Female workforce: 45.8% • Total training hours: 101,524 • Number of employees trained: 2,884 • Retention rate: 87% • New hires: 807	• Positive corporate culture • Job security • Career progression • Skill development
• Investment in ICT • Complaint resolution: 97%	• Strong brand value and dominant presence in the market
• Over 3,000 beneficiaries of the community kitchen and supplementary educational support activities • Over 400 entrepreneurs up-skilled • Over 200 students benefited from scholarship programmes • Over 250 senior citizens benefited from flourish Beyond programmes	• Community confidence in the Bank, upliftment of livelihoods directly contributing to economic growth.
• Total payments: LKR 597 Mn • New vendors onboarded: 456	• Opportunities for economic growth • Affiliation to a strong brand • Timely payments • Ethical institution, that foster regulatory confidence
• Total digital app downloads: 74,643 • Total new customer onboarding through digital channels: 69,121 • Worker remittances: USD 245 Mn	• Access convenient banking through digitalisation • Strong brand alliance • Competitive rates • Innovative products • Customer-centric approach and services
• Green finance portfolio LKR 12.89 Bn Solar power generation – DFCC Bank 405,026 kWh • Carbon footprint 5,715.41 tCO_2e • Current reduction of GHG emissions through Green Bond issuance 2,251 tCO_2e	• Ethical use of scarce resources contributing to UN SDGs, agenda 2030 and contributing towards the preservation of the environment.
• Upgrades to property, plant and equipment	• Ensuring the health and safety of all our stakeholders, value addition for escalation of appreciable properties, operational efficiency in acquiring/ upgrading of equipment

Impact

We have transformed how we do business to provide excellent service, placing customers at the centre of our decisions while ensuring full compliance with regulations. We continuously improve our processes to make banking easier and more accessible for our customers.

Our strategy includes careful planning, implementation, monitoring, and necessary adjustments to create real value for our stakeholders. By focusing on sustainability, we contribute to the broader economy, which is showing signs of recovery. We remain committed to the prosperity of our stakeholders by offering customised financial solutions and sharing knowledge.

We actively support SMEs, MSMEs, corporations, and individuals, fostering financial inclusivity. Our employees, our greatest asset, receive ongoing training and development to help them grow and adapt to the evolving business environment. We will continue investing in their growth so they can reach their full potential within the Bank.

Our business partners play a key role in our journey, and through collaboration, we work towards shared goals of a sustainable future. Clear communication and strategic planning help us build and maintain strong, mutually beneficial relationships. As part of our responsibility to the environment and the communities we serve, we make significant investments in sustainability. Guided by the "People, Planet, Profit" principle, sustainability is a core part of our business.

We are committed to achieving carbon neutrality in the long run and fully complying with IFRS S1 & S2 and other climate-related disclosure regulations by 2026.

Audit and Assurance

OUR COMMITMENT TO SUSTAINABILITY

GRI 2-23,2-24, 203-1, 203-2

Sustainability is the concept that encapsulates environmental, social, economic and governance which is a priority for us, in addition to operating a profitable business. The theme flows across our businesses and strategic decision making, ensuring we set a secure path for future generations. This also includes conducting our business responsibly with the limited resources nature has gifted us with, which are challenged by climate change, man-made disasters, and unscrupulous usage of resources for short-term gain.

Our commitment to sustainable value creation is at the core of our operations, ensuring that we contribute positively to society while delivering long-term financial success. We recognise that sustainable value creation involves carefully balancing economic growth, environmental stewardship, and social responsibility. We aim to drive innovation, manage risks, and create opportunities that benefit all stakeholders, including our clients, employees, communities, and shareholders. We strive to foster a sustainable future by promoting green financing, supporting responsible investments, and working closely with businesses that align with our sustainability goals. Through these efforts, we aim to generate long-term value, for the Bank, the broader economy, and the environment, ensuring that our business practices contribute to the well-being of future generations.

A significant achievement in 2024 was the issuance of Sri Lanka's first listed Green Bond and its initial listing on the Colombo Stock Exchange and the subsequent listing on the Luxembourg Stock Exchange. Appealing to environmentally conscious investors seeking opportunities to align with the overall ESG platform, it promotes investment in Sri Lanka's debt capital market. The LKR 2.5 Bn generated through this will be used to finance and/or refinance a portfolio of Ground Mounted and Rooftop Solar Photovoltaic (PV) power generation projects.

DFCC Bank became the first organisation in Sri Lanka to be accredited as a Direct Access Entity of the Green Climate Fund in 2023. This prestigious recognition has enabled the Bank to embark on developing programmes focused on rooftop solar, and strengthening climate resilience in Sri Lanka's agriculture and fisheries sectors, contributing to the long-term sustainability of these vital industries.

DFCC Bank has reinforced its commitment to sustainability by formulating its ESG policy this year. This policy serves as a strategic framework guiding the Bank's operations, decision making and stakeholder engagement. The ESG policy outlines key priorities, including responsible financing, environment risk management, ethical governance and methodologies to ensure effective oversight of ESG aspects by the Board of Directors and Senior Management.

SUSTAINABILITY FRAMEWORK

Sustainability Vision
To be the leading Bank contributing towards sustainability by 2030

Resilience	Resilient business	Impact for resilience	Resilient communities
	Contributing to sustainable economic growth	Promoting positive social and environmental impacts	Advancing sustainable workplaces and lifestyles
Key Goals	**The Bank for Green Finance by 2030**	**Carbon neutral Bank by 2030**	**Achieve sustainable work lifestyles by 2030**
Key Focus Areas	• Promote sustainable and green finance • Promote/empower sustainable and social entrepreneurs	• Improve resource efficiency • Be a digitally enabled Bank • Strengthen ecosystems and institutions	• Promote equal opportunity employment • Promote staff and customer well-being

6Es Six Cross Cutting Themes	Education	Elderly	Emergency Relief	Entrepreneurship	Environment	Exercise

Align with UN SDGs

Key Enablers: Collaboration <> Digitising <> Empowerment <> Innovation <> Inclusivity

In 2020, DFCC Bank developed its inaugural sustainability strategy, a comprehensive 10-year plan designed to tackle key sustainability challenges and take advantage of the opportunities facing the organisation. However, with the rapid advancement of global sustainability practices, increased focus on ESG factors, and significant developments in sustainability reporting and due diligence frameworks, the Bank recognised the need to reassess and strengthen its strategy. In response, DFCC Bank has engaged KPMG Sri Lanka to conduct a gap analysis of its current sustainability reporting and review the existing sustainability strategy with the aim of completing the assignment by mid-2025.

This assignment will comprehensively review the Bank's existing sustainability strategy procedures, stakeholder engagements, and reporting frameworks. With KPMG Sri Lanka's expertise, DFCC Bank will identify areas for improvement, ensuring full compliance with the latest reporting obligations.

The Bank is cognisant of its responsibility to fully implement the requirements of SLFRS S1 and S2 by the due dates and works relentlessly towards achieving its objectives by the given timeline. We know that the adoption of these frameworks is an ongoing journey.

As the initial step to adopt SLFRS S1 & S2, the Bank intends to leverage the qualitative information in this report, laying a strong foundation for future progress.

As such, sustainability remained a key theme throughout 2024, with an enhanced focus and resource allocation. This was done to meaningfully include its many requirements into our business strategies and ensure sustainable business models that will be foundational to the longevity of our business. Having aligned our strategies with the triple bottom line, we continued with vigour to achieve our strategic sustainability goals within a robust governance structure.

SUSTAINABILITY GOVERNANCE STRUCTURE

GRI 2-9,2-12, 2-13, 2-14

DFCC Bank's sustainability strategy is overseen by the Board of Directors and the Executive Sustainability Management Committee (ESMC). This governance structure ensures that sustainability objectives are aligned with the Bank's strategic priorities and financial goals.

The Board of Directors	Executive Sustainability Management Committee	Credit Committee
• The Board is responsible for setting the objectives, delegating functions, and measuring progress against the set goals for sustainability. It is also responsible for promoting adherence to the Bank's code of ethics and conduct, ensuring compliance with laws and regulations, and aligning the Bank with relevant on-binding standards.	• To support the Board in achieving the set goals, it has delegated the responsibility and required accountability to the Executive Sustainability Management Committee (ESMC), which is responsible for overseeing the implementation of the sustainability strategy, and reporting on its progress, highlighting any risks to the appropriate committee. • ESMC meets every six weeks to provide actionable feedback to the Sustainability Department to ensure continued progress. • The Sustainability Department drives the sustainability strategy across the Bank and drives CSR and sustainability initiatives engaging with multiple stakeholders.	• The Environmental and Social (E&S) Risk Management function of DFCC Bank is carried out by the Sustainability Department who evaluates, and reports its findings to the Credit Committee. Managing ESG risks in lending remains a priority within the Bank's overall risk agenda. While the committee follows a structured reporting timeline to the Board, any emerging risks requiring immediate attention are promptly escalated to ensure proactive decision-making.

During the year, the DFCC Sustainability Trust was dispensed with, and its functions were integrated into the Bank's operations to enhance efficiency.

DFCC SUSTAINABILITY

Sustainability Pledge

I promise: that I will make every endeavour to care for Planet Earth and all living things;

Contribute towards DFCC's Sustainability activities for a more resilient Sri Lanka by actively supporting DFCC's sustainability goals and targets;

To treat all persons with dignity, respect and friendliness;

Use as little of our non-renewable resources as possible;

Minimise use of toxic chemicals, pesticides and other poisons and encourage others to do the same;

Support the less fortunate to become self-sufficient and have a decent life including clean air and water, food, health care, housing, education and individual rights;

Contribute towards the six cross-cutting themes (6Es): Education, Elderly, Entrepreneurship, Environment, Emergency Relief and Exercise.

I will make a difference for the environment and society.

DFCC Bank can count on me to help protect our planet.

OUR COMMITMENT TO UN SDGs

GRI 413-1

Guided by our corporate values and a strong commitment to sustainability, we integrate the United Nations Sustainable Development Goals into our financing activities, business operations and our corporate social responsibility related activities. This alignment ensures that our initiatives contribute to long-term environmental, social, and economic well-being while driving meaningful impact for our stakeholders.

1 NO POVERTY	Provides financial services directly to a variety of micro enterprises, small scale farmers, and purpose driven micro-finance institutions. Capacity building by conducting ***"DFCC Wyapara Hamuwa"*** , ***"DFCC Thirasara Athwela"*** entrepreneurship development programmes, ***"DFCC Kiri Wyawasabhiman"*** loyalty programme.
2 ZERO HUNGER 13 CLIMATE ACTION 14 LIFE BELOW WATER	As Sri Lanka's only Direct Access Entity of the Green Climate Fund (GCF), DFCC Bank is partnering with UNDP and FAO to mobilise GCF and other funding for climate-resilient agriculture and fisheries programmes to enhance food supply while supporting subsistence farmers and small-scale fishermen in improving their livelihoods and adapting to climate change.
3 GOOD HEALTH AND WELL-BEING	DFCC promotes health and well-being through exclusive offers and discounts under the ***"DFCC Garusaru"*** and ***"DFCC Aloka"*** products. The ***"DFCC Flourish Beyond"*** initiative focuses on raising awareness about healthy ageing, cognitive health, and managing non-communicable diseases.

4 QUALITY EDUCATION	***"DFCC Samata English"*** Enhances educational support to equip the young generation with job-ready skills. ***"DFCC Community Kitchen"*** Provides essential endowment to under-served schools, ensuring nourishment for the younger generation. ***"DFCC Educational Loans"*** Aid for local and overseas education.
5 GENDER EQUALITY	***"DFCC Aloka"*** – A dedicated banking proposition designed to support and empower women in their financial and personal journeys. The Diversity, Equity and Inclusion (DEI) policy, including the Secure Environment policy of the Bank's internal and external practices. Actively encourages greater female representation in higher management through special training and leadership programmes. An equal opportunity employer and service provider. Reach-out committee for female employees to surface personal and work related concerns.
6 CLEAN WATER AND SANITATION 13 CLIMATE ACTION 14 LIFE BELOW WATER 15 LIFE ON LAND	Minimises environmental impact in financing activities through the Environmental and Social Management System (ESMS). ***"DFCC Life to Marine"*** Marine & Coastal Eco-system restoration & Conservation Programme – Mangrove Eco-system enrichment programme. ***"DFCC Life to Land"*** Reforestation Programme – Forest restoration programme.
7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION	Supports renewable energy projects with concessional rates and pioneered the country's first Green Bond to finance solar power projects. Invests in transitions to renewable energy, increasing the bank's renewable energy share in electricity consumption.
8 DECENT WORK AND ECONOMIC GROWTH	Financial Inclusion and Sustainability – DFCC Bank prioritises inclusive economic growth by offering competitive financial solutions to MSMEs while ensuring social responsibility through ESMS. Ethical Business Practices – The Bank upholds a zero-tolerance policy for child and forced labour in the businesses it finances and among its partners. DEI policy encourages inclusive employment opportunities for the differently-abled community.
11 SUSTAINABLE CITIES AND COMMUNITIES	Provides affordable home loan solutions tailored to meet housing needs. Collaboration for value chain financing to empower small scale businesses.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Implements internal initiatives for the responsible use of energy, water, and paper conservation. Monitoring the lending activities through ESMS.
17 PARTNERSHIPS FOR THE GOALS	Strengthening partnerships with government and non-government organisations to foster collaboration for impactful initiatives.

DIGITAL JOURNEY

As business environments become increasingly competitive and dynamic, digital transformation is essential to staying relevant and sustainable. It is not an optional tool but a fundamental shift that must be integrated across all aspects of banking. DFCC Bank has taken a structured and proactive approach to this transformation, embedding digitalisation across frontline and back-office operations to enhance efficiency and adaptability.

Increased digitally active customers

Efficient processes

Operational excellence

Cost saving

First-to-the-market

TRANSFORMATIVE TECHNOLOGY AND DIGITALISATION

DFCC Bank firmly believes that adopting market-relevant technology and digitalisation drives innovation, flexibility, and a customer-centric culture. This transformation enables the Bank to seamlessly offer personalised, in-demand products and services, enhancing customer experience and satisfaction. In turn, this strengthens customer loyalty, contributing to long-term profitability and sustainability.

Furthermore, process optimisation through automation and data analytics provides real-time, accurate insights, paving the way for data-driven decision-making that aligns with the Bank's strategic objectives. Technology and digital transformation remained a priority for DFCC Bank in 2024 and will continue to be a key focus in the foreseeable future.

INNOVATIVE INITIATIVES IN 2024

Several key initiatives were implemented in 2024.

DFCC iConnect Tech Upgrade	DFCC iConnect is a state-of-the-art online payments platform including key features such as secure host-to-host integration, Integrated API Engine for ERP integration solutions, automatic payment reconciliation, LPOPP payments, biometric login through the iConnect mobile application, and customisable authorisation matrices. Notably, the upgrade includes far-fetched customisation features ensuring streamlined financial operations along with the introduction of two new modules, virtual accounts and trade. DFCC iConnect is a technology-forward, customer-centric solution, empowering clients to enhance security and achieve greater operational efficiency with DFCC Bank's upgraded PCM solutions.
New Mobile App Revamp (DFCC ONE)	Catering to the exponentially increasing demand for easy and personalised management of customers' funds through a feature-rich digital experience, the Bank revamped its existing mobile app to target mobile-first banking and counter the growing competition in this area. Evolving user experience for banking to be at the fingertips, the Bank engages in continuous upgrades to ensure seamless access to services while strengthening customer loyalty to the Bank through enhanced engagement.
LUXN-NFC Smart Staff Business Card	Contactless stakeholder engagement being the order of the day, this tech-savvy solution not only aligns with industry practices of speed-to-market but also weighs heavily on eco-friendly practices, demonstrating the Bank's commitment to sustainability.
New Customer Acquisitions	The Bank continued the implementation of several initiatives to garner a greater share of customers in a variety of segments: The Enhanced product offerings like Payments and Cash Management Upgrade – Finance Supply Chain Management/ Trade will attract corporate and SME clients, positioning the Bank as a preferred partner for business banking.
Online Banking	Although a comprehensive revamping is planned for 2025, certain online banking features were implemented in 2024. Online retail banking was enabled with FD upliftment, loan due payments, Advance Income Tax Certificate generation, and the introduction of a Special FD rate for customers opening through Online Banking (0.5% more than the from quoted rate). Card Account Number integration was done through Online Banking to support the PCI DSS certification process. *Gov Pay* platform, an initiative introduced by the government to facilitate statutory dues to the government, was also accommodated on this platform, promoting timeliness through digital payments.

GRI 205-2

Version Upgrade for Smart Collection	Aggressive competition rules the day in any business. Managing receivables and timely collection requires automated tools that are efficient and user-friendly, allowing for error-free fund management and profitability. The Smart Collection version upgrades align with the current demand for cashless economies while enhancing operational excellence.
Branch Network Revamp with Cisco SDWAN and Standardising the Racks	With its customer-centric approach to delivery, the Bank adopted SDWAN solutions to enhance the branch network reliability and efficiency. Our strong premise that organised infrastructure reflects our relentless pursuit of meeting customer expectations for seamless service delivery. Simultaneously, this gives our branches an edge over competition, by offering scalable and cloud-compatible networking to remain a dynamic service provider to diverse customer needs.
Helpdesk Ticketing System Implementation to Align with ITIL	As an automated support system, the system provides an enhanced tracking mechanism and transparency for speedy resolution of employee and customer issues, resulting in efficient service management in a digitised business environment.
Firewall Upgrades	The regulatory demands for robust data protection are inevitable with the increase in cybercrime. Threat detection and mitigation therefore, are placed high on the bank's data protection agenda. In line with this, the Bank provided further upgrades to its already robust firewall system, thereby proactively safeguarding our information and data assets, to retain and build on stakeholder's confidence in the Bank.
System Upgrades for Profitability Enhancement	The IT department is carrying out several initiatives to contribute towards profitability enhancement to improve financial performance. Some of these are optimising cash flows and providing advanced analytics for timely and accurate decision making while reducing operating risks and mitigating threats. These include the Oracle Finance Upgrade that was completed in 2024, the Finance Supply Management in Trade, and the Oracle Financial Services Analytical Application that will be completed by Q1 of 2025
Treasury Function Upgrades	On the Treasury front, several upgrades are planned for Fund Transfer Pricing and Asset and Liability Management, while the Process Automation Project and the New Workflow Revamp to deliver automated workflow will reduce costs incurred on manual intervention. This Project is planned to commence in 2025.
ATM Switch and Pawning Services	Through these digital upgrades planned to be delivered in 2025, DFCC Bank intends to generate additional income where transaction capabilities are widened while modernising traditional service offerings.
E-learning	Digital certification for e-learning was carried out through the Learning Academy. A new module on Anti Bribery and Corruption was introduced, aligning with Transparency International standards. A robust Anti Money Laundering training module was also included in the e-learning system. E-learning models were implemented for Mobile Tellers and OICs. An e-learning module for Digital Banking Channels was also rolled out to create awareness among all staff.
E-Personal Files	A document management system was implemented to securely digitise employee personal files through the archival stage while complying with regulatory measures.

Our digital journey was rife with a variety of challenges. With a focus on the mutually beneficial aspects of the exercise that flow across all our stakeholders, we continued to innovate and implement, adopting bespoke measures to meet the challenge.

Challenge	Our Response
Resource Constraints Limited availability of skilled resources to manage various projects, scarcity of niche specialists in RPA, advanced analytics and Oracle systems	Collaborative tools and middleware systems were implemented to diminish system collisions, while a clear flow of communications was disseminated to engage stakeholders.
Integration Issues Compatibility with available systems since Data migration is time consuming and requires exceptional accuracy and seamless cut-overs	Conducted comprehensive system compatibility tests and implemented phased out rollouts to minimise workflow disruption
Regulatory Requirements Complying with regulations and seeking regulatory approvals	A dedicated Compliance team engaged with the Regulators and Auditors well ahead of the timeline to achieve the roll-out objectives
Stakeholder Alignment Cut-overs with minimum disturbance to daily work flows, balancing priorities between business and IT enhancements.	Collaborative tools and middleware systems were implemented to diminish system collisions, while a clear flow of communications was disseminated to engage stakeholders.

This is a journey that keeps evolving as the customer needs to evolve. The Bank is well geared to identify such evolving demands and responds to them with agility and other customer trends to capture a larger market share. Several further initiatives are in the process of being implemented, which will be rolled out in the new financial year.

STAKEHOLDERS

GRI 2-29

Engaging with our stakeholders to create and derive value is fundamental to our business. We recognise that a strong, mutually beneficial stakeholder engagement strategy is essential for the Bank's sustainable future. Given the diverse range of individuals and institutions we interact with, a well-structured approach to stakeholder engagement is critical in fostering long-term, meaningful relationships.

As a banking institution, our primary objective is to enable financial empowerment for all who engage with us. Whether through our customer capital, business partner capital, or human capital, we remain steadfast in delivering on this commitment. Furthermore, we uphold the highest standards of transparency and accountability in our engagement with regulatory bodies, ensuring timely and accurate reporting at all times.

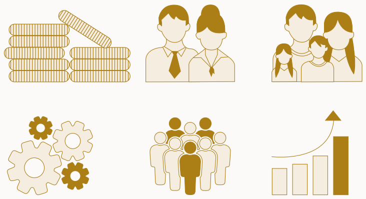
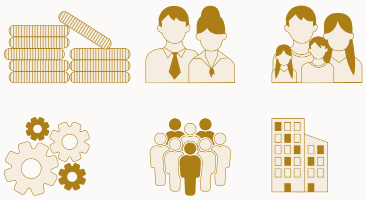
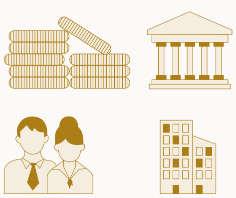
ENGAGEMENT STRATEGY

We implement a four-point engagement strategy to address this key aspect comprehensively.

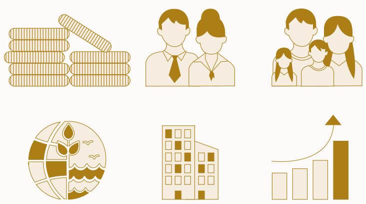
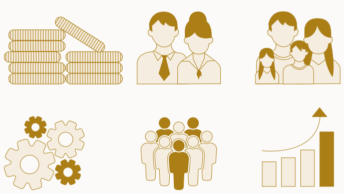
Identification of stakeholders	Identification and categorisation of stakeholders based on key questions: • who will contribute to the business? • who will be impacted by the business? • who can directly/indirectly influence the business
Stakeholder analysis	• Understand the needs, concerns, interests and positions of each stakeholder category • Decide on the key topics to be addressed • Evaluate channels to engage with stakeholders
Action plan	• Decide engagement mechanisms and design value-driven projects/activities • Decide on frequency of engagement to ensure timely response • Plan and allocate resources for engagement • Decide on the key topics to be addressed • Formulate policies and procedures if necessary • Implement the action plan
Continuous dialogue	• Engage and communicate with stakeholders to establish a qualitative dialogue with stakeholders • Obtain feedback and take further steps when concerns are raised

Each stakeholder segment engages with the Bank at varying levels of intensity, depending on their specific business needs and the degree of support required for sustainable operations. Accordingly, we ensure that information flows through the most appropriate channels, fostering strong and enduring relationships.

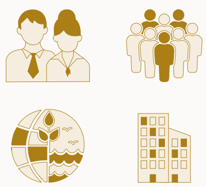
STAKEHOLDER ASSESSMENT

Stakeholder Category	Reason for Engagement	Intensity	Discussion Topics
Shareholders and Investors Primary providers of capital for the Bank's operations. **Impact** 	To share information on the Bank's performance, opportunities for further investment through development and possible challenges faced by the Bank.	High	• Macro-economic factors that impact the bank • Regulatory landscape • Financial reporting and returns • Corporate governance and transparency • Risk management • ESG and sustainability
Customers An extremely diversified portfolio, that upholds the Bank's business and impacts its profitability. **Impact** 	To ensure customer wallet-share is not diluted, to update them on new products and services, need assessment for future product development.	High	• Future needs for funding • Inform them of product/ service roll outs • Gauge customer satisfaction • Capacities for borrowing expansion • Moratoriums/concessions • Regulatory requirements that impact customers • Customer safety/security • Customer service • Special promotions and loyalty programmes • Innovations and customised solutions to address timely requirements
Employees A talent pool of skilled bankers and operational service providers, our employees are the backbone of our business that assures its sustainability. **Impact** 	To ensure ethical service delivery, career progress, health and safety, skill enhancement through training, and where necessary, disciplinary conversations.	High	• Well-structured performance-based incentive schemes • Diversity, equity and inclusion • Employee well-being and work-life balance • Career development opportunities • Training and development • Employee recognition and rewards

Most relevant Information flow from the Bank to the Stakeholder	Engagement Mechanism					
	Annually	Quarterly	Regularly	Periodically	Continuous	When Needed
• Annual Report • Financial Statements at page 213 • Institutional wealth at page 151 • Social at page 66 • Corporate Governance at page 130 • Risk Management at page 160 • Sustainability framework at page 54	• AGM • Annual Report	• Quarterly Financial Statement and Press Release	• General Correspondence	• Announcements through the Colombo Stock Exchange • Investor Relations Meetings		• Shareholder forums/webinars
• Refer Customers at page 111. • Restructuring loans/interest rates, credit assessments • National priorities • Digital channels			• Social media and online platforms	• Customer feedback mechanisms	• Branches and contact centre • AI/digital assistance • Customer Relationship Officers • Digital channels • Customer complaint handling mechanisms	• Marketing and promotional activities, digital communications • Website is updated when necessary
• Refer Employees at page 99. • Performance based incentive and reward schemes • Appropriate training • Effective grievance handling mechanisms • Review of compensation based on market surveys • Promote Diversity Equity and Inclusion	• Performance Appraisal		• Staff events • Training • OMMM wellness activities • Grievance handling mechanism	• Performance appraisal • Engagement surveys • Open day with Chairman and CEO • Employee recognition	• Proactive engagement by HR department • WeConnect – Intranet • Listening Wall • HR Mate – AI-Driven Human resource chatbot • CSR programmes	

Stakeholder Category	Reason for Engagement	Intensity	Discussion Topics
Business Partners, Suppliers and Service Providers The Bank interacts with a wide range of stakeholders in this stakeholder segment in diverse ways. Most significant development is the partnership for its green financing its green funding, and the Bank's efforts in funding and partnering for ethical sourcing that ensures the preservation of the environment. **Impact** 	To develop strategic partnerships and transparency of engagement by providing essential information as to the Bank's requirements, while actively seeking insights into our partners' activities and challenges. This reciprocal exchange of information is integral to enhancing collaboration and ensuring a mutually beneficial business relationship.	Medium	• Maintain wholesome dialogues on issues that are mutually impactful • Emphasis is on ethical resourcing/funding • Implement SLAs, MOUs and other contractual requirements
Government Institutions, Regulatory Bodies and Other Advocacy Groups As a premier banking institution, we are governed by several government institutions and regulatory bodies. Similarly, we hold membership with banking associations, chambers of commerce and industry, financial market-related institutions, professional bodies, and advocacy groups. As such, collaborating with governmental and regulatory bodies and being affiliated with professional and business institutions, contribute to our reputation and sustainability. **Impact** 	• Being compliant with all regulatory requirements. • Transparent, accurate and timely regulatory reporting. • Maintaining our visibility and standing in the professional and business arena. • Understand diverse viewpoints, perceptions, and assess their impact on the Bank's reputation and sustainability, and craft appropriate action plans, if needed.	High	• New regulations • Regulatory reporting requirement • Expected amendments to funding/interest/ loan restricting • Global Financial Crime Compliance • Challenges and opportunities faced with the banking industry within a challenged global and local macro-economy • The Bank's input to the broader community

Most relevant Information flow from the Bank to the Stakeholder	Engagement Mechanism					
	Annually	Quarterly	Regularly	Periodically	Continuous	When Needed
• Refer Business Partners at page 117 • Providing information in a timely and relevant basis • Two-way communication process • Speedy resolution of any differences • Timely payments			• Reviews and Assessments • Communications and Meetings			• Supplier Registration Process • Requests for proposals • Communications, meetings and visits to business partner premises
• Refer Business Partners at page 117 • Operate a vigilant and adequately resourced Compliance Department with skilled individuals • Train required staff on regulatory aspects, as and when amendments and updates are received • Reporting suspicious transactions on a timely and accurate basis, within the strict confidentiality framework • Share knowledge with industry peers • Meetings and forums, media releases			• Compliance Department • Regular senior level interaction with regulatory bodies • Onsite-and off-site supervision	• Timely and accurate regulatory reporting		• Timely and accurate regulatory reporting • Responding to regulatory audits and any other regulatory reviews. • On-site and off-site supervision

Stakeholder Category	Reason for Engagement	Intensity	Discussion Topics
Communities The Bank's business is both influenced by and has an impact on the broader community in which it operates. Particularly in economically challenging times, the extent of this impact can play a crucial role in alleviating the hardships the community faces. The Bank undertakes well-planned CSR initiatives to enhance livelihoods and provide support in vulnerable areas **Impact** 	• To upgrade the livelihoods and the living conditions of the broader community when needed. • To convey the many ways and means by which the Bank could contribute to their well-being.	Medium	• The many ways in which the Bank could contribute to alleviate economic hardships • SME/MSME Sector funding and facilitation • Community capacity building and empowerment • Environmental protection and conservation • Social welfare, health and well-being

Strong relationships built on two-way communication and appropriate actions are essential for maintaining, nurturing, and building a sustainable future, as our stakeholders play a direct role in shaping our business. This process also contributes to achieving the UN SDGs, whether directly or indirectly.

	Most relevant Information Flow from the Bank to the Stakeholder	Engagement Mechanism					
		Annually	Quarterly	Regularly	Periodically	Continuous	When Needed
	• Refer Social at page 66 • Implement CSR Projects • Implement funding products that are conducive to SME/MSME sectors			• Partnerships and Interactions with government and other institutions	• Workshops on health and well-being	• CSR/ community development programmes • Corporate Website • Digital mediums	• Press releases, conferences and media briefings • Public events

MATERIALITY

GRI 3-1, 3-2

Materiality refers to the topics and concerns that significantly impact DFCC Bank's operations and stakeholders from an Environmental, Social, and Governance (ESG) perspective. It encompasses the issues/topics that the Bank considers critical to its business performance and sustainability, and the concerns stakeholders deem important in their relationship with the Bank. In alignment with the Global Reporting Initiative (GRI), Integrated Reporting (IR) framework, and SLFRS Sustainability Disclosure Standards (SLFRS S1 & S2), materiality also includes emerging issues and trends that can substantially influence decision-making, strategy evaluation, and the management of key relationships.

APPROACH TO MATERIALITY DETERMINATION

At DFCC Bank, material topics form the foundation of our Bank's strategy and reporting. These topics are identified through rigorous stakeholder engagement, analysis of the global and local context, and alignment with the principles of the Integrated Reporting Framework and GRI Standards. In 2024, we embarked on a comprehensive materiality assessment to refine and update our material topics, incorporating stakeholder feedback and insights from an industry analysis. This process is part of the ongoing ESG gap analysis and strategy review conducted by KPMG.

Key steps of the materiality determination process can be depicted as follows:

Identifying material matters	• Gather insights from internal and external stakeholders, industry benchmarks, regulatory requirements, and sustainability frameworks (such as GRI, IR, and SLFRS S1 & S2) to determine topics that significantly impact the organisation and stakeholders.
Analysis and prioritisation	• Assess the identified topics based on their financial, operational, and ESG significance, considering stakeholder concerns and potential business impact. Prioritise them through a structured evaluation process, often using stakeholder engagement, risk assessments, and strategic alignment.
Validation and integration	• Validate the prioritised topics through leadership review and stakeholder feedback, ensuring alignment with the Bank's strategy and regulatory expectations. Integrate material topics into sustainability reporting, risk management, and decision-making processes for continuous monitoring and improvement.

	INPUT	PROCESS	METHOD	STAKEHOLDER INPUT
Identifying material matters	• Local Industry and market trends • Global, political and economic trends • Internal risk reports • Internal discussion forums • External stakeholder engagement	• Business Intelligence • Interaction with peers in the industry • Global trend analysis • High level discussions with government and regulatory bodies	• Collated information to be included in PESTEL/SWOT analysis, Five Forces Analysis, Materiality Assessment	• Seek stakeholder input to refine the findings
Analysis and prioritisation	• Align material matters with the overall objectives of the Bank • Analyse impact on each stakeholder group • Seek regulatory approvals, where necessary	• Build material matters into strategy • Obtain necessary internal approvals	• Weigh material matters against any impediment it may cause on the Bank's ability to deliver value	• Thorough evaluation, monitoring, and updating of material matters by those empowered for delivery of value
Validation and integration	• Determine strategic direction (The Board) • Include in the Bank's strategic plan • Define KPIs	• Performance targets • KPIs and KRIs	• Include individual and team performance assessments, aligning with the Bank's strategic objectives	• Through performance, service deliveries, and Business Partner inputs

Benefits Derived by the Bank and Stakeholders by Materiality Themes

Strategic goal	• Ensuring the credibility of the Bank's sustainability plans and its operations.
Relationship goals	• Fostering relationships and nurturing bonds with customers • Empowering employees by offering rewarding career opportunities • Generating consistent returns for investors • Establishing mutually advantageous and profitable partnerships • Demonstrating responsible actions towards both society and the environment
Financial benefits	• Cost savings, revenue growth and risk mitigation
Operational efficiencies	• Process improvements and resource optimisation
Brand reputation and trust	• Enhanced credibility, stakeholder confidence and customer loyalty
Regulatory compliance	• Adherence to laws, industry standards and best practices
Technology and digital advancements	• Innovation in banking services, cyber security and digital transformation
Competitive advantage	• Market positioning, differentiation and long-term resilience

MATERIAL THEMES AND TOPICS

A comprehensive materiality analysis assignment is currently ongoing with key stages progressing as planned, to review and update material matters. This ensures the Bank remains proactive in managing ESG issues while staying aligned with long-term goals.

Key stage	Key actions	Outcome/Status
Internal review and preliminary topic identification	• Internal management discussions to review previously identified material themes. • Analyse industry reports and sector-specific sustainability risks/opportunities. • Align with ESG and regulatory framework requirements.	List of updated material topics for 2024
Stakeholder engagement and data collection	• Conduct stakeholder consultations and distribute ESG assessment surveys. • Collect feedback on key environmental, social, and governance concerns. • Identify emerging trends and expectations from stakeholders.	Enhanced material topic list incorporating stakeholder perspectives. This is currently in progress.
Topic prioritisation and assessment	• Evaluate the impact of each topic on DFCC Bank's operations and stakeholder interests. • Assess financial, reputational, and operational risks associated with topics. • Score and rank topics based on significance.	A prioritised list of material topics has been developed based on an internal review and further refinement of preliminary topics will be identified at the initial stage. Through this process, the existing list of material concerns was updated, summarised and presented as the updated material topic list for 2024.
Validation and finalisation	• Validate prioritised topics with leadership and key departments. • Ensure alignment with strategic objectives and regulatory expectations. • Finalise the list of material topics for integration into reporting and decision-making.	

In the previous year, we identified 38 material concerns through a comprehensive stakeholder review conducted as part of our sustainability strategy formulation. These concerns were categorised into six key material themes to present them in a more structured and meaningful manner: Resilient Business and Inclusive Economic Growth, Inclusive Growth in Resilient Communities, Equal Opportunity Employment and Employee Well-being, Customer-Centricity and Future-Proofing the Business, Sustainable Procurement and Resource Efficiency, and Transparent Reporting and Communication.

While these six material themes remain unchanged, the individual material concerns identified last year have been further refined, integrated, and summarised under each theme. This refinement ensures greater clarity and relevance while providing a well-defined scope for each theme, reinforcing our commitment to sustainability and long-term value creation.

Importance to DFCC Bank	Key concern areas/issues
Resilient Business and Inclusive Economic Growth	
Sustainability and ESG practices are crucially important for the longevity of our business and stakeholder value creation. In dynamic macro-economic scenarios that we encounter, resilience at all levels of our operation is mandatory, to thrive in terms of performance.	• Green Financing of environment friendly projects continued, aligning with the government's policy on conservation and climate commitments. • Continued innovation in technological infrastructure, digitisation, and smart buildings to contribute towards sustainable energy consumption and reduced paper usage, while aligning with UN SDGs to support Agenda 2030. • Reviewing our business strategy, where necessary, to align with the government economic policies, and revamping to negate the effects of trends adversely impacting the banking industry. • Developing resilient business strategies with a focus on sustainability. • Creating awareness about sustainability and preservation of the environment. • Continued compliance with the Sustainable Banking Principles of the Sri Lanka Banks' Association Sustainable Banking Initiative (SLBA-SBI).
Inclusive Growth in Resilient Communities	
Conducting business to include the broader communities and ensure their resilience to economic and societal challenges.	• Conduct business encompassing ESG and sustainability principles to ensure a socially responsible business, working towards societal enhancement, while deriving a profit. Reduced resource consumption and conservation of natural capital. • Equip the marginalised with financial literacy, offer specialised services to SME and MSME segments, through capacity building via financial and non-financial services, empowering them to create positive social and environmental impacts. • Offering entrepreneurial skills training for self-employed individuals to enhance their potential. • Connected with Apex bodies to derive knowledge bases, continued to offer skill training to self-employed, and where necessary, re-skilling. • Enhanced preparedness to address adverse climate conditions and resultant damage.
Equal Opportunity Employment and Employee Well-being	
We believe that all employees have a right to equal opportunity sans gender, religious, or ethnic bias. Motivated employees are a key factor for growing our reputation and operating a sustainable business on ESG principles.	• Continued focus on health and well-being, with strong emphasis on work-life balance. • Women's empowerment is inclusive of empowerment of other vulnerable groups. • Creating a healthy work place culture, encouraging teamwork and collaboration across all levels and functional divisions, attracting the best talent in the market, and retaining a highly skilled human capital. • Strategically decided clear pathways for career progression, offering structured training where needed to upgrade skill, talent and knowledge. • Team building and team cohesiveness to ensure positive and open interaction between peers and ranks.

Importance to DFCC Bank	Key concern areas/issues
Customer-centricity and Future Proofing the Business	
Customer-centricity is critical in driving a profitable business and creating resilient neighbourhoods. We differentiate by leveraging the customer experience, while maintaining a product and service suite, that best achieves their aspirations.	• Providing customer-centric services and engagement across all geographic areas and divisions • Adapting to evolving customer needs, including convenient and remote banking, keeping within the local and international requirements • Innovate to further enhance customer-centricity and convenience i.e. digitalisation, AI tools, machine learning, and robotic process automation • Leveraging the Bank's reputation to gain a better share of customer wallet
Sustainable Procurement and Resource Efficiency	
The Bank's Procurement Policy is crafted to ensure that goods and services provided by external vendors are cost effectively and ethically sourced, applying a high standard of governance. We stringently apply the Six Guiding Principles (i.e. value for money, ethical sourcing, support of enterprise and growth, transparency, no conflict of interest, no bribery and corruption) to all our procurement requirements, while emphasising on-time delivery of our requirements, to ensure an uninterrupted flow of services to our other stakeholders.	• Reducing energy and paper usage; minimising waste and use appropriate processes/technologies to ensure resource efficiency. • Establishing dependable and sustainable sourcing and supply chains.
Transparent Reporting and Communication	
Timely and accurate regulatory reporting is critical to our operation as a Bank regulated by the Central Bank of Sri Lanka. Similarly, we ensure accuracy, accountability, transparency, and integrity in all our communications, disseminated through a variety of channels, to our stakeholders.	• Enhanced utilisation of social media for targeted and efficient communication • Addressing the increasing demand for transparent reporting on non-financial information, especially in ESG and sustainability.

By further reassessing stakeholder priorities, industry trends, and emerging risks, the company has refined and streamlined the 2023 material topics into 17 key areas categorised under Economic, Environmental, Social, and Governance. This structured approach enhances clarity and coherence while also addressing evolving sustainability challenges, opportunities, and trends. Additionally, this analysis strengthens the company's ability to respond to emerging risks, enhance transparency, and drive value creation for all stakeholders. As a result, the **Updated Material Topics List for 2024** has been developed, ensuring it reflects the most critical sustainability and business concerns.

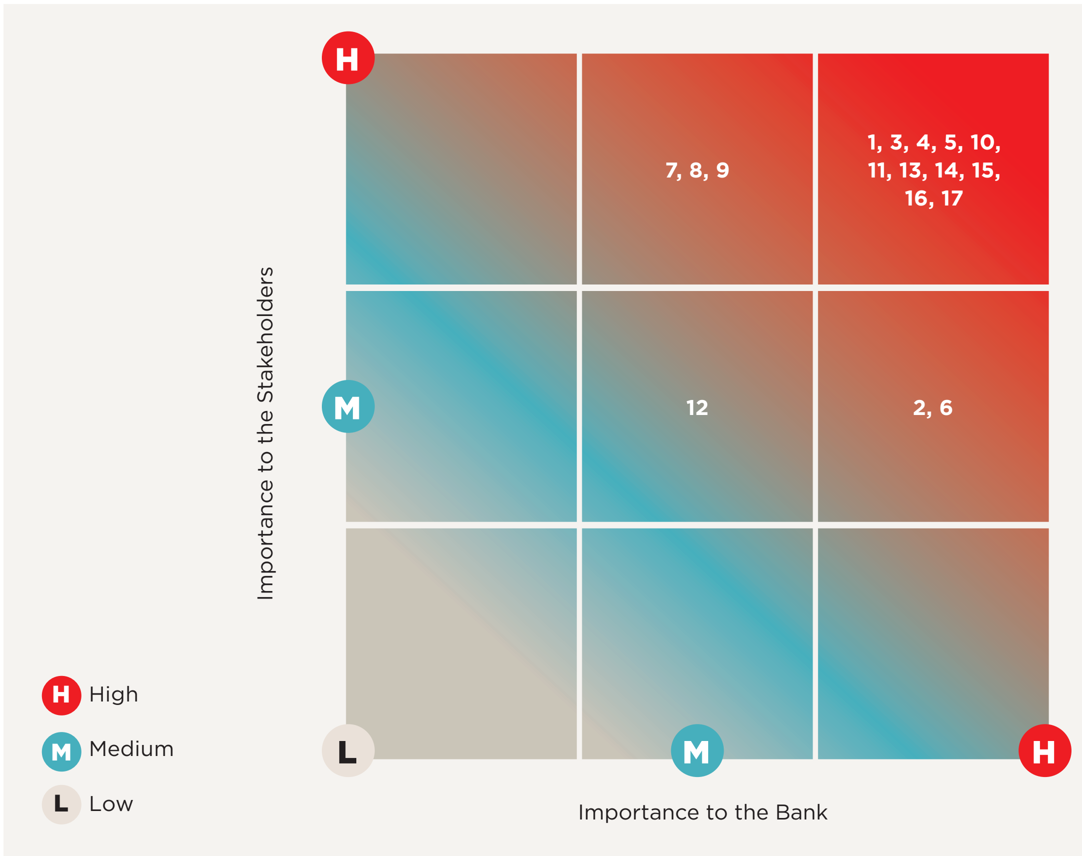
Further revised and consolidated material topics for the year are as follows;

	Material Topics – Updated 2024	Description	Related Material Topics from 2023	Relevant GRI Topic Reported in this report
01.	**Climate Action**	Addressing climate risks through sustainable financing and operational carbon footprint reduction.	Green Financing of environment-friendly projects	302 – Energy 305 – Emissions
02.	**Biodiversity**	Ensuring business activities support environmental conservation and do not contribute to biodiversity loss.	Sustainability initiatives, environmental impact mitigation	302 – Energy 305 – Emissions
03.	**Inclusive Economic Growth**	Supporting financial inclusion and economic resilience for underserved communities and businesses.	Inclusive growth in communities, MSME financial literacy	201 – Economic Performance
04.	**Resilient Business**	Ensuring long-term business viability through risk management and sustainable business models.	Business resilience, adapting to macroeconomic changes	201 – Economic Performance
05.	**ESG Integration into Business Operations**	Embedding ESG principles into decision-making, risk management, and strategic planning.	Compliance with sustainable banking principles	201 – Economic Performance
06.	**Developing Sustainable Financial Products and Services**	Creating innovative financial solutions supporting green and sustainable investments.	Sustainable financing, green loan initiatives	203 – Indirect Economic Impacts
07.	**Resilient Communities**	Engaging in social initiatives that uplift communities and enhance economic stability.	Community financial literacy, social responsibility programmes	203 – Indirect Economic Impacts 413 – Local Communities
08.	**Women Empowerment**	Ensuring gender equity in banking services, employment, and leadership roles.	Gender diversity and inclusion, employee empowerment	405 – Diversity and Equal Opportunity
09.	**Diversity, Equity and Inclusion**	Promoting an inclusive workplace and equitable financial services.	Equal opportunity employment and employee well-being	202 – Market Presence, 401 – Employment, 405 – Diversity and Equal Opportunity, 406 – Non-Discrimination
10.	**Customer Centricity**	Enhancing customer experience through digital innovation and personalised banking.	Customer service excellence, future-proofing banking	418 – Customer Privacy
11.	**Talent Management**	Strengthening employee engagement, retention, and leadership development.	Employee well-being, training, and development	401 – Employment 404 – Training and Education
12.	**Sustainable Procurement and Resource Efficiency**	Ensuring ethical sourcing and reducing resource consumption in operations.	Sustainable procurement, waste reduction	–
13.	**Technological Advancements**	Adopting AI, automation, and digital tools to drive innovation and efficiency.	Digitisation, fintech integration	417-Marketing and Labelling
14.	**Ethical, Transparent and Accountable Business**	Maintaining the highest standards of corporate governance and integrity.	Transparent reporting, responsible business practices	417 – Marketing and Labelling
15.	**Data Privacy and Cyber Security**	Strengthening cybersecurity infrastructure and safeguarding customer data.	Digital security, regulatory compliance	418 – Customer Privacy
16.	**Risk Management and Compliance**	Proactively identifying and mitigating financial, operational, and ESG risks.	Regulatory adherence, business continuity planning	205 – Anti-corruption 207 – Tax
17.	**Brand and Reputation**	Building trust with stakeholders through responsible banking practices and transparency.	Corporate reputation, stakeholder trust	417 – Marketing & Labelling

Environmental Topics   Social Topics   Economic Topics   Governance Topics

MATERIALITY MAPPING

A materiality map provides a structured representation of key topics influencing the Bank and its stakeholders. It helps assess and prioritise these topics based on their significance and impact, ensuring a balanced approach to sustainability and business strategy. By visually mapping material topics, the Bank can effectively communicate its focus areas and align its decision-making with stakeholder expectations and long-term value creation.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL STRENGTH

GRI 201-1

Our strong financial performance in 2024 was evident in the expansion of total assets, a growing deposit base, and increased profitability. We achieved a significant rise in Profit After Tax (PAT) compared to 2023, reinforcing our dedication to prudent financial management and sustainable growth. Strategic investments in high-yield government securities enhanced our net interest income, while a focused approach to fee generation strengthened our non-funded business. Despite economic challenges, we upheld resilient credit quality and further reinforced our capital position.

OVERVIEW

In a dynamic banking landscape, DFCC Bank demonstrated resilience amidst industry challenges. With robust 2024 financial results including notable growth in total assets, loan portfolio and deposit base, and a remarkable 16% rise in PAT – DFCC Bank demonstrated its commitment to prudent financial management and sustainable long-term growth.

With the improvement in domestic money market liquidity, driven by the Central Bank's relaxed monetary policy stance, both deposit and lending interest rates continued their downward adjustment throughout the year. This trend is expected to persist, further transmitting the benefits of policy easing. Market interest rates, which declined in response to the accommodative monetary policy stance, largely stabilised by year-end. Benefiting from lower lending rates, credit to the private sector extended by Licensed Commercial Banks (LCBs) has expanded notably since May 2024. In alignment with this shift, DFCC Bank swiftly adjusted its lending and deposit rates, ensuring the effective transmission of monetary policy benefits to businesses and individuals.

Moreover, the Bank strategically enhanced profitability by optimising its investment portfolio, notably increasing holdings in high-yield government securities. This, alongside positive macroeconomic developments and the Bank's focused recovery efforts, led to a significant reduction in impairment provisions, positively impacting the income statement.

Despite ongoing economic challenges, we have upheld strong credit quality and reinforced our capital position, as reflected in improved equity ratios and strict regulatory compliance. Our commitment to innovation and customer-centric values continues to be recognised, further solidifying DFCC Bank's leadership in the banking sector.

A significant milestone of the year was the issuance of Sri Lanka's first-ever listed and rated Green Bond, which was highly oversubscribed. This achievement underscores the trust and confidence valued investors and stakeholders have placed in the Bank and its unwavering commitment to sustainability. Looking ahead, we remain dedicated to driving inclusive growth, advancing sustainability, and delivering long-term value to all stakeholders.

Additionally, in January 2025, Fitch Ratings upgraded the Bank's National Long-Term Rating to A(lka) with a stable outlook from A-(lka), reflecting the Bank's strengthened stability.

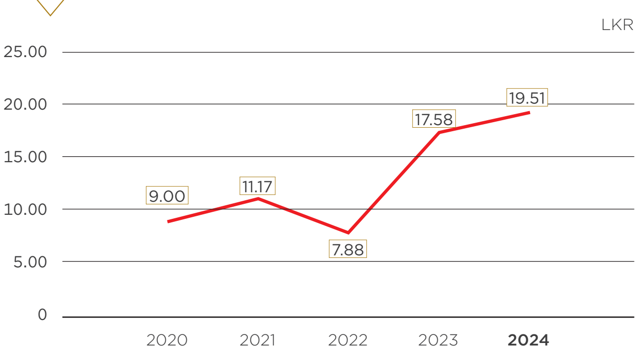
DFCC Bank has been honoured with three prestigious awards at the Global Banking and Finance Awards 2024, reinforcing its position as a customer-focused and sustainable banking leader in Sri Lanka. The Bank received recognition as the Banking Brand of the Year Sri Lanka 2024, Best Bank for Sustainable Development Sri Lanka 2024, and Fastest Growing Retail Bank Sri Lanka 2024. These independent accolades, presented by the UK-based Global Banking and Finance Review, underscore the Bank's unwavering commitment to innovation, sustainability, and customer-centric growth.

INCOME STATEMENT ANALYSIS

PROFITABILITY

In 2024, DFCC Bank PLC, the largest entity within the Group, reported a Profit Before Tax (PBT) of LKR 13,498 Mn and a PAT of LKR 8,353 Mn, reflecting a 16% increase from the previous year's PAT of LKR 7,220 Mn. The Bank also recorded a 12% rise in Earnings Per Share (EPS) to LKR 19.40, demonstrating its strong financial performance and continued growth momentum.

EPS (Group)



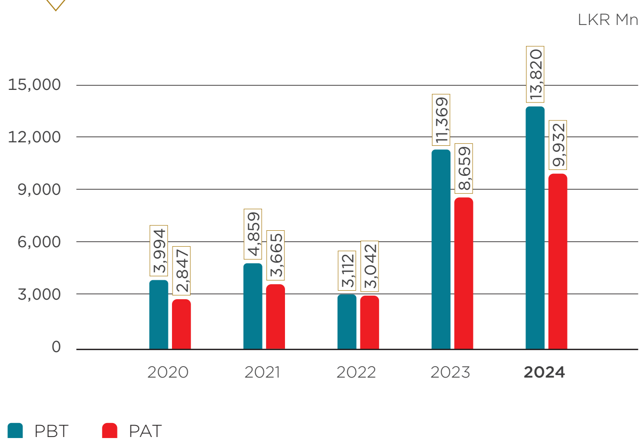
The Group reported a PBT of LKR 13,820 Mn and a PAT of LKR 9,932 Mn, which includes LKR 1,378 Mn from discontinued operations for the year ended 31 December 2024. This marks an increase from LKR 11,369 Mn and LKR 8,659 Mn, respectively, in 2024 and 2023. The Group recorded a 11% rise in EPS from continuing operation to LKR 19.51 compared to LKR 17.58 in 2023.

The Bank's Return on Assets (ROA) before tax improved to 2.01%, up from 1.82% in the previous year while Return on Equity (ROE) stood at 10.99% for 2024, compared to 12.19% in 2023.

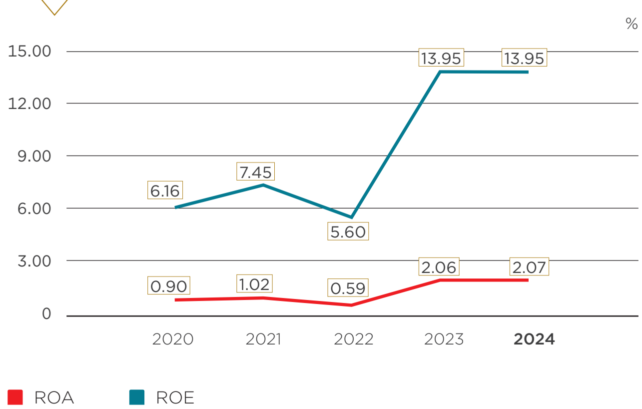
The Group's Return on Assets (ROA) before tax improved to 2.07% up from 1.88% in previous year while Return on Equity (ROE) stood at 13.95 in both 2024 and 2023.

The Bank's total tax expense, comprising Value Added Tax (VAT), Social Security Contribution Levy (SSCL) on financial services, and Income Tax, amounted to LKR 9,562 Mn for the year ended 31 December 2024. Consequently, the Bank's tax expense as a percentage of operating profit stood at 53.37% for the year.

PAT (Group)



ROA and ROE (Group)



NET INTEREST INCOME

With improved liquidity conditions in the domestic money market, driven by the Central Bank's relaxed monetary policy stance, both deposit and lending interest rates have continued their downward adjustment throughout the year. This trend is expected to persist, further transmitting the benefits of policy easing through lower lending rates. Market interest rates, which declined over time in response to accommodative monetary policies, largely stabilised by year-end.

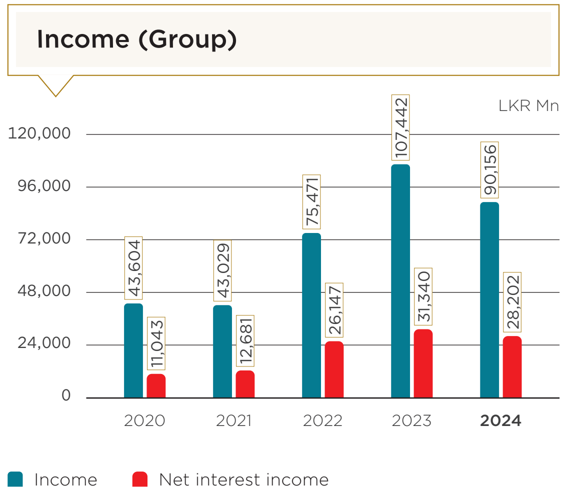
Supported by reduced market lending rates, credit extended to the private sector by LCBs has expanded notably since May 2024. Sectoral data for Q3-2024 indicates broad-based credit growth across all major economic sectors, with the expansionary momentum expected to continue, driven by favourable lending conditions. Meanwhile, improved fiscal performance, a low inflation outlook, and stable economic conditions have contributed to easing pressures on government bond yields.

Accordingly, the Bank has witnessed significant reductions in lending and deposit rates, aligning with monetary directives to ease financial conditions for individuals and businesses. This swift adjustment supports the anticipated economic re bound. The lower interest rates have led to a decline in both interest income and expenses compared to 2023.

The Bank's Net Interest Income (NII), which is income from its core business, declined by 10% to LKR 28,121 Mn for the year 2024. Meanwhile, the interest margin contracted from 5.18% in December 2023 to 4.18% in December 2024.

FEE AND COMMISSION INCOME

The Bank's dynamic strategies and the efforts of its dedicated teams drove growth in remittances, trade-related commissions, and other fee income lines, contributing to the expansion of its non-funded business. Further, the increased focus on credit card operations played a key role in boosting fee and commission income compared to 2023. Related fee expenses also rose in line with the Bank's objective to expand credit card services and acquire new business. However, the net impact remained positive, with net fee and commission income increasing by 8% to LKR 4,929 Mn for the year ended 31 December 2024, compared to LKR 4,551 Mn in 2023.



NET GAINS FROM DE-RECOGNITION OF FINANCIAL ASSETS

The Bank disposed of a portion of its Sri Lankan government securities holding classified under FVOCI, realising a gain of LKR 2,877 Mn, underscoring the effectiveness of its strategic decisions. Additionally, leveraging market opportunities following the finalisation of debt restructuring, the sale of the Bank's International Sovereign Bond (ISB) holdings contributed a positive LKR 991 Mn impact through the related cumulative impairment reversal.

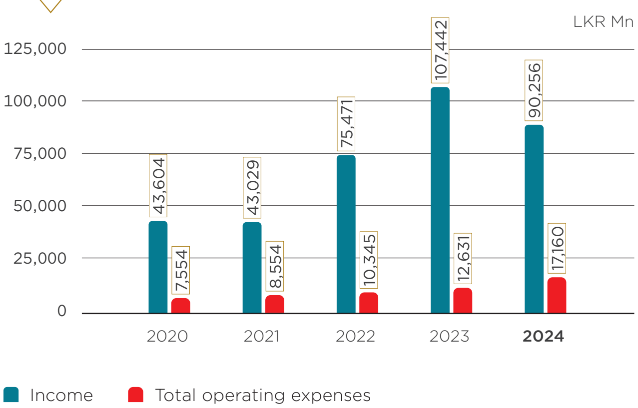
IMPAIRMENT CHARGE ON LOANS AND OTHER LOSSES

The impaired loan (Stage 3) ratio declined from 7.03% in December 2023 to 5.65% as of 31 December 2024, driven by the combined effects of the Bank's focused recovery efforts, write-offs of long outstanding overdue balances, and significant portfolio growth in line with the positive macroeconomic developments. To mitigate current and potential future risks in its lending portfolio, the Bank maintained adequate impairment provisions, continuously calibrating internal models to account for emerging risk factors. Additional provisions were also allocated for risk-elevated sectors. Reflecting favourable macroeconomic conditions and the Bank's sustained recovery initiatives, impairment charges for loans and advances significantly improved to LKR 4,648 Mn for the year ended 31 December 2024, compared to LKR 13,985 Mn in 2023.

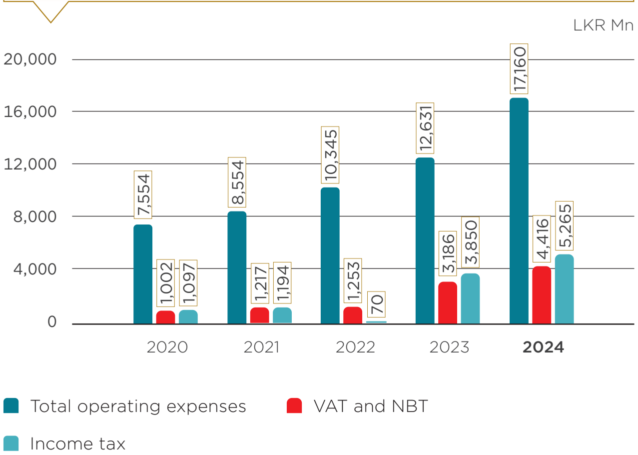
OPERATING EXPENSES

Operating expenses for the year ended 31 December 2024 rose to LKR 16,805 Mn, up from LKR 12,366 Mn in 2023, primarily driven by inflationary pressures and adjustments to staff benefits. The increase in personal expenses reflects salary increments and performance-based incentives. However, the Bank has implemented comprehensive cost-control measures, effectively managing and curtailing expenses to maintain operational efficiency.

Total income to operating expenses – Group



Expenses (Group)



OTHER COMPREHENSIVE INCOME (OCI)

Changes in the fair value of investments in equity securities and fixed-income securities (treasury bills and bonds), along with movements in hedging reserves, are recorded through other comprehensive income. The application of hedge accounting minimised the impact of exchange rate fluctuations on the Bank's total equity.

A fair value gain of LKR 9,119 Mn was recorded on equity securities outstanding as of 31 December 2024, primarily driven by the increase in the share price of Commercial Bank of Ceylon PLC. Additionally, fair value gains on treasury bill and bond yields amounted to LKR 3,789 Mn during the year.

FINANCIAL POSITION ANALYSIS

ASSETS

Despite economic challenges in the banking sector, DFCC Bank's total assets grew by LKR 62.6 Bn, reflecting a 10% increase from December 2023. Aligned with the Bank's growth strategy and economic conditions, a 55% rise in fixed-income securities investments contributed to increased financial assets at amortised cost, reaching LKR 106 Bn as at 31 December 2024, compared to the previous year.

Further, the Bank's net loan portfolio expanded by LKR 46 Bn to LKR 394 Bn, a 13% increase from LKR 349 Bn as of end 2023, further driving asset growth. In line with its strategic direction, the Bank has also designated its joint venture investment as an asset held for sale, seeking to divest its 50% ownership in Acuity Partners Private Limited.

LIABILITIES

The Bank's total liabilities increased by LKR 46 Bn, reflecting an 8% growth from December 2023. The deposit base expanded by 14%, rising by LKR 58 Bn to LKR 465 Bn, up from LKR 407 Bn as of 31 December 2024, resulting in an improved loan-to-deposit ratio of 94.79%.

Additionally, the CASA ratio stood at 24.77% as of 31 December 2024. The Bank effectively contained funding costs by utilising medium to long-term concessionary credit lines, which supported the expansion of the lending portfolio and provided much-needed concessionary funding to customers. Factoring in these concessionary term borrowings, the CASA ratio further improved to 31.82%, while the loan-to-deposit ratio improved to 85.90% as of 31 December 2024.

EQUITY AND COMPLIANCE WITH CAPITAL REQUIREMENTS

DFCC Bank's total equity increased to LKR 84 Bn as of 31 December 2024, driven by favourable movements in the equity and fixed-income security portfolios classified as fair value through other comprehensive income, along with positive shifts in the hedging reserve and the PAT for the year of LKR 8.4 Bn.

As a result, the Tier 1 and Total Capital ratios improved to 12.402% and 15.759%, respectively, by 31 December 2024, compared to 11.490% and 13.511% respectively as of 31 December 2023. The Bank's Net Stable Funding Ratio (NSFR) remained at 124.60%, while the Liquidity Coverage Ratio (LCR) – all currency stood at 280.26% as of 31 December 2024, both at levels well above the minimum regulatory requirements.

CREDIT QUALITY

In line with its prudent lending policies, the Bank adopted a measured approach to growth, refraining from aggressive expansion, particularly in stress-prone sectors. During the year, moderate loan book growth was recorded across the corporate, retail, and SME segments. Expanding into new geographical areas and customer segments presented challenges in maintaining a sustainable risk profile. To address this, the Bank strengthened its pre- and post-credit monitoring mechanisms, enhancing internal processes and implementing timely recovery actions.

DIVIDEND POLICY

The Bank's dividend policy seeks to maximize shareholder wealth while ensuring adequate capital for expansion, as it leverages its island-wide presence and investments in technology. Accordingly, the Board of Directors has approved a final dividend of LKR 6.00 per share, comprising LKR 4.00 per share in cash and LKR 2.00 as a scrip dividend for the year ended 31 December 2024, balancing shareholder returns with long-term business plans. Consequently, the dividend payout ratio for the year exceeds 33% of the distributable profit.

GROUP PERFORMANCE

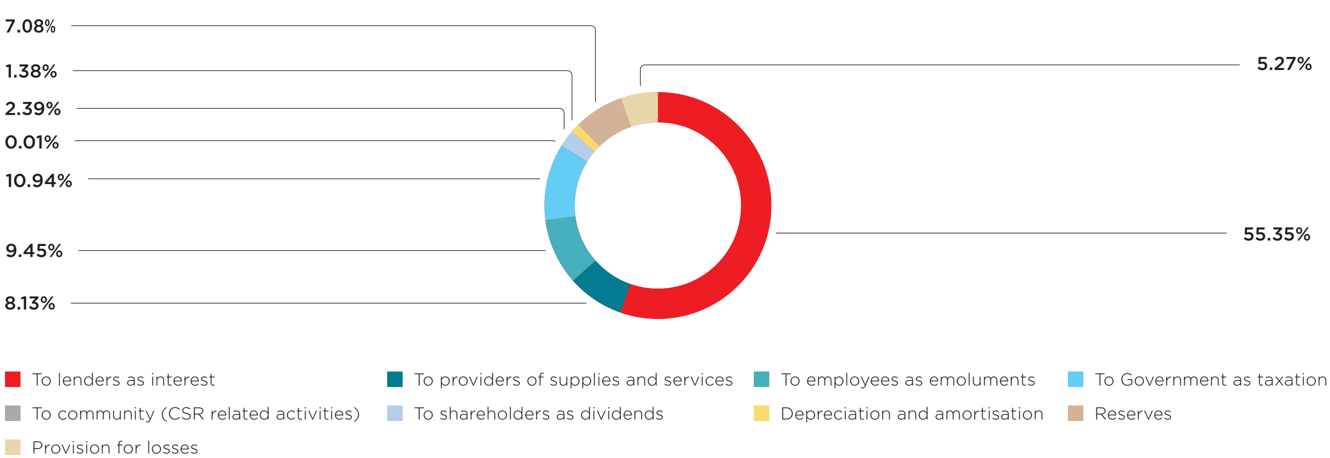
The DFCC Group consists of DFCC Bank PLC and its subsidiaries: DFCC Consulting (Pvt) Limited (DFCC Consulting), Lanka Industrial Estates Limited (LINDEL), Synapsys Limited (Synapsys), along with its Assets held for sale: Acuity Partners (Pvt) Limited (Acuity), and its associate company, National Asset Management Limited (NAMAL). In alignment with DFCC Bank's strategic realignment of its group structure, the Bank divested its 50% stake in Acuity Partners to Hatton National Bank in January 2025. This move allows DFCC Bank to focus on its core banking and financial services operations.

The Group made a PAT of LKR 9,932 Mn for the year ended 31 December 2024, compared to LKR 8,659 Mn made in 2023. DFCC Bank accounted for the majority of the Group profit, with PAT of LKR 8,353 Mn, while LINDEL LKR 317 Mn, Acuity LKR 2,756 Mn, and DFCC Consulting LKR 1.1 Mn too contributed positively by way of PAT to the Group. Synapsys reported a loss of LKR 20 Mn. In the previous year, LINDEL, Acuity, Synapsys, and DFCC Consulting, reported PAT of LKR 356 Mn, 2,279 Mn, LKR 49 Mn, and LKR 0.31 Mn respectively. The associate company, NAMAL, contributed LKR 5 Mn, to the Group in each of the years 2024 and 2023.

ECONOMIC VALUE CREATED AND DISTRIBUTED – BANK

	For the year ended 31 December 2024		For the year ended 31 December 2023	
	LKR Mn	%	LKR Mn	%
Economic value added				
Interest income	76,907		96,922	
Net fee and commission income	4,929		4,551	
Net gains from trading	1,273		1,055	
Net gains from derecognition of financial assets	3,868		2,839	
Net other operating income	1,176		828	
	88,153		106,195	
Economic value distributed				
To lenders as interest	48,786	55.34	65,697	61.86
To providers of supplies and services	7,167	8.13	6,261	5.90
To employees as emoluments	8,328	9.45	4,778	4.50
To Government as taxation	9,645	10.94	7,119	6.70
To community (CSR related activities)	10	0.01	11	0.01
To shareholders as dividends	2,110	2.39	805	0.76
Retained in the business				
Depreciation and amortisation	1,216	1.38	1,124	1.06
Reserves	6,243	7.08	6,414	6.04
Provision for losses	4,648	5.27	13,985	13.17
Total economic value distributed	88,153	100.00	106,195	100.00

Economic value distributed



ENVIRONMENT

OUR COMMITMENT TO NATURAL CAPITAL

At DFCC Bank, sustainability is embedded in our core business philosophy. We recognise that nature's limited and invaluable resources are increasingly at risk due to environmental degradation, climate change and unsustainable exploitation for short-term gain. As a financial institution committed to sustainable growth, we understand the importance of balancing economic progress with the preservation of natural capital. Through responsible resource management and proactive sustainability initiatives, we strive to protect ecosystems, enhance resilience, and contribute to a more sustainable future for generations to come.

Green products	Resource efficiency	Environment and social compliance in lending	Employee engagement
Solar Loans Green deposit Green bond	Energy management Emission management Waste management Water management Process digitalisation	Environment and Social Management System (ESMS) Policies and procedure development Internal training and awareness Environment and social risk categorisation in lending Monitoring and reporting	Sustainability Department Sustainability Champions Task force on Green Finance Task force on paper reduction Task force on energy efficiency and sustainable facilities management Task force on sustainable entrepreneurs

DYNAMIC AND EVOLVING APPROACH

As a financial institution, we recognise the vital role we play in driving sustainable socio-economic development by channeling capital into the real economy. Our financing decisions are guided by a steadfast commitment to enabling, the transition to a net-zero future. We strongly believe that our success is inherently linked to a thriving economy, a well-functioning society, and a healthy environment.

As part of this interdependent system, we acknowledge the increasing impact of challenges such as climate change, poverty, and social justice on the financial landscape. By embedding sustainability into our business strategy, we strive to create long-term value for all stakeholders, while fostering a resilient and sustainable future. All our corporate sustainability initiatives and Environmental and Social (E&S) due diligence procedures are seamlessly integrated into this system, ensuring a structured and accountable approach, as illustrated on page 84;

At DFCC Bank, we enhance sustainable finance as more than just a commitment-it is a responsibility. Our approach integrates Environmental, Social, and Governance (ESG) considerations into every aspect of financial decision-making, from lending and investing to advisory services. By aligning with global sustainability frameworks, including the UN Sustainable Development Goals (SDGs) and the Paris Agreement, we aim to drive positive change, while fostering long-term economic resilience.

With over three decades of leadership in green finance, DFCC Bank remains steadfast in financing and advocating for low-carbon, environmentally responsible ventures. By integrating environmental and social due diligence into our financial strategies, we champion a necessary shift away from conventional "business as usual" models. Our goal is to inspire and empower stakeholders to embrace sustainable solutions, positioning DFCC Bank as a trusted leader in responsible banking, while fostering a greener, more resilient future.

PIONEERING SUSTAINABLE FINANCE FOR A GREENER FUTURE

GRI 203-1, 203-2

1996
Sri Lanka's first private sector grid connected mini-hydro power project funded by DFCC Bank, commissioned

1997
Mandate to administer the "Energy Services Delivery" project funded by the World Bank and Global Environment Facility (GEF)

2003
Mandate to administer the "Renewable Energy for Rural Economic Development" project funded by the World Bank & GEF

2010
Sri Lanka's first grid connect wind power project co-funded by DFCC Bank, commissioned

2016
Sri Lanka's first private sector grid-scale ground mounted solar power project co-funded by DFCC Bank, commissioned

2017
15 MW aggregator rooftop solar project using roof rental model funded by DFCC Bank

2018
DFCC Consulting (Pvt) Ltd. appointed as the technical consultant to the ADB funded Rooftop Solar Power Generation Project

2021
Sri Lanka's first Waste to Energy project (10MW) co-funded by DFCC Bank, commissioned

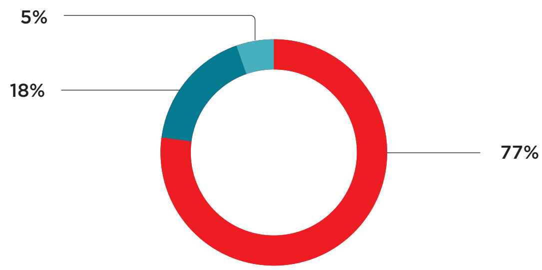
2023
Sri Lanka's first Direct Access Entity (DAE) of the Green Climate Fund

2024 Sri Lanka's first ever dual listed, rated Green Bond issued

Sustainable finance is an ever-evolving landscape, and so is our commitment to it. We continuously refine our internal data dictionary, ensuring our sustainable finance and investment practices remain aligned with emerging global standards, evolving taxonomies, and best practices. This involves refining product definitions, expanding qualifying financial instruments, strengthening internal policies, and enhancing reporting and governance structures.

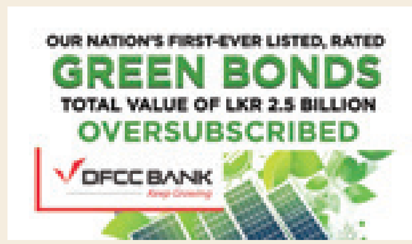
Our commitment to green financing extends beyond numbers—it is about creating meaningful impact. By supporting environmentally responsible projects, DFCC Bank is not only enabling sustainable business growth but also playing a pivotal role in shaping a cleaner, healthier, and more prosperous future for generations to come. One of DFCC Bank's key commitments to green finance this year is the issuance of a Green Bond.

Cumulative progress of Sustainable Financing as at 31 December 2024



Note: *Value of Sustainable Financing as at 31 December 2024 was LKR 12,889 Mn*

DFCC GREEN BOND – PIONEERING GREEN FINANCE IN SRI LANKA



In September 2024, DFCC Bank launched Sri Lanka's first-ever Green Bond, marking a significant milestone in green finance. This senior, listed, rated, unsecured bond, redeemable in three years, issued under a framework complying with International Capital Markets Association (ICMA) Green Bond Principles (GBP), provided a novel investment avenue for environmentally conscious investors.

The historic bond raised LKR 2.5 Bn, with proceeds allocated exclusively to financing/refinancing renewable energy projects – specifically ground-mounted and rooftop-mounted solar photovoltaic (PV) power generation. The initiative will help to add 20 MW of solar energy capacity to the national grid, directly supporting Sri Lanka's goal of 70% of electricity generation from renewable energy, in line with its commitments under the Paris Agreement.

Independent pre-issuance assurance from KPMG affirmed the bond's compliance with ICMA GBP, strengthening investor confidence and transparency. DFCC Bank ensures accountability by publishing annual reports on energy generated and CO_2 emissions avoided, on an annual basis.

The bond, which was oversubscribed on the first day, is listed on the Colombo Stock Exchange. It also obtained a dual listing on the Luxembourg Stock Exchange (LuxSE) and display on the Luxembourg Green Exchange (LGX).

DFCC Bank's Green Bond represents more than just a financial product—by opening a new investment avenue for domestic and foreign investors, it is a catalyst for mobilising private sector sustainable finance in Sri Lanka. By setting a benchmark for green financing, it encourages the issuance of similar instruments and contributes to building a resilient, low-carbon economy.

GREEN BOND 2024

UTILISATION OF PROCEEDS AS OF 31 DECEMBER 2024

	Value LKR Mn	Allocation/ earmark of proceeds LKR Mn	Allocation/ earmark of proceeds	Unallocated LKR Mn	Unallocated
Utilisation of Proceeds	2,500	1,175	47%	1,325	53%

REPORT ON ALLOCATION OF PROCEEDS AS OF 31 DECEMBER 2024

Eligible category	Project type	Allocation/ earmark of proceeds LKR Mn	Allocation/ earmark of proceeds	Use of proceeds/ disbursements LKR Mn	Use of proceeds/ disbursements
Renewable Energy – Ground mounted solar	New projects*	185	7%	185	7%
	Refinanced projects*	990	40%	990	40%
Total		1,175	47%	1,175	47%

**In the above, new projects and refinanced projects both to refer one ground mounted solar project under implementation, where LKR 990 Mn had been disbursed prior to the bond issuance, and refinanced upon bond allotment.*

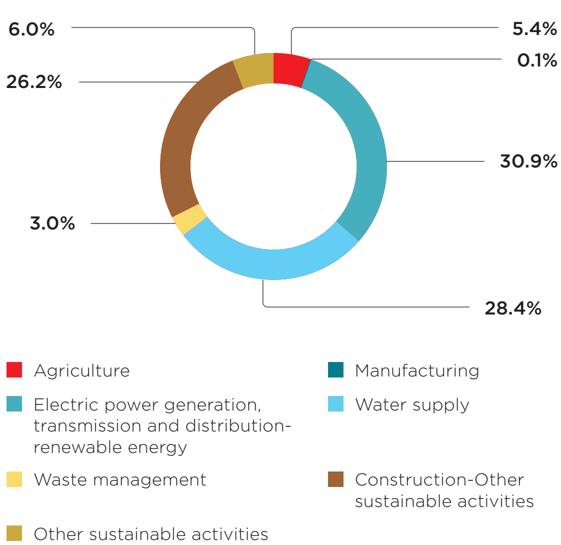
IMPACT REPORT AS OF 31 DECEMBER 2024

Eligible category	Impact indicator	
Renewable energy-ground mounted solar	Renewable energy capacity installed	10 MW
	Energy generated since commissioning	4,165 kWh
	Avoided/reduced carbon emissions	3,001 tCO_2e
	DFCC Bank's share at 75% of avoided/reduced carbon emissions	2,251 tCO_2e

GREEN FINANCE REPORTING AND COMPLIANCE

DFCC Bank submits quarterly reports on its Sri Lanka Green Finance Taxonomy (SLG FT) – compliant green portfolio as per the Banking Act Direction No. 05 of 2022 issued by CBSL. As of 31 December 2024, the Bank has classified and reported LKR 12.889 Mn in green loans, accounting for 3.0% of its total gross loans and receivables portfolio. Furthermore, in 2024, DFCC Bank disbursed or partially disbursed new green facilities amounting to LKR 4,413 Mn supporting growth across key economic sectors.

Sector wise distribution of the CBSL reported Green Financing as at 31 December 2024



Through initiatives like a special allocation for renewable energy, we provide concessionary funding to support environmentally friendly projects, driving innovation and sustainable development. By prioritising resource conservation, DFCC Bank remains committed to creating long-term value and fostering a greener future.

DFCC GREEN DEPOSIT

Funds mobilised from the Green Deposit have been reinvested by the Bank in green projects that comply with the SLGFT. The selected loans were vetted by KPMG.

GREEN CLIMATE FUND

DFCC Bank continued to be the only Sri Lankan entity to obtain the Accreditation of the Green Climate Fund (GCF), the world's largest fund for climate action. GCF Accreditation allows the Bank to access concessionary funding from GCF for projects with a value of up to USD 250 Mn per project, enabling the financing of climate mitigation and adaptation projects across Sri Lanka. The Bank has finalised three Concept Notes for submission to GCF. Two of the Concept Notes were developed in collaboration with UNDP in the renewable energy and agriculture sectors, and the third Concept Note was developed in collaboration with FAO in the fisheries sector.

DFCC Bank financed the **Eastern Solar Energy Project (Pvt) Ltd.** in Kayankerni, Batticaloa District, developed by **Navitas Group**. Inaugurated on 28 October 2024, the project spans **50 acres** with a **10 MW capacity**, making it one of the largest solar installations in the Eastern Province. This initiative plays a crucial role in strengthening the country's renewable energy supply and advancing the transition to a sustainable future.

ENVIRONMENT AND SOCIAL DUE DILIGENCE IN LENDING

Recognising the significant role financial institutions play in shaping a sustainable future, we have established a robust Environmental and Social Management System (ESMS) to systematically assess and mitigate risks associated with our lending activities.

While our direct E&S impact is relatively minimal, we acknowledge that financing diverse projects carries inherent risks, including pollution, resource depletion, unsatisfactory labour practices, and community displacement. To address these challenges, we have integrated environmental and social due diligence into our credit evaluation and monitoring process, ensuring responsible lending that aligns with regulatory requirements and global best practices.

DFCC BANK'S ENVIRONMENT AND SOCIAL MANAGEMENT SYSTEM (ESMS)

Review the facility against the Bank's exclusion list

Pre-screening state

Project activity is in the Exclusion List

Decline the facility

Project activity is not in the Exclusion List

Rapid assessment of E&S risks

Complete the environmental & social checklist for all green field projects

Appraisal Stage

Environmental and social risk categorisation of term loans

All term loans categorised based on DFCC Bank's E&S impact classification system

Screening by Sustainability Department (SD)

SD screens all term loans of LKR 25 Mn and above and other selected loans

Implementation stage

Post monitoring on E&S aspects

Implementation of Environmental management conditions stipulated in Initial clearances and EPLs (if any) during the loan tenure

Reporting E&S aspects

Internal –
Credit Committee, ESMC, Annual Report

External –
Credit line administrators and funders

E.g.: ADB, DFC

Since its inception in 2016, our ESMS has evolved to meet international standards, with revisions in 2021 and 2023 incorporating all International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability. The ESMS was further revised in 2024. The Sustainability Department plays a pivotal role in implementing this framework, overseeing risk assessments, and conducting regular training to equip staff with the knowledge required for effective E&S compliance.

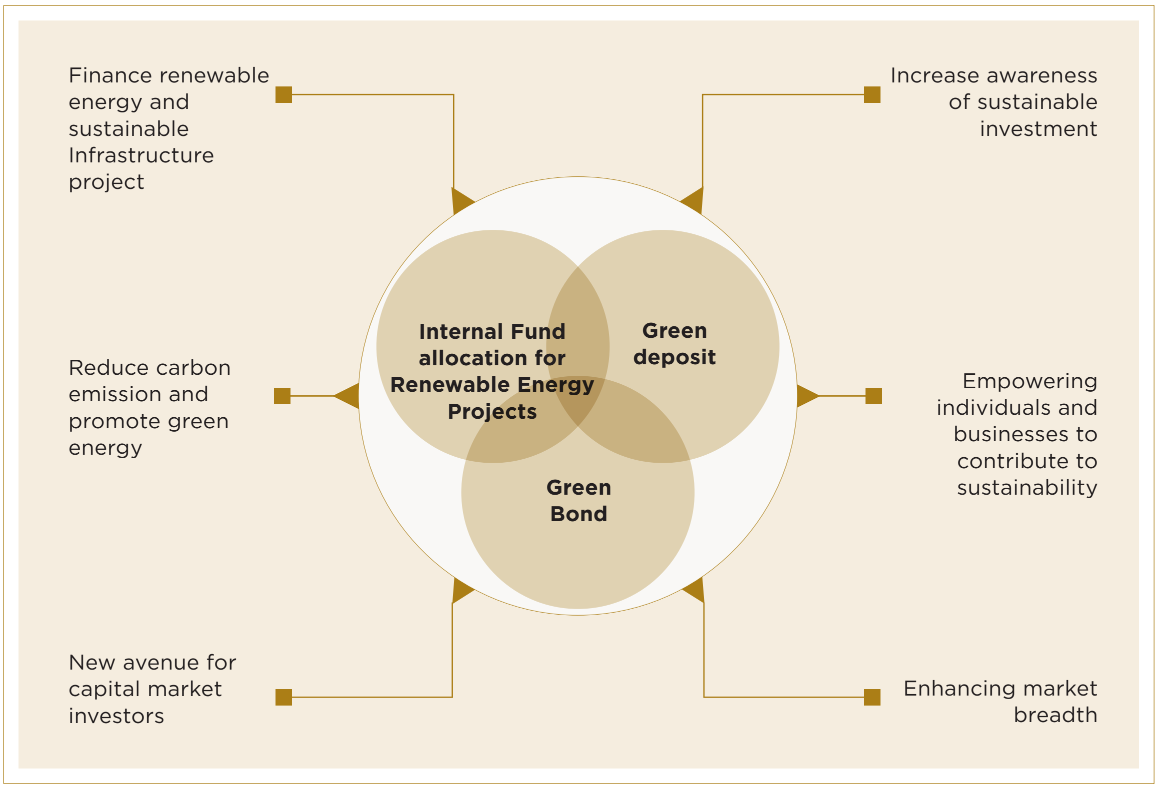
Category (A) – Very High Risk	9
Category (B) – High Risk	74
Category (C) – Medium Risk	53
Category (D) – Low Risk	32
Category (E) – Very Low Risk	76

A key aspect of our due diligence process involves screening all business related facilities exceeding LKR 25 Mn to ensure compliance with environmental regulations. We employ an internal E&S risk categorisation framework to assess projects, define due diligence plans, and monitor adherence throughout the loan tenure. Additionally, we evaluate loans sanctioned under various credit lines, including those funded by the Asian Development Bank (ADB) and the US Development Finance Corporation (DFC).

To strengthen transparency and reporting, we have enhanced our loan appraisal systems to capture detailed facility-level data, with updates to our core banking system enabling more comprehensive future disclosures. These measures not only safeguard against environmental and social risks but also empower businesses to operate sustainably.

DFCC Bank believes that integrating sustainability into an organisation's culture through training and awareness initiatives is essential for fostering responsible business practices, achieving long-term success, and making a positive impact on the planet and society as a whole. To this end, the Sustainability Department conducts various training programmes on lending-related Environmental and Social (E&S) aspects and the Green Finance Taxonomy to ensure that officers are well-equipped with the necessary knowledge and skills. (Refer employees section on page 99).

IMPACT ASSESSMENT OF GREEN FINANCING



OUR APPROACH TO ESG RELATED RISKS

As a leading financial institution, we recognise that climate-related and sustainability-related risks are key factors that shape our operations, lending strategies, and long-term resilience. From physical climate risks to regulatory shifts and evolving market dynamics and changing stakeholder expectations are the factors transforming the financial landscape.

In response, DFCC Bank has embraced the principles of sustainability related reporting standards, from a qualitative perspective ensuring transparency in how we identify, assess, and manage these risks—while seizing new opportunities in sustainable finance. Through a comprehensive evaluation of the current landscape as per the Bank's policies for risk management, we have identified the most material Climate Related Risks and Opportunities (CRROs) and Sustainability Related Risks and Opportunities (SRROs) impacting the Bank. These aspects, outlined in Table below, form the foundation of our approach to building a more sustainable, future-ready financial institution. DFCC Bank recognises the growing impact of climate risks and integrates them into our sustainability and risk management frameworks. These risks are categorised into physical and transition risks, with short, medium, and long-term implications.

PHYSICAL RISKS

The Bank and customers are exposed to acute risks such as extreme weather events (floods, droughts, cyclones) as well as chronic risks like rising temperatures and sea levels. These risks could affect the Bank's infrastructure, customer assets, and overall credit risk exposure.

TRANSITION RISKS

As Sri Lanka moves toward a low-carbon economy, businesses may face challenges due to policy changes, evolving market trends, and new technologies. DFCC Bank actively supports clients in adapting to these changes by providing green finance solutions and sustainable investment opportunities.

TIME HORIZONS

- **Short-Term (0-1 year):** Immediate risks include extreme weather events disrupting operations and impacting asset valuations.
- **Medium-Term (1-5years):** Increasing regulatory changes and technological shifts may affect clients' financial stability and creditworthiness.
- **Long-Term (Over 5 years):** Systemic climate impacts, such as resource scarcity and economic shifts

Physical risks	Chronic	Acute
Potential drivers	• Gradual shift in weather patterns (Rising temperatures, unseasonal precipitation) • Biodiversity and Resource Scarcity affecting supply chains of borrowers • Sea level rise	• Extreme weather events (flood, droughts, storms, high winds, climate induced health risks)
Expected Impacts	• Risk to customer business models and financial stability affecting loan recovery, impairment • Decline in collateral value	• Disruptions to customer business operations – loss of revenue and high recovery expenses; discontinuation of operations etc,. affecting loan recovery, impairment, and collateral value • Temporary branch closures or workforce reductions leading to temporary reduction in service standards • Increased costs to the Bank for disaster preparedness
Time Horizon	• Medium and Long-term	• Short and Medium-term

Transition risks	Policy	Technology	Market	Reputational
Potential drivers	• Regulatory changes • Increasing ESG disclosure requirement	• Climate resilient investments • Shifts in consumer preferences	• Shifts in consumer preferences	• Growing stakeholder apprehension or critical feedback from stakeholders • Shifts in consumer preferences
Expected impacts	• Increased compliance costs and the need for process enhancements • Gradual carbon pricing, and shifts in energy policies	• Financing projects that promote adaptation and resilience • Obsolescence of existing assets • Increased investments in IT infrastructure	• Impact business operations and connected supply chains • Additional cost to adopt new technologies	• A gradual divestment from carbon-intensive sectors • Ensuring adherence to IFC guidelines and the upkeep of the Exclusion List • Increased focus on underserved segments
Time horizon	Short, Medium, and Long-term			

Climate related opportunities	Sustainability related opportunities
• **Climate Resilient Investments –** Financing projects that promote mitigation, adaptation and resilience (renewable energy, green buildings, climate smart agriculture, climate resilient buildings and infrastructure etc.) • **Carbon Markets –** Supporting carbon credit trading and climate-positive financial products • **Energy Efficiency Initiatives –** Cost reductions and improved sustainability in operations • **Green Finance Instruments –** Green deposits and issuance of green bonds • **Green Climate Fund Accreditation –** Leveraging on the Bank's accreditation to mobilise climate funding	• **Sustainable Lending and Investments –** Promoting ESG-aligned financial products • **Financial Inclusion and Social Impact –** Supporting micro, small and medium sized enterprises, women centric financial products, community-based sustainability projects • **Sustainable Supply Chain Financing –** Encourage responsible business practices among borrowers • **Attract International Funding –** leveraging Bank's experience and expertise to mobilise new funding lines

To effectively manage Climate-Related and Sustainability-Related Risks and Opportunities (CRROs & SRROs), DFCC Bank has an established framework to oversee their integration into enterprise risk management. By strategically diversifying our portfolio, DFCC Bank aims to reduce exposure to high-carbon sectors, while expanding investments in green finance. Additionally, the Bank actively engages with regulators, investors, and industry partners to drive sustainable finance initiatives. Committed to transparency, DFCC Bank ensures future compliance with SLFRS S1 & S2 standards, strengthening its data-driven approach to climate and sustainability disclosures.

Whilst this reporting is in line with the Bank's sustainability and corporate strategies, the transition and physical risk with respect to the lending portfolio will be incorporated by way of documentation and analysis such as checklists, score cards and scenario analysis.

RESPONSIBLE CONSUMPTION OF NATURAL RESOURCES

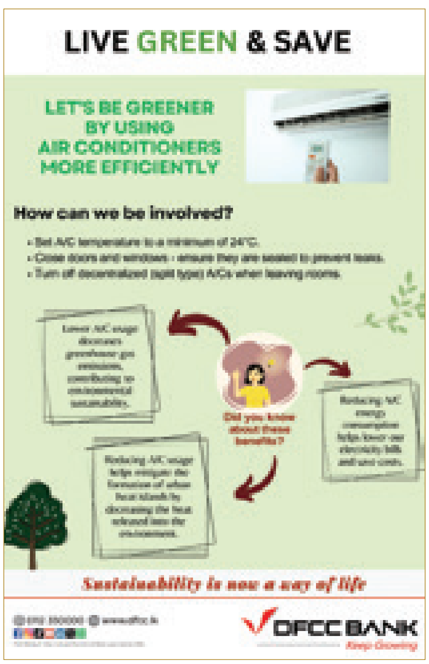
In the financial sector, direct consumption of natural resources is significantly lower than that of other industries like manufacturing. However, we acknowledge our responsibility to minimise environmental impacts and drive sustainable progress. DFCC Bank has undertaken a range of initiatives to reduce its operational footprint while embedding sustainability across all aspects of our business. This includes integrating sustainable practices into our lending approach, internal operations, customer-facing activities, and digital innovations to optimising daily banking operations. Through these efforts, the Bank aims to minimise its carbon footprint, while maintaining operational efficiency and environmental responsibility.

ENERGY MANAGEMENT

GRI 302-1, 302-2, 302-3, 302-4

Banks, while not as energy intensive as most manufacturing industries, still require a considerable amount of energy to support their operations, including branches, data centres and digital banking infrastructure. At DFCC Bank, key areas of consumption include air conditioning, lighting, and IT systems. To reduce our environmental footprint, we have adopted energy-efficient technologies, expanded the use of renewable energy, and advanced digital innovations to optimise resource use.

The Energy Task Force, in collaboration with the Premises and Administrative Services Department, actively monitors and implements best practices for responsible energy consumption. In 2024, several key initiatives were continued to enhance efficiency, including targeted energy conservation measures.



Solar power expansion	• Increased solar energy generation through new installations across selected branches. New addition in 2024 – Borella branch (40 kW)
Energy-efficient lighting	• Continue the replacement of fluorescent lighting with LED alternatives to reduce electricity consumption
Upgrading air cooling systems	• Upgrade to more energy-efficient inverter air conditioning units during branch refurbishments
Energy monitoring and analytics	• Real time tracking systems to monitor consumption patterns and detect inefficiencies
Workplace energy conservation	• Staff awareness programmes to encourage responsible energy consumption habits
Energy conservation on signage and customer areas	• Installation of fixed timers and sensor switches for pylons, name boards and ATM areas

Through regular assessments, DFCC Bank ensures continuous progress in achieving long-term carbon reduction goals while reinforcing its commitment to sustainability.

A significant milestone in our sustainability journey has been the installation of solar PV module rooftops at five of our main branches, reducing dependence on the national grid by 7% and contributing to the reduction of our internal carbon footprint.

SOLAR POWER GENERATION/SAVINGS

DFCC Bank					
Location	Installation month/year	System Capacity kWp	Solar power generation kWh		Savings LKR
			2024	2023	**2024**
Negombo	June 2017	27.00	39,745	40,140	1,921,745
Ramanayake Mawatha	June 2017	36.40	46,679	46,960	2,250,996
Kurunegala	October 2021	50.00	77,760	80,834	3,724,222
Head Office – Colombo	November 2023	150.15	202,673	22,690	9,827,631
Borella	April 2024	40.00	38,169	–	1,699,988
Total			**405,026**	**190,624**	**19,424,582**

Subsidiary – LINDEL					
Location	Installation month/year	System Capacity kWp	Solar power generation kWh		Savings LKR
			2024	2023	**2024**
Industrial Park – Makola	2014-2022	1,440.50	1,476,044	1,591,144	Consumption is not netted
Total			1,476,044	1,591,144	

Energy highlights – 2024	
Electricity consumption:	
– DFCC Bank Head Office	598,930 kWh
– DFCC Bank Ramanayaka Mawatha	655,314 kWh
Energy intensity ratios: Electricity consumption per employee	
– DFCC Bank Head Office	1,446.69 kWh
– DFCC Bank Ramanayaka Mawatha	2,206.44 kWh
Reduction in electricity consumption	
– DFCC Bank Head Office	85,660 kWh
– DFCC Bank Ramanayaka Mawatha	48,648 kWh
– Solar power generation	405,026 kWh
Energy consumption (non-renewable sources)	
– Fuel for Company-owned vehicles (Diesel)	56,925 liters
– Fuel Company-owned vehicles (Petrol)	32,510 liters
– Fuel for Standby generators Head Office (Diesel)	30,284 liters
Heating consumption	No
Cooling consumption	No
Steam consumption	No
Standards, methodologies, assumptions, and/or calculation tools used	None
Conversion factors used	None
Energy consumption outside the organisation	Not applicable

WATER CONSUMPTION

Total water consumption
561,076m³

Water consumption (per employee)
Approx. 230m³

The Bank's water usage is exclusively for office purposes, with some branches relying on domestic supplies and others on Public Water Supply.

Beyond monitoring consumption, the Bank has implemented various initiatives to reduce water usage. These include installing sensor-based systems, water filtration systems for drinking water, and promoting awareness across the organisation.

WASTE MANAGEMENT

We continue to manage solid waste generation through the 3R principle (Reduce, Reuse, Recycle).Reducing consumption remains a priority of the Bank. Additionally we focus on responsible use and disposal of resources. Waste segregation at source is a standard practice within the Bank, ensuring efficient disposal and recycling processes.

Paper waste is segregated at source based on confidentiality. Confidential documents are shredded on-site, and the shredded paper is sent for recycling. Non-confidential documents are sent directly for recycling.

Electronic waste is collected by a registered e-waste handler for proper disposal of such waste. Food waste is disposed of through local authorities or sent to farms.

INITIATIVE FOR EMPLOYEES TO PROMOTE 3R CONCEPT

As part of DFCC Bank's commitment to sustainability and resource efficiency, the 3R's for the Vesak Lantern Competition was introduced in 2024. Organised by the Sustainability Department, the initiative encouraged all employees to apply the Reduce, Reuse, Recycle (3R) concept in creating Vesak lanterns, using discarded and reusable materials.

The competition saw enthusiastic participation from branches and departments, with creative entries crafted from used envelopes, disposable cardboard, gunny bags, and even coconut shells. The initiative not only highlighted the importance of minimising waste but also fostered teamwork and innovation among employees.

TOWARDS A PAPERLESS OFFICE

In line with DFCC Bank's commitment to sustainability and operational efficiency, significant strides were made in 2024 towards reducing paper consumption and embracing digital solutions. Several key initiatives were implemented to support the Bank's transition to a paperless environment, fostering both environmental responsibility and cost optimisation.

Waste paper collected and recycled
8,541 kg

Savings from paper recycling

145	14,989	34,164	271,433	26
fully grown trees	liters of oil	kwh of electricity	liters of water	cubic meter of land fill

GHG reduction
8,541 kgCO$_2$e

e-waste collected and recycled
1,753 kg

Note: *Figures confirmed by Neptune Recyclers (paper waste) and Cleantech (e-waste)*

Through these initiatives, DFCC Bank continues to embed sustainability into its operational framework. By leveraging digital advancements and optimising resource allocation, the Bank is on track to significantly reduce its paper footprint, reinforcing its commitment to environmental stewardship and operational excellence. The ongoing projects are expected to further accelerate the Bank's digital transformation in the coming year.

e-business card	• Reducing the need for traditional paper-based business cards
Digital signature project	• Streamlining document authentication and reduced reliance on physical signatures
Utilising printer codes	• Implemented enhanced tracking mechanisms including assigning a unique print code to each employee to monitor and manage print volumes effectively
Paper usage survey	• A branch-wise paper usage survey was conducted, leading to the reallocation of photocopy paper across branches to optimise usage and reduce waste
Initiatives in progress	• Mandate digitalisation • Branch notices in digital form only

Despite the drive for digitalisation, certain mandatory regulatory requirements and traditional banking practices still necessitate the use of physical documents making a complete transition to be paperless office challenging.

EMISSIONS MANAGEMENT

GRI 305-1, 305-2, 305-3, 305-4, 305-5, 305-6, 305-7

In 2024, DFCC Bank expanded its emission management framework to encompass not only the Bank but also its subsidiaries: Lanka Industrial Estates Pvt Ltd (LINDEL), Synapsys Pvt Ltd, and DFCC Consulting Pvt Ltd. This strategic move aligns with our commitment to comprehensive environmental stewardship and adherence to evolving sustainability disclosure standards.

The assessment was conducted in partnership with RR Associates Pvt Ltd and adhered to ISO 14064-1:2018 standards, following the Greenhouse Gas (GHG) Protocol guidelines. Verification was obtained from the Sri Lanka Climate Fund, an accredited verifier, ensuring the accuracy and credibility of our emissions data.

GHG EMISSION SUMMARY

Scope	Emission in tCO_2e	
	DFCC Bank PLC (including subsidiaries[1]) Y/A 2024	DFCC Bank Only Y/A 2023-Base year (re-calculated)[2]
Scope 1 – Direct GHG emissions	594.11	466.43
Scope 2 – Indirect GHG emissions	2675.06	2413.00
Scope 3 – Other indirect GHG emissions	2446.23	1929.90
Total GHG emissions	5715.40	4809.34

Note:

1. *Subsidiaries include DFCC Consulting Pvt Ltd., Synapsys Pvt Ltd. and Lanka Industrial Estates Pvt Ltd. (LINDEL).*
2. *Total GHG emissions for 2024 and 2023 cannot be compared as boundaries were changed. 2023 base year GHG emission amounts were recalculated during the 2024 assessment to ensure a clearer comparison, reflecting updated emission factors.*

GHG EMISSION OF DFCC BANK PLC BY SOURCE AND THE TYPE OF GHG

Boundary: DFCC Bank PLC, DFCC Consulting (Pvt) Ltd., Synapsys (Pvt) Ltd., Lanka Industrial Estates (Pvt) Ltd.

Standards/protocols: ISO 14064-1:2018, GHG protocol.

Scope	Category	Emission sources	GHG emission				Total GHG emission
			CO_2	N_2O	CH_4	HFC	ton CO_2e
Scope 1	**Category 1**	Stationary combustion	81.36	0.18	0.33	–	81.86
		Mobile combustion	239.33	3.23	1.39	–	243.95
		Fugitive emissions	0.25	–	–	169.69	169.94
		Emission from waste water treatment plant	–	–	15.30	–	15.30
		Emission from waste incineration	74.88	0.89	7.30	–	83.07
		Category 1 – Total	**395.82**	**4.30**	**24.32**	**0.00**	**594.12**
Scope 2	**Category 2**	Purchased electricity	2,675.06				2,675.06
		Category 2 – Total	**2,675.06**				**2,675.06**
Scope 3	**Category 3**	Business air travel	36.07	0.18	–	–	36.25
		Employee commuting	1,954.39	11.14	5.05	–	1,970.58
		Purchased goods	2.93	0.09	–	–	3.02
		Downstream – land	0.06	–	–	–	0.06
		Category 3 – Total	**1,993.45**	**11.41**	**5.06**	**–**	**2,009.91**
	Category 4	Waste generation	0.19	–	–	–	0.19
		Category 4 – Total	**0.19**	**–**	**–**	**–**	**0.19**
	Category 6	Transmission and distribution loss	248.78	–	–	–	248.78
		Purchased from the National Water Supply Drainage Board (NWSD)	187.34	–	–	–	187.34
		Category 6 – Total	**436.12**	**–**	**–**	**–**	**436.12**
		Total emissions	**5,500.64**	**15.70**	**29.38**	**169.69**	**5,715.40**

Expanding our reporting boundary is a key step toward comprehensive, group-wide climate-related disclosures, aligning with IFRS/SLFRS Sustainability Reporting standards. This initiative reinforces DFCC Bank's commitment to transparency, accountability, and proactive environmental stewardship.

An assessment of our operations confirmed that no significant air emissions, ozone depleting substances, pollutants, or hazardous compounds arise from our business activities. Since 2020, we have prioritised greening our internal processes, focusing on reducing paper usage and conserving natural resources. Our digital transformation has accelerated these efforts. (Refer Digital journey on page 59).

FINANCED EMISSIONS

At DFCC Bank, we recognise the pivotal role that financial institutions play in driving the transition to a low-carbon economy. As part of our commitment to sustainability, our goal is to achieve net-zero status (including financed emissions) in line with the country's commitments to achieve it by 2050.

Tracking financed emissions presents significant challenges, including customer awareness, data availability, evolving methodologies, and shifting industry standards. As such, we are committed to refining and enhancing our disclosures as the landscape matures. Our approach takes a sector-specific view, mapping emissions across the entire value chain; upstream, midstream, and downstream in key industries. While data limitations currently restrict our ability to report financed emissions in the current report, we remain proactive in seeking solutions to achieve this in 2025.

With the mandatory adoption of SLFRS S1 and S2, we are reinforcing our dedication to transparent and timely reporting, ensuring that our stakeholders have a clear view of our progress.

ROOTS FOR THE FUTURE

REFORESTATION PROJECT IN RIVERSTON

On 8 June 2024, coinciding with the World Environment Day, DFCC Bank launched a reforestation initiative by planting native trees in the Knuckles Conservation Forest Reserve. This project was carried out in collaboration with the Forest Department of Sri Lanka, with a commitment to reforest land within the biodiversity hotspot, which serves as a strict natural reserve and a critical habitat for numerous endemic species.

The primary objectives of this reforestation project are to enhance the ecosystem by preserving native species, improving soil fertility, and preventing erosion. The Bank, in coordination with the Forest Range Office, is actively monitoring the site and aims to expand this initiative further in the future.

THE MANGROVE ECO-SYSTEM ENRICHMENT PROJECT AT GIN OYA ESTUARY

This initiative, launched by DFCC Bank in collaboration with the Sri Lanka Navy as part of the "DFCC Life to Marine" – Marine & Coastal Ecosystem Restoration Programme, took place last year with great enthusiasm.

Students from the "Environment & Development" external degree programme at the Department of Geography, University of Sri Jayewardenepura, participated alongside DFCC staff members and Sri Lanka Navy officers, gaining invaluable hands-on experience. The students were also fortunate to receive insightful guidance from a Mangrove expert attached to the Ministry of Environment, expanding their knowledge of marine and coastal ecosystems.

As a key component of this project, we planted Rhizophora saplings in the Gin Oya Estuary, contributing to the enrichment and restoration of the local ecosystem. This effort is a step forward in safeguarding our marine and coastal environments for future generations.

SOCIAL

EMPLOYEES

Our employees are the cornerstone of our success, embodying professionalism, expertise, dedication, and deep knowledge. They are the driving force behind our customer-centric approach sustaining our competitive edge and positioning us as a formidable force in the banking industry. We are deeply committed to their well-being and invest significantly in fostering their growth, offering opportunities to achieve personal development goals while aligning with our mission to deliver exceptional value to our customers.

2,439
Total number of employees

807
New recruits

101,524
Number of training hours

1,294
Total number of females trained

LKR 52.29 Mn
Investment in training

371
Number of promotions

MANAGEMENT APPROACH

Non-discrimination and inclusivity are integral to our human resource (HR) management approach. We uphold principles of equality, diversity, and mutual respect, ensuring fair treatment and fostering employee satisfaction. This commitment cultivates a workplace culture of belonging, growth, and collaboration. As an equal opportunity employer, we champion gender equality and promote open communication, reinforcing a high-integrity corporate culture where careers can grow. Employee well-being remains a priority, with robust HR policies and procedures designed to support sustainable, personal and professional development through continuous learning opportunities.

HR STRATEGY

The banking sector, traditionally people-intensive, is transitioning into a people-digital landscape where customer-centricity takes centre stage. In response, our HR strategy focuses on harmonising these evolving priorities, carefully resourcing and developing our employees to align with this shift. Anchored by our Human Capital Architecture, built on six key pillars, we maintained a balanced and effective approach to managing this transformation throughout 2024, ensuring our employees are equipped to deliver excellence in a dynamic and customer-focused environment.

OUR OBJECTIVES

Based on our strategy, we continue to prioritise achieving three objectives through our HR management approach.

- Be among the top 5 banks in terms of Profit per employee/Revenue per employee
- Maintain top talent attrition below 8% in the next 2 years and 5% thereafter
- Maintain an employee engagement score above the industry average by 2025

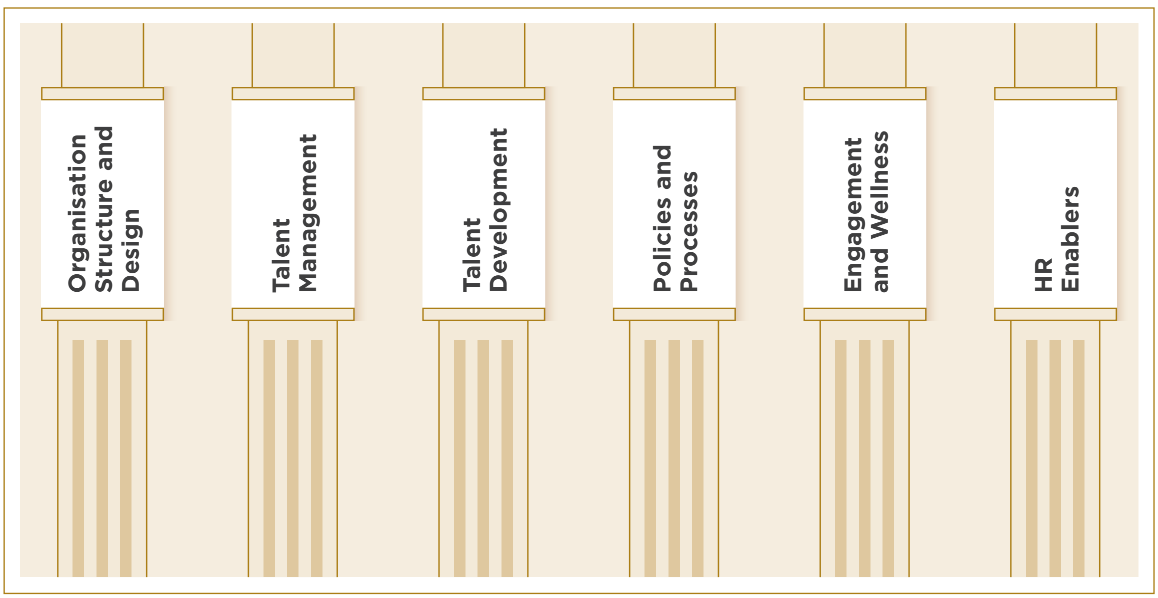
ORGANISATION STRUCTURE AND DESIGN

APPROACH

The year 2024 marked a significant transformation for our organisation. We conducted a comprehensive assessment of our business divisions, implementing changes to enhance productivity and efficiency across functions. A key milestone was the study carried out to implement the universal banker model which would optimise resource allocation at the branch level, ensuring streamlined operations and improved service delivery.

ACTION TAKEN

Amid prevailing macroeconomic conditions, the Bank has reviewed of employee placements to achieve an optimal productivity ratio within the organisational structure. This initiative is designed to enhance job enrichment by amalgamating aligned functions, strengthening our talent pipeline, and building bench strength for succession planning.



TALENT MANAGEMENT

GRI 2-7, 405-1

APPROACH

The effective productivity we seek from our employees is closely linked to proper recruitment, comprehensive training, best-fit placements, appropriate remuneration, a conducive work environment, and opportunities for individual development. Internal vacancies are initially offered to existing talent unless the role demands specialised technical expertise. This approach enables employees to chart their career paths and achieve professional growth within the organisation.

ACTIONS TAKEN

The proposed implementation of the Universal Banker Model allowed branch staff to develop expertise across multiple areas, broadening their knowledge and enabling cross-functional capabilities. By establishing structured career paths and opportunities, the model also facilitated the cross-utilisation of in-house talent within the retail segment. Consequently, our institutional wealth base grew, supported by job rotation and mentoring programmes.

The work-from-home option continued on a need-based approach where required. Amidst macroeconomic uncertainties and increasing societal challenges such as migration, this flexibility proved instrumental in retaining key talent and equipping them to thrive as future-ready employees.

Workforce by employment type and gender

Grade	Permanent			Contract/Casual/Part time			Total number of employees			
	Male	Female	Total	Male	Female	Total	Male	Female	Total	%
Management	85	32	117	9	4	13	94	36	130	5.30
Executive	383	236	619	4	1	5	387	237	624	25.60
Supervisory staff	316	266	582	–	–	–	316	266	582	23.90
Junior staff	259	228	487	265	351	616	524	579	1,103	45.20
Total	1,043	762	1805	278	356	634	1,321	1,118	2,439	100.00

Workforce by employment type/province

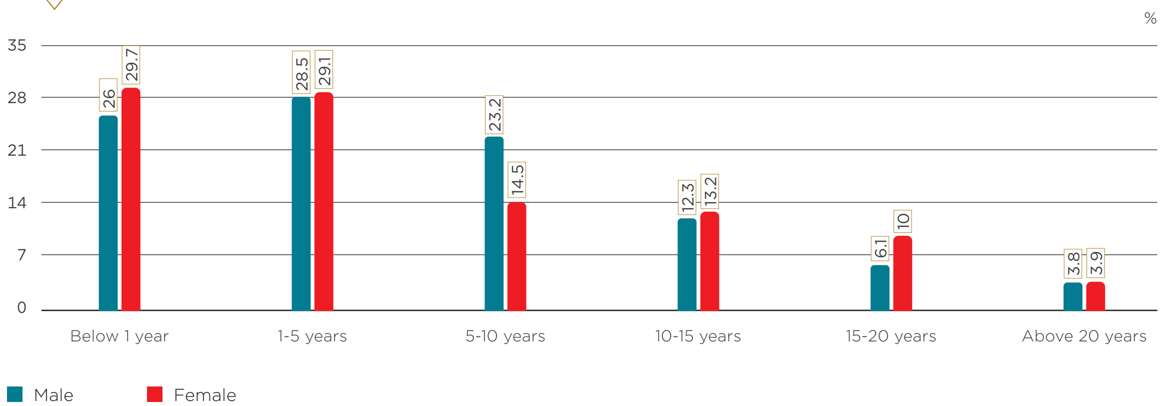
Grade	Permanent			Contract			Total number of employees		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Central	59	40	99	16	18	34	75	58	133
East	37	15	52	11	10	21	48	25	73
North	31	14	45	5	4	9	36	18	54
North Central	35	19	54	10	8	18	45	27	72
North Western	48	46	94	10	11	21	58	57	115
Sabaragamuwa	48	29	77	11	10	21	59	39	98
South	90	62	152	7	23	30	97	85	182
Uva	43	20	63	10	10	20	53	30	83
Western	652	517	1,169	198	262	460	850	779	1,629
Total	1,043	762	1,805	278	356	634	1,321	1,118	2,439

Note: *All Senior Management (VPs and above) are Sri Lankan citizen residents in Sri Lanka. They operate from offices in Colombo and in the regions.*

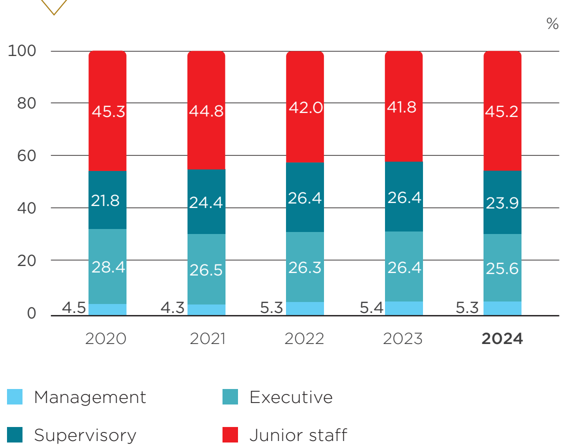
Workforce by employee category, age group and gender 2024

Age Group	Management		Executive		Supervisory staff		Junior staff		Total	%
	Female	Male	Female	Male	Female	Male	Female	Male		
18-25	–	–	1	1	–	6	392	283	683	28
26-30	–	–	11	12	72	100	162	174	531	22
31-40	5	14	132	241	153	188	21	48	802	33
41-50	18	37	84	111	29	14	2	10	305	13
51-55	9	33	8	19	12	8	1	4	94	4
56 and over	4	10	1	3	–	–	1	5	24	1
Total	36	94	237	387	266	316	579	524	2,439	100

Employees by seniority and gender



Change in total head count



TALENT ACQUISITION

GRI 401-1

APPROACH

Creating and managing a productive, future-ready workforce requires a robust talent acquisition process. Our Recruitment Policy, ensures fair and impartial hiring practices to attract skilled and qualified individuals. The process is conducted transparently and without bias, strictly adhering to the principles outlined in our policies. This commitment to equitable recruitment resulted in additionally of 807 recruits to our cadre. By maintaining these practices, we reinforce the Bank's commitment to transparency, fairness, and inclusivity.

ACTION TAKEN

By prioritising relevant competencies and digital proficiency, we ensured that the most suitable candidates were selected, fostering a diverse and inclusive workplace.

New recruits by age and gender

Gender	Age Group				Grade		
	Less than 30 years	Between 30-50 years	Above 50 years	Total	Male	Female	Total
Management	0	14	5	19	15	4	19
Executive	3	93	3	99	72	27	99
Supervisory Staff	31	43	0	74	61	13	74
Junior Staff	574	38	3	615	268	347	615
Total	608	188	11	807	416	391	807

New recruits by province and age

Province	Age Group			
	Less than 30 years	Between 30-50 years	Above 50 years	Total
Central	19	5	–	24
Eastern	13	4	–	17
North Central	14	3	–	17
North Western	20	6	–	26
Northern	10	3	–	13
Sabaragamuwa	18	6	–	24
Southern	27	6	–	33
Uva	11	5	–	16
Western	476	150	11	637
Total	608	188	11	807

ACTION TAKEN

To meet business and operational needs, a Trainee Banking Assistant pool was established, and steps were initiated to create another staff pool at graduate trainee level.

A structured leadership development programme was launched for selected Vice Presidents, incorporating one-to-one coaching sessions to prepare them for succession into key leadership positions.

Board members were also provided specialised training on sustainability reporting, carbon-neutral funding, and taxonomy ensuring alignment with the Bank's sustainability objectives. During the year, 11 orientation programmes and two familiarisation programmes were carried out for recruits to upgrade their skills and provide transition assistance

Average training hours by gender	**2024**
Average training hours per employee	23.2
Average training hours per male	24.3
Average training hours per female	22.4

Average training hours by employee category	**2024**
Management staff	34.3
Executive staff	22.5
Supervisory staff	21.9
Junior staff	21.9

TALENT DEVELOPMENT

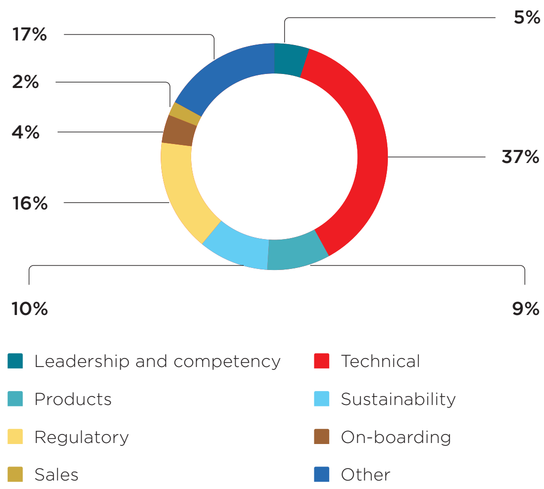
GRI 404-1, 404-2

APPROACH

Talent development is a fundamental requirement for building a sustainable business. To address this, the Learning Academy, *Shakshath*, was established in 2024 under the leadership of a Vice President. The Academy offers a comprehensive curriculum of technical and behavioural learning, including hard and soft skills. Additionally, e-learning modules provided through the Academy include digital certifications, enhancing accessibility and skill development.

Training hours by type	Number of programmes	Training hours
Online training	105	18,441
Onsite training	230	46,693
E-learning	67	36,389
Total	402	101,524

Training programmes by category



Number of staff who attended training programmes by staff category and gender

	Male	Female	Total number of participants
Management	788	297	1,085
Executive	5,031	2,836	7,867
Supervisory staff	4,849	4,027	8,876
Junior staff	6,654	8,441	15,095
Total	17,322	15,601	32,923

Average training programmes

	Male	Female	Total
Total number of non-executives in the Bank	1,058	1,020	2,078
Total number of programmes non-executives attended	11,503	12,468	23,971
Average programmes per non-executive	10.87	12.22	11.54
Total number of executives in the Bank	515	291	806
Total number of programmes executives attended	5,819	3,133	8,952
Average programmes per executive	11.30	10.77	11.11

ESG/Sustainability related Training and Awareness

Topic	Target Group	Number of participants
Greenhouse Gas Emission Assessment	All interested staff	134
Mental Health and Stress Management at Workplace	All interested staff	204
Introduction to the "Sri Lanka Green Finance Taxonomy"	Corporate Management, Zonal Head, Other Senior Credit Related Heads, Regional Managers	32
Sustainability is Now a Way of Life – Introductory Session	Sustainability Champions, Branch Managers, Department Heads	95
Implementation of Sustainability Standards – IFRS S1 and S2	Corporate Management	26
Harvesting at Home: Unleashing the Green Potential Within	All interested staff	125
Introductory session on implementation of ESG strategy, ESG strategy review and ESG/ Sustainability Reporting	ESMC members, Department Heads	34

GRI 2-17

ESG/Sustainability related Training and Awareness		
Topic	Target Group	Number of participants
Mangrove restoration and habitat enrichment	Staff volunteered for mangrove restoration programme	21
Posture Perfect: Enhancing Your Health and Well-being at Work!	All interested staff	118
How to invent a culture of work life balance and mindfulness	All interested staff	120
Introductory session on Sustainability for New Recruits	New recruits	26
Building Bridges: Fostering DEI in the workplace and personal life	All interested staff	96
Introduction to ESG and ESG in banking	ESG project team, Department Heads, Branch Managers, Sustainability Champions	238
Environmental, Social and Governance Awareness Session for Board of Directors and Corporate Management	Board of Directors, Corporate Management, Senior Management	14
Awareness Session on "Understanding ESG Frameworks and Standards"	ESG Project Team, Department Heads, other interested staff	181
"Sri Lanka Green Finance Taxonomy" Session 01.	Corporate Management, Regional Managers and Credit Officers	32
"Sri Lanka Green Finance Taxonomy" Session 02	Credit Hub Staff, Branch Managers, Relationship Managers, Asst. Relationship Managers, Credit-related officers, MSME Officers	202
Sustainability related requirements in project appraising		17
Appraising Renewable Energy Projects – Part I		130
Appraising Renewable Energy Projects – Part II		78
How to Fill the Environmental, Climate, and Disaster Risk Screening Form for Sub-loans Accurately		105

Note: *Sustainability department members were participated in all programmes.*

TALENT RETENTION

The Bank faced significant challenges in retaining skilled employees, particularly in the aftermath of the 2022 economic crisis. Factors such as mass migration and Gen Z's evolving preferences for long-term employment contributed to a shortage of personnel willing to learn, grow, and remain within the organisation. This was a widespread issue across the industry and one we anticipate may persist into the new financial year. To address this, DFCC Bank has engaged in comprehensive interactions with relevant stakeholders and enhanced its orientation programme to strengthen retention strategies. Significant compensation adjustments were also implemented to retain and attract specialised talent.

In 2024, compensation was revamped, based on a market study, aligning it with industry standards to attract and retain talent. Bonus structures were also reviewed and revised to link rewards more closely with the Bank's goals and individual performance. This shift has fostered a performance-based culture that aligns employee efforts with the Bank's overall interests.

Attrition rates showed a marginal decline in 2024, offering promising signs of stabilisation. However, demand and supply dynamics have led to an increase in hiring costs, which has subsequently raised the Bank's overall personnel expenses. In response, the Bank is actively re-strategising, with a focus on implementing robust mechanisms to enhance talent retention and ensure long-term sustainability.

GRI 401-1

Employee Turnover by Employee Category, Age Group and Gender

Gender	Age Group: Less than 30 years	Age Group: Between 30-50 years	Age Group: Above 50 years	Age Group: Total	Grade: Male	Grade: Female	Grade: Total
Management	0	7	1	8	6	2	8
Executive	3	69	1	73	51	22	73
Supervisory Staff	14	62	0	76	50	26	76
Junior Staff	56	21	0	77	35	42	77
Total	73	159	2	234	142	92	234

Employee Turnover by Province and Gender

Province	Male	Female	Total	%
Central	6	3	9	4
Eastern	8	2	10	4
North Central	3	4	7	3
North Western	5	3	8	3
Northern	6	3	9	4
Sabaragamuwa	7	3	10	4
Southern	7	5	12	5
Uva	3	4	7	3
Western	97	65	162	69
Total	142	92	234	100
Percentage	61	39		

POLICIES AND PROCESSES

GRI 2-25, 2-26

APPROACH

We prioritise the proactive review and refinement of our policy framework, embracing agility and continuous improvement as the cornerstones of ethical business operations. This approach creates a foundation for innovation, fostering higher job satisfaction and supporting the retention of top talent. In a highly competitive business landscape, such a framework provides us with a distinctive edge, contributing significantly to the Bank's long-term sustainability.

ACTION TAKEN

Annual reviews of all HR policies and processes are typically conducted to ensure alignment with business objectives, compliance with legal and regulatory requirements, and value delivery to employees. However, 2024 review has been deferred to Q1 of 2025 to accommodate the extensive updates needed for certain HR policies.

Employees are encouraged to voice their concerns through the Grievance Handling Process, which resolves issues collaboratively through dialogue. The Anti-Bribery and Corruption Policy undergoes an annual review, with the most recent update completed in Q2 of 2024.

Additionally, details regarding this policy and its mandatory requirements are shared with new employees through offer letters and orientation programmes.

For more information on the Anti-Bribery and Corruption, Whistle-blower, Gifts, and Inducements policies, please refer to the Corporate Governance section on page 106 under talent retention.

ENGAGEMENT AND WELLNESS

GRI 401-2

APPROACH

Employee well-being is a multifaceted concept that encapsulates mental, physical, emotional, and economic health of workers. It is influenced by various factors within the workplace, including relationships with colleagues, the nature of the work, and the overall work environment. Multifaceted and reflecting their sense of belonging, it acts as a dynamic tool in achieving the Bank's goals, as engaged employees go beyond mere job satisfaction, aligning themselves with the Bank's value systems for deeper connection and long-term commitment.

ACTION TAKEN FAIR REMUNERATION

We uphold a meritocratic approach to remuneration, ensuring that employees are fairly compensated based on their responsibilities and skill sets. This has contributed to higher retention rates and enhanced the Bank's reputation as a fair and equitable employer. Transparent pay structures are maintained, with open communication to ensure all demographic groups are equitably compensated, considering their responsibilities and skill sets.

The Bank offers a range of benefits to ensure employee well-being, which are currently applicable to its permanent cadre.

Benefits	
Financial benefits	Fair remuneration, allowances, incentives on target achievements, annual increments, death donation, staff welfare loans at reduced interest rates, housing loans, annual bonus
Medical benefits/ Disability cover	Reimbursement of medical expenses, hospitalisation, personal accident cover
Superannuation benefits	All employees as per labour laws and regulations
Education assistance	Higher educational loans

Benefits provided to full time employees

Benefit type	Permanent	Contract
Housing loan	√	x
Vehicle loan*	√	x
Exam*	√	x
Professional subscription*	√	x
Social club gymnasium*	√	x
Miscellaneous/staff loan	√	x
Festival advance**	√	x
MBA loan	√	x
Holiday grant***	√	x
Life insurance*	√	x
Health care*	√	x
Disability and invalidity coverage*	√	x
Parental leave	√	√
Retirement provision	√	x
Stock ownership	x	x

* *Executive Trainees and Management trainees on fixed term contracts and staff on contract above one year will also be provided*

** *Only for non executive staff*

*** *Based on the offer of employment, may also be provided to contract staff*

GRI 401-3

Return to work after parental leave

Indicator	2024	2023
Number of employees entitled to maternity leave	1,118	952
Number of employees who took maternity leave and due to return during the year	32	50
Number of employees who returned to work after maternity leave during the year	31	49
Employees who returned to work out of those due to return during the year	97%	98%
Number of employees who returned to work after maternity leave during the year, who were still employed 12 months after return to work	30	44
Retention rate	94%	88%

PRODUCTIVITY WELL-BEING THROUGH PERFORMANCE MANAGEMENT

GRI 404-3

Periodic job reviews and evaluations were conducted based on the job descriptions and deliverables established at the start of the year. Where required, remedial actions were implemented to optimise human resource utilisation and enhance productivity. This structured process plays a pivotal role in the workplace, involving the monitoring, assessment, and improvement of employee performance to align with organisational objectives. By setting clear performance metrics and offering regular feedback, we create a supportive environment that encourages employees to achieve their goals effectively.

All permanent employees and contract staff over one year participate in an annual performance appraisal process, which forms the basis for determining bonuses and increments. In 2024, a new bonus structure was introduced to strengthen the alignment between employee contributions and the Bank's financial performance. By categorising PAT achievements and linking bonuses to both individual and organisational outcomes, this initiative aims to foster a culture of accountability while driving overall profitability and this will be effective from 2026 based on 2025 performance.

Performance Appraisal Reviews – 2024

Gender	Contract/ Casual/ Part time	Permanent	Grand Total
Female	264	738	1002
Male	215	977	1192
Grand Total	479	1,715	2,194

* *Excluding staff who joined after 1 October 2024 and contract staff with less than one year of contract who are not considered for evaluation as per the policy.*

OCCUPATIONAL WELL-BEING THROUGH HEALTH AND SAFETY

Comprehensive Occupational Health and Safety (OHS) practices underpin our commitment to ensuring the health and safety of not only our employees but also all visitors to our premises. This is of paramount importance to us. To promote ongoing learning and awareness, an e-learning module on OHS is accessible via the corporate intranet, encouraging regular engagement from employees. Additionally, information on healthy diets and lifestyles is shared to support overall well-being. Various proactive measures are in place to minimise workplace health risks.

DFCC Bank recognises its duty to maintain robust health and safety standards across all properties, ensuring a safe and secure environment for all stakeholders. Effective safety systems, standards, and practices are consistently implemented across the Group, in full compliance with local regulations. Our overarching objective is to provide and sustain a healthy and secure environment for all stakeholders, including employees, business partners, visitors, and others.

A significant development during the year was the establishment of partnerships with psychologists to foster psychological safety for employees. Recognising the diverse challenges faced by employees during the COVID-19 pandemic, economic uncertainties, and other stressors, the Bank has initiated several measures to safeguard their health and well-being, directly influencing productivity. In 2024, the Premises & Administration Services Department also took key steps towards the development of a Health & Safety Policy, further strengthening the Bank's commitment to a safe and supportive workplace.

TRAINING ON OCCUPATIONAL HEALTH AND SAFETY

The Training and Development Department has conducted the following special training programmes in 2024 in relation to occupational health and safety.

1. Training session on ISO 22301 for BCP Coordinators
2. Continuity of Operations Drill and Train the Trainer Programme - BCP
3. First Aid Training for Emergency Response Team (ERT) members
4. Fire and Evacuation Warden's Training Session for ERT Members

EMPLOYEE ENGAGEMENT

APPROACH

Employee engagement is a vital aspect of today's business landscape, serving as a key measure of an employee's commitment to both their workplace and personal development.

ACTION TAKEN

We conducted a range of employee engagement initiatives to foster connection, support, and a sense of belonging among staff:

- **Debt Consolidation Advisory Service:** Introduced to assist employees in restructuring debt and managing repayments more effectively.
- **Open Days with Leadership:** Sessions with the CEO and Chairman, including "Breakfast with the CEO," were held to foster a sense of belonging and recognition from Senior Management.
- **Travel Opportunities:** Local and international trips were organised at concessionary rates, with a total of 866 staff availing themselves of this benefit.
- **Comprehensive Orientation Programme:** All new recruits participated in a detailed orientation to instill the Bank's values, corporate culture, ethics, and integrity. A buddy programme further supported new employees to seamlessly acclimatise to the organisation.
- **Partnership with IFC:** Collaborated with the International Finance Corporation to benchmark the Bank against industry standards for creating a women-friendly work environment, aligning with our strategic focus on Diversity, Equity, and Inclusion (DEI).
- **Promoting Work-Life Balance:** A number of activities encouraged work-life balance, enhancing overall employee well-being.
- **Sports and Festivities:** A Sports Day with 1,200 staff participants and the annual Christmas party at Cinnamon Lakeside, attended by over 1,250 employees and their families, were among the highlights.
- **Wellness Initiatives:** The HR Department organised cycle days, hikes, fitness sessions, yoga classes, Bhakthi Gee, and Christmas carols to promote health and camaraderie.
- **Future Engagement:** An employee satisfaction survey is planned for 2025 to gather valuable insights and further improve engagement strategies.

EMPLOYEE WELL-BEING PROGRAMMES

- Monthly Cycling and exercises session
- Walk the Talk: exercises session
- Monthly Cycling and Fitness session
- Hike to Riverston : Maanigala
- Prevention of Sports Injuries : How to enhance your day with effective exercises and a balanced Diet
- Zumba Session
- Breast Cancer Awareness Programme: A Collaborative Initiative by DFCC HR & DFCC Aloka
- Medical tests have been arranged for the sales staff
- Cycling and an exercises session
- Hike to Kotaganga Ella Falls
- Medical Awareness Programme for DFCC Staff - Women's Health & Preventive Care, Dysmenorrhea (painful periods), Menorrhagia (heavy menstrual bleeding)
- Parenthrive Sessions

HR ENABLERS

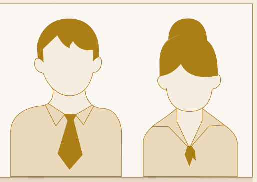
We proactively review the policy framework, valuing agility and continuous improvement. This allows us to stay ahead of the curve and benchmark our practices with the industry best, for operational excellence. This creates a platform for innovation to thrive, offer higher job satisfaction and retain top talent. In a strongly competitive business landscape, this offers us an edge over the others and contributes towards the sustainability of our business.

OTHER INFORMATION

GRI 2-8

RESOURCES ENGAGED FROM OUTSOURCING AGENCIES

The Bank engages a limited number of personnel through an outsourcing agency, which is responsible for managing them. These individuals work alongside the permanent staff within the Bank. While maintaining an arm's length approach, the HR department ensures that they align with the Bank's culture and effectively meet the required deliverables.

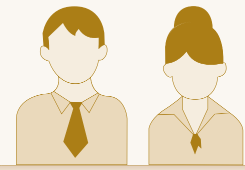


Total Outsourced Staff	Male	Female
8	6	2

GENDER-PARITY

GRI 405-1, 405-2

Female participation accounts for 46% of the total workforce. Cognisant of their participation as a strong force in the national economy, we carried out several initiatives to empower them.



Diversity of Governance Bodies	**78%**	**22%**
Employees	**54%**	**46%**
Ratio of basic salary and remuneration of women to men	**52%**	**48%**
Recruitment	**51.5%**	**48.5%**
Promotions	**57.5%**	**42.5%**

Any form of gender discrimination is explicitly prohibited by the Secure Environment Policy and the DEI Policy. The Bank ensures that gender discrimination is strictly avoided in all recruitment and promotion processes.

DIVERSITY, EQUITY AND INCLUSION (DEI)

DFCC Bank is committed to fostering an inclusive environment where all stakeholders are treated equitably and with respect. DEI was formally adopted in 2022, through the introduction of the DEI Policy, underscoring our commitment to social responsibility and an ethical, productive workplace culture. As part of this commitment, we actively seek to provide opportunities for individuals with disabilities wherever possible.

TRANSPARENCY AND ANTI-CORRUPTION

Upholding ethical standards remains a key priority, with a strong focus on resourcing, development, and career progression to ensure alignment with our ethical framework. Multiple initiatives have been undertaken to reinforce these values across the organisation.

COMPLIANCE

We strictly comply with all local laws and regulations, including tax laws, employment standards, and anti-corruption practices. Failure to adhere to these regulations could result in legal consequences, financial penalties, and reputational damage.

To maintain compliance, we conduct regular audits, provide employee training, and implement a robust compliance management system. This proactive approach not only mitigates risks but also fosters a culture of integrity and transparency, strengthening our brand reputation.

The HR function plays a crucial role in driving the Bank's vision, advocating for employees, enhancing stakeholder value, and upholding professional HR standards. These considerations guide the formulation of HR strategies and the development of a structured roadmap.

The roadmap is validated and approved by the Board Human Resources and Remuneration Committee. Any amendments to key policies are presented to this Committee for recommendation before submission to the Board for final approval. All significant HR initiatives are executed in consultation with the Board Human Resources and Remuneration Committee.

OPERATIONAL CHANGE PROCESS

Employees are given a reasonable period to adjust to job rotations or location changes, typically a minimum of 10 days, unless an operational emergency requires immediate transition. Every effort is made to minimise inconvenience and hardship, and employees are financially compensated if their new location significantly increases their travel time.

CAREER EXITS AND KNOWLEDGE REPOSITORIES

Employees retiring from the Bank receive a special benefit in recognition of their long service. They are entitled to a one-time reimbursement for specified expenses. Additionally, employees who joined the Bank before 1 May 2004 remain eligible for pension benefits under the previous pension scheme.

To ensure the retention of institutional knowledge, a formal handover process is conducted when an employee exits or transfers to another role. A structured handover document is completed to preserve critical knowledge within the Bank's knowledge repositories.

HUMAN RIGHTS, CHILD LABOUR, FORCED LABOUR

Human rights are founded on principles of dignity, fairness, equality, respect, and independence, and are safeguarded globally, nationally, and institutionally. In Sri Lanka, these rights are enshrined in the Constitution. Additionally, the Universal Declaration of Human Rights (UDHR), adopted by the United Nations General Assembly in 1948, establishes the inalienable rights of every individual, regardless of background or status.

DFCC Bank is committed to conducting business in a manner that upholds and protects these fundamental rights. We strictly prohibit and do not engage in or endorse child labour or forced labour.

SUCCESSION PLANNING

Succession planning is carried out strategically and systematically to identify and develop talent for a future-ready Bank. High-potential employees are mentored and nurtured over time by senior leaders across various disciplines. The HR department maintains a structured pipeline of such talent to ensure continuity and leadership preparedness.

FUTURE OUTLOOK

We have embarked on a strategic journey to define our roadmap for the next three years. The banking industry faces increasing challenges in securing the right talent, particularly as long-term careers are not the norm among Gen Z employees. This trend is expected to continue with future generations.

Our HR department is actively working on initiatives and strategies to attract and retain the right talent to support the Bank's strategic objectives. A key focus is redesigning our values to be more customer-centric and ensuring that employees are aligned with these principles.

In our unwavering commitment to sustainable growth, we recognise that human capital is our most valuable asset. As we navigate the evolving banking landscape, our collective skills, knowledge, experience, and capabilities will be pivotal to our continued success. We acknowledge that long-term growth depends on sustained investment in our people. By fostering a culture of continuous learning, promoting employee well-being, and nurturing talent, we are positioning ourselves for long-term resilience and success.

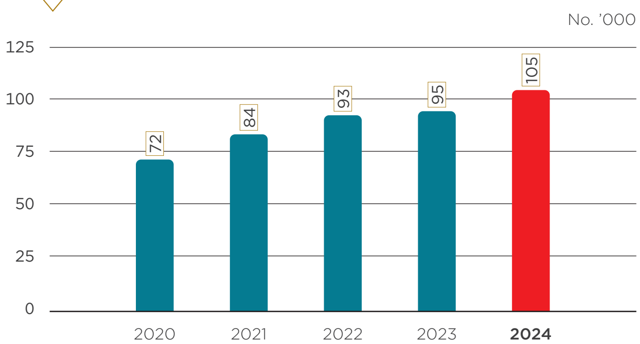
CUSTOMERS

We recognise that the more we understand our customers' needs, the more we can deliver easy, everyday banking solutions to them, ensuring their satisfaction and enhancing their confidence in our Bank.

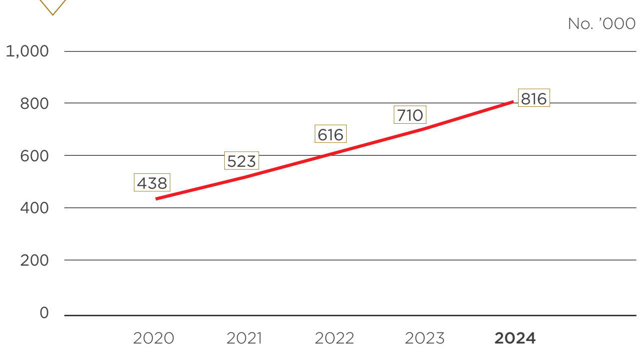
We are diligently focused on partnering our customers' progress in financial stability, help businesses thrive, expand their potential to engage in international trade, and support the unbanked and under-banked.

Market interest rate reduction opened avenues for the Bank to contribute more towards the nation's economic development, by lowering its own interest rates that grew the customer portfolio. Despite the challenges we faced in maintaining credit quality, we offered certain concessions to some of our customers, who were still bearing the brunt of the 2022 crisis. We, however, consistently and conscientiously applied our core principle of being customer-centric, in supporting and uplifting the existing customer base and supporting new customers.

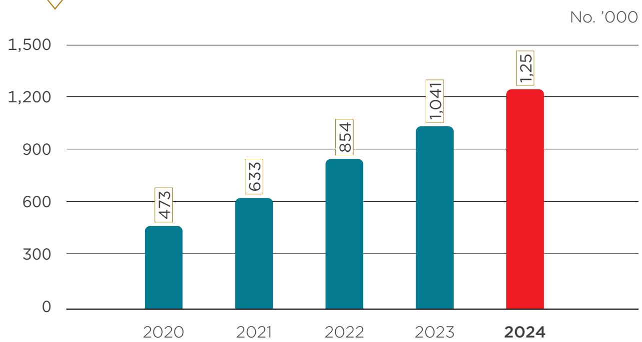
Number of new customers acquired



Growth of new customers acquired



Growth in the number of accounts



DRIVING A CULTURE OF SERVICE EXCELLENCE

Our approach to customer-centricity was strengthened by the efforts of the Service Excellence and Transformation (SE&T) Department, that was established in April 2024. The core principle of the exercise was to ensure that the Bank is an easy-to-deal-with entity, delivering value to the customer, based on the core values that is foundational to our interactions with all our stakeholders.

SE&T Department is the overarching umbrella for the Customer Experience Unit, Card Centre Service, Lean Management, and the Contact Centre, driving service excellence through a unified customer-centric culture.

Driven by latent and emergent customer needs and expectations, and by leveraging speedy technological advancement in the area of AI, self-service technologies, and digitalisation, the Bank was able to empower the customer to be in control of their banking needs, in a proactive and a timely manner. Several transformative initiatives were launched in 2024, focused on delivering value through service excellence to our valued customers.

Digital transformation has not only created convenience for our customers but it has also enhanced our brand image to resonate with our audience, supported by a range of support marketing and business activities entwined with precise marketing communications. These methods have ensured the dissemination of our messages to our target audience through a variety of digital channels.

In 2025 and beyond, we are committed to elevating service excellence across all touchpoints, guided by our core values. With a strong focus on setting service benchmarks, enhancing customer interactions, streamlining processes, and strengthening our branch network and contact centre, we are reimagining the banking experience.

Every initiative we undertake is designed to ensure seamless, efficient, and memorable customer experiences. By empowering our teams and embedding customer-centricity into our DNA, we are poised to deliver meaningful, lasting value to our customers. As we continue this transformational journey, we remain steadfast in our commitment to innovation, excellence, and delivering the extraordinary.

PRODUCTS AND SERVICES

GRI 417-1

We offer a market-competitive range of products and services to our customers, based on their discerning tastes and requirements. Vast repositories of data and multiple data gathering processes provide insights which are used in the best interest of our customers, working within the strong governance framework that is in operation. In line with our risk appetite, we offer products and services that meet customer needs, and regulatory requirements, Our product portfolio is assessed for new risks to ensure they remain appropriate for customer needs while complying with regulations.

Please visit https://www.dfcc.lk for further information on our products and services.

BRANCHES

Although banking has evolved to include many online and digital channels, branches remain a key touchpoint for customer interaction. Although expansion was restrained, we continued with resourcing our branches appropriately and functioning in off-site units, offering a "face to the customer" of our brand and service excellence.

Our branches are strategically located to cater to the segments we serve and currently spread across key cities and towns.

Please visit – https://www.dfcc.lk/branch-locator/ to access the branch locater.

COMPLAINT HANDLING

GRI 418-1

Complaint Management System (CMS) under the purview of Service Experience Unit ensures customer complaints are resolved within the established timelines. We receive feedback from a variety of channels and those that need resolution is directed to CMS as this is a key criterion to maintaining customer satisfaction and continued patronage to the Bank.

DFCC Bank is committed to ensuring customer privacy as a fundamental part of its operations. In compliance with the Customer Charter for Licensed Commercial Banks in Sri Lanka and the Data Protection Act, the Bank does not disclose customer information to third parties unless legally required. To safeguard customer data, all requests, complaints, and inquiries are processed only after a strict verification process. High-risk verification is conducted for all requests handled by the Contact Centre, while NIC verification is required for physical transactions at branches. Email requests are processed only if received from the registered email address. Additionally, internal policies and regulatory guidelines were strictly followed to ensure compliance and data protection. Throughout the year, DFCC Bank has not encountered any substantiated complaints related to breaches of customer privacy and losses of customer data.

DFCC Bank adheres to the Financial Consumer Protection Act in handling customer complaints, guided by a Complaint Management Policy that ensures fair and transparent resolution. A Root Cause Analysis (RCA) is conducted for all complaints, leading to corrective actions that address pain points and prevent recurrence. The Complaint Handling Procedure is published on our corporate website with clear escalation channels and contact details. Our standard resolution SLA is two (02) working days, though customers are kept informed if additional time is required.

During the reporting period from 01 January 2024 to 31 December 2024, we received 3,503 complaints with a resolution rate of 97%, categorised as process lapses (186), technology-based issues (2,926), and poor service quality (309). From June 2024 to December 2024, 59 complaints/requests were filed with FCRD/ Financial Ombudsman, all of which were responded to and resolved within the set SLA. The majority of these cases were related to recovery actions, with customers requesting concessions.

CUSTOMER DATA PROTECTION

We have implemented stringent processes and controls to mitigate greenwashing risks, and to transparently work with all our stakeholders. To safeguard our current customer base, and our reputation, and to adhere to regulatory requirements, we stringently focus on customer due diligence to ensure that we always minimise risk. Though we strive for best-in-class customer centricity with innovative digital platforms, we are keenly aware of our responsibility and accountability on this score, to closely safeguard our business and stakeholders from cybercrime. As such, our technology teams exert great effort to build ecosystems with capabilities to protect our customers from fraud and cyberattacks and strengthen cyber security.

OUR COMMITMENT

As we continue to gain high visibility in the banking landscape ongoing digital enhancements have helped us cater to the changing and emerging needs of our customers. With a diverse customer base, we worked hard to deliver products and services which satisfy their discerning tastes and demands.

With sustainability as a corner stone, our products offered opportunities for green financing, to contribute towards net zero carbon emission by 2050, moving beyond Agenda 2030 in achieving the aims of UN SDGs.

As required, we ensure transparency in disclosing fees and charges to our customers, benchmarking against the competition.

Training is conducted continuously, on a variety of topics, to upskill our employees to be a future-fit team. The section on Employees at page 99. details the programmes conducted in 2024.

DELIVERY CHANNELS

We adopt a multichannel approach, incorporating the more modern and traditional ways of banking, to capture the evolving needs of the younger generation, while supporting all segments of our customer base.

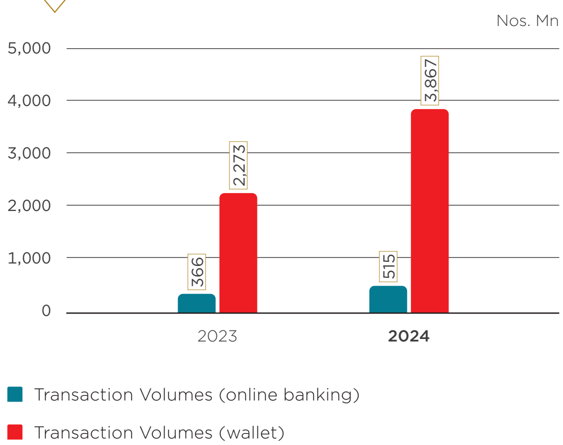
Channel	Feature Introduced and Promotions
Online Banking	1. Extended payments to government institutions through Gov Pay integration 2. Promoting goals savings product with attractive interest rates. 3. Retrieve Advance Income Tax Certificate (AIT) 4. Introduce 0.50% additional interest rate for FD's opened through Online Banking to contribute towards our sustainability goals 5. FD Upliftment for online initiated FD's
Mobile Banking (Hybrid mobile app)	1. Receipts were enabled for bill payments, within DFCC Bank's transactions and credit card payments with a new design 2. Five new billers each for insurance and leasing/finance companies were added 3. Launch of DFCC One as a total upgrade to Virtual Wallet. Expecting Virtual Wallet to sunset by Q1 2025 4. Enabling bill payments using DFCC Credit Card through "DFCC One" 5. Enabled e-passbook and Peak Balance, biometric login as some of the upgraded features on DFCC One
DFCC MySpace	1. Deployed two new cheque deposit machines to the branch network 2. Deployed two new CRMs to the branch network 3. DFCC MySpace branding completed and installed in five locations 4. An offsite CRM was placed at Dickoya
DFCC Website	1. The income tax calculator was upgraded to support personal income tax calculation for years 2023/2024 and 2024/2025 2. Launch of "Hybrid *Garusaru*" loan calculator 3. New Product pages were created for 10 products and services

Channel	Feature Introduced and Promotions
DFCC Galaxy	1. Conducting campaigns aligning to major events to enhance engagement • Valentine's day to create more engagement • Big match season campaign • New stick cricket game on DFCC Galaxy • T20 World Cup engagement campaign • Avurudu themed campaign • Halloween campaign
SMS Alerts	1. Inward cheque return – enablement of cheque number in the alert and reason for cheque return 2. Adding merchant names for alerts when debit cards are used at POS
eStatements	1. Integration of the Card Account Number (CAN) for eStatement to ensure compliance with PCI DSS standards

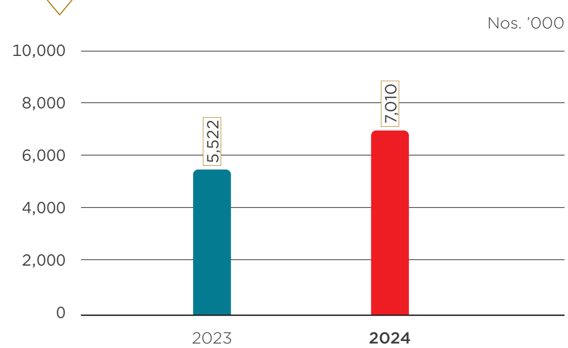
DIGITAL CHANNELS

Increasingly in-demand, we continued with innovative digitalisation, to capture the GenZ market and offer further banking convenience to our traditional customer segments. This allowed for reducing first level inquiries, deeper insights into customer banking behaviours and improved operational efficiency.

Improvement in Product Performance – Transaction Volume



ATM/CRM Transaction Volume



MARKETING COMMUNICATIONS

In 2024, DFCC Bank embarked on a transformative journey, achieving remarkable milestones in marketing communications. Amidst a rapidly evolving market and changing consumer behaviours, the Bank leveraged innovation, digital engagement, and strategic public relations to enhance brand equity and solidify its reputation as a forward-thinking financial institution.

This year, DFCC Bank made notable strides across multiple fronts, reinforcing its role as a trusted partner for customers and stakeholders alike.

BRAND EQUITY: DRIVING INNOVATION AND SUSTAINABILITY

DFCC Bank continued to focus on strengthening its brand identity by integrating sustainability and innovation into its core marketing strategy. A standout, achievement was the issuance of Sri Lanka›s first listed and rated Green Bond in September 2024, reinforcing DFCC Bank's leadership in sustainable finance and commitment to combating climate change. This pioneering move marked a significant step in the Bank's environmental stewardship initiatives.

In parallel, the launch of DFCC ONE, an innovative mobile banking app, revolutionised customer experience. The app's seamless interface and advanced features highlighted DFCC Bank's dedication to embracing technological advancements and meeting the evolving needs of digitally savvy customers.

The relaunch of DFCC Junior, alongside DFCC Pinnacle Junior, further showcased DFCC Bank's commitment to fostering financial literacy and providing tailored solutions to the younger generation, ensuring the future of banking is in capable hands.

PUBLIC RELATIONS SUCCESS AND INDUSTRY RECOGNITION

2024 was a standout year for DFCC Bank in terms of public relations. The Bank was recognised as one of the top three banks with the highest media coverage, a reflection of its strategic and impactful PR initiatives. Furthermore, DFCC Bank's earned mentions in digital platforms increased by 72%, signaling a successful engagement with the online audience and positioning DFCC Bank as a leading voice in the banking sector.

In 2024, DFCC Bank strengthened its public relations efforts through a comprehensive and proactive media strategy, accounting for a 25% increase in published media assets and collateral compared to the previous year, while maintaining a high volume of media interactions. Coverage was well-distributed between print and digital media, with a strategic emphasis on digital platforms. This level of media engagement generated a Total Advertising Value representing a 36% increase in PR value compared to 2023. These achievements underscore DFCC Bank's ability to generate impactful media coverage and reinforce its brand presence through strategic communications.

STRATEGIC DIGITAL MARKETING AT DFCC BANK

In line with the Bank's corporate objectives, DFCC Bank has developed a digital marketing strategy underpinned by clear content pillars. The strategy is designed to build brand equity, enhance customer engagement, and drive customers through the engagement funnel using targeted content marketing initiatives across platforms that are most relevant to its audience. This approach ensures greater awareness of the Bank's products and services and supports product teams in achieving their business goals.

Looking ahead, DFCC Bank's website is set to undergo a redesign and relaunch in 2025, with a strong focus on enhancing customer experience. The new website will align with Google Core Web Vitals, adhere to accessibility guidelines, and be optimised for the evolving nature of search engines and answer engines.

The Bank's strategic focus on its digital marketing channels, coupled with its robust website initiatives, have significantly contributed to enhanced brand visibility and increased customer interaction across various social media and digital platforms. These efforts have been instrumental in driving engagement and expanding reach, laying a solid foundation to support future growth.

DFCC Bank remains committed to leveraging its digital marketing channels to strengthen its brand presence, foster customer engagement, and support its journey of innovation and growth.

MILESTONES AND RECOGNITION IN MARKETING

DFCC Bank's PR efforts were further validated by securing several prestigious awards throughout the year. Among these was the CPM Best Management Practices Company Awards 2024, where the Bank earned the Overall Winner – Gold, underscoring its leadership in corporate responsibility and sustainability.

The Bank's commitment to excellence in the digital space was recognised at the SLIM Digis Awards 2024, with DFCC Bank securing two Silver Awards for Best SEO Campaign and the DFCC Galaxy Launch Campaign. Furthermore, the Bank's website stood out at the BestWeb.lk Awards, receiving accolades for:

1. Overall Best Banking Website
2. Best Mobile Website under the Banking and Finance category
3. Silver Award for second place in the Overall Awards Category

FUTURE FOCUS

We will continue to focus on maintaining and enhancing our brand presence, expanding digital engagement, and leveraging sustainable finance. Fully cognisant of innovation and social responsibility, the Bank is poised to redefine the future of banking, providing our customers with unparalleled service and experience and fostering long-term growth for all stakeholders. With sustainability as the core, we continue to drive service excellence, earning the respect of our peers and the trust and admiration of all our stakeholders.

KEY MARKETING CAMPAIGNS

BUSINESS PARTNERS

GRI 2-6

Effective supply chain management is critical for smooth business operations. At DFCC Bank, a streamlined procurement process and reliable on-time delivery are essential. Our subsidiary and associate companies extend the Bank's functions beyond traditional banking, while our industry association memberships broaden our footprint.

456
New suppliers

200
Correspondent banks

13
International partner organisations

22
Industry association memberships

Over time, DFCC Bank has built many partnerships that have expanded our reach, optimised resources, mitigated risk, and strengthened sustainability. These networks also provide cross-functional expertise and access to new technologies, enhancing our resilience to market changes and regulatory updates.

MULTI-LATERAL AND BI-LATERAL ORGANISATIONS

DFCC Bank has secured funds from government, bi-lateral, and multi-lateral bodies through strict ethics, robust systems, and strong international partnerships. Our partner organisations include:

- Asian Development Bank (ADB)
- BlueOrchard Microfinance Fund – Luxembourg
- Commerzbank Aktiengesellschaft
- Commerzbank Finance & Covered Bond S.A.
- Deutsche Investitions-und Entwicklungsgesellschaft (DEG), a subsidiary of KfW – Germany
- European Investment Bank (EIB)
- Kreditanstalt fur Wiederaufbau (KfW) – Germany
- Nederlandse Financierings – Maatschappijvoor Ontwikkelingslanden N.V. (FMO) – The Netherlands
- Proparco, a subsidiary of Agence Française de Développement(AFD) – France
- RAKBANK, also known as the National Bank of Ras Al Khaimah – United Arab Emirates
- The World Bank
- U.S. International Development Finance Corporation (DFC)
- Symbiotics Investments SA, Switzerland

DFCC Bank's investment banking division continues to widen our funding sources through collaborations with other banks. These alliances encourage knowledge sharing, innovative solutions, and improved efficiencies while expanding our market reach.

CORRESPONDENT BANKS

DFCC Bank works with approximately 200 correspondent banks to facilitate international trade and cross-border transactions. Selected correspondent banks (listed below) also serve as Nostro agents, serving as intermediaries in international transactions, streamlining payments, reducing costs, and ensuring regulatory compliance.

Bank	Currency	Country
Bank of Ceylon (UK) Limited	GBP	UK
Bank of Ceylon	ACU $	India
Bank of Ceylon	ACU $	Maldives
Bank of Ceylon	INR	India
Bank of China	CNY	Sri Lanka
Commerzbank AG	CAD	Germany
Commerzbank AG	EUR	Germany
HDFC Bank	ACU $	India
HDFC Bank	INR	India
HSBC Bank USA N.A.	USD	USA
JPMorgan Chase Bank N.A.	USD	USA
JPMorgan Chase Bank N.A.	AUD	Australia
JPMorgan Chase Bank N.A.	CAD	Canada
Kookmin Bank	USD	South Korea
Mashreq Bank PSC	ACU $	India
Mashreq Bank PSC	AED	UAE
Mashreq Bank PSC	USD	USA
OCBC Bank	SGD	Singapore
OCBC Bank	USD	Singapore
Standard Chartered Bank (Pakistan) Limited	ACU $	Pakistan
Standard Chartered Bank	ACU $	Bangladesh
Standard Chartered Bank	ACU $	India
Standard Chartered Bank	AUD	Singapore
Standard Chartered Bank	EUR	Germany
Standard Chartered Bank	GBP	UK
Standard Chartered Bank	SGD	Singapore
Standard Chartered Bank	USD	USA
Sumitomo Mitsui Banking Corporation	JPY	Japan
UniCredit Bank AG	EUR	Germany
Zurcher Kantonal Bank	CHF	Switzerland

NEW PARTNERSHIPS

DFCC Bank entered into a partnership with the Colombo Stock Exchange (CSE) to facilitate Inward Investment Accounts (IIA) for foreign investors via the CSE Mobile App. This digital initiative simplifies access to our capital markets and supports our commitment to further digital enablement by striving to achieve a paperless environment.

In addition, seven new partnerships for foreign exchange transactions were formed, with several others under discussion.

SUPPLY CHAIN MANAGEMENT AND PROCUREMENT POLICY

DFCC Bank's procurement policy focuses on efficient sourcing, cost minimisation, quality assurance, and inventory optimisation. The policy upholds ethical practices, transparency, regulatory compliance, and sustainability, ensuring fair treatment for all vendors.

Suppliers are regularly evaluated on:

- Quality
- Timeliness of delivery
- Price competitiveness
- Post-sale support
- Ethical conduct
- Regulatory compliance
- Financial stability

Feedback is provided based on these assessments. Wherever possible, preference is given to local suppliers, reflecting our commitment to national development.

PARTNERS FOR SERVICE DELIVERY

To meet customer demands and internal targets, DFCC Bank has established multiple delivery channels including agency banking, cash management, transport services, and ATM cash replenishment.

Our IT partnerships ensure reliable, secure, and efficient digital platforms that safeguard customer data. We also outsource back-office functions such as payroll, document storage, legal counsel, and equipment maintenance. These arrangements promote quality, drive innovation, and support timely and accurate financial services.

STRATEGIC ALLIANCES AND DIVERSIFICATION

The DFCC Group includes various subsidiaries, joint ventures, and associate companies that offer unique strengths and capabilities. This synergy enhances our strategic direction and supports our goals.

DFCC CONSULTING (PVT) LTD.

A wholly owned subsidiary, that was formed in 2004, focusing mostly on consultancy and advisory services, and has executed a number of complex consultancy projects, covering various fields such as project management, engineering, environment, and renewable energy. The Company utilises professional staff from DFCC Bank and external consultants. It also collaborates with foreign experts and firms when the need arises. Collaborative engagements with global experts and firms further enable the delivery of innovative and tailored solutions, solidifying its reputation as a trusted partner in the consultancy sector.

LANKA INDUSTRIAL ESTATES LTD. (LINDEL)

LINDEL is a public–private partnership established in 1992 with the primary objective of converting the abandoned facilities of the state-owned Fertiliser Manufacturing Corporation in Sapugaskanda into a modern industrial estate. Today, LINDEL provides comprehensive infrastructure and support services to tenant companies across a range of sectors including chemicals, construction, materials, engineering, fertilisers, FMCG, metal fabrication, and packaging. Ongoing discussions with the Ministry of Industries aim to develop a second industrial estate, while plans to increase land utilisation at the current site are also under consideration.

For the first time in its history, LINDEL achieved an income level of LKR 500 Mn a significant financial milestone that reflects the success of our strategic initiatives and operational efficiencies. With a recent asset revaluation, the Company's total assets now exceed LKR 10 Bn, underscoring its financial strength and long-term sustainability.

LINDEL has executed several projects to modernise its infrastructure and transform older buildings into income-generating assets. Key renovation projects include:

- The first and second floors of the IPMP building
- The renovation of the Asia Power Building
- The upgrade of the upper floor of Vetch House

These improvements have contributed to additional revenue streams.

LINDEL has also demonstrated its capability to deliver large-scale infrastructure projects. A major project has been secured to construct new warehouse facilities for a key manufacturer in the FMCG sector. The planned development spans approximately 150,000 square feet and is estimated to cost around LKR 1.5 Bn. This project not only highlights LINDEL's capacity to deliver extensive infrastructure solutions to multinational clients but also reinforces its reputation in the industrial construction sector.

In addition, LINDEL is undertaking two new warehouse extension projects, measuring 15,000 square feet and 22,000 square feet respectively, to provide further space for its clients. Construction for these extensions is set to commence immediately upon receipt of the necessary approvals.

INITIAL PUBLIC OFFERING (IPO)

LINDEL is preparing for an Initial Public Offering (IPO), a key step in our growth and expansion strategy. The IPO will raise capital to fund planned projects, enhance market presence, and deliver greater value to stakeholders.

MALDIVES PROJECT INITIATION

Lanka Industrial Laboratory Limited (LILL), a wholly owned subsidiary of LINDEL, is expanding into new markets with a project in Male, Maldives. The project aims to establish a chemical laboratory facility on the island. An initial study has been completed, and we are in the process of obtaining the necessary approvals from the Male government. This initiative is expected to create new opportunities for both LILL and LINDEL, strengthening our regional presence.

SOLAR ENERGY DEVELOPMENT PLAN

LINDEL plans to develop at least 5 MW of solar energy capacity connected to the National Grid. This project underlines our commitment to renewable energy, aiming to reduce carbon emissions and promote sustainable green solutions capacity.

LINDEL ACP RENEWABLES LTD

In 2024, LINDEL took a significant step towards inorganic growth with the establishment of Lindel ACP Renewables Ltd., a new subsidiary focused on the development of renewable energy projects. LINDEL holds a majority stake (51%) in this new entity, underscoring its strategic commitment to sustainability and innovation in the energy sector.

As part of this initiative, LINDEL is consolidating its renewable energy efforts by transferring the existing rooftop solar projects currently under LINDEL to Lindel ACP Renewables Ltd. This move will create a unified, streamlined approach towards renewable energy investments, facilitating efficiency, scalability, and long-term sustainability in clean energy development.

SYNAPSYS LTD.

Synapsys Ltd. is a technology-driven financial services firm with a strong operational presence across the Asia-Pacific region and the UK. The Company provides specialised financial technology solutions for banking, capital markets, insurance, and retail payments. Synapsys operates under the motto “Bank Different”, advocating for financial inclusion and disruptive financial services while leveraging partnerships in SME, microfinance, and agrifinance sectors.

The Company boasts a highly skilled workforce, including software engineers, banking consultants, payment solution specialists, IT operations experts, and operations management professionals. Synapsys continues to expand its portfolio by diversifying into non-banking solutions and new geographical markets.

In 2024, Synapsys achieved significant milestones through major product enhancements and strategic growth initiatives. The Company introduced Rapidex, a remittance system, and Octoplex, a meeting management system, while also upgrading Apex-Marginex across all client platforms to comply with CSE regulatory requirements. Additionally, a new Custodian System was developed to enhance transaction security and operational efficiency. These advancements reinforced Synapsys' commitment to providing cutting-edge financial technology solutions.

A key strategic move was the adoption of a partnership-driven growth strategy, marked by a collaboration with ADFIAP (the Association of Development Finance Institutions of Asia and the Pacific), which connects Synapsys to 90+ financial institutions across 30+ countries. This partnership enabled Synapsys to gain access to ADFIAPNET, the Technology arm of ADFIAP, to host its Core Banking, Internet and Mobile Banking, and Rapidex Remittance Platform on the Microsoft Azure Cloud. This transition enhances scalability, accessibility, and security for financial institutions adopting Synapsys solutions.

Looking ahead to 2025, Synapsys is focused on upgrading the MBanx Core Banking System and developing a new Internet and Mobile Banking platform to enhance digital financial services. The Company is also transitioning Apex-Marginex to a cloud-based SaaS model and developing a Leasing System for DFCC Bank, with plans to introduce it to the Sri Lankan market. Expansion into the Asia-Pacific region remains a priority, with discussions underway with five banks in the Philippines and other ADFIAP-affiliated financial institutions, with the first deployment expected in Q1 2025.

ACUITY PARTNERS (PVT) LTD.

Acuity Partners was established as a joint venture between DFCC Bank and Hatton National Bank (HNB) to centralise investment banking activities. It operates under the Acuity Group umbrella, providing a comprehensive suite of financial services, including Corporate Finance and Advisory, Securities and Stock Trading and Venture Capital Financing.

In alignment with DFCC Bank's strategic realignment of its group structure, the Bank divested its 50% stake in Acuity Partners to HNB in January 2025. This move allows DFCC Bank to focus on its core banking and financial services operations while enabling Acuity Partners to continue its trajectory under a single-ownership model.

NATIONAL ASSET MANAGEMENT LTD. (NAMAL)

Incorporated in 1990, NAMAL is Sri Lanka's pioneering unit trust company and an affiliate of DFCC Bank. As the Country's first unit trust manager, NAMAL introduced the National Equity Fund, setting the foundation for the unit trust industry in Sri Lanka. Today, the company manages four unit trusts-National Equity Fund, NAMAL Growth Fund, NAMAL Income Fund, and NAMAL High Yield Fund-alongside bespoke Private Portfolio Management Services for high-net-worth clients. NAMAL's robust investment strategies have driven strong financial performance, delivering significant value to investors.

In 2024, the Company recorded a remarkable 45% year-on-year growth in Assets Under Management (AUM), increasing from LKR 3 Bn to LKR 4.4 Bn, while its Private Wealth Management (PWM) assets reached LKR 2.7 Bn. This exceptional growth underscores NAMAL's ability to align investment strategies with evolving market dynamics, ensuring optimal returns for its clients. The Company's diverse product portfolio and disciplined fund management approach have reinforced its reputation as a trusted asset manager in the industry.

Looking ahead to 2025, NAMAL is focused on digital transformation and client engagement to enhance investor experience and market accessibility. A revamped website with a modern, user-friendly interface has been introduced, and the upcoming launch of digital client onboarding and a client portal (web and mobile) will streamline investor interactions. With a favourable equity market outlook, NAMAL is well-positioned to attract further inflows into its mutual funds. By leveraging digital innovation, the company aims to strengthen its market leadership and continue delivering long-term value to its stakeholders.

MEMBERSHIP IN INDUSTRY ASSOCIATIONS

GRI 2-28

DFCC Bank, with its commitment to widen its footprint, has taken membership in a large number of business and professional organisations including:

- American Chamber Of Commerce in Sri Lanka
- Association of Compliance Officers of Banks Sri Lanka
- Association of Development Financing Institutions in Asia and The Pacific
- Colombo Stock Exchange
- Federation Of Information Technology (Guarantee) Ltd. (Fitis)
- Fintech Forum (Guarantee) Limited
- Fitch Ratings Lanka Ltd.
- Genesiis Software (Pvt) Ltd.
- International Chamber of Commerce Sri Lanka
- National Chamber of Exporters of Sri Lanka
- Securities & Exchange Commission of Sri Lanka
- Sri Lanka Business and Biodiversity Platform (Biodiversity Sri Lanka)
- Sri Lanka Forex Association
- The Ceylon Chamber of Commerce
- The Ceylon National Chamber of Industries
- The Council for Business With Britain
- The Employer's Federation of Ceylon
- The European Chamber of Commerce of Sri Lanka
- The Financial Ombudsman Sri Lanka (Guarantee) Limited
- The Mercantile Service Provident Society
- The National Chamber of Commerce of Sri Lanka
- The Sri Lanka Banks' Association (Guarantee) Limited

As a banking institution with a long history, DFCC Bank places great value in its partnerships and organisational memberships. By leveraging these linkages, we expect to expand our contribution to the Sri Lankan financial sector, economy, and the nation at large.

COMMUNITY

GRI 413-1, 203-1, 203-2

Empowering the community through financial inclusion in the short, medium, and long term is an important objective of DFCC Bank. Upgrading knowledge and skills, offering financial products at affordable rates, and enhancing the well-being of the community are key aspects we focused on in 2024. Additionally, our Corporate Social Responsibility (CSR) initiatives played a significant role in fostering community development, supporting educational programmes, and promoting environmental sustainability. These efforts not only contributed to social welfare but also helped create long-lasting positive impacts, empowering individuals and communities to thrive sustainably.

Over 445

entrepreneurs and potential entrepreneurs upskilled and promoted

Over 35

new partnerships for community empowerment initiatives

COMMUNITY ENGAGEMENT AT DFCC BANK

DFCC Bank remains deeply committed to creating meaningful and sustainable socio-economic impacts within the communities it serves. Our outreach efforts align with and contribute to the 6E themes of DFCC Bank's sustainability strategy, (Education, Environment, Entrepreneurship, Elderly, Emergency Relief and Exercise). These themes help us structure projects that address critical social needs while fostering long-term sustainability.

WHY COMMUNITY ENGAGEMENT IS VITAL FOR US

DFCC Bank recognises that strong and resilient communities are fundamental to sustainable economic growth. Through carefully designed initiatives, we aim to empower individuals, support local businesses, and provide relief during times of crisis. Our strategic community investments align with national priorities, addressing gaps in education, financial literacy, disaster relief, and environmental conservation.

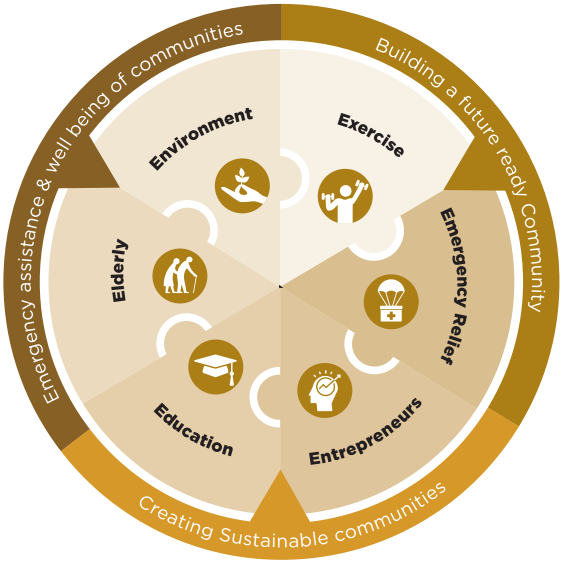
At DFCC Bank, community engagement is deeply embedded in our corporate ethos. We go beyond traditional CSR to ensure that sustainability is woven into our operations, driving long-term well-being for the communities we serve. Our commitment is built upon our industry leadership, professionalism, expertise, and our forward-thinking approach to innovation and digitalisation. The Bank's leadership remains steadfast in delivering value to the communities we serve, as exemplified by the diverse initiatives we undertook in 2024.

CSR PROJECT MANAGEMENT PROCESS

Our CSR Project Identification process ensures that community needs are accurately assessed and addressed. By actively engaging stakeholders and maintaining transparency, we identify projects that create meaningful impact. This structured approach also serves as a grievance resolution mechanism, allowing us to address community concerns effectively while ensuring inclusive and sustainable development.

CSR PROJECT MANAGEMENT MECHANISM

Project identification (Community needs/ grievances)	• Sustainability Department, 6E Champions, Sustainability Champions, Branches/ Departments, Other Stakeholders
Project idea evaluation/project designing	• Sustainability Department, 6E Champions
Project screening/ strategic direction	• Executive Sustainability Management Committee
Project implementation	• Sustainability Department, Regional Offices, Branches/ Departments
Project monitoring and record keeping	• Sustainability Department



GUIDANCE AND GOVERNANCE IN CSR ENGAGEMENTS

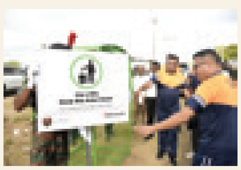
Under the guidance of the Board of Directors, the Environmental and Social Management Committee (ESMC) is entrusted with the overall responsibility for exploring, implementing, and overseeing CSR initiatives within the framework of our sustainability strategy. This ensures that our activities deliver meaningful value to the communities we serve, aligning with our long-term commitment to social responsibility.

COLLABORATION: A PILLAR OF DFCC BANK'S SUSTAINABILITY FRAMEWORK

Collaboration is fundamental to DFCC Bank's sustainability strategy. We actively seek partnerships with organisations and entities that share our vision for community development, amplifying our collective impact. Moreover, we encourage our employees to play an active role in CSR initiatives, leveraging their skills and time, to contribute to creating a broader, positive social impact across the communities we support.

DFCC Bank is proud to announce its partnership with the Courage Compassion Commitment (CCC) Foundation as the official banking partner and gold sponsor of the 1333 Bikeathon "Ride to Save Lives" campaign 2024. This powerful initiative, which is targeted at suicide awareness and prevention, commenced on 29 August from Independence Square in Colombo. Riders completed a 13-day, 1,333 – kilometre journey across Sri Lanka, aiming to raise awareness for the 1333 toll-free crisis support hotline, and generate crucial funds to sustain and expand its operations.

In a strong display of support for its communities, DFCC Bank staff from its extensive branch network joined the campaign by participating in the ride, walk, and awareness sessions at various locations, embodying the Bank's dedication to the cause. The journey concluded on 10 September in Colombo, coinciding with World Suicide Prevention Day.



DFCC partnered with the Sri Lanka Army (512 Infantry Brigade) for the Jaffna Lagoon Conservation Initiative, coinciding with the 75th Army Day celebrations. As part of this celebration, signboards were installed around the lagoon to raise awareness of the importance of preserving this important eco-system.

DFCC Bank partnered with the University of Colombo, Department of Finance for the Enterprise Based Project (EBP) Fair, empowering third-year students to showcase innovative products and services. DFCC Bank sponsored the Best Green Product award which highlights its continued support to uplift youth to adopt sustainable practices.

CSR ACTIVITIES IN 2024

DFCC Bank has implemented a series of impactful projects across various thematic areas.

KIRI WYAWASABHIMAN

A unique product has been designed to empower small-scale dairy farmers by integrating both financial and technical support, aimed at enhancing productivity across the dairy value chain across the country. This features a unique loyalty card for dairy entrepreneurs, offering access to DFCC Bank's products at concessionary rates, supported by a dedicated fund. Partnerships with leading dairy sector companies provide loyalty cardholders with exclusive discounts on essential dairy-related equipment, machinery, and pharmaceuticals. The integrated approach exemplifies the commitment to rural economic development and sustainable growth.

Impact

2 Programmes

Community Outreach
70+ dairy farmers

Geographical reach
Homagama, Pannala

WYAPARA SAHAYA

The programme is an initiative to enhance the entrepreneurship knowledge and skills of aspiring entrepreneurs. It entails extensive discussions and demonstrations of various aspects of entrepreneurship development, including dealing with challenges and being innovative.

Impact

3 Programmes

Community Outreach
260+ entrepreneurs

Geographical reach
Badulla , Kandy, Kuliyapitiya

WYAPARA HAMUWA BOOTCAMP

DFCC Bank proudly hosted its inaugural symposium in November 2024, at the DFCC Bank Visionarium, empowering previously trained entrepreneurs with advanced business insights. Intensive sessions were conducted covering key areas such as business opportunity identification, marketing strategies, financial essentials, and forecasting. The event also featured a mini fair promoting the "buy local" concept, where participants showcased their products. DFCC Bank head office staff actively supported the entrepreneurs, reinforcing the Bank's commitment to sustainable development and community empowerment.

Impact

1 Programme

Community Outreach
25+ entrepreneurs

Geographical reach
Islandwide

DFCC *THIRASARA ATHWELA*

The *Thirasara Athwela* Entrepreneurship Development Workshop was launched as part of DFCC Bank's sustainability initiatives to foster entrepreneurship. Designed to equip aspiring entrepreneurs with practical insights, tools, and strategies, the programme promotes sustainable business development while encouraging innovation and tackling key challenges.

The inaugural workshop successfully engaged students pursuing their Higher Diploma in Entrepreneurship and Small Business Management (HDESBM), blending academic knowledge with real-world expertise to nurture the next generation of business leaders.

Impact

1 Programme

Community Outreach
60+ students and entrepreneurs

Geographical reach
Islandwide

Partnership with CCC for 1333 Bikeathon – "Ride to Save Lives"

DFCC Bank partnered with "Courage, Compassion, Commitment" – "CCC" Foundation to support the 1333 Bikeathon 2024 programme, a campaign focused on raising awareness and funds for mental health and suicide prevention. This initiative highlights DFCC Bank's commitment to fostering emotional well-being and building a supportive society.

While sponsoring the event as the official banking partner, the Bank staff actively participated in many of the sub events consisting of rides, awareness campaigns and a walk.

Impact

Community Outreach
2,500+ people

Geographical reach
Islandwide

Events

Three rides: Independence Square to Ratmalana on Day 1, Peradeniya to Kandy on Day 2, Bentota to Ratmalana to Independence Square on Day 13

One walk: Galle Face Green to Independence Square on Day 13

Town awareness campaigns to promote CCC line operations:
In Kandy on Day 2, in Anuradhapura on Day 4, in Vavuniya on Day

SCHOLARSHIP PROGRAMME TO ASSIST VICTIMS OF EASTER ATTACK

This scholarship programme supports students affected by the tragic Easter Sunday attacks, offering them financial aid to continue their studies, until they complete their secondary education.

DFCC Bank remains committed to standing with these families during their time of need, ensuring the next generation is not deprived of opportunities.

Impact

Beneficiaries
09 Students

Geographical reach
Negombo

DFCC FLOURISH BEYOND

DFCC Bank's Flourish Beyond programme carried out in collaboration with the Sri Lanka Association of Geriatric Medicine supports senior citizens in enhancing their cognitive and overall well-being during their transition into later life. Focused on promoting physical and mental wellness, the initiative raises awareness on reducing the risk of dementia and addressing challenges such as social isolation and reduced independence.

In 2024, the programme continued its impact, offering motivational support, interactive sessions, and resources to help seniors embrace this new phase with confidence.

Impact

2 Programmes

Community Outreach
250+ people

Geographical reach
Kandy, Galle

DFCC-CARITAS SEDEC SCHOLARSHIP PROGRAMME

In partnership with CARITAS Sri Lanka – SEDEC, DFCC Bank offered scholarships to underprivileged students, providing them with financial support for their secondary and tertiary education. The scheme ensures that no discrimination is made between religion, region or ethnicity. Special preference is given to children with disabilities.

The programme aims to break the cycle of poverty by ensuring access to quality education and opportunities for academic excellence.

Impact

Beneficiaries
197 students throughout the year

Geographical reach
Ampara, Anuradhapura, Kurunegala, Badulla, Colombo, Galle, Gampaha, Hambanthota, Kalutara, Kandy, Kegalle, Killinochchi

DFCC *SAMATA* ENGLISH

This is the programme's sixth year. The social support initiative, is a collaboration with Gateway Language Centre, and is carried out free of charge.

The course, which was held in Matara, ran for a duration of four months. The course focused on developing key skills such as communication, grammar, listening, reading, and writing. Tailored to job-market needs, the programme used activity-based education, incorporating soft skills like teamwork, time management, interview preparation, and conflict resolution.

Impact

Beneficiaries
27 Students

Geographical reach
Matara

DFCC COMMUNITY KITCHEN

Launched in 2022 during the economic crisis, the DFCC Community Kitchen initiative focuses on addressing food insecurity in underserved communities. This programme aligns with DFCC Bank's commitment to alleviating poverty and enhancing community well-being, by fostering a culture of care and compassion.

By providing nutritious, freshly prepared meals to individuals, children and families in need, the programme strengthens community resilience, while fostering a culture of compassion and care.

Several of the kitchens conducted catered to the underserved (disable persons and indigenous) community.

Impact

12 Programmes

Beneficiaries
3,000+ persons

Geographical reach
Kegalle, Colombo, Anuradhapura, Kurunegala, Gampaha, Ratnapura, Galle, Batticaloa, Vavuniya and Kalutara

SCHOOL SUPPORT THROUGH COMMUNITY KITCHENS

In addition to providing meals, DFCC Bank's programme also focused on promoting healthy living, tree planting, and seed distribution. It further supported the school by providing essential supplies based on specific needs, such as girl guide uniforms, a smart TV for lessons, a sound/speaker system for assemblies, books for the library, model paper sets for Grade 5 students, printed handouts, painting the main school hall, stationery packs, ceiling sheets for smart classrooms, and sports equipment.

Impact

12 Programmes

Beneficiaries
12 schools

DFCC BANK EMERGENCY RELIEF

Programme offers immediate assistance to communities affected by floods and other natural disasters. The Bank provides essential supplies such as food, water, clothing, and financial support to help families recover and rebuild their lives.

Impact

12 Programmes

Beneficiaries
560+ Families

Geographical reach
Akuressa, Athuraliya, Kuruwita, Chilaw

COLOUR GUIDE TO THE IMPACT MENTIONED IN THE ABOVE TABLE

- Provide support when it matters most
- Contribute to overall environmental health and resilience, offering long-term benefits to both ecosystems and communities
- Mitigating climate change while enhancing resilience to its impacts
- Strengthening stakeholder relationships and building lasting bonds with the Bank
- Leveraging learning as a catalyst for socio-economic development
- Nourishing young minds for a healthier, brighter future
- Promote self-care awareness and encourage timely intervention when needed
- Fostering excellent community engagement
- Encouraging outdoor activities for better health and well-being
- Driving positive change through entrepreneur awareness programmes, empowering innovation and growth
- Enhance employee involvement and participation

CSR VALUE DELIVERY

Through these initiatives, DFCC Bank continues to play a vital role in the social and economic upliftment of communities, reinforcing its commitment to responsible and impactful corporate citizenship.

Value to the Community	Value to the Bank	Value to the Nation
• Gain knowledge and skills from banking industry experts • Build resilient communities • Eradicate inequality • Support emergency relief measures • Create awareness on environmental conservation	• Build brand value and visibility • Align products and services efficiently • Create a pool of future stakeholders	• Contribute towards Agenda 2030 • Build a future-ready workforce with job-market skills • Drive education and upskilling for economic growth

THE STORY OF NETH CASHEW PRODUCTS

Since 2010, Mr Eranga Balasooriya has been growing his cashew business with dedication, overcoming the challenges in manual processing and supply chain inefficiencies. Recognising his potential, the Bank stepped into support his growth, providing a machine, which significantly improved efficiencies.

Building on this success, the Bank empowered Mr Balasooriya recently with a refinance facility, enabling him to invest in advanced machinery and scale up production to 2,000 kg per month.

Now, with aspirations to further expand his business, he continues to thrive with the Bank's unwavering support. His journey highlights the vital role of financial institutions in transforming small businesses, fostering growth, and creating lasting economic impact.

CORPORATE GOVERNANCE

GRI 2-9, 2-22

CHAIRMAN'S STATEMENT

I am pleased to present the Bank's Corporate Governance report on behalf of our Board. The report includes details of how governance underpins and supports our business and the decisions made to deliver our strategy and create long-term value for our shareholders.

The Bank believes that corporate governance remains to be a dynamic concept with a framework of rules, systems and processes adopted by the organisation. Good governance facilitates effective management and enables the Bank to maintain a high level of business ethics. The Board sets the example for employees of the Bank by implementing the highest standards of business ethics and corporate governance. The Bank subscribes to the philosophy of exercising a zero-tolerance policy towards bribery and corruption and expects all staff members to comply with the relevant laws, regulations and guidelines in place to prevent bribery and corruption. The Bank is committed to initiate stern action against any staff member for any breach, irrespective of his/her position or experience, under the covenants of the Bank's disciplinary policy.

The high standards of corporate governance continue to be a key priority for the Board. Corporate governance practices of the Bank are in accordance with the Bank's Board approved Corporate Governance Charter. The Bank's existing corporate governance framework mandates the responsibilities and duties of the Board and the Management to the shareholders and other stakeholders towards the promotion of a strong corporate governance culture. The Bank's corporate governance framework is well-structured and is supported by a strong focus on integrity, accountability, transparency in the manner of doing business, and clear and timely communication.

Our commitment to strong corporate governance and ethical practices remain unwavering.

We continually review the framework within which we operate and the processes implemented, to ensure that they reflect the complexities of our business and meet the needs of our stakeholders. The Board understands the benefits of annual performance evaluations, both for Directors on an individual basis as well as for the Board as a whole and looks for ways in which it can improve and develop.

We firmly believe that Board independence is essential to bring objectivity and transparency in the Management and in the dealings of the Bank. As at the end of the year, the majority of our Board members – seven out of nine, are independent members. An Independent Director functions as the Chairperson of Audit, Nomination and Governance, Integrated Risk Management, Human Resources and Remuneration, and Related Party Transactions Review Committees.

The Bank achieved a groundbreaking milestone with the issuance of Sri Lanka's first-ever Green Bond, which is listed on the Colombo Stock Exchange (CSE). This pioneering initiative marked a significant step in advancing sustainable financing in the country. Building on this success, we took another bold step by listing the bond on the Securities Official List (SOL) of the Luxembourg Stock Exchange (LuxSE), making it the first Sri Lankan bond to achieve a dual listing. This dual listing underscores our commitment to global sustainability standards and expanding access to international capital markets.

As we look towards the future, community engagement holds a special place in our hearts. We are committed to expanding our initiatives and social responsibility programmes over the coming year, contributing positively to the communities we serve.

I confirm to the best of my knowledge that there were no material violations of any of the provisions of the directions of the Central Bank of Sri Lanka, other applicable laws and regulations, codes of conduct, and other related policies and procedures of the Bank.

J Durairatnam
Chairman
19 February 2025

MANDATE OF THE BOARD

The Board is responsible for the Bank's system of corporate governance and is committed to maintaining high standards and to developing governance arrangements to comply with best practices. Ultimate responsibility for the management of the Bank rests with the Board of Directors. The Board focuses primarily upon strategic and policy issues and is responsible for the Bank's long-term success. It sets the Bank's strategy, oversees the allocation of resources and monitors the performance of the Bank. It is also responsible for effective risk assessment and management. The Board has a formal schedule of matters reserved to it and delegates certain matters to its committees. Board meetings are held ordinarily on twelve scheduled occasions during any given year, as well as holding ad hoc meetings to consider non-routine business, if required.

The interactions in the governance process are shown in the schematic below:

THE BOARD

Responsible for strategy, risk management, succession planning, and policy issues. Sets the tone, values and culture of the Bank. Monitors the Bank's progress against the set targets.

CHIEF EXECUTIVE

Develops strategy for approval of the Board. Directs, monitors, and maintains the operational performance of the Bank. Responsible for application of policies and implementation of strategy. Accountable for the Bank's performance.

NON-EXECUTIVE DIRECTORS

Exercise a strong independent voice, challenging and supporting the Executive Director. Scrutinise performance against objectives and monitor financial reporting. Monitor and oversee risks and controls, determine Executive Director, and Key Management Personnel (KMP) remuneration and manage Board and KMP succession through their committee responsibilities.

CHAIRMAN

Provides leadership and guidance to the Board promoting high standards of corporate governance. He is the link between the Executive and Non-Executive Directors.

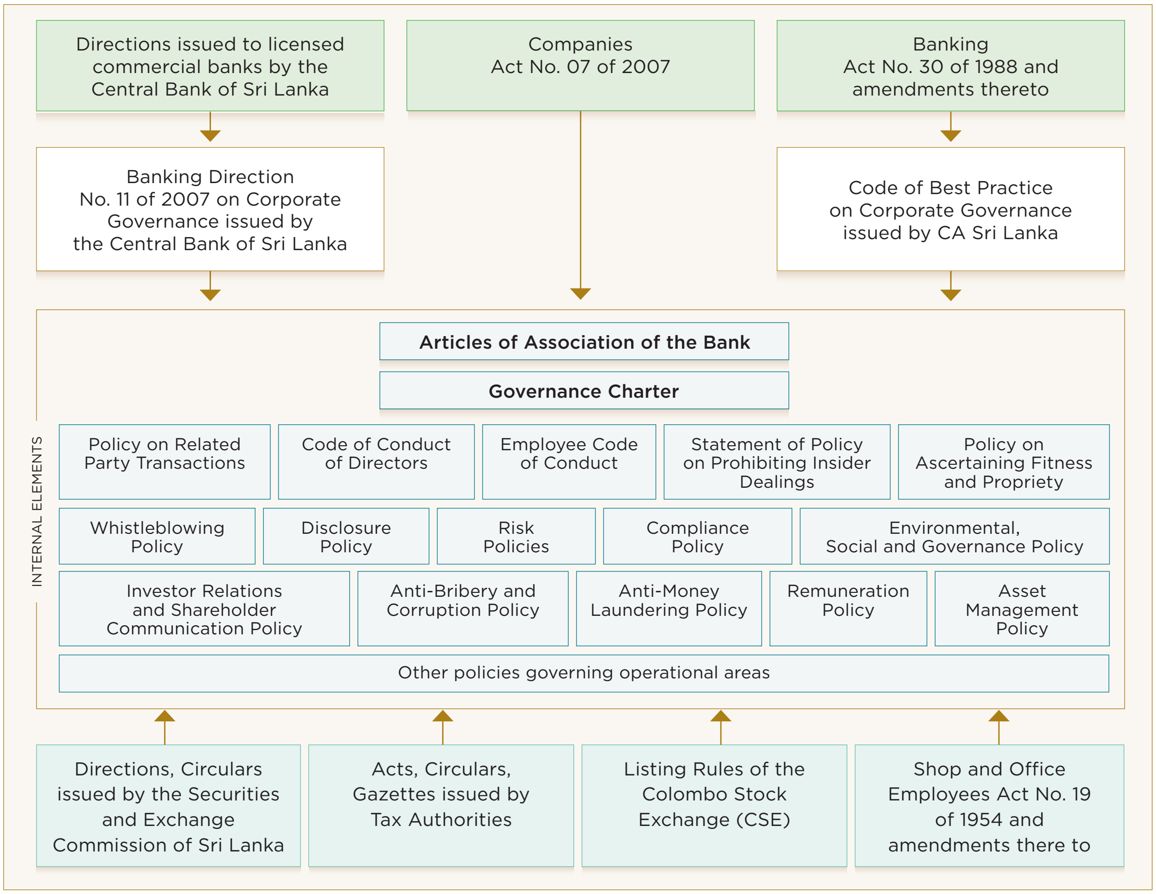
COMPANY SECRETARY

Advises the Chairman on Governance, together with updates on regulatory and compliance matters. Supports the Board agenda with clear information flow. Acts as link between the Board and its Committees and between Non-Executive Directors and the Senior Management.

GOVERNANCE FRAMEWORK OF THE BANK

GRI 2-23, 2-24

Main elements which encompass the governance framework of the Bank are depicted below:



The list of Policies governing Corporate Governance practices of the Bank can be accessed via the link https://www.dfcc.lk/company-policies/. These policies are reviewed periodically and changes are introduced as and when required.

Bank is in full compliance with the requirements of the Policy described in Section 9.5.1 of the CSE Listing Rules governing matters relating to the Board of Directors.

The Chairman has assigned the CEO to maintain a dialogue with institutional investors and to bring any matters of concern raised by shareholders to the notice of the Board.

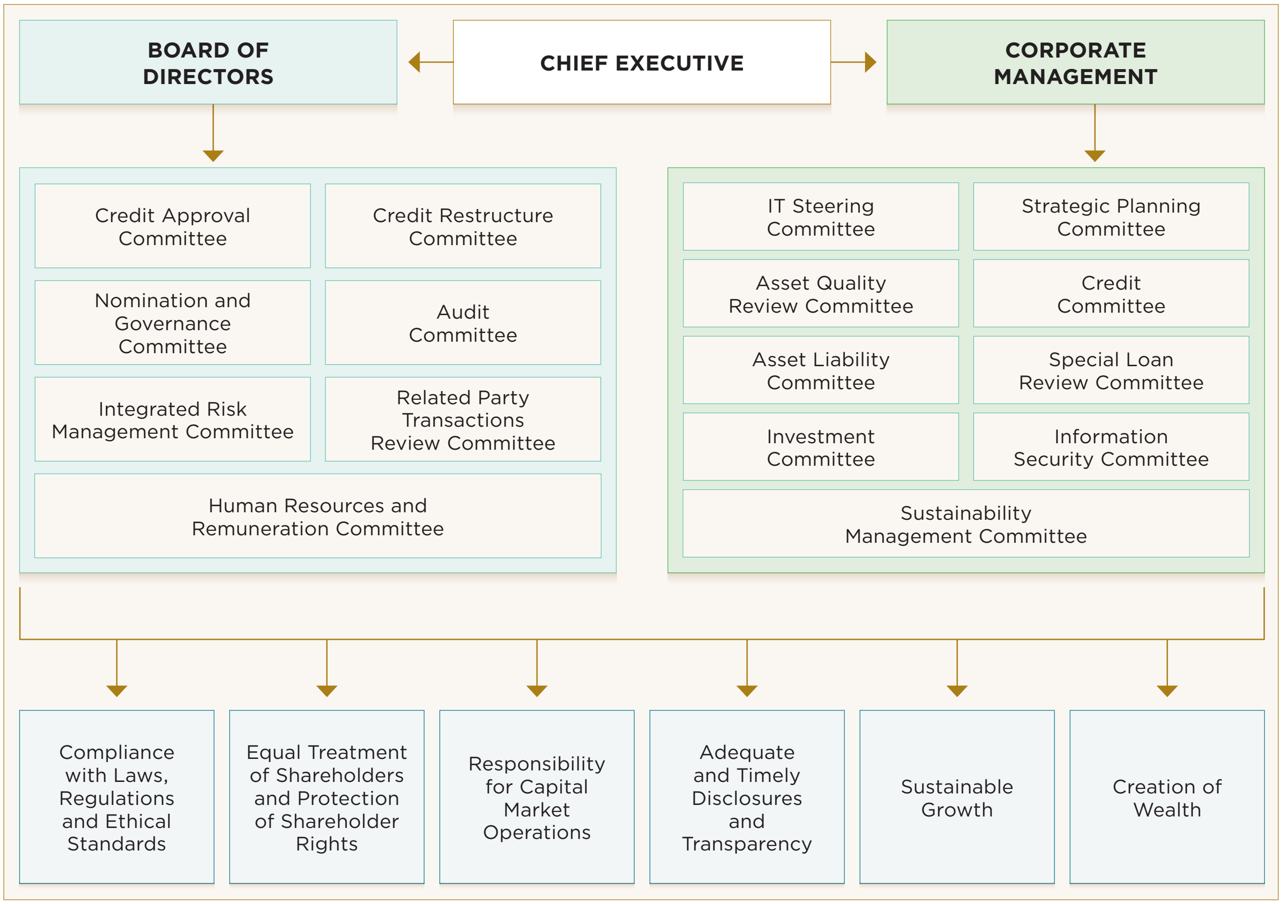
Good corporate governance is a mechanism that harmonises the interests of a wide range of stakeholders of an institution, while contributing to sustainable growth by attracting outside sources of capital. The Bank practices high standards of corporate governance based on the Organisation of Economic Cooperation and Development (OECD) principles of good governance.

OECD principles of good governance are based on the following six guidelines:

- Promoting transparency, being consistent with laws, and clearly articulating division of responsibilities
- Protecting and facilitating the exercise of shareholder rights, ensuring equitable treatment of all shareholders and recognising the rights of stakeholders in creating wealth
- Exercising due diligence and responsibility in capital market operations
- Timely and accurate disclosure on all material matters regarding the Bank, including financial situation, performance, ownership, and governance
- Sustainability and Resilience
- By way of an effective Governance Framework, ensuring the strategic guidance of the Bank, effective monitoring of management of the Board, and the Board's accountability to the Bank and its shareholders

The key corporate governance practices of the Bank are given in this Report with specific disclosures relating to the status of compliance with the mandatory requirements of Direction No. 11 of 2007 of the Central Bank of Sri Lanka (as amended). In addition to the requirements of the Central Bank Direction, the corporate governance rules applicable to listed entities given in Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE) are also applicable to the Bank. The Bank is in full compliance with the said CSE Rules on Corporate Governance.

DFCC BANK'S GOALS OF GOOD CORPORATE GOVERNANCE



BOARD CULTURE

GRI 205-1

Directors are encouraged to be open and forthright in their approach, with active debate encouraged during Board meetings before any decisions are taken. We believe this helps to forge strong and open working relationships while enabling our Directors to engage fully with the Bank and allowing them to make their best possible contribution.

BOARD REFRESHMENT

Periodically, the Board welcomes fresh talent due to retirement, resignation or any other exigency that prompts the exit of a current Director. Such new appointments infuse new talent and fresh ways of thinking, that is required for a business that is sustainable.

BOARD MEMBERS ACCESS TO INFORMATION

Directors receive the Board Circulars well before the date of the Board Meeting. In addition, the Directors may request any further information or expert advice as they deem necessary to make clear and informed decisions as necessary. On appointment, Directors are provided with an orientation covering the key areas of the Bank.

CONDUCT AND ETHICAL FRAMEWORK

GRI 2-23, 2-24, 2-25, 2-26

The Bank's framework for ethical conduct based on transparency and integrity with strict adherence to laid down policies and procedures is non-negotiable. This area is governed by several key policies and procedures.

The Board	The Employees
The Code of Conduct for Directors adopted by the Bank to which the Directors are expected to abide by, encompasses the following: • Compliance with laws, rules, and regulations • Avoidance of conflicts of interest • Maintenance of confidentiality of information • Fair dealing with stakeholders • Protection of the Bank's assets	Employee behaviour is governed by a separate Code of Conduct including other policies and procedures such as the Anti-Bribery and Corruption Policy, Disciplinary Code, Statement of Policy on Prohibiting Insider Trading, Whistleblowing Policy, Anti-Money Laundering Policy, Compliance Policy, Disclosure Policy, etc.

WHISTLE-BLOWING POLICY

GRI 2-16

This is a vital mechanism for employees to report misconduct, fraud, or unethical practices within the Bank. The policy establishes a confidential tool for the employees to escalate concerns that can potentially harm the Bank's reputation or jeopardize the health and safety of employees, without fear of reprisal.

The Bank assures the whistleblower's confidentiality and pledges to shield them from reprisals. An investigation will be carried out on any matters brought to notice, and if required, steps will be taken to rectify the issue.

ANTI-BRIBERY AND CORRUPTION POLICY

The Bank opposes all forms of bribery and corruption. The Anti-Bribery and Corruption Policy governs the Bank's Anti-Bribery and Corruption Framework, overseen by the Fraud Risk Management Committee (FRMC). This process ensures the Bank's strict compliance with local laws that safeguard its reputation and standing with the regulators.

The ethos of the policy are applicable to all i.e. Directors, employees, and authorised representatives, prohibiting engagements with individuals or entities associated with or vulnerable to bribery and corruption. The FRMC conducts routine policy assessments, using audits, compliance checks, and HR assessments to ensure alignment with the Bank's steadfast stance of zero tolerance towards bribery and corruption. The Employee Handbook also outlines employee conduct guidelines, including bribery and corruption regulations.

GIFTS AND INDUCEMENTS

Accepting gifts and inducements can compromise objectivity, leading to biased decision-making or preferential treatment. It undermines trust, potentially damaging the Bank's reputation and credibility, and violate ethical standards. Declining gifts and inducements ensures ethical conduct, preserves professionalism, and upholds the Bank's integrity, fostering a culture of transparency, fairness, and trustworthiness.

In terms of the Employee Code of Conduct, employees are prohibited from seeking or receiving gifts and incentives from customers and other third parties involved in the Bank's business, except for nominal token gifts associated with celebratory occasions.

ANTI-MONEY LAUNDERING POLICY

In the current digitised financial landscape where high value transactions move across accounts and financial markets, money laundering is an ever present threat. DFCC Bank's Anti-Money Laundering Policy stringently applies the regulatory requirements to ensure the Bank is not used by unscrupulous individuals to launder money, or to utilise funds for illegal purposes.

Staff training is conducted to ensure this is fully ingrained for compliance and a separate department is responsible for ensuring the Bank's policy and procedure stay current, with local and global standards.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

GRI 2-12, 2-13, 2-14, 2-17

The Board ensures that Environmental, Social, and Governance (ESG) factors are systematically integrated into the Bank's strategic decision-making processes. The Board's ESG oversight encompasses:

- Strategic Alignment – Embedding sustainability into the Bank's corporate strategy to ensure long-term business resilience.
- Risk Management – Identifying, assessing, and mitigating sustainability and climate related risks to safeguard the Bank's financial and operational stability.
- Regulatory Compliance and Ethical Standards – Ensuring adherence to regulations and encouraging the adoption of industry best practices and ESG related disclosure requirements.
- Stakeholder Engagement – Engaging with stakeholders, including regulators, multilateral organisations and industry associations, investors, customers, and employees, to align ESG initiatives with social and environmental expectations.
- Innovation for Sustainable Finance – Encouraging financial solutions that promote environmental conservation, social well-being, and responsible business practices.
- Social Responsibility and Impact – Implementing initiatives that drive sustainable socio-economic development which positively contribute to communities and the environment.

To enhance the Board's ability to oversee sustainability matters effectively, Board members participate in ESG and sustainability-related training, knowledge-sharing sessions, and awareness programmes organised by the Bank. These initiatives ensure that the Board collectively builds expertise, stays informed of emerging ESG trends, and strengthens its role in guiding the Bank's sustainability strategy.

The Board of Directors provides strategic oversight on ESG and sustainability matters through the Executive Sustainability Management Committee (ESMC), chaired by the Chief Executive Officer (CEO). This committee plays a pivotal role in driving the Bank's sustainability agenda, ensuring ESG integration into business operations, and monitoring the implementation of sustainability initiatives.

The Board ensures the implementation of the Bank's Environmental and Social Management System (ESMS) through the Management Credit Committee, to ensure due diligence in managing social, economic and environmental topics.

ESG and sustainability related information is disclosed in the following section of this report:

- Our Commitment to Sustainability on pages 54 to 58
- Environmental and Social Reports on pages 84 to 129
- Stakeholder and Materiality Reports on pages 63 to 76

Through these structured governance mechanisms, DFCC Bank reinforces its commitment to responsible banking, sustainable development, and compliance with corporate governance expectations, ensuring long-term value creation for all stakeholders.

INTERNAL CONTROL

The Board is also responsible for ensuring that management maintains a system of internal control that provides assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations. In carrying out this responsibility, the Board has regard to what is appropriate for the Bank's business and reputation, the materiality of the financial and the relative costs and benefits of implementing specific controls. The Board is also the decision-making body for all other matters of such importance as to be of significance to the Bank as a whole because of their strategic, financial or reputational implications or consequences. There is a formal schedule of matters reserved for the Board's decision. Our risk management process identifies the key risks facing each business and reports to the Board on how those risks are being managed. Such a system of internal control can only be designed to manage, rather than eliminate risk of failure, to achieve business objectives, and can provide reasonable, but not absolute assurance against material misstatement and loss. The Board has a process for identifying, evaluating and managing the risks we face. That process is continual and has been in place for the year under review up to and including the date of this report.

Further aspects that impact the internal control framework of the Bank are covered under Integrated Risk Management on pages 160 to 185.

BOARD HIGHLIGHTS 2024

- Decided to issue up to 25 million senior, listed, rated, unsecured, redeemable green bonds each at an issue price (par value) of LKR 100/-, with a term of up to 3 years
- Approved the payment of a dividend of LKR 5/- per share (scrip and cash) for 2023
- Approved the business plan for 2024
- Approved the appointment of a Director
- Approved the structure & operating model of Retail Banking & SME
- Approved the set up of an Islamic Banking Unit
- Reviewed staff benefit schemes
- Approved a programmes to be conducted on Executive Leadership Development
- Revised the Terms of Reference of Board Committees
- Reviewed all major policies.
- Reviewed and endorsed the KPIs of Key Management Personnel
- Approved the Environment, Social and Governance (ESG) Policy
- Approved the Asset Management Policy
- Approved the Investor Relations and Stakeholder Communication Policy
- Approved the appointment of Deputy Chief Executive Officer
- Approved the establishment of a branch at Colombo Port City
- Approved the listing of the DFCC Bank's Green Bond in the Luxembourg Stock Exchange
- Decided to conduct an Employee Satisfaction Survey with Great Places to Work in Sri Lanka
- Approved to enter into the Accreditation Master Agreement with the Green Climate Fund.

PERMANENT BOARD COMMITTEES AS AT 31 DECEMBER 2024

The Credit Restructure Committee approves papers by circulation

Attendance of Directors at meetings – 2024							
Name of Director	Main Board	Audit Committee	Human Resources and Remuneration Committee	Nomination and Governance Committee	Integrated Risk Management Committee	Credit Approval Committee	Related Party Transactions Review Committee
Total number of meetings	12	9	6	7	6	12	12
W D Batagoda	12/12		6/6				
J Durairatnam	12/12		6/6	7/7		12/12	12/12
Ms L K A H Fernando	12/12	9/9			4/5		
W R H Fernando	12/12	3/3		7/7	5/6		
Ms H M N S Gunawardana	7/7	6/6	5/5				
P A Jayatunga	2/2				1/1		
N K G K Nemmawatta	12/12					12/12	12/12
N H T I Perera	12/12				5/5		11/11
Ms V J Senaratne	6/6			2/2	2/3		
Ms A L Thambiayah	10/12		6/6			11/12	10/11
N Vasantha Kumar	12/12			7/7	6/6		
H A J de S Wijeyeratne	12/12	9/9					

*Attended/eligible to attend

SHAREHOLDER RIGHTS

The basic rights of shareholders include;

a. The ability to transfer shares freely
b. To have access to financial and other relevant information about the entity on a regular and timely basis
c. The ability to effectively participate in shareholder meetings
d. Appoint Directors and Auditors
e. Equitable treatment relating to the type of shares owned.

The shares of the Bank are freely transferable through the Colombo Stock Exchange (CSE) but subject to limitations stated in the Articles of Association of the Bank and the Banking Act.

The Board approved Investor Relations and Shareholder Communication Policy ensures that information relating to the financial performance and the progress of the Bank is made available to shareholders through timely disclosures made to the CSE.

During the year, shareholders were notified through announcements made to the CSE, of quarterly results, dividend declaration for 2023, Annual Financial Statements for 2023, Interim Financial Statements for 2024, appointment of a new Director, date of the Annual General Meeting in 2024, Debenture Issue, Green Bond Issue etc. The Bank's website has a dedicated area "Investor Relations" for investors, which includes Interim Financial Statements and Annual Reports.

The Annual Report contains a comprehensive review of performance as well as other information of relevance to the other stakeholders apart from reporting on the financial condition of the Bank and the Group. All important information is given publicity through the print and electronic media and posted on the Bank's website.

The Bank has procedures to promptly disseminate price sensitive information and trading in shares by the Directors, to the CSE, as required by the Listing Rules. In instances where this is not possible, the Chief Financial Officer advises closed periods for trading in the Bank's shares by employees and Directors. The Board has formally adopted a Statement of Policy Prohibiting Insider Trading. As a general rule, the period after the end of each quarter up until two market days after the financial information is released, is treated as closed periods. Procedures are in place to detect any violations.

During the year under review, the Bank shared a reasonable portion of its profit for 2023 with shareholders in the form of cash dividend, while retaining the balance funds to support its growth and development. This year, the Bank also distributed part of the dividend as a scrip dividend.

All shareholders of the Bank are treated equally on the basis of one vote per ordinary share. The Bank has not issued any non-voting ordinary shares or preference shares.

SHAREHOLDER MEETINGS

The Annual General Meeting (AGM) of the Bank is normally held within a period of one year from the date of the previous meeting, after giving adequate notice to shareholders as required by the Articles of Association. Accordingly, the AGM was held on 28 March 2024.

The Annual Report and Notice of Meeting are sent to all shareholders in order to enable effective shareholder participation at the meeting. Shareholders have the opportunity to access the Annual Report by way of a web link or obtain a printed document.

Extraordinary General Meetings (EGM) are held to obtain shareholder approval on matters that require such approval.

ANNUAL CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2024 PUBLISHED IN TERMS OF SECTION 3 (1) (XVI) OF THE BANKING ACT DIRECTION NO. 11 OF 2007

GRI 2-12, 2-23, 2-24

Rule	Governance principle	Compliance	Remarks
3.1 Responsibilities of the Board			
3.1 (i)	Safety and soundness of the Bank		
	The Board has strengthened the safety and soundness of the Bank through the implementation of the following:		
	(a) Strategic objectives and corporate values	Compliant	The Bank sets its strategic objectives and goals through the annual business plan, which is approved by the Board. These goals and the corporate values approved by the Board are communicated to the business units and other staff. The corporate values are posted on the intranet and all employees are guided by these values.
	(b) Overall business strategy	Compliant	The Bank's strategic plan was approved by the Board. The Board engages in the strategic planning and control of the Bank by overseeing the formulation of business objectives and targets, assessing risks by engaging qualified and experienced personnel, delegating them with the authority for conducting operational activities and monitoring performance through a formal reporting process. A separate item has been included in the agenda at every Board meeting under the heading "Strategic Discussion", to take up any matter of strategic importance to the Bank. Directors are encouraged to identify and communicate any matter they consider to be of strategic importance. Periodic updates or revisions of the Strategic Plan are considered and formulated as and when needed.
	(c) Principal risks	Compliant	The identification of principal risks, approving of overall risk policy and risk appetite is carried out through the Board Integrated Risk Management Committee and reviewed annually.
	(d) Communication with stakeholders	Compliant	The Board approved Investor Relations and Shareholder Communication Policy ensures that information is made available to shareholders and other stakeholders through timely disclosures made to the Colombo Stock Exchange (CSE) and by publicity through the print and electronic media and posts on the Bank's website. The Bank has an internally developed Code of Conduct for its employees, which is posted on the internal web and is accessible by all employees. The Bank has also adopted a separate Code of Conduct for the Directors.

Rule	Governance principle	Compliance	Remarks
	(e) Bank's internal control and management information systems	Compliant	The Audit Committee assists the Board in reviewing and evaluating the integrity, adequacy, and effectiveness of the internal control system, including management information systems and controls over financial reporting of the Bank. The internal audit carries out periodic reviews to ensure that the internal control systems are functioning as appropriate. The report by the Board of Directors on internal control over financial reporting is given on page 207. The Independent Assurance Report by the External Auditor on the Directors' Statement on Internal Control is given on page 210.
	(f) Key Management Personnel (KMP)	Compliant	The Board has identified and designated its Key Management Personnel.
	(g) Authority and responsibility	Compliant	Areas of authority and key responsibilities of Directors have been set out in the Corporate Governance Charter which has been adopted by the Board. The Board has also identified matters specifically reserved for the Board. The duties and responsibilities of other KMP are formally documented in their job descriptions. Delegation of authority levels for KMP has also been clearly specified in Board approved circulars.
	(h) Oversight of the affairs of the Bank by KMP	Compliant	Oversight is exercised through Board Committees, reporting to the Board as appropriate. Policies and decisions of the Board requiring appropriate follow up are communicated by the Board Secretary to the relevant KMP. Minutes of relevant management committee meetings headed by the Chief Executive Officer (CEO) are submitted to the Board for information. KMP are called upon to clarify matters and make presentations on matters within their purview at the monthly Board meetings.
	(i) Board's own governance practices	Compliant	An annual self-assessment is carried out on a structured format where the Directors submit their individual responses direct to the Board Secretary. The responses are collated by the Board Secretary and submitted to the Board. The effectiveness of the Board's own governance practices is reviewed by the Board, and areas for improvement are discussed for necessary action. During this year too, in addition to the assessments carried out by the individual members, the Nomination and Governance Committee, based on a separate checklist, carried out an evaluation of the Board, and the results were shared with the other members of the Board, and an opportunity was provided to them to comment on the findings of the Committee.
	(j) Succession plan for KMP	Compliant	The Bank has in place a succession plan for Key Management Personnel which is reviewed annually by the Nomination and Governance Committee and approved by the Board.

GRI 2-11

Rule	Governance principle	Compliance	Remarks
	(k) Regular meetings with KMP to monitor progress	Compliant	Meetings are attended by relevant executives when required. Additional information sought by Directors on papers submitted to the Board is clarified by the respective officers. The Board has free access to Senior Management. During the year, the Board reviewed the performance in order to monitor progress against the business plan. These presentations provided an opportunity for the Board members to interact with the Senior Management to clarify reasons for variations against the budget and to suggest corrective action.
	(l) Regulatory environment	Compliant	The Board Secretary/Compliance Officer provides all regulatory information required to the Board members. The CEO briefs the Board on specific issues. Senior Management maintains continuous dialogue with the regulator to ensure an effective relationship. During the year, the Board was appraised of the changes introduced by the Banking Act Directions on Corporate Governance.
	(m) Due diligence in hiring and oversight of External Auditor	Compliant	The primary responsibility for making recommendations on the appointment of the External Auditor rests with the Audit Committee. A formal policy approved by the Board on engagement of External Auditor to perform non-audit services is in place.
3.1 (ii)	Appointment and segregation of the roles of the Chairman and CEO	Compliant	The Board elects the Chairman and appoints the CEO. While the Chairman provides leadership to the direction, oversight, and control process exercised by the Board, the CEO is responsible for the management of the Bank.
3.1 (iii)	Board meetings	Compliant	The Board held twelve Board meetings during the year. The Directors actively participated in the Board's decision-making process as evident from the Board minutes. Seeking approval of the Board by circulation was done only in exceptional circumstances due to urgency.
3.1 (iv)	The Board to ensure that arrangements are in place for Directors to include items and proposals in the agenda of Board meetings	Compliant	Whenever the Directors suggest topics for consideration at the Board meetings, they are included in the agenda under "open discussion", which is an integral part of every Board meeting, and other supporting data, reports, documents, etc. relevant for the subject matter are circulated among the Directors for information.
3.1 (v)	Notice of Board meetings – at least seven days' notice of regular meetings and reasonable notice of other meetings to be given	Compliant	Dates for the regular monthly Board meetings are agreed by the Directors at the start of each year, and any changes to dates of scheduled meetings are decided well in advance. The Board Circulars and other documents pertaining to meetings are made available well in advance to enable the Directors to participate in deliberations.

GRI 2-15

Rule	Governance principle	Compliance	Remarks
3.1 (vi)	Attendance at Board meetings	Compliant	All Directors attended more than two-thirds of Board meetings and no Director was absent for three or more consecutive meetings. Attendance details are given on page 136.
3.1 (vii)	Duties and qualifications of the Company Secretary	Compliant	The Company Secretary possesses the qualifications specified in Section 43 of the Banking Act. The Company Secretary, while performing the secretariat services to the Board and shareholders' meetings, is responsible to the Board in ensuring that Board procedures and applicable rules and regulations are followed. All new Directors are provided with the necessary documentation on Directors' responsibilities and specific banking-related directions/policies that are required to perform their function effectively.
3.1 (viii)	The Directors' access to the Company Secretary	Compliant	All Directors have access to the advice and services of the Company Secretary directly.
3.1 (ix)	The Company Secretary's duty to maintain minutes of Board meetings and ensure the Directors' access to them	Compliant	The Company Secretary compiles the minutes of the Board meetings which are subject to approval of the Board and signed by the Chairman and the Secretary. Copies of minutes are provided and Directors have access to the original minutes at all reasonable times.
3.1 (x)	The form and contents of the minutes of Board meetings	Compliant	The Board minutes are drawn with reference to Board Circulars with sufficient details to indicate the decisions made by the Board of Directors. The information used in making such decisions, the reasons and rationale of making them, and each Director's contribution if considered material is included in the minutes.
3.1 (xi)	Independent professional advice on request for Directors to perform their duties	Compliant	The Board has put in place a procedure where the Directors can obtain Independent professional advice, at the Bank's expense, to perform their duties.
3.1 (xii)	The Directors' avoidance of conflicts of interest	Compliant	The Companies Act No. 07 of 2007 requires Directors who are directly or indirectly interested in contracts or a proposed contract with the Bank to declare the nature of such interest. The Directors have declared their interests in contracts involving the Bank and have not participated in the decision-making.
3.1 (xiii)	Schedule of matters reserved for the decisions of the Board	Compliant	Schedule of matters reserved for the Board has been decided on.
3.1 (xiv)	Reporting insolvency to the Director of Bank Supervision	Compliant	Solvency is a matter constantly monitored by the Treasury Department, Integrated Risk Management Committee, and the Board of Directors. During the year under review, the Bank remained solvent, and no event has or is likely to occur that would make the Bank not able to meet its obligations.
3.1 (xv)	Adequacy of capital	Compliant	The Bank is capitalised above the minimum levels required by the Monetary Board in terms of the capital adequacy and minimum required capital.

Rule	Governance principle	Compliance	Remarks
3.1 (xvi)	Corporate Governance Report	Compliant	The annual Corporate Governance report forms an integral part of the Directors report of the Bank's Annual Report.
3.1 (xvii)	Self-assessment of the Board of Directors	Compliant	The Board has a structured scheme of self-assessment which is carried out annually. The performance of the respective committees is also evaluated by the other members who are not members of the respective committees in order to ensure that they function effectively. The findings are discussed at the Board meetings and action is taken on areas identified for improvement. The performance assessment criteria of the CEO are given in 3.5 (xi).
3.2 (i)	Number of Directors	Compliant	During the year under review, the Board of Directors comprised a minimum of nine and a maximum of eleven Directors.
3.2 (ii)	Period of service of a Director	Compliant	No Director has held the position of a Director of the Bank for more than nine years.
3.2 (iii)	Number of Executive Directors	Compliant	The CEO is the only Executive Director on the Board.
3.2 (iv)	Number of Independent Directors	Compliant	There were seven Independent Directors on the Board at the end of the year under review. The Board has adopted a format of a declaration to be obtained from Non-Executive Directors so that each Director shall independently confirm their status against specific criteria applicable to the ascertainment of independence. As such, all Non-Executive Directors have submitted their declaration in compliance with the Board decision.
3.2 (v)	Alternate Directors to represent Independent Directors	Compliant	Persons who are appointed as alternate Directors to existing Independent Directors of the Board are subject to the same criteria applicable to such Directors. During the year, Independent Directors did not appoint any alternates.
3.2 (vi)	The skills, experience, and track records of Non-Executive Directors	Compliant	Non-Executive Directors who held office had professional backgrounds, strong track records, and high-level managerial experience in banking, business, industry, law, finance, or auditing.
3.2 (vii)	Number of Non-Executive Directors required to form a quorum at Board meetings	Compliant	The Bank has been compliant with this rule at all times as monitored by the Company Secretary.
3.2 (viii)	Disclosure of details of Directors	Compliant	The names and the composition of the Directors by category are disclosed in the Annual Report of the Board of Directors.
3.2 (ix)	Appointments of new Directors	Compliant	Appointments of new Directors are formally evaluated by the Nomination and Governance Committee and recommended to the Board of Directors for approval. One new Director was appointed during the year.

Rule	Governance principle	Compliance	Remarks
3.2 (x)	Appointment of a Director to fill a casual vacancy	Compliant	The Articles of Association of the Bank provides that the Directors appointed by the Board of Directors hold office until the following AGM, at which, they have to be elected by the shareholders.
3.2 (xi)	Resignation or removal of a Director	Compliant	The details of retirement/resignation of Directors from office during the year under review are given in the Directors' Report. There were no matters that needed to be brought to the attention of the shareholders as a consequence of the resignation of Mr W D Batagoda, since he resigned due to the sale of shares. No Director was removed during the year under review.
3.2 (xii)	Appointment of a Director or an employee to another bank	Compliant	No Director or employee of the Bank is a Director of another bank.
3.3 (i)	Maximum age of Directors	Compliant	All Directors who reached the age of 70 have relinquished office.
3.3 (ii)	Holding of Director's position in more than 20 companies in all	Compliant	All Directors comply with this requirement.
3.3 (iii)	Appointment of a Director or a Chief Executive Officer who has held office in another licensed commercial bank, not to be considered before the expiry of a period of 6 months from the date of cessation of his/her office at the licensed bank in Sri Lanka	Compliant	The Company Secretary ensures that all newly appointed Directors comply with this requirement.
3.4 (i)	Delegation arrangements	Compliant	The Board of Directors has delegated authority to the Management subject to specific criteria, limitations, safeguards, and monitoring mechanisms.
3.4 (ii)	Extent of delegation	Compliant	The delegation of authority made by the Board is designed to facilitate efficient management of the affairs of the Bank, and to aid the oversight role exercised by Board, it is not of an extent to hinder the ability of the Board to discharge its functions. The Board retains the authority to expand, curtail, limit, or revoke such delegated authority.
3.4 (iii)	Review of delegation process	Compliant	The delegation process is subject to periodic review by the Board, to ensure that necessary amendments are approved to meet the requirements of the Bank. Material decisions made under delegated authority are reported to the Bank for information.
3.5 (i)	Separation of the roles of the Chairman and CEO	Compliant	The Chairman and the CEO are two separate individuals.
3.5 (ii)	The Chairman to be a Non-Executive Director	Compliant	The Chairman is an Independent Non-Executive Director.

Rule	Governance principle	Compliance	Remarks
3.5 (iii)	Disclosure of relationship between the Chairman, CEO, and other Directors	Compliant	No relationships exist between the current Chairman, the CEO and the other Non-Executive Directors according to the declarations made by them.
3.5 (iv)	Role of the Chairman	Compliant	The Chairman provides leadership to the Board and ensures that the Board discharges its responsibilities effectively. The Chairman encourages members to actively participate and to raise their independent judgement on all key and appropriate issues in a timely manner.
3.5 (v)	Agenda of Board meetings	Compliant	The agenda of each Board meeting is drawn by the Company Secretary under the direction of the CEO and the Chairman, and any matters relevant to the policies and operations of the Bank proposed by other Directors are included in the agenda upon approval by the Chairman.
3.5 (vi)	Providing information to the Directors	Compliant	The Chairman ensures that all Directors are properly briefed on issues which arise at Board meetings and ensures that they receive adequate information in a timely manner. The agenda and all Board papers are circulated electronically to Board members prior to the meeting.
3.5 (vii)	The Board to act in the best interest of the Bank	Compliant	The Chairman encourages exercise of independent judgement by the Directors on matters under consideration by the Board in order that the best interests of the Bank can be assured.
3.5 (viii)	Effective contribution of Non-Executive Directors	Compliant	The Chairman facilitates contributions by the Non-Executive Directors in making decisions. An agenda item has been included which is an integral part of every Board meeting, for a "Discussion among Non-Executive Directors" (without the presence of the Executive Director) so as to enable them to bring up any issue that needs to be highlighted.
3.5 (ix)	The Chairman not to engage in executive functions	Compliant	The Chairman is a Non-Executive Director and does not supervise any management personnel of the Bank directly.
3.5 (x)	Communication with shareholders	Compliant	The Chairman has assigned the CEO to maintain a dialogue with institutional investors and to bring any matters of concern to the notice of the Board. The Investor Relations and Shareholder Communication Policy approved by the Board includes a provision for communication with shareholders.

Rule	Governance principle	Compliance	Remarks
3.5 (xi)	CEO to be in charge of the management of operations and business	Compliant	The CEO is the head of the management team and is in charge of day-to-day management of the Bank's operations and business. At the beginning of each year, the Board discusses the business plan with the CEO and the Senior Management, and agrees on the medium and short-term financial and non-financial targets to be achieved and action plans to be implemented by the Bank. Progress is monitored on an ongoing basis and the assessment of the performance of the Bank is carried out by the Board at the end of each year, based on the initiatives laid down in the business plan.
3.6 (i)	Four Board appointed committees	Compliant	The Board has appointed the four Committees required by the direction. The reports on their duties, performance, and roles are published in the Annual Report.
3.6 (ii)	Board Audit Committee		Please refer page 196.
	(a) Chairman of the Committee	Compliant	During the year under review, the Audit Committee was chaired by an Independent Non-Executive Director who is a qualified Chartered Accountant.
	(b) Composition of the members	Compliant	All members of the Committee are Non-Executive Directors.
	(c) External Auditor	Compliant	The Audit Committee assists the Board in implementing a transparent process in the engagement and remuneration of the External Auditor and assists in the general oversight of financial reporting, internal controls, and compliance with laws, regulations, and codes of conduct. The Committee ensures that the engagement of the audit partner does not exceed five years.
	(d) Independence and effectiveness of the audit process	Compliant	The Committee reviewed the statement issued by the External Auditor pursuant to Section 163 (3) of the Companies Act No. 07 of 2007. The Committee discussed with the External Auditors, the nature and scope of the audit, and the effectiveness of the audit process in respect of the financial year 2024.
	(e) Non-audit services	Compliant	A formal policy approved by the Board on engagement of the External Auditor to perform non-audit services is in place.
	(f) Nature and scope of the external audit	Compliant	The Committee met with the External Auditor to discuss and finalise the scope of the audit to ensure that it is in compliance with guidelines issued by the Central Bank of Sri Lanka.
	(g) Review of financial information of the Bank	Compliant	The Committee reviewed all quarterly unaudited interim Financial Statements and the Financial Statements for the year ended 31 December 2024.
	(h) Meetings with External Auditor	Compliant	The Committee met with the External Auditor on four occasions and at two of those meetings, without the presence of the Management.

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Rule	Governance principle	Compliance	Remarks
	(i) Review of Management Letter	Compliant	The Committee considered the Management Letter issued by the External Auditor for the year ended 31 December 2023 and the Management responses thereto.
	(j) Internal audit function	Compliant	The Committee reviews the adequacy of the internal audit function to ensure that it is in conformity with the Audit Committee Charter. The annual audit plan is approved by the Committee. The plan covers the scope and resource requirements. The annual performance appraisal of the Head of Internal Audit and the Senior Staff Members are reviewed by the Committee. The internal audit function is Independent of the activities it audits and the findings are reported directly to the Audit Committee.
	(k) Internal audit findings	Compliant	The Committee reviewed the internal audit reports and considered the findings, recommendations, and corrective action.
	(l) Attendance of non-audit committee members	Compliant	Vice President, Head of Internal Audit attends all Committee meetings. CEO, DCEO, CFO, other Heads of Units, and the External Auditors attend meetings on invitation. During the year, the Committee met with the External Auditor on two occasions without the presence of the Executive Director.
	(m) Terms of reference	Compliant	The Committee is guided by the Audit Committee Charter.
	(n) Meetings	Compliant	During the financial year ended 31 December 2024, nine meetings were held. Attendance of Committee members is given in the table on page 136.
	(o) Audit Committee activities	Compliant	Please refer Committee report on page 196.
	(p) Secretary	Compliant	Vice President, Head of Internal Audit serves as the Secretary of the Committee.
	(q) Process of raising issues in confidence	Compliant	The Board has adopted a Whistleblowing Policy to encourage employees to communicate legitimate concerns on any illegal or unethical practices. Arrangements are in place to ensure that all employees are duly informed of the effective use of this process.
3.6 (iii)	Board Human Resources and Remuneration Committee		Please refer page 200.
	(a) Remuneration policy	Compliant	A formal remuneration policy approved by the Board is in place.
	(b) Goals and targets for KMP	Compliant	The business plan which is approved by the Board encompasses the annual goals and targets of the CEO and other KMP.

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Rule	Governance principle	Compliance	Remarks
	(c) Review of performance of KMP	Compliant	The Committee annually reviews the performance against the set targets of the CEO and other KMP, and the remuneration levels of the CEO and other KMP, while ensuring appropriate compensation levels are maintained in order to retain and motivate staff.
	(d) CEO's presence	Compliant	The CEO attends meetings and participates in deliberations, except when matters relating to him are discussed.
3.6 (iv)	Board Nomination and Governance Committee		Please refer page 201.
	(a) Appointment of new Directors and KMP	Compliant	During the year, the Committee considered and recommended to the Board, the appointment of a new director and candidates to fill Key Management positions. The Committee has documented the procedure to select and appoint Directors and other KMP.
	(b) Re-election of Directors	Compliant	During the year, the Committee considered and recommended to the Board, the re-election of the Directors retiring under Articles 44 and 46 (ii), while ensuring that they are fit and proper persons to hold such office.
	(c) Criteria relating to appointment of KMP	Compliant	The Committee evaluates the qualifications, experience, and key attributes required for eligibility for appointment of KMP.
	(d) Fit and Proper Test	Compliant	The fitness and propriety of KMP are monitored by the Committee.
	(e) Succession planning	Compliant	The Committee evaluates the need for additional/new expertise to the Board and succession for retiring KMP.
	(f) Composition	Compliant	Please refer page 201.
3.6 (v)	Board Integrated Risk Management Committee (BIRMC)	Compliant	Please refer page 203.
	(a) Composition	Compliant	Please refer page 203.
	(b) Assessment of risk	Compliant	The Committee has put in place a Board approved risk framework. The risk exposures of the Bank are assessed on a monthly basis through a set of Key Risk Indicators. The risk assessment of subsidiaries, joint venture, and the associate is reviewed quarterly.
	(c) Review of adequacy of Management Committees	Compliant	The Committee assesses the effectiveness of all Management Committees annually.
	(d) Controlling risks within prudent limits	Compliant	The Committee assesses possible risks, reviews, and takes appropriate action to mitigate such risks.
	(e) Frequency of meetings	Compliant	The Committee meets every two months.

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Rule	Governance principle	Compliance	Remarks
	(f) Corrective action on any management failure to identify risks	Compliant	Action is taken by the Committee with regard to any officer responsible for failure to identify specific risks, and appropriate corrective action is taken to remedy such situations.
	(g) Submission of risk assessment reports to the Board	Compliant	The Board is kept informed of Committee proceedings by submitting the BIRMC minutes to the Board. The required approvals are obtained through specific submissions to the Board.
	(h) Compliance function	Compliant	The compliance function is headed by a dedicated officer identified as a KMP in terms of the Corporate Governance Direction. The Compliance Officer reports to the BIRMC. The Committee oversees the function and reviews the compliance reports at every meeting.
3.7 (i) to (iii)	Avoidance of conflicts of interest and favourable treatment in transactions with related parties	Compliant	The Bank has adhered to the law as specified in the Banking Act and the directions issued thereunder with regard to transactions with related parties. The Board ensures that no related party benefits from any favourable treatment except as indicated in 3.7 (vi). A Related Party Transactions Review Committee has been established by the Board. The Committee Report is given on page 206. The Board has also adopted a policy on Related Party Transactions. The Bank has put in place a mechanism to obtain, on a quarterly basis, a confirmation from all Key Management Personnel on a structured format to assist in the process of collating related party transactions.
3.7 (iv)	Accommodation granted to Directors or their close relations	Compliant	The Bank complies with the law as specified in the Banking Act and the directions issued thereunder in granting accommodation to the Directors and/or their close relations.
3.7 (v)	Accommodation granted to Directors prior to appointment	Compliant	The provisions of the Banking Act will be followed if such situations arise and public will be informed if not compliant by the specified date as he/she will cease to hold office. This situation did not arise during the year.
3.7 (vi)	Avoidance of favourable treatment in granting accommodation to employees, close relations of employees and/or entities in which any employee or close relation of such employee hold substantial interest	Compliant	The accommodation granted to employees, close relations of employees and/or entities in which any employee or close relation of such employee holds substantial interest are subject to normal commercial terms applicable to such transactions and secured by security approved by the Monetary Board except in the case of accommodation under approved schemes, uniformly applicable to all or specific categories of employees.
3.7 (vii)	Not to remit part of the accommodation or interest without prior approval of the Monetary Board	Compliant	No such situation has arisen.

DISCLOSURE ON CORPORATE GOVERNANCE MADE IN TERMS OF SECTION 3 (8) OF THE BANKING ACT DIRECTION NO. 11 OF 2007 OF THE CENTRAL BANK OF SRI LANKA

(i)	The Board shall ensure that	
	The annual audited Financial Statements and quarterly Financial Statements are prepared and published in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards, and such statements are published in the newspapers in an abridged form in Sinhala, Tamil, and English.	Complied with.
(ii)	The Board shall ensure that the following minimum disclosures are made in the Annual Report	
(a)	A statement to the effect that annual audited Financial Statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Complied with. Please refer the Statement of Directors' Responsibility on page 215.
(b)	A report by the Board on the Bank's internal control mechanism that 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 in accordance with relevant accounting principles and regulatory requirements.	Complied with. Please refer the Directors' Statement of Internal Control on page 207.
(c)	The External Auditors' Certification on the effectiveness of the internal control mechanism in respect of any statements prepared or published after 31 December 2008.	Complied with. Please refer Assurance Report of the External Auditor on page 210.
(d)	Details of Directors, including names, fitness and propriety, transactions with the Bank, and the total fees/remuneration paid by the Bank	Please refer pages 30 to 35, 190 and Note 59.2 to the Financial Statements.
(e)	Total net accommodation as defined in 3 (7) (iii) granted to each category of related parties shall also be disclosed as a percentage of the Bank's regulatory capital.	Complied with.

Category of related party	31 December 2024	
	LKR '000	%
Subsidiaries	5,403	0.01
Directors	5,323	0.01
Other Key Management Personnel	106,740	0.16
Close Family members of Directors and Key Management Personnel	4,030	0.01
Total net accommodation	121,496	0.18
Regulatory capital – solo basis	66,693,851	

The total net accommodation was 0.18% of the Bank's regulatory capital on solo basis. Maximum limit determined by Directors is 25% of the Bank's regulatory capital on solo basis.

(f) The aggregate values of remuneration paid by the Bank to its Key Management Personnel and the aggregate values of the transactions of the Bank with its Key Management Personnel, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the Bank.	Complied with. The aggregate value of compensation and transactions with the Bank by Key Management Personnel as defined by LKAS 24 for financial reporting purposes are given in Note 59.2 to the Financial Statements. Further, in addition to the above, compensation, total deposits, and investments made and accommodation obtained as at 31 December 2024 by the other Key Management Personnel (officers performing executive functions referred to in Banking Act determination No. 1 of 2019) amounted to LKR 235.88 Mn, LKR 243.55 Mn and LKR 77.07 Mn respectively.
(g) All findings of the "Factual Findings Report" of the External Auditor to be incorporated in this report.	Complied with.
(h) A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls, and measures taken to rectify any material non-compliance.	Complied with. See Annual Report of the Board of Directors on the State of Affairs of the Bank.
(i) A statement of the regulatory and supervisory concerns on lapses in the Bank's risk management, or non-compliance with these directions that have been pointed out by the Director of Bank Supervision, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the Bank to address such concerns.	The Monetary Board has not directed any disclosure to be made.

INDEPENDENT ASSURANCE

The External Auditors have performed procedures set out in Sri Lanka Related Services Practice Statement 4750 (SLRSPS 4750) issued by the Institute of Chartered Accountants of Sri Lanka, to meet the compliance requirement of the Corporate Governance Direction. Their findings presented in their report addressed to the Board are consistent with the matters disclosed above and did not identify any inconsistencies to those reported above by the Board.

INSTITUTIONAL WEALTH

Our institutional wealth comprises the intangible assets that define us as a unique entity, providing a competitive edge in a strong and dynamic banking sector. These include our brand, control systems and frameworks, digital footprint, information technology, and knowledge-based assets. Proprietary information is applied in a customer-centric manner to retain and grow our business.

Despite a year of change and uncertainty, our robust institutional wealth continued to provide a solid foundation, enabling us to maintain our track record as a premier institution in Sri Lanka's banking system. We prioritise adopting and implementing globally accepted best practices to safeguard and enhance our institutional wealth.

A highly visible brand

An expert team of employees

All-round operational excellence

Connectivity through superior technology

Fail-safe business continuity plan

OUR BRAND

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Our brand is the lifeblood of our business. We continued to build on our strong industry presence, reinforcing our brand promise of customer-centricity, excellence in delivery and operations, professionalism, ethics, and regulatory compliance. Carefully curated initiatives throughout the year supported these core principles.

We effectively disseminated our key messages through multiple communication channels, strengthening stakeholder confidence and maintaining high visibility as a reputed financial institution in Sri Lanka.

ORGANISATIONAL KNOWLEDGE

Organisational knowledge captures the convergence, sharing, and dissemination of expertise across the Bank. As a leading institution in Sri Lanka's banking industry, it is crucial to safeguard and transfer knowledge as generations move through our ranks to ensure sustainability, uphold established standards, and drive innovation. We rely on six well-established pillars, mentioned on page 100, to maintain this continuity.

WECONNECT

"WeConnect," our intranet platform, serves as a key repository for policies, procedures, regulations, and other essential documents, offering convenient access to all employees. It facilitates continuous learning and compliance, enabling staff to enhance their knowledge and professional growth. Regular updates ensure that WeConnect remains a valuable learning tool for both seasoned professionals and new recruits.

CORPORATE CULTURE, INTEGRITY AND ETHICS

Built on a foundation of integrity and ethics, our corporate culture is reflected in our values, beliefs, norms, and behaviours across all levels, with the Chairman, Board of Directors, and CEO setting the tone.

An organisation's longevity and the trust of its stakeholders are fundamentally linked to the presence of high ethical standards, which must be visibly upheld in operations and stakeholder interactions. Integrity and ethics are embedded in our products, services, and daily operations, positioning DFCC Bank as a credible and dependable force in the banking industry.

These principles foster a culture of compliance, transparency, and inclusion, enabling good governance, a dynamic business environment, and strong workforce engagement. Diversity, Equity, and Inclusion (DEI) remain central to our corporate ethos, nurturing a supportive and collaborative work environment across all staff levels.

To maintain this momentum, senior management actively reinforces these values through electronic direct mails (EDMs), employee testimonials, videos, and discussions at various forums and gatherings. New recruits undergo onboarding training that emphasises these principles, ensuring alignment with our cultural expectations.

OPERATIONAL EXCELLENCE

We continuously enhance business processes to prioritise customer needs, safeguard customer data, introduce first-to-market products and services, and empower employees to deliver superior customer service efficiently. Our commitment to operational excellence is reflected in our upgraded information technology systems and expanded digital capabilities, detailed under Our Digital Journey on page 59.

By integrating multi-pronged banking processes, we ensure a seamless customer experience while maintaining high standards of regulatory compliance and business integrity, reinforcing DFCC Bank's reputation as a trusted financial institution.

CORE BANKING SYSTEM

We continued to leverage on the implementation of T-1 Optimisation, within the Temenos T24 system, for data analytics, that further strengthened the benefits we reaped through it.

T-1 REAL-TIME INSIGHTS

Real time insights that this platform generates has exponentially increased the Bank's ability to improve its customer service, by offering products-in-demand through data analytics while making informed and speedy decision making to be a first-to-the-market bank. This also opens further avenues to cross-sell, and offer a personalised service, ensuring customer loyalty and satisfaction.

EFFICIENT OPERATIONS

Real-time data and advanced analytics have enhanced operational efficiency, optimising resource allocation and response times.

PREDICTIVE ANALYTICS CAPABILITIES

The availability of real-time data, and data analytics generated a further benefit to the Bank, where market trend anticipation and allied risk mitigation forecasts enhanced the opportunity for innovation and definition of in-demand products, identifying gaps, that significantly increased the Bank's reputation to be innovative with personal care.

COMPLIANCE AND REPORTING PROCESSES

With the level of heightened regulatory landscape within a challenged economy, the T- 1 Optimisation system has helped us to remain timely, accurate, and accountable in our reporting process, maintaining the healthy reputation we have with the regulatory bodies.

ROBOTIC PROCESS AUTOMATION

Our partnership with Automation Anywhere has established a strong platform for automating a number of operational tasks, enhancing system security, and delivering faster, more efficient, and user-friendly support services. Operating 24/7, the system resolves minor issues within three minutes of request submission.

From strengthening system security and assisting with compliance and auditing to reducing system errors and enabling self-service capabilities, Robotic Process Automation (RPA) continues to offer a suite of value-added services that drive cost savings and scalability.

INFORMATION TECHNOLOGY

Under our focus on operational excellence, we made several upgrades to our information technology infrastructure, in the year under review. In a dynamic banking environment, the customer focus on convenience and real time data take pride of place, in them managing their money. Being cognisant of this need for the past several years, the Bank exercises due diligence in implementing new and speedy system upgrades whenever it is timely to do so. Over the last few years, several of such upgrades were implemented, and are documented in detail under Digital Transformation at page 59.

BUSINESS CONTINUITY PLANNING (BCP)

While ensuring uninterrupted continuity of essential business functions, the Bank's strategy places an undeniable importance to safeguarding its employees. The Bank understands the importance of continued availability of its key people, infrastructure and processes supporting their operations and that in the event of a disaster, the need to ensure timely recovery of critical operations that are required to meet stakeholder demands. For this purpose the Bank has formulated a comprehensive Business Continuity Plan aligned with the regulatory requirements of Central Bank of Sri Lanka as well as ISO 22301-2019 international standard. Training on BCP aspects, testing, auditing, maintenance and continual improvement of the BCP is actively pursued to acclimatise the employees with the planned requirements, in case of an emergency.

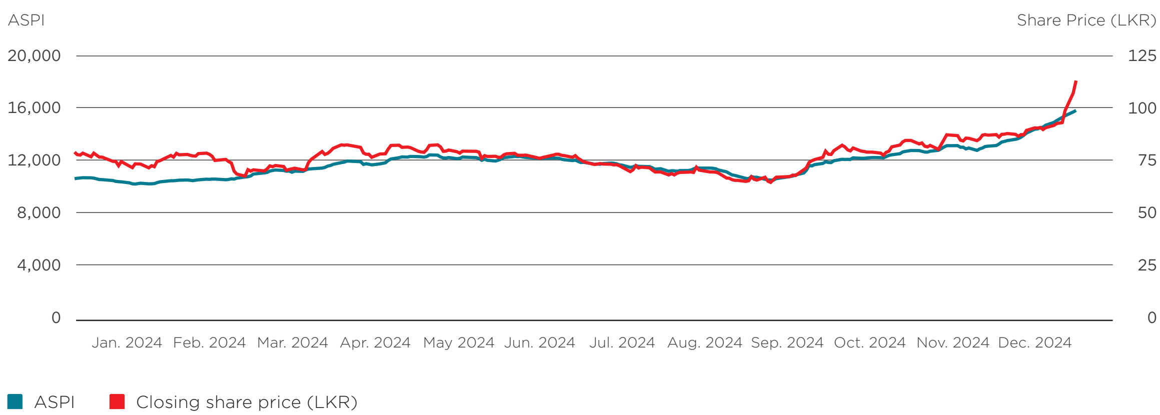
INVESTORS

SHARE INFORMATION

DFCC Bank share price information, for the period 1 January 2024 to 31 December 2024.

Calander Year	2024	2023
Price indices		
ASPI (As at 31 December)	15,945	10,654
S&P SL20 (As at 31 December)	4,862	3,068
Share price		
Lowest price (LKR)	65.00	30.00
Highest price (LKR)	115.00	95.50
Closing price (LKR) (As at 31 December)	113.75	79.60
Market capitalisation		
DFCC Value (LKR Mn) (As at 31 December)	49,215	33,587
Percentage of total market cap (As at 31 December)	0.86	0.79
Rank (As at 31 December)	31	30
Value of shares traded		
DFCC Value (LKR Mn)	13,800	5,299
Percentage of total market turnover (%)	2.57	1.29
Rank	4	20
Days traded		
Number of days traded	240	242
Total number of market days	240	242
Source: CSE & Bloomberg		

Share Price Movement of DFCC Bank from January 2024-December 2024



DISTRIBUTION OF SHAREHOLDING

CATEGORIES OF SHAREHOLDERS

As at 31 December	2024			2023		
Shareholding (%)	Foreign	Local	Total	Foreign	Local	Total
Individual	8.33	8.69	17.02	8.54	8.29	16.83
Institutional	5.39	77.59	82.98	5.33	77.84	83.17
Total	13.72	86.28	100.00	13.87	86.13	100.00

DISTRIBUTION OF SHAREHOLDING BY SIZE

As at 31 December	2024			2023		
Share range	Number of shareholders	Total holding	%	Number of shareholders	Total holding	%
1 – 1,000	6,583	1,668,149	0.40	5,920	1,437,085	0.35
1,001 – 10,000	3,683	10,508,757	2.43	3,462	9,397,310	2.23
10,001 – 100,000	662	19,591,083	4.52	608	17,319,332	4.10
100,001 – 1,000,000	107	28,179,749	6.51	84	21,457,390	5.08
Over 1,000,000	27	372,710,273	86.14	29	372,337,538	88.24
	11,062	432,658,011	100.00	10,103	421,948,655	100.00

PUBLIC HOLDING

As at 31 December	2024	2023
Public holding %	77.0	67.0
Number of public shareholders	11,047	10,086
Float adjusted market capitalisation (LKR Mn)	37,904	22,509
Applicable option as per CSE listing 7.13.1 (i) (a)	Option 1	Option 1

TWENTY MAJOR SHAREHOLDERS OF THE BANK

As at 31 December Name of Shareholder/Company	2024 Number of shares	%	2023* Number of shares	%
Hatton National Bank PLC A/C No. 1	53,964,933	12.47	52,629,168	12.47
Bank of Ceylon – No. 2 A/C (BOC PTF)	45,261,691	10.46	44,141,353	10.46
Seylan Bank PLC/Phantom Investments (Pvt) Ltd	42,100,000	9.73	–	–
Mr M A Yaseen	35,383,956	8.17	35,524,244	8.41
Ambeon Holdings PLC	32,920,000	7.60	–	–
Sri Lanka Insurance Corporation Ltd. – Life Fund	32,812,546	7.58	32,000,355	7.58
Employee’s Provident Fund	28,995,322	6.70	28,277,617	6.70
Melstacorp PLC	26,633,027	6.15	25,973,794	6.15
Seafeld International Limited	21,080,233	4.87	20,558,446	4.87
Renuka City Hotels PLC	8,641,899	1.99	8,037,892	1.90
Colombo City Holdings PLC	5,100,000	1.17	–	–
Renuka Hotels PLC	4,846,664	1.12	4,726,698	1.12
Employees Trust Fund Board	4,745,041	1.09	4,627,590	1.09
Cargo Boat Development Company PLC	3,277,180	0.75	2,898,893	0.68
Akbar Brothers (Pvt) Ltd. A/C NO 1	3,229,014	0.74	3,149,088	0.74
Ranavav Holdings (Pvt) Ltd	3,075,543	0.71	–	–
Peoples Leasing & Finance PLC/Mrs M E Amarasinghe	2,577,938	0.59	2,678,062	0.63
Sri Lanka Insurance Corporation Ltd-General Fund	2,562,622	0.59	2,499,191	0.59
Stassen Exports (Pvt) Limited	2,256,884	0.52	2,201,021	0.52
EMFI Capital Limited	2,052,474	0.47	1,768,432	0.41
Total of the 20 major shareholders	361,516,967	83.47		
Other shareholders	71,141,044	16.53		
Total	432,658,011	100.00		

**Shareholding as at 31 December 2023 of the twenty largest shareholders as at 31 December 2024.*

RETURN TO SHAREHOLDERS – BANK

Description	**2024**	2023
Profit for the year (LKR Mn)	8,353	7,220
Return on total assets (%)	2.01	1.82
Net assets per share (LKR)	194.22	160.54
Earnings per share (LKR)	19.40	17.27
Dividend per share (LKR)	6.00	5.00

FINANCIAL RETURNS

DFCC Bank tries to consistently provide high returns to its shareholders through earning optimum profits in a sustainable manner. The Directors approved a first and final dividend of LKR 6.00. per share by way of LKR 4.00 per share in cash and LKR 2.00 per share in the form of a Scrip Dividend for the year ended 31 December 2024.

Bank’s Dividend per share	**LKR**
12 months ended December 2020	3.00
12 months ended December 2021	3.00
12 months ended December 2022	2.00
12 months ended December 2023	5.00
12 months ended December 2024	6.00

Dividends are based on growth in profits, while taking into consideration future cash requirements and the maintenance of prudent rations.

MANUFACTURED WEALTH

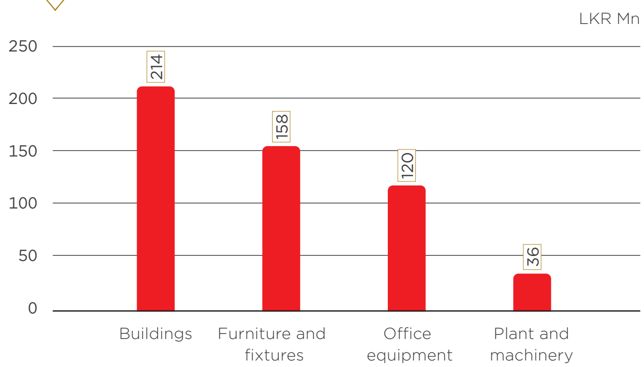
GRI 2-6

An island-wide network of branches, cash deposit machines, digital channels, and other essential built and right-of-use assets form the Bank's manufactured wealth, amounting to LKR 337.6 Mn. As a critical enabler of our commitment to customer-centricity, these assets play a pivotal role in our transformational journey towards sustainability, seamlessly integrating physical presence and digitalisation to deliver service excellence.

THE COMPOSITION

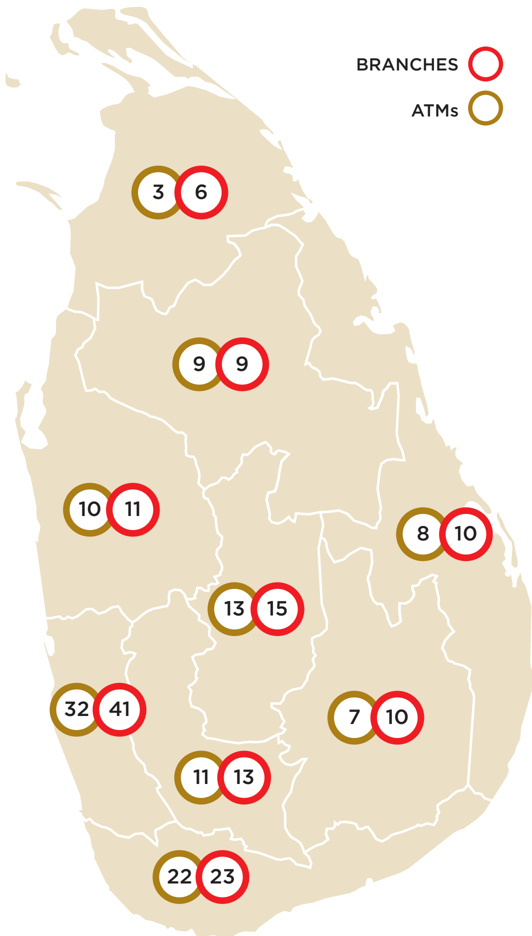
In 2024, the Bank made significant investments in infrastructure development to support our revitalised service excellence strategy, while also ensuring a safe and welcoming environment for employees and visitors. Several strategic initiatives were implemented in branch and facility improvements, asset management, property leasing, and the integration of advanced technologies.

Property, plant equipment – cost for the year



BRANCH NETWORK

Our branch network comprises 138 branches with access to over 5,500 ATMs. In line with our commitment to becoming the most customer centric bank that is the easiest to bank with, we undertook several branch relocations, renovations, and refurbishments to enhance accessibility and improve customer experience. These relocations were guided by comprehensive market analysis, taking into account foot traffic, customer demographics, competitive dynamics, and customer feedback. Our continued investment in branch upgrades and expansion is driven by our commitment to meeting the evolving needs of our customers.



FACILITY UPGRADES

During the year we successfully executed several key operational improvements and facility upgrades across various branches:

REFURBISHMENTS/RENOVATION

Nawala Branch

Renovation of the DR Unit within the Branch Operations Department to enhance its efficiency and functionality

Ramanayake Mawatha

Renovation of the customer lobby to enhance the overall customer experience. Additionally, we have renovated the Bank Assurance and CXU units, ensuring improved efficiency and service delivery.

Deniyaya Branch

Completed various infrastructure upgrades.

Elpitiya Branch

Relocation of the Elpitiya Branch, aiming for a more accessible and customer-friendly location, offering an upgraded experience for all.

Dikoya Branch

Installation of an Automated Teller Machine (ATM) to increase accessibility for customers.

Negombo Branch

Redesign of the vault and filing room to accommodate increased customer demand and improve operational capacity.

Nuwara Eliya

Launch of the My Space mobile application to better serve the customer base.

Pinnacle Pod

New pods were set up at both Nawala and Galle branches, aligning with the Company's service proposition by creating an inviting and functional environment.

IT Department Renovations

Our IT Department underwent significant renovations aimed at enhancing the workplace experience. We installed ergonomic furniture, created private meeting rooms, and developed breakout spaces. These improvements were designed to foster a collaborative and comfortable atmosphere, with a strong focus on promoting employee health and well-being, while also meeting the needs of our modern, tech-savvy workforce.

Regional Office at Bandaragama

A new regional office was established at the Bandaragama Branch to improve service delivery and operational coverage.

Pinnacle Centre

Renovations were completed at the Pinnacle Centre, resulting in enhanced functionality and an improved customer experience that aligns with the company's service standards.

DIGITAL INFRASTRUCTURE

Our manufactured wealth is underpinned by continuous innovation in digitalisation, transforming traditional processes into automated, time-efficient workflows. Automation and data analytics have enabled data-driven decision-making, significantly contributing to our strong performance in 2024. For further details, please refer to Digital Journey on page 59 and Institutional Wealth on page 151.

SUSTAINABILITY AS THE FOUNDATION

Sustainability is the foundation of all our operations. In line with our environmental responsibility commitments, we integrated energy-efficient systems across the Bank, including the installation of solar panels, energy-saving HVAC systems, and other sustainable infrastructure. Further details are available in Natural Resource on page 93.

STEWARDSHIP

INTEGRATED RISK MANAGEMENT

GRI 2-25, 2–26

RISK CULTURE AND VISION

The Bank adopts a comprehensive and well-structured mechanism for assessing, quantifying, managing and reporting risk exposures which are material and relevant for its operations within a clearly defined risk management framework. An articulated set of limits under the risk management framework explains the risk appetite of the Bank for all material and relevant risk categories and the risk capital position. Risk management is blended into the gamut of the Bank's activities, including strategic, business and financial planning and customer transactions. As a result business and risk management goals and responsibilities are aligned across the organisation.

Risk is managed systematically by focusing on group basis and managing risk across the enterprise, individual business units, products, services, transactions, and across all geographic locations.

The following are the broad risk categories.

Risks covered under Pillar I of Basel regulations

- Credit risk
- Market risk including foreign currency risk, equity price risk, and interest rate risk in the trading book
- Operational risk

Risks covered under Pillar II of Basel regulations

- Business risk and strategic risk
- Liquidity risk
- Settlement risk
- Credit concentration risk
- Technology and information security risk
- Interest rate risk in the banking book
- Legal risk
- Compliance risk
- Reputational risk
- Off balance sheet exposures and securitisation risk

GENERAL POLICIES FOR RISK MANAGEMENT

The general policies and procedures for risk management are listed below.

1. The Board of Directors are inculcating a strong risk governance culture for maintaining a prudent integrated risk management function in the Bank.
2. Promoting awareness of risk policies to all Bank employees.
3. Establishing well-defined organisational responsibilities for the "Three Lines of Defence" in the Bank for management of risks, which consists of the risk-assuming functions, independent risk management and compliance functions and the internal and external audit functions.
4. Ensuring compliance with regulatory and other laws underpinning the risk management and business operations of the Bank.
5. Centralised risk management function which is independent of risk assuming functions.
6. Strengthening internal expertise and capabilities for risk management, to ensure that the Bank's risk management capabilities are sufficiently robust and effective to meet the strategic objectives of the Bank.
7. An assessment of risks involved in an incremental and portfolio basis when designing, redesigning products and processes before implementation.
8. Adoption of the principle of risk based pricing.
9. Ensuring that the Board approved target capital requirements, which are more stringent than the minimum regulatory capital requirements, are not compromised.
10. Aligning risk management strategy to the Bank's business strategy.
11. Ensuring timely, prudent, accurate risk disclosures to relevant parties.
12. Defining risk appetite of the Bank, aligning with the Bank's strategic, capital, and financial plans, which are articulated through a Risk Appetite Statement.
13. Periodic review of risk management policies and practices to align with the developments in regulations, business environment, internal environment and industry best practices.

RISK GOVERNANCE

THREE LINES OF DEFENCE

The Bank's risk management framework embodies accountability, responsibility, independence, communication, reporting, and transparency. This is implemented by way of the "Three Lines of Defence" concept as follows:

BOARD OF DIRECTORS/BOARD SUBCOMMITTEES

CEO AND MANAGEMENT COMMITTEES

FIRST LINE OF DEFENCE	SECOND LINE OF DEFENCE	THIRD LINE OF DEFENCE
Management control at business level and relevant internal control mechanisms	Centralised oversight of effective implementation of risk management framework	Independent and objective assurance on the risk exposures processed and practices in place
STRATEGY, PERFORMANCE, AND RISK MANAGEMENT	POLICY, MONITORING AND OVERSIGHT	INDEPENDENT ASSURANCE

STRATEGY, PERFORMANCE, AND RISK MANAGEMENT

Corporate Banking	RB & SME	Treasury
Digital Banking	Card Operations	PFS Central Processing & Recoveries
Trade & International Operations	Branch Credit Management	General/Branch Operations
HR	IT	ISS
Legal	Marketing & Sustainability	Strategic Planning
Finance	Retail Sales & Bancassurance	Credit Services
Rehabilitation & Recoveries	Restructuring & Close Monitoring	Administrative Services
DWH & SIG	Investment Banking	Payments and Cash Management
Customer Experience & Service Quality		

POLICY, MONITORING AND OVERSIGHT

- Integrated Risk Management
- Compliance

INDEPENDENT ASSURANCE

- Internal Audit
- External Audit

The First Line of Defence encompasses management control at business level, ensuring compliance with relevant internal control mechanisms, while taking responsibility and accountability for the daily management of business operations.

The Second Line of Defence consists of independent risk monitoring, validation, and centralised oversight of the effective implementation of the risk management framework. This also includes policy review and compliance, carried out by the Integrated Risk Management Department (IRMD) and the Compliance Department.

The Third Line of Defence is provided by the independent assurance and quality checks conducted by the internal and external audit functions.

The Bank's risk governance includes setting and defining the risk appetite, risk limits, risk management functions, capital planning, risk management policies, risk infrastructure, and risk profile analysis. The Bank exhibits an established risk management culture and effective risk management approaches, systems, and controls. Policy manuals, internal controls, segregation of duties, clearly demarcated authority limits and internal audits form a part of key risk management tools.

The Bank's risk management framework covers all aspects of risk governance, including risk management structure, which is implemented through different subcommittees and clearly defined reporting lines. The framework ensures that the risk management unit is functioning independently. The Chief Risk Officer (CRO) functions by directly reporting to the Board Integrated Risk Management Committee (BIRMC).

RISK POLICIES AND GUIDELINES

A set of structured policies and frameworks recommended by the BIRMC and approved by the Board of Directors forms a key part of the risk governance structure. The integrated risk management framework stipulates, in a broader aspect, the policies, guidelines, and organisational structure for the management of overall risk exposures of the Bank in an integrated manner. This framework defines risk integration and aggregation approaches for different risk categories. In addition, separate policy frameworks detail the practices for managing key specific risks. These frameworks and policies are subject to regular review and updating. Risk Policies and Guidelines have been integrated across all business relationships to ensure alignment with the Bank's core values and policy commitments. By embedding these commitments into business practices, the Bank maintains a responsible and transparent approach that reflects its dedication to long-term value creation and corporate responsibility.

RISK APPETITE

The Bank's risk appetite is defined in the Overall Risk Limits System (ORLS). It consists of risk limits arising from regulatory requirements, borrowing covenants, and internal limits for prudential purposes. The Limits System is a cornerstone of the risk indicators and encompasses key risk areas such as credit, market, liquidity, operational, equity, and capital position, amongst others.

Lending limits have been established to manage credit concentration to industry sectors, rating grades, borrowers and countries as part of the prudential internal limits. Industry sector limits for the lending portfolio consider the inherent diversification within the subsectors and the borrowers within broader sectors.

A "Traffic Light" system monitors these limits monthly and quarterly. These risk appetite limits are reviewed at least annually in line with the risk management capacities, business opportunities, the Bank's business strategy and regulatory requirements.

If the risk appetite threshold has been breached or is approaching levels not desirable by the Bank, risk-mitigating measures and business controls are implemented to bring the exposure level back within the accepted range. Risk appetite, therefore, translates into operational measures such as new or enhanced limits or qualitative checks for dimensions such as capital, earnings volatility, and concentration of risks.

MAIN TOLERANCE LIMITS FOR KEY TYPES OF RISKS

Risk Area	Risk Appetite Criteria	Limit/Range
Integrated risk and capital management	Total Tier I capital adequacy ratio (under Basel III) (Total Tier I capital as a percentage of total risk-weighted assets)	> 8.5% (Regulatory) Internal limit is based on ICAAP
	Total capital adequacy ratio (under Basel III) (Total capital as a percentage of total risk-weighted assets)	> 12.5% (Regulatory) Internal limit is based on ICAAP
Credit quality and concentration	Stage 3 ratio	< Industry average as published by the CBSL (Internal)
	Stage 1 impairment cover	> 0.5% (Regulatory)
	Single borrower limit – Individual	< 30% (Regulatory) < 28% (Internal)
	Single borrower limit – Group	< 33% (Regulatory) < 30% (Internal)
	Aggregate large accommodation	< 55% (Regulatory) < 45% (Internal)
	Exposures to industry sectors	< 5% to 20% (Internal)
	Aggregate limit for related parties	< 25% (Internal)
Liquidity risk	Leverage ratio	> 3% (Regulatory)
	NSFR	> 100% (Regulatory) > 110% (Internal)
	Liquidity coverage ratio (all currencies and rupee only)	> 100% (Regulatory) > 110% (Internal)
Market risk	Forex net open long position or short position	As prescribed by the Central Bank of Sri Lanka (Regulatory)
	Foreign currency total borrowings	
	Total government security exposure	< 35% (Internal)
Equity risk	Equity exposure – individual (based on capital fund of the Bank and on paid up capital of the given company)	As prescribed by the Central Bank of Sri Lanka (Regulatory)
	Aggregate equity exposure (based on capital fund of the Bank)	< 30% (Regulatory)
	Equity investment in each sector	< 20% to 40% (Internal)
Operational risk	Gross operational direct loss	< 0.25% (Internal)
	Gross operational potential loss	< 0.5% (Internal)

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE (BIRMC)

The BIRMC is a Board Subcommittee that oversees the risk management function as stipulated by the regulator. The Board approved charter sets out its responsibilities, which includes corporate governance requirements for Licensed Commercial Banks issued by the Central Bank of Sri Lanka (CBSL).

With the new Banking Act Direction on Corporate Governance No. 05 of 2024, the BIRMC Charter was revised during the latter part of 2024. The committee consists of three Board representatives and the Chief Executive Officer (CEO), Deputy Chief Executive Officer (DCEO) and key management personnel supervising broad risk categories including Chief Risk Officer (CRO), Chief Compliance Officer (CCO), Chief Operating Officer (COO), Head of Treasury, are permanent invitees to the meeting.

For a summary of responsibilities and functions of the BIRMC refer page 203.

The BIRMC meets at least once every two months and reviews the risk information and exposures as reported by the Integrated Risk Management Department, Treasury, Finance, Compliance and Service units. Risk reporting includes reports on overall risk analysis relating to the Bank's capital, risk appetite, limits position, stress testing, any strategic risks faced by the Bank, and risk analysis of the Group companies. Additionally, they include reports covering the main risk areas such as credit, market, liquidity, operational, information systems security, and compliance risks.

In 2024, six BIRMC meetings were held, where the Committee focused more on market risk, credit risk, and capital adequacy amidst the volatile operating environment in Sri Lanka's challenging macroeconomic landscape. Given the pressures of inflation, currency fluctuations, interest rate volatility, and debt restructuring efforts, the Committee closely monitored the adequacy of risk-mitigating actions and reviewed stress testing outcomes. These measures were aligned with the Bank's risk appetite to ensure resilience in navigating ongoing economic challenges.

SCOPE AND MAIN CONTENT OF RISK REPORTING TO THE BIRMC

Risk Type	Scope and main content of risk reporting
Overall risk	• Review of the Internal Capital Adequacy Assessment Process (ICAAP) • Regulatory capital adequacy position and trends compared with limits • Overall risk limits system including regulatory and internal limits • Stress testing of key risks and overall exposures • Reports on strategic and business risks • Risk analysis of group companies • Review of risk management policies and frameworks
Credit risk	• Credit portfolio analysis • Summary of Loan Review Mechanism
Market and liquidity risk	• Reports on liquidity and foreign exchange risk management by Treasury • Market risk analysis by Treasury Middle Office and review of any limits • Equity portfolio analysis • Liquidity risk monitoring under stock and flow approaches • Status report of margin trading facilities • Analysis of investment and trading fixed income portfolios • Minutes of the ALCO including the key decisions and recommendations made by the ALCO • Reports on validation results and changes implemented for the models
Operational risks	• Minutes of the ORMC and FRMC including the key decisions and recommendations made by committees • Operational risk losses and event types • Reports on simulations and drills undertaken under Business Continuity Plan
Technology and information security risk	• External and internal vulnerability assessment reports • Penetration testing reports • Information security policies and the status of implementation • Status report of current security posture • Top and emerging risks and status update
Compliance risk	• Results of compliance tests undertaken and assessment of overall compliance risk levels • New rules and regulations • Review of compliance related policies and procedures • Anti Money Laundering (AML) and Countering Financing of Terrorism (CFT) Measures • Status of the Bank's compliance with rules and regulations

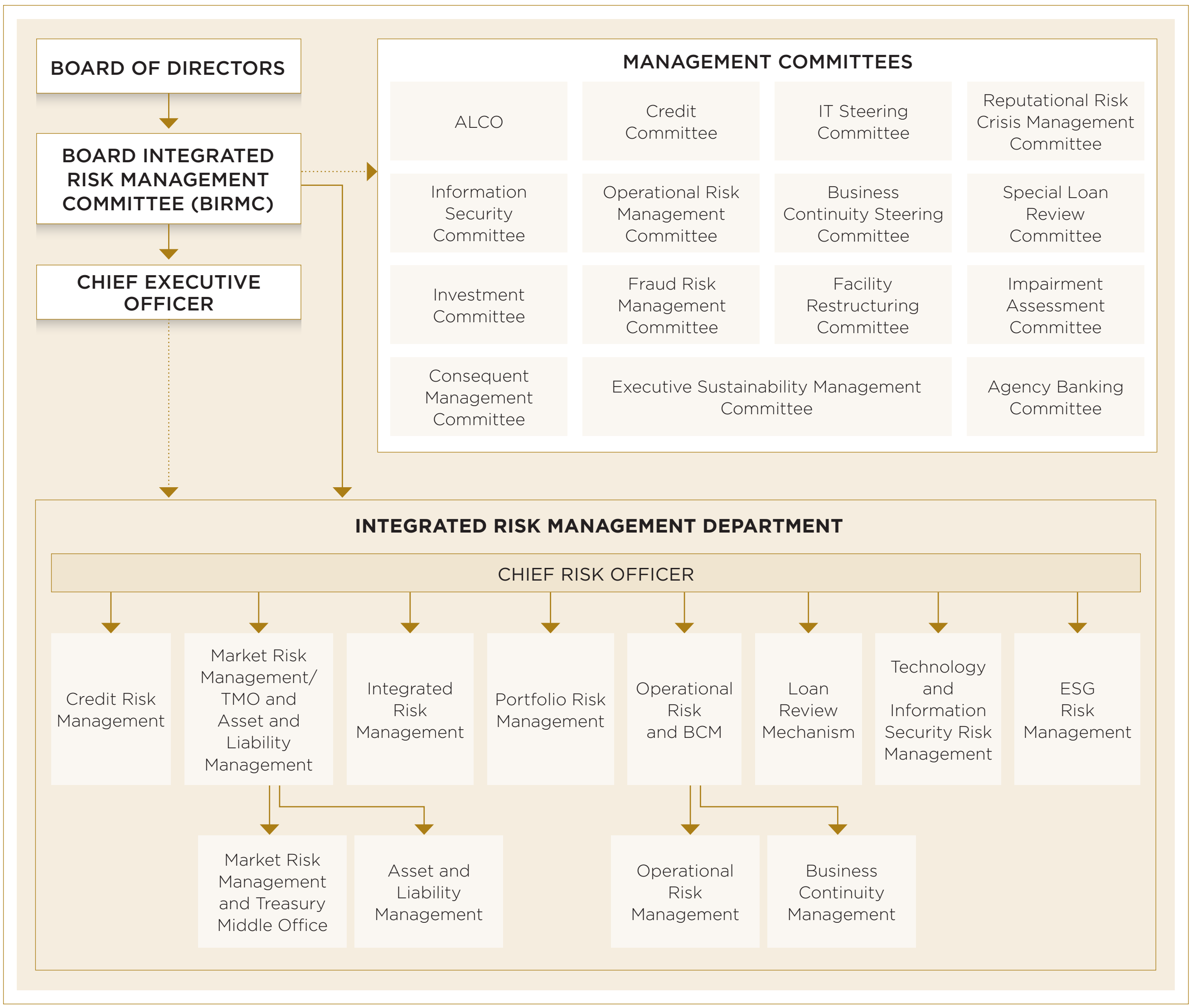
INVOLVEMENT OF MANAGEMENT COMMITTEES

Several management committees play an important role in risk management.

The Credit Committee (CC), Asset and Liability Management Committee (ALCO), Operational Risk Management Committee (ORMC), Operational Risk Sub Committee (ORSC), Fraud Risk Management Committee (FRMC), Special Loan Review Committee (SLRC), IT Steering Committee (ITSC), Investment Committee (IC), Facility Restructuring Committee (FRC), Impairment Assessment Committee (IAC), Information Security Committee (ISC) and Consequent Management Committee (CMC) are included in the risk management framework of the Bank. Responsibilities and tasks of these committees are stipulated in the Board-approved Charters and Terms of Reference (TORs), and the membership of each committee is defined to bring an optimal balance between business requirements and risk management.

The Integrated Risk Management Department (IRMD) plays the role of measuring and monitoring risk on an ongoing basis to ensure compliance within the parameters set out by the Board, BIRMC, and other management committees for performing the Bank's overall risk management function. It consists of separate units namely Credit Risk Management, Market Risk Management, Operational Risk Management, Asset and Liability Management, Loan Review Mechanism, Technology & Information Security Risk Management, Integrated Risk Management, Treasury Middle Office, Portfolio Risk Management and Business Continuity Management.

ORGANISATION STRUCTURE FOR INTEGRATED RISK MANAGEMENT



DEVELOPMENTS IN 2024

CHANGES TO OPERATING ENVIRONMENT AND KEY DEVELOPMENTS IN THE RISK MANAGEMENT FUNCTION

The following emerged as significant cybersecurity risks in 2024:

- Surge in cyberattacks targeting outdated systems
- Exploitation of vulnerabilities due to rapid technology adoption
- Social engineering and phishing schemes targeting individuals and organisations

The following emerged as significant fraud risks in 2024:

- Increased attempts at fraudulent applications (e.g. loans, credit cards)
- Emerging use of advanced fraudulent technologies, such as deepfakes
- Increase of identity theft fraudulent cases

To address such risks, the Bank has increased the frequency of its Risk and Control Self-Assessments (RCSA) to a quarterly basis. This enhancement aligns with technology-driven process and product risk management. It strengthens the Bank's risk management practices and ensures compliance with evolving regulations. The revised RCSA framework impacts five key departments. A formal management escalation process has been established to address significant gaps identified during assessments, ensuring timely corrective action.

During the year, the Bank implemented significant technology-driven advances in risk management. Recognising the profile of emerging threats, the Bank has adopted a zero trust security model. This provides a conservative approach by treating all users and devices as potentially malicious and implementing strict access controls. Vigilance is also exercised in cloud security and data privacy as more applications are moved to the cloud.

It is not only the Bank's internal processes that risk procedures have been upgraded. The supply chain security too has been reinforced by implementing rigourous vendor management practices. The Bank has also conducted employee awareness programmes to mitigate risks arising from phishing and social engineering attacks.

The Bank's organisational framework and policies have been updated to reflect the changing cybersecurity landscape. The role of the Chief Information Security Officer (CISO) has been expanded, and a dedicated risk management committee has been established to oversee cybersecurity risks and compliance. The Bank also developed a comprehensive incident response plan to ensure effective response to any potential cyberattacks.

The Bank remains committed to keeping up with technology trends and adapting security strategies to protect the assets and reputation in an increasingly complex digital environment.

Additionally, a robust procedure has been implemented to monitor third-party service providers with enhanced oversight. This includes periodic on-site visits and assessments based on criticality of the service provider. The process ensures active involvement of all relevant stakeholders such as Internal Audit, Compliance, Information Security and respective business units.

Advanced threat analysis enabled the security teams to detect and mitigate technology risk, not limited to the Bank but also threats targeting customers themselves. The Bank is planning to extend the threat detection to other stakeholders as well.

These initiatives demonstrate the Bank's dedication to maintaining operational resilience and safeguarding technological systems in an ever-changing risk environment.

Businesses are operating in increasingly competitive environments, where an accurate understanding of customer value is critical. The Bank has automated the customer profitability analysis providing a granular view of which customers contribute most to profitability, enabling more focused growth strategies.

Heightened regulatory scrutiny in financial and risk management has driven organisations to adopt more transparent and systematic approaches. Advancing technology has also spawned changes. The availability of advanced analytics and data visualisation tools has made automation and dash boarding practical and efficient. IRMD implemented Risk Dashboards to facilitate monitoring and reporting key risks including credit risk, liquidity risk, foreign exchange risk, equity risk, and interest rate risk, to ensure compliance with evolving standards. This has also improved data visibility for senior management, enabling informed decision-making to mitigate potential risks and drive strategic growth.

The Business Continuity Plan (BCP) was strengthened with the initiation of the Business Continuity Management System ISO 22301 certification process.

The implementation of the advanced Asset and Liability Management (ALM) system, a platform to manage assets and liabilities more efficiently while effectively addressing liquidity and interest rates risks, is in progress.

Key Risk Indicators (KRIs) for branches were implemented with the objective of enhancing operational resilience and fostering a risk awareness culture by selecting relevant risk indicators with periodic reporting requirements.

Proactive measures under scenario analysis were introduced to strengthen the stress testing framework for the Liquidity Coverage Ratio (LCR), ensuring a more robust liquidity risk management process.

The Bank confirmed compliance with the FX Global Code, demonstrating that treasury operations align with international best practices.

Equity individual share limits were established based on Beta values to identify and manage exposure to the most sensitive shares. This was accompanied by the strengthening of control and monitoring mechanisms. The Value-at-Risk (VaR) model underwent validation and was confirmed as acceptable, with a limited set of assumptions, ensuring its reliability for risk assessment.

The Credit Policy, Credit Risk Management Framework, and Credit Manual were updated to incorporate the latest regulatory requirements and market trends, ensuring alignment with industry best practices. Credit Risk Management Unit (CRMU) streamlined the process of identification of clients with significant increase in credit risk during renewals, enhancement of exposures, restructures and in trade extensions. The unit continues to monitor industry sector performances and identify facilities that can be considered under long term stress. The watch-listing of clients was streamlined to more accurately identify those at risk of defaulting. This will enable the Bank to take timely action to tighten recovery measures.

The CRMU has implemented a system to capture and integrate all assigned risk ratings of clients into the Core Banking System, ensuring accurate and in tracking of client risk profiles. This enhancement streamlines risk assessment processes and enables more effective monitoring and management of client-related risks.

The CRMU also organised knowledge-sharing sessions with Credit Hubs nationwide to provide guidance on enhancing credit appraisal processes, communicate insights on the Bank's strategic direction as outlined by the CRO, and solicit input from Credit Hub officers for integration into the Bank's credit policies.

A detailed analysis of credit facilities granted during the last three years was undertaken by the Portfolio Risk Management Unit and the findings showed significant progress in the credit quality and repayment conduct of facilities granted during this period vis-à-vis facilities granted during previous years.

Further, an analysis of credit cards granted to the self-employed sector was carried out where the behaviour of different sub-segments falling under this category was examined, and recommendations were provided to improve portfolio quality as well as business objectives. Several such analyses covering leasing, MSME, personal loans, housing loans and OD products were carried out and the insights gathered have been used to re-align risk management, credit decision making and business approaches accordingly.

CONTRIBUTION TO BANK PERFORMANCE

The IRMD plays a key role in the overall performance of the Bank. Management of key risks contributes to financial stability. Proactive risk mitigation strategies have strengthened the Bank's ability to withstand sudden changes in the market.

In certain specific products, the department aligned with business requirements to capitalise on favourable market opportunities. In such cases, limits were adjusted, taking into account calculated risks associated with possible adverse market movements. Comprehensive risk assessments and robust control mechanisms provided senior management with a clear understanding of the overall impact on the Capital Adequacy Ratio (CAR), facilitating well-informed and confident decision-making.

RISK MANAGEMENT AND GOVERNANCE

The IRMD has aligned its responsibilities to be compliant with Corporate Governance for licensed banks under Banking Act Direction No. 5 of 2024. As part of the review, the Department has revised the BIRMC Charter to be in line with the new framework, reaffirming the Bank's commitment to strong risk management governance practices.

With the introduction of CBSL Direction No. 1 of 2024, CBSL discontinued the requirement for licensed banks to maintain Statutory Liquid Assets Ratio (SLAR) and emphasised the importance of maintaining the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). Accordingly, the Bank utilises specified monitoring tools to effectively assess liquidity positions, ensuring compliance with regulatory requirements and maintaining strong liquidity management practices.

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

As Environmental, Social, Governance (ESG) considerations are becoming a global concern, customers and stakeholders expect businesses to align with ESG goals. The credit appraisal format has been updated to incorporate additional information regarding the sustainability of projects financed by the Bank.

EMPLOYEES AND CULTURE DEVELOPMENT

IRMD believes in value of diversity, and welcomes employees from diverse backgrounds and offers training and upskilling opportunities to meet the changing needs of the workforce.

Further, IRMD has identified the importance of improving credit evaluation knowledge of the "First Line of Defence" in order to safeguard the Bank's interest and ensure prudent risk management is well addressed across the credit evaluation process. In view of achieving the training objectives, IRMD plans to offer various training and development opportunities at its Training & Development arm "DFCC – Risk Management Academy''.

CREDIT RISK

Credit risk is the main risk that arises from the Bank's core operations. It is the potential loss resulting from customers' failure to meet contractual obligations when they fall due. Credit risk arises from lending operations, granting of loans and advances to the entire gamut of customers. The lending portfolio accounts for 56% of total Bank assets and 83% of the risk weighted assets. Monitoring the credit risk is a vital aspect of the Bank's operations since it has a direct bearing on its profitability. Considering the above, the Bank has continued precautionary measures to ensure prudent lending, analysing various segments of the lending portfolio for signs of deterioration, extending repayment periods for identified borrowers, and managing overlays for risk-elevated sectors. The Bank periodically reviews its risk policies, procedures and practices to ensure they align with the current environment.

WATCH – LISTING

The Bank has established a watch-listing and close monitoring process to identify clients that have demonstrated signs of increased credit risk. The information on frequently watch-listed clients based on overdue exposures and rating downgrades monitored over a period of time, is disseminated to management with a view of taking corrective measures to ensure the quality of the Bank's loan book.

Clients who show signs of high risk are reported periodically to the credit committee. A traffic light system is also in operation to classify clients according to the impact they have on the portfolio.

INDUSTRY ANALYSIS

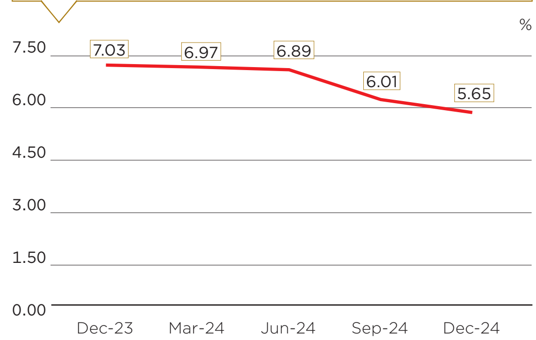
As part of its safeguards, the Bank reviews and analyses trends of clients grouped as industry segments or portfolios. There is a regular cycle of reporting from the IRMD to the BIRMC on client portfolio performance. These reports guide business line managers on credit decisions. IRMD also contributes to the human resource evaluation by arranging for resource persons to conduct training on credit evaluation and credit risk management.

A process to identify stressed industry segments was initiated with the COVID-19 pandemic in 2020. The Bank continues these reviews based on the challenges faced by particular sectors.

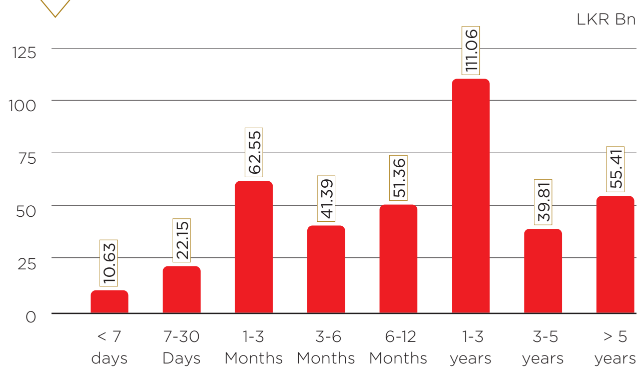
RISK RATING

DFCC Bank uses seven rating models for the rating of lending clients. Rating models are based on financial, non-financial and industry parameters. Risk rating varies from Low Risk (AAA) to Default (D). Pricing of the key products is based on the risk rating of the client.

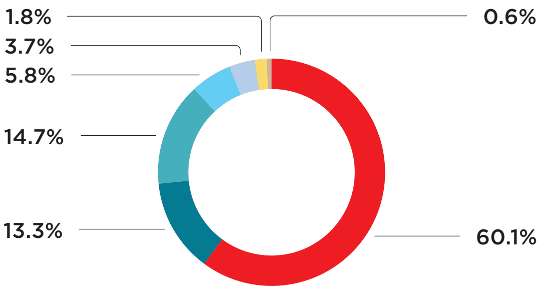
Movement in Stage 3 Ratio



Residual Maturity of Total Advances (Net)

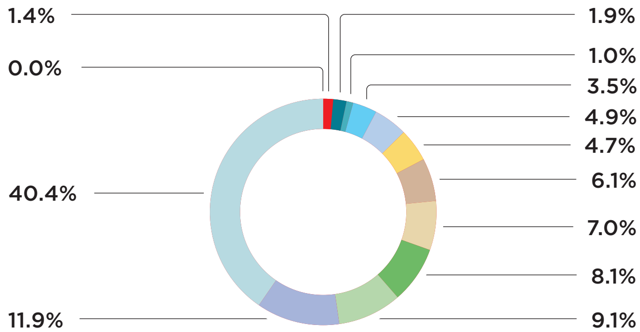


Product Composition



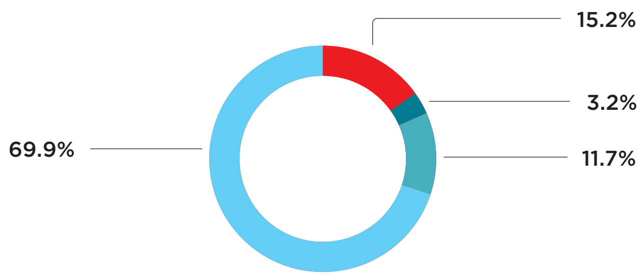
- Term loans
- Overdrafts
- Trade finance
- Lease rentals receivable
- Pawning
- Credit cards
- Staff loans

Geographical Distribution



- Premier Centre
- Region – 09 (Jaffna/Kilinochchi/Vavuniya)
- Treasury
- Region – 08 (Badulla/Monaragala/ Rathnapura/Nuwara Eliya)
- Region – 05 (Kandy/Kegalle/Matale)
- Region – 07 (Ampara/ Anuradhapura/Polonnaruwa/ Batticaloa/Trincomalee)
- Region – 02 (Colombo/ Kalutara/Galle/Ratnapura)
- Region – 06 (Matara/ Hambantota/Galle)
- Region – 04 (Puttalam/ Matale/Anuradhapura/ Kurunegala/Gampaha)
- Region – 03 (Colombo/Ratnapura)
- Region – 01 (Colombo/Gampaha)
- Corporate Banking
- FCBU

Composition of Non-performing Facilities



- Special Mention
- Substandard
- Doubtful
- Loss

CREDIT RISK MANAGEMENT PROCESS

The Bank's credit policies which define the credit strategy to be adopted by the Bank are approved by the Board of Directors. The policies are based on CBSL Directions on integrated risk management, Basel recommendations, business practices, and the Bank's risk appetite. The Board of Directors define the credit objectives, outlining the credit strategy to be adopted at the Bank. Credit risk management provides several guiding directives; identifying target markets and industry sectors, defining risk tolerance limits and recommending control measures to manage concentration risk. Uniformity of practice across the Bank is ensured by standardised formats and clearly documented processes and procedures.

Credit risk culture	• Reviewed credit risk management framework and credit policy to meet the requirements of the current economic conditions. • The Bank's governance and organisational structures are aligned with its established risk appetite to enhance the culture of credit risk management within the Bank. • IRMD creates awareness of credit risk management through training programmes and experience sharing sessions, including online channels and infographic e-learning modules to enhance credit underwriting and evaluation capabilities in the Bank. Evaluate challenges, risks and opportunities available in identified industries to realign the credit strategy and provide direction on lending to the business units.
Credit approval process	• A structured and standardised credit approval process is documented in the credit manual. All activities involving credit appraisal, documentation, funds disbursement, monitoring performance, restructuring and recovery procedures are described in detail in the manual, which is reviewed every two years at minimum, or more frequently if required. Standardised appraisal formats and workbooks have been designed for each facility type and are being reviewed annually or as and when required, to be in line with business needs. • The Bank is using specialised application software to process finance leases. Collateral guidelines for lending were amended/improved during the year considering the market conditions and current economic situation of the country to safeguard the Bank's interest. Clearly defined credit workflow ensures segregation of duties among credit originators, independent review and approval authority. Delegation of Lending Authority sets out approval limits based on a combination of risk levels, as defined by risk rating and security type, loan size, proposed tenure, borrower, and group exposure. • Independent rating review of every credit proposal with the exception of certain identified products is performed by IRMD. CRO and VP CRM are observers of the Credit Committees and evaluates credit proposals from a risk perspective. Risk-based pricing is practiced at the Bank. However, deviations are allowed for identified products, funding through credit lines, and where strong justification is made for business development purposes.
Control measures	• Exclusion lists and special clearance sectors are identified based on the country's laws and regulations, Bank's corporate values and policies and level of risk exposure. Exclusion list specifies the industry sectors to which lending is disallowed while special clearance sectors specify industry sectors and credit products to which the Bank practices caution in lending. Advisory limits on single borrower exposure, group exposure and industry sectors are set by the Board of Directors on the recommendation of IRMD.

Credit risk management	• Timely identification of problem credit through concentration risk analysis in relation to industries, products and geographical locations such as branches or regions. • Industry reports or periodical economic analyses provide direction to lending units to identify profitable business sectors to grow the Bank's portfolio and to identify industry-related risk sources and their impact. • Categorisation of the industry sectors into four stress segments: minimum, short-term, medium-term and long-term, based on the magnitude of impact and timing of recovery and reviewing the industry stress segments at frequent intervals based on the evolving situation. • Evaluation of new products from a credit risk perspective to highlight any embedded risks and mitigants. Independent rating review by the Credit Risk Management Unit of IRMD ensures an assessment of credit quality at the time of credit origination and credit reviews. • A post-sanction review of loans by the Loan Review Unit, which is independent of the Credit Risk Management Unit, within a stipulated time frame is in place in accordance with the Loan Review Policy to ensure credit quality is maintained. • Periodic validation of credit rating models and introducing necessary adjustments to the models for better discriminatory power based on model validation results and existing macroeconomic outlook.
Credit risk monitoring and reporting	• Periodic reporting of an analysis of the Bank's portfolio covering stage movement and concentration risk across various dimensions including product, borrower, rating, collateral, location, industry as well as regulatory and advisory limits will be presented to BIRMC and other management committees. • A comprehensive and systematic process of watch-listing is in place for identifying, monitoring and reporting clients that demonstrate a significant increase in credit risk, which will contribute to the continuous improvement of the quality of the loan book. • Continuously review and monitor the lending portfolio in order to proactively take steps to restructure facilities. • Continuous contribution to effective financial reporting through stage upgrades in accordance with SLFRS 9 and involvement in the Impairment Committee.

KEY CREDIT RISK MEASUREMENT TOOLS AND REPORTING FREQUENCIES

The following credit risk measurement tools are being used in managing credit risk by the Bank and reported in the stipulated frequencies.

Credit risk measure or indicator	Frequency
Probability of default	Quarterly
LGD under Basel III and IFRS	Quarterly
Top and emerging risks	Monthly
Credit portfolio analysis	Once in two months
Rating-wise distribution across business segments	Once in two months
Summary of rating reviews including overridden ratings	Once in two months
Watch-listed clients	Monthly to the Senior Management and quarterly to the Board
Summary of reviews done under Loan Review Mechanism	Quarterly

DIMENSIONS FOR ANALYSIS AND MONITORING OF CREDIT CONCENTRATION RISK

Credit concentration risk measure/indicator	Frequency
Industry sector limits positions	Quarterly
Top 20 borrower exposures	Quarterly
Top 20 borrower group exposures	Quarterly
Industry sector HHI*	Quarterly
Product distribution of the credit portfolio	Once in two months
Borrower distribution across rating grades	Quarterly

*The Herfindahl-Hirschman Index (HHI) is a measure of concentration, calculated by squaring the share of each sector and then summing-up the resulting numbers.

PORTFOLIO RISK

Portfolio Risk Management Unit (PRMU) is tasked with the primary responsibility of identifying risks in high volume lending product portfolios of the Bank by carrying out extensive analysis of data stored across multiple platforms. Data analytic tools and modelling techniques are used to gain in-depth and multidimensional insights of customer segments covering demographic, geographic & behavioural dimensions. The findings are disseminated to business units and other stakeholders to facilitate prudent decision making.

LOAN REVIEW MECHANISM

Loan Review Mechanism (LRM) is currently a regulatory requirement under the CBSL Direction No. 07 of 2011 on Integrated Risk Management. It is an effective tool for constantly evaluating the quality of the loan book and bringing about qualitative improvements in credit functions. The LRM function is carried out by the Loan Review Unit (LRU) of IRMD.

MARKET RISK

Market risk is the possibility of losses arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, equity prices, and commodity prices. Various acceptable limits set to control market risk are stipulated by the Investment Policy, Treasury Middle Office (TMO) Policy, Treasury Manual, and overall limits system. Market risk impact the Bank mainly in two ways: loss of cash flows or loss of economic value. Market risk is of two types: traded market risk, which is associated with the trading book, and non-traded market risk, which is associated with the banking book. The ALCO oversees the management of both traded and non-traded market risks. Market risk management is an integral component of overall risk management within the Bank; effectively managing market risk is crucial for maintaining financial stability, protecting assets and achieving long-term business objectives.

The Treasury manages the foreign exchange risk with permitted hedging mechanisms. Trends in relevant local as well as international markets are analysed and reported to ALCO and BIRMC by IRMD and the Treasury.

Interest rate sensitivity analysis (modified duration analysis), Value-at-Risk (VaR), simulation and scenario analysis, stress testing and marking-to-market of positions are used as quantification tools for the purpose of risk monitoring and management of market risks. TMO is responsible for the Bank's market risk management, which refers to the procedures implemented by the Bank to identify, assess, monitor, and control the potential losses arising from changes in financial market conditions. It encompasses the risk associated with fluctuations in market prices such as interest rates, exchange rates, commodity prices and equity prices. TMO's functions include market risk management aspects such as market risk identification, market risk quantification, risk measurement models, risk limits and guidelines, hedging strategies, monitoring and reporting stress testing, regulatory compliance, and analytics, which continuously improve the risk culture.

INTEREST RATE RISK

Interest Rate Risk can be termed as the risk of loss in the net interest income (earnings perspective) or the net worth (economic value perspective) due to adverse changes in the market interest rates. The main cause of interest rate risk is the repricing risk arising due to any mismatch between repricing assets and liabilities. The Bank manages its interest rate risks primarily through an asset liability repricing gap analysis, which groups interest-sensitive asset and liability positions into several maturity buckets. The gaps are monitored periodically against limits defined by the Board. The Asset and Liability Management unit routinely assesses the assets and liabilities in terms of interest rates. The results are reported to ALCO for necessary corrective action.

Interest rate risk can consist of,

- Repricing risk that arises from the inherent mismatch between the Bank's assets and liabilities, resulting in repricing timing differences.
- Basis risk that arises from the imperfect correlation between different yield and cost benchmarks attached to the repricing of assets and liabilities.
- Yield curve risk that arises from shifts in the yield curve that have a negative impact on the Bank's earnings or asset values.

FOREIGN EXCHANGE RATE RISK

Foreign exchange risk refers to the potential adverse impact on the Bank's capital or earnings due to fluctuations in market exchange rates. This risk arises from holding a Net Open Position (NOP), where the Bank's assets and liabilities in foreign currencies differ at any given point in time. The NOP reflects the level of net foreign currency exposure the Bank has, representing the unhedged position across all foreign currencies.

To manage this risk, the Bank employs various strategies, including setting limits on net unhedged exposures, utilising forward contracts for hedging, and offsetting foreign currency assets and liabilities. NOP and currency-specific NOP limits are established and monitored in real-time. The Bank also conducts Value-at-Risk (VaR) assessments for its forex positions and undertakes stress testing, which is performed and reported by the Treasury Middle Office (TMO).

Daily interbank foreign currency transactions are carefully monitored against preset limits, and any deviations are promptly reported to the Management and the Board Integrated Risk Management Committee (BIRMC). Additionally, the Bank has set limits for FX forward mismatch negative gaps, both for USD and other currencies. The unhedged foreign currency exposure is closely monitored, with appropriate steps taken to hedge against market volatility.

The Bank has implemented cumulative stop-loss and take-profit limits at the individual level for the trading book, to mitigate potential risks from sudden adverse exchange rate fluctuations. These limits are effectively managed within the system's limit module and monitored on a real-time basis.

INDIRECT EXPOSURES TO COMMODITY PRICES RISK – GOLD PRICES

The Bank's pawning portfolio as at 31 December 2024 amounted to LKR 16,152 Mn, which accounts for 2% of total assets. The Market Risk Management Unit (MRMU) manages the risk emanating from gold by constantly analysing the international and local market prices and adjusting the Bank's preferred loan-to-value (LTV) ratio. The Bank also conducts stress testing for the gold portfolio and the stress results are reported to ALCO, BIRMC and the Board.

EQUITY PRICE RISK

Equity price risk refers to the potential loss in the mark-to-market equity portfolio due to a decline in market prices. The Bank's direct exposure to this risk arises from equity portfolios classified as fair value through profit or loss and fair value through other comprehensive income. Indirect exposure occurs through the margin lending portfolio in cases where a borrower's credit risk crystallises.

The Bank's Investment Committee manages the equity portfolio in accordance with the policies and guidelines established by the Board and BIRMC. Key risk management tools include setting limits for equities used as collateral for loans and margin trading, as well as for the Bank's own investment and trading portfolios. The management process is further strengthened through detailed appraisals, proper market timing, and close monitoring of portfolio performance relative to market trends. The Bank has also adopted a more risk-based approach by implementing limits linked to the Beta value of shares, which reflect market volatility. These measures ensure that the equity portfolio is managed effectively within the Bank's investment strategy and risk policy framework.

LIQUIDITY RISK

Liquidity risk refers to risk of being unable to meet its financial obligations on time and in full at a reasonable cost. This risk arises from mismatches in the maturities of assets and liabilities. The Bank has a well-structured framework for liquidity risk management and a contingency funding plan. The liquidity risk management process includes regular analysis and monitoring of the liquidity position by ALCO through regular cash flow analysis, liquidity ratios, and maturity gap analysis as regulatory tools. Any negative mismatches up to the immediate three months revealed through cash flow gap statements are matched against cash availability through incremental deposits or committed lines of credit. While adhering to regulatory liquidity requirements, the Bank integrates stress testing as a key component of its liquidity risk management strategy, ensuring readiness to implement alternative liquidity strategies swiftly and effectively.

Maintaining a strong credit rating and reputation in the market enables the Bank to access domestic wholesale funds. The Bank also has access to the money market at competitive rates for short-term liquidity support. In line with the long-term project financing business, the Bank focuses on long term funding through dedicated credit lines; Bank's growing share of commercial banking business focuses on Current Accounts and Savings Accounts (CASA) and Term Deposits as the key funding source for its lending. The structure and procedures for Asset and Liability Management at the Bank have been clearly set out in the Board-approved ALCO Charter, which is reviewed annually.

MEASURING LIQUIDITY

Under CBSL Direction No. 7 of 2011, liquidity can be measured through stock approach or flow approach. The Bank has adopted both methods in combination to assess the liquidity risk.

Under the flow approach, the Bank prepares a statement of Maturities of Assets and Liabilities (MAL), placing all cash inflows and outflows in the time bands according to their residual time to maturity and non-maturity items as per CBSL recommended and the Bank-specific behavioural assumptions. The gap analysis of assets and liabilities highlights the cash flow mismatches, which assist in prudently managing liquidity obligations.

Under the stock approach, liquidity is measured in terms of key ratios which portray the liquidity in the balance sheet. The Bank regularly reviews the trends of ratios given in the table for liquidity risk management. During the year, the Bank maintained liquidity indicators above the regulatory minimums.

Under Basel III minimum liquidity standards (Liquidity Coverage Ratio), banks are required to maintain an adequate level of unencumbered High-Quality Liquid Assets (HQLAs) that can be easily and readily converted into cash to meet their liquidity needs for a 30-calendar day time horizon under a significantly severe liquidity stress scenario. The computations of LCR performed for the Bank indicated that the Bank was comfortably in compliance with the Basel III minimum requirements, having sufficient High-Quality Liquid Assets well in excess of the minimum requirements specified by the Central Bank of Sri Lanka (CBSL) throughout the year.

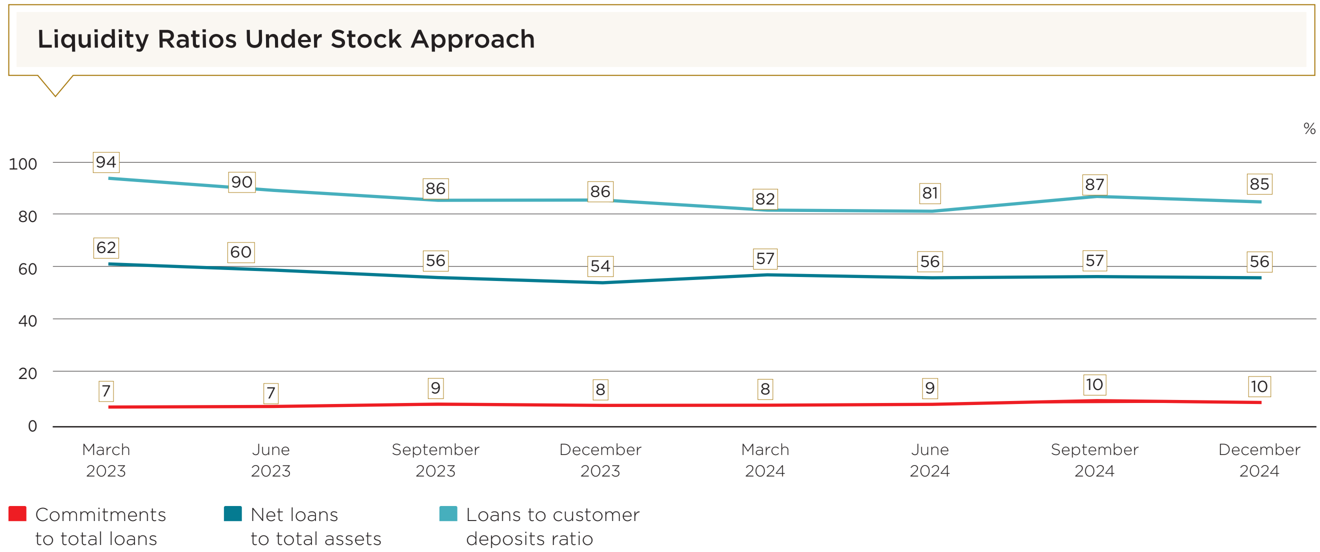
Net Stable Funding Ratio (NSFR) guidelines issued by CBSL are designed to reduce funding risk over a longer time horizon by requiring banks to fund with sufficiently stable sources to mitigate the risk of future funding stress and require banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet exposures.

The Bank has a contingency funding plan that gives guidance on managing liquidity requirements in stressed conditions based on different scenarios of severity. The contingency funding plan outlines how liquidity should be managed under certain bank-specific or market-specific scenarios. It outlines how the assets and liabilities of the Bank are to be monitored, pricing strategies are to be devised, and growth strategies are to be reconsidered, emphasising avoidance of a liquidity crisis based on the risk level. Management and reporting framework for ALCO identifies evaluating a set of early warning signals, both internal and external, in the form of a Liquidity Risk Matrix on a monthly basis in order to assess the applicable scenario ranging from low risk to extremely high liquidity risk and proposes a set of strategies to avoid and mitigate possible crises proactively. The action plan for each high-risk contingency level scenario is to be considered by a liquidity contingency management team, which includes the Chief Executive Officer, Head of Treasury, Chief Risk Officer, Business Unit Heads and other ALCO members of the Senior Management.

The liquidity contingency funding plan was further improved during the year with updating Bank specific and market specific Liquidity Risk Indicators (LRIs) to strengthen the Bank's ability to monitor and respond to potential liquidity risks effectively. During the year, the Bank encountered no high liquidity risk scenarios.

KEY LIQUIDITY RISK MEASUREMENT TOOLS AND REPORTING FREQUENCIES

Liquidity risk measure/indicator	Minimum frequency
Stock approach – Ratio analysis:	
Net loans to total assets	Once in two months
Loans to customer deposits	Once in two months
Large liabilities to earning assets excluding temporary investments	Once in two months
Purchased funds to total assets	Once in two months
Commitments to total loans	Once in two months
Trends in Liquidity Coverage Ratio (LCR) and forecasts	Monthly
Net Stable Funding Ratio (NSFR)	Quarterly
Flow approach:	
Maturity gap report (on static basis)	Quarterly
Net funding requirement through dynamic cash flows	Quarterly
Scenario analysis and stress testing	Monthly/ Quarterly
Contingency funding plan	Annual Review



OPERATIONAL RISK

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems, and external events. It covers a wide area ranging from losses arising from fraudulent activities, unauthorised trade or account activities, human errors, omissions, inefficiencies in reporting, technology failures or external events such as natural disasters, cyberattacks, terrorism, theft, political instability and extraordinary events such as the COVID-19 pandemic. The Bank endeavours to manage, control and mitigate operational risk in a cost effective manner consistent with the Bank's risk appetite.

The Operational Risk Management Committee (ORMC) oversees and directs the management of the operational risk of the Bank with facilitation from the Operational Risk Management Unit (ORMU) of the IRMD. Active representation of the relevant departments and units of the Bank ensures the process of operational risk management through Operational Risk Coordination Officers (ORCOs). Segregation of duties with demarcated authority limits, internal and external audits, strict monitoring facilitated by the technology platform and backup facilities for information are the fundamental tools of operational risk management.

The following are other key aspects of the operational risk management process at DFCC Bank.

- Monitor Risk and Control Self-Assessment (RCSA) and Key Risk Indicators (KRIs) for the functions under defined threshold limits using a "Traffic Light" system.
- Maintain an internal operational risk incident reporting system and carry out an independent analysis of the incidents by IRMD to recognise necessary improvements in the systems, processes, and procedures.
- Trend analysis on operational risk incidents and review at the ORMC. Review the downtime of the critical systems and assess the causes. The risk and business impact are then evaluated. Corrective action is taken whenever tolerance levels are compromised.
- Review of HR attrition and exit interview comments in detail and evaluate at the ORMC from an operational risk perspective.
- Establishment of the Bank's complaint management process under the Board approved Complaints Management Policy. IRMD analyses complaints received to identify any systemic issues and reports to ORMC on an annual basis, where the Customer Experience Unit submits quarterly analyses.
- Conduct product and process reviews to identify operational risks and recommend changes to products and related processes.
- Evaluate the operational risks associated with any new product developments.
- Maintain an external loss database to proactively mitigate operational risks that may arise from the external environment.
- Business Continuity Planning and Disaster Recovery (DR) processes and review the results of DR drills conducted in the Bank to provide recommendations for future improvements.
- Conduct Fraud Risk Management Committee (FRMC) meetings periodically to identify potential fraud risks that might impact the Bank and take timely remedial actions.

Operational risk reporting

Risk identification	Risk assessment	Risk monitoring and controlling
• Risk and Control Self-Assessments (RCSA) • Operational risk incident analysis (internal and external) • Risk analysis of products and services • Analysis of customer complaints	• Evaluation of risks against the controls through RCSA • Key Risk Indicators (KRIs) • Incident assessment and escalation (internal and external) • Stress testing	• Action plans based on incident analysis, RCSA and KRI • Insurance • Business Continuity Plan and periodic testing

Culture and awareness

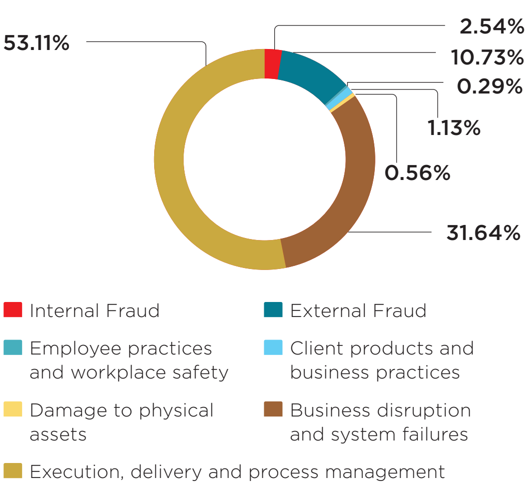
Policies and guidelines

OPERATIONAL RISK LOSSES

The Bank has improved its operational risk incident reporting system over time by creating an increased level of awareness among the employees with regard to operational risks and the importance of timely incident reporting. A total of 354 incidents were reported in 2024. Reporting is carried out by Operational Risk Coordination Officers (ORCO) to the Operational Risk Management Unit (ORMU) on operational risk related incidents, that took place at their respective branches or departments. The operational risk incidents reported in 2024 based on the event type are provided in the graph below.

OPERATIONAL RISK INCIDENTS

Operational Risk Incidents



RISK AND CONTROL SELF-ASSESSMENTS (RCSAs) AND KEY RISK INDICATORS (KRIs)

Monitoring of Risk and Control Self-Assessments (RCSAs) and Key Risk Indicators (KRIs) in key functions of the Bank is carried out as a measure to allow the early detection of operational risks before actual failure occurs. Currently, IRMD monitors 70 departments/units for the KRI, and in 2024, RCSA and KRIs were developed for three units. RCSA requires semi-annual and quarterly self-evaluation of operational risk exposures of processes in the Bank by respective departments. Each department will assess risks based on impact and likelihood of occurrence, while controls are assessed based on control design and control performance. During 2024 Key Risk Indicator (KRI) monitoring was introduced for branches. The initiative focused on identifying emerging risks, tracking trends, and ensuring timely corrective actions to mitigate potential threats to branch operations. A robust monitoring procedure has been implemented to strengthen oversight of third-party service providers through site visits by enhanced collaboration with Risk, Audit, Information Security, Compliance, and Business teams.

INSURANCE AS A RISK MITIGANT

Insurance policies are obtained to transfer the risk of low frequency and high severity losses, which may occur as a result of events such as fire, theft, fraud, natural disasters, errors and omissions. Insurance plays a key role as an operational risk mitigant in the banking context due to the financial impact that any single event could trigger. Insurance policies in force covering losses arising from the undermentioned assets/processes include; cash and cash equivalents, pawned articles, premises and other fixed assets, public liability, employee infidelity, negligence, personal accidents and workmen's compensation, losses from counterfeit, forged, fraudulently altered, stolen cards and associated legal expenses.

OUTSOURCING OF BUSINESS FUNCTIONS

Outsourcing occurs when the Bank uses another party to perform non- core banking functions that the Bank itself would have traditionally undertaken. This enables the Bank to concentrate more on its core banking activities while having outside experts take care of the non-core functions. When outsourcing to a party, the Bank undertakes due diligence tests on the companies concerned, such as credibility and ability of the owners, BCP arrangements, technical and skilled workforce capability, financial strength, etc. Further, the Bank considers whether the function is suitable for outsourcing. Archival of documents, certain IT operations, security services, and selected recovery functions are some of the outsourced activities of the Bank. The Bank is concerned and committed to ensuring that the outsourced parties continue to uphold and extend a high standard of customer care and service excellence.
A report on outsourced activities is annually submitted to the CBSL for their review while adhering to the Banking Direction on Outsourcing of Business Operations.

KEY OPERATIONAL RISK MEASUREMENT TOOLS AND REPORTING FREQUENCIES

Operational risk measure/indicator	Frequency
Operational risk incidents reported during the period (Internal)	Every month
Risk and control self-assessments and key risk indicators	Semi-annually and quarterly
Status and reports of any BCP/DR activities undertaken	As required
Customer complaints during the period	Quarterly
System and ATM downtime reports	Quarterly
Attrition information	Quarterly
Review of outsourced business operations	Annually

TECHNOLOGY AND INFORMATION SECURITY RISK MANAGEMENT

Technology and Information Security Risk Management (TISRM) is managing the risks associated with using information technology and evaluating risks to the Confidentiality, Integrity, and Availability (CIA) of the Bank's information assets and processes. The established information security management system is designed to provide a systematic approach to managing the Bank's sensitive information and processes by considering all aspects of people, processes and technology controls.

Further, the Bank's information security management system has been ISO 27001:2013 certified since 2016.

There are many risks associated with information threats such as cyberthreats which can lead to disclosure of confidential data to unauthorised parties or loss of valuable data. Threats are continually evolving and security systems need to evolve in turn. Information Security Risk Management (ISRM) is an ongoing process of identifying, assessing, and responding to security risks.

The main objective of TISRM is to ensure compliance with regulatory and contractual requirements, while adopting industry security best practices and aligning information security risk management with corporate risk management objectives. The Bank's current TISRM strategy focuses on the following activities;

- Improving the existing Information Security Management System (ISMS) by adopting the recent CBSL Regulatory Framework on Technology Resilience and the Data Protection Act.
- Improving information security policies, procedures, and guidelines while considering regulatory requirements and the dynamic threat landscape.
- Continuous assessment of security risks related to the Bank's information assets and processes to ensure technology-related residual risks are maintained at acceptable levels.
- Reviewing and monitoring information security KPIs and reporting the status of the indicators to the Operational Risk Management Committee
- Conducting internal vulnerability assessment and penetration testing covering IT infrastructure at defined intervals to ensure known vulnerabilities are appropriately managed.
- Performing trend analysis on the Bank's cybersecurity posture and managing information security incidents to minimise risk.
- Ensuring adequate information security awareness is given to staff members and the Board of Directors to follow security best practices, detect and report information security events and incidents.
- Monitoring and assessing multiple aspects of the use of technology including physical security, safety, and also the use of technical components in banking operations.

INFORMATION SYSTEMS SECURITY

The establishment of a separate Chief Information Security Officer (CISO) office within the Bank is a strategic initiative aimed at strengthening the information security framework in accordance with the governance requirements set forth by the CBSL. This initiative ensures the robust management of information security risks, aligning with regulatory expectations and industry best practices.

The CBSL mandates that all licensed banks establish an independent CISO function to oversee the Bank's information security strategy, policies, and risk management. The CISO office operates autonomously from IT operations, ensuring that security oversight remains impartial and objective. The Bank's compliance with these directives is demonstrated through the appointment of a dedicated CISO reporting directly to the Deputy Chief Executive Officer (DCEO), development and enforcement of a comprehensive Information Security Policy (ISP), implementation of CBSL-mandated controls for cybersecurity risk assessment, monitoring, and mitigation, and regular reporting to the management committees on security threats and incidents. Additional milestones include the achievement of ISO/IEC 27001 certification since 2016, demonstrating Bank's commitment to global security standards, and plans to obtain the latest versions of ISO 27001, ISO 20000, ISO 22301 and PCI DSS certifications during 2025. Further the Bank has aligned the data governance structures in accordance with Sri Lanka's Personal Data Protection Act (PDPA) ensuring customer rights in terms of data protection.

To enhance the Bank's resilience against cyber threats, CISO office has undertaken several responsibilities, including conducting security risk assessments, ensuring adherence to regulatory standards, conducting employee awareness programmes, maintaining an incident response plan, monitoring vendor security, and implementing advanced threat detection systems.

During the past year, the CISO office has made significant progress in enhancing the Bank's cybersecurity posture. Key achievements include the implementation of a Security Operations Center (SOC) for continuous threat monitoring, conducting penetration testing and vulnerability assessments, establishing a Cybersecurity Incident Management Framework, strengthening collaboration with the Financial sector National Cybersecurity Agency and initiating the PCI DSS certification process for completion by 2025.

While substantial progress has been made, challenges remain, including evolving cyber threats, resource constraints, and increased regulatory expectations. Moving forward, the CISO office aims to further automate security monitoring, enhance AI-driven threat detection, expand security awareness training, and strengthen collaboration with law enforcement.

The establishment of a separate CISO office has significantly contributed to fortifying the Bank's information security governance. By aligning with CBSL regulations and global best practices, DFCC Bank is committed to continuously enhancing cybersecurity resilience, ensuring the protection of customer data and maintaining stakeholder trust.

KEY INFORMATION SECURITY RISK MEASUREMENT TOOLS AND REPORTING FREQUENCIES

Information security risk measure/indicator	Frequency
IT infrastructure vulnerability assessments (internal)	Quarterly
Business application vulnerability assessments (internal)	Quarterly
Third party penetration testing	Annually
Technology related risk assessment (internal)	Semi-annually
Vendor security assessment (internal)	Annually
Information security incident reporting	Quarterly
Top and emerging risk reporting (internal)	Monthly
User access reviews	Quarterly

REPUTATIONAL RISK

Reputational risk is the risk of losing public trust or the Bank's image being tarnished in the public eye. It could arise from environmental, social, regulatory, or operational risk factors. Events that could lead to reputational risk are closely monitored, through an early warning system that includes inputs from frontline staff, media reports, and internal and external market survey results. Though all policies and standards relating to the conduct of the Bank's business have been promulgated through internal communication and training, a specific policy was established to take action in case of an event that may affect the Bank's reputation. The Bank completely eschews knowingly engaging in any business, activity, or association where foreseeable reputational damage has not been considered and mitigated. The complaint management process and the whistleblowing process of the Bank encompass a set of key tools to recognise and manage reputational risk. Based on the operational risk incidents, any risks that could lead to reputational damage are presented to the Board, and the Bank takes suitable measures to mitigate and control such risks.

BUSINESS RISK

Business risk is the risk of deterioration in earnings due to the loss of market share, changes in the cost structure and adverse changes in industry or macroeconomic conditions. The Bank's medium-term strategic plan and annual business plan form a strategic roadmap for sustainable growth. Continuous competitor and customer analysis and monitoring of the macroeconomic environment enable the Bank to formulate its strategies for growth and business risk management. Processes such as Planning, ALM, IT and Product Development, in collaboration with business functions, facilitate business risk management through recognition, measurement, and implementation of tasks. Business risk relating to customers is assessed in the credit rating process and is priced accordingly.

LEGAL RISK

Legal risk arises from transactions unenforceable in a court of law or the failure to successfully defend legal action instituted against the Bank. Legal risk management commences from prior analysis, thorough understanding and adherence to related legislation by the staff. Necessary precautions are taken at the design stage of transactions to minimise legal risk exposure. In the event of a legal risk factor, the Legal Unit of the Bank takes immediate action to address and mitigate these risks. External legal advice is obtained, or counsel retained when required.

COMPLIANCE RISK

The Bank's compliance programme encompasses all policies and procedures in managing its compliance risks: regulatory, reputational, operational and legal. It ensures the Bank's compliance with applicable laws, regulations, guidelines and standards of good practice. Non-compliances could result in financial penalties and damaged reputation. As the Second Line of Defence, the compliance function plays a key role in the Bank's risk management function. The compliance function of the Bank is structured effectively to manage the dynamic challenges posed by the national and international regulations and to address the risks associated with money laundering, financing of terrorism, and other compliance risks. Unwavering direction from the top has immensely helped to create a sound compliance culture within the Bank and implement compliance strategies in a healthy manner. The Bank has a robust screening and compliance monitoring system to track transactions and activities.

The compliance function conducts regular reviews and assessments to ensure the Bank's adherence to regulatory requirements, identify gaps and promptly address any issues found. Continuous employee training on governing regulations is being conducted to ensure staff adherence to compliance requirements at all levels of the Bank. The Bank's compliance function closely works with regulatory bodies and key stakeholders in the banking industry to ensure smooth operation.

BUSINESS CONTINUITY MANAGEMENT

A key objective of the Bank is resilience and continuity of its operations. The Bank has established a Business Continuity Management System (BCMS) and a BCP to ensure timely recovery of critical operations that are required to meet stakeholder needs, based on identified possible disruptions categorised into various severity levels. The BCMS has been designed to minimise risk to human and other resources and to enable the resumption of critical operations within reasonable time frames specified according to Recovery Time Objectives (RTOs), with minimum disruption to customer services and payment and settlement systems.

The Bank conducts periodic DR drills. These DR drills are subject to independent validation by the Internal Audit Department. A report on the effectiveness of the drill is submitted to the BIRMC/Board and also to CBSL with the Board's observations. Learnings and improvements to DR activities are discussed and implemented through the BCSC and the BIRMC. Training and drills are carried out with the participation of employees which makes them aware of their role within the BCP.

DFCC Bank is well on its way to obtaining ISO 22301 certification for its business continuity management system by 2025.

Key initiatives driving this include:

- Comprehensive Risk Assessment
- Enhanced Preparedness
- Stakeholder engagement via comprehensive business impact assessments
- Training and Awareness
- Adherence to Global Standards

These efforts reflect the Bank's proactive approach to safeguarding its operations, building stakeholder confidence, and positioning itself as a leader in operational resilience within the industry. The anticipated ISO certification further cements the Bank's standing as a trusted and reliable partner in the financial ecosystem.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) RISK

Key ESG risks relevant to overall risk management include climate-related risks, regulatory changes, reputational risks, and social factors. The Bank recognises the growing importance of Environmental, Social, and Governance (ESG) factors in maintaining financial stability and effective risk management, and has therefore integrated several risk mitigation measures into its credit evaluation process. A dedicated team with specialised expertise in ESG is tasked with assessing large loan facilities to identify potential ESG-related risks. These identified risks are then incorporated into the overall credit evaluation.

Additionally, climate risk is carefully considered when evaluating the risk profile of a client's business operations. DFCC Bank has already implemented a process to monitor borrowers who may be facing stress due to external challenges, including ESG factors.

Furthermore, DFCC Bank is actively working on the development of advanced systems to identify ESG risks associated with both the client's business operations and the mortgage securities pledged to the Bank. These systems are aimed at enhancing the Bank's ability to assess and manage ESG risks effectively and proactively.

In alignment with global best practices, the Bank is committed to enhancing its risk assessment framework by integrating ESG considerations into its stress testing processes and capital requirements. Accordingly, the Bank is in the process of considering all material ESG risks for Pillar II assessment under the capital requirements for licensed banks.

STRESS TESTING OF KEY RISKS

The Bank has been conducting stress testing on a regular basis. They are conducted according to the stress testing policy that is aligned with international best practices and regulatory guidelines. The Bank covers a wide range of stress tests that check the resilience of the Bank's capital and liquidity. The policy describes the purpose of stress testing and the governance structure, methodology for formulating stress tests, frequencies, assumptions, tolerance limits and remedial action. Stress testing and scenario analysis have played a significant role in the Bank's risk mitigation efforts. Stress testing has provided a dynamic platform to assess "what if" scenarios and to provide the Bank with an assessment of areas to improve.

The outcome of the stress testing process is monitored carefully, and remedial actions are taken and used by the Bank as a tool to supplement other risk management approaches. During 2024, the stress scenarios were updated to accommodate new regulatory requirements and to be more relevant in the current economic landscape.

RISK AREAS AND METHODOLOGIES ADOPTED

Risk area and methodologies adopted	Results
Credit and concentration risk	
• Impact of adverse movement of the impairment stages • Impact of increase in impaired loan ratio • Sector concentration, concentration of credit rating, concentration of products and concentration of borrowers • Capital Adequacy Ratios (CAR) were stressed to see if the ratios fall below the regulatory levels • Additional capital was computed for all extreme concentration risks and was reported to the Senior Management	• The CAR remained above the minimum regulatory limit under all stressed conditions
Market risk	
• Stress testing and VaR calculations of currency exposure • Stress testing and VaR calculations for the equity portfolio • Change of interest rates and its effect on the Bank's profitability and capital	• VaR on currency exposure and equity portfolio were within the Bank's acceptable risk matrices • At all stress conditions, CAR stands above 10% which is the minimum regulatory requirement at a full drawdown of the Capital Conversation Buffer (CCB)
Operational risk	
• Stress on the Bank's capital against increase of possible operational losses	• The CAR remained above the minimum regulatory limit under all stressed conditions
Liquidity risk	
• Stress on liquidity due to settlement risk, decline in collections, and bulk deposit redemption • Stress on liquidity coverage ratio under multiple scenarios • Erosion of deposits due to sudden reputation risk and associated liquidity risks	• Liquidity coverage ratio was maintained above the minimum regulatory limit at all stress conditions
• Multifactor stress testing	• The CAR remained above the minimum regulatory limit under low stressed conditions • At medium and high stress conditions, CAR stands above 10% which is the minimum regulatory requirement at a full drawdown of the Capital Conservation Buffer (CCB)

Findings of the Bank's stress testing activities are used as input in several processes, including capital computation under the Internal Capital Adequacy Assessment Process (ICAAP), strategic planning and risk management. As an integral part of ICAAP under Pillar II, stress testing is used to evaluate the sensitivity of the current and forward risk profile relative to the stress levels defined as low, moderate and high in the Stress Testing Policy. The resultant impact on the capital through these stress tests is carefully analysed, and BIRMC regularly reviews stress testing outcomes, including assumptions underpinning them. They provide a broader view of all risks borne by the Bank in relation to its risk tolerance and strategy in a hypothetical stress situation. Stress testing has become an effective communication tool for senior management, risk owners, risk managers, supervisors, and regulators. The results of the stress testing are reported to BIRMC and the Board periodically to support proactive decision-making.

RISK CAPITAL POSITION AND FINANCIAL FLEXIBILITY

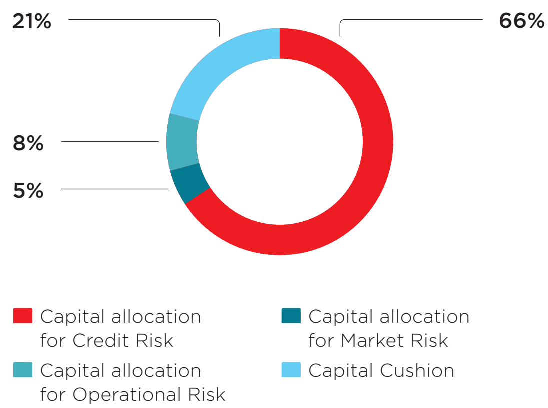
Capital adequacy measures the adequacy of the Bank's aggregate capital in relation to the risk it assumes.

The Bank proactively ensures a satisfactory risk capital level throughout its operations. In line with its historical practice and capital targets, the Bank aims to maintain its risk capital position above the regulatory minimum requirements for Tier I and total capital under Basel guidelines. As at 31 December 2024, the Bank maintained a risk capital position of 12.40% Tier I capital ratio and 15.76% total capital ratio based on the Basel III regulatory guidelines. Both ratios are above the minimum regulatory requirement of 8.5% for Tier 1 and 12.5% for total capital. The Bank's capital adequacy has been computed using the following approaches of the Basel regulations currently practiced in the local banking industry.

- Standardised approach for credit risk
- Standardised approach for market risk
- Basic Indicator approach for operational risk

The graph below shows the Bank's capital allocation and available capital buffer as at 31 December 2024, based on the quantified risk as per the applicable regulatory guidelines. Out of the regulatory risk capital (total capital) available as of 31 December 2024, the capital allocation for credit risk is 66% of the total capital, while the available capital buffer is 21%.

Capital Distribution



CAPITAL ADEQUACY MANAGEMENT

BASEL III is the global regulatory standard on managing banks' capital and liquidity, which is currently in effect. With the introduction of Basel III in mid-2017, the capital requirements of banks have been increased with an aim to raise the quality, quantity, consistency and transparency of the capital base and improve the loss absorbing capacity.

Under Pillar II (Supervisory Review Process – SRP) of Basel III, banks are required to implement an Internal Capital Adequacy Assessment Process (ICAAP) for assessing capital adequacy in relation to the risk profiles, and a strategy for maintaining capital levels. The Bank has in place an ICAAP, strengthening the risk management practices and capital planning process. The ICAAP sets out the process of formulating a mechanism to assess the Bank's capital requirements, covering all relevant risks and stress conditions in a futuristic perspective in line with the level of assumed risk exposures through its business operations. The ICAAP formulates the Bank's capital targets, capital management objectives and capital augmentation plans. It demonstrates that the Bank has implemented methods and procedures to capture all material risks, and adequate capital is available to cover such risks. This document integrates Pillar I and Pillar II processes of the Bank, wherein Pillar I deals with regulatory capital, primarily covering credit, market and operational risks, whilst Pillar II deals with economic capital involving all other types of risks.

As per the direction issued by the CBSL, under supervisory review of Basel III, CBSL encourages banks to enhance their risk management framework and proactively manage emerging risks. This is to ensure that the Bank maintains an adequate capital buffer in case of a crisis, while more importance has been placed on Pillar II and ICAAP. The Bank uses a mix of quantitative and qualitative assessment methods to measure Pillar II risks.

A quantitative assessment approach is used for concentration risk, liquidity risk, and interest rate risk, whilst qualitative approaches are used to assess risks such as reputational risk and strategic risk.

The Senior Management team participates actively in formulating risk strategy and governance, considering the Bank's capital planning objectives under the strategic planning process. Capital forecasting for the next three years covering envisaged business projections is considered in the budgeting process. This forward looking capital planning helps the Bank to be proactive with additional capital requirements in the future. This integrates strategic plans and risk management plans with the capital plan in a meaningful manner, with inputs from Senior Management, Management Committees, Board Committees and the Board.

Capital adequacy ratio and risk-weighted assets of DFCC Bank PLC on a solo and a group basis under Basel III

31 December Quantified as per the CBSL Guidelines	**2024**		2023	
	Bank	Group	Bank	Group
Credit risk-weighted assets (LKR Mn)	352,329	353,038	331,726	332,340
Market risk-weighted assets (LKR Mn)	27,404	27,404	14,062	14,062
Operational risk-weighted assets (LKR Mn)	43,469	44,241	33,950	34,616
Total risk-weighted assets (LKR Mn)	423,201	424,683	379,738	381,018
Total Tier I capital adequacy ratio – Basel III (%)	12.40	13.61	11.49	12.46
Total capital adequacy ratio – Basel III (%)	15.76	16.96	13.51	14.48

FINANCIAL FLEXIBILITY IN DFCC GROUP'S CAPITAL STRUCTURE

The Bank has access to contributions from shareholders and has built-up capital reserves over time by adopting prudent dividend policies, maintaining an increased level of retained profits and issuing Tier II eligible capital instruments as and when needed. Apart from the capital position reported on the balance sheet, the Bank maintains financial flexibility through the stored value in its equity investment portfolio. The unrealised capital gain of the listed equity portfolio is included in the fair value reserve.

THE ASSESSMENT OF INTEGRATED RISK

In the assessment of integrated risk, the Bank reviews key regulatory developments to anticipate changes and their potential impact on performance. The nature and impact of changes in economic policies, laws and regulations are monitored and considered in how the Bank conducts business and manages capital and liquidity.

The Bank has complied with all the currently applicable risk-related regulatory requirements, while closely monitoring internal limits, as shown in the table below.

Risk category	Impact	Key risk indicators	Limit type
Integrated risk management	An adequate level of capital is required to absorb unexpected losses without affecting the Bank's stability (Capital as a percentage of total risk-weighted assets)	Common Equity Tier I Ratio (Common Equity Tier I as a percentage of total risk-weighted assets)	Regulatory
		Total Tier I Capital Ratio (Total Tier I Capital as a percentage of total risk-weighted assets)	Regulatory/ Internal
		Total Capital Ratio (Total capital as a percentage of total risk-weighted assets)	Regulatory/ Internal
Concentration/ credit risk management	When the credit portfolio is concentrated on a few borrowers or a few groups of borrowers with large exposures, there is a high risk of a substantial loss due to failure of one such borrower	Single Borrower Limit – Individual (amount of accommodation granted to any single company, public corporation, firm, association of persons or an individual/capital base)	Regulatory/ Internal
		Single Borrower Limit – Group	Regulatory/ Internal
		Aggregate large accommodation limit (sum of the total outstanding amount of accommodation granted to customers whose accommodation exceeds 15% of the capital base/outstanding amount of accommodation granted by the Bank to total customers excluding the Government of Sri Lanka)	Regulatory/ Internal
		Aggregate limits for related parties (accommodation to related parties as per the CBSL Directions/ Regulatory Capital)	Internal
		Exposure to agriculture sector as defined by CBSL Directions	Regulatory
		Exposure to each industry sector (exposure to each industry as a percentage of total lending portfolio)	Internal
		Leases portfolio (on-balance sheet exposure to the leasing product as a percentage of total lending portfolio)	Internal
		Pawning portfolio (on-balance sheet exposure to the pawning product as a percentage of total lending portfolio)	Internal
		Exposure to GOSL	Internal
		Stage 3 Ratio	Internal
		Stage I impairment cover	Regulatory
		Industry HHI	Internal
		Project lending	Regulatory
		Loan and OD – Exposure in BB grade	Internal
		Loan and OD – Exposure in B and below grades	Internal
		Leasing – Exposure in BB and below grades	Internal
		Leasing – Exposure in B and below grades	Internal
		Limit on margin lending for individual borrowers	Regulatory/ Internal
		Margin trading (aggregate exposure of margin loans extended/total loans and advances)	Internal
Liquidity risk management	If adequate liquidity is not maintained, the Bank will be unable to fund the Bank's commitments and planned assets growth without incurring additional costs or losses	Leverage Ratio	Regulatory
		Liquidity Coverage Ratio (all currencies and Rupee only)	Regulatory/ Internal
		Statutory Reserve Ratio	Regulatory
		Foreign Currency Borrowing Limit – Short-term borrowings	Regulatory
		Foreign Currency Borrowing Limit – Total borrowings	Regulatory
		Net Stable Funding Ratio	Regulatory/ Internal

Risk category	Impact	Key risk indicators	Limit type
Market risk management		Forex Net Open Long Position	Regulatory
		Forex Net Open Short Position	Regulatory
		Max holding period for trading portfolio	Internal
		Maximum FX Swap	Internal
		Clean money market borrowing limit	Internal
		Portfolio limit on Trading	Internal
		Portfolio limit on AFS	Internal
		Portfolio limit on HTM	Internal
		Counterparty Limits (Interbank)	Internal
		Country Limits	Internal
		Stressed marked to market limit for FVTPL and FVOCI portfolio of G-Sec and US treasuries	Internal
		Total G-Sec exposures limit	Internal
Investment risk		Equity exposure – Individual (equity investment in a public company/Capital funds of the Bank)	Regulatory
		Equity exposure – Individual (equity investment in a public company/Paid-up capital of the Company)	Regulatory
		Aggregate equity exposure in public companies (aggregate amount of equity investments in public companies/capital funds of the Bank)	Regulatory
		Aggregate equity exposure in public companies	Internal
		Equity exposure (equity exposure as a percentage of Total Lending Portfolio plus Securities Portfolio)	Internal
		Equity exposure in each sector	Internal
		Single equity exposure out of the quoted equity portfolio	Internal
		Equity Portfolio and Individual Stop Loss and Take Profit Limit	Internal
Operational efficiency		Operational efficiency ratio	Internal
Operational risk	Adequately placed policies, processes and systems will ensure and mitigate against excessive risks which may result in direct financial impact, reputational damages and/or regulatory actions	Regulatory breaches (zero risk appetite)	Internal
		Inability to recover from business disruptions over and above the Recovery Time Objectives (RTO) as defined in the BCP of the Bank (zero risk appetite)	Internal
		Internal fraud (zero tolerance for losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or Bank policy, excluding diversity/discrimination events, which involve at least one internal party)	Internal
		External fraud (very low appetite for losses due to act of a type intended to defraud, misappropriate property or circumvent laws, by a third party)	Internal
		Employee practices and workplace safety (zero appetite for losses arising from acts inconsistent with employment, health or safety laws or agreements from payment of personal injury claims, or from diversity/discrimination events)	Internal
		Client products and business practices (zero risk appetite for losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements) or, from the nature or design of a product)	Internal
		Damage to physical assets (very low appetite for losses arising from loss or damage to physical assets from natural disasters or other events)	Internal
		Business disruption and systems failures (low appetite for business disruptions/system failures for more than 30 minutes during service hours)	Internal
		Execution, delivery, and process management (low appetite for losses from failed transaction processing or process management)	Internal

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE BANK

GENERAL

The Board of Directors of DFCC Bank PLC (the Bank) take pleasure in presenting their Report on the State of Affairs of the Bank as published in this Annual Report of the Bank which also consists of the Audited Financial Statements of the Bank, the Consolidated Financial Statements of the Group and the Auditor's Report on those Financial Statements.

The disclosures in this Annual Report conform to the requirements of the Companies Act No. 07 of 2007, the Banking Act No. 30 of 1988 (as amended), the Directions issued by the Monetary Board of the Central Bank of Sri Lanka under the Banking Act and the Listing Rules of the Colombo Stock Exchange (CSE).

The disclosures required under Section 168 of the Companies Act No. 07 of 2007, published in this Annual Report are tabulated in the table below:

Section	Disclosure requirement	Reference to Annual Report
168 (1) (a)	The nature of the business of the Bank and Group	Page 235 (Note 1.4 to the Financial Statements)
168 (1) (b)	Signed Financial Statements of the Bank in accordance with Section 152	Page 227 (Financial Statements)
168 (1) (c)	Auditor's Report on Financial Statements of the Bank and the Group	Page 217
168 (1) (d)	Changes in accounting policies made during the accounting period	Page 245 (Note 6 to the Financial Statements)
168 (1) (e)	Particulars of entries in the interest register made during the accounting period	Page 190 of this Report
168 (1) (f)	Remuneration and other benefits of Directors during the accounting period	Pages 190, 299 and 365 (Notes 19 and 59.2 to the Financial Statements and this Report)
168 (1) (g)	Total amount of donations made by the Bank during the accounting period	Page 191 of this Report
168 (1) (h)	Information on Directorate of the Bank during and end of the accounting period and persons who ceased to hold office as Directors during the accounting period	Page 188 of this Report
168 (1) (i)	Amounts payable to the Auditors' as audit fees and fees for other services rendered during the accounting period as a separate disclosure	Page 299 (Note 19 to the Financial Statements)
168 (1) (j)	Auditors' relationship or any interest with the Bank and its subsidiaries	Page 188 of this Report
168 (1) (k)	Annual Report of the Board of Directors on the State of Affairs of the Bank signed on behalf of the Board of Directors	Page 195 (Signed with an acknowledgment by two Directors and the Company Secretary)

CONSTITUTION

DFCC Bank was incorporated in 1955 under the Development Finance Corporation of Ceylon Act No. 35 of 1955 as a limited liability public company and the ordinary shares of the Bank were listed on the Colombo Stock Exchange.

Consequent to the enactment of the DFCC Bank (Repeal and Consequential Provisions) Act No. 39 of 2014, the Development Finance Corporation of Ceylon Act No. 35 of 1955 was repealed and with effect from 6 January 2015 the Bank was incorporated under the Companies Act No. 07 of 2007 as a public limited company listed on the Colombo Stock Exchange with the name "DFCC Bank PLC".

The shareholders at the Extraordinary General Meeting held on 28 August 2015 approved the amalgamation of DFCC Vardhana Bank PLC (DVB) with DFCC Bank PLC (the Bank). The Registrar General of Companies on 1 October 2015 issued the Certificate of Amalgamation in terms of Section 244 (1) (a) of the Companies Act No. 07 of 2007 that DVB has been amalgamated with DFCC Bank PLC in accordance with the provisions of Part VIII of the Companies Act, with DFCC Bank PLC surviving as the amalgamated entity.

DFCC Bank PLC also obtained a commercial banking license from the Monetary Board of the Central Bank of Sri Lanka in terms of the Banking Act No. 30 of 1988, as amended, and accordingly upon the amalgamation now operates as a Licensed Commercial Bank with effect from 1 October 2015.

GOING CONCERN

The Directors are satisfied that the Bank has adequate resources to continue its operations in the future and as such, the Financial Statements are prepared on the basis of a going concern. The Auditors have declared the Bank solvent even after the payment of dividend.

FINANCIAL STATEMENTS

The Financial Statements of the Bank and the Group are given on pages 224 to 374 of the Annual Report. The Financial Statements of the Bank and the Group have been prepared in accordance with Sri Lanka Accounting Standards prefixed SLFRS and LKAS, the Banking Act No. 30 of 1988 and amendments thereto, the Companies Act No. 07 of 2007 and other applicable statutory and regulatory requirements.

REVIEW OF BUSINESS OF THE YEAR

The year under review was characterised by positive sentiments buoyed by the easing of many of the socio-economic hardships the country faced during the previous several years. In line with the economic recovery brought about by political stability, foreign inflows and easing of monetary policy, the Bank also adopted a prudent growth strategy focusing on emerging business segments while continuing to support customers who are still undergoing hardships from the past. The Bank continued to deliver high-quality customer centric banking services for the benefit of the valued clientele while falling in line with best practices on sustainability and information security.

The Message from the Chairman, Chief Executive Officer's Review and the Management Discussion and Analysis give further details of the operations of the Bank and the Group, and the key strategies that were adopted during the year under review.

PROFIT AND APPROPRIATIONS

Year ended 31 December 2024	LKR '000
Profit for the period	8,352,531
Appropriations	
Transfer to:	
Reserve fund (statutory requirement)	418,000
First and final dividend recommended for financial year ended 31 December 2024	2,595,948
Unappropriated profit for the period	5,338,583

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Financial Statements of the Bank and the Group are stated on pages 239 to 374 of the Annual Report.

There were no changes to the accounting policies of the Group in the year under review, other than as disclosed in Note 6 to the Financial Statements.

AUDITORS' REPORT

The Auditors' Report on the Financial Statements, which is unqualified, is given on page 217.

REAPPOINTMENT OF AUDITORS

The present Auditors, Messrs KPMG have expressed their willingness to continue as Auditors of the Bank for the next financial year ending 31 December 2025. The Audit Committee has reviewed the effectiveness and the relationship with the Bank including the fees paid to the Auditors and has concluded that they are suitable to continue in office. The Directors are satisfied that based on the written representation made by the Auditors, they have no relationship or interest with the Bank or with any of its subsidiaries which would impair the Auditors independence. A resolution pertaining to their reappointment and authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting for adoption.

THE BOARD OF DIRECTORS

The Board of Directors of the Bank presently consist of 9 Directors with wide knowledge and experience in the fields of banking, finance, trade, law, commerce, or services. Profiles of the Directors are given on pages 30 to 35.

The Directors of the Bank as at 31 December 2024 categorised in accordance with criteria specified in the Direction No. 11 of 2007 issued by the Central Bank of Sri Lanka are as follows:

INDEPENDENT NON-EXECUTIVE DIRECTORS

J Durairatnam – Chairman

Ms L K A H Fernando

W R H Fernando

N K G K Nemmawatta

Ms A L Thambiayah

N Vasantha Kumar

H A J de S Wijeyeratne

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

P A Jayatunga

EXECUTIVE DIRECTOR

N H T I Perera – Chief Executive Officer

The Independent Directors satisfy the criteria set out in Section 9.8.3 of the CSE Listing Rules. Further, all Directors satisfy the fit and proper assessment criteria stipulated in the CSE Listing Rules.

APPOINTMENT, RETIREMENT/RESIGNATION AND RE-ELECTION OF DIRECTORS

P A Jayatunga was appointed as a Director of the Bank on 1 November 2024. He will retire in terms of Article 46 (ii) of the Articles of Association and is offering himself for re-election at the Annual General Meeting.

The Nomination and Governance Committee has recommended the re-election of P A Jayatunga and the Board having concluded that he is a fit and proper person to be a Director in terms of the provision of the Banking Act, unanimously endorsed the recommendation of the Nomination and Governance Committee.

Ms V J Senaratne and Ms H M N S Gunawardana retired from the Board with effect from 5 July 2024 and 10 August 2024 respectively in terms of Section 3 (2) (ii) of the Banking Act, Direction No. 11 of 2007, each having served a period of nine years as a Director of the Bank.

W D Batagoda resigned from the Board with effect from 19 December 2024.

RETIREMENT BY ROTATION AND RE-ELECTION OF DIRECTORS

The Directors retiring by rotation in terms of Article 44 are Ms L K A H Fernando and N K G K Nemmawatta, who offer themselves for re-election under the said Article with the unanimous support of the Directors.

Details relating to Directors seeking re-election:

Name of Director/ Date of appointment	Date last re-elected	Board Committees served during 2024	Directorships and other principal commitments 2022 to 2024
Ms L K A H Fernando/ 1 November 2017	30 March 2022	• Member – Audit Committee • Member* – Integrated Risk Management Committee	• CEO/Executive Director – R I L Property PLC • Director – United Motors Lanka PLC • Director – Panasian Power PLC • Director – UML Heavy Equipment Limited • Director – Unimo Enterprises Limited • Director – Padiyapelella Hydropower Limited • Director – Powergen One (Pvt) Limited • Director – Rajarata Sustainable Development (Pvt) Limited • Director – PAP SPGM Solar (Pvt) Ltd • Director – PAP MHPL Solar (Pvt) Ltd • Director – PAP EGSS Solar (Pvt) Ltd • Director – PAP PTS Solar (Pvt) Ltd • Director – R-E-D Capital Asia (Pvt) Ltd • Director – PARKLAND Integrated Solutions (Pvt) Ltd • Director – Solar One Asia (Pvt) Ltd • Director – Finergreen Ridigama (Pvt) Ltd • Director – Finergreen Gannoruwa (Pvt) Ltd • Director – Finergreen Mattala (Pvt) Ltd • Director – Finergreen Rajarata (Pvt) Ltd • Partner – A&T Associates
N K G K Nemmawatta/ 20 December 2018	30 March 2022	• Chairman – Related Party Transactions Review Committee • Member – Credit Approval Committee • Member – Credit Restructure Committee	• National Policy Consultant – Food and Agriculture Organization (FAO) • Deputy Director General (Administration and Finance) – South Asian Centre for Teacher Development (SACTD) • Chairperson – E Grama Niladari Committee • Member – Board of Management of the Sri Lanka Foundation Institute • Member – Committee appointed to investigate unscheduled power interruptions in June 2022
P A Jayatunga/ 1 November 2024	N/A	• Member** – Integrated Risk Management Committee • Member** – Human Resources and Remuneration Committee	• Director/Company Secretary – Balangoda Plantations PLC • Director/Company Secretary – Madulsima Plantations PLC • Head – Legal and Company Secretarial Departments of Stassen Group of Companies

* Functioned as a member until 26 November 2024.

** Functions as a member with effect from 27 November 2024.

None of the above Directors (including close family) has had any relationships with other Directors, the Bank or with any shareholders holding more than 10% of shares of the Bank.

DIRECTORS' REMUNERATION

The Directors' remuneration in respect of the Bank and the Group for the financial year ended 31 December 2024 is given below:

Year ended 31 December	2024 LKR '000	2023 LKR '000
Bank	105,620	61,854
Group	134,829	89,270

DIRECTORS' MEETINGS

The Bank held 12 Board meetings during the year. The Table on page 136 of the Annual Report gives details of the attendance of the Directors at Board and Board Committees during the year.

DIRECTORS' INTERESTS IN SHARES/DEBENTURES

As at 31 December	2024 LKR '000	2023 LKR '000
W D Batagoda[1]	–	Nil
J Durairatnam	Nil	Nil
Ms L K A H Fernando	Nil	Nil
W R H Fernando	Nil	Nil
Ms H M N S Gunawardana[1]	–	Nil
P A Jayatunga[2]	Nil	–
N K G K Nemmawatta	Nil	Nil
N H T I Perera	26,469	25,814
Ms V J Senaratne[1]	–	2,101
Ms A L Thambiayah	107,761	105,094
N Vasantha Kumar	1,845	1,800
H A J de S Wijeyeratne	13,232	12,905

1. Not a Director as at 31 December 2024.
2. Not a Director as at 31 December 2023.

No Director directly or indirectly holds debentures or options of the Bank.

DIRECTORS' INTERESTS REGISTER

Directors have made the general disclosure as provided for in Section 192 of the Companies Act No. 07 of 2007. The Directors have declared all material interests in contracts involving the Bank and have not participated in the decision-making related to such transactions. As required by the Companies Act No. 07 of 2007, an interest register is maintained by the Bank and relevant entries are recorded therein.

DIRECTORS' INTERESTS IN TRANSACTIONS WITH THE BANK

The Directors' interests in transactions carried out in the ordinary course of business on an arm's length basis with entities/persons (other than subsidiaries, the joint venture, and associate) listed under each Director for the year ended 31 December 2024 is as follows:

	LKR '000
J Durairatnam	
Aggregate amount of accommodation	1,500
Assetline Finance Limited Asian Hotels and Properties PLC Aggregate amount of accommodation	4,000,000
Asian Hotels and Properties PLC Aggregate amount of payment for services	2,337
Ms L K A H Fernando	
Aggregate amount of accommodation	8,000
PAP SPGM Solar (Pvt) Ltd PAP PTS Solar (Pvt) Ltd Aggregate amount of accommodation	2,270,000
United Motors Lanka PLC Aggregate amount of payment for services	2,179
N H T I Perera	
Aggregate amount of accommodation	500
Ms A L Thambiayah	
Aggregate amount of accommodation	1,500
Renuka Hotels PLC Aggregate amount of payment for services	2,007
N Vasantha Kumar	
Aggregate amount of accommodation	1,750
H A J de S Wijeyeratne	
Aggregate amount of accommodation	13,700
Trans Asia Hotels PLC Aggregate amount of payment for service	2,059

During the year, N H T I Perera has been Chairman/Director of one or more of the subsidiary, joint venture, or associate company. Details of transactions with subsidiary, joint venture and associate company are disclosed in Note 59.4.

No Director or their close family members has had any material business relationship during the year with other Directors of the Bank.

CORPORATE DONATIONS

During the year, the Bank made donations amounting to LKR 135,000/-.

BOARD COMMITTEES

The following are the present members of the Permanent Committees of the Board. Changes to the composition during the year are set out in the respective Committee Reports in the Annual Report:

Committee	Members	Nature of Directorship	Date Appointed to Committee
Audit Committee	H A J de S Wijeyeratne – Chairman	Independent	1 July 2020
	Ms L K A H Fernando	Independent	1 November 2017
	W R H Fernando	Independent	11 August 2024
Credit Approval Committee	J Durairatnam – Chairman	Independent	31 August 2018
	N K G K Nemmawatta	Independent	28 July 2019
	Ms A L Thambiayah	Independent	1 January 2022
Credit Restructure Committee	J Durairatnam – Chairman	Independent	28 July 2019
	N K G K Nemmawatta	Independent	24 June 2020
	N Vasantha Kumar	Independent	28 September 2021
Human Resources and Remuneration Committee	Ms A L Thambiayah – Chairperson*	Independent	24 November 2021
	J Durairatnam	Independent	28 July 2019
	P A Jayatunga	Non-Independent	27 November 2024
Nomination and Governance Committee	W R H Fernando – Chairman	Independent	28 September 2022
	J Durairatnam	Independent	28 July 2019
	N Vasantha Kumar	Independent	1 July 2022
Integrated Risk Management Committee	N Vasantha Kumar – Chairman	Independent	1 September 2021
	W R H Fernando	Independent	28 September 2022
	P A Jayatunga	Non-Independent	27 November 2024
Related Party Transactions Review Committee	N K G K Nemmawatta – Chairman	Independent	1 July 2022
	J Durairatnam	Independent	28 July 2019
	Ms A L Thambiayah	Independent	1 February 2024

* With effect from 11 August 2024.

In addition, from time to time the Board appoints committees to deal with specific matters. The Board also invites external advisors and Key Management Personnel to serve on some of the committees as and when necessary.

Further details relating to the committees are given in the section on Corporate Governance and the Committee Reports.

DIVIDEND

The Directors have approved the payment of a first and final dividend of LKR 6.00 per share, (final dividend paid in the previous period, LKR 5.00 per share). The total dividend for the year will amount to approximately LKR 2,596 Mn (LKR 2,110 Mn in the previous period), which amounts to 33% of the Bank's distributable profit.

The Directors unanimously declare that, DFCC Bank PLC will satisfy the solvency test stipulated in Section 57 of the Companies Act No. 07 of 2007 immediately after the dividend payment is made and a certificate of solvency from its Auditor is obtained.

PROPERTY, PLANT, AND EQUIPMENT, AND LEASEHOLD PROPERTY

The total expenditure of acquisition on property, plant, and equipment during the year amounted to LKR 1,728 Mn, of which intangible assets amounted to LKR 460 Mn. Details of these are given in Notes 39 and 40 to the Financial Statements.

RESERVES

Total reserves and retained profit amounted to LKR 69,323 Mn.

MARKET VALUE OF FREEHOLD PROPERTIES

The information on market value of freehold properties are given in Note 39.1.2 to the Financial Statements.

STATED CAPITAL AND SUBORDINATED DEBENTURES

The stated capital as at 31 December 2024 was LKR 14,710 Mn. The number of shares in issue as at 31 December 2024 was 432,658,011. Consequent to the Scrip issue approved during the year, the stated capital was increased by LKR 843.9 Mn.

The Bank raised LKR 8,000 Mn through the issuance of 80,000,000 Basel III compliant, Tier II, Listed, Rated, Unsecured, Subordinated, Redeemable debentures of upto 7 years with a Non-viability conversion, at a par value of LKR 100/-.

Further information is given on pages 356 and 359.

SHARE INFORMATION

Information relating to earnings, net asset and market value per share are given on pages 154 and 156 of the Annual Report and also contain information pertaining to the share trading during the period.

SHAREHOLDERS

As at 31 December 2024, there were 11,062 registered shareholders and the distribution is indicated on page 155.

The 20 largest shareholders as at 31 December 2024 are listed on page 156.

EMPLOYMENT AND REMUNERATION POLICIES

The policy of the Bank is to develop and maintain a dedicated and highly motivated group of employees who are committed to creating sustainable value through effective risk management and high quality service while supporting public and private sector in its development efforts within the ambit of the Articles of Association of the Bank. DFCC Bank PLC continuously invests in training and development of its staff to meet these objectives. The Bank is an equal opportunity employer. Remuneration of employees consists of fixed and variable payments. Annual increments and pay awards are based on the performance of the Bank and the individual. It is the Bank's policy to fix remuneration at a level which will attract, motivate, and retain high quality employees.

STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the Government and in relation to the employees have been made on time.

REVIEW OF RELATED PARTY TRANSACTIONS

The Related Party Transactions Review Committee is responsible for ensuring compliance with the code specified in Section 9.14 of the CSE Listing Rules. The Committee reviewed the related party transactions carried out during the year and noted that the transactions were in compliance with the said code.

COMPLIANCE WITH LAWS, REGULATIONS, AND PRUDENTIAL REQUIREMENTS

DFCC Bank PLC has not engaged in any activities contravening the laws and regulations and has complied with prudential requirements. Directors are provided with updates on revisions to Rules, Directions and other applicable laws. The Directors obtain a confirmation report from the Management with regard to compliance with laws, regulations, and prudential requirements on a quarterly basis.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the date of the statement of financial position, no circumstances have arisen which would require adjustments to the accounts. Significant events occurring after the reporting period which in the opinion of Directors require disclosure are described in Note 61 to the Financial Statements.

CORPORATE GOVERNANCE

Corporate Governance practices of the Bank are governed by Direction No. 11 of 2007 of the Central Bank of Sri Lanka (as amended) and Section 9 of the Listing Rules of the Colombo Stock Exchange. Details of governance practices are given on pages 130 and 150.

The Directors have obtained External Auditors' assurance on effectiveness of the internal control mechanism and compliance with the Direction 11 of 2007 of the Central Bank of Sri Lanka on Corporate Governance.

Rule 3 (8) of the Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka prescribe disclosures in this Annual Report. These disclosures have been made in this Annual Report as shown in the table below:

Reference to Rule	Requirement	Reference to Annual Report
3 (8) (i)	Financial Statements on prescribed format	Financial Statements on pages 224 to 374.
3 (8) (ii) (a)	Affirmative assurance of compliance with accounting standards and requirements	Directors' Responsibility Statement on page 215.
3 (8) (ii) (b)	Affirmative assurance of the integrity of financial reporting system	Directors' Statement of Internal Control on page 207.
3 (8) (ii) (c)	Assurance report issued by the External Auditor	Independent Assurance Report on page 210.
3 (8) (ii) (d)	Information on Directors	Pages 30 to 35.
3 (8) (ii) (d)	Remuneration of Directors	Annual Report of the Board of Directors on the State of Affairs of the Bank on page 190.
3 (8) (ii) (e)	Net accommodation granted to each category of related party	Corporate Governance Report. Table on page 149.
3 (8) (ii) (f)	Compensation and other transactions with Key Management Personnel	Corporate Governance Report on page 150.
3 (8) (ii) (h)	Compliance with prudential requirements and regulations	This Report.

The Annual Report disclosures prescribed by Section 9 of the Listing Rules of the Colombo Stock Exchange have been made in this Annual Report as shown in the Table below:

Reference to Section	Requirement	Reference to Annual Report
9.1.3	Statement on compliance with the Corporate Governance Rules	Corporate Governance Report on page 133.
9.2.2	Any waivers or exemptions granted	None.
9.2.3	List of Policies	Corporate Governance Report on page 132.
9.4.2 (a) & (c)	Communication and relations with shareholders and investors	Corporate Governance Report on page 132.
9.5.2	Policy governing matters relating to the Board	Corporate Governance Report on page 132.
9.7.5	Fit and Proper Assessment Criteria	Annual Report of the Board of Directors on the State of Affairs of the Bank on page 188.
9.8.5 (b)	Names of Directors determined to be “independent”	Annual Report of the Board of Directors on the State of Affairs of the Bank on page 188 .
9.10.1	Policy on maximum number of directorships permitted to be held by Board members	Twenty directorships.
9.10.4	Details with respect to Directors	Profiles on pages 30 to 35. Annual Report of the Board of Directors on the State of Affairs of the Bank on pages 188, 189 and 191. Corporate Governance Report on page 136.
9.11.4 (3)	Members of the Nomination and Governance Committee	Annual Report of the Board of Directors on the State of Affairs of the Bank on page 191.
9.11.6	Report of the Nomination and Governance Committee	Page 201.
9.12.8	Members of the Remuneration Committee, remuneration policy and aggregate remuneration	Annual Report of the Board of Directors on the State of Affairs of the Bank on pages 190, 191 and 192.
9.13.5	Report of the Audit Committee	Page 196.
9.14.8 (1) & (2)	Non recurrent and Recurrent Related Party Transactions in terms of the Section	Financial Statements Note 59.7 on page 370.
9.14.8 (3)	Report of the Related Party Transactions Review Committee	Page 206.
9.14.8 (4)	Affirmative declaration	Annual Report of the Board of Directors on the State of Affairs of the Bank on page 192.
9.16	Additional Disclosures That Directors have:	
	i. Declared all material interests in contracts and have refrained from voting on matters in which they were materially interested	Annual Report of the Board of Directors on the State of Affairs of the Bank on page 190.
	ii. Conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of their effectiveness and successful adherence	Directors’ Statement of Internal Control on page 207. Independent Assurance Report on Page 210.

Reference to Section	Requirement	Reference to Annual Report
	iii. Made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions	Annual Report of the Board of Directors on the State of Affairs of the Bank on page 193.
	iv. Disclosed any material non-compliance with law or regulation and any fines, if any which are material, imposed by any government or regulatory authority	None

ANNUAL GENERAL MEETING

The Sixty-Ninth Annual General Meeting will be held on 28 March 2025 at 10.00am.

ACKNOWLEDGMENT OF THE CONTENT OF THE REPORT

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

For and on behalf of the Board of Directors,

J Durairatnam
Chairman

N H T I Perera
Director and
Chief Executive Officer

Ms N Ranaraja
Company Secretary
19 February 2025

REPORT OF THE AUDIT COMMITTEE

COMPOSITION

The Board appointed Audit Committee comprises three Independent Non-Executive Directors.

The Committee for 2024 is chaired by H A J de S Wijeyeratne as the Chairman of the Audit Committee with effect from 1 July 2022. He has extensive experience in the fields of general management, financial management and auditing and is an Associate Member of The Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants (UK).

The present members of the Board appointed Audit Committee are as follows:

H A J de S Wijeyeratne – Chairman
L K A H Fernando
W R H Fernando

W R H Fernando was appointed as a new member with effect from 11 August 2024. He holds a Master's in Business Administration from the University of Sri Jayewardenepura, and is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, a Fellow Member of the Chartered Institute Management Accountants (CIMA) UK, and a Member of Association of Certified Chartered Accountants (ACCA)-UK.

There were no other changes in the membership of the Committee during the year. Brief profiles of the members are given on pages 30 to 35.

MANDATE AND ROLE

The Terms of Reference of the Committee, which is subject to review periodically by the Board of Directors, clearly define the mandate and role of the Committee. The Committee is responsible to the Board of Directors and reports on its activities regularly. The Committee assists the Board of Directors in fulfilling its general oversight of financial reporting, internal controls, internal and external audits. The Terms of Reference of the Committee was last reviewed and approved by the Board in November 2024.

The functions of the Committee are structured and regulated in line with the Rule No. 6.2 of the Corporate Governance Direction No. 5 of 2024, issued by the Central Bank of Sri Lanka, the Rules on Corporate Governance as per Section 9 of Listing Rules issued by the Colombo Stock Exchange and the Code of Best practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). Where appropriate, more details are provided under separate headings in this Report.

MEETINGS

The Head of Group Internal Audit functioned as the Secretary to the Committee for the year ended 31 December 2024. During the year, nine Audit Committee meetings were held and proceedings of the Audit Committee meetings were reported regularly to the Board.

The meetings held during the year were regularly attended and the attendance by the Committee members at the meetings is given in the table on page 136 of this Annual Report.

The Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Operating Officer and Chief Information Officer attend meetings by invitation. Senior Management also attends the meetings on invitation in order to brief the Audit Committee on specific matters. The Committee held two meetings with the External Auditor; KPMG independently, without the presence of the Executive Management, to discuss the progress and conclusion of the audits.

PRINCIPAL ACTIVITIES CONDUCTED DURING 2024

REVIEW OF FINANCIAL REPORTING

The Committee reviewed the effectiveness of the Financial Reporting System in place, to ensure reliability of information provided to the stakeholders. The Committee reviewed that to the best of its knowledge and belief, the Financial Statements issued for external purposes by DFCC Bank PLC (the Bank), complied with generally accepted principles of accounting as enunciated in Sri Lanka Accounting Standards, and complies with the statutory provisions of the Companies Act No. 07 of 2007 and Banking Act No. 30 of 1988 and subsequent amendments thereto.

The Committee assisted the Board of Directors to discharge their responsibility for the preparation of true and fair Financial Statements in accordance with the books of accounts and Sri Lanka Accounting Standards. In carrying out the overseeing responsibilities, the Committee reviewed:

- The adequacy and effectiveness of the internal control system and procedures to provide reasonable assurance that all transactions are accurately and completely recorded in the books of accounts.
- All critical accounting policies, practices, related changes thereto, alternative accounting treatments, major judgement areas, material audit adjustments, compliance with accounting standards, going concern assumptions, financial reporting controls and compliance with applicable laws and regulations that could impact the Bank's Financial Statements, its Annual Report and its Quarterly Financial Statements prepared for publication in conjunction with the Management, Internal Auditors and where relevant, External Auditors. Special attention was made to discuss and decide on the changes in accounting treatments necessitated from the Circulars issued by the Regulator and Accounting Profession from time to time. The Committee reviewed the revised impairment policy document on adoption of the Sri Lanka Accounting Standard – SLFRS 09 on Financial Instruments with subsequent improvements made and provided recommendations for further improvements and implementation.
- During the year, the Audit Committee placed additional focus, on the assessment of adequacy of provision for Expected Credit Loss (ECL) recognised in the Financial Statements based on the internal models, management overlay computed based on stress testing of exposures to risk elevated sectors, to address the ongoing implications from previous years with the continuing moratorium schemes and also the impacts resulting from the political and economic changes in the country.
- All quarterly Unaudited Interim Financial Statements and Financial Statements for the year ended 31 December 2024, together with supporting information that included significant assumptions and judgments made in the preparation of Financial Statements.
- Internal Audit Reports, Management Letter issued by the External Auditor and the responsibility statements in relation to the Financial Statements issued by the Chief Financial Officer and Chief Executive Officer in making an overall assessment on the integrity of the Financial Reporting System.
- The operations, future prospects, and sustainability indicators of the Bank and discussed with the Management regularly to ensure that all relevant matters have been taken in to account in the preparation of the Financial Statements and that the 2024 Financial Statements are reliable and presents a true and fair view of the state of affairs of the Bank.

REVIEW OF INTERNAL CONTROL SYSTEM

The Audit Committee assessed the effectiveness of internal controls over financial reporting as at 31 December 2024 as required to comply with Section 9.2 (b) of the Banking Act Direction No. 5 of 2024 on Corporate Governance for Licensed Commercial Banks, issued by the Central Bank of Sri Lanka. This process assesses the adequacy and effectiveness of the internal controls and the processes for controlling business risks to ensure compliance with laws and regulations. Further the Committee monitored the progress on implementation of the recommendation made in the Statutory examination reports of the Central Bank of Sri Lanka (CBSL) through regular follow up reports tabled during the year 2024. The Committee ensures that appropriate action is taken by the Management on the recommendations of the Internal Auditors, External Auditors and in Statutory examinations conducted by the Central Bank of Sri Lanka (CBSL) to improve the effectiveness of the internal control system of the Bank. The Board of Directors performs their responsibilities on the basis of the internal control framework, which enables the Board to pursue its functions and take necessary measures. The Board's statement on effectiveness of the Bank's internal control mechanism is published on pages 207 to 209.

GROUP INTERNAL AUDIT

GRI 2-25, 2-26

The Audit Committee ensures that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care. The Audit Charter authorises and guides the Head of Group Internal Audit (HGIA) in carrying out independent audit functions of the Bank and its subsidiaries. The HGIA enjoys operational independence in conducting duties and has the authority to initiate, carry out, and report on any action, which is considered necessary. For the performance of duties, the HGIA and audit staff shall have unrestricted, unlimited, direct and prompt access to all records of the

Bank and its subsidiaries, officials or personnel holding any contractual status of the Bank and its subsidiaries, and to all the premises of the Bank and its subsidiaries. The Committee had necessary interactions with the Head of Internal Audit throughout the year. The Audit Committee monitored and reviewed the scope, resources, extent, and effectiveness of the activities of the Bank's Internal Audit Department.

The Group Audit function is governed by the Group Internal Audit Charter which defines the internal audit's purpose, authority, independence, reporting, responsibility and access in order to assist Group Internal Audit to discharge its function independently. The Group Internal Audit Charter and Internal Audit Manual were revised and approved in October 2024 by the Board Audit Committee.

The Committee reviewed the progress of the risk-based audits carried out in accordance with the Internal Audit Plan approved by the Committee for the year 2024. During the year, the Internal Audit Department has reviewed business lines, critical operational processes, risk and compliance functions, branches, and subsidiary operations. Further, the Department has conducted the audits focusing on particular audit objectives across the audited units/branches. Process Audits were conducted on specific business processes to review the adequacy, efficiency and effectiveness of the procedures, processes, related controls and also, to ensure that the intended objectives and benefits are derived from the related processes of the Bank. The Information system (IS) audit unit undertakes IS audit assignments covering the IT risk sphere while aligning to a risk-based approach, including the validation of the ISO standards 27001:2022 and 22301:2019. Further the pre and post system development life cycle auditing are initiated from the initial phases of requirement gathering assuring the mitigation of the key IT risks before moving to the production of any new systems. The Potential Fraud Monitoring Unit under Internal Audit carried out testing and data analytics related to potential fraud risk areas on a continuous basis, while undertaking special reviews and investigations, as required from the management and also resulting from feedback received as whistleblowing and incident reporting from time to time.

In addition, the Group Internal Audit performed many certifications during the year, as required by the regulator and Authorities. They included the Annual Self Assessment Report on Credit Card Operational Guidelines No. 01 of 2010 to CBSL and quarterly based certifications provided for interest subsidy claims to the Department of Development Finance until they were required.

In 2024, the Board Audit Committee reviewed all the significant audit findings along with the management responses and rectification action plans related to the audit reports of branches and departments, Information System Audits, Thematic Audits, Process Audits, and Special Investigations of the Bank. In addition, The Committee reviewed the Internal Audit Reports of the Bank's subsidiaries as well.

The Board Audit Committee advised Corporate Management to take precautionary measures on significant audit findings and obtained required assurances through affirmative confirmations from business units on the remedial action in respect of the identified risks to maintain the effectiveness of the internal control system. The follow up audit process was further strengthened, while having continuous follow up meetings to rectify and conclude all audit issues carried forward from previous years.

INDEPENDENCE OF EXTERNAL AUDIT

GRI 2-16, 2-17, 2-18, 2-26

The Committee reviewed and monitored the External Auditors' independence and objectivity and the effectiveness of the audit process, taking in to consideration relevant professional and regulatory requirements, and obtained a statement confirming the independence in accordance with the terms of all relevant professional and regulatory requirements. The Committee reviewed and approved the policy in place on non-audit services provided by the External Auditors in October 2024.

The Committee reviewed the details and related fees of all Audit and Non-Audit Services obtained from the External Auditor to ensure that Non-Audit related fees do not exceed the combined fees and expenses payable for audit and audit related services of the year 2024.

As per the Banking Act Direction No. 5 of 2024 on Corporate Governance for Licensed Commercial Banks in Sri Lanka, the External Auditor requires changes every six years and the audit engagement partner be changed every three years. Banks shall comply with the provisions of this section within a period of two years. Accordingly, The Committee will ensure that the External Auditor is changed every six years and the audit engagement partner is changed in every three years as per the Banking Act Direction No. 5 of 2024. Additionally, the audit partner rotation last took place in 2021.

The Committee discussed their audit plan, scope and methodology they propose to adopt with the External Auditors. The Auditors were also provided with opportunities to meet the Audit Committee separately, without the presence of Executive Management, to ensure that the Auditors had the independence to discuss and express their opinions on any matter. Further, additional meetings were also held with the External Auditors from time to time to discuss the Bank's interim audit findings and financial reporting improvements and changes required as a result of the evolving regulatory and macro economic environment..

There was no limitation of scope and the Management has fully provided all information and explanations requested by the Auditors. The Committee also met the Auditors to review the Management Letter with the responses from the Management.

RE-APPOINTMENT OF THE EXTERNAL AUDITOR

The Committee performed an evaluation of the Bank's External Auditor Messrs KPMG, based on certain key areas and recommended to the Board of Directors that KPMG Chartered Accountants be reappointed for the financial year ending 31 December 2025, subject to the approval of shareholders at the next Annual General Meeting.

GOOD GOVERNANCE AND WHISTLEBLOWING POLICY

The Committee continuously emphasised on sustaining ethical conduct amongst staff members. In this regard, the existing Whistleblowing Policy of the Bank and its subsidiaries was reviewed during the year 2024 and all members of staff were educated and encouraged to practice whistleblowing if they suspect any wrong doing, while further strengthening the policy as a communication channel to raise any genuine concerns. The Policy is subject to annual review in order to further improve its effectiveness and the policy was last reviewed and approved by the Board in November 2024.

All appropriate procedures and techniques are in place to conduct independent investigations into incidents reported through whistleblowing or identified through other channels. The Whistleblowing Policy guarantees the maintenance of strict confidentiality of the identity of the whistleblowers.

Further, in alignment with DFCC Bank's unwavering dedication to combat fraud, the internal audit department, together with the operational units, conducted knowledge sharing programmes throughout the year to actively disseminate anti-fraud awareness among the DFCC Group employees and other stakeholders.

TRAINING AND DEVELOPMENT OF COMMITTEE MEMBERS

Members of the Committee attended presentations made by consultants and Key Management Personnel. Members also attended seminars, conferences and workshops as part of their continuous professional development.

EVALUATION OF THE COMMITTEE

The effectiveness of the Committee is self-evaluated annually by its members. An independent evaluation of the effectiveness of the Committee was carried out by the other members of the Board and the Committee has been found to be effective.

H A J de S Wijeyeratne
Chairman – Audit Committee

19 February 2025

REPORT OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

GRI 2-19, 2-20

COMPOSITION

The Human Resources and Remuneration Committee appointed by the Board of Directors, presently consists of three Non-Executive Directors. Ms A L Thambiayah, an Independent Director is the Chairperson of the Committee. J Durairatnam and P A Jayatunga, are the other members. Ms H M N S Gunawardana functioned as the Chairperson of the Committee until 10 August 2024 and W D Batagoda functioned as a member of the Committee until 19 December 2024.

The Chief Executive Officer attended meetings and participated in its deliberations except when his own evaluation and remuneration was under discussion. The Chief Human Resources Officer assisted the Committee by providing relevant information and functions as the Secretary of the Committee. The Committee obtains input from external specialists as and when required.

The Committee's composition met the requirements of Rule 9.12.6 of the Listing Rules of the Colombo Stock Exchange (CSE). The Composition also meets the requirements of Rule 6.3 a) and b) of the Banking Act Directions No. 05 of 2024 of the Central Bank which is effective from 1 January 2025.

MANDATE

Terms of Reference of the Committee adopted by the Board encompasses the tasks specified in Section 3 (6) (iii) of Direction No. 11 of 2007 of the Central Bank of Sri Lanka on Corporate Governance for Licensed Commercial Banks and Section 9.12 of the CSE Listing Rules on Corporate Governance.

The Committee in determining the remuneration policy relating to Directors, Chief Executive Officer, and Key Management Personnel of DFCC Bank, ensures appropriate compensation levels in order to attract, retain, and motivate talented staff with the core capabilities matched to its strategy and also to ensure that the Bank consistently delivers value to all stakeholders and to make the organisation more competitive. To achieve this, the Committee uses a mixture of fixed and variable pay to reward employees.

PROCEDURE

The Committee assists the Board in exercising its oversight on matters related to human resource strategies and policies and makes recommendations to the Board. Apart from the general review of remuneration, in keeping with the policy of pay for performance, the Committee reviewed the performance of the Bank against the historical performance, key performance indicators agreed at the beginning of the year as well as against a peer group when determining and recommending to the Board the annual salary increment pool and the performance-based variable pay pool for the Bank. The Committee also reviewed Market Compensation data in comparison with that of the Bank, gathered and analysed by an external consultant, and made recommendations on market corrections for staff of all grades to ensure that the Bank's remuneration structure will remain sufficiently attractive. Furthermore, the Committee appraised the performance of the Chief Executive Officer based on the pre-agreed targets and desired skills and reviewed his remuneration.

In addition, the Committee considers and recommends to the Board of Directors from time to time, the requirements of additional/new expertise/skills. The Committee annually assesses the succession plan for key management positions and takes appropriate steps to induct external skills to strengthen the Management of the Bank where it is deemed necessary.

MEETINGS

The Committee held six meetings during the financial year to carry out its task. The attendance by members is given on page 136 of the Annual Report.

Ms A L Thambiayah
Chairperson
Human Resources and Remuneration Committee

19 February 2025

REPORT OF THE NOMINATION AND GOVERNANCE COMMITTEE

GRI 2-10

COMPOSITION

The Nomination and Governance Committee of the Board of Directors presently consists of three Non-Executive Directors. W R H Fernando an Independent Director is the Chairman with J Durairatnam and N Vasantha Kumar as members. Ms V J Senaratne functioned as a member of the Committee until 5 July 2024.

The Chief Executive Officer attends the meetings by invitation, while the Secretary to the Board functions as the Secretary of the Committee.

The composition of the Committee met the requirements of Rule 3.6 (iv) (f) of the Banking Act Direction No. 11 of 2007 of the Central Bank and Section 9.11.4 of the Listing Rules of the Colombo Stock Exchange (CSE). The composition also meets the requirements of Rule 6.4 a) of the Banking Act Directions No. 05 of 2024 of the Central Bank which is effective from 1 January 2025.

MANDATE

During the year under review, the Committee carried out the tasks as set out in the Terms of Reference approved by the Board. The Terms of Reference approved by the Board encompasses the tasks set out in Rule 3 (6) (iv) of Direction No. 11 of 2007 of the Central Bank of Sri Lanka on Corporate Governance in Licensed Commercial Banks and Section 9.11 of the CSE Listing Rules on Corporate Governance.

PROCEDURE

The Committee meets as necessary and, in any case, at least once a year and acts within its mandate approved by the Board of Directors and makes recommendations to the Board for consideration.

The role of the Committee in terms of the mandate is to review governance policies and procedures, evaluate the performance of the Board and CEO, identify and evaluate persons with the required skills, knowledge, standing, fitness, and propriety to join the Board of the Bank, evaluate the appointment of Directors to Board Committees and to evaluate the suitability of Directors who are seeking re-election.

Documented policy and processes are in place to ensure Board diversity in terms of skills, experience, age, gender etc.

The Committee is also responsible for the task of implementing a procedure for the appointment of the CEO and Key Management Personnel.

Processes are in place to conduct an orientation upon the appointment of a new Director. Existing Directors are provided with updates on revisions to rules on Corporate Governance and other relevant regulations.

Further, periodic reports are submitted to the Board, on top and emerging risks for the Bank, overall risk limits, internal drivers, stress testing, liquidity ratio, etc. in order to ensure that the Non-Executive Directors are informed of the critical issues.

MEETINGS

Seven meetings were held during the year. The Committee periodically reviews the composition of the Board including the balance between Independent and Non-Independent Directors and considers succession planning for both Directors and the Bank's Senior Management. In making appointments to the Board, the Committee considers the skills, experience and knowledge of the existing Directors and assesses the potential candidates in terms of who would benefit the Bank most. During the year, the Committee considered and recommended to the Board the appointment of a new Director. The Committee also identified persons to fill key management positions after reviewing many candidates from time to time to ascertain the best fit for the Bank in terms of qualifications, ability and character, reviewed succession planning and assessed the fitness and propriety of Directors, and Key Management Personnel, in terms of the requirements of the Banking Act and CSE Listing Rules. The Committee evaluated the appointment of Directors to Board Committees while also considering the skills, knowledge and experience of the respective Directors.

A declaration was obtained based on the revised format adopted by the Committee from Non-Executive Directors, confirming their status of independence. Further, a declaration was obtained from the Directors in terms of Section 9.7.3 of the CSE Listing Rules confirming their fit and propriety to hold office as a Director.

In addition to the annual evaluation of the Board carried out by the individual members, this year too an evaluation of the Board was carried out by the Nomination and Governance Committee members based on a separate checklist approved by the Committee and the results were shared with the other members of the Board. The performance of the CEO was also evaluated by the Committee.

Individual Committee members do not participate in discussions in matters relating to them. The attendance by Directors at meetings, dates of appointment to Committees and the nature of Directorships are given on pages 136 and 191 of the Annual Report.

In terms of the Articles, one-third of the Non-Executive Directors shall retire from office at each Annual General Meeting and are eligible for re-election. Further, a Director who is appointed during the year is eligible for re-election. The Committee reviewed the contributions made by the respective Directors towards Board Committees, their other commitments and the overall performance and has recommended the re-election of the Directors offering themselves for re-election at the forthcoming Annual General Meeting. Particulars of Directors seeking re-election are given on pages 189 of the Annual Report.

The Corporate Governance requirements stipulated under the CSE Listing Rules have been met. Further, the Independent Directors have met the criteria for determining independence in terms of Section 9.8.3 of the CSE Listing Rules.

W R H Fernando
Chairman
Nomination and Governance Committee

19 February 2025

REPORT OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

COMPOSITION OF THE BOARD INTEGRATED RISK MANAGEMENT COMMITTEE (BIRMC)

The Board Integrated Risk Management Committee (BIRMC) appointed by the Board of Directors, presently consists of three Non-Executive Directors. N Vasantha Kumar, an Independent Director is the Chairman of the Committee, with W R H Fernando and P A Jayatunga as members. Ms V J Senaratne and Ms L K A H Fernando functioned as members until 5 July 2024 and 26 November 2024 respectively.

In line with the Rule 6.5 (b) of the Banking Act Direction No. 05 of 2024 on Corporate Governance, N H T I Perera, Chief Executive Officer and K S Jayasuriya, Chief Risk Officer who functioned as members of the Committee stepped down on 26 November 2024.

Chief Risk Officer (CRO) functions as the Secretary to the Committee. The Chief Executive Officer (CEO), Deputy Chief Executive Officer (DCEO) and key management personnel overseeing broad risk categories, including Chief Compliance Officer (CCO), Chief Operating Officer (COO) and Head of Treasury attend the meetings by invitation.

The Committee's composition meets the requirements of the above mentioned rule which is effective from 1 January 2025.

The membership of the BIRMC as of 31 December 2024 was as follows:

N Vasantha Kumar –
Chairperson of the Committee/Independent Non-Executive Director

W R H Fernando –
Independent Non-Executive Director

P A Jayatunga –
Non-Independent Non-Executive Director

CHARTER AND THE RESPONSIBILITIES OF THE BIRMC

The approved Charter for the BIRMC stipulates authority, structure, responsibilities, and tasks of the BIRMC. As per its Charter, the primary responsibilities of the BIRMC are to review and ensure

A. Integrity and adequacy of the risk management function of the Bank.

B. Awareness of a risk based culture and the achievement of a balance between risk minimisation and reward for risks accepted.

C. Adequacy of the Bank's capital and its allocation.

D. Risk exposures and risk profiles of DFCC Bank are within acceptable parameters and to make recommendations to the Board of Directors on any action required.

E. Adequacy and effectiveness of the Management Committees through a set of defined tools.

F. Availability of a comprehensive and updated set of risk policies and guidelines covering overall operations of the Bank.

G. The compliance of the Group's operations with relevant laws, regulations, and standards including the adherence to the CBSL Direction on Corporate Governance.

The process through which the BIRMC discharges its responsibilities is detailed in the Risk Management Section of this Annual Report.

BIRMC MEETINGS

In accordance with its Charter, the BIRMC is required to meet every two months. During 2024, DFCC Bank held six BIRMC meetings, with member attendance detailed on page 136 of the Annual Report. The Committee continued to review policy frameworks, risk management strategies, the Bank's risk capital position and key risk indicators, ensuring that the risk exposures of both the Bank and the Group were effectively managed. Throughout the financial year, the Committee successfully undertook the following key initiatives:

A. Reviewed and approved the Internal Capital Adequacy Assessment Process (ICAAP) of DFCC Bank, a regulatory requirement in effect since January 2014. BIRMC will continue to monitor and recommend future capital requirements aligned with Bank's growth targets for the next few years.

B. In managing compliance risk, the Committee reviewed compliance risk indicators across different risk scales, identifying specific focus areas based on the potential impact and probability of occurrence.

C. Risk controls and monitoring tools were further enhanced through periodic revisions to the Bank's overall risk limits system. New advisory limits were introduced as trigger limits where necessary.

D. All existing risk policies and practices were reviewed by the Committee in line with the Bank's specific requirements, industry dynamics, and regulatory specifications and approved the necessary amendments to further strengthen the risk management processes in the Bank.

E. The annual review of effectiveness and adequacy of the Management Committees were conducted by the BIRMC during the first quarter of 2024. The review results were shared with the respective Committees for necessary improvements.

F. Reviewed and implemented the CBSL recommendations based on the examination report requirements in relation to the integrated risk management function of the Bank.

G. In response to the increasing threats to systems and information security, the Committee heightened its focus on reviewing the adequacy of security measures while closely monitoring action plans and the implementation of new initiatives to further strengthen the Bank's information security framework.

H. The Committee assessed the effectiveness of the business continuity and disaster recovery plans as part of its ongoing risk management process. This evaluation focused on ensuring that the Bank is prepared to respond effectively to any disruptions, whether from operational, technological, or external events, that could impact critical business functions.

I. The Committee placed greater emphasis on reviewing elevated risk levels in the operating environment arising from macroeconomic volatility. The Committee focused particularly on market risk aspects, assessing the potential impact of fluctuations in market conditions on the Bank's portfolio.

J. The committee reviewed the adequacy of risk mitigation measures and evaluated stress testing results in the context of prevailing conditions. Based on its findings, the Committee recommended necessary risk mitigation measures to enhance the bank's resilience against market fluctuations, ensuring a proactive approach to safeguarding financial stability.

REPORTING

The proceedings of the BIRMC meetings are reported to the Board through submission of the meeting minutes. Other specific matters are submitted separately for information of the Board on a monthly basis. The recommendations made by the BIRMC during the year under review were duly approved by the Board.

N Vasantha Kumar
Chairman
Board Integrated
Risk Management Committee

19 February 2025

REPORT OF THE CREDIT APPROVAL COMMITTEE

COMPOSITION

The Credit Approval Committee of the Board of Directors presently consists of three Non-Executive Directors. J Durairatnam is the Chairman with N K G K Nemmawatta, and Ms A L Thambiayah serving as members.

The Company Secretary functions as the Secretary of the Committee.

MANDATE

The Committee carried out the tasks set out in the Terms of Reference approved by the Board. The primary purpose of the Committee is to review, and where appropriate, recommend or approve credit facilities, which require approval above the delegated authority limit of the Management Credit Committee of the Bank.

PROCEDURE

The Committee normally meets at least once a month and as and when required. The Committee invites the relevant officers to these meetings to clarify issues and for discussion relating to proposals that are submitted for review and also guides the Management in improving the credit policies, procedures and on process improvements for monitoring and recovery action.

MEETINGS

The Committee held twelve meetings during the financial year to carry out its task. The attendance by members is given on page 136 of the Annual Report. The proceedings of the Committee meetings have been regularly reported to the Board of Directors. Credit facilities recommended by the Committee were submitted to the monthly meeting of the Board for approval.

J Durairatnam
Chairman
Credit Approval Committee

19 February 2025

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

GRI 2-15

COMPOSITION

The Related Party Transactions Review Committee appointed by the Board of Directors, presently consists of three Non-Executive Directors. N K G K Nemmawatta, an Independent Director is the Chairman of the Committee. J Durairatnam and Ms A L Thambiayah are the other members.

The Committee's composition met the requirements of Section 9.14.2 of the Listing Rules of the Colombo Stock Exchange (CSE).

In line with Rule 6.6 b) of the Banking Act Directions No. 05 of 2024 on Corporate Governance, N H T I Perera, Chief Executive Officer who functioned as a member of the Committee stepped down on 26 November 2024 and as such the Committee's composition meets the requirements of the said Rule which is effective from 1 January 2025.

The Company Secretary functions as the Secretary of the Committee.

MANDATE

The Committee adopted as its mandate, the tasks specified in Section 9.14 of the Colombo Stock Exchange Listing Rules. The Board has formally adopted the Terms of Reference of the Committee.

The primary purpose of the Committee is to evaluate and consider all transactions with related parties of the Bank except those exempted transactions as set out in Section 9.14.10 of the Listing Rules of the CSE, in order to ensure that transactions with related parties are on normal commercial terms similar to those afforded to non-related parties.

PROCEDURE

The Committee meets as and when required and at least once in a calendar quarter and makes recommendations to the Board for consideration.

The Committee has put in place the necessary processes to identify, review, disclose, and monitor related party transactions according to the provisions contained in the Board approved Related Party Transactions Policy of the Bank.

The Bank obtains on a quarterly basis a declaration from all Key Management Personnel on a structured format to assist in the process of collating related party transactions. Relevant officers are aware of the applicable regulatory requirements relating to related party transactions and they submit a report in the prescribed format to the Committee for transactions that require a review by the Committee.

MEETINGS

The Committee held twelve meetings during the financial year to carry out its tasks. The attendance by members is given on page 136 of the Annual Report. The Committee reviewed the related party transactions carried out during the year at its meetings and the proceedings of the Committee meetings were regularly reported to the Board of Directors.

N K G K Nemmawatta
Chairman
Related Party Transactions Review Committee

19 February 2025

DIRECTORS' STATEMENT OF INTERNAL CONTROLS

INTRODUCTION

Section 9.2 (b) of the Banking Act Direction No. 5 of 2024 requires the Board of Directors ("the Board") to report on internal control mechanism that 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 in accordance with relevant accounting principles and regulatory requirements. This Report is prepared in line with the said regulatory requirements and Principle D.1.5 of the Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

RESPONSIBILITY

The Board acknowledges the responsibility for the adequacy and effectiveness of the DFCC Bank's ("the Bank") system of internal controls, which is designed to provide assurance on the maintenance of proper accounting records and the reliability of financial information generated and safeguarding of the assets of the Bank.

However, such systems are designed to manage the Bank's key exposures to risk within acceptable risk parameters rather than to eliminate the risk of failure to achieve the business goals and objectives of the Bank. Therefore, the system of internal controls can only provide reasonable and not absolute assurance against errors or material misstatement of management and financial information and records or against financial losses and frauds.

FRAMEWORK OF MANAGING MATERIAL RISKS OF THE BANK

The Board has set up an ongoing process for identifying, evaluating and managing the material risks faced by the Bank. This process has been in place for the year under review which includes enhancing the system of Internal controls as and when there are changes to the business environment and regulatory guidelines.

The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

The process is regularly reviewed by the Board and is in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued by CA Sri Lanka. The Board has assessed the internal control over financial reporting, taking into account relevant principles for the assessment of internal control over the financial reporting system, as given in the guidance.

The Board is of the view that the framework and the system of internal controls in place is sound and robust to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

KEY FEATURES OF THE PROCESS ADOPTED IN APPLYING AND REVIEWING THE DESIGN AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM OVER FINANCIAL REPORTING

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

- The Board has established Committees to assist them in exercising oversight on the effectiveness of the Bank's daily operations and ensuring that they are in accordance with the corporate objectives, strategies and the budgetary targets as well as the policies and business directions that have been approved.
- Policies/Charters are developed covering all functional areas of the Bank and these are recommended by Board appointed Committees and are approved by the Board. Such Policies and Charters are reviewed and approved periodically.
- The Internal Audit Department of the Bank verifies compliance of operations with policies and procedures and the adequacy and effectiveness of the internal control systems including information system controls on an ongoing basis using samples and rotational procedures and highlights significant findings in respect of any non-compliance. On-site and Off-site audits are carried out on all units and branches, the frequency of which are determined by the level of risk assessed to provide an independent and objective report on operational and management activities of these units and branches. The annual audit plan is reviewed and approved by the Audit Committee and the findings of the audits are submitted to the Audit Committee for review at their periodic meetings.
- The Offsite auditing initiatives were further strengthened to review the design and effectiveness of the internal control system utilising appropriate tools/techniques and resources. In addition, monitoring over the implementation of the new core banking system and related post implementation audits were conducted. The IS control reviews on the IT General controls, physical security, database security, cyber security and protection of confidential customer information were performed during the year and submitted to the Board Audit Committee on a periodic basis.
- The Audit Committee of the Bank reviews internal control issues identified by the internal audit, the External Auditors, regulatory authorities, and management and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit function focusing on the scope of audits and the quality of reporting. The minutes of the Audit Committee meetings are tabled for the information of the Board on a periodic basis. Further details of the activities undertaken by the Audit Committee of the Bank are set out in the Report of the Audit Committee on page 196.
- The Board Integrated Risk Management Committee (BIRMC) was established by the Board to assist the Board to oversee the overall management of principal areas of risk of the Bank. The BIRMC includes representation from all key business and operations areas of the Bank and assists the Board in the implementation of policies, procedures and controls identified by the BIRMC.
- Operational Committees have also been established with appropriate mandates to ensure effective management and supervision of the Bank's core areas of business operations. These committees include the Management Committee, Credit Committees, the Asset/Liability Committee, the Impairment Assessment Committee, Information Security Committee and the Information Technology Steering Committee.
- In assessing the internal controls over financial reporting, identified officers of the Bank continued to review and update all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Bank. The Internal Audit Department continued to verify the suitability of design and effectiveness of these procedures and controls on an ongoing basis. Further, special focus areas were identified and assessed for strengthening the control setup including information system controls adopted in the core banking system and the MIS reporting. The Bank continuously evaluates the evolving internal control environment with the implementation of the new core banking system and the effects of the ongoing digitalisation drive. The Bank had adopted SLFRS 9 and made an assessment of the objective of the business model and classification of financial assets as it best reflects the way the business is managed and information is provided to the Management.

With the introduction of "expected credit loss" under SLFRS 9, the Bank developed models to calculate Expected Credit Losses (ECLs). A number of key assumptions were made by the Bank in applying the requirements of SLFRS 9 to the models, including selection and input of forward looking information. These models are inherently complex and judgement is applied in determining its correct construction. These models were developed over the past years and reviewed by the management, and amendments were made to the initial assumptions where necessary, to reflect the recent and updated data, and such amendments made were independently reviewed by External Auditors. The Committee reviewed the related Policies on principles, methodologies and assumptions during the year 2024, with consideration of elevated risks due to implications from the changes in the environment, while aligning with the governing requirements. Further, related changes were reviewed and approved by the Board Audit Committee and the Board.

The Bank continues to focus on strengthening the review and testing process of the models developed. Additionally, the Bank's Internal Audit Department will also continue to review the same with more focus and a robust approach in the future.

The computation of impairment losses from loans and receivables have not been automated yet. Considering the complexity and level of estimation involved in this process, the Bank is in the process of evaluating the options available for automation. This evaluation process will also address the new parameter requirements, level of integration with the Core Systems and minimising the manual intervention.

MANAGEMENT INFORMATION

The comments made by the External Auditors in connection with the internal control system for the financial year ended 31 December 2023 were reviewed during the year and appropriate steps have been taken to rectify the same.

The recommendations made by the External Auditors in the financial year ended 31 December 2024 in connection with the internal control system will be addressed in the future.

The Directors are of the opinion that these recommendations are intended to further improve the internal control system. They do not, in any way, detract from the conclusion that the financial reporting system is reliable to provide reasonable assurance that the Financial Statements for external use are true and fair and complies with Sri Lanka Accounting Standards and the regulatory requirements of the Central Bank of Sri Lanka.

CONFIRMATION

Based on the above detailed internal control mechanism and related processes of the Bank, the Board confirms that the financial reporting system of the Bank has been designed to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of financial statements for external purposes is in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors, Messrs KPMG, have reviewed the above Directors' Statement on Internal Control over Financial Reporting for the year ended 31 December 2024 and have reported 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 the review of the design and effectiveness of the internal control system over financial reporting of the Bank. Their independent assurance report on the "Directors' Statement of Internal Control Over Financial Reporting" is given on page 210 of this Annual Report.

By Order of the Board,

H A J de S Wijeyeratne
Chairman – Audit Committee

J Durairatnam
Chairman – Board of Directors

N H T I Perera
Director/Chief Executive Officer

19 February 2025

ASSURANCE REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

THE BOARD OF DIRECTORS
OF DFCC BANK PLC

REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL

We were engaged by the Board of Directors of DFCC Bank PLC ("Bank") to provide assurance on the Directors' Statement on Internal Control ("Statement") included in the annual report for the year ended 31st December 2024.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued in compliance with the section 3 (8) (ii) (b) of the Banking Act Direction No. 11 of 2007, by the Institute of Chartered Accountants of Sri Lanka.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirement 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 behavior.

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 professional compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

OUR RESPONSIBILITIES

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 Bank.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3050 (revised), Assurance Report for Banks on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

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

KPMG

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

SUMMARY OF WORK PERFORMED

Our engagement has been conducted to assess whether the Statement is both supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors have adopted in reviewing the system of internal control for the Bank.

To achieve this objective, appropriate evidence has been obtained by performing the following procedures:

(a) Enquired the Directors to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared their understanding to the Statement made by the Directors in the annual report.

(b) Reviewed the documentation prepared by the Directors to support their Statement made.

(c) Related the Statement made by the Directors to our knowledge of the Bank obtained during the audit of the financial statements.

(d) Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees.

(e) Attended meetings of the Audit Committee at which the annual report, including the Statement on Internal Control is considered and approved for submission to the Board of Directors.

(f) Considered whether the Director's Statement on Internal Control covers the year under review and that adequate processes are in place to identify any significant matters arising.

(g) Obtained written representations from Directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

SLSAE 3050 (revised) does not require us to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Bank's risk and control procedures. SLSAE 3050 (revised) 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 judgment, having regard to our understanding of the nature of the Bank, 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 on pages 207 to 209 of this annual report is inconsistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Bank.

CHARTERED ACCOUNTANTS
Colombo

19 February 2025

FINANCIAL REPORTS

FINANCIAL CALENDAR

2024

LKR 5.00 per share Final Dividend for 2023 paid on
21 March 2024

Audited Financial Statements signed on
19 February 2025

69th Annual General Meeting to be held on
28 March 2025

First and Final Dividend of LKR 6.00 per share by way of cash and scrip Dividend for 2024
by 21 March 2025

1st Quarter Interim Results released on
07 May 2024

2nd Quarter Interim Results released on
09 August 2024

3rd Quarter Interim Results released on
13 November 2024

2025 Proposed Financial Calendar

1st Quarter Interim Results to be released in
May 2025

2nd Quarter Interim Results to be released in
August 2025

3rd Quarter Interim Results to be released in
November 2025

70th Annual General Meeting to be held in
March 2026

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

The Auditor's Report sets out the respective responsibilities of the Directors and Auditors relating to the Financial Statements and this statement provides additional information.

The Directors are required by relevant statutory provisions to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Bank and the Group for that year. The statutory provisions are in the Companies Act No. 07 of 2007 and Banking Act No. 30 of 1988 and amendments thereto. The application of principal qualitative characteristics and appropriate accounting standards and regulatory requirements inclusive of specific disclosures would result in Financial Statements that convey a true and fair view of financial information and financial position.

The Directors are satisfied that the Bank and Group have the resources to continue in business for the foreseeable future and therefore, these Financial Statements are prepared on a going concern basis.

The Financial Statements for the year ended 31 December 2024 and the comparative period have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS).

The Directors are responsible for keeping proper accounting records and to take reasonable steps as far as practicable, to ensure the accuracy and reliability of accounting records, to enable the preparation of Financial Statements. The Directors have a general responsibility to take reasonable steps to safeguard the assets of the Bank. In discharging these responsibilities, the Directors have instituted a system of internal financial controls and a system for monitoring its effectiveness. These provide reasonable, but not absolute assurance of the safeguarding of the Bank's assets, maintenance of proper accounting records, and the reliability of financial information.

The Board appointed Audit Committee chaired by an Independent Non-Executive Director, who possesses qualifications and experience in accountancy and audit, assists the Directors to discharge their responsibility on the integrity of the financial reporting system and monitoring the effectiveness and adequacy of the internal control system. This Committee has made an independent assessment of the financial reporting system of the Bank and confirmed that, to the best of its knowledge and belief, the Financial Statements issued for external purposes by the Bank complied with Sri Lanka Accounting Standards and complies with the statutory provisions of the Companies Act No. 07 of 2007 and Banking Act No. 30 of 1988 as amended. The Report of the Audit Committee is on pages 196 to 199.

The Directors are in agreement with the assessment of the Audit Committee on the reliability of the financial reporting system of the Bank and confirm that the Financial Statements prepared for external use is in accordance with relevant accounting principles and regulatory requirements. As part of institutional checks and balances and accountability, in addition to this Statement of Directors' Responsibilities in relation to Financial Statements, the Directors have included the Chief Executive's and Chief Financial Officer's Statement of Responsibility on page 216.

By Order of the Board,

Ms N Ranaraja
Company Secretary
Colombo

19 February 2025

CHIEF EXECUTIVE'S AND CHIEF FINANCIAL OFFICER'S STATEMENT OF RESPONSIBILITY

The financial statements of DFCC Bank PLC ("the Bank") and the consolidated financial statements of the Bank and its subsidiaries as at 31 December 2024 are prepared and presented in compliance with the requirements of the following:

- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka),
- Companies Act No. 07 of 2007,
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995,
- Banking Act No. 30 of 1988 (as amended),
- Listing Rules of the Colombo Stock Exchange,
- Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka (as amended from time to time), and
- Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka.

The formats used in the preparation of the financial statements and disclosures made, comply with the formats prescribed by the Central Bank of Sri Lanka.

Financial statements are prepared in compliance with the Sri Lanka Financial Reporting Standards (SLFRS) issued by The Institute of Chartered Accountants of Sri Lanka, Companies Act No. 07 of 2007 and Banking Act No. 30 of 1988 as amended, and Directions issued thereunder relating to financial statements formats and disclosure of information.

The accounting policies used in the preparation of the financial statements are appropriate and are consistently applied by the Group. There are no departures from the prescribed accounting standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation. The Board of Directors and the Management of the Bank accept responsibility for the integrity and objectivity of these financial statements. The estimates and judgements relating to the financial statements were made on a prudent and reasonable basis, in order that the financial statements reflect a true and fair view. To ensure this, the Bank has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis.

The Board of Directors assessed the effectiveness of the Bank's internal controls over financial reporting during the year ended 31 December 2024, as required by the Banking Act Direction No. 11 of 2007, the result of which is given on pages 207 to 209 in the Annual Report, the "Directors' Statement on Internal Control". External Auditors' Independent Assurance Report on the "Directors' Statement on Internal Control" is given on page 210 to 211 of the Annual Report.

It is confirmed that the Bank has adequate resources to continue its operations in the foreseeable future. Therefore, the Bank will continue to adopt the "going concern" basis in preparing these financial statements.

Bank's Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Bank were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The financial statements of the Group were audited by Messrs KPMG. The Joint Venture company (Asset held for sale) Acuity Partners (Pvt) Ltd. and the Associate company National Asset Management Limited, are also audited by Messrs KPMG.

The Audit Committee of the Bank meets periodically with the Internal Auditors and the Independent Auditors to review the manner in which the External Auditor performs their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the Independent Auditor and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance. Details of which are given in the "Audit Committee Report" on pages 196 to 199.

The Audit Committee approves the audit and non-audit services provided by External Auditor, Messrs KPMG, in order to ensure that the provision of such services do not impair KPMG's independence.

We confirm that,

- the Bank and its subsidiaries have complied with all applicable laws, regulations, and prudential requirements;
- there are no material non-compliances; and
- there are no material litigations that are pending against the Group other than those disclosed in the Note 58.2 to the financial statements in this Annual Report.
- all taxes, duties, levies and all statutory payments payable by the Group and the Bank and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Group and the Bank as at 31 December 2024 have been paid or where relevant provided for.

N H T I Perera
Director/Chief Executive Officer

Chinthika Amarasekera
Chief Financial Officer (CFO)
Colombo

19 February 2025

INDEPENDENT AUDITORS' REPORT

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

TO THE SHAREHOLDERS OF DFCC BANK PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of DFCC Bank PLC ("the Bank") and the consolidated financial statements of the Bank and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31st December 2024, and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies as set out on pages 235 to 374 of this Annual Report.

In our opinion, the accompanying financial statements of the Bank and the Group give a true and fair view of the financial position of the Bank and the Group as at 31st December 2024, and of their financial performance and 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Bank's financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Bank's financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

ALLOWANCES FOR EXPECTED CREDIT LOSSES

Refer to Note 04 (Use of judgements and estimates), Note 16 (impairment for loans and other losses), and Note 32 (Financial assets at amortised cost – Loans and advances to customers) to these financial statements.

KPMG

Risk Description	Our Responses
As disclosed in Note 32 to these financial statements, the Bank has recorded financial assets measured at amortised cost loans and advances to customers amounting to LKR 394,361 Mn as at 31st December 2024 and a total impairment relating to Financial assets at amortised cost – Loans and advances to customers amounted to LKR 46,545 Mn. As disclosed in note 16 total impairment for loans and other losses amounted to LKR 3,964 Mn. High degree of complexity and judgment are involved in estimating Expected Credit Loss (ECL). Allowance for expected credit losses (ECL) is a key audit matter due to the significance of the Loans and advances to customers balance to the financial statements and the inherent complexity of the ECL models used by the Bank to measure ECL allowances. These models are reliant on data and estimates including multiple economic scenarios and key assumptions such as defining a significant increase in credit risk (SICR). SICR identification is a key judgement within the ECL methodology, as this criterion determines if a forward-looking 12 month or lifetime allowance is recorded.	Our audit procedures to assess the allowances for ECL included the following: Testing key controls of the Bank in relation to: ● The ECL model governance and validation processes which involved assessment of model performance; ● The assessment and approval of the forward-looking macroeconomic assumptions and scenario weightings through challenge applied by internal governance processes; ● Reconciliation of the data used in the ECL calculation process to gross balances recorded within the general ledger as well as source systems; ● IT system controls which record loans days past due and non performing loan classification **Assessing adequacy of impairment for individually significant customers (ISL)** Selecting a sample of larger customers (based on quantitative threshold set by the Bank for ISL customers) where impairment indicators have been identified by management and assessed as higher risk or impaired, and a sample of other loans, focusing on larger exposures assessed by the Bank as showing signs of deterioration, or in areas of emerging risk (assessed against external market conditions and in particular considering the potential implications of prevailing economic conditions). Obtaining management's assessment of the recoverability of these exposures (including individual impairment calculations) and assessed whether individual impairment provisions were appropriate.

KPMG

Risk Description	Our Responses
SLFRS 9 Financial Instruments requires the Bank to measure ECLs on a forward-looking basis reflecting a range of economic conditions. Post-model adjustments are considered to address known ECL model limitations or emerging trends in the loan portfolios. Additional subjectivity and judgement are required due to the uncertainty associated with the impact of the economic outlook and its impact on customers, increasing our audit effort thereon. Additionally, allowances for individually assessed loans exceeding specific thresholds are assessed by challenging the assessment of specific allowances based on the expected future cash repayments and estimated proceeds from the value of the collateral held in respect of the loans by the Bank. The disclosures regarding the Bank application of SLFRS 9 are key to explaining the key judgements and material inputs to the SLFRS 9 ECL results.	This included the following procedures; ● Evaluating management's assessment of recoverability of the forecasted cash flows by comparing them to the historical performance of the customers, their financial position and the expected future performance where applicable; ● Assessing external collateral valuer's credentials and comparing external valuations to values used in management's impairment assessments, forecasted timing of future cash flows in the context of underlying valuations and approved business plans and challenging key assumptions in the valuations; ● Exercising our judgment, our procedures included using our understanding of relevant industries and the macroeconomic environment and comparing with the data and assumptions used by the Bank in recoverability assessment. Where relevant we assessed the forecast timing of future cash flows in the context of underlying valuations, and business plans and evaluating the key assumptions in the valuations; ● Testing the implementation of the Bank SICR & Default criteria identification methodology by re-performing the staging calculation for a sample of loans; ● For a sample of customer loans which were not identified as displaying indicators of impairment by management, we reassessed the conclusions made by the management by reviewing the historical performance of the customers and form our own view whether any impairment indicators were present. **Assessing the adequacy of collectively assessed impairment** We tested key controls of the Bank by: ● Obtaining an understanding of the processes to determine ECL allowances of the Bank, evaluating the ECL model methodologies of the Bank against established market practices and criteria in the accounting standards; ● The assessment and approval of the forward-looking macroeconomic assumptions and scenario weightings, trends in the credit risk concentration of specific portfolios and our understanding of economic conditions. As part of this work, we assessed the reasonableness of the considerations of the uncertainty relating to key economic indicators used by the Bank.

KPMG

Risk Description	Our Responses
	• By working with our Financial Risk Management (FRM) specialist we carried out the following procedures; – Challenging the Bank forward-looking macro-economic assumptions and scenarios incorporated in the ECL models by comparing the economic factors used to relevant publicly available macro-economic information, to identify contradictory indicators; – Evaluating and challenging the key assumptions in the components of the Bank's post-model adjustments to the ECL allowance balance. This included assessing the requirement for additional allowances considering the Bank's ECL model and data limitations identified by the Bank's ECL model validation processes, in light of the volatility in economic scenarios caused by the economic conditions; • Assessing the ongoing effectiveness of the SICR criteria and independently calculating the loans' stage to determine whether a SICR event had occurred; • Assessing the completeness of additional allowance overlays by checking the consistency of risks we identified in the loan portfolios against the assessment of the Bank; • Evaluating the approach taken by the management in identifying the risk elevated sectors and assessing the current market conditions and specific risks in the loan portfolios of the Bank due to exposure to risk elevated sectors; We also assessed the appropriateness of the related disclosures in the financial statements using our understanding obtained from our testing and against the requirements of Sri Lanka Accounting Standards.

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IT SYSTEMS AND CONTROLS OVER FINANCIAL REPORTING

Risk Description	Our Responses
The Bank businesses utilise many complex, interdependent Information Technology (IT) systems to process and record a high volume of transactions. The controls over access, changes to and operation of IT systems are key to the recording of financial information and the preparation of financial statements which provide a true and fair view of the Bank's financial position and performance. The IT systems and controls, as they impact the recording and reporting of financial transactions, is a key audit matter as our audit approach could significantly differ depending on the effective operation of the Bank's IT controls.	We worked with our internal IT specialists to perform audit procedures to test the technology control environment for key IT applications (systems) used in processing significant transactions and recording balances in the general ledger. We also tested automated controls embedded within these systems which link the technology-enabled business processes. Our further audit procedures included: **General IT controls design, observation and operation** ● Assessing the governance and higher-level controls in place across the IT Environment, including those regarding policy design, policy review and awareness, and IT Risk Management practices; ● Obtaining an understanding and testing operating effectiveness of the sample of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management, monitor system integrity, program development and computer operations; ● Data integrity of critical system reporting used by us in our audit to select samples and analyse data used by management to generate Financial statements. **Application controls** Design and operating effectiveness testing of key automated business process controls including those relating to enforcing segregation of duties to avoid conflicts from inappropriate role combinations within IT applications. ● On sample basis, re-performed selected automated computations and compared our results with those from the system and the general Ledger. **User access controls operation** Design and operating effectiveness testing of key controls across the user access management ● Assessing the management's evaluation of access rights granted to applications relevant to financial accounting and reporting systems and; ● Evaluate the design and operating effectiveness of IT controls, including those related to user access and change management. ● Assessing the operating effectiveness of controls over granting, removal and appropriateness of access rights. Where our testing identified design and operating effectiveness matters relating to IT systems or application controls relevant to our audit, we performed alternative audit procedures, including consideration of mitigating controls.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

AUDITORS' 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 auditors' 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 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 Bank and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 charged 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by 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 and, as far as appears from our examination, proper accounting records have been kept by the Bank.

The Bank's financial position is in compliance with the provisions of the Banking Act No.30 of1988 and the Banking (Amendment) Act No.24 of 2024 relating to the issuance of financial statements and disclosure provisions and, we have not noted any instance to call for an explanation or any information from any officer or agent of the bank in relation to Section 39 (1A).

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3272.

Chartered Accountants
Colombo, Sri Lanka

19 February 2025

INCOME STATEMENT

For the year ended 31 December	Note	Page No.	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Gross income	10	284	89,559,338	106,883,450	90,156,259	107,441,538
Interest income			76,907,481	96,921,523	76,910,407	96,924,661
Interest expenses			48,786,254	65,697,026	48,708,495	65,584,019
Net interest income	11	284	28,121,227	31,224,497	28,201,912	31,340,642
Fee and commission income			6,334,637	5,239,924	6,333,848	5,238,670
Fee and commission expenses			1,405,415	688,960	1,405,415	688,960
Net fee and commission income	12	286	4,929,222	4,550,964	4,928,433	4,549,710
Net gains from trading	13	288	1,272,879	1,055,107	1,272,879	1,055,107
Net gains from derecognition of financial assets	14	288	3,868,231	2,838,626	3,868,231	2,838,626
Net other operating income	15	289	1,176,110	828,270	1,770,894	1,384,474
Total operating income			39,367,669	40,497,464	40,042,349	41,168,559
Impairment for loans and other losses	16	290	4,648,360	13,984,830	4,648,360	13,984,830
Net operating income			34,719,309	26,512,634	35,393,989	27,183,729
Operating expenses						
Personnel expenses	17	298	8,328,225	4,777,944	8,580,640	5,037,299
Depreciation and amortisation	18	299	1,216,293	1,123,853	1,290,198	1,190,663
Other expenses	19	299	7,260,546	6,464,554	7,289,290	6,402,642
Operating profit before taxes on financial services			17,914,245	14,146,283	18,233,861	14,553,125
Taxes on financial services	20	300	4,415,824	3,185,957	4,415,824	3,185,957
Operating profit after taxes on financial services			13,498,421	10,960,326	13,818,037	11,367,168
Share of profits of associate			–	–	1,536	1,614
Profit before income tax			13,498,421	10,960,326	13,819,573	11,368,782
Income tax expense	21	300	5,145,890	3,740,624	5,265,098	3,849,610
Profit for the year from continuing operations			8,352,531	7,219,702	8,554,475	7,519,172
Discontinued Operation						
Profit for the year from discontinued operations, net of tax	22	303	–	–	1,377,926	1,139,367
Profit for the year			8,352,531	7,219,702	9,932,401	8,658,539
Profit attributable to:						
Equity holders of the Bank			8,352,531	7,219,702	9,777,516	8,485,146
Non-controlling interests			–	–	154,885	173,393
Profit for the year			8,352,531	7,219,702	9,932,401	8,658,539
Earnings per share						
Basic/diluted earnings per ordinary share (LKR)	23	304	19.40	17.27	22.71	20.30
Basic/diluted earnings per ordinary share (LKR) – continuing operations	23	304	19.40	17.27	19.51	17.58

The notes to the financial statements from pages 235 to 374 form part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December	Note	Page No.	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Profit for the year			8,352,531	7,219,702	9,932,401	8,658,539
Other comprehensive income/(expenses) for the year, net of tax Items that are or may be reclassified subsequently to income statement						
Movement in fair value reserve (FVOCI debt instrument):						
Net change in fair value			3,788,971	5,931,781	3,788,971	5,931,781
Reclassified to income statement			(2,877,314)	(2,838,626)	(2,877,314)	(2,838,626)
Movement in hedging reserve:						
Cash flow hedges – effective portion of changes in fair value			(6,915,285)	(3,887,927)	(6,915,285)	(3,887,927)
Cash flow hedges – reclassified to income statement			5,930,375	5,657,125	5,930,375	5,657,125
Related deferred tax	21.2	301	23,265	(1,458,632)	23,265	(1,458,632)
Total other comprehensive (expenses)/income that are or may be reclassified subsequently to income statement			(49,988)	3,403,721	(49,988)	3,403,721
Items that will not be reclassified to income statement						
Gains/(losses) on remeasurement of defined benefit liabilities/(assets)			198,014	(712,612)	192,084	(714,335)
Equity investments at FVOCI – net change in fair value			9,119,808	7,015,939	9,119,808	7,015,939
Share of other comprehensive income/(expenses) of equity accounted associate			–	–	217	(164)
Related deferred tax	21.2	301	(69,067)	208,814	(67,287)	209,395
Total other comprehensive income on items that will not be reclassified to income statement			9,248,755	6,512,141	9,244,822	6,510,835
Other comprehensive income for the year, net of tax-continuing operation			9,198,767	9,915,862	9,194,834	9,914,556
Discontinued Operation						
Other comprehensive expenses for the year, net of tax – discontinued operations			–	–	(317,386)	(316,336)
Total comprehensive income for the year			17,551,298	17,135,564	18,809,849	18,256,759
Total comprehensive income attributable to:						
Equity holders of the Bank			17,551,298	17,135,564	18,658,077	18,083,000
Non-controlling interests			–	–	151,772	173,759
Total comprehensive income for the year			17,551,298	17,135,564	18,809,849	18,256,759

The notes to the financial statements from pages 235 to 374 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Page No.	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Assets						
Cash and cash equivalents	26	310	13,504,806	14,478,468	13,523,475	14,483,062
Balances with Central Bank of Sri Lanka	27	311	2,328,346	2,107,776	2,328,346	2,107,776
Placements with banks	28	311	11,229,492	29,138,098	11,229,492	29,173,988
Derivative financial assets	29	312	9,643,442	16,499,171	9,643,442	16,499,171
Financial assets measured at fair value through profit or loss	30	315	7,416,018	1,740,928	7,416,018	1,740,928
Financial assets at amortised cost – Loans and advances to banks	31	317	1,500,338	–	1,500,338	–
Financial assets at amortised cost – Loans and advances to customers	32	317	394,361,480	348,767,466	394,361,480	348,767,466
Financial assets at amortised cost – Debt and other instruments	33	323	105,641,690	68,031,313	105,701,871	68,094,041
Financial assets measured at fair value through other comprehensive income	34	327	138,258,226	134,902,765	138,258,226	134,902,765
Investments in subsidiaries	35	331	237,035	237,035	–	–
Investment in associate	36	332	33,169	33,169	38,597	36,844
Investment in joint venture	37	333	–	755,000	–	4,402,238
Investment properties	38	335	9,879	9,879	490,069	468,385
Property, plant and equipment	39	337	3,872,654	3,499,737	4,080,706	3,704,411
Intangible assets and goodwill	40	340	2,001,636	1,926,287	2,170,201	2,101,256
Deferred tax assets	41	342	4,893,483	5,407,626	4,913,002	5,415,426
Current tax assets	49	355	–	–	2,010	–
Other assets	42	344	7,821,132	13,415,565	8,060,939	13,622,800
Asset held for sale	43	345	755,000	–	5,480,475	–
Total assets			703,507,826	640,950,283	709,198,687	645,520,557
Liabilities						
Due to banks	44	346	7,149,474	52,793,464	7,149,474	52,793,464
Derivative financial liabilities	29	312	909,188	381,653	909,188	381,653
Financial liabilities at amortised cost – Due to depositors	45	346	465,153,180	407,225,313	464,359,564	406,584,864
Financial liabilities at amortised cost – Due to other borrowers	46	347	96,755,632	72,022,734	96,755,632	72,022,734
Debt securities issued	47	348	14,690,723	16,311,577	14,690,723	16,311,577
Employee benefits	48	349	1,409,232	1,371,126	1,450,966	1,400,921
Current tax liabilities	49	355	3,066,586	4,426,683	3,160,100	4,535,557
Deferred tax liability	41	342	–	–	96,804	104,276
Other liabilities and provisions	50	355	12,106,760	9,604,502	12,545,632	9,937,474
Subordinated term debt	51	356	18,234,054	9,072,265	18,234,054	9,072,265
Total liabilities			619,474,829	573,209,317	619,352,137	573,144,785

As at 31 December	Note	Page No.	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Equity						
Stated capital	53	359	14,710,454	13,866,557	14,710,454	13,866,557
Statutory reserve fund	54	360	3,657,968	3,239,968	3,657,968	3,239,968
Retained earnings	55	360	35,834,730	28,250,357	42,668,104	33,645,590
Other reserves	56	360	29,829,845	22,384,084	28,363,593	21,231,498
Total equity attributable to equity holders of the Bank			84,032,997	67,740,966	89,400,119	71,983,613
Non-controlling interests	57	362	–	–	446,431	392,159
Total equity			84,032,997	67,740,966	89,846,550	72,375,772
Total equity and liabilities			703,507,826	640,950,283	709,198,687	645,520,557
Contingent liabilities and commitments	58	362	222,538,011	193,992,770	222,538,011	193,992,770
Net assets value per share, LKR			194.22	160.54	206.63	170.60

The notes to the financial statements from pages 235 to 374 form part of these financial statements.

I certify that these financial statements comply with the requirements of the Companies Act No. 07 of 2007.

Amarasekara

Chinthika Amarasekara
Chief Financial Officer

The Board of Directors is responsible for the preparation of these financial statements.

For and on behalf of the Board of Directors,

J Durairatnam
Chairman

Thimal Perera
Director/Chief Executive Officer

Colombo
19 February 2025

STATEMENT OF CHANGES IN EQUITY

	Stated capital LKR '000	Statutory reserve fund Reserve fund LKR '000
Bank		
Balance as at 1 January 2023	13,182,025	2,874,968
Profit for the year	–	–
Other comprehensive income/(expenses), net of tax	–	–
Total comprehensive income for the year	–	–
Transfers	–	365,000
Transfer of net gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	–	–
Transactions with equity holders of the Bank, recognised directly in equity		
Forfeiture of unclaimed dividends	–	–
Final dividend for 2022 – Scrip	684,532	–
Total contributions from and distribution to equity holders	684,532	–
Balance as at 31 December 2023	13,866,557	3,239,968
Balance as at 1 January 2024	13,866,557	3,239,968
Profit for the year	–	–
Other comprehensive income/(expenses), net of tax	–	–
Total comprehensive income/(expenses) for the year	–	–
Transfers		418,000
Transfer of net gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	–	–
Transactions with equity holders of the Bank, recognised directly in equity		
Forfeiture of unclaimed dividends	–	–
Final dividend for 2023 – Scrip	843,897	–
Final dividend for 2023 – Cash	–	–
Total contributions from and distribution to equity holders	843,897	–
Balance as at 31 December 2024	14,710,454	3,657,968

The notes to the financial statements from pages 235 to 374 form part of these financial statements.

Other reserves				
Fair value reserve LKR '000	Hedging reserve LKR '000	General reserve LKR '000	Retained earnings LKR '000	Total equity LKR '000
(1,832,190)	115,407	13,779,839	22,600,898	50,720,947
–	–	–	7,219,702	7,219,702
9,181,221	1,238,439	–	(503,798)	9,915,862
9,181,221	1,238,439	–	6,715,904	17,135,564
–	–	–	(365,000)	–
(98,632)	–	–	98,632	–
–	–	–	5,255	5,255
–	–	–	(805,332)	(120,800)
–	–	–	(800,077)	(115,545)
7,250,399	1,353,846	13,779,839	28,250,357	67,740,966
7,250,399	1,353,846	13,779,839	28,250,357	67,740,966
–	–	–	8,352,531	8,352,531
9,759,257	(689,437)	–	128,947	9,198,767
9,759,257	(689,437)	–	8,481,478	17,551,298
–	–	–	(418,000)	–
(1,624,059)	–	–	1,624,059	–
–	–	–	6,579	6,579
–	–	–	(843,897)	–
–	–	–	(1,265,846)	(1,265,846)
–	–	–	(2,103,164)	(1,259,267)
15,385,597	664,409	13,779,839	35,834,730	84,032,997

		Statutory reserve fund
	Stated capital	Reserve fund
	LKR '000	LKR '000
Group		
Balance as at 1 January 2023	13,182,025	2,874,968
Profit for the year	–	–
Other comprehensive income/(expenses), net of tax	–	–
Total comprehensive income/(expenses) for the year	–	–
Transfers	–	365,000
Transfer of net gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	–	–
Transactions with equity holders of the Bank, recognised directly in equity		
Forfeiture of unclaimed dividends	–	–
Change in holding through joint venture	–	–
Final dividend for 2022 – Scrip	684,532	–
Dividend distributed to non-controlling interest by subsidiaries	–	–
Total contributions from and distribution to equity holders	684,532	–
Balance as at 31 December 2023	13,866,557	3,239,968
Balance as at 1 January 2024	13,866,557	3,239,968
Profit for the year	–	–
Other comprehensive income/(expense) net of tax	–	–
Total comprehensive income/(expense) for the year	–	–
Transfers	–	418,000
Transfer of net gains on disposal of equity investments at fair value through other comprehensive income to retained earnings	–	–
Transactions with equity holders of the Bank, recognised directly in equity		
Forfeiture of unclaimed dividends	–	–
Change in holding through joint venture	–	–
Final dividend for 2023 – Scrip	843,897	–
Final dividend for 2023 – Cash	–	–
Dividend distributed to non-controlling interest by subsidiaries	–	–
Total contributions from and distribution to equity holders	843,897	–
Balance as at 31 December 2024	14,710,454	3,657,968

The notes to the financial statements from pages 235 to 374 form part of these financial statements.

Attributable to the equity holders of the Bank							
Other reserves							
Fair value reserve LKR '000	Exchange equalisation reserve LKR '000	Hedging reserve LKR '000	General reserve LKR '000	Retained earnings LKR '000	Total LKR '000	Non-controlling interests LKR '000	Total LKR '000
(3,273,562)	822,582	(103,057)	13,779,839	26,731,857	54,014,652	306,150	54,320,802
–	–	–	–	8,485,146	8,485,146	173,393	8,658,539
9,190,985	(261,511)	1,174,854	–	(506,474)	9,597,854	366	9,598,220
9,190,985	(261,511)	1,174,854	–	7,978,672	18,083,000	173,759	18,256,759
–	–	–	–	(365,000)	–	–	–
(98,632)	–	–	–	98,632	–	–	–
–	–	–	–	5,255	5,255	–	5,255
–	–	–	–	1,506	1,506	–	1,506
–	–	–	–	(805,332)	(120,800)	–	(120,800)
–	–	–	–	–	–	(87,750)	(87,750)
–	–	–	–	(798,571)	(114,039)	(87,750)	(201,789)
5,818,791	561,071	1,071,797	13,779,839	33,645,590	71,983,613	392,159	72,375,772
5,818,791	561,071	1,071,797	13,779,839	33,645,590	71,983,613	392,159	72,375,772
–	–	–	–	9,777,516	9,777,516	154,885	9,932,401
9,759,866	(266,441)	(737,271)	–	124,407	8,880,561	(3,113)	8,877,448
9,759,866	(266,441)	(737,271)	–	9,901,923	18,658,077	151,772	18,809,849
–	–	–	–	(418,000)	–	–	–
(1,624,059)	–	–	–	1,624,059	–	–	–
–	–	–	–	6,579	6,579	–	6,579
–	–	–	–	17,696	17,696	–	17,696
–	–	–	–	(843,897)	–	–	–
–	–	–	–	(1,265,846)	(1,265,846)	–	(1,265,846)
–	–	–	–	–	–	(97,500)	(97,500)
–	–	–	–	(2,085,468)	(1,241,571)	(97,500)	(1,339,071)
13,954,598	294,630	334,526	13,779,839	42,668,104	89,400,119	446,431	89,846,550

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Cash flows from operating activities					
Interest receipts		72,411,055	94,707,773	72,495,455	94,801,907
Interest payments		(45,105,757)	(59,513,733)	(45,099,297)	(59,449,795)
Net commission receipts		6,234,565	5,087,447	6,234,565	5,087,447
Net trading income		(27,800)	48,469	(27,800)	48,469
Recoveries from loans previously written-off		45,317	16,767	45,317	16,767
Receipts from other operating activities		43,007	125,212	716,247	521,132
Payments on other operating activities		(6,942,627)	(6,250,903)	(6,760,446)	(5,837,596)
Cash payments to employees		(7,980,513)	(4,772,478)	(8,391,056)	(5,257,537)
Taxes on financial services		(4,225,077)	(3,234,294)	(4,225,077)	(3,234,294)
Operating Cash flows before changes in operating assets and liabilities		14,452,170	26,214,260	14,987,908	26,696,500
(Increase)/decrease in operating assets:					
Balances with Central Bank/deposits held for regulatory or monetary control purposes		(220,570)	6,923,093	(220,570)	6,923,093
Financial assets at amortised cost – Loans and advances to customers		(54,272,513)	735,466	(54,272,513)	735,466
Others		4,074,326	3,212,236	4,052,413	3,263,663
Increase/(decrease) in operating liabilities:					
Financial liabilities at amortised cost – due to depositors		66,329,274	37,195,041	65,845,284	37,065,783
Others		(144,188)	630,302	213,726	630,383
Net cash flows from operating activities before income tax		30,218,499	74,910,398	30,606,248	75,314,888
Income tax paid	49	(5,991,842)	(4,305,780)	(6,085,008)	(4,446,618)
Net cash flows from operating activities		24,226,657	70,604,618	24,521,240	70,868,270
Cash flows from investing activities					
Dividends received from investment in subsidiaries, joint venture, and associate	15	86,798	78,118	–	–
Dividend received from other investments		694,086	111,605	694,086	111,605
Government securities – net		(17,900,048)	(82,162,743)	(17,900,048)	(82,162,743)
Proceeds from sale and redemption of securities		6,291,710	654,149	6,291,710	654,149
Purchase of financial investments		(16,455,360)	(1,535,338)	(16,456,836)	(1,509,437)
Purchase of property, equipment, intangibles and investment properties		(1,907,923)	(1,454,768)	(2,023,230)	(1,546,054)
Proceeds from sale of equipment, investment properties and others		10,949	15,502	10,949	15,502
Net cash flows used in investing activities		(29,179,788)	(84,293,475)	(29,383,369)	(84,436,978)

For the year ended 31 December	Note	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Cash flows from financing activities					
Redemption of debentures		(3,804,760)	(8,956,610)	(3,804,760)	(8,956,610)
Issue of debentures		8,000,000	–	8,000,000	–
Borrowing, medium and long-term		3,651,136	1,754,143	3,651,136	1,754,143
Other short-term borrowing – net		(7,020,806)	44,673,126	(7,020,806)	44,673,126
Repayment of borrowing, medium and long-term		(13,488,861)	(11,512,493)	(13,488,861)	(11,512,493)
Dividends paid		(1,265,846)	–	(1,378,663)	(101,536)
Net Cash flows (used in)/ from financing activities		(13,929,137)	25,958,166	(14,041,954)	25,856,630
Net (decrease)/increase in cash and cash equivalents		(18,882,268)	12,269,309	(18,904,083)	12,287,922
Cash and cash equivalents at the beginning of the year		43,616,566	31,347,257	43,657,050	31,369,128
Cash and cash equivalents at the end of the year		24,734,298	43,616,566	24,752,967	43,657,050
Reconciliation of cash and cash equivalents with items reported in the statement of financial position					
Cash and cash equivalents	26	13,504,806	14,478,468	13,523,475	14,483,062
Placements with banks	28	11,229,492	29,138,098	11,229,492	29,173,988
		24,734,298	43,616,566	24,752,967	43,657,050

The Statement of Cash Flows of the Bank includes the results of associate, joint venture, and subsidiary companies only to the extent of the cash flows between Bank and respective companies as required by Sri Lanka Accounting Standards.

The notes to the financial statements from pages 235 to 374 form part of these financial statements.

RECONCILIATION OF PROFIT FOR THE YEAR TO OPERATING CASH FLOWS BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES

		BANK		GROUP	
For the year ended 31 December	Note	**2024** LKR '000	2023 LKR '000	**2024** LKR '000	2023 LKR '000
Profit before income tax		13,498,421	10,960,326	13,819,573	11,368,782
Add/(deduct) items not using (providing) cash:		5,271,930	14,315,917	5,374,774	14,368,428
Depreciation					
– Property plant and equipment and investment properties	18	485,543	382,427	548,363	438,893
– Right-of-use assets	18	346,225	326,149	350,906	328,099
Amortisation – Intangible assets	18	384,525	415,277	390,929	423,671
Accretion of interest on right-of-use assets	11.1.2	144,282	153,345	146,803	154,570
Net gains from trading Unrealised loss on trading securities	13	(1,186,575)	231,506	(1,186,575)	231,506
Forward exchange fair value changes from banks and other customers	13	926,979	384,709	926,979	384,709
Foreign exchange gains	15, 13	(802,607)	(1,563,021)	(788,096)	(1,548,076)
Impairment for loans and other losses	16	4,648,360	13,984,830	4,648,360	13,984,830
Share of profits of associate		–	–	1,536	(1,614)
Provision for defined benefit plans	17	325,198	695	335,569	7,540
Deduct items reported under investing activities		(5,018,000)	(3,598,282)	(4,931,203)	(3,598,282)
Dividend income		(1,129,895)	(741,555)	(1,043,098)	(741,555)
Gains on sale of government securities	14	(3,868,231)	(2,838,626)	(3,868,231)	(2,838,626)
Gains on sale of property, plant and equipment	15	(19,874)	(18,101)	(19,874)	(18,101)
Deduct changes in operating assets and liabilities:		699,819	4,536,299	724,764	4,557,571
Increase in account receivables		(4,630,782)	(2,258,639)	(4,330,388)	(2,184,466)
Increase in account payables		5,330,601	6,794,938	5,055,152	6,742,037
Operating cash flows before changes in operating assets and liabilities		14,452,170	26,214,260	14,987,908	26,696,500

The notes to the financial statements from pages 235 to 374 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1 CORPORATE INFORMATION

DFCC Bank PLC ("Bank") is a limited liability public company incorporated and domiciled in Sri Lanka.

The Bank was incorporated in 1955 under DFCC Bank Act No. 35 of 1955 as a limited liability public company. The ordinary shares of the Bank were listed in the Colombo Stock Exchange (CSE).

Consequent to the enactment of the DFCC Bank (Repeal and Consequential Provisions) Act No. 39 of 2014, the DFCC Bank Act No. 35 of 1955 was repealed and the Bank was incorporated under the Companies Act No. 07 of 2007 as a public limited company listed on the Colombo Stock Exchange with the name "DFCC Bank PLC", with effect from 6 January 2015.

Bank also obtained a commercial banking license from the Monetary Board of the Central Bank of Sri Lanka in terms of the Banking Act No. 30 of 1988, as amended, and accordingly, upon the amalgamation, now operates as a licensed commercial bank.

The registered office of the Bank is at 73/5, Galle Road, Colombo 3.

Total staff strength of the Bank and the Group on 31 December 2024 was as follow:

Group – 2,532 (31 December 2023 – 2,225)
Bank – 2,439 (31 December 2023 – 2,109)

1.2 CONSOLIDATED FINANCIAL STATEMENTS

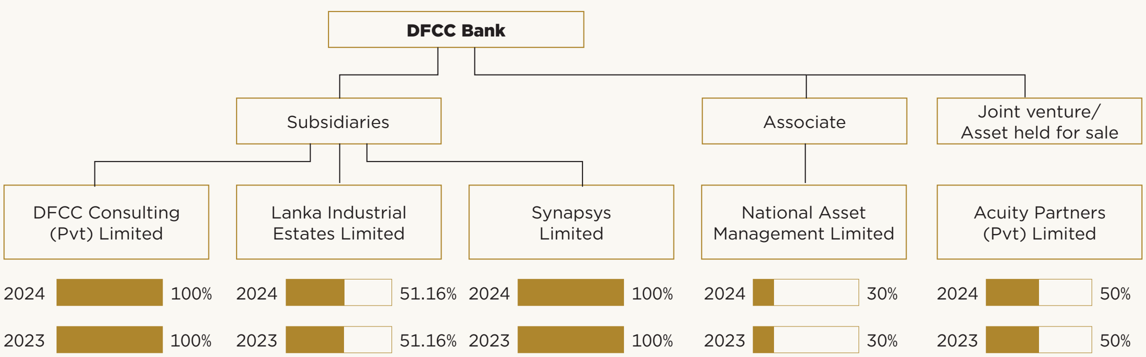
DFCC Bank PLC as the parent of subsidiaries under its control is required to present only the consolidated financial statements as per Sri Lanka Accounting Standard – SLFRS 10 on "Consolidated Financial Statements" and the proportionate share of the profit or loss and net assets of its Associates and joint ventures in terms of the Sri Lanka Accounting Standard – LKAS 28 on "Investments in Associates and Joint Ventures" . In addition to the consolidated financial statements, separate financial statements are also presented as per the Companies Act No. 07 of 2007 and Banking Act No. 30 of 1988 and amendments thereto.

The Bank's financial statements comprise the amalgamation of the financial statements of the Domestic Banking Unit (DBU) and the Foreign Currency Banking Unit (FCBU).

1.3 PARENT ENTITY AND ULTIMATE PARENT ENTITY

The Bank does not have an identifiable parent of its own. The Bank is the ultimate parent of the Group companies.

1.4 Principal business activities, nature of operations of the Group and ownership by the Bank in its subsidiaries, associates and joint venture/asset held for sale.



A summary of principal activities of DFCC Bank PLC, its subsidiary companies, associate company and joint venture company (assets held for sale) is as follows:

Entity	Principal Business Activity
DFCC Bank PLC	Range of financial services such as accepting deposits, corporate credit and retail banking, personal financial services, project financing, investment banking, foreign currency operations, trade finance and dealing in government securities and treasury-related products.
Subsidiaries	
DFCC Consulting (Pvt) Limited	Technical, financial, and other professional consultancy services in Sri Lanka and abroad.
Lanka Industrial Estates Limited and its subsidiaries	Leasing of land and buildings to industrial enterprises.
Synapsys Limited	Information technology services and information technology enabled services.
Associate	
National Asset Management Limited and its subsidiaries	Management of Unit Trust and private portfolios
Joint Venture/Asset held for sale	
Acuity Partners (Pvt) Limited and its subsidiaries and joint ventures	Investment banking-related financial services.

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

1.5 APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2024 were authorised for issue by the Directors on 19 February 2025.

1.6 RESPONSIBILITY FOR FINANCIAL STATEMENTS

The responsibility of the Board of Directors in relation to the financial statements is set out in the Statement of Directors' Responsibility report in the annual report.

2. BASIS OF ACCOUNTING

2.1 STATEMENT OF COMPLIANCE AND PRESENTATION

The consolidated financial statements of the Group and the separate financial statements of the Bank, which comprise the Statement of Financial Position, Income Statement, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes thereto, have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007 and the Banking Act No. 30 of 1988 and amendments thereto, and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange (CSE).

Considering the unprecedented changes in the macro-economic conditions, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has decided to issue the "Statement of Alternative Treatment (SoAT) on Reclassification of Debt Portfolio". This SoAT will provide a temporary practical expedient to permit the entities to reclassify the debt portfolio measured at Fair Value through Other Comprehensive Income (FVOCI) to amortised cost.

These financial statements, except for information on cash flows, have been prepared following the accrual basis of accounting.

Details of the Group's material accounting policies followed during the year are given on Note 5 on pages 239 to 245.

These financial statements include the following components:

- an Income Statement and Statement of Profit or Loss and Other Comprehensive Income providing information on the financial performance of the Group and the Bank for the year under review; (Refer pages 224 and 225).
- a Statement of Financial Position providing information on the financial position of the Group and Bank as at the year end; (Refer pages 226 and 227).
- a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and Bank; (Refer pages 228 and 231).

- a Statement of Cash Flows providing information to the users, on the ability of the Group and Bank to generate cash and cash equivalents and the needs of the entity to utilise those cash flows; (Refer pages 232 and 234).
- Notes to the financial statements comprising accounting policies and other explanatory information. (Refer pages 235 to 374)

The format used in the preparation and presentation of the financial statements and the disclosures made therein also comply with the specified formats prescribed by the Central Bank of Sri Lanka in the Circular No. 5 of 2024 on "Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks".

2.2 BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost convention except for the following material items, which are measured on an alternative basis on each reporting date:

FINANCIAL INSTRUMENTS

Item	Basis of measurement	Note	Page
Financial assets measured at fair value through profit or loss	Fair value	30	315
Derivative financial assets and derivative financial liabilities	Fair value	29	312
Financial assets measured at fair value through other comprehensive income	Fair value	34	327

NON-FINANCIAL ASSETS/LIABILITIES

Item	Basis of measurement	Note	Page
Employee benefits	Present value of defined benefit pension obligation less net pension assets of DFCC Bank Pension Fund, a trust separate from the Bank.	48	349
	Present value of the defined benefit gratuity obligation.	48	349

No adjustments have been made for inflationary factors affecting the financial statements.

2.3 MATERIALITY AND AGGREGATION

Each item, which is similar in nature, is presented separately, if material. Items of dissimilar nature or function, are presented separately, unless they are immaterial as permitted by the Sri Lanka Accounting Standard LKAS 1 on "Presentation of financial statements".

2.4 GOING CONCERN

The assessment carried out by the Board took into consideration the current economic developments in order to make projections for future economic conditions of the environment in which it operates. The main factors that cause uncertainties regarding the application of this principle relate to the unstable economic environment in the country.

The banking sector saw improvements in non-performing loans, reflecting gradual stabilisation. Although overall levels remained higher than pre crisis benchmarks, Bank focused on mitigating risks, optimising capital adequacy, and adapting to evolving regulatory requirements. Based on these, Bank estimates that the conditions for the application of the going concern principle for the preparation of its financial statements are met.

2.5 COMPARATIVE INFORMATION

Comparative information including quantitative, narrative and descriptive information, is disclosed in respect of the previous year in the financial statements in order to enhance the understanding of the current year's financial statements and to enhance inter year comparability.

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

3. FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Sri Lankan Rupees, which is the Bank's functional currency. All amounts have been rounded to the nearest thousand, except when otherwise indicated.

There was no change in the Group's presentation and functional currency during the year under review.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's 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 estimates are recognised prospectively.

Revival from Economic crisis

Sri Lanka's economic revival is progressing steadily, underpinned by key reforms facilitated by the IMF Extended Fund Facility (EFF). The country has made significant strides in implementing the EFF's structural benchmarks, which have enhanced fiscal consolidation and bolstered financial stability. A key milestone in this recovery process has been the successful restructuring of the International Sovereign Bonds (ISBs), which has alleviated the debt burden and restored fiscal credibility. These efforts have laid the foundation for a gradual recovery, with the economy emerging from a period of negative GDP growth. Projections for 2025 now reflect an optimistic outlook, with expectations of a return to positive growth in the range of 3% to 4%, indicating a sustainable rebound as economic conditions stabilise.

Concurrently, macroeconomic indicators have shown significant improvement, contributing to a more favourable business environment. The tourism sector, a critical pillar of Sri Lanka's economy, is experiencing a robust recovery, with increased international arrivals and higher revenue generation, signaling the return of foreign exchange inflows. In parallel, inflation has moderated due to effective monetary policies, while the Sri Lankan Rupee has stabilised, benefiting from stronger foreign exchange reserves. Interest rates have also been managed prudently, facilitating access to credit and investment opportunities. These positive trends in inflation, exchange rates, and interest rates, coupled with a revived tourism industry, signal a healthy macroeconomic environment and strong prospects for sustained economic growth.

The positive developments in Sri Lanka's economic recovery have had a favorable impact on the Bank's accounting estimates, particularly in relation to the computation of Expected Credit Loss (ECL) fair value measurement and assessment of recoverable amount of non-financial assets. As the macroeconomic environment stabilises, with key indicators such as inflation, exchange rates, and interest rates improving, the bank has revisited its ECL model to reflect these more favourable conditions. The successful restructuring of ISBs and the anticipated return to positive GDP growth have led to a more optimistic outlook for credit quality. This, in turn, has influenced the Bank's credit risk assessments and allowed for a reduction in provisions for ECL. The revival of critical sectors, such as tourism, agriculture, and apparel, further supports the Bank's expectations of improved borrower repayment capacity, reducing the risk of defaults. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognised prospectively.

4.1 JUDGEMENTS

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

Item	Note	Page
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 models used to measure ECL.	16	290
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)	5.3.2	242
Determination of control over investees.	35, 36, 37	331, 332, 333
Derivative assets	29	312

4.2 ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities is included in the following notes:

Item	Note	Page
Impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward looking information and key assumptions used in estimating recoverable cash flows.	16, 32	290, 317

Item	Note	Page
Determination of the fair value of financial instruments with significant unobservable inputs.	9.3.1	279
Measurement of defined benefit obligations: key actuarial assumptions.	48.2.2	353
Impairment testing for Cash Generating Units (CGU) containing goodwill: key assumptions underlying recoverable amounts.	5.4	244
Recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.	58	362

5. MATERIAL ACCOUNTING POLICIES

The material accounting policies set out below have been applied consistently to all periods presented in the financial statements of the Group.

These accounting policies have been applied consistently by Group entitles.

Set out below is an index of the material accounting polices:

5.1 BASIS OF CONSOLIDATION

5.1.1 BUSINESS COMBINATIONS

The Group accounts for business combinations using the acquisition method, when the acquired set of activities and assets meets the definition of a business and control, is transferred to the Group.

In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process, and whether the acquired set has the ability to produce outputs. The Group has an option to apply a "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment . Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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

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

5.1.2 SUBSIDIARIES

Details of the Bank's subsidiaries, how they are accounted in the financial statements and their contingencies are set out in Note 35 and 58 on pages 331 to 362.

5.1.3 NON-CONTROLLING INTERESTS (NCI)

Details of non-controlling interests are given in Note 57 on page 362.

5.1.4 LOSS OF CONTROL

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

5.1.5 INTERESTS IN EQUITY-ACCOUNTED INVESTEES

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Details of the Bank's equity-accounted investees, how they are accounted in the financial statements and their contingencies are set out in Note 36 and 37 on pages 332 to 333.

5.1.6 TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

5.1.7 FINANCIAL STATEMENTS OF SUBSIDIARIES, ASSOCIATE COMPANY, AND JOINT VENTURE COMPANY INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of DFCC Consulting (Pvt) Limited, Acuity Partners (Pvt) Limited, Synapsys Limited, Lanka Industrial Estates Limited and National Asset Management Limited included in the consolidation have financial years ending on 31 December.

Audited financial statements are used for consolidation of companies, which have a similar financial year end, as the Bank for others a special review is performed.

5.2 FOREIGN CURRENCY

5.2.1 FOREIGN CURRENCY TRANSACTIONS

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

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the 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, impairment 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 exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective

5.3 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5.3.1 RECOGNITION AND INITIAL MEASUREMENT

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

5.3.2 CLASSIFICATION

5.3.2.1 FINANCIAL ASSETS

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

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

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

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

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group 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.

5.3.2.1.1 BUSINESS MODEL ASSESSMENT

The Group makes an assessment of the objective of a business model in which an 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. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for 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 in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Group's retail, small and medium enterprises and corporate banking business comprises primarily loans to customers that are held for collecting contractual cash flows. In the retail business the loans comprise mortgages, overdrafts, unsecured personal lending and credit card facilities. Sales of loans from these portfolios are very rare.

Certain debt securities are held by the Group Central Treasury in a separate portfolio for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The group considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows.

Certain other debt securities are held by the Group Central Treasury in separate portfolios to meet everyday liquidity needs. The Group Central Treasury seeks to minimise the costs of managing these liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual cash flows as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value. The Group considers that these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

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

5.3.2.1.2 ASSESSMENT OF WHETHER CONTRACTUAL CASH FLOWS ARE SOLELY PAYMENTS OF PRINCIPAL AND INTEREST (SPPI)

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 profit margin.

In assessing whether the contractual cash flows are SPPI, the Group 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 the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows; – leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.

Equity instruments have contractual cash flows that do not meet the SPPI criterion. Accordingly, all such financial assets are measured at FVTPL unless the FVOCI option is selected.

5.3.2.2 FINANCIAL LIABILITIES

On initial recognition, the Bank classifies financial liabilities, other than financial guarantees and loan commitments, into one of the following categories:

- financial liabilities at amortised cost; and
- financial liabilities at fair value through profit or loss

5.3.2.2.1 FINANCIAL LIABILITIES AT AMORTISED COST

Financial Liabilities issued by the Bank that are not designated at fair value through profit or loss are recognised initially at fair value plus any directly attributable transaction costs, by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Deposit liabilities including savings deposits, current deposits, fixed/time deposits, call deposits, certificates of deposit and debentures are classified as financial liabilities measured at amortised cost.

The EIR amortisation is included in "Interest expense" in the income statement. Gains and losses too are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

5.3.2.2.2 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss include derivative liabilities held for risk management purposes.

5.3.3 RECLASSIFICATIONS

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. Financial Liabilities are not reclassified as such reclassification is not permitted by SLFRS 9.

Other than above, the Bank has applied options given under Statement of Alternative Treatment SoAT as explained in note 33.5.1 for reclassification of part of instrument during year 2022.

5.3.4 DERECOGNITION

5.3.4.1 FINANCIAL ASSETS

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of;

(i) the consideration received (including any new asset obtained less any new liability assumed) and

(ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

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

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

5.3.4.2 FINANCIAL LIABILITIES

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

5.3.5 MODIFICATIONS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5.3.5.1 FINANCIAL ASSETS

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

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

5.3.5.2 FINANCIAL LIABILITIES

The Group 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 the consideration paid is recognised in income statement. 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 the income statement. 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."

5.3.6 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 liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the SLFRS Interpretations Committee and Standard Interpretations Committee) and as specifically disclosed in the significant accounting policies of the Bank/Group.

5.3.7 FAIR VALUE MEASUREMENT

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

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

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

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability, nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in based on a valuation technique for which any unobservable inputs are judged to be insignificant in, relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in the income statement on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

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

5.3.8 IMPAIRMENT

Details of impairment is given in Note 16 on page 290.

5.3.9 DESIGNATION AT FAIR VALUE THROUGH PROFIT OR LOSS

On initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL, if doing so eliminated or significantly reduces an accounting mismatch that would otherwise arise.

The Bank has not designated any financial asset upon initial recognition at fair value through profit or loss as at the reporting date.

5.4 IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognised in the income statement. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in the respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

6. CHANGES IN MATERIAL ACCOUNTING POLICIES

The Group does not have changes in material accounting policies in the current annual reporting period.

7. STANDARDS ISSUED BUT NOT YET ADOPTED

A number of new standards and amendments to standards are effective for annual periods beginning 1 January 2025 and earlier application of these standards is permitted. However, the Group has not early adopted the new and amended standards in preparing these consolidated financial statements.

Accounting Standard	Descriptions	Effective Date
SLFRS S1 – Sustainability Disclosure Standard	SLFRS S1 General Requirements for Disclosure of Sustainability related Financial Information is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity	1 January 2025
SLFRS S2- Climate – Related Disclosures	SLFRS S2 Climate-Related Disclosures is to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.	1 January 2025

8. FINANCIAL RISK REVIEW

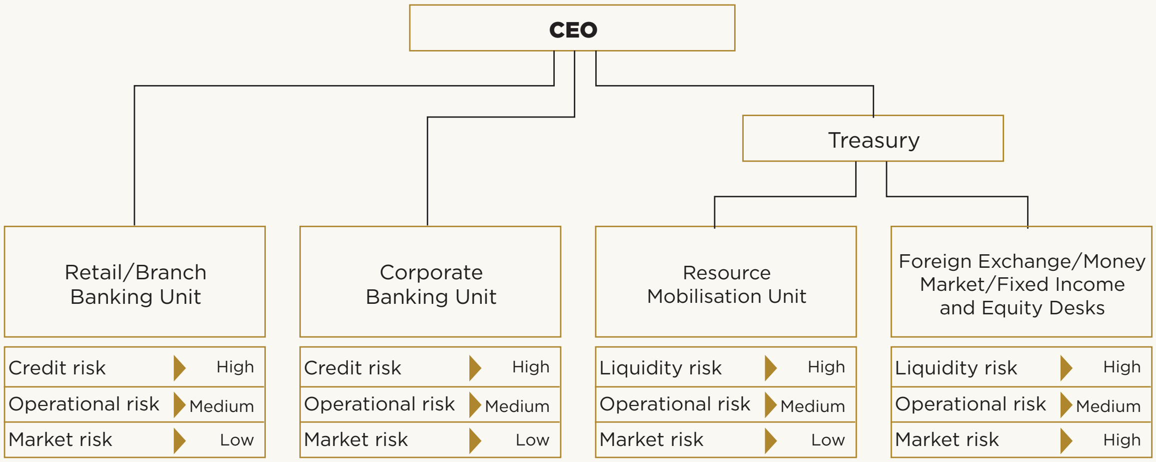
This note presents information about the Bank's exposure to financial risk and the Bank's management of capital.

8.1 INTRODUCTION AND OVERVIEW

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

- credit risk
- market risk
- liquidity risk
- operational risk

The following chart provides a link between the Bank's business units and the principal risks that they are exposed to. The significance of risk is assessed within the context of the Bank as a whole and is measured based on allocation of the regulatory capital within the Bank.



This note presents information about the Bank's exposure to each of the above risks, the objectives, policies and processes for measuring and managing such risk.

RISK MANAGEMENT FRAMEWORK

The Board of Directors has the overall responsibility for the establishment and oversight of the Bank's risk management framework.

The Board Integrated Risk Management Committee (BIRMC) provides the Board, the assurance that risk management strategies, policies and processes are in place to manage events/outcomes that could potentially impact earnings, performance, reputation and capital.

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

Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures. These results are then reported to the Bank Audit Committee.

8.2 CREDIT RISK

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Bank's loans and advances to customers and other banks and investment in debt securities.

8.2.1 SETTLEMENT RISK

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities, or other assets as contractually agreed.

8.2.2 MANAGEMENT OF CREDIT RISK

The Board of Directors, BIRMC, and the Credit Committee are responsible for the oversight of credit risk. Management of credit risk includes the following;

1. 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.
2. Establishing the authorisation structure for the approval and renewal of credit facilities are vested with the Board of Directors. Authorisation limits are allocated to business unit heads.
3. Reviewing and assessing credit risk: Bank assesses 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.
4. Limiting concentration of exposure to counterparties, industries (for loans and advances, financial guarantees and similar exposures), credit ratings and countries.
5. Developing and maintaining the Bank'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.
6. 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 bank credit, which may require appropriate corrective action to be taken. These include reports containing estimates of Expected Credit Loss(ECL) allowances.
7. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.
8. Determining risk rating for each lending client based on financial risk, non financial risk and industry risk parameters.

Each business unit is required to follow bank credit policies and procedures. Business units are 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 bank credit processes are undertaken by internal audit.

Credit risk management approaches as described in 1 to 8 above are revised periodically and strengthened as required in line with the regulatory requirements and economic environment. During the year, all relevant policies, guidelines and processes have been reviewed and updated accordingly.

8.2.3 CREDIT QUALITY ANALYSIS – BANK

The following table sets out information about the overdue status of loans and advances to customers in Stages 1, 2, and 3.

Loans and advances to customers at amortised cost – gross carrying amount

As at 31 December	2024			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Current	276,377,076	36,729,667	4,864,566	317,971,309
Overdue < 30 days	30,400,177	7,943,394	890,951	39,234,522
Overdue > 30 days	–	20,849,857	62,851,256	83,701,113
Total	306,777,253	65,522,918	68,606,773	440,906,944

As at 31 December	2023			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Current	223,498,686	26,914,014	10,607,068	261,019,768
Overdue < 30 days	33,106,631	10,548,682	811,872	44,467,185
Overdue > 30 days	–	29,275,389	59,922,380	89,197,769
Total	256,605,317	66,738,085	71,341,320	394,684,722

8.2.3.1 The following table shows an analysis of counterparty credit exposures arising from derivative transactions. Derivative transactions of the Bank are generally fully collateralised by cash.

As at 31 December 2024 In LKR '000	Forward		SWAP	
	Notional amount	Fair value	Notional amount	Fair value
Derivative financial assets (Note 1)	25,832,218	115,450	83,963,792	9,527,979
Derivative financial liabilities (Note 2)	25,773,312	(55,594)	76,356,135	(852,241)
Note 1				
Derivative financial assets by counterparty type				
With banks	22,146,159	86,052	83,963,792	9,527,979
With other customers	3,686,059	29,398	–	–
Total	25,832,218	115,450	83,963,792	9,527,979
Note 2				
Derivative financial liabilities by counterparty type				
With banks	22,112,665	(52,034)	76,356,135	(852,241)
With other customers	3,660,647	(3,560)	–	–
Total	25,773,312	(55,594)	76,356,135	(852,241)

As at 31 December 2023 In LKR '000	Forward		SWAP	
	Notional amount	Fair value	Notional amount	Fair value
Derivative financial assets (Note 1)	7,248,934	10,704	62,074,342	16,487,547
Derivative financial liabilities (Note 2)	7,304,692	(48,202)	47,917,115	(333,282)
Note 1				
Derivative financial assets by counterparty type				
With banks	6,488,690	8,310	62,074,342	16,487,547
With other customers	760,244	2,394	–	–
Total	7,248,934	10,704	62,074,342	16,487,547
Note 2				
Derivative financial liabilities by counterparty type				
With banks	6,540,395	(41,709)	47,917,115	(333,282)
With other customers	764,297	(6,493)	–	–
Total	7,304,692	(48,202)	47,917,115	(333,282)

Derivative type			
Spot		Total	
Notional amount	Fair value	Notional amount	Fair value
539,895	13	110,335,905	9,643,442
541,217	(1,353)	102,670,664	(909,188)
539,895	13	106,649,846	9,614,044
–	–	3,686,059	29,398
539,895	13	110,335,905	9,643,442
541,217	(1,353)	99,010,017	(905,628)
–	–	3,660,647	(3,560)
541,217	(1,353)	102,670,664	(909,188)

Derivative type			
Spot		Total	
Notional amount	Fair value	Notional amount	Fair value
612,042	920	69,935,318	16,499,171
611,310	(169)	55,833,117	(381,653)
612,042	920	69,175,074	16,496,777
–	–	760,244	2,394
612,042	920	69,935,318	16,499,171
611,310	(169)	55,068,820	(375,160)
–	–	764,297	(6,493)
611,310	(169)	55,833,117	(381,653)

8.2.4 COLLATERAL HELD AND OTHER CREDIT ENHANCEMENTS – BANK

The Bank 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.

The following table sets out the principal types of collateral held by the Bank against loans and advances for each loan, the value of the collateral is capped at the amortised cost of the loan.

As at 31 December	2024		2023	
	Gross loan balance LKR '000	Mix %	Gross loan balance LKR '000	Mix %
Stage 1				
Cash collateral	36,797,785	12.87	17,367,912	6.99
Property, plant and machinery	55,726,004	19.49	50,083,170	20.17
Treasury guarantee	9,138,143	3.20	3,593,900	1.45
Others	139,607,195	48.83	126,010,107	50.75
Unsecured	44,631,047	15.61	51,248,731	20.64
Total	285,900,174	100.00	248,303,820	100.00
Stage 2				
Cash collateral	3,780,338	6.10	2,034,481	3.29
Property, plant and machinery	14,876,616	24.00	18,481,436	29.92
Treasury guarantee	–	–	4,885,476	7.91
Others	34,389,644	55.48	31,661,955	51.26
Unsecured	8,938,211	14.42	4,706,993	7.62
Total	61,984,809	100.00	61,770,341	100.00
Stage 3				
Cash collateral	237,682	0.35	598,168	0.86
Property, plant and machinery	12,474,866	18.58	16,998,429	24.56
Treasury guarantee	–	–	1,000	–
Others	31,956,679	47.61	43,012,353	62.15
Unsecured	22,454,517	33.45	8,595,644	12.42
Total	67,123,745	100.00	69,205,594	100.00

The above analysis does not include balances relating to lease rentals receivables, as the Bank holds the absolute ownership of lease assets.

8.2.4.1 DERIVATIVES, REVERSE SALE-AND-REPURCHASE AGREEMENTS AND SECURITIES BORROWING

The Bank mitigates credit risk of derivatives, reverse sale-and-repurchase agreements and securities lending by entering into master agreements and holding collateral in the form of cash and marketable securities.

DFCC Bank requires counterparties to sign an ISDA master agreement (International Swaps and Derivative Association) in order to enter into swaps and other derivative transactions. The agreement outlines the terms and conditions to be applied to the derivative transactions agreed by DFCC Bank and other parties. Any dispute of the transaction will be handled according to the terms of the agreement.

The Bank's sale-and-repurchase, and reverse sale-and-repurchase, transactions and securities borrowing and lending are covered by master agreements. A master agreement has to be signed by both parties to enter such transactions. All terms and conditions are stipulated in the master agreement.

8.2.4.2 LOAN TO VALUE RATIO OF RESIDENTIAL MORTGAGE LENDING

The following tables stratify credit exposures 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 is based on valuations made by independent professional valuers.

	BANK/GROUP	
As at 31 December	**2024** LKR '000	2023 LKR '000
LTV ratio		
Stage 1		
Less than 50%	2,220,708	3,771,841
51%-70%	495,100	2,741,797
71%-90%	355,360	518,490
More than 90%	8,582,862	1,521,158
Total	11,654,030	8,553,286
Stage 2		
Less than 50%	346,758	896,929
51%-70%	48,796	834,575
71%-90%	49,336	327,011
More than 90%	1,159,416	421,399
Total	1,604,306	2,479,914
Stage 3		
Less than 50%	425,078	726,615
51%-70%	81,574	530,997
71%-90%	136,395	578,062
More than 90%	1,467,320	604,584
Total	2,110,367	2,440,258
Carrying amount – amortised cost	15,368,703	13,473,458

8.2.4.3 ASSETS OBTAINED BY TAKING POSSESSION OF COLLATERAL

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner. The Bank does not generally use the non-cash collateral for its own operations.

8.2.4.4 ANALYSIS OF CREDIT RISK BY RISK RATING

Bank		High Grade				Standard Grade				Sub-Standard Grade	
As at 31 December 2024	Note	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Exposures not subject to ECL LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Exposures not subject to ECL LKR '000	Stage 1 LKR '000	Stage 2 LKR '000
Financial assets											
Cash and cash equivalents	26	95,208	–	–	10,487,340	2,922,258	–	–	–	–	–
Placement with banks	28	3,400,567	–	–	–	7,235,031	–	–	–	593,894	–
Balances with Central Bank of Sri Lanka	27	–	–	–	2,328,346	–	–	–	–	–	–
Derivative financial instruments	29	–	–	–	9,465,741	–	–	–	148,291	–	–
Financial assets measured at fair value through profit and loss	30	2,365,890	–	–	–	3,640,960	–	–	–	–	–
Financial assets at amortised cost–Loan and receivable from bank	31	–	–	–	–	–	–	–	1,500,338	–	–
Financial assets measured at amortised cost–Loans and advances to customers (gross)*	32.1.1	72,274,314	5,757,492	6,535	–	109,291,744	11,183,151	87,394	4,250,963	91,128,752	28,704,017
Financial assets measured at amortised cost debt and other instruments	33	105,424,311	–	–		217,379	–	–	–	–	–
Financial assets measured at fair value through other comprehensive income	34	114,276,628	–	–	–	22,078,312	–	–	–	–	–
Other financial assets	42	133,669	–	–	–	–	–	–	–	–	–
Off balance sheet exposures											
Contingent liabilities and commitments*	58	38,938,477	161,116	–	–	41,691,496	647,613	–	–	33,612,440	4,284,741

* Categorisation based on Bank's internal risk rating. Accordingly, AAA to AA- is considered as "High grade", A+ to BBB- as "Standard Grade", BB+ to B- as "Sub Standard Grade", CCC+ and below as "Low Grade".

Unrated exposure includes facilities granted for short term working capital requirements. Exposures not subject to rating under loans and advances to customers comprise of pawning advances against gold and credit cards. Pawning advances are of small ticket size and rely on underlying assets with minimal risk and by regulation does not require risk rating. Due to the large number of transactions the Bank monitors this at portfolio level. Card risk is analysed using a scorecard and is managed outside of the main rating system.

Contingent liabilities and commitments includes Guarantees and Bonds, Documentary Credit and Commitments for Unutilised Credit Facilities.

		Low Grade				Unrated				Exposures not subject to Rating				Total
Stage 3 LKR '000	Exposures not subject to ECL LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Exposures not subject to ECL LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Exposures not subject to ECL LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Exposures not subject to ECL LKR '000	LKR '000
–	–	–	–	–	–	–	–	–	–	–	–	–	–	13,504,806
–	–	–	–	–	–	–	–	–	–	–	–	–	–	11,229,492
–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,328,346
–	–	–	–	–	–	–	–	–	29,410	–	–	–	–	9,643,442
–	–	–	–	–	–	1,409,168	–	–	–	–	–	–	–	7,416,018
–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,500,338
8,064,558	–	6,370,345	19,090,022	59,354,315	–	1,268,133	181,249	24,485		22,389,471	472,115	1,007,889		440,906,944
–	–	–	–	–	–	–	–	–	–	–	–	–	–	105,641,690
–	–	–	–	–	–	1,903,286	–	–	–	–	–	–	–	138,258,226
–	–	–	–	–	–	–	–	–	–	–	–	–	4,812,859	4,946,528
28,406	–	3,486,617	288,374	979,344	–	4,404,575	9,450	–	–	10,070,120	93,724	236,909	–	138,933,402

Bank		High Grade				Standard Grade				Sub-Standard Grade	
As at 31 December 2023	Note	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Exposures not subject to ECL LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Exposures not subject to ECL LKR '000	Stage 1 LKR '000	Stage 2 LKR '000
Financial assets											
Cash and cash equivalents	26	–	–	–	11,240,140	–	–	–	3,238,328	–	–
Placement with banks	28	5,186,081	–	–	–	–	–	–	23,952,017	–	–
Balances with Central Bank of Sri Lanka	27	–	–	–	2,107,776	–	–	–	–	–	–
Derivative financial instruments	29	–	–	–	16,485,173	–	–	–	9,230	–	–
Financial assets measured at fair value through profit and loss	30	882,635	–	–	–	545,876	–	–	–	20,000	–
Financial assets measured at amortised cost loans and advances to customers (gross)*	32	56,736,906	7,497,201	42,275	–	121,600,669	23,803,447	193,727	–	45,560,791	18,836,470
Financial assets measured at amortised cost debt and other instruments	33	65,517,216	4,593,551	–	–	217,340	–	–	–	–	–
Financial assets measured at fair value through other comprehensive income	34	119,481,050	–	–	–	14,654,906	–	–	–	–	–
Other financial assets	42	7,926,054	–	–	–	–	–	–	–	–	–
Off balance sheet exposures											
Contingent liabilities and commitments*	58	38,508,392	749,657	843	–	52,975,382	7,880,571	74,646	–	8,933,205	3,836,938

* Categorisation based on Bank's internal risk rating. Accordingly, AAA to AA- is Considered as "High Grade", A+ to BBB- as "Standard Grade", BB+ to B- "Sub Standard Grade", CCC+ and below as "Low Grade".

Unrated exposure includes facilities granted for short term working capital requirements. Exposures not subject to rating under loans and advances to customers comprise of pawning advances against gold and credit cards. Pawning advances are of small ticket size and rely on underlying assets with minimal risk and by regulation does not require risk rating. Due to the large number of transactions the Bank monitors this at portfolio level. Card risk is analysed using a scorecard and is managed outside of the main rating system.

Contingent liabilities and commitments includes Guarantees and Bonds, Documentary Credit and Commitments for Unutilised Credit Facilities.

8.2.5 AMOUNTS ARISING FROM ECL – BANK

8.2.5.1 FORWARD LOOKING INFORMATION

The bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and using an analysis of historical data has estimated the relationship between macroeconomic variables and credit risk and credit losses. The Bank has used quantitative macro economic indicators including the following forecasted indicators published by the Central Bank of Sri Lanka and International Monetary Fund (IMF).

Macro Economic Variables	2024 (%)	2025 (%)	2026 (%)	2027 (%)	2028 (%)	2029 (%)
GDP Growth Rate	2.00	2.70	3.00	3.10	3.10	3.10
Inflation Rate	7.00	5.80	5.40	5.20	5.10	5.00
Unemployment Rate	4.8	4.4	4.4	4.4	4.4	4.4

Both exchange rates and interest rates are derived using an internally developed statistical methodology.

		Low Grade				Unrated				Exposures not subject to Rating				Total
Stage 3 LKR '000	Exposures not subject to ECL LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Exposures not subject to ECL LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Exposures not subject to ECL LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Exposures not subject to ECL LKR '000	LKR '000
–	–	–	–	–	–	–	–	–	–	–	–	–	–	14,478,468
–	–	–	–	–	–	–	–	–	–	–	–	–	–	29,138,098
–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,107,776
–	–	–	–	–	–	–	–	–	4,768	–	–	–	–	16,499,171
–	–	–	–	–	–	292,417	–	–	–	–	–	–	–	1,740,928
11,002,523		13,292,938	15,952,354	58,518,102	–	1,368,864	186,251	13,046	–	18,045,150	462,363	1,571,645	–	394,684,722
–	–	–	–	–	–		–	–	–	–	–	–	–	70,328,107
–	–	–	–	–	–	–	766,809	–	–	–	–	–	–	134,902,765
–	–	–	–	–	–		–	–	–	–	–	–	3,095,655	11,021,709
577,714	–	1,899,198	2,958,571	591,770	–	2,352,547	2,247	–	–	7,392,313	189,775	244,918	–	129,168,687

8.2.5.2 LOSS ALLOWANCE

The following tables show reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument. The basis for determining transfers due to changes in credit risk is set out in our accounting policy; see Note 16.

FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES TO CUSTOMERS – ECL

	2024				2023			
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Balance as at 1 January	3,500,658	7,235,925	35,180,673	45,917,256	4,495,287	5,677,290	23,731,223	33,903,800
Transfer to Stage 1	1,754,116	(1,058,811)	(695,305)	–	947,558	(764,963)	(182,595)	–
Transfer to Stage 2	(214,129)	702,822	(488,693)	–	(961,858)	1,163,680	(201,822)	–
Transfer to Stage 3	(29,803)	(1,050,128)	1,079,931	–	(170,592)	(1,450,850)	1,621,442	–
Net remeasurement of loss allowance	(3,461,790)	(1,728,452)	5,410,007	219,765	(2,319,768)	(720,807)	10,152,082	7,111,507
New financial assets originated or purchased	1,863,726	1,829,328	51,001	3,744,055	1,510,031	3,331,575	578,698	5,420,304
Write-off	–	–	(2,955,214)	(2,955,214)	–	–	(96,971)	(96,971)
Foreign exchange and other movement	–	–	(380,398)	(380,398)	–	–	(421,384)	(421,384)
Balance as at 31 December	3,412,778	5,930,684	37,202,002	46,545,464	3,500,658	7,235,925	35,180,673	45,917,256

FINANCIAL ASSETS AT AMORTISED COST – DEBT AND OTHER INSTRUMENTS – ECL

	2024			2023		
	Stage 1 LKR '000	Stage 2 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Total LKR '000
Balance at beginning	19	2,296,775	2,296,794	163	1,955,909	1,956,072
Matured	–	(187,700)	(187,700)	–	–	–
Disposed		(2,109,075)	(2,109,075)	–	(124,470)	(124,470)
Exchange rate impact	–	–	–	–	(29,007)	(29,007)
Net remeasurement of loss allowance	–	–	–	(144)	494,343	494,199
Balance on 31 December	19	–	19	19	2,296,775	2,296,794

LOAN COMMITMENTS AND FINANCIAL GUARANTEE CONTRACTS

	2024			2023		
	Stage 1 LKR '000	Stage 2 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Total LKR '000
Balance at beginning	625,189	81,149	706,338	519,425	97,300	616,725
Net remeasurement of loss allowance	88,291	27,766	116,057	105,764	(16,151)	89,613
Balance as at 31 December	713,480	108,915	822,395	625,189	81,149	706,338

8.2.5.2 SENSITIVITY OF ECL TO FUTURE ECONOMIC CONDITIONS

The ECL is sensitive to judgements and assumptions made regarding formulation of forward looking scenarios and how such scenarios are incorporated into the calculations. Management performs a sensitivity analysis on the ECL recognised on material classes of its assets.

SENSITIVITY OF FACTORS USED TO DETERMINE IMPAIRMENT PROVISIONS

The uncertainty of the time to recover from the current economic turbulence introduces significant estimation uncertainty in relation to the measurement of the Bank's allowance for expected credit losses. The consequences of the tax hike, inflation, high interest rate and high unemployment could result in significant adjustments to the allowance in future financial years.

Given current economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Bank should be considered as a best estimate within a range of possible estimates.

The table below shows the sensitivity of the impairment provision of the Bank as at 31 December 2024 to a reasonably possible change in PDs, LGDs, and forward-looking information.

	Sensitivity effect on statement of financial position increase/(decrease) in impairment provision				**Sensitivity effect on income statement**
	Stage 1 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000	LKR '000
PD 1% increase across all age buckets	29,969	46,466	–	76,435	76,435
PD 1% decrease across all age buckets	(29,969)	(46,466)	–	(76,435)	(76,435)
LGD 5% increase	149,843	232,332	397,951	780,126	780,126
LGD 5% decrease	(149,843)	(232,332)	(397,951)	(780,126)	(780,126)
Worst case 5% decrease and best case 5% Increase	(142,623)	(204,203)	–	(346,826)	(346,826)
Worst case 5% Increase and best case 1% decrease	86,606	123,302	–	209,908	209,908

CREDIT IMPAIRED FINANCIAL ASSETS

The following table sets out a reconciliation of changes in the net carrying amount of credit impaired loans and advances to customer.

As at 31 December	**2024** LKR '000	2023 LKR '000
Credit Impaired loans and advances to customer at the beginning	71,341,320	45,874,465
Classified as credit impaired during the year	12,839,318	31,014,377
Transferred to not credit impaired during the year and settlements	(12,806,901)	(6,929,631)
Write-off during the year	(2,955,214)	(96,971)
Exchange rate impact and interest accrual	188,250	1,479,080
Credit impaired loans and advances to customers at 31 December	68,606,773	71,341,320

8.2.6 CONCENTRATION OF CREDIT RISK – BANK

The Group monitors concentration of credit risk by sector and geographic location. An analysis on concentration of credit risk from loans and advances, loan commitments, financial guarantees, and investments is shown below:

	Loans and advances to customers		Investments*		Loan commitments and financial guarantees issued	
As at 31 December	**2024** LKR '000	2023 LKR '000	**2024** LKR '000	2023 LKR '000	**2024** LKR '000	2023 LKR '000
Gross carrying amount	440,906,944	394,684,722	234,462,764	224,697,564	–	–
Amount committed/guaranteed	–	–	–	–	138,933,402	129,168,687
Concentration by sector						
Agriculture, forestry, and fishing	49,197,555	44,259,142	–	–	12,212,652	12,336,370
Manufacturing	88,681,535	83,484,996	–	–	33,022,109	34,410,074
Tourism	18,595,720	19,208,743	–	–	1,487,177	1,691,799
Transportation and storage	11,338,122	9,922,045	–	–	2,767,964	1,672,581
Construction	34,847,510	36,651,087	–	–	14,337,047	13,837,015
Infrastructure development	33,449,191	27,246,566	–	–	8,405,552	10,866,089
Wholesale and retail trade	76,185,140	59,263,794	–	–	38,850,965	30,902,387
Information technology and communication services	4,772,162	2,600,034	–	–	2,526,982	1,593,220
Financial services	23,112,645	18,212,994	14,464,356	33,022,158	6,295,734	4,115,798
Professional, scientific, and technical activities	1,888,835	3,642,277	–	–	739,487	493,727
Arts, entertainment, and recreation	758,288	644,475	–	–	313,984	198,173
Education	3,932,564	3,903,953	–	–	80,668	70,595
Health care, social services, and support services	6,791,644	6,967,779	–	–	2,542,316	3,817,034
Consumption	69,052,896	65,229,541	–	–	15,350,766	13,163,825
Lending to overseas entities	18,303,136	13,447,296	–	–	–	–
Government	–	–	220,403,119	190,725,929	–	–
Other	–	–	595,289	949,477	–	–
Total	440,906,944	394,684,722	235,462,764	224,697,564	138,933,402	129,168,687

* Investments include Government of Sri Lanka Treasury Bills, Treasury Bonds, Sovereign Bonds, Debentures, Placements with Banks, Balances held with Banks and Matured Government Security Receivables.

8.2.7 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when the Group currently has a legally enforceable right to set off the amounts, and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

8.3 LIQUIDITY RISK

"Liquidity risk" is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Bank's operations and investments.

8.3.1 MANAGEMENT OF LIQUIDITY RISK

The Bank's Board of Directors sets the Bank's strategy for managing liquidity risk and oversight of the implementation is administered by Asset and Liability Management Committee (ALCO). ALCO approves the Bank's liquidity policies and procedures. Treasury manages the Bank's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of both the Bank and operating subsidiaries. A summary report, including any exceptions and remedial action taken, is submitted to ALCO on a monthly basis or ad-hoc when predefined thresholds are breached.

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The key elements of the Bank's liquidity strategy are as follows:

- Monitoring maturity mismatches, behavioural characteristics of the Bank's financial assets and financial liabilities, and the extent to which the Group's assets are encumbered and not available as potential collateral for obtaining funding.
- Monitoring the Bank's liquidity through the Liquid Assets Ratio (statutory minimum was 20%) and Liquidity Coverage Ratios using a stock approach. (With the introduction of CBSL Direction No. 1 of 2024, the Central Bank of Sri Lanka discontinued the requirement for licensed banks to maintain the Statutory Liquid Assets Ratio (SLAR) and emphasised compliance with the Liquidity Coverage Ratio and Net Stable Funding Ratio within prescribed limits. Accordingly, the Bank continued preparing the monthly SLAR return until May 2024, after which it was discontinued in line with regulatory changes.)
- Effecting threshold limits relevant for liquidity management as part of the overall risk limits system of the Bank.
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.

8.3.2 EXPOSURE TO LIQUIDITY RISK – REGULATORY LIQUIDITY (BANK)

As at 31 December	2024	2023
Statutory liquid assets (LKR '000)	N/A	189,469,687
Statutory liquid assets ratio (minimum requirement 20%)		
Total Bank Operations (%)	N/A	36.63
Liquidity coverage ratio (minimum requirement 100%)		
All currencies (%)	280.26	597.47
Rupee only (%)	310.01	715.50

8.3.3 MATURITY ANALYSIS FOR FINANCIAL LIABILITIES AND FINANCIAL ASSETS

The following tables set out the remaining contractual maturities of the Bank's financial liabilities and financial assets.

	BANK							
As at 31 December 2024	Carrying amount LKR '000	Gross nominal amount LKR '000	Up to 3 months LKR '000	3 to 12 months LKR '000	1 to 3 years LKR '000	3 to 5 years LKR '000	More than 5 years LKR '000	Total LKR '000
Financial liabilities by type								
Non-derivative liabilities								
Due to banks	7,149,474	7,150,124	2,707,417	4,442,707	–	–	–	7,150,124
Financial liabilities at amortised cost – Due to depositors	465,153,180	468,607,412	145,645,429	177,191,717	84,295,893	32,670,253	28,804,120	468,607,412
Financial liabilities at amortised cost – Due to other borrowers	96,755,632	96,945,001	41,930,824	17,928,031	23,148,703	10,452,984	3,484,459	96,945,001
Debt securities issued	14,690,723	14,707,550	643,759	5,376,612	4,270,068	4,417,111	–	14,707,550
Other liabilities	7,441,320	7,562,141	5,478,943	234,799	505,933	1,342,466	–	7,562,141
Subordinated term debt	18,234,054	18,245,627	5,657,286	4,390,926	197,102	7,945,378	54,935	18,245,627
	609,424,383	613,217,855	202,063,658	209,564,792	112,417,699	56,828,192	33,343,514	613,217,855
Derivative liabilities								
Risk management:	909,188	909,188	731,568	177,620	–	–	–	909,188
inflows	–	–	–	–	–	–	–	–
outflows	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
Financial assets by type								
Non-derivative assets								
Cash and cash equivalents	13,504,806	13,504,806	13,504,806	–	–	–	–	13,504,806
Balances with Central Bank of Sri Lanka	2,328,346	2,328,346	2,328,346	–	–	–	–	2,328,346
Placements with banks	11,229,492	11,230,666	11,230,666	–	–	–	–	11,230,666
Financial assets measured at fair value through profit or loss	7,416,018	7,416,045	91,156	–	1,737,567	–	5,587,322	7,416,045
Financial assets at amortised cost – Loans and advances to banks	1,500,338	1,500,338	1,500,338	–	–	–	–	1,500,338
Financial assets at amortised cost – Loans and advances to customers	394,361,480	440,906,942	94,975,601	103,379,973	111,042,996	39,801,554	91,706,818	440,906,942
Financial assets at amortised cost – Debt and other instruments	105,641,690	106,471,513	3,449,246	14,223,667	32,946,847	42,298,279	13,553,474	106,471,513
Financial assets measured at fair value through other comprehensive income	138,258,226	138,408,940	6,740,122	65,039,763	39,732,220	2,249,702	24,647,133	138,408,940
Other assets	4,946,528	4,987,825	4,133,218	178,064	217,684	458,859	–	4,987,825
	679,186,924	726,755,421	137,953,499	182,821,467	185,677,314	84,808,394	135,494,747	726,755,421
Derivative assets								
Risk management:	9,643,442	9,643,442	752,769	1,817,763	5,111,497	1,961,413	–	9,643,442
inflows	–	–	–	–	–	–	–	–
outflows	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments.

Documentary credit	22,354,686	11,754,544	2,846,406	2,066,938	5,686,798	–	22,354,686
Guarantees	26,615,554	9,660,450	3,251,763	5,125,657	3,592,239	4,985,445	26,615,554
Commitments for unutilised credit facilities	89,963,162	89,963,162	–	–	–	–	89,963,162
	138,933,402	111,378,156	6,098,169	7,192,595	9,279,037	4,985,445	138,933,402

The following tables set out the remaining contractual maturities of the Group's financial liabilities and financial assets.

	GROUP							
As at 31 December 2024	Carrying amount LKR '000	Gross nominal amount LKR '000	Up to 3 months LKR '000	3 to 12 months LKR '000	1 to 3 years LKR '000	3 to 5 years LKR '000	More than 5 years LKR '000	Total LKR '000
Financial liabilities by type								
Non-derivative liabilities								
Due to banks	7,149,474	7,150,124	2,707,417	4,442,707	–	–	–	7,150,124
Financial liabilities at amortised cost – Due to depositors	464,359,564	468,607,412	145,645,429	177,191,717	84,295,893	32,670,253	28,804,120	468,607,412
Financial liabilities at amortised cost – Due to other borrowers	96,755,632	96,945,001	41,930,824	17,928,031	23,148,703	10,452,984	3,484,459	96,945,001
Debt securities issued	14,690,723	14,707,550	643,759	5,376,612	4,270,068	4,417,111	–	14,707,550
Other liabilities	7,719,982	7,840,804	5,556,944	291,039	640,934	1,351,887	–	7,840,804
Subordinated term debt	18,234,054	18,245,627	5,657,286	4,390,926	197,102	7,945,378	54,935	18,245,627
	608,909,429	613,496,518	202,141,659	209,621,032	112,552,700	56,837,613	32,343,514	613,496,518
Derivative liabilities								
Risk management:	909,188	909,188	731,568	177,620	–	–	–	909,188
inflows	–	–	–	–	–	–	–	–
outflows	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
Financial assets by type								
Non-derivative assets								
Cash and cash equivalents	13,523,475	13,523,475	13,523,475	–	–	–	–	13,523,475
Balances with Central Bank of Sri Lanka	2,328,346	2,328,346	2,328,346	–	–	–	–	2,328,346
Placements with banks	11,229,492	11,230,666	11,230,666	–	–	–	–	11,230,666
Financial assets measured at fair value through profit or loss	7,416,018	7,416,045	91,156	–	1,737,567	–	5,587,322	7,416,045
Financial assets at amortised cost – loans and advances to banks	1,500,338	1,500,338	1,500,338	–	–	–	–	1,500,338
Financial assets at amortised cost – loans and advances to customers	394,361,480	440,906,942	94,975,601	103,379,973	111,042,996	39,801,554	91,706,818	440,906,942
Financial assets at amortised cost – debt and other instruments	105,701,871	106,471,513	3,449,246	14,223,667	32,946,847	42,298,279	13,553,474	106,471,513
Financial assets measured at fair value through other comprehensive income	138,258,226	138,408,940	6,740,122	65,039,763	39,732,220	2,249,702	24,647,133	138,408,940
Other assets	5,135,115	5,176,412	4,321,805	178,064	217,684	458,859	–	5,176,412
	679,454,361	726,962,677	138,160,755	182,821,467	185,677,314	84,808,354	135,494,747	726,962,677
Derivative assets								
Risk management:	9,643,442	9,643,442	752,769	1,817,763	5,111,497	1,961,413	–	9,643,442
inflows	–	–	–	–	–	–	–	–
outflows	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–

As at 31 December 2023	BANK							
	Carrying amount LKR '000	Gross nominal amount LKR '000	Up to 3 months LKR '000	3 to 12 months LKR '000	1 to 3 years LKR '000	3 to 5 years LKR '000	More than 5 years LKR '000	Total LKR '000
Financial liabilities by type								
Non-derivative liabilities								
Due to banks	52,793,464	52,793,852	49,843,778	2,950,074	–	–	–	52,793,852
Financial liabilities at amortised cost – Due to depositors	407,225,313	409,732,316	129,057,743	171,112,860	29,537,126	55,818,311	24,206,276	409,732,316
Financial liabilities at amortised cost – Due to other borrowers	72,022,734	71,905,913	12,998,555	11,560,106	22,284,106	21,277,149	3,785,997	71,905,913
Debt securities issued	16,311,577	16,311,577	4,832,618	290,688	6,777,101	–	4,411,170	16,311,577
Other liabilities	9,604,502	6,018,466	4,050,246	210,683	519,793	370,474	867,270	6,018,466
Subordinated term debt	9,072,265	9,072,265	396,257	69,537	8,401,546	204,925	–	9,072,265
	567,029,855	565,834,389	201,179,197	186,193,948	67,519,672	77,670,859	33,270,713	565,834,389
Derivative liabilities								
Derivative financial liabilities	381,653	381,653	381,653	–	–	–	–	381,653
Financial assets by type								
Non-derivative assets								
Cash and cash equivalents	14,478,468	14,478,468	14,478,468	–	–	–	–	14,478,468
Balances with Central Bank	2,107,776	2,107,776	2,107,776	–	–	–	–	2,107,776
Placements with banks	29,138,098	29,138,098	29,138,098	–	–	–	–	29,138,098
Financial assets measured at fair value through profit or loss	1,740,928	1,740,928	532,135	798	–	–	1,207,995	1,740,928
Financial assets at amortised cost – Loans and advances to customers	348,767,466	394,680,723	102,832,834	88,755,164	122,647,623	44,655,071	35,790,031	394,680,723
Financial assets at amortised cost – Debt and other instruments	68,031,313	67,631,595	1,580,212	52,045	23,853,009	25,680,592	16,465,737	67,631,595
Financial assets measured at fair value through other comprehensive income	134,902,765	134,886,199	45,801,944	44,140,364	11,945,976	16,442,286	16,555,629	134,886,199
Other assets	13,415,565	11,021,709	3,823,611	254,362	22,622	19,002	6,902,112	11,021,709
	612,582,379	655,685,496	200,295,078	133,202,733	158,469,230	86,796,951	76,921,504	655,685,496
Derivative assets								
Risk management	16,499,171	16,499,171	908,974	2,448,189	7,010,475	6,131,533	–	16,499,171
Inflows	–	–	–	–	–	–	–	–
Outflows	–	–	–	–	–	–	–	–

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments.

Documentary credit	–	14,175,442	6,573,130	1,642,753	162,845	5,796,714	–	14,175,442
Guarantees	–	25,691,610	9,202,056	2,914,021	1,034,100	12,541,433	–	25,691,610
Commitments for unutilised credit facilities	–	89,301,635	89,301,635	–	–	–	–	89,301,635
	–	129,168,687	105,076,821	4,556,774	1,196,945	18,338,147	–	129,168,687

	GROUP							
As at 31 December 2023	Carrying amount LKR '000	Gross nominal amount LKR '000	Up to 3 months LKR '000	3 to 12 months LKR '000	1 to 3 years LKR '000	3 to 5 years LKR '000	More than 5 years LKR '000	Total LKR '000
Financial liabilities by type								
Non-derivative liabilities								
Due to banks	52,793,464	52,793,852	49,843,778	2,950,074	–	–	–	52,793,852
Financial liabilities at amortised cost – Due to depositors	406,584,864	409,614,803	129,033,944	171,085,083	29,471,189	55,818,311	24,206,276	409,614,803
Financial liabilities at amortised cost – Due to other borrowers	72,022,734	71,905,913	12,998,555	11,560,106	22,284,106	21,277,149	3,785,997	71,905,913
Debt securities issued	16,311,577	16,311,577	4,832,618	290,688	6,777,101		4,411,170	16,311,577
Other liabilities	9,937,474	6,241,402	4,137,196	346,669	519,793	370,474	867,270	6,241,402
Subordinated term debt	9,072,265	9,072,265	396,257	69,537	8,401,546	204,925		9,072,265
	566,722,378	565,939,812	201,242,348	186,302,157	67,453,735	77,670,859	33,270,713	565,939,812
Derivative liabilities								
Derivative financial liabilities	381,653	381,653	381,653					381,653
Financial assets by type								
Non-derivative assets								
Cash and cash equivalents	14,483,062	14,483,062	14,483,062					14,483,062
Balances with Central Bank	2,107,776	2,107,776	2,107,776					2,107,776
Placements with banks	29,173,988	29,173,988	29,138,098	35,890				29,173,988
Financial assets measured at fair value through profit or loss	1,740,928	1,740,928	532,135	798			1,207,995	1,740,928
Financial assets at amortised cost – Loans and advances to customers	348,767,466	394,680,723	102,832,834	88,755,164	122,647,623	44,655,071	35,790,031	394,680,723
Financial assets at amortised cost – Debt and other instruments	68,094,041	67,685,026	1,580,212	52,045	23,906,440	25,680,592	16,465,737	67,685,026
Financial assets measured at fair value through other comprehensive income	134,902,765	134,886,199	45,801,944	44,140,364	11,945,976	16,442,286	16,555,629	134,886,199
Other assets	13,622,800	11,190,796	3,823,612	338,905	107,165	19,002	6,902,112	11,190,796
	612,892,826	655,948,498	200,299,673	133,323,166	158,607,204	86,796,951	76,921,504	655,948,498
Derivative assets								
Risk management	16,499,171	16,499,171	908,974	2,448,189	7,010,475	6,131,533	–	16,499,171
Inflows	–	–	–	–	–	–	–	–
Outflows	–	–	–	–	–	–	–	–

MATURITY ANALYSIS OF TOTAL ASSETS AND TOTAL LIABILITIES

As at 31 December 2024	BANK			GROUP		
	Within 12 months LKR '000	More than 12 months LKR '000	Total LKR '000	Within 12 months LKR '000	More than 12 months LKR '000	Total LKR '000
Assets						
Cash and cash equivalents	13,504,806	–	13,504,806	13,523,475	–	13,523,475
Balances with Central Bank	2,328,346	–	2,328,346	2,328,346	–	2,328,346
Placements with banks	11,229,492	–	11,229,492	11,229,492	–	11,229,492
Derivative financial assets	2,570,532	7,072,910	9,643,442	2,570,532	7,072,910	9,643,442
Financial assets measured at fair value through profit or loss	91,155	7,324,863	7,416,018	91,155	7,324,863	7,416,018
Financial assets at amortised cost – Loans to and receivables from banks	1,500,338	–	1,500,338	1,500,338	–	1,500,338
Financial assets at amortised cost – Loans and advances to customers	186,719,209	207,642,271	394,361,480	186,719,209	207,642,271	394,361,480
Financial assets at amortised cost – Debt and other instruments	17,560,964	88,080,726	105,641,690	17,560,964	88,140,907	105,701,871
Financial assets measured at fair value through other comprehensive income	71,682,694	66,575,532	138,258,226	71,682,694	66,575,532	138,258,226
Investment in subsidiaries	–	237,035	237,035	–	–	–
Investment in associate	–	33,169	33,169	–	38,597	38,597
Investment properties	–	9,879	9,879	–	490,069	490,069
Property, plant and equipment	–	3,872,654	3,872,654	–	4,080,706	4,080,706
Intangible assets	–	2,001,636	2,001,636	–	2,170,201	2,170,201
Deferred tax assets	–	4,893,483	4,893,483	–	4,913,002	4,913,002
Current tax assets	–		–		2,010	2,010
Asset held for Sale	–	755,000	755,000	–	5,480,475	5,480,475
Other assets	4,269,986	3,551,146	7,821,132	4,458,572	3,602,367	8,060,939
Total assets	311,457,522	392,050,304	703,507,826	311,664,777	397,533,910	709,198,687

As at 31 December 2024	BANK			GROUP		
	Within 12 months LKR '000	More than 12 months LKR '000	Total LKR '000	Within 12 months LKR '000	More than 12 months LKR '000	Total LKR '000
Liabilities						
Due to banks	7,149,474	–	7,149,474	7,149,474	–	7,149,474
Derivative financial liabilities	909,188	–	909,188	909,188	–	909,188
Financial liabilities at amortised cost – Due to depositors	322,504,949	142,648,231	465,153,180	322,837,146	141,522,418	464,359,564
Financial liabilities at amortised cost – Due to other borrowers	59,673,777	37,081,855	96,755,632	59,673,777	37,081,855	96,755,632
Debt securities issued	6,009,624	8,681,099	14,690,723	6,009,624	8,681,099	14,690,723
Employee benefits	–	1,409,232	1,409,232	–	1,450,966	1,450,966
Current tax liability	3,066,586	–	3,066,586	3,160,100	–	3,160,100
Deferred tax liability	–	–	–	–	96,804	96,804
Other liabilities	5,592,921	6,513,839	12,106,760	5,727,161	6,818,471	12,545,632
Subordinated term debt	10,040,902	8,193,152	18,234,054	10,040,902	8,193,152	18,234,054
Total shareholders' equity	–	84,032,997	84,032,997	–	89,400,119	89,400,119
Non-controling interest	–	–	–	–	446,431	446,431
Total equity and Liabilities	414,947,421	288,560,405	703,507,826	415,507,372	293,691,315	709,198,687
Maturity gap	(103,489,899)	103,489,899	–	(103,842,595)	103,842,595	–
Cumulative gap	(103,489,899)	–	–	(103,842,595)	–	–

As at 31 December 2023	BANK			GROUP		
	Within 12 months LKR '000	More than 12 months LKR '000	Total LKR '000	Within 12 months LKR '000	More than 12 months LKR '000	Total LKR '000
Assets						
Cash and cash equivalents	14,478,468	–	14,478,468	14,483,062	–	14,483,062
Balances with Central Bank	2,107,776	–	2,107,776	2,107,776	–	2,107,776
Placements with banks	29,138,098	–	29,138,098	29,173,988	–	29,173,988
Derivative financial assets	3,357,163	13,142,008	16,499,171	3,357,163	13,142,008	16,499,171
Financial assets measured at fair value through profit or loss	532,135	1,208,793	1,740,928	532,135	1,208,793	1,740,928
Financial assets at amortised cost – Loans and advances to customers	164,749,315	184,018,151	348,767,466	164,749,315	184,018,151	348,767,466
Financial assets at amortised cost – Debt and other instruments	2,031,975	65,999,338	68,031,313	2,031,975	66,062,066	68,094,041
Financial assets measured at fair value through other comprehensive income	89,958,874	44,943,891	134,902,765	89,958,874	44,943,891	134,902,765
Investment in subsidiaries	–	237,035	237,035	–	–	–
Investment in associate	–	33,169	33,169	–	36,844	36,844
Investment in joint venture	–	755,000	755,000	–	4,402,238	4,402,238
Investment properties	–	9,879	9,879	–	468,385	468,385
Property, plant and equipment	–	3,499,737	3,499,737	–	3,704,411	3,704,411
Intangible assets	–	1,926,287	1,926,287	–	2,101,256	2,101,256
Deferred tax assets	–	5,407,626	5,407,626	–	5,415,426	5,415,426
Other assets	4,077,973	9,337,592	13,415,565	4,162,517	9,460,283	13,622,800
Total assets	310,431,777	330,518,506	640,950,283	310,556,805	334,963,752	645,520,557

As at 31 December 2023	BANK			GROUP		
	Within 12 months LKR '000	More than 12 months LKR '000	Total LKR '000	Within 12 months LKR '000	More than 12 months LKR '000	Total LKR '000
Liabilities						
Due to banks	52,793,464	–	52,793,464	52,793,464	–	52,793,464
Derivative financial liabilities	381,653	–	381,653	381,653	–	381,653
Financial liabilities at amortised cost – Due to depositors	297,663,600	109,561,713	407,225,313	297,663,600	108,921,264	406,584,864
Financial liabilities at amortised cost – Due to other borrowers	24,558,661	47,464,073	72,022,734	24,558,661	47,464,073	72,022,734
Debt securities issued	5,123,306	11,188,271	16,311,577	5,123,306	11,188,271	16,311,577
Retirement benefit obligation	–	1,371,126	1,371,126	–	1,400,921	1,400,921
Current tax liabilities	4,426,683	–	4,426,683	4,535,557	–	4,535,557
Deferred tax liabilities	–	–	–	–	104,276	104,276
Other liabilities	4,260,929	5,343,573	9,604,502	4,483,865	5,453,609	9,937,474
Subordinated term debt	465,794	8,606,471	9,072,265	465,794	8,606,471	9,072,265
Total shareholders' equity	–	67,740,966	67,740,966	–	71,983,613	71,983,613
Non-controlling interest	–	–	–	–	392,159	392,159
Total equity and liabilities	389,674,090	251,276,193	640,950,283	390,005,900	255,514,657	645,520,557
Maturity gap	(79,242,313)	79,242,313	–	(79,449,095)	79,449,095	–
Cumulative gap	(79,242,313)	–	–	(79,449,095)	–	–

The amounts in the table above have been compiled as follows:

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments.
Issued financial guarantee contracts, and unrecognised loan commitments	Earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.
Derivative financial liabilities and financial assets held for risk management purposes	Contractual undiscounted cash flows. The amounts shown are the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement (e.g. forward exchange contracts and currency swaps) and the net amounts for derivatives that are net settled.
Trading derivative liabilities and assets forming part of the Group's proprietary trading operations that are expected to be closed out before contractual maturity	Fair values at the date of the statement of financial position. This is because contractual maturities do not reflect the liquidity risk exposure arising from these positions. These fair values are disclosed in the "up to 3 months" column.
Trading derivative liabilities and assets that are entered into by the Bank with its customers	Contractual undiscounted cash flows. This is because these instruments are not usually closed out before contractual maturity and so the Group believes that contractual maturities are essential for understanding the timing of cash flows associated with these derivative positions.

The Bank's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. The principal differences are as follows:

- demand deposits from customers are expected to remain stable or increase;
- unrecognised loan commitments are not all expected to be drawn down immediately;

8.3.3.1 CARRYING VALUE OF SECURITIES ALLOCATED FOR REPURCHASE TRANSACTIONS

As at 31 December	**2024**		2023	
	Amortised Cost LKR '000	Fair Value LKR '000	Amortised Cost LKR '000	Fair Value LKR '000
Financial asset at amortised cost-debt and other instrument	50,096,357	55,046,838	49,097,778	53,544,118
Total	50,096,357	55,046,838	49,097,778	53,544,118

8.3.3.2 MARKET VALUE OF SECURITIES RECEIVED FOR REVERSE REPURCHASE TRANSACTIONS

As at 31 December	**2024**	2023
	Fair Value of Securities Received LKR '000	Fair Value of Securities Received LKR '000
Reverse repurchase agreements	6,303,215	–
Total	6,303,215	–

8.3.3.3 BANK'S POLICY ON HAIRCUTS FOR REPURCHASE AND REVERSE REPURCHASE TRANSACTIONS

Remaining term to maturity of the eligible security	Minimum haircut (%)	
	Repurchase transactions	Reverse repurchase transactions
Up to 1 year	6.00	10.00
More than 1 year and up to 3 years	8.00	10.00
More than 3 years and up to 5 years	10.00	10.00
More than 5 years and up to 8 years	12.00	12.00
More than 8 years	14.00	14.00

8.3.4 LIQUIDITY RESERVES

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents, and debt securities issued by sovereigns, which can be readily sold to meet liquidity requirements. In addition, the Bank maintains agreed lines of credit with other banks and holds unencumbered assets eligible for use as collateral with central banks (these amounts are referred to as the "Bank's liquidity reserves").

The following table sets out the components of the Bank's liquidity reserves.

As at 31 December	2024		2023	
	Carrying amount LKR '000	Fair Value LKR '000	Carrying amount LKR '000	Fair Value LKR '000
Cash and cash equivalents	13,504,806	13,504,806	14,478,468	14,478,468
Balances with Central Bank of Sri Lanka	2,328,346	2,328,346	2,107,776	2,107,776
Placements with banks	11,229,492	11,229,492	29,138,098	29,138,098
Unencumbered debt securities issued by sovereigns	169,555,753	177,743,962	145,571,442	140,242,686
Total liquidity reserves	196,618,397	204,806,806	191,295,784	185,967,028

8.3.5 FINANCIAL ASSETS AVAILABLE TO SUPPORT FUTURE FUNDING

The following table sets out the availability of the Bank's financial assets to support future funding.

	Note	Encumbered		Unencumbered		
		Pledged as collateral LKR '000	Other* LKR '000	Available as collateral LKR '000	Other** LKR '000	Total LKR '000
31 December 2024						
Cash and cash equivalents	26	–	–	13,504,806	–	13,504,806
Balances with Central Bank of Sri Lanka	27	–	2,328,346	–	–	2,328,346
Placements with banks	28	–	–	11,229,492	–	11,229,492
Derivative financial assets	29	–	–	9,643,442	–	9,643,442
Financial assets measured at fair value through profit or loss	30	–	–	7,416,018	–	7,416,018
Financial assets at amortised cost – loans and advances to banks	31	–	–	1,500,338	–	1,500,338
Financial assets at amortised cost – loans and advances to customers	32	–	–	394,361,480	–	394,361,480
Financial assets at amortised cost – debt and other instruments	33	44,781,623	–	60,860,067	–	105,641,690
Financial assets measured at fair value through other comprehensive income	34	6,232,257	–	132,025,969	–	138,258,226
Other assets	42	–	–	–	4,946,528	4,946,528
Non-financial assets		–	–	–	14,677,460	14,677,460
Total assets		51,013,880	2,328,346	630,541,612	19,623,988	703,507,826

		Encumbered		Unencumbered		
	Note	Pledged as collateral LKR '000	Other* LKR '000	Available as collateral LKR '000	Other** LKR '000	Total LKR '000
31 December 2023						
Cash and cash equivalents	26	–	–	14,478,468	–	14,478,468
Balances with Central Bank of Sri Lanka	27	–	2,107,776	–	–	2,107,776
Placements with banks	28			29,138,098		29,138,098
Derivative financial assets	29			16,499,171		16,499,171
Financial assets measured at fair value through profit or loss	30	–	–	1,740,928	–	1,740,928
Financial assets at amortised cost – loans and advances to banks	31	–	–	–	–	–
Financial assets at amortised cost – loans and advances to customers	32	–	–	348,767,466	–	348,767,466
Financial assets at amortised cost – debt and other instruments	33	25,198,422	–	42,832,891	–	68,031,313
Financial assets measured at fair value through other comprehensive income	34	17,539,330	–	117,363,435	–	134,902,765
Other assets	42	–	–	–	11,021,709	11,021,709
Non-financial assets		–	–	–	14,262,589	14,262,589
Total assets		42,737,752	2,107,776	570,820,457	25,284,298	640,950,283

* Represents assets that are not pledged but that the Group 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 Group would not consider readily available to secure funding in the normal course of business.

8.4 MARKET RISK

"Market risk" is the possibility of losses arising from changes in market variables such as interest rates, equity prices, foreign exchange rates, and credit spreads. The objective of Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Bank's solvency while optimising the return on risk.

8.4.1 MANAGEMENT OF MARKET RISK

The Bank separates its exposure to market risks between trading and non-trading portfolios. Trading portfolios mainly include positions arising from market making and proprietary position taken together with financial assets and financial liabilities that are managed on a fair value basis and non-trading portfolios from positions arising from financial investments measured at fair value through other comprehensive income (FVOCI), and financial investments at amortised cost and from derivatives held for risk management purposes.

Overall authority for market risk management is vested with the Board of Directors through the Board Integrated Risk Management Committee (BIRMC). The operational authority for managing market risk is vested with ALCO. Foreign exchange risk is managed within approved limits of the Bank.

The Bank employs a range of tools to monitor and limit market risk exposures. These are discussed below, and separately for trading and non-trading portfolios.

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

31 December 2024	Note	Carrying amount LKR '000	Market risk measure Trading portfolio LKR '000	Non-trading portfolio LKR '000
Assets subject to market risk				
Cash and cash equivalents	26	13,504,806		13,504,806
Placements with banks	28	11,229,492	–	11,229,492
Derivatives financial assets	29	9,643,442	–	9,643,442
Financial assets measured at fair value through profit or loss	30	7,416,018	5,202,788	2,213,230
Financial assets at amortised cost – loans and advances to banks	31	1,500,338	–	1,500,338
Financial assets at amortised cost – loans and advances to customers	32	394,361,480	–	394,361,480
Financial assets at amortised cost – debt and other instruments	33	105,641,690	–	105,641,690
Financial assets measured at fair value through other comprehensive income	34	138,258,226	–	138,258,226
Liabilities subject to market risk				
Due to banks	44	7,149,474	–	7,149,474
Derivatives financial liabilities	29	909,188	–	909,188
Financial liabilities at amortised cost – Due to depositors	45	465,153,180	–	465,153,180
Financial liabilities at amortised cost – Due to other borrowers	46	96,755,632	–	96,755,632
Debt securities issued	47	14,690,723	–	14,690,723
Subordinated term debt	51	18,234,054	–	18,234,054

31 December 2023	Note	Carrying amount LKR '000	Market risk measure Trading portfolio LKR '000	Non-trading portfolio LKR '000
Assets subject to market risk				
Cash and cash equivalents	26	14,478,468	–	14,478,468
Placements with banks	28	29,138,098	–	29,138,098
Derivatives financial assets	29	16,499,171	–	16,499,171
Financial assets measured at fair value through profit or loss	30	1,740,928	1,705,966	34,962
Financial assets at amortised cost - Loans and advances to banks	31	–	–	–
Financial assets at amortised cost – Loans and advances to customers	32	348,767,466	–	348,767,466
Financial assets at amortised cost – Debt and other instruments	33	68,031,313	–	68,031,313
Financial assets measured at fair value through other comprehensive income	34	134,902,765	–	134,902,765
Liabilities subject to market risk				
Due to banks	44	52,793,464	–	52,793,464
Derivatives financial liabilities	29	381,653	–	381,653
Financial liabilities at amortised cost – Due to depositors	45	407,225,313	–	407,225,313
Financial liabilities at amortised cost – Due to other borrowers	46	72,022,734	–	72,022,734
Debt securities issued	47	16,311,577	–	16,311,577
Subordinated term debt	51	9,072,265	–	9,072,265

8.4.2 EXPOSURE TO MARKET RISK – TRADING PORTFOLIOS

The principal tool used to measure and control market risk exposure within the Bank's trading portfolios is Value at Risk (VaR). The VaR of a trading portfolio is the maximum estimated loss that can arise with a specified probability (confidence level) in the portfolio over a specified period of time (holding period) from an adverse market movement.

The VaR model used by the Bank is based on a 99% confidence level and assumes 1, 10, and 60-day holding periods (depending on product type). The VaR model used is based mainly on historical simulation. Taking account of market data, and observed correlation between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based gives rise to some limitations, including the following:

- It is assumed that, within the holding period it is possible to hedge or dispose of positions. This may not be the case for illiquid assets or in severe market liquidity situations.
- A 99% confidence level does not reflect losses that may occur beyond this level. Even within the model used, there is a 1% probability that losses could exceed the VaR in any given period.
- The calculated VaR does not reflect exposures that may arise on positions during the trading day.
- The calculations are based on historical data as a basis for determining the possible range of future outcomes and does not cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent on the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if market price volatility declines and vice versa.

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio. In addition, the Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position. The Bank determines the scenarios as follows:

- sensitivity scenarios consider the impact of any single risk factor or set of factors that are unlikely to be captured within the VaR models;
- technical scenarios consider the largest move in each risk factor without consideration of any underlying market correlation; and
- hypothetical scenarios consider potential macroeconomic events – e.g. periods of prolonged market liquidity, reduced fungibility of currencies, natural disasters or other catastrophes, health pandemics, etc.

The analysis of scenarios and stress tests is reviewed by ALCO.

8.4.2.1 EQUITY PRICE RISK

Equity price risk is a part of the market risk which is defined as the risk of possible losses arising from the equity market investments due to changes in the market price of the invested shares. The Bank is exposed to equity price risk through its investments in the equity market which has been shown in the FVPL portfolio and the FVOCI portfolio.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS PORTFOLIO

Parameter	Position as at 31 December 2024 LKR '000	Position as at 31 December 2023 LKR '000
Marked-to-market value of the total quoted equity portfolio	3,374,092	1,169,294
Value-at-risk (under 99% probability for a quarterly time horizon)	17.28%	37.92%
Maximum possible loss of value in the marked-to-market value of the portfolio as indicated by the VaR over a quarterly period	582,902	443,415
Unrealised gains in the equity FVPL portfolio reported in the fair value reserve	736,724	(422,847)

Equity price risk is quantified using the Value at Risk (VaR) approach based on the Historical Loss Method. Historical four-year portfolio returns is adopted to compute VaR as a measure of the equity prices risk exposure by the Bank. This VaR computation for the equity FVPL portfolio considers a quarterly time horizon.

8.4.3 EXPOSURE TO MARKET RISK – NON-TRADING PORTFOLIOS

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Parameter	Position as at 31 December 2024 LKR '000	Position as at 31 December 2023 LKR '000
Marked-to-market value of the total quoted equity portfolio	24,293,516	16,267,149
Value-at-risk (under 99% probability for a quarterly time horizon)	28.13%	31.18%
Maximum possible loss of value in the marked-to-market value of the portfolio as indicated by the VaR over a quarterly period	6,834,414	5,071,626
Unrealised gains in the equity FVOCI portfolio reported in the fair value reserve	12,092,381	4,628,837

Equity price risk is quantified using the Value at Risk (VAR) approach based on the Historical Loss Method. Historical three-year portfolio returns is adopted to compute VAR as a measure of the equity prices risk exposure by the Bank. This VAR computation for the equity FVOCI portfolio considers a quarterly time horizon.

8.4.4 INTEREST RATE RISK

The principal risk to which Fair Value through Profit or Loss (FVPL) and Fair Value through Other Comprehensive Income (FVOCI) portfolios are exposed is the potential for loss arising from variations in the future cash flows or fair values of financial instruments due to fluctuations in market interest rates.

DURATION ANALYSIS AS AT 31 DECEMBER 2024

Portfolio	Face value LKR '000	Marked-to market value LKR '000	Modified duration	Interpretation of duration
Government Securities measured at FVPL/LKR Bills and Bonds	1,783,161	1,828,696	2.8	Portfolio value will decline approximately by 2.8% as a result of 1% increase in the interest rates.
Government Securities measured at FVOCI/LKR Bills and Bonds	111,375,098	113,099,228	1.6	Portfolio value will decline approximately by 1.6% as a result of 1% increase in the interest rates.
US Government Securities measured at FVOCI/US Treasury Bonds	587,023	595,289	1.2	Portfolio value will decline approximately by 1.2% as a result of 1% increase in the interest rates.

The market risk exposure for interest rate risk in the FVPL Rupee portfolio as of 31 December 2024 is indicated by a modified duration of 2.8. This level of interest rate risk exposure in the Rupee FVPL portfolio suggests a potential loss in the marked-to-market value amounting to LKR 51 Mn as of 31 December 2024.

The market risk exposure for interest rate risk in the FVOCI Rupee portfolio and FVOCI US Treasuries portfolio as of 31 December 2024 is reflected in modified durations of 1.6 and 1.2 respectively. This level of interest rate risk exposure in the Rupee FVOCI portfolio and FVOCI US Treasuries portfolio may lead to potential losses in marked-to-market value amounting to LKR 1.78 Bn and LKR 7 Mn respectively, as of 31 December 2024.

DURATION ANALYSIS AS AT 31 DECEMBER 2023

Portfolio	Face value LKR '000	Marked-to market value LKR '000	Modified duration	Interpretation of duration
Government Securities measured at FVPL/LKR Bills and Bonds	500,665	532,932	0.32	Portfolio value will decline approximately by 0.32% as a result of 1% increase in the interest rates.
Government Securities measured at FVOCI/LKR Bills and Bonds	119,340,638	117,448,154	0.78	Portfolio value will decline approximately by 0.78% as a result of 1% increase in the interest rates.
US Government Securities measured at FVOCI/US Treasury Bills	971,919	949,477	0.46	Portfolio value will decline approximately by 0.46% as a result of 1% increase in the interest rates.

8.4.4.1 POTENTIAL IMPACT TO NII DUE TO CHANGE IN MARKET INTEREST RATES

Overall up to the 12-month time bucket, the Bank carried a net liability sensitive position. This sensitivity will vary for each time bucket up to the 12-month period where up to three months there are net asset sensitive positions.

The interest rate risk exposure as at 31 December 2024 is quantified based on the assumed change in the interest rates for each time period and is given in the table below:

31 December	2024				
	Over 0 up to 1 month LKR '000	Over 1 up to 3 months LKR '000	Over 3 up to 6 months LKR '000	Over 6 up to 12 months LKR '000	Over 12 months LKR '000
Cash and cash equivalents	204,107	–	–	–	–
Placements with banks	10,457,186	297,677	–	–	–
Financial assets measured at fair value through profit or loss	61,447	23,116	6,593	–	1,737,540
Financial assets at amortised cost – loans and advances to banks	1,500,338	–	–	–	–
Financial assets at amortised cost – loans and advances to customers	150,458,026	55,268,447	22,966,380	31,789,811	111,817,505
Financial assets at amortised cost – debt and other instruments	1,968,800	1,471,837	12,821,143	1,299,203	88,080,707
Financial assets measured at fair value through other comprehensive income	2,492,757	3,839,705	31,271,210	17,713,405	58,377,439
	167,142,661	60,900,782	67,065,326	50,802,419	260,013,191
Due to banks	7,135,609	–	–	–	–
Financial liabilities at amortised cost – due to depositors	134,139,528	87,771,237	77,848,272	80,629,995	67,048,344
Financial liabilities at amortised cost – due to other borrowers	25,902,185	15,681,687	6,651,748	11,713,849	36,806,463
Debt securities issued	–	–	5,645,447	–	9,045,276
Subordinated term debt	–	5,635,605	–	4,318,000	8,280,449
	167,177,322	109,088,529	90,145,467	96,661,844	121,180,532
Net rate sensitive assets (liabilities)	(34,661)	(48,187,747)	(23,080,141)	(45,859,425)	138,832,659
Assumed change in interest rates (%)	0.50	1.00	1.50	2.00	
Impact	(173)	(441,718)	(259,652)	(458,594)	
Total net impact if interest rates increase				(1,160,137)	
Total net impact if interest rates decline				1,160,137	

31 December	2023				
	Over 0 up to 1 month LKR '000	Over 1 up to 3 months LKR '000	Over 3 up to 6 months LKR '000	Over 6 up to 12 months LKR '000	Over 12 months LKR '000
Cash and cash equivalents	828,589	–	–	–	–
Placements with banks	28,583,114	74,161	–	–	–
Financial assets measured at fair value through profit or loss	–	–	532,186	748	–
Financial assets at amortised cost – Loans and advances to customers	117,771,062	49,406,263	22,906,727	27,649,675	105,634,203
Financial assets at amortised cost – Debt and other instruments	–	4,276,077	244,290	–	65,807,740
Financial assets measured at fair value through other comprehensive income	16,776,751	28,142,777	37,518,437	7,571,405	28,388,261
	163,959,516	81,899,278	61,201,640	35,221,828	199,830,204
Due to banks	48,337,235	1,506,155	2,950,074	–	–
Financial liabilities at amortised cost – Due to depositors	124,662,425	72,215,659	75,780,831	78,566,344	43,242,951
Financial liabilities at amortised cost – Due to other borrowers	–	13,739,264	4,496,986	6,580,264	47,206,220
Debt securities issued	–	4,819,254	297,082	–	11,195,241
Subordinated term debt	–	397,839	–	73,578	8,600,848
	172,999,660	92,678,171	83,524,973	85,220,186	110,245,260
Net rate sensitive assets (liabilities)	(9,040,144)	(10,778,893)	(22,323,333)	(49,998,358)	89,584,944
Assumed change in interest rates (%)	0.50	1.00	1.50	2.00	
Impact	(45,201)	(98,807)	(251,137)	(499,984)	
Total net impact if interest rates increase				(895,128)	
Total net impact if interest rates decline				895,128	

The Bank has assumed that the assets and liabilities are repriced at the beginning of each time bucket and has also taken into account the remaining time from the repricing date up to one year.

8.4.5 FOREIGN EXCHANGE RISK

FOREIGN EXCHANGE RISK IN NET OPEN POSITION (NOP)/UNHEDGED POSITION OF BANK

Foreign exchange risk in net open position (NOP)/unhedged position of Bank The following table indicates the DFCC Bank's exchange rate risk exposure based on the size of its NOP/unhedged positions in foreign currency assets/liabilities. By 31 December 2024, DFCC carried a net open/unhedged "short" position of USD 7.94 Mn. The impact of exchange rate risk is given below:

	2024 Amount	2023 Amount
Net exposure – USD equivalent (CBSL Return)	(7,938,000)	(1,860,000)
Value of position in LKR 000	(2,329,009)	(602,603)
Exchange rate (USD/LKR) as at 31 December	293.40	323.98
Possible potential loss to Bank – LKR 000		
– If exchange rate (USD/LKR) appreciates by 1%	(23,290)	(6,026)
– If exchange rate appreciates by 10%	(232,901)	(60,260)
– If exchange rate appreciates by 15%	(349,351)	(90,390)

The estimated potential exchange loss is off set by the interest gain due to interest differential between Sri Lankan Rupee and the respective foreign currencies.

8.4.6 MARKET RISK EXPOSURES FOR REGULATORY CAPITAL ASSESSMENT

Under the standardised approach of Basel III with effect from July 2017, market risk exposures are quantified for regulatory capital purposes. The computation results as at 31 December 2024 are as follows:

	Risk-weighted assets LKR '000	Quantified possible exposure LKR '000
Interest rate risk	2,844,269	22,754,152
Equity price risk	418,201	3,345,608
Foreign exchange and gold risk	162,995	1,303,960
Total	3,425,465	27,403,720

8.5 OPERATIONAL RISK

"Operational risk" is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology, infrastructure, and 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 Bank's operations.

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

The following are included in the process of the operational risk management in the Bank.

a. Monitoring of the Key Risk Indicators (KRIs) for departments/functions under the defined threshold limits using a traffic light system. Develop Risk and Control Self-Assessments to identify the risk exposure of all processes. Key Risk Indicator (KRI) monitoring for branches focuses on identifying risks, tracking trends, and ensuring timely corrective actions to mitigate threats.
b. Operational risk incident reporting system and the independent analysis of the incidents by the IRMD, and recognising necessary improvements in the systems, processes and procedures.
c. Analyse downtime of the critical systems, attrition information, exit interview comments and complaints to identify operational risks and recommend mitigating controls. Key findings of the analysis are evaluated at the ORSC, ORMC and the BIRMC meetings from an operational risk perspective.

The primary responsibility for the recommendation of controls to address operational risk lies with IRMD whilst implementation of controls is assigned to Senior Management within each business unit. Operational Risk Coordinating Officers are appointed within each department/branch to assist in managing the operational risk. This responsibility is supported by the development of overall standards for management of operational risk in the following areas:

a. Requirements for appropriate segregation of duties, including independent authorisation of transactions.
b. Requirements for reconciliation and monitoring of transactions.
c. Compliance with regulatory and other legal requirements.
d. Documentation of controls and procedures.
e. Requirements for periodic assessment of operational risks faced and the adequacy of controls and procedures to address the identified risks.
f. Requirements for reporting of operational losses and proposed remedial action.
g. Development of contingency plans.
h. Training and professional development to establish ethics and business standards.
i. Insurance covering risk due to threats arising from external and other events.

Compliance with the Bank's standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the business unit to which they relate, with summaries submitted to the Audit Committee and senior management.

Group operational risk assessments are conducted at the Board level.

8.6 CAPITAL MANAGEMENT

The Bank manages its capital at Bank and Group level considering both regulatory requirement and risk exposures. Its regulatory capital position is analysed by the BIRMC periodically and recommendations and decisions are made accordingly. The Group capital management goals are as follows:

a. Ensure regulatory minimum capital adequacy requirements are not compromised.

b. Bank to maintain its international and local credit ratings and to ensure that no downgrading occurs as a result of deterioration of risk capital of the Bank other than in an extreme change in external operating environment.

c. Ensure capital impact of business decisions including strategic business plans are properly assessed and taken into consideration.

d. Ensure capital consumption by business actions are adequately priced.

e. Optimising ROE

Central Bank of Sri Lanka sets and monitors regulatory capital requirement on both consolidated and solo basis. The Bank currently uses the standardised approach for credit risk and market risk and basic indicator approach for operational risk.

The Basel III capital regulations, which are currently in force, will continue to be based on the three-mutually reinforcing pillars introduced under Basel II, i.e. minimum capital requirement, supervisory review process and market discipline. Basel III focuses on increasing the quality and quantity of capital especially the core capital, through redefining the common equity capital and introducing new capital buffers such as the Capital Conservation Buffer and a Capital Surcharge on domestic systematically important banks. DFCC Bank started reporting capital computations under the Basel III requirements from mid 2017 as per the regulatory requirements.

Regulatory capital comprises Tier 1 capital and Tier 2 capital. The Bank's policy is to maintain a strong capital base so as to ensure investor, creditor, and market confidence to sustain future development of the business. DFCC Bank and its Group have complied with the minimum capital requirements imposed by the Central Bank of Sri Lanka throughout the year.

8.6.1 KEY REGULATORY RATIOS – CAPITAL ADEQUACY

31 December	2024		2023	
Item	Bank	Group	Bank	Group
Regulatory capital (LKR '000)				
Common equity Tier 1	52,485,838	57,804,406	43,632,490	47,491,186
Tier 1 capital	52,485,838	57,804,406	43,632,490	47,491,186
Total capital	66,693,851	72,021,286	51,304,883	55,171,249
Regulatory capital ratios (%)				
Common equity Tier 1 capital ratio (minimum requirement – 7.0%)	12.40%	13.61%	11.49	12.46
Tier 1 capital ratio (minimum requirement – 8.5%)	12.40%	13.61%	11.49	12.46
Total capital ratio (minimum requirement – 12.5%)	15.76%	16.96%	13.51	14.48

BASEL III COMPUTATION OF CAPITAL RATIOS

31 December	2024		2023	
Item	Bank LKR '000	Group LKR '000	Bank LKR '000	Group LKR '000
Common equity Tier 1 (CET 1) capital after adjustments	52,485,838	57,804,406	43,632,490	47,491,186
Common equity Tier 1 (CET 1) capital	71,009,611	77,842,985	61,524,384	66,919,617
Equity capital (stated capital)/assigned capital	14,710,454	14,710,454	13,866,557	13,866,557
Reserve fund	3,657,968	3,657,968	3,239,968	3,239,968
Published retained earnings/(accumulated retained losses)	35,834,730	42,668,104	28,250,357	33,645,590
Published accumulated other comprehensive income (OCI)	3,026,620	3,026,620	2,387,663	2,387,663
General and other disclosed reserves	13,779,839	13,779,839	13,779,839	13,779,839
Unpublished current year's profit/loss and gains reflected in OCI	–	–	–	–
Ordinary shares issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	–	–	–	–
Total adjustments to CET1 capital	18,523,773	20,038,579	17,891,894	19,428,431
Goodwill (net)	–	156,226	–	156,226
Intangible assets (net)	2,001,636	2,013,975	1,926,287	1,945,030
Investment in capital of banks and financial institutions	11,180,665	12,507,386	10,114,730	11,468,498
Others	5,341,472	5,360,992	5,850,877	5,858,677
Additional Tier 1 (AT1) capital after adjustments				
Additional Tier 1 (AT1) capital				
Qualifying additional Tier 1 capital instruments	–	–	–	–
Instruments issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	–	–	–	–
Total adjustments to AT1 capital				
Investment in own shares	–	–	–	–
Others (specify)	–	–	–	–

31 December	2024		2023	
Item	Bank LKR '000	Group LKR '000	Bank LKR '000	Group LKR '000
Tier 2 capital after adjustments	14,208,013	14,216,880	7,672,393	7,680,063
Tier 2 capital	14,208,013	14,216,880	7,672,393	7,680,063
Qualifying Tier 2 capital instruments	9,803,906	9,803,906	3,525,812	3,525,812
Revaluation gains	–	–	–	–
Stage 1 & 50% of stage 2 impairment provision subject to 1.25% of credit RWA	4,404,107	4,412,974	4,146,581	4,154,251
Total adjustments to Tier 2				
Investment in own shares	–	–	–	–
Others (specify)	–	–	–	–
CET1 capital	52,485,838	57,804,406	43,632,490	47,491,186
Total Tier 1 capital	52,485,838	57,804,406	43,632,490	47,491,186
Total capital	66,693,851	72,021,286	51,304,883	55,171,249
Total risk-weighted assets (RWA)	423,201,054	424,683,050	379,738,330	381,017,800
RWAs for credit risk	352,328,550	353,037,904	331,726,504	332,340,053
RWAs for market risk	27,403,720	27,403,720	14,061,808	14,061,808
RWAs for operational risk	43,468,734	44,241,426	33,950,018	34,615,939
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer, and Surcharge on D-SIBs) (%)	12.40	13.61	11.49	12.46
of which: Capital Conservation Buffer (%)	2.50	2.50	2.50	2.50
of which: Countercyclical Buffer (%)	N/A	N/A	N/A	N/A
of which: Capital Surcharge on D-SIBs (%)	N/A	N/A	N/A	N/A
Total Tier 1 Capital Ratio (%)	12.40	13.61	11.49	12.46
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer and Surcharge on D-SIBs) (%)	15.76	16.96	13.51	14.48
of which: Capital Conservation Buffer (%)	2.50	2.50	2.50	2.50
of which: Countercyclical Buffer (%)	N/A	N/A	N/A	N/A
of which: Capital Surcharge on D-SIBs (%)	N/A	N/A	N/A	N/A

9. FAIR VALUES OF FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

See accounting policy in Note 5.3.7.

9.1 VALUATION MODELS

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

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

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

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

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used.

in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

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

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like government securities, interest rate and currency swaps that use mostly observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, government securities and simple over the counter derivatives like forward exchange contracts and interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes that a third party market participant would take them into account in pricing a transaction.

Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments and against broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management uses judgement to select the most appropriate point in the range.

9.2 VALUATION FRAMEWORK

The established control framework with respect to the measurement of fair values, includes an oversight which is independent of front office management. Treasury Middle Office has overall responsibility for independently verifying the results of trading and investment operation.

Specific controls include:

- Verification of observable pricing
- Review and approval process for new models and changes to models involving both product control and group market risk
- Calibration and back testing of models
- Stress testing

When third party information, such as broker quotes or pricing services is used to measure fair value, the evidence so obtained to support the conclusion that such valuations meet the requirements of SLFRSs/ LKASs is documented.

This includes:

- Verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument
- Several quotes obtained from randomly selected brokers for the same financial instrument and the fair value determined on this basis

Any changes to the fair value methodology is reported to the Bank's Audit Committee.

9.3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE – FAIR VALUE HIERARCHY

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

A. BANK/GROUP

As at 31 December		2024			
	Note	Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000
Financial assets					
Derivative financial assets	29				
Forward foreign exchange contracts		–	9,643,442	–	9,643,442
Financial assets measured at fair value through profit or loss	30				
Government of Sri Lanka Treasury Bills and Bonds		1,828,696	–	–	1,828,696
Equity securities – quoted		3,374,092	–	–	3,374,092
Units in unit trusts – unquoted		–	2,213,230	–	2,213,230
Financial assets measured at fair value through other comprehensive income	34				–
Government of Sri Lanka Treasury Bills and Bonds		113,099,228	–	–	113,099,228
US Treasury Bill		595,289	–	–	595,289
Equity shares – quoted		24,293,516	–	–	24,293,516
Equity shares – unquoted		–	–	270,193	270,193
		143,190,821	11,856,672	270,193	155,317,686
Financial liabilities					
Derivative financial liabilities	29				
Forward foreign exchange contracts		–	909,188	–	909,188
		–	909,188	–	909,188

As at 31 December	Note	2023			
		Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Total LKR '000
Financial assets					
Derivative financial assets	29				
Forward foreign exchange contracts		–	16,499,171	–	16,499,171
Financial assets measured at fair value through profit or loss	30				
Government of Sri Lanka Treasury Bills and Bonds		532,932	–	–	532,932
Equity securities – quoted		1,169,294	–	–	1,169,294
Units in unit trusts – quoted		3,740	–	–	3,740
Units in unit trusts – unquoted		–	34,962	–	34,962
Financial assets measured at fair value through other comprehensive income	34				
Government of Sri Lanka Treasury Bills and Bonds		117,448,154	–	–	117,448,154
US Treasury Bill		949,477	–	–	949,477
Equity shares – quoted		16,267,149	–	–	16,267,149
Equity shares – unquoted				237,985	237,985
		136,370,746	16,534,133	237,985	153,142,864
Financial liabilities					
Derivative financial liabilities	29				
Forward foreign exchange contracts		–	381,653	–	381,653
		–	381,653	–	381,653

As Treasury Bills/Bonds are valued using Central Bank published rates, investments in Treasury Bills/Bonds are classified under Level 1. Other securities which are listed in the Colombo Stock Exchange are also classified as a Level 1 asset by referring to the quoted prices. US Treasury Bills valued using Bloomberg published rates.

9.3.1 VALUATION TECHNIQUES AND SIGNIFICANT UNOBSERVABLE INPUTS

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments in the statement of financial position, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Unquoted equity shares	Net asset approach: The fair value is determining based on the net assets value of the unquoted equity share	Net assets value per share	The estimated fair value would increase/(decrease) if the adjusted net assets value per share were higher/(lower)

9.3.2 TRANSFERS BETWEEN LEVELS 1 AND 2

There were no transfers from Level 1 to 2 or Level 2 to Level 1 in 2024 and no transfers in either direction in 2024.

9.3.3 LEVEL 3 RECURRING FAIR VALUES

9.3.3.1 RECONCILIATION OF LEVEL 3 FAIR VALUES

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

	Equity securities	
	BANK/GROUP	
As at 31 December	**2024** LKR '000	2023 LKR '000
Balance at 1 January	237,985	221,419
Net change in fair value (unrealised)	32,208	16,566
Balance at 31 December	270,193	237,985

9.3.3.2 TRANSFER OUT OF LEVEL 3

There were no transfers out of Level 3 and no transfers out of Level 2 in 2024.

9.3.3.3 SENSITIVITY ANALYSIS

For the fair values of equity securities, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

	OCI, net of tax	
As at 31 December	**2024**	
	Increase LKR '000	Decrease LKR '000
Equity securities		
Adjusted net assets value (5% movement)	13,510	(13,510)

ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, those are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is used to establish fair values. The valuation of financial instruments is described in more detail in Note 4 to the financial statements.

The Group evaluates the material accuracy of the valuations incorporated in the financial statements as they can involve a high degree of judgement and estimation in determining the carrying values of financial assets and financial liabilities at the reporting date.

For certain financial instruments, the Group may use data that is not readily observable in current markets. If we use unobservable market data, then more judgement is exercised to determine fair value depending on the significance of the unobservable input to the overall valuation. Generally, unobservable inputs are derived from other relevant market data and they are compared to observed transaction prices where available.

When establishing the fair value of a financial instrument using a valuation technique, the Group considers valuation adjustments in determining the fair value. The Group may apply adjustments (such as bid/offer spreads, credit valuation adjustments and funding valuation adjustments).

– refer Note 29 Derivative Financial Instruments to reflect the Group's assessment of factors that market participants would consider in setting fair value.

9.4 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

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

A. BANK

31 December	Note	2024				
		Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Fair value LKR '000	Carrying amount LKR '000
Assets						
Cash and cash equivalents	26	–	13,504,806	–	13,504,806	13,504,806
Balances with Central Bank of Sri Lanka	27	–	2,328,346	–	2,328,346	2,328,346
Placements with banks	28	–	11,229,492	–	11,229,492	11,229,492
Financial assets at amortised cost – loans and advances to banks	31	1,664,755	–	–	1,664,755	1,500,338
Financial assets at amortised cost – loans and advances to customers	32	–	–	377,802,310	377,802,310	394,361,480
Financial assets at amortised cost – Debt and other instruments	33	105,839,660	–	–	105,839,660	105,641,690
Other financial assets	42	–	–	4,946,528	4,946,528	4,946,528
		107,504,415	27,062,644	382,748,838	517,315,897	533,512,680
Liabilities						
Due to banks	44	–	7,149,474	–	7,149,474	7,149,474
Financial liabilities at amortised cost – due to depositors	45	–	–	459,260,928	459,260,928	465,153,180
Financial liabilities at amortised cost – due to other borrowers	46	–	–	96,755,632	96,755,632	96,755,632
Debt securities issued	47	–	14,852,236	–	14,852,236	14,690,723
Other financial liabilities	50	–	–	7,441,320	7,441,320	7,441,320
Subordinated term debt	51	–	13,480,708	–	13,480,708	18,234,054
		–	35,482,418	563,457,880	598,940,298	609,424,383

31 December	Note	2023				
		Level 1 LKR '000	Level 2 LKR '000	Level 3 LKR '000	Fair value LKR '000	Carrying amount LKR '000
Assets						
Cash and cash equivalents	26	–	14,478,468	–	14,478,468	14,478,468
Balances with Central Bank of Sri Lanka	27	–	2,107,776	–	2,107,776	2,107,776
Placements with banks	28	–	29,138,098	–	29,138,098	29,138,098
Financial assets at amortised cost – loans and advances to customers	32	–	–	322,590,049	322,590,049	348,767,466
Financial assets at amortised cost – debt and other instruments	33	71,415,548	2,296,775	–	73,712,323	68,031,313
Other financial assets	42	–		11,021,709	11,021,709	11,021,709
		71,415,548	48,021,117	333,611,758	453,048,423	473,544,830
Liabilities						
Due to banks	44	–	52,793,464	–	52,793,464	52,793,464
Financial liabilities at amortised cost – due to depositors	45	–	–	427,279,084	427,279,084	407,225,313
Financial liabilities at amortised cost – due to other borrowers	46	–	–	72,022,734	72,022,734	72,022,734
Debt securities issued	47	–	15,579,739	–	15,579,739	16,311,577
Other financial liabilities	50	–	–	6,018,466	6,018,466	6,018,466
Subordinated term debt	51	–	8,340,427	–	8,340,427	9,072,265
		–	76,713,630	505,320,284	582,033,914	563,443,819

B. GROUP

As at 31 December	Note	2024 Level 1 LKR '000	2024 Level 2 LKR '000	2024 Level 3 LKR '000	2024 Fair value LKR '000	2024 Carrying amount LKR '000
Assets						
Cash and cash equivalents	26	–	13,523,476	–	13,523,475	13,523,475
Balances with Central Bank of Sri Lanka	27	–	2,328,346	–	2,328,346	2,328,346
Placements with banks	28	–	11,229,492	–	11,229,492	11,229,492
Financial assets at amortised cost – Loans and advances to banks	31	1,664,755	–	–	1,664,755	1,500,338
Financial assets at amortised cost – Loans and advances to customers	32	–	–	377,802,310	377,802,310	394,361,480
Financial assets at amortised cost – Debt and other instruments	33	105,839,660	–	–	105,839,660	105,701,871
Other financial assets	42	–		5,135,115	5,135,115	5,135,115
Total		107,504,415	27,081,314	382,937,425	517,523,153	533,780,117
Liabilities						
Due to banks	44	–	7,149,474	–	7,149,474	7,149,474
Financial liabilities at amortised cost – Due to depositors	45	–	–	458,467,312	458,467,312	464,359,564
Financial liabilities at amortised cost – Due to other borrowers	46	–	–	96,755,632	96,755,632	96,755,632
Debt securities issued	47	–	14,852,236	–	14,852,236	14,690,723
Other financial liabilities	50	–	–	7,719,982	7,719,982	7,719,982
Subordinated term debt	51	–	13,480,708	–	13,480,708	18,234,054
		–	35,482,418	562,942,926	598,425,344	608,909,429

As at 31 December	Note	2023 Level 1 LKR '000	2023 Level 2 LKR '000	2023 Level 3 LKR '000	2023 Fair value LKR '000	2023 Carrying amount LKR '000
Assets						
Cash and cash equivalents	26	–	14,483,062	–	14,483,062	14,483,062
Balances with Central Bank of Sri Lanka	27	–	2,107,776	–	2,107,776	2,107,776
Placements with banks	28	–	29,173,988	–	29,173,988	29,173,988
Financial assets at amortised cost – Loans and advances to customers	32	–	–	322,590,049	322,590,049	348,767,466
Financial assets at amortised cost – Debt and other instruments	33	71,415,548	2,296,775	–	73,712,323	68,094,041
Other financial assets	42			11,190,796	11,190,796	11,190,796
Total		71,415,548	48,061,601	333,780,845	453,257,994	473,817,129
Liabilities						
Due to banks	44	–	52,793,464	–	52,793,464	52,793,464
Financial liabilities at amortised cost – Due to depositors	45	–	–	427,279,084	427,279,084	406,584,864
Financial liabilities at amortised cost – Due to other borrowers	46	–	–	72,022,734	72,022,734	72,022,734
Debt securities issued	47	–	15,579,739	–	15,579,739	16,311,577
Other financial liabilities	50	–	–	6,241,402	6,241,402	6,241,402
Subordinated term debt	51	–	8,340,427	–	8,340,427	9,072,265
		–	76,713,630	505,543,220	582,256,850	563,026,306

Given below is the basis adopted by the Bank/Group in order to establish the fair values of the financial instruments.

9.4.1 CASH AND CASH EQUIVALENTS AND PLACEMENTS WITH BANKS

Carrying amounts of cash and cash equivalents and placements with banks approximates their fair value as these balances have a remaining maturity of less than three months from the reporting date.

9.4.2 LOANS AND ADVANCES TO CUSTOMERS – LEASE RENTALS RECEIVABLE

The estimated fair value of lease rentals receivable is the present value of future cash flows expected to be received from such finance leasing facilities calculated based on current interest rates for similar types of facilities.

9.4.3 LOANS AND ADVANCES TO CUSTOMERS – OTHER LOANS

	Composition %
Floating rate loan portfolio	63
Fixed rate loans	37
– With remaining maturity less than one year	7
– Others	30

Since the floating rate loans can be repriced monthly, quarterly, and semi-annually in tandem with market rates, fair value of these loans is approximately. The same as the carrying value. Carrying amount of fixed rate loans with a remaining maturity of less than one year approximates the fair value.

Based on the results of the fair value computed on the lease rentals receivable, it is estimated that the fair value of the other loans at fixed interest rates with maturity of more than one year is not materially different to its carrying value as at the reporting date.

9.4.4 FINANCIAL ASSETS AT AMORTISED COST – DEBT AND OTHER INSTRUMENTS

Fair value of the fixed rate debentures are based on prices quoted in the Colombo Stock Exchange, where there is an active market for quoted debentures.

Where there is no active market, fair value of the fixed rate debentures has been determined by discounting the future cash flows by the interest rates derived with reference to government treasury bond rates, with adjustments to risk premiums at the time of investment.

9.4.5 DUE TO BANKS

The carrying value of amounts due to banks approximates their fair value as these balances have a remaining maturity of less than one year approximate their fair value.

The others are repriced either monthly, quarterly, or semi annually and rates are revised in line with changes in market rates. Hence, the carrying value of these borrowings approximate the fair value.

9.4.6 DUE TO OTHER CUSTOMERS

The carrying value of deposits with a remaining maturity of less than one year approximates the fair value.

Fair values of deposits with a remaining maturity of more than one year is estimated using discounted cash flows applying current interest rates offered for deposits of similar remaining maturities.

The fair value of a deposit repayable on demand is assumed to be the amount payable on demand at the reporting date and the savings account balances are repriced frequently to match with the current market rates. Therefore, the demand and saving deposits carrying amounts are a reasonable approximation to the fair values as at the reporting date.

9.4.7 DUE TO OTHER BORROWERS

This consists of borrowings sourced from multilateral and bilateral institutions.

Fixed rate borrowings which relates on credit lines are based on interest rates which are specific to each refinancing arrangement and as such, there are no comparable market rates. Hence, the fair value approximates the carrying value.

9.4.8 DEBT SECURITIES ISSUED

Debts issued comprise the Sri Lanka Rupee debentures. The Sri Lanka Rupee debentures are fair valued by reference to current government treasury bond rates with a risk premium.

9.4.9 SUBORDINATED TERM DEBTS

The fair value of fixed rate subordinated debentures has been determined by discounting the future cash flows by the interest rates prevailing as at the reporting date for similar instruments.

The carrying values of balances with Central Bank of Sri Lanka, other financial assets and other financial liabilities are reasonable approximation of their fair values since, those are short term in nature, or re-priced to current market rates frequently.

10. GROSS INCOME

For the year ended 31 December	Note	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Interest income	11.1.1	76,907,481	96,921,523	76,910,407	96,924,661
Fee and commission income	12.1.1	6,334,637	5,239,924	6,333,848	5,238,670
Net gains from trading	13	1,272,879	1,055,107	1,272,879	1,055,107
Net gains from derecognition of financial assets	14	3,868,231	2,838,626	3,868,231	2,838,626
Net other operating income	15	1,176,110	828,270	1,770,894	1,384,474
		89,559,338	106,883,450	90,156,259	107,441,538

11. NET INTEREST INCOME

ACCOUNTING POLICY

Effective Interest Rate

Interest income and expenses 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 Group estimates future cash flows considering all contractual terms of the financial instrument, other than 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 expenses, 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. The effective interest rate is also revised for fair value hedge adjustments at the date on which amortisation of the hedge adjustment begins.

For the financial asset that has 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.

11.1 COMPOSITION

For the year ended 31 December	Note	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Interest income	11.1.1	76,907,481	96,921,523	76,910,407	96,924,661
Interest expenses	11.1.2	(48,786,254)	(65,697,026)	(48,708,495)	(65,584,019)
Net interest income		28,121,227	31,224,497	28,201,912	31,340,642

11.1.1 INTEREST INCOME

For the year ended 31 December	Note	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Placements with banks		1,088,841	745,983	1,091,767	749,121
Financial assets measured at fair value through profit or loss		89,148	61,044	89,148	61,044
Financial assets at amortised cost – Loans and advances to banks		244,905	260,650	244,905	260,650
Financial assets at amortised cost – Loans and advances to customers	11.1.1.1	46,677,011	62,540,000	46,677,011	62,540,000
Financial assets at amortised cost Debt and other instruments		15,252,022	11,423,353	15,252,022	11,423,353
Financial assets measured at fair value through other comprehensive income		13,555,554	21,876,959	13,555,554	21,876,959
Securities purchased under resale agreements		–	13,534	–	13,534
Total interest income		76,907,481	96,921,523	76,910,407	96,924,661

11.1.1.1 Interest income from loans and advances to customers includes modifications made on restructures offered by the Bank in normal cause of business. These restructures have been designed to address individual customer difficulties and improve their ability to meet financial obligations. There is no material modification loss or gain due to changes in the original terms and conditions of the loan during the year ended 31 December 2024.

11.1.2 INTEREST EXPENSES

For the year ended 31 December	Note	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Due to banks		563,827	1,105,866	563,827	1,105,866
Financial liabilities at amortised cost – Due to depositors		38,553,285	54,418,072	38,473,005	54,303,840
Financial liabilities at amortised cost – Due to other borrowers		2,532,083	3,227,370	2,532,083	3,227,370
Debt securities issued		3,764,650	3,640,799	3,764,650	3,640,799
Interest expense on lease liabilities	52.5	144,282	153,345	146,803	154,570
Securities sold under repurchase agreements		3,228,127	3,151,574	3,228,127	3,151,574
Total interest expenses		48,786,254	65,697,026	48,708,495	65,584,019

The amounts reported above include interest income and interest expenses, calculated using the effective interest method, that relate to the following financial assets and financial liabilities.

As at 31 December	Note	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Financial assets measured at amortised cost	25	533,512,680	473,544,830	533,780,117	473,817,129
Financial assets measured at FVOCI	34	113,694,517	118,397,631	113,694,517	118,397,631
Financial assets measured at FVTPL	30	1,828,696	532,932	1,828,696	532,932
Total		649,035,893	592,475,393	649,303,330	592,747,692
Financial liabilities measured at amortised cost	25	609,424,383	563,443,819	608,909,429	563,026,306

11.1.3 INTEREST INCOME FROM GOVERNMENT SECURITIES – BANK/GROUP

For the year ended 31 December	2024 LKR '000	2023 LKR '000
Financial assets measured at fair value through profit or loss	89,148	61,044
Financial assets at amortised cost – debt and other instruments	15,231,472	11,384,648
Financial assets measured at fair value through other comprehensive income	13,502,709	21,859,770
	28,823,329	33,305,462

12. NET FEE AND COMMISSION INCOME

ACCOUNTING POLICY

Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income are recognised as related services are performed. When a loan commitment is not expected to result in the drawdown of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Group'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 Group first applies SLFRS 9 separate and measures the part of the contract that is in the scope of SLFRS 9, and then applies SLFRS 15 to the residual.

Fees for guarantees and trade related commissions are recognised on a straight-line basis over the period of the contract. Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as services are received.

12.1 COMPOSITION

For the year ended 31 December	Note	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Fee and commission income	12.1.1	6,334,637	5,239,924	6,333,848	5,238,670
Fee and commission expenses		(1,405,415)	(688,960)	(1,405,415)	(688,960)
Net fee and commission income		4,929,222	4,550,964	4,928,433	4,549,710

12.1.1 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 types of services.

MAJOR SERVICE LINES

	BANK		GROUP	
For the year ended 31 December	**2024** LKR '000	2023 LKR '000	**2024** LKR '000	2023 LKR '000
Loans and advances	1,062,275	759,249	1,062,275	759,249
Credit cards	2,320,546	1,541,517	2,320,546	1,541,517
Trade and remittances	1,717,390	1,928,154	1,717,390	1,928,154
Customer accounts	535,827	415,223	535,827	415,223
Guarantees	407,069	411,376	407,069	411,376
Others (management, consulting and other fees)	291,530	184,405	290,741	183,151
Fee and commission income	6,334,637	5,239,924	6,333,848	5,238,670

12.1.2 PERFORMANCE OBLIGATIONS AND REVENUE RECOGNITION POLICIES

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group 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 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 banking service	The Group provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees.	Revenue from account service and servicing fees is recognised over time as the services are provided.
	Fees for ongoing account management are charged to the customer's account on a monthly basis. The Group sets the rates separately for retail and corporate banking customers in each jurisdiction on an annual basis.	Revenue related to transactions is recognised at the point in time when the transaction takes place.
	Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place.	
	Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Group.	

13. NET GAINS FROM TRADING

ACCOUNTING POLICY

Results arising from trading activities include all gains and losses from realised and unrealised fair value changes, related capital gains and losses, dividend income from trading assets and trading liabilities and foreign exchange differences.

The Bank has non-trading derivatives held for risk management purposes (e.g., forward foreign exchange purchase or sale contracts) that do not form part of qualifying hedge relationship, that are mandatorily fair valued through profit or loss. In respect of such financial instruments, all realised and unrealised fair value changes and foreign exchange differences are included.

	BANK		GROUP	
For the year ended 31 December	**2024** LKR '000	2023 LKR '000	**2024** LKR '000	2023 LKR '000
Derivative Financial Instruments				
Forward exchange fair value changes from banks and other customers	(926,979)	(384,709)	(926,979)	(384,709)
Gains on financial assets fair value through profit or loss equity securities	176,492	3,958	176,492	3,958
Foreign exchange from Banks and Other Customers	788,884	1,582,011	788,884	1,582,011
Financial assets recognised through profit or loss – measured at fair value				
Government securities				
Net marked to market gains/(losses)	27,007	(8,863)	27,007	(8,863)
Net capital gains	22,080	12,056	22,080	12,056
Equities				
Net marked to market losses	1,159,568	(222,643)	1,159,568	(222,643)
Net capital (losses)/gains	(49,879)	36,413	(49,879)	36,413
Dividend income	75,706	36,884	75,706	36,884
	1,272,879	1,055,107	1,272,879	1,055,107

14. NET GAINS FROM DERECOGNITION OF FINANCIAL ASSETS

ACCOUNTING POLICY

"Net gains from derecognition of financial assets" comprise realised gains less losses related to debt instruments measured at FVOCI and financial assets measured at amortised cost as per SLFRS 9.

		BANK		GROUP	
For the year ended 31 December	Note	**2024** LKR '000	2023 LKR '000	**2024** LKR '000	2023 LKR '000
Fair value through profit or loss Gain on sale of equity securities		910	–	910	–
Amortised cost gain on sale of government securities	14.1	990,917	–	990,917	–
Fair value through other comprehensive income gain on sale of government securities		2,876,404	2,838,626	2,876,404	2,838,626
		3,868,231	2,838,626	3,868,231	2,838,626

14.1 NET GAINS FROM DERECOGNITION OF SLISB

For the year ended 31 December	Note	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Sales proceeds from the disposal of SLISB		5,043,047	–	5,043,047	–
Amortised cost of the SLISB	14.1.1	(4,052,130)	–	(4,052,130)	–
Amortised cost gain on sale of government securities		990,917	–	990,917	–

14.1.1 AMORTISED COST OF SLISB

For the year ended 31 December	Note	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Matured SLISB – book value		8,650,173	–	8,650,173	–
Matured SLISB – provision	42.1.2	(4,751,616)	–	(4,751,616)	–
Unmatured SLISB – book value	33.1	341,273	–	341,273	–
Unmatured SLISB – provision	33.5	(187,700)	–	(187,700)	–
Amortised cost Gain on sale of government securities		4,052,130	–	4,052,130	–

15. NET OTHER OPERATING INCOME

ACCOUNTING POLICY

Net other operating income includes realised gains or losses on sale of fair value through other comprehensive income securities (e.g., Treasury Bills and Bonds, and dividend income from ordinary shares classified as fair value through other comprehensive income financial assets, dividend income from group entities, rental income, gains on disposal of property, plant and equipment and foreign exchange gains and losses).

Rental Income

Rental income and expenses are accounted on a straight-line basis over the entire period of the tenancy incorporating predetermined rent escalation during the period of the tenancy.

Dividend Income

Dividend income received by way of cash or scrip is recognised when the right to receive dividend is established. Dividend income from subsidiaries and joint venture is recognised when the Bank's right to receive the dividend is established.

Gains and Losses on Disposal of Assets

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets including investments in subsidiaries, joint venture and associate are accounted for, in the statement of profit or loss after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Foreign Exchange Gains/(Losses)

Foreign currency positions are revalued at each reporting date. Gains and losses arising from changes in fair value are included in the income statement in the period in which they arise.

For the year ended 31 December	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Financial assets measured at fair value through other comprehensive income				
Dividend income	967,392	626,553	967,392	626,553
Dividend income from subsidiaries and associate	86,798	78,118	–	–
Premises rental income	–	–	472,154	426,502
Net gains on sale of property, plant and equipment	19,874	18,101	19,874	18,101
Foreign exchange gains/(losses)	13,723	(18,990)	(788)	(33,936)
Recovery of loans written-off	45,317	16,767	45,317	16,767
Others	43,006	107,721	266,945	330,487
	1,176,110	828,270	1,770,894	1,384,474

16. IMPAIRMENT FOR LOANS AND OTHER LOSSES

ACCOUNTING POLICY

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade" other than the investment in government debt instruments. The Group does not apply the low credit risk exemption to any other financial instruments.

Individually Assessed Loans and Advances and Amortised Cost Debt Instruments

These are exposures, where evidence of impairment exists and those that are individually significant meriting individual assessment for objective evidence of impairment and computation of impairment allowance. The factors considered in determining that the credit impaired exposures are individually significant include the size of the loan.

For all loans and amortised cost debt instruments that are considered individually significant, Bank assesses on a case by case basis, whether there is any objective evidence of impairment. The criteria used by the Bank to determine that there is such objective evident include –

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming 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.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Impairment allowance on loans and advances and other financial instruments measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Collective Assessment

This includes all loans and advances of smaller value where there is no evidence of impairment and those individually assessed for which no evidence of impairment has been specifically identified on an individual basis.

These loans and advances are grouped together as per Basel Guidelines and product level according to their credit risk characteristics for the purpose of calculating an estimated collective impairment.

In making an assessment of whether an investment in debt instrument is credit-impaired, the Bank considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of credit worthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide necessary support as "lender of last resort" to that country, as well as the intention, reflected in public statement, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

The Bank manages credit quality using a three stage approach which is in line with SLFRS 9.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are 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 is not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as "Stage 2 financial instruments". Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as "Stage 3 financial instruments".

Significant Increase in Credit Risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank'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; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where appropriate for changes in prepayment expectations).

The Bank considers an exposure to have Significant Increase in Credit Risk (SICR) when the contractual payment of a customer are more than 30 days past due in accordance with rebuttable presumption in SLFRS 9, or other qualitative indicators reveal that there had been SICR.

Impact of Post-Economic Recovery on Credit Risk Assessment

While Sri Lanka is steadily recovering from the economic crisis, certain industries and customer segments continue to face challenges, resulting in elevated credit risk despite ongoing loan servicing. The bank has assessed the current financial position of customers, their future earning potential, and the sectors they operate in to identify any significant increase in credit risk (SICR). Risk categorisation has been performed to highlight sectors that remain more susceptible to ongoing economic pressures, even as the country recovers. Based on this evaluation, SICR has been determined, and stress testing has been carried out on facilities, with necessary overlays made to account for potential risks. As the economic recovery progresses, the bank remains vigilant in monitoring sectors with heightened risks and adapting its credit risk models accordingly.

Generating the Term Structure of PD

The Bank collects performance and default information about its credit risk exposures analysed by type of product and borrower.

The Bank 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.

Determining Whether Credit Risk has Increased Significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date.

Credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgement and relevant historical experiences.

As a backstop, the Bank 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 at 12-month ECL.

The Bank 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; except for, for which a backstop of 60 days past due is applied.
- 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).
- All credit facilities listed in section 07 of Directive No. 13 of 2021 issued by Central Bank of Sri Lanka on adoption of Sri Lanka Accounting Standards SLFRS 9 – "Financial Instruments".

Definition of Default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is more than 90 days past due on any material credit obligation to the Bank.
- the assessment of the external rating agencies indicates a default grading of the borrower; or
- all credit facilities listed in section 07 of Directive No. 13 of 2021 issued by Central Bank of Sri Lanka on adoption of Sri Lanka Accounting Standard SLFRS 09 – "Financial Instruments".

Financial Instruments

In assessing whether a borrower is in default, the Bank 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 Bank; 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 Bank for regulatory capital purposes.

Incorporation of forward-looking Information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL using a variety of external actual and forecasted information.

The Bank formulates a base case view of the future direction of relevant economic variables as well as a representative range (Best Case and Worst Case) of other possible forecast scenarios.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by both local and international sources.

The base case represents a most-likely outcome. The other scenarios represent more optimistic and more pessimistic outcomes.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables credit risk and credit losses.

The economic variables used by the Bank based on the statistical significance include the following:

Unemployment rate	Base case scenario along with two other scenarios have been used (Best Case and Worst Case)
Interest rate	
GDP growth rate	
Inflation rate	
Exchange rate	

Modified Financial Assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 5.3.5.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to customers in financial difficulties (referred to as "forbearance activities") to maximise collection opportunities and minimise the risk of default. Loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, but there is evidence that the debtor has made all reasonable efforts to pay under the original contractual terms and the debtor 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 Bank's Credit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Bank's forbearance activity, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank 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 forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/to have SICR or the PD is considered to have decreased such that it falls within the 12-month PD ranges for the asset to be considered Stage 1.

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

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. 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. 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 Bank 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.

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.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: 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 Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

When discounting future cash flows, the following discount rates are used:

- financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
- POCI assets: a credit-adjusted effective interest rate;
- lease receivables: the discount rate used in measuring the lease receivable;
- undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
- financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

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

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

ECL for exposures in Stage 1 are calculated by multiplying the 12-month PD by LGD and EAD.

Lifetime ECL are calculated by multiplying the lifetime PD by LGD and EAD.

The methodology for 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 Bank 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. LGD estimates are recalibrated for different economic scenarios and, for lending collateralised by property, 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 Bank 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. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank 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 Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which may include:

- instrument type;
- credit risk grade;
- collateral type;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- client segment.

The Groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Restructured Financial Assets

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 on 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.

Purchase of Credit-Impaired (Poci) Financial Assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition.

Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

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 Group 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.

Reversals of Impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written-back by reducing the loan impairment allowance accordingly. The write-back is recognised in the income statement.

Renegotiated Loans

Loans subject to collective impairment assessment whose terms have been renegotiated are no longer considered past due, but are treated as up-to-date loans for measurement purposes once a minimum number of payments required have been received.

Loans subject to individual impairment assessment, whose terms have been renegotiated, are subject to ongoing review to determine whether they remain impaired. The carrying amounts of loans that have been classified as renegotiated retain this classification until it is upgraded.

Financial Guarantee Contracts Held

The Group assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Group considers when making this assessment:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Group determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Group considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Group determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in "other assets". The Group presents gains or losses on a compensation right in profit or loss in the line item "impairment losses on financial instruments".

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;
- 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 fair value reserve.

16.1 COMPOSITION

		BANK		GROUP	
For the year ended 31 December	Note	**2024** LKR '000	2023 LKR '000	**2024** LKR '000	2023 LKR '000
Financial assets at amortised cost – loans and advances to customers		3,963,820	12,531,811	3,963,820	12,531,811
Financial assets at amortised cost – SLISB		–	494,199	–	494,199
Loan commitments and financial guarantee contracts		116,057	89,613	116,057	89,613
Impairment allowance for intangible assets		–	17,701	–	17,701
Other assets – matured SLISB		518,264	825,434	518,264	825,434
Other debts and investments		50,219	26,072	50,219	26,072
		4,648,360	13,984,830	4,648,360	13,984,830

SLISB – Sri Lanka International Sovereign Bond

16.2 IMPAIRMENT CHARGE

For the year ended 31 December	Note	2024			
		Stage 01 LKR '000	Stage 2 LKR '000	Stage 3 LKR '000	Total LKR '000
Gross impairment charge		1,402,525	2,327,685	13,129,077	16,859,287
Transfer to other stages/Impairment reversals due to the recoveries		(1,490,405)	(3,632,926)	(7,772,136)	(12,895,467)
Financial assets at amortised cost – Loans and advances to customers	32.1.4	(87,880)	(1,305,241)	5,356,941	3,963,820
Other assets – Matured SLISB	42.1.2		518,264		518,264
Loan commitments and financial guarantee contracts	58.1.1	88,291	27,766	–	116,057
		412	(759,211)	5,356,940	4,598,141
Other debts					50,219
Total impairment charge – Bank/Group					4,648,360

For the year ended 31 December	Note	2023			
		Stage 01 LKR '000	Stage 02 LKR '000	Stage 03 LKR '000	Total LKR '000
Gross impairment charge		1,186,790	5,912,763	14,239,209	21,338,762
Transfer to other stages/Impairment reversals due to the recoveries		(2,181,419)	(4,354,128)	(2,271,404)	(8,806,951)
Financial assets at amortised cost – Loans and advances to customers	32.1.4	(994,629)	1,558,635	11,967,805	12,531,811
Financial assets at amortised cost – Debt and other instruments	33.5	(144)	494,343	–	494,199
Other assets – Matured SLISB	42.1.2	–	825,434	–	825,434
Loan commitments and financial guarantee contracts	58.1.1	105,764	(16,151)	–	89,613
		(889,009)	2,862,261	11,967,805	13,941,057
Impairment charge for Intangible Assets					17,701
Impairment on other debts					26,072
Total impairment charge – Bank/Group					13,984,830

16.3 JUDGEMENTAL ADJUSTMENT

where appropriate, the Bank makes adjustments to the ECL estimate outside the Bank's regular modelling process to reflect management judgement.

For the year ended 31 December	BANK 2024 LKR '000	BANK 2023 LKR '000
Financial assets at amortised cost – loans to and receivables		
Loss allowance before judgemental adjustment	3,168,653	11,834,394
Management judgemental adjustment	795,166	697,417
Loss allowance after judgemental adjustment	3,963,819	12,531,811

16.3.1 JUDGEMENTAL ADJUSTMENT MOVEMENT

31 December	2024				2023			
	Judgmental Adjustment on the Stage 01 Exposure	Judgmental Adjustment on the Stage 02 Exposure	Judgmental Adjustment on the Stage 03 Exposure	Total	Judgmental Adjustment on the Stage 01 Exposure	Judgmental Adjustment on the Stage 02 Exposure	Judgmental Adjustment on the Stage 0 Exposure	Total
Opening balance	859,820	2,653,000	–	3,512,820	596,030	2,219,373	–	2,815,403
During the year provision/ (reversal)	228,684	(1,368,421)	1,934,902	795,166	263,790	433,627	–	697,417
Closing Balance	1,088,505	1,284,579	1,934,902	4,307,986	859,820	2,653,000	–	3,512,820

17. PERSONNEL EXPENSES

Accounting policy in Note 48.

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

17.1 COMPOSITION

For the year ended 31 December	Note	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Salaries and other benefits		7,370,064	4,325,494	7,580,673	4,548,971
Contributions to defined benefit plans	17.1.1	325,198	695	335,569	7,540
Contributions to defined contribution plans	17.1.2	632,963	451,755	664,398	480,788
		8,328,225	4,777,944	8,580,640	5,037,299

17.1.1 CONTRIBUTIONS TO DEFINED BENEFIT PLANS

For the year ended 31 December	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Funded pension liability				
Current service cost	44,561	27,020	44,561	27,020
Interest on obligation	307,133	297,396	307,133	297,396
Expected return on pension assets	(374,984)	(506,226)	(374,984)	(506,226)
	(23,290)	(181,810)	(23,290)	(181,810)
Unfunded pension liability				
Interest on obligation	5,684	6,269	5,684	6,269
	5,684	6,269	5,684	6,269
Unfunded end of service gratuity liability				
Current service cost	191,245	79,647	198,903	83,824
Interest on obligation	151,560	96,589	154,273	99,257
	342,805	176,236	353,175	183,081
Total contribution to defined benefit plans	325,198	695	335,569	7,540

17.1.2 CONTRIBUTIONS TO DEFINED CONTRIBUTION PLANS

For the year ended 31 December	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Employer's contribution to Employees' Provident Fund	527,516	376,490	550,331	399,779
Employer's contribution to Employees' Trust Fund	105,447	75,265	114,067	81,009
Total defined contribution plans	632,963	451,755	664,398	480,788

18. DEPRECIATION AND AMORTISATION

Accounting policy in Note 39 and 40.

For the year ended 31 December	Note	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Depreciation					
– Investment properties	38	–	–	35,274	33,067
– Property, plant and equipment	39	485,543	382,427	513,089	405,826
– Right-of-use assets	39	346,225	326,149	350,906	328,099
Amortisation					
– Intangible assets	40.1	384,525	415,277	390,929	423,671
		1,216,293	1,123,853	1,290,198	1,190,663

19. OTHER EXPENSES

ACCOUNTING POLICY

Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the income statement.

For the year ended 31 December	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Directors' emoluments	40,225	21,960	44,591	24,810
Auditors' remuneration				
Audit fees and expenses	11,417	9,939	13,886	11,417
Audit related fees and expenses	3,053	4,929	3,274	5,740
Fees for non-audit services	3,875	1,500	3,875	1,500
Professional and legal expenses	632	1,758	632	1,758
Premises, equipment and establishment expenses	3,796,399	3,489,960	3,796,399	3,489,960
Other overhead expenses	3,404,945	2,934,508	3,426,633	2,867,457
	7,260,546	6,464,554	7,289,290	6,402,642

20. TAXES ON FINANCIAL SERVICES

Value Added Tax on Financial Services (VAT on FS)

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

Social security contribution Levy (SSCL on FS)

SSCL on financial services is calculated in accordance with Social Security Contribution Levy Act No. 25 of 2022. SSCL is chargeable on the same base used for calculation of VAT on financial services.

20.1 COMPOSITION

For the year ended 31 December	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	**2024** LKR '000	2023 LKR '000
Value added tax on financial services	3,877,309	2,797,426	3,877,309	2,797,426
Social security contribution levy	538,515	388,531	538,515	388,531
Total	4,415,824	3,185,957	4,415,824	3,185,957

21. INCOME TAX EXPENSE

ACCOUNTING POLICY

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Current Taxation

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

The current tax expense for the Year of Assessment 2023/24 has been computed based on the prevailing tax rate of 30%.

As per Part I : Sec. (I) of the Gazette notification issued on 25 October 2022 under Inland revenue Act No. 24 of 2017, Sub section (2) and (3) of Section 66 , the impairment charges of Stage 3 credit facilities classified as per the Sri Lanka Accounting Standards (SLFRS 9) have been considered as allowable deduction (after adjusting for specifications given under Sec 1 of Schedule 1 of the said Gazette notification).

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred Taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. 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; such reductions are reversed when the probability of future taxable profits improves.

The Group applied deferred tax related to assets and liabilities arising from a single transaction (Amendments to LKAS 12) from 1 January 2023. Following the amendments, the Group has recognised separate deferred tax assets in relation to its lease liabilities and deferred tax liabilities in relation to its right-of-use assets. For further discussion on the impact of adopting the amendments, see Note 41.3.

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 assets/liabilities have been computed at the prevailing income tax rate of 30%.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

21.1 AMOUNT RECOGNISED IN INCOME STATEMENT

For the year ended 31 December	Note	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Current tax expense					
Current year		4,677,547	6,260,241	4,814,168	6,416,490
Change in estimates related to prior years		–	–	–	(355)
		4,677,547	6,260,241	4,814,168	6,416,135
Deferred tax expense					
(Reversal)/origination of deferred tax liabilities	41.1	(121,810)	(7,147)	(127,055)	(46,628)
Origination of deferred tax assets	41.2	590,153	(2,512,470)	577,985	(2,519,897)
		468,343	(2,519,617)	450,930	(2,566,525)
Tax expense/(reversal) on continuing operations		5,145,890	3,740,624	5,265,098	3,849,610

The Group has considered the relevant provisions of the Inland Revenue Act, No. 24 of 2017 and amendments thereto when computing the current and deferred tax assets/liabilities.

21.2 AMOUNT RECOGNISED IN OTHER COMPREHENSIVE INCOME

For the year ended 31 December	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Items that are or may be reclassified subsequently to income statement				
Movement in fair value reserve (FVOCI debt instruments)	(272,208)	(927,873)	(272,208)	(927,873)
Cash flow hedges	295,473	(530,759)	295,473	(530,759)
	23,265	(1,458,632)	23,265	(1,458,632)
Items that will not be reclassified to income statement				
Gain on remeasurement of defined benefit liability – gratuity	(66,714)	211,489	(64,934)	212,070
Gain on remeasurement of defined benefit liability – pension fund	7,310	2,295	7,310	2,295
Equity investments at FVOCI – net change in fair value	(9,663)	(4,970)	(9,663)	(4,970)
	(69,067)	208,814	(67,287)	209,395
Total deferred tax reversal recognised in OCI	(45,802)	(1,249,818)	(44,022)	(1,249,237)

21.3 AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME – ANALYSIS OF TAX EXPENSES

	BANK					
	2024			2023		
	Before tax LKR '000	Tax (expense) benefit LKR '000	Net of tax LKR '000	Before tax LKR '000	Tax (expense) benefit LKR '000	Net of tax LKR '000
Items that are or may be reclassified subsequently to Income statement						
Movement in fair value reserve (FVOCI debt instruments)	911,658	(272,208)	639,450	3,093,155	(927,873)	2,165,282
Movement in hedging reserve	(984,910)	295,473	(689,437)	1,769,198	(530,759)	1,238,439
Items that will not be reclassified to income statement						
Gain/(Losses) on remeasurement of defined benefit (assets)/liabilities	198,014	(59,404)	138,610	(712,612)	213,784	(498,828)
Equity investment at FVOCI – net change in fair value	9,119,809	(9,663)	9,110,146	7,015,939	(4,970)	7,010,969
Total	9,244,571	(45,802)	9,198,769	11,165,680	(1,249,818)	9,915,862

* Deferred tax is calculated only for mark to market gains on treasury bills and bonds.

** Deferred tax is calculated only for the mark to market gain on unquoted shares as the disposal gains on quoted shares is exempted for income taxes.

21.4 RECONCILIATION OF EFFECTIVE TAX RATE WITH INCOME TAX RATE

	BANK				GROUP			
For the year ended 31 December	2024		2023		2024		2023	
	%	LKR '000	%	LKR '000	%	LKR '000	%	LKR '000
Tax using 30% tax rate on profit before tax (PBT)	30.00	4,049,526	30.00	3,288,098	30.00	4,559,250	30.00	3,752,445
Adjustment in respect of current income tax of prior periods					–	–		
Non-deductible expenses	17.61	2,377,184	64.52	7,071,778	13.20	2,006,811	55.48	6,763,152
Allowable deductions	(4.46)	(602,044)	(33.77)	(3,701,470)	(4.07)	(618,622)	(29.64)	(3,708,005)
Dividend income	(2.18)	(293,848)	(2.03)	(222,466)	(1.83)	(278,530)	(1.78)	(222,466)
Tax incentives	(6.06)	(817,531)	(2.02)	(221,485)	(5.39)	(819,001)	(1.81)	(225,803)
Taxable timing difference from capital allowances on assets	(0.26)	(35,740)	0.42	45,786	(0.24)	(35,740)	0.37	45,786
Tax losses from prior year	–	–	–	–	–	–	0.09	11,026
Taxed at different rates	–	–	–	–	–	–		
Current tax expense	34.65	4,677,547	57.12	6,260,241	31.68	4,814,168	52.71	6,416,135

GROUP					
2024			2023		
Before tax LKR '000	Tax (expense) benefit LKR '000	Net of tax LKR '000	Before tax LKR '000	Tax (expense) benefit LKR '000	Net of tax LKR '000
911,658	(272,208)	639,449	3,093,155	(927,873)	2,165,282
(984,910)	295,473	(689,437)	1,769,198	(530,759)	1,238,439
192,301	(57,624)	134,677	(714,335)	214,365	(499,970)
9,119,809	(9,663)	9,110,145	7,015,939	(4,970)	7,010,969
9,238,858	(44,022)	9,194,834	11,163,957	(1,249,237)	9,914,720

22. DISCONTINUED OPERATION

ACCOUNTING POLICY

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographic area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to resell. Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

DFCC Bank made an announcement to the Colombo Stock Exchange (CSE) disclosing its intention to divest its from investment in its joint venture of Acuity Partners (Pvt) Ltd.

22.1 RESULTS OF DISCONTINUED OPERATION

For the year ended 31 December	2024 LKR '000	2023 LKR '000
Percentage ownership interest (%)	50	50
Revenue	5,859,417	4,594,274
Expenses	(2,331,927)	(2,345,953)
Share of profit of equity accounted investees	732,529	43,376
Income tax expense	(1,115,854)	(275,246)
Profit after tax (100%)	3,144,165	2,016,451
Other comprehensive expenses (100%)	(1,416,516)	(1,416,016)
Total comprehensive income (100%)	1,727,649	600,435
Profit attributable to equity holders	2,755,853	2,278,735
Other comprehensive expenses attributable to equity holders	(634,772)	(632,672)
Total comprehensive income attributable to equity holders	2,121,081	1,646,063
Profit for the year from discontinued operations, net of tax (50%)	1,377,926	1,139,367
Other comprehensive expenses for the year from discontinued operations, net of tax (50%)	(317,386)	(316,336)
Total comprehensive income from discontinued operations, net of tax (50%)	1,060,540	823,031
Earnings per share		
Basic/diluted earnings per ordinary share (LKR) (Note 23)	3.20	2.73

23. EARNINGS PER SHARE

ACCOUNTING POLICY

The Group presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

23.1 BASIC EARNINGS PER SHARE

	BANK		GROUP	
For the year ended 31 December	2024	2023	2024	2023
Profit attributable to equity holders of the Bank – continuing operations (LKR '000)	8,352,531	7,219,702	8,399,590	7,345,779
Profit attributable to equity holders of the Bank – discontinued operations (LKR '000)	–	–	1,377,926	1,139,367
Profit attributable to equity holders of the Bank – total (LKR '000)	8,352,531	7,219,702	9,777,516	8,485,146
Weighted average number of ordinary shares	430,492,731	417,933,648	430,492,731	417,933,648
Basic earnings per ordinary share – continuing operations LKR	19.40	17.27	19.51	17.58
Basic earnings per ordinary share – discontinued operations LKR	–	–	3.20	2.73
Basic earnings per ordinary share – total LKR	19.40	17.27	22.71	20.30

23.2 WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR BASIC EARNINGS PER SHARE

For the year ended 31 December	OUTSTANDING NUMBER OF SHARES		WEIGHTED AVERAGE NUMBER OF SHARES	
	2024	2023	**2024**	2023
Number of shares in issue at beginning	421,948,655	402,666,056	421,948,655	402,666,056
Number of shares satisfied in the form of issue and allotment of new shares from final dividend for 2023	10,709,356	19,282,599	8,544,076	15,267,592
Weighted average number of ordinary shares for basic earnings per ordinary share calculation	432,658,011	421,948,655	430,492,731	417,933,648

23.3 DILUTED EARNINGS PER SHARE

There was no dilution of ordinary shares outstanding. Therefore, diluted earnings per share is the same as basic earnings per share as shown in Note 23.1

24. DIVIDEND PER SHARE

The Board of Directors of the Bank has approved the payment of a first and final dividend of LKR 6.00 per share which is to be satisfied in the form of cash and allotment of new ordinary shares for the year ended 31 December 2024. (The Bank approved a first and final dividend of LKR 5.00 per share which is to be satisfied in the form of cash and allotment of new ordinary shares for the year ended 31 December 2023).

For the year ended 31 December	BANK	
	2024	2023
Dividend per share (LKR)	6.00	5.00

COMPLIANCE WITH SECTION 56 AND 57 OF COMPANIES ACT NO. 7 OF 2007

As required by Section 56 of the Companies Act No. 7 of 2007 the Board of Directors of the Company satisfied the solvency test in accordance with Section 57, subject to relevant regulatory adherence, prior to declaring the final dividend. A statement of solvency duly completed and signed by the Directors on 19 February 2025 have been audited by Messrs KPMG.

DIVIDEND PAID DURING THE YEAR

For the year ended 31 December	BANK	
	2024 LKR '000	2023 LKR '000
First and final scrip dividend paid – LKR 2.00 per share (2023 – LKR 2.00)	843,897	805,332
First and final cash dividend paid – LKR 3.00 per share (2023 – Nil)	1,265,846	–

25. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

See accounting policies in Notes 5.3.

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

		Bank			
As at 31 December 2024	Note	Fair value through profit or loss – mandatory LKR '000	Fair value through other comprehensive income LKR '000	Amortised cost LKR '000	Total LKR '000
Financial Assets					
Cash and cash equivalents	26	–	–	13,504,806	13,504,806
Balances with Central Bank of Sri Lanka	27	–	–	2,328,346	2,328,346
Placements with banks	28	–	–	11,229,492	11,229,492
Derivative financial assets	29	9,643,442	–	–	9,643,442
Financial assets measured at fair value through profit or loss	30	7,416,018	–	–	7,416,018
Financial assets at amortised cost – Loans and advances to banks	31	–	–	1,500,338	1,500,338
Financial assets at amortised cost – Loans and advances to customers	32	–	–	394,361,480	394,361,480
Financial assets at amortised cost – Debt and other instruments	33	–	–	105,641,690	105,641,690
Financial assets measured at fair value through other comprehensive income	34	–	138,258,226	–	138,258,226
Other assets	42	–	–	4,946,528	4,946,528
Total financial assets		17,059,460	138,258,226	533,512,680	688,830,366
Financial Liabilities					
Due to banks	44	–	–	7,149,474	7,149,474
Derivative financial liabilities	29	909,188	–	–	909,188
Financial liabilities at amortised cost – Due to depositors	45	–	–	465,153,180	465,153,180
Financial liabilities at amortised cost – Due to other borrowers	46	–	–	96,755,632	96,755,632
Debt securities issued	47	–	–	14,690,723	14,690,723
Other liabilities	50	–	–	7,441,320	7,441,320
Subordinated term-debt	51	–	–	18,234,054	18,234,054
Total financial liabilities		909,188	–	609,424,383	610,333,571

	Group			
	Fair value through profit or loss – mandatory LKR '000	Fair value through other comprehensive income LKR '000	Amortised cost LKR '000	Total LKR '000
	–	–	13,523,475	13,523,475
	–	–	2,328,346	2,328,346
	–	–	11,229,492	11,229,492
	9,643,442	–	–	9,643,442
	7,416,018	–	–	7,416,018
	–	–	1,500,338	1,500,338
	–	–	394,361,480	394,361,480
	–	–	105,701,871	105,701,871
	–	138,258,226	–	138,258,226
	–	–	5,135,115	5,135,115
	17,059,460	138,258,226	533,780,117	689,097,803
	–	–	7,149,474	7,149,474
	909,188	–	–	909,188
	–	–	464,359,564	464,359,564
	–	–	96,755,632	96,755,632
	–	–	14,690,723	14,690,723
	–	–	7,719,982	7,719,982
	–	–	18,234,054	18,234,054
	909,188	–	608,909,429	609,818,617

As at 31 December 2023	Note	Bank Fair value through profit or loss – mandatory LKR '000	 Fair value through other comprehensive income LKR '000	 Amortised cost LKR '000	 Total LKR '000
Financial assets					
Cash and cash equivalents	26	–	–	14,478,468	14,478,468
Balances with Central Bank of Sri Lanka	27	–	–	2,107,776	2,107,776
Placements with banks	28	–	–	29,138,098	29,138,098
Derivative financial assets	29	16,499,171	–	–	16,499,171
Financial assets measured at fair value through profit or loss	30	1,740,928	–	–	1,740,928
Financial assets at amortised cost – Loans and advances to customers	32	–	–	348,767,466	348,767,466
Financial assets at amortised cost – Debt and other instruments	33	–	–	68,031,313	68,031,313
Financial assets measured at fair value through other comprehensive income	34	–	134,902,765	–	134,902,765
Other assets	42	–	–	11,021,709	11,021,709
Total financial assets		18,240,099	134,902,765	473,544,830	626,687,694
Financial liabilities					
Due to banks	44	–	–	52,793,464	52,793,464
Derivative financial liabilities	29	381,653	–	–	381,653
Financial liabilities at amortised cost – Due to depositors	45	–	–	407,225,313	407,225,313
Financial liabilities at amortised cost – Due to other borrowers	46	–	–	72,022,734	72,022,734
Debt securities issued	47	–	–	16,311,577	16,311,577
Other liabilities	50	–	–	6,018,466	6,018,466
Subordinated term debt	51	–	–	9,072,265	9,072,265
Total financial liabilities		381,653	–	563,443,819	563,825,472

Group			
Fair value through profit or loss – mandatory LKR '000	Fair value through other comprehensive income LKR '000	Amortised cost LKR '000	Total LKR '000
–	–	14,483,062	14,483,062
–	–	2,107,776	2,107,776
–	–	29,173,988	29,173,988
16,499,171	–	–	16,499,171
1,740,928	–	–	1,740,928
–	–	348,767,466	348,767,466
–	–	68,094,041	68,094,041
–	134,902,765	–	134,902,765
–	–	11,190,796	11,190,796
18,240,099	134,902,765	473,817,129	626,959,993
–	–	52,793,464	52,793,464
381,653	–	–	381,653
–	–	406,584,864	406,584,864
–	–	72,022,734	72,022,734
–	–	16,311,577	16,311,577
–	–	6,241,402	6,241,402
–	–	9,072,265	9,072,265
381,653	–	563,026,306	563,407,959

26. CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

Cash and cash equivalents include cash in hand, demand placements with banks and highly liquid financial assets with original maturities within three months or less from the date of acquisition that are subject to an insignificant risk of changes in fair value and are used by the Group in the management of its short-term commitments. These items are brought to Financial Statements at face values or gross values, where appropriate.

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

Statement of cash flows

The Statement of Cash Flows has been prepared by using the "Direct Method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard – LKAS 7 on "Statement of Cash Flows". A reconciliation of the profit for the year to operating cash flows before changes in operating assets and liabilities is also presented for comparability.

As at 31 December	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	**2024** LKR '000	2023 LKR '000
Cash in hand	10,487,340	10,811,748	10,487,990	10,811,888
Balances with banks	3,017,466	3,666,720	3,035,485	3,671,174
	13,504,806	14,478,468	13,523,475	14,483,062

26.1 ANALYSIS BY CURRENCY

As at 31 December	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	**2024** LKR '000	2023 LKR '000
Cash in hand	10,487,340	10,811,748	10,487,990	10,811,888
Held in local currency	10,340,257	10,599,533	10,340,907	10,599,673
Held in foreign currency	147,083	212,215	147,083	212,215
Balances with banks	3,017,466	3,666,720	3,035,485	3,671,174
Local banks	511,171	333,191	529,190	337,645
Foreign banks	2,506,295	3,333,529	2,506,295	3,333,529
	13,504,806	14,478,468	13,523,475	14,483,062

27. BALANCES WITH CENTRAL BANK OF SRI LANKA

ACCOUNTING POLICY

Balances with Central Banks are carried at amortised cost in the statement of financial position.

As at 31 December	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	**2024** LKR '000	2023 LKR '000
Statutory balances with Central Bank of Sri Lanka	2,328,346	2,107,776	2,328,346	2,107,776

As required by the provisions of Section 93 of Monetary Law Act, a minimum cash balance is maintained with the Central Bank of Sri Lanka. The minimum cash reserve requirement on rupee deposit liabilities is prescribed as a percentage of rupee deposit liabilities. The percentage varies from time to time. Applicable minimum ratio was 2% with effect from 16 August 2023. There are no reserve requirements for deposit liabilities of the Foreign Currency Banking Unit and foreign currency deposit liabilities in the Domestic Banking Unit.

28. PLACEMENTS WITH BANKS

See accounting policies in Note 9.4.1.

As at 31 December	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	**2024** LKR '000	2023 LKR '000
Central Bank of Sri Lanka	3,100,607	4,543,199	3,100,607	4,543,199
Axis Bank – IBU GIFT CITY	593,894	–	593,894	–
Bank Of Ceylon London	1,472,608	1,339,425	1,472,608	1,339,425
Cargills Bank PLC	–	200,155	–	200,155
ICICI IBU Gift City	–	2,434,669	–	2,434,669
Indian Overseas Bank Colombo	–	162,059	–	162,059
Doha Bank Qatar	2,347,806	–	2,347,806	–
Mashreq Bank PSC Dubai UAE	2,059,076	9,814,759	2,059,076	9,814,759
Commercial Bank of Ceylon PLC	474,629	438,750	474,629	474,640
Nations Trust Bank PLC	–	750,579	–	750,579
Standard Chartered Bank Singapore	–	42,073	–	42,073
Standard Chartered Bank London	299,960	331,224	299,960	331,224
National Bank of Ras Ai Khaimah	–	9,081,206	–	9,081,206
Pan Asia Bank PLC	880,912	–	880,912	–
Total	11,229,492	29,138,098	11,229,492	29,173,988

29. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

ACCOUNTING POLICY

Derivative assets held-for-risk management purposes include all derivative assets that are not classified as trading assets and are measured at fair value in the Statement of Financial Position.

Policy applicable generally to hedging relationships

The Group designates certain derivatives held-for-risk management as well as certain non derivative financial instruments as hedging instruments in qualifying hedging relationships.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument is expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80 – 125%. For a cash flow hedge of a forecast transaction, the Group makes an assessment of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

29.1 CASH FLOW HEDGE

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in the hedging reserve is reclassified from OCI to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the income statement and OCI.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a Central Counterparty (CCP) by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated. If the hedged cash flows are no longer expected to occur, then the Group immediately reclassifies the amount in the hedging reserve from OCI to profit or loss. For terminated hedging relationships, if the hedged cash flows are still expected to occur, then the amount accumulated in the hedging reserve is not reclassified until the hedged cash flows affect profit or loss. If the hedged cash flows are expected to affect profit or loss in multiple reporting periods, then the Group reclassifies the amount in the hedging reserve from OCI to profit or loss on a straight line basis.

The Bank uses Cross Currency Swaps (CCS) to hedge the interest rate risk and exchange rate risk arising from a floating rate borrowing denominated in foreign currencies. The hedging relationship is designated as cash flow hedge since the Bank is expecting to hedge the variability arise by the interest rate risk and exchange rate risk, where the USD borrowing can be identified as the hedged item, the CCS can be identified as the hedge instrument and interest rate risk and exchange rate risk can be identified as the hedged risk.

Derivatives are classified as assets, when their fair value is positive or as liabilities, when their fair value is negative. Derivative assets and liabilities arising from different transactions are only offset, if the transactions are with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis.

29.2 FAIR VALUE HEDGE OF FOREIGN EXCHANGE RISK

The Bank has hedged the risk of variation in fair value of foreign currency denominated loans using foreign currency forwards from 1 January 2019. The risk management strategy is to use the foreign currency variability (gains/losses) arising due to revaluation of the foreign currency forwards, attributable to change in the spot foreign exchange rates, to off-set the variability, due to foreign exchange rate movements, in the value of USD denominated loans.

The hedged risk is the USD/LKR foreign exchange risk in the LKR conversion of USD denominated long-term liabilities. USD denominated long-term liabilities are designated as a hedge item and forward contract that of maturity, match with the tenure considered as a hedge instrument.

The Group's approach to managing market risk, including foreign exchange risk, is discussed in Note 8.4 The Group's exposure to foreign exchange risk is disclosed in Note 8.4.5.

By using derivative financial instruments to hedge exposures to changes in exchange rates, the Group also exposes itself to credit risk of the derivative counterparty, which is not offset by the hedged item. The Group minimises counterparty credit risk in derivative instruments by entering into transactions with high-reputed counterparties.

Before fair value hedge accounting is applied by the Group, the Group determines whether an economic relationship between the hedged item and the hedging instrument exists based on an evaluation of the qualitative characteristics of these items and the hedged risk that is supported by quantitative analysis. The Group considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship. The Group evaluates whether the fair value of the hedged item and the hedging instrument respond similarly to similar risks.

Under the Group policy, in order to conclude that a hedging relationship is effective, all the required criteria should be met.

29.3 OTHER NON-TRADING DERIVATIVES

Other non-trading derivatives are recognised on balance sheet at fair value. If a derivative is not held for trading, and is not designated in a qualifying hedging relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of net income from other financial instruments at FVTPL.

29.4 DERIVATIVE FINANCIAL ASSETS/LIABILITIES

The following table describes the fair values of derivatives held-for-risk management purposes by type of instrument:

29.4.1 ASSETS

	BANK		GROUP	
As at 31 December	**2024** LKR '000	2023 LKR '000	**2024** LKR '000	2023 LKR '000
Instrument Type				
Foreign exchange				
Forward foreign exchange contracts – currency swaps	9,527,979	16,487,547	9,527,979	16,487,547
– other	115,463	11,624	115,463	11,624
	9,643,442	16,499,171	9,643,442	16,499,171

29.4.2 LIABILITIES

	BANK		GROUP	
As at 31 December	**2024** LKR '000	2023 LKR '000	**2024** LKR '000	2023 LKR '000
Instrument type				
Foreign exchange				
Forward foreign exchange contracts – currency swaps	852,241	333,282	852,241	333,282
– other	56,947	48,371	56,947	48,371
	909,188	381,653	909,188	381,653

29.4.3 ACCOUNTING HEDGE

Hedging instruments Foreign currency risk	Line item in the statement of financial position	BANK 2024 Asset LKR '000	BANK 2024 Amount set off in the income statements LKR '000	BANK 2023 Asset LKR '000	BANK 2023 Amount set off in the income statements LKR '000
Fair value hedge					
Hedge of foreign exchange risk arising from foreign currency denominated long term liabilities using FX forwards.	Derivative assets (liabilities) held-for-risk management purposes	(714,583)	459,000	–	–
Cashflow Hedge					
Hedge of foreign exchange risk arising from foreign currency denominated long term liabilities using FX forwards.	Derivative assets (liabilities) held-for-risk management purposes	9,449,283	5,930,375	16,364,160	5,657,125

In arriving at the derivative asset, the fair value of the derivative asset credit value adjustment has been considered.

The amount relating to items designated as hedged items are as follows:

Line item in the statement of financial position in which the hedged items are included.	BANK 2024 Carrying amount of liability LKR '000	BANK 2024 Amount set off in the income statement LKR '000	BANK 2023 Carrying amount of liability LKR '000	BANK 2023 Amount set off in the income statement LKR '000
Due to other customers	43,481,880	(403,104)	–	–
Due to other borrowers	33,535,620	5,874,479	38,472,625	5,657,125
	77,017,500	5,471,375	38,472,625	5,657,125

Following table summarises the impact on the line items in the income statement.

Impact on income statements	BANK 2024 Balance before the hedging adjustment LKR '000	BANK 2024 Hedging adjustment LKR '000	BANK 2024 Balance after the hedging adjustment LKR '000	BANK 2023 Balance before the hedging adjustment LKR '000	BANK 2023 Hedging adjustment LKR '000	BANK 2023 Balance after the hedging adjustment LKR '000
Foreign exchange gain/ (loss) (Note 13)	6,260,259	(5,471,375)	788,884	7,239,136	(5,657,125)	1,582,011

30. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

ACCOUNTING POLICY

See accounting policies in Notes 5.3.9.

Financial assets measured at FVTPL are measured initially at fair value and subsequently recorded in the statement of financial position at fair value. Changes in fair value are recognised in the income statement.

As at 31 December	Note	BANK/GROUP 2024 Fair value LKR '000	2023 Fair value LKR '000
Quoted equity securities	30.1	3,374,092	1,169,294
Quoted units in Unit Trust	30.2	–	3,740
Unquoted units in Unit Trust*	30.3	2,213,230	34,962
Treasury Bills		–	746
Treasury Bonds		1,828,696	532,186
		7,416,018	1,740,928

*The valuation of unquoted units in Unit Trust was carried out using publicly available information, in line with standard valuation practices.

30.1 QUOTED EQUITY SECURITIES – BANK/GROUP

As at 31 December	2024			2023		
	Number of ordinary shares	Cost LKR '000	Fair value LKR '000	Number of ordinary shares	Cost LKR '000	Fair value LKR '000
John Keells Holdings PLC	1,049,000	222,089	237,074	295,084	43,312	56,361
Hayleys PLC	1,104,791	105,814	145,004	997,096	101,500	71,193
Lanka Tiles PLC	–	–	–	721,393	74,155	30,443
Kelani Cables PLC	–	–	–	45,000	11,928	10,980
ACL Cables PLC	1,765,747	166,459	209,241	1,400,000	135,846	96,320
Sunshine Holdings PLC	1,235,131	99,570	123,513	1,000,000	51,403	51,000
Hayleys Fabric PLC	–	–	–	962,168	31,377	38,968
Hela Apparel Holdings PLC	–	–	–	4,000,000	54,157	20,000
Expolanka Holdings PLC	–	–	–	910,000	170,870	130,358
Agstar PLC	–	–	–	4,000,000	74,238	34,000
Royal Ceramic Lanka PLC	1,594,404	55,876	69,357	900,000	33,848	23,760
Lanka IOC PLC	–	–	–	1,550,000	319,950	158,100
Softlogic Life Insurance PLC	–	–	–	242,986	28,174	13,072
Sampath Bank PLC	2,367,691	189,200	279,979	2,195,794	141,146	154,803
Vallibel One PLC	1,141,096	64,348	74,514	400,000	16,915	15,360
Nations Trust Bank PLC	–	–	–	586,192	53,207	63,016
Commercial Credit and Finance PLC	974,975	35,099	55,574	1,974,975	71,099	57,472
National Development Bank PLC	–	–	–	2,000,000	166,495	129,800
Access Engineering PLC	4,377,012	114,606	151,007	703,854	12,521	14,288
Hatton National Bank PLC	2,425,391	518,069	775,519	–	–	–
Central Finance Company PLC	433,894	48,404	82,440	–	–	–
Tokyo Cement Company (Lanka) PLC	718,738	44,255	50,312	–	–	–
People's Leasing & Finance PLC	2,103,237	26,868	35,755	–	–	–
Seylan Bank PLC – Non-voting	215,150	8,589	12,264	–	–	–

As at 31 December	2024			2023		
	Number of ordinary shares	Cost LKR '000	Fair value LKR '000	Number of ordinary shares	Cost LKR '000	Fair value LKR '000
Distilleries Company of Sri Lanka PLC	1,510,990	43,844	58,929	–	–	–
Ceylon Cold Stores PLC	25,000	1,555	2,090	–	–	–
Haycarb PLC	73,428	6,018	6,263	–	–	–
JAT Holdings PLC	23,298	445	582	–	–	–
Melstacorp PLC	200,000	22,400	24,600	–	–	–
Aitken Spence PLC	900,000	115,817	130,500	–	–	–
Dialog Axiata PLC	3,211,548	35,299	37,575	–	–	–
LB Finance PLC	1,790,036	141,115	160,208	–	–	–
Vallibel Finance PLC	840,000	42,251	44,772	–	–	–
Hatton National Bank PLC – Non Voting	496,190	99,969	127,397	–	–	–
Tokyo Cement Company (Lanka) PLC – Non Voting	876,020	45,716	53,350	–	–	–
Dipped Products PLC	2,048,323	105,983	111,634	–	–	–
Hemas Holdings PLC	1,423,442	124,752	146,991	–	–	–
Swisstek Ceylon PLC	481,965	16,319	20,243	–	–	–
Aitken Spence Hotel Holdings PLC	499,086	38,821	42,273	–	–	–
Chemical Industries (Colombo) Holdings PLC – Voting	20,000	1,820	1,880	–	–	–
Chemical Industries (Colombo) Holdings PLC – Non Voting	465,000	29,704	31,155	–	–	–
John Keells Hotels PLC	3,500,000	66,294	72,100	–	–	–
		2,637,368	3,374,095		1,592,141	1,169,294

30.2 QUOTED UNITS IN UNIT TRUST – BANK/GROUP

As at 31 December	2024			2023		
	Number of units	Cost LKR '000	Fair value LKR '000	Number of units	Cost LKR '000	Fair value LKR '000
NAMAL Acuity Value Fund	39,102	–	–	39,102	1,963	3,740
					1,963	3,740

30.3 UNQUOTED UNITS IN UNIT TRUST – BANK/GROUP

As at 31 December	2024			2023		
	Number of units	Cost LKR '000	Fair value LKR '000	Number of units	Cost LKR '000	Fair value LKR '000
NAMAL Growth Fund	155,000	1,539	32,947	155,000	1,539	25,365
National Equity Fund	250,000	2,657	12,885	250,000	2,657	9,597
NDB Wealth Money Fund	61,704,589	2,000,000	2,167,398	–	–	–
		2,004,196	2,213,230	–	4,196	34,962

The valuation of unquoted unit trusts was carried out using publicly available information, in line with Standard valuation practices.

31. FINANCIAL ASSETS AT AMORTISED COST – LOANS TO AND ADVANCES TO BANKS

ACCOUNTING POLICY

See accounting policies in Notes 5.3 and 16.

"Financial assets at amortised cost – Loans to and receivables from Banks" include amounts due from banks. As per SLFRS 9, loans to and receivables from to banks are assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows and the contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding."

As At 31 December	Note	BANK/GROUP **2024** LKR '000	 2023 LKR '000
Gross loans and receivables	31.1	1,500,338	
Accumulated impairment under Stage 1		–	–
Net loans and receivables		1,500,338	–

31.1 ANALYSIS

31.1.1 BY PRODUCTS

As At 31 December	**2024** LKR '000	2023 LKR '000
Government of Sri Lanka Treasury Bills	1,500,338	–
Net loans and receivables	1,500,338	–

31.1.2 BY CURRENCY

As At 31 December	**2024** LKR '000	2023 LKR '000
Sri Lankan Rupee	1,500,338	–
Net loans and receivables	1,500,338	–

32. FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES TO CUSTOMERS

ACCOUNTING POLICY

See accounting policies in Notes 5.3 and 16.

Loans to and receivables from other customers include loans and advances and lease receivables of the Group.

Principal amount of loans and advances (for example, over drawn balances in current account are recognised when cash is advanced to a borrower. They are derecognised when either the borrower repays its obligations, or the loans are written-off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less any reduction for impairment or uncollectibility.

When the Bank is the lessor in a lease agreement that transfers substantially all of the risk and rewards incidental to the ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented within loans and advances.

Loans and advances to customers are normally written off, either partially or in full, when there is no realistic prospect of recovery and all possible steps have been executed in recovering dues. Where loans are secured, this is generally after receipt of any proceeds from the realisation of the security. If the write-off is later recovered, the recovery is credited to "Net other operating income".

		BANK		GROUP	
As at 31 December	Note	**2024** LKR '000	2023 LKR '000	**2024** LKR '000	2023 LKR '000
Gross loans and advances		440,906,944	394,684,722	440,906,944	394,684,722
Allowance for impairment	32.1.4	(46,545,464)	(45,917,256)	(46,545,464)	(45,917,256)
Net loans and advances		394,361,480	348,767,466	394,361,480	348,767,466
Gross loans and advances					
Stage 1		306,777,253	256,605,317	306,777,253	256,605,317
Stage 2		65,522,918	66,738,085	65,522,918	66,738,085
Stage 3		68,606,773	71,341,320	68,606,773	71,341,320
		440,906,944	394,684,722	440,906,944	394,684,722
Allowance for impairment					
Stage 1		3,412,778	3,500,658	3,412,778	3,500,658
Stage 2		5,930,684	7,235,925	5,930,684	7,235,925
Stage 3		37,202,002	35,180,673	37,202,002	35,180,673
		46,545,464	45,917,256	46,545,464	45,917,256
Net loans and advances		394,361,480	348,767,466	394,361,480	348,767,466

32.1 ANALYSIS
32.1.1 BY PRODUCT

		BANK		GROUP	
As at 31 December	Note	**2024** LKR '000	2023 LKR '000	**2024** LKR '000	2023 LKR '000
Overdrafts		58,520,136	51,236,884	58,520,136	51,236,884
Trade finance		64,742,144	48,731,070	64,742,144	48,731,070
Lease rentals receivables	32.1.1.1	25,898,216	15,404,967	25,898,216	15,404,967
Credit cards		7,716,549	6,820,265	7,716,549	6,820,265
Pawning		16,152,388	13,258,894	16,152,388	13,258,894
Staff loans		2,823,269	2,365,949	2,823,269	2,365,949
Term loans		265,054,242	256,866,693	265,054,242	256,866,693
Asset back notes		–	–	–	–
Gross loans and receivables		440,906,944	394,684,722	440,906,944	394,684,722

Repayment Deferral Packages Offered to Customers

The Bank has offered various forms of assistance to customers to counteract the impact of the economic crisis on the ability of customers to meet their loan obligations, based on the guidelines given by Central Bank of Sri Lanka and Bank's own initiatives. Refer to Key Judgements and Estimates in this Note 32.1.4 for details of the impact of deferrals when determining if there has been a Significant Increase in Credit Risk (SICR).

32.1.1.1 LEASE RENTALS RECEIVABLE

		BANK		GROUP	
As at 31 December	Note	**2024** LKR '000	2023 LKR '000	**2024** LKR '000	2023 LKR '000
Gross investment in leases:					
Lease rental receivables					
– within one year		11,421,615	9,248,004	11,421,615	9,248,004
– one to five years		20,479,763	9,538,858	20,479,763	9,538,858
		31,901,378	18,786,862	31,901,378	18,786,862
Less: deposit of rentals		9,804	10,562	9,804	10,562
Unearned income on rental receivables					
– within one year		2,993,184	1,948,715	2,993,184	1,948,715
– one to five years		3,000,174	1,422,618	3,000,174	1,422,618
		25,898,216	15,404,967	25,898,216	15,404,967

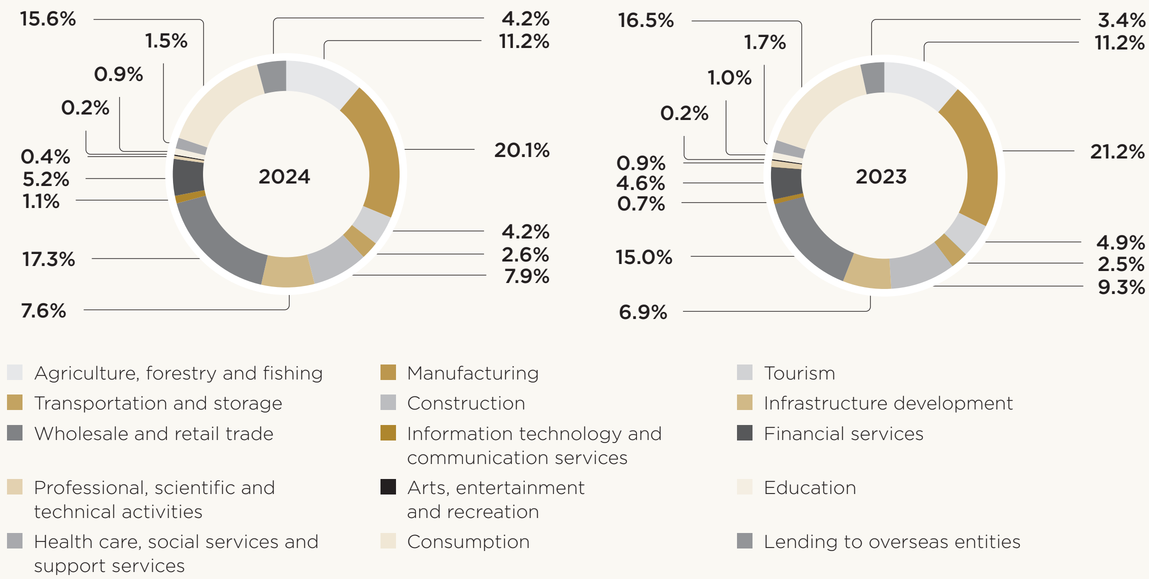
32.1.2 BY CURRENCY

	BANK		GROUP	
As at 31 December	**2024** LKR '000	2023 LKR '000	**2024** LKR '000	2023 LKR '000
Sri Lankan Rupee	383,281,299	341,475,833	383,281,299	341,475,833
United States Dollar	56,510,580	52,017,419	56,510,580	52,017,419
Great Britain Pound	999,612	1,037,494	999,612	1,037,494
Australian Dollar	68,763	140	68,763	140
Euro	46,690	153,836	46,690	153,836
Gross loans and receivables	440,906,944	394,684,722	440,906,944	394,684,722

32.1.3 BY INDUSTRY

	BANK		GROUP	
As at 31 December	**2024** LKR '000	2023 LKR '000	**2024** LKR '000	2023 LKR '000
Agriculture, forestry and fishing	49,197,555	44,259,142	49,197,555	44,259,142
Manufacturing	88,681,535	83,484,996	88,681,535	83,484,996
Tourism	18,595,720	19,208,743	18,595,720	19,208,743
Transportation and storage	11,338,122	9,922,045	11,338,122	9,922,045
Construction	34,847,510	36,651,087	34,847,510	36,651,087
Infrastructure development	33,449,191	27,246,566	33,449,191	27,246,566
Wholesale and retail trade	76,185,140	59,263,794	76,185,140	59,263,794
Information technology and communication services	4,772,162	2,600,034	4,772,162	2,600,034
Financial services	23,112,645	18,212,994	23,112,645	18,212,994
Professional, scientific and technical activities	1,888,835	3,642,277	1,888,835	3,642,277
Arts, entertainment and recreation	758,288	644,475	758,288	644,475
Education	3,932,564	3,903,953	3,932,564	3,903,953
Health care, social services and support services	6,791,645	6,967,779	6,791,645	6,967,779
Consumption	69,052,896	65,229,541	69,052,896	65,229,541
Lending to overseas entities	18,303,136	13,447,296	18,303,136	13,447,296
Gross loans and receivables	440,906,944	394,684,722	440,906,944	394,684,722

ANALYSIS BY INDUSTRY



32.1.4 MOVEMENTS IN IMPAIRMENT DURING THE YEAR

As at 31 December	BANK/GROUP 2024 LKR '000	2023 LKR '000
Stage 1		
Balance at beginning	3,500,658	4,495,287
Charge to income statement	(87,880)	(994,629)
Write-off during the year	–	–
Balance as at 31 December	3,412,778	3,500,658
Stage 2		
Balance at beginning	7,235,925	5,677,290
Charge to income statement	(1,305,241)	1,558,635
Write-off during the year	–	–
Balance as at 31 December	5,930,684	7,235,925
Stage 3		
Balance at beginning	35,180,673	23,731,223
Charge to income statement	5,356,941	11,967,805
Effect of foreign currency and other movement	(380,398)	(421,384)
Write-off during the year	(2,955,214)	(96,971)
Balance as at 31 December	37,202,002	35,180,673
Total impairment	46,545,464	45,917,256

KEY JUDGEMENTS AND ESTIMATES

In estimating collectively assessed ECL, the Bank makes judgements and assumptions in relation to:

- The selection of an estimation technique or modelling methodology, noting that the modelling of the Group's ECL estimates are complex; and
- The selection of inputs for those models, and the interdependencies between those inputs.

The following table summarises the key judgements and assumptions used by the Bank in relation to the ECL model inputs, the interdependencies between those inputs, and highlights the significant changes during the current year.

The judgments and associated assumptions have been made with the context of the impact of the ongoing economic conditions and reflects historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. The high degree of uncertainty that characterises the internal economic environment will lead to deterioration in the creditworthiness of corporate and individuals, to increase non-performing loans. These factors are considered in estimating the impairment provisions during the year. However, the extent of expected credit deterioration will depend on the recovery process adopted by the government and the response of the economy to such recovery actions. Accordingly, the Bank's ECL estimates are inherently uncertain and as a result, actual results may differ from these estimates.

Judgement/Assumption	Description	Considerations for the year ended 31 December 2024
Determining when a significant Increase in Credit Risk (SICR) has occurred	In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan, which would result in the financial asset moving from "Stage 1" to "Stage 2". This is a key area of judgement since transition from Stage 1 to Stage 2 increases the ECL from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses.	When a customer is provided assistance, an assessments has been carried out based on the discussions with the customers on the future business cashflows, financial position, the sectors in which the businesses operate, and ability to recommence loan repayments at the end of the moratorium/debt concessionary period to conclude whether there is a SICR.
Measuring both 12-month and lifetime credit losses	The probability of default (PD), loss given default (LGD) and exposure at default (EAD) credit risk parameters used in determining ECL are point-intime measures reflecting the relevant forward looking information determined by management. Judgement is involved in determining which forward-looking information variables are relevant for particular lending portfolios and for determining each portfolio's point-in-time sensitivity	The PD, EAD and LGD models are subject to the Bank's policy on impairment model that stipulates periodic model monitoring, periodic revalidation and the approval procedures and authorities according to model materiality.
		There were no material changes to the policies during the year ended 31 December 2024. Due to the implications of on going economic crisis PDs and LDGs (due to limited movements to Stage 2 & 3), adjustments have been made as overlays based on stress testing and historic patterns to better reflect the adequacy of ECL
Base case economic forecast	The Bank derives a forward-looking "base case" economic scenario which reflects the Bank's view of the most likely future macro-economic conditions.	There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs in the current year.
		As at 31 December 2024, the base case assumptions have been updated to reflect the rapidly evolving situation with respect to economic crisis by using the economic forecast.

Judgement/Assumption	Description	Considerations for the year ended 31 December 2024
Probability weighting of each economic scenario (base case, best and worst case scenarios)	Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario at each measurement date.	The key consideration for probability weightings in the current period is the continuing impact of the economic crisis. In addition to the base case forecast which reflects the negative economic consequences of the economic crisis, greater weighting has been (65%) applied to the worst case scenario given the Bank's assessment of downside risks. The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.
Management temporary adjustments	Management temporary adjustments to the ECL allowance are used in circumstances where it is judged that the existing inputs, assumptions and model techniques do not capture all the risk factors relevant to Group's lending portfolios. Emerging local or global macroeconomic, microeconomic or political events, and natural disasters that are not incorporated into the current parameters, risk ratings, or forward-looking information are examples of such circumstances. The use of management temporary adjustments may impact the amount of ECL recognised.	Management has applied a number of adjustments to the modelled ECL, primarily due to the uncertainty associated with the economic crisis.
	The uncertainty associated with the economic crisis and the extent to which the actions of governments, businesses and consumers mitigate against potentially adverse credit outcomes are not fully incorporated into existing ECL models. Accordingly, management overlays have been applied to ensure credit provisions are appropriate.	Management overlays (including economic crisis overlays) which add to the modelled ECL provision have been made for risks particularly for risk elevated sectors identified by the Bank.

33. FINANCIAL ASSETS AT AMORTISED COST – DEBT AND OTHER INSTRUMENTS

ACCOUNTING POLICY

See accounting policies in Notes 5.3 and 16.

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

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

		BANK					
As at 31 December		**2024**			2023		
	Note	Stage 1 LKR '000	Stage 2 LKR '000	Total LKR '000	Stage 1 LKR '000	Stage 2 LKR '000	Total LKR '000
Sri Lanka Government Securities							
Government of Sri Lanka treasury bonds		105,424,311	–	105,424,311	65,517,216	–	65,517,216
Government of Sri Lanka sovereign bonds	33.1	–	–	–	–	4,593,551	4,593,551
Other Investments							
Quoted debentures	33.4	217,398	–	217,398	217,340	–	217,340
Allowance for Impairment on financial assets at amortised cost – debt and other instruments	33.5	(19)	–	(19)	(19)	(2,296,775)	(2,296,794)
Total		105,641,690	–	105,641,690	65,734,537	2,296,776	68,031,313

As explained in note 4, Sri Lanka has been recovering from a very challenging economic situation. A key milestone in this recovery process has been the successful restructuring of the International Sovereign Bonds (ISBs), which has alleviated the debt burden and restored fiscal credibility. The positive trends in inflation, exchange rates, and interest rates, coupled with a revived tourism industry, signal a healthy macroeconomic environment and strong prospects for sustained economic growth. The banking sector also saw an improvement in non-performing loans, reflecting gradual stabilisation, although overall levels remained higher than pre-crisis benchmarks.

With these positive trends and improvements, there is no any concerns over the government's ability to continue to repay the principal and interest on local currency denominated treasury bills and bonds. Further the Banking Act Direction No. 14 of 2021, Classification, Recognition, and Measurement of Financial Assets Other than Credit Facilities in Licensed Banks, issued by the Monetary Board, Central Bank of Sri Lanka requires LGD of zero to be applied to these government securities. Accordingly, the Bank's overall Expected Credit Loss (ECL) on these instruments has been considered to be effectively zero. T bills and T bonds continue to remain under Stage 1.

As at 31 December	Note	GROUP 2024 Stage 1 LKR '000	2024 Stage 2 LKR '000	2024 Total LKR '000	2023 Stage 1 LKR '000	2023 Stage 2 LKR '000	2023 Total LKR '000
Sri Lanka Government securities							
Government of Sri Lanka treasury bonds		105,475,195	–	105,475,195	65,570,648	–	65,570,648
Government of Sri Lanka sovereign bonds	33.1	–	–	–	–	4,593,551	4,593,551
Other Investments							
Quoted debentures	33.4	226,695	–	226,695	226,636	–	226,636
Allowance for Impairment on financial assets at amortised cost – debt and other instruments	33.5	(19)	–	(19)	(19)	(2,296,775)	(2,296,794)
		105,701,871	–	105,701,871	65,797,265	2,296,776	68,094,041

As explained in note 4 Sri Lanka has been facing a very challenging economic situation amidst an increasingly difficult global economic environment. The Government of Sri Lanka announced its plans to restructure its foreign currency denominated Treasury bonds, Sri Lanka International Sovereign Bonds – (SLISB) in April 2022. The government has not defaulted on repayment of principal or interest of local currency bonds to date.

In June 2023, the government announced the International Monetary Fund (IMF) supported Domestic Debt Optimisation programme (DDO) . The DDO announced and designed to achieve a target level of debt sustainability, clearly stated that it will carve out the local currency treasury bills and bonds held by the Employees Provident Funds and the Central Bank of Sri Lanka (CBSL), hence excluding the rest of the local currency treasury bills and bonds. The said DDO has been completed by the reporting date with the specified portfolio referred to above.

Accordingly, it is visible that the DDO has not restricted the government's ability to continue to repay the principal and interest on local currency-denominated treasury bills and bonds.

Further, the Banking Act Direction No. 14 of 2021, Classification, Recognition, and Measurement of Financial Assets Other than Credit Facilities in Licensed Banks, issued by the Monetary Board, Central Bank of Sri Lanka requires LGD of zero to be applied to these government securities, Accordingly, the Bank's overall Expected Credit Loss (ECL) on these instruments has been considered to be effectively zero.

Considering the above, the restructuring of the bills and bonds held by superannuation funds should not be considered as an automatic indicator of significant increase in credit risk (SICR) for the rest of the LKR T bonds/bills that were not subjected to the restructuring, and hence, such Tbills and Tbonds continue to remain under Stage 1.

Refer Note 33.1.1 for the classification of SLISBs and assessment of expected credit loss carried out by the Bank as at reporting date.

33.1 GOVERNMENT OF SRI LANKA INTERNATIONAL SOVEREIGN BONDS (SLISB)

As at 31 December	BANK/GROUP 2024 LKR '000	2023 LKR '000
Balance at beginning	4,593,551	5,215,810
Coupon accrual/discount amortisation	–	448,048
Disposed	(341,273)	–
Transfers to other assets (Matured)	(4,252,278)	(552,790)
Exchange gain	–	(517,517)
Balance as at 31 December	–	4,593,551

33.1.1 SRI LANKA INTERNATIONAL SOVEREIGN BONDS (SLISB)

As explained in Note 33, the Government of Sri Lanka successfully restructured the International Sovereign Bonds (ISBs), which has alleviated the debt burden and restored fiscal credibility. By capitalising on market opportunities following the finalisation of debt restructuring, the Bank has disposed its investment in International Sovereign Bond. As at 31 December 2023, bank had invested LKR 4,594 Mn in SLISBs and the Government of Sri Lanka was in negotiations with the investors of SLISB and ISB holders. Due to the uncertainties surrounding such negotiations and resulting in elevated expected credit losses, a provision of LKR 2,296 Mn was made in the financial statements and this asset was classified under stage 2 in 2023.

33.2 BY COLLATERALISATION

As at 31 December	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Pledged as collateral	44,781,623	25,198,422	44,781,623	25,198,422
Unencumbered	60,860,086	45,129,685	60,920,267	45,192,413
	105,641,709	70,328,107	105,701,890	70,390,835

33.3 BY CURRENCY

As at 31 December	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Sri Lankan Rupee	105,641,709	65,734,556	105,701,890	65,797,284
United States Dollar	–	4,593,551	–	4,593,551
	105,641,709	70,328,107	105,701,890	70,390,835

33.4 QUOTED DEBENTURES

As at 31 December	2024		2023	
	Number of debentures	Cost of investment LKR '000	Number of debentures	Cost of investment LKR '000
Lanka Orix Leasing Company PLC	2,000,000	217,398	2,000,000	217,340
Total investments in quoted debentures – Bank		217,398		217,340
Sampath Bank PLC			74,600	9,296
Total investments in quoted debentures – Group				226,636

33.5 MOVEMENT IN IMPAIRMENT DURING THE YEAR

As at 31 December	Notes	BANK/GROUP 2024 LKR '000			2023 LKR '000		
Stage 1		**Stage 1**	**Stage 2**	**Total**	**Stage 01**	**Stage 02**	**Total**
Balance at beginning		19	2,296,775	2,296,794	163	1,955,909	1,956,072
Matured	42.1.2	–	(2,109,075)	(2,109,075)	–	(124,470)	(124,470)
Disposed	14.1	-	(187,700)	(187,700)	–	–	–
Exchange rate impact		–	–	–	–	(29,007)	(29,007)
Charge to the income statement	16.2	–	–	–	(144)	494,343	494,199
Balance as at 31 December		19	–	19	19	2,296,775	2,296,794

The Bank's total exposure to unmatured ISBs and SLDBs are presented in Note 32.1. The main uncertainties regarding the estimations for the recoverability of the Bank's total exposure relate to the debt service capacity of the government of Sri Lanka, which, in turn, is affected by the development of the prevailing macroeconomic environment as well as by the levels of liquidity of the Government and the outcome of the debt restructuring negotiations with the International Monetary Fund (IMF) and the resultant comprehensive debt restructuring programme. Due to the uncertainties relating to the above, the Bank has used significant judgement using the information available as at reporting date to estimate the recoverable value. Accordingly, an impairment charge has been recognised based on the expected recoverable value.

33.5.1 RECLASSIFICATIONS OF FINANCIAL INSTRUMENT

Considering the unprecedented changes in the macro-economic conditions, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has decided to issue the "Statement of Alternative Treatment (SoAT) on Reclassification of Debt Portfolio". This SoAT will provide a temporary practical expedient to permit the entities to reclassify the debt portfolio measured at fair value through Other Comprehensive Income (FVTOCI) to amortised cost.

The Bank used this option to reclassify long term debt instruments subsequent to the initial recognition. The fair value of the debt portfolio reclassified during year 2022 and remaining as at 31 December 2024 amounted to LKR 7.6 Bn and cumulative fair value gain thereon amounted to LKR 0.1 Bn (net of tax LKR 0.07 Bn).

34. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

ACCOUNTING POLICY

See accounting policies in Notes 5.3 and 16.

A financial asset is measured at fair value through other comprehensive income (FVOCI) only if it meets both of the following conditions and is not designated as FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset gives 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 instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment – by investment basis.

		BANK		GROUP	
As at 31 December	Note	**2024 Fair value LKR '000**	2023 Fair value LKR '000	**2024 Fair value LKR '000**	2023 Fair value LKR '000
Equity Securities					
Quoted	34.1	24,293,516	16,267,149	24,293,516	16,267,149
Unquoted	34.2	270,193	237,985	270,193	237,985
		24,563,709	16,505,134	24,563,709	16,505,134

	BANK		GROUP	
As at 31 December	**2024 Fair value Stage 1 LKR '000**	2023 Fair value Stage 1 LKR '000	**2024 Fair value Stage 1 LKR '000**	2023 Fair value Stage 1 LKR '000
Government Securities				
Government of Sri Lanka Treasury Bills	53,262,744	87,903,100	53,262,744	87,903,100
Government of Sri Lanka Treasury Bonds	59,836,484	29,545,054	59,836,484	29,545,054
	113,099,228	117,448,154	113,099,228	117,448,154
US Securities				
US Treasury Bills	–	949,477	–	949,477
US Treasury Bonds	595,289	–	595,289	–
	595,289	949,477	595,289	949,477
	113,694,517	118,397,631	113,694,517	118,397,631
Total	138,258,226	134,902,765	138,258,226	134,902,765

Please refer Note 33 on the explanation of DDO and the assessment of the impact of DDO to the Banks assessment of SICR of Government Securities

34.1 QUOTED ORDINARY SHARES

As at 31 December	2024			2023		
	Number of ordinary shares	Cost* LKR '000	Fair value LKR '000	Number of ordinary shares	Cost* LKR '000	Fair value LKR '000
Banks, Finance and Insurance						
Commercial Bank of Ceylon PLC – voting	147,220,542	9,807,934	21,310,173	149,777,568	9,350,002	14,303,758
Commercial Bank of Ceylon PLC – non-voting	383,455	29,692	44,289	312,922	24,750	25,159
National Development Bank PLC	3,687,019	511,708	417,555	3,544,609	502,670	230,045
Hatton National Bank PLC – voting	589,755	116,870	188,574	–	–	–
Hatton National Bank PLC – non-voting	435,463	69,437	111,805	–	–	–
Seylan Bank PLC – non-voting	103,774	4,187	5,915	–	–	–
Central Finance Co. PLC	–	–	–	84,218	6,900	8,864
Browns Investments PLC	–	–	–	4,000,000	26,898	18,800
		10,539,828	22,078,311		9,911,220	14,586,626
Chemicals and Pharmaceuticals						
Chemical Industries (Colombo) PLC – voting	643,750	24,971	60,513	393,750	5,611	25,200
Chemical Industries (Colombo) PLC – non-voting	1,630,000	62,259	109,210	1,630,000	62,259	69,275
		87,230	169,723		67,870	94,475
Construction and Engineering						
Access Engineering PLC	2,100,000	51,256	72,450	1,600,000	39,527	32,480
Prime Lands Residencies PLC	1,500,000	13,798	18,000	–	–	–
		65,054	90,450		39,527	32,480
Diversified Holdings						
Hayleys PLC	1,621,098	141,686	212,769	2,293,330	196,707	163,744
Hemas Holdings PLC	2,393,726	173,210	247,152	2,642,933	190,075	176,284
John Keells Holdings PLC	17,064,410	286,996	385,656	1,659,005	256,944	316,870
Melstacorp Ltd	–	–	–	1,669,940	86,448	140,776
		601,892	845,577		730,174	797,674
Hotels and Travels						
John Keells Hotels PLC	2,500,000	43,128	51,500	2,500,000	43,128	47,000
Investment Trusts						
Ceylon Guardian Investment Trust PLC	40,886	1,589	6,440	74,734	2,904	6,225
Ceylon Investment PLC	92,797	3,046	6,811	167,623	5,503	7,543
		4,635	13,251		8,407	13,768

As at 31 December	2024			2023		
	Number of ordinary shares	Cost* LKR '000	Fair value LKR '000	Number of ordinary shares	Cost* LKR '000	Fair value LKR '000
Telecommunications						
Dialog Axiata PLC	9,201,670	94,653	107,660	4,000,000	41,158	36,000
Manufacturing						
ACL Cables PLC	717,845	57,415	85,065	650,000	51,487	44,720
Royal Ceramics Lanka PLC	2,585,000	102,277	112,448	2,000,000	81,619	52,800
Tokyo Cement Company (Lanka) PLC – voting	3,087,442	156,553	216,121	2,775,076	139,388	127,653
Tokyo Cement Company (Lanka) PLC – non-voting	1,871,026	71,380	113,945	1,871,026	71,380	71,099
Aitken Spence Hotel Holdings PLC	–	–	–	78,875	4,750	4,969
Hayleys Fabric PLC	690,477	27,742	37,976	2,000,000	79,828	81,000
Swisstek Ceylon PLC	597,889	13,854	25,111	109,998	3,371	1,716
Haycarb PLC	1,000,000	88,208	85,300	1,000,000	88,208	64,300
JAT Holdings PLC	191,658	4,338	4,791	101,200	2,732	1,548
Agstar PLC	1,375,869	24,120	11,420	1,808,385	31,703	15,372
Ceylon Cold Stores PLC	225,000	13,691	18,810			
Dipped Products PLC	–	–	–	750,006	26,394	20,925
Sunshine Holdings PLC	97,399	5,742	9,740	608,062	32,290	31,011
Lanka Tiles PLC	313,335	15,168	18,299	313,335	15,168	13,223
Richard Pieris & Company PLC	2,000,000	46,216	51,200	2,000,000	46,216	41,000
		626,704	790,226		674,534	571,336
Power and Energy						
Lanka IOC PLC	399,354	80,580	50,219	408,923	82,511	41,710
Vallibel Power Erathna PLC	8,400,000	57,433	96,600	6,400,000	39,783	46,080
		138,013	146,819		122,294	87,790
Total quoted ordinary shares – Bank		12,201,137	24,293,516		11,638,312	16,267,149
Commercial Bank of Ceylon PLC – Equity Adjustment**		1,454,863	–		1,454,863	–
Total quoted ordinary shares – Group		13,656,000	24,293,516		13,093,175	16,267,149

Sector classification and fair value per share are based on the list published by the Colombo Stock Exchange, as at the reporting date.

* Cost is reduced by write-off of diminution in value other than temporary in respect of Investments.

** During the year 2010, the status of the investment in equity capital of Commercial Bank of Ceylon PLC changed from an associate to investment security. At the time of change, carrying value of the Group including cumulative post acquisition reserves was considered as the cost of the investment.

34.2 UNQUOTED ORDINARY SHARES

As at 31 December	2024			2023		
	Number of ordinary shares	Cost* LKR '000	Fair value LKR '000	Number of ordinary shares	Cost* LKR '000	Fair value LKR '000
Credit Information Bureau of Sri Lanka	9,184	918	216,559	9,184	918	200,674
Lanka Clear (Private) Limited	100,000	1,000	33,470	100,000	1,000	28,267
Lanka Financial Services Bureau Limited	200,000	2,000	20	200,000	2,000	–
Samson Reclaim Rubber Limited	116,700	–	–	116,700	–	–
Society for Worldwide Interbank Financial Telecommunication	6	3,385	3,385	6	3,385	3,385
Sun Tan Beach Resorts Limited	9,059,013	–	16,759	9,059,013	–	5,659
The Video Team (Private) Limited	30,000	–	–	30,000	–	–
Total unquoted ordinary shares – Bank/Group		7,303	270,193		7,303	237,985

* Cost is reduced by write off of diminution in value other than temporary in respect of Investments.

34.3 GOVERNMENT OF SRI LANKA TREASURY BILLS AND TREASURY BONDS – BY COLLATERALISATION

As at 31 December	BANK		GROUP	
	2024 Fair value LKR '000	2023 Fair value LKR '000	**2024 Fair value LKR '000**	2023 Fair value LKR '000
Pledged as collateral	6,232,257	17,539,330	6,232,257	17,539,330
Unencumbered	106,866,971	99,908,824	106,866,971	99,908,824
	113,099,228	117,448,154	113,099,228	117,448,154

34.4 GOVERNMENT OF SRI LANKA TREASURY BILLS AND TREASURY BONDS – BY CURRENCY

As at 31 December	BANK		GROUP	
	2024 Fair value LKR '000	2023 Fair value LKR '000	**2024 Fair value LKR '000**	2023 Fair value LKR '000
Sri Lankan Rupee	113,099,228	117,448,154	113,099,228	117,448,154
	113,099,228	117,448,154	113,099,228	117,448,154

34.5 US TREASURY BILLS AND TREASURY BONDS – BY COLLATERALISATION

As at 31 December	BANK 2024 Fair value LKR '000	BANK 2023 Fair value LKR '000	GROUP 2024 Fair value LKR '000	GROUP 2023 Fair value LKR '000
Unencumbered	595,289	949,477	595,289	949,477

34.6 US TREASURY BILLS AND TREASURY BONDS – BY CURRENCY

As at 31 December	BANK 2024 Fair value LKR '000	BANK 2023 Fair value LKR '000	GROUP 2024 Fair value LKR '000	GROUP 2023 Fair value LKR '000
United States Dollar	595,289	949,477	595,289	949,477

35. INVESTMENTS IN SUBSIDIARIES

ACCOUNTING POLICY

"Subsidiaries" are entities controlled by the Group. The Group "controls" an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Bank's investments in subsidiaries are stated at cost less impairment losses. Reversals of impairment losses are recognised in the income statement, if there has been a change in the estimates used to determine the recoverable amount of the investment.

As at 31 December	Holdings %	Number of shares	2024 Cost LKR '000	2024 Market value*/ Directors' valuation LKR '000	2023 Cost LKR '000	2023 Market value*/ Directors' valuation LKR '000
Unquoted						
DFCC Consulting (Pvt) Limited	100	500,000	5,000	83,865	5,000	82,728
Lanka Industrial Estates Limited	51.16	204,230,000	97,035	464,893	97,035	409,464
Synapsys Limited	100	31,216,649	135,000	247,295	135,000	243,300
			237,035	796,053	237,035	735,492

*Market value is arrived by using the audited/reviewed financial statements as at reporting date.

36. INVESTMENT IN ASSOCIATE

ACCOUNTING POLICY

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interest in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs and attributable goodwill. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence ceases.

As at 31 December	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
National Asset Management Limited (Ownership 30%)				
Balance at beginning	33,169	33,169	36,844	35,394
Share of profit after tax	–	–	1,536	1,614
Share of other comprehensive expenses	–	–	217	(164)
Balance as at 31 December	33,169	33,169	38,597	36,844

36.1 SUMMARISED FINANCIAL INFORMATION OF ASSOCIATE

As at 31 December	2024 LKR '000	2023 LKR '000
Percentage ownership interest (%)	30	30
Non-current assets	15,442	19,429
Current assets	132,380	130,279
Non-current liabilities	(10,981)	(15,176)
Current liabilities	(8,235)	(11,770)
Net assets (100%)	128,606	122,762
Group's share of net assets (30%)	38,582	36,829
Goodwill on acquisition	15	15
Adjusted Group's share of net assets (30%)	38,597	36,844

For the year ended 31 December	2024 LKR '000	2023 LKR '000
Revenue	56,835	44,143
Profit after tax (100%)	5,120	5,379
Other comprehensive income/(expenses) (100%)	725	(547)
Total comprehensive income (100%)	5,845	4,832
Group's share in profit	1,536	1,614
Group's share in other comprehensive income/(expenses)	217	(164)
Group's share in total comprehensive income	1,753	1,450
Contingent liabilities of equity accounted investee	Nil	Nil
Capital and other commitments of equity accounted investee	Nil	Nil

There are no restrictions on the ability of the associate to transfer funds to the investor in the form of cash dividends, or repayment of loans or advances.

The Company has neither contingent liabilities nor capital and other commitments towards its associate company.

37. INVESTMENT IN JOINT VENTURE

ACCOUNTING POLICY

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interest in the joint venture is accounted for using the equity method. They are initially recognised at cost, which includes transaction costs and attributable goodwill. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which joint control ceases.

37.1 INVESTMENT IN JOINT VENTURE – BANK

For the year ended 31 December	2024 Cost of Investment LKR '000	2023 Cost of Investment LKR '000
Acuity Partners (Pvt) Limited (ownership 50%)	–	755,000

37.2 INVESTMENT IN JOINT VENTURE – GROUP

For the year ended 31 December	2024 LKR '000	2023 LKR '000
Balance at beginning	–	3,577,701
Share of profit net of tax	–	1,139,367
Share of other comprehensive expenses	–	(316,336)
Change in holding – through subsidiary of joint venture	–	1,506
Group's share of net assets – 50%	–	4,402,238

The following table summarises the financial information of Acuity Partners (Pvt) Ltd as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Acuity Partners (Pvt) Ltd.

As at 31 December	2024 LKR '000	2023 LKR '000
Percentage ownership interest (%)		50
Revenue	–	4,594,274
Expenses	–	(2,345,953)
Share of profit of equity accounted investees	–	43,376
Income tax expense	–	(275,246)
Profit after tax (100%)	–	2,016,451
Other comprehensive expenses (100%)	–	(1,416,016)
Total comprehensive income (100%)	–	600,435
Profit attributable to equity holders	–	2,278,735
Other comprehensive expenses attributable to equity holders	–	(632,672)
Total comprehensive income attributable to equity holders	–	1,646,063
Group's share in profit (50%)	–	1,139,367
Group's share in other comprehensive expenses (50%)	–	(316,336)
Group's share in total comprehensive income (50%)	–	823,031

As at 31 December	2024 LKR '000	2023 LKR '000
Current assets	–	25,835,605
Non-current assets	–	29,788,563
Current liabilities	–	(39,822,660)
Non-current liabilities	–	(3,312,575)
Total net assets	–	12,488,933
Non controlling interest	–	(3,315,081)
Net assets attributable to equity holders	–	9,173,852
Group's share of net assets (50%) – before consolidation adjustment	–	4,586,926
Share of unrealised profit on disposal investment*	–	(184,688)
Group's share of net assets 50%	–	4,402,238
Contingent liabilities of equity accounted investee	–	Nil
Capital and other commitments of equity accounted investee	–	Nil

There are no restrictions on the ability of the associate to transfer funds to the investor in the form of cash dividends, or repayment of loans or advances.

The Bank has neither contingent liabilities nor capital and other commitments towards its joint venture company.

*This is the elimination of 50% of the profits on disposal of subsidiary to joint venture Company during the year 2010.

38. INVESTMENT PROPERTIES

ACCOUNTING POLICY

Investment properties of the Bank/Group is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. The Bank/Group has chosen the cost model instead of fair value model and therefore investment properties is measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the Income Statement.

Depreciation is provided on a straight line basis over the estimated life of the class of asset from the date of purchase up to the date of disposal. The useful life for the current and comparative periods of significant items of investment property are as follows:

Building – 20–40 years

Land is not depreciated.

Rental income from investment property is recognised as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

	BANK		GROUP	
As at 31 December	**2024** LKR '000	2023 LKR '000	**2024** LKR '000	2023 LKR '000
Cost				
Balance at beginning				
Acquisition	9,879	9,879	768,359	706,880
Transferred to property,	–	–	135,870	67,701
Plant and equipment	–	–	(78,912)	(6,222)
Cost as at 31 December	9,879	9,879	825,317	768,359
Less: Accumulated depreciation				
Balance at beginning	–	–	299,974	266,907
Charge for the year	–	–	35,274	33,067
Accumulated depreciation as at 31 December	–	–	335,248	299,974
Carrying amount as at 31 December	9,879	9,879	490,069	468,385

38.1 DETAILS OF INVESTMENT PROPERTIES

As at 31 December	2024							
	Buildings sq. ft.	Extent of land Perches*	Number of buildings	Cost LKR '000	Accumulated depreciation/ impairment LKR '000	Net Book value LKR '000	Fair value LKR '000	Date of valuation
4A, 4th Cross Lane, Borupana, Ratmalana	–	20.0	–	2,600	–	2,600	40,000	20.05.2023
259/30, Kandy Road, Bambarakelle, Nuwara-Eliya	–	93.5	–	7,279	–	7,279	112,200	22.05.2023
Bank				9,879	–	9,879	152,200	
Pattiwila Road, Sapugaskanda, Makola	482,150	21,920	18	815,438	335,248	480,190	9,958,836	01.04.2024
Group				825,317	335,248	490,069	10,111,036	

* 1 perch = 25.2929 m^2 ; 1sq.ft = 0.0929 m^2

The fair value of investment property situated at Pattiwila Road, Sapugaskanda, Makola was based on market valuations carried out on 01 April 2024 by Mr Lochana I Silva, Chartered Valuation Surveyor.

The fair value of investment properties situated at Borupana, Ratmalana and Bambarakelle, Nuwara-Eliya was valued by Mr A A M Fathihu – Former Government Chief Valuer and Mr J S M I B Karunatilaka, Associate Member of the Institute of Valuers of Sri Lanka.

38.2 AMOUNTS RECOGNISED IN PROFIT OR LOSS

Rental income from investment property of Group for 2024 – LKR 472 Mn (2023 – LKR 426 Mn)

Operating expenses on investment property of Group for 2024 – LKR 102 Mn (2023 – LKR 82 Mn)

39. PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the income statement.

Subsequent Costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Bank. Ongoing repairs and maintenance costs are expensed as incurred.

Capital Work-in-Progress

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

Depreciation

Items of property, plant and equipment are depreciated from the month they are available-for-use up to the month of disposal. Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods of significant items of property, plant and equipment are as follows:

	Years
Buildings	20-40
Office equipment and motor vehicles	3-5
Fixtures and fittings	10

Derecognition

The carrying amount of property and equipment is de-recognised on disposal or when non future economic benefits are expected from its use of the gain or loss arising from the de-recognition (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the income statement.

Reclassification to Investment Property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss.

39.1 RECONCILIATION OF CARRYING AMOUNT – BANK

	Land and building LKR '000	Improvements to leasehold lands LKR '000	Right-of-use asset LKR '000	Office equipment LKR '000	Furniture and fittings LKR '000	Motor vehicles LKR '000	Total 31 December **2024** LKR '000	Total 31 December 2023 LKR '000
Cost at beginning	1,191,017	12,071	2,443,456	3,486,237	1,679,557	233,160	9,045,498	8,181,239
Acquisitions	59,562	3,542	269,488	777,938	157,666	–	1,268,196	1,038,551
Less: Disposals	–	–	63,132	1,069	190	–	64,391	174,292
Cost as at 31 December	1,250,579	15,613	2,649,812	4,263,106	1,837,033	233,160	10,249,303	9,045,498
Accumulated depreciation at beginning	333,812	5,106	1,155,355	2,737,795	1,080,539	233,153	5,545,760	4,982,686
Depreciation for the year	29,680	117	346,225	346,600	109,139	7	831,768	708,576
Less: Accumulated depreciation on disposals	–	–	–	723	156	–	879	145,501
Accumulated depreciation as at 31 December	363,492	5,223	1,501,580	3,083,672	1,189,522	233,160	6,376,649	5,545,761
Carrying value as at 31 December	887,087	10,390	1,148,232	1,179,434	647,511	–	3,872,654	3,499,737

39.1.1 LIST OF FREEHOLD LAND AND BUILDING

	Number of buildings in land holdings	Building sq. ft.	Extent of land Perches*	Cost LKR '000	Accumulated depreciation LKR '000	Carrying value LKR '000
73/5, Galle Road, Colombo 3	1	57,190	106.61	179,844	86,826	93,018
5, Deva Veediya, Kandy	1	4,600	12.54	16,196	8,629	7,566
73, W A D Ramanayake Mawatha, Colombo 2	1	37,528	45.00	240,970	145,389	95,582
No. 454, Main Street, Negombo	1	19,087	29.00	170,325	46,590	123,735
No. 77, Colombo Road, Kurunegala	1	31,459	30.00	643,244	76,058	567,186
Bank				1,250,579	363,495	887,087
Pattiwila Road, Sapugaskanda, Makola	1	27,824	102.20	421,797	267,235	154,562
Group				1,672,376	630,728	1,041,649

* 1 perch = 25.2929 m^2; 1 sq ft = 0.0929 m^2

39.1.2 MARKET VALUE OF PROPERTIES

	LKR Mn	Date of valuation
No. 73/5, Galle Road, Colombo 3	2,081	31.12.2022
No. 5, Deva Veediya, Kandy	149	31.12.2022
No. 73, W A D Ramanayake Mawatha, Colombo 2	969	31.12.2022
No. 454, Main Street, Negombo	332	31.12.2022
No. 77, Colombo Road, Kurunegala	685	31.12.2022

Valued by Mr A A M Fathihu – Former Government Chief Valuer, Fellow Member of the Institute of Valuers of Sri Lanka.

39.1.3 FULLY DEPRECIATED PROPERTY, PLANT AND EQUIPMENT – BANK

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

As at 31 December	**2024** LKR '000	2023 LKR '000
Buildings	238,484	235,384
Office equipment	2,453,604	2,217,701
Furniture and fittings	690,810	659,203
Motor vehicles	233,159	232,772
	3,616,057	3,345,060

39.2 RECONCILIATION OF CARRYING AMOUNT – GROUP

	Land and building LKR '000	Improvements to leasehold lands LKR '000	Right-of-use asset LKR '000	Office equipment LKR '000	Furniture and fittings LKR '000	Motor vehicles LKR '000	Work-in-progress LKR '000	Total 31 December **2024** LKR '000	Total 31 December 2023 LKR '000
Cost at beginning	1,613,049	12,070	2,464,280	3,559,293	1,693,413	254,676	50	9,596,831	8,697,798
Acquisitions	61,161	3,542	267,388	810,125	158,204	–	–	1,300,420	1,077,741
Less: Disposals	1,834	–	63,132	1,778	799	–	–	67,543	178,708
Cost as at 31 December	1,672,376	15,612	2,668,536	4,367,640	1,850,818	254,676	50	10,829,708	9,596,831
Accumulated depreciation at beginning	575,678	5,106	1,159,406	2,798,570	1,098,990	254,670	–	5,892,420	5,308,357
Depreciation for the year	56,883	117	348,806	352,249	102,552	6	–	860,613	733,925
Less: Accumulated depreciation on disposals	1,834	–	–	1,432	765	–	–	4,031	25,440
Transfer from Investment properties	–	–	–	–	–	–	–	–	124,422
Accumulated depreciation as at 31 December	630,727	5,223	1,508,212	3,149,387	1,200,777	254,676	–	6,749,002	5,892,420
Carrying amount as at 31 December	1,041,649	10,389	1,160,324	1,218,253	650,041	–	50	4,080,706	3,704,411

39.3 TITLE RESTRICTION ON PROPERTY, PLANT AND EQUIPMENT

No restrictions existed on the title of property, plant and equipment of the Bank/Group as at the reporting date.

39.4 ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT DURING THE YEAR

During the financial year, the Bank and Group acquired property, plant and equipment to the aggregate value of LKR 1,268 Mn and LKR 1,300 Mn respectively (2023 – LKR 1,039 Mn and LKR 1,078 Mn respectively).

39.5 DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT DURING THE YEAR

During the financial year, the Bank and Group disposed of property, plant and equipment to the aggregate value of LKR 64 Mn and LKR 68 Mn respectively (2023 – LKR 174 Mn and LKR 179 Mn respectively). Gain/(loss) on disposal of Property, Plant and Equipment is disclosed in Note 15 to the Financial Statements.

39.6 CAPITALISATION OF BORROWING COSTS

There were no capitalised borrowing costs relating to the acquisition of property, plant and equipment during the year (2023 – Nil).

39.7 AMOUNT OF CONTRACTUAL COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The contractual commitments for the acquisition of property, plant and equipment as at the reporting date is LKR 661 Mn.

39.8 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The management has assessed the potential impairment loss of property, plant and equipment as at 31 December 2024. 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.

39.9 PROPERTY, PLANT AND EQUIPMENT PLEDGED AS SECURITY

None of the property, plant or equipment have been pledged as security as at the reporting date.

39.10 PERMANENT FALL IN VALUE OF PROPERTY, PLANT AND EQUIPMENT

There has been no permanent fall in value of property, plant and equipment which require an impairment provision in the Financial Statements.

39.11 TEMPORARILY IDLE PROPERTY, PLANT AND EQUIPMENT

There are no temporarily idle property, plant or equipment as at the reporting date.

39.12 COMPENSATION FROM THIRD PARTIES FOR ITEMS OF PROPERTY, PLANT AND EQUIPMENT

There was no compensation received/receivable from third parties for items of property, plant or equipment that were impaired, lost or given up.

40. INTANGIBLE ASSETS AND GOODWILL

ACCOUNTING POLICY

Recognition and Measurement

Goodwill

Goodwill arising as of the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Other Intangible Assets

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated to write-off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for current and comparative periods are as follows:

Computer software – 3-15 years

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

Derecognition

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal.

As at 31 December	Note	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Computer software	40.1	2,001,636	1,926,287	2,013,975	1,945,030
Goodwill on consolidation	40.2	–	–	156,226	156,226
Total		2,001,636	1,926,287	2,170,201	2,101,256

40.1 COMPUTER SOFTWARE

As at 31 December	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Cost at beginning	4,468,632	4,326,408	4,526,628	4,378,054
Acquisitions	459,874	252,409	459,874	258,759
Disposals	–	(110,185)	–	(110,185)
Cost as at 31 December	4,928,506	4,468,632	4,986,502	4,526,628
Accumulated amortisation at beginning	2,542,345	2,146,067	2,581,598	2,176,926
Amortisation for the period	384,525	415,277	390,929	423,671
Less: Write-off	–	(18,999)	–	(18,999)
Accumulated amortisation as at 31 December	2,926,870	2,542,345	2,972,527	2,581,598
Carrying amount as at 31 December	2,001,636	1,926,287	2,013,975	1,945,030

40.2 GOODWILL ON CONSOLIDATION

As at 31 December	GROUP 2024 LKR '000	GROUP 2023 LKR '000
DFCC Vardhana Bank PLC	146,603	146,603
Lanka Industrial Estates Limited	9,623	9,623
	156,226	156,226

In accordance with the provisions of Part VIII of the Companies Act, DFCC Vardhana Bank PLC (DVB) has been amalgamated with DFCC Bank PLC with effect from 01 October 2015. The amalgamation between two entities is considered as a common control transaction, as DFCC Bank continues to control the operations of DVB after amalgamation. Thus the results of amalgamation of two entities are economically the same before and after the amalgamation as the entity will have identical net assets. Therefore DFCC will continue to record carrying values including the remaining goodwill that resulted from the original acquisition of DVB in the consolidated financial status. There were no impairment losses recognised in goodwill as at 31 December 2024.

There were no impairment losses recognised in goodwill as at 31 December 2024.

40.3 ASSESSMENT OF IMPAIRMENT OF INTANGIBLE ASSETS

The Board of Directors has assessed the potential impairment loss of intangible assets as at 31 December 2024. Based on the assessment, no impairment provision is required to be made in the Financial Statement as at the reporting date.

40.4 TITLE RESTRICTION ON INTANGIBLE ASSETS

There are no restrictions that existed on the title of the intangible assets of the Group as at the reporting date.

40.5 INTANGIBLE ASSETS PLEDGED AS SECURITY

None of the intangible assets have been pledged as security as at the reporting date.

40.6 ACQUISITION OF INTANGIBLE ASSETS DURING THE YEAR

During the financial year, the Bank and the Group acquired intangible assets to the aggregate value of LKR 460 Mn and LKR 460 Mn respectively (2023 – LKR 252 Mn and LKR 259 Mn respectively).

40.7 AMOUNT OF CONTRACTUAL COMMITMENTS FOR THE ACQUISITION OF INTANGIBLE ASSETS

There are no contractual commitments for the acquisition of intangible assets as at the reporting date.

41. DEFERRED TAX ASSETS

See accounting policy in Note 21.

As at 31 December	Note	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Deferred tax liabilities/assets					
Deferred tax liabilities	41.1	–	–	96,804	104,276
Deferred tax assets	41.2	4,893,483	5,407,626	4,913,002	5,415,426
Net deferred tax liabilities/assets		4,893,483	5,407,626	4,816,198	5,311,150

41.1 DEFERRED TAX LIABILITIES

As at 31 December	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Balance at beginning	2,559,481	1,101,022	2,674,764	1,255,786
Recognised in income statement	(121,810)	(7,147)	(127,055)	(46,628)
Recognised in other comprehensive income	(19,168)	1,465,606	(19,168)	1,465,606
	2,418,503	2,559,481	2,528,541	2,674,764
Transferred from deferred tax assets	(2,418,503)	(2,559,481)	(2,431,737)	(2,570,488)
	–	–	96,804	104,276

41.2 DEFERRED TAX ASSETS

As at 31 December	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Balance at beginning	7,967,107	5,238,850	7,985,914	5,249,648
Recognised in income statement	(590,153)	2,512,470	(577,985)	2,519,897
Recognised in other comprehensive income	(64,968)	215,788	(63,190)	216,369
	7,311,986	7,967,107	7,344,739	7,985,914
Offset against deferred tax liabilities	(2,418,503)	(2,559,481)	(2,431,737)	(2,570,488)
	4,893,483	5,407,626	4,913,002	5,415,426

41.3 RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

As at 31 December	BANK 2024 Temporary difference LKR '000	BANK 2024 Tax effect LKR '000	BANK 2023 Temporary difference LKR '000	BANK 2023 Tax effect LKR '000	GROUP 2024 Temporary difference LKR '000	GROUP 2024 Tax effect LKR '000	GROUP 2023 Temporary difference LKR '000	GROUP 2023 Tax effect LKR '000
Assets								
Property, equipment and software	–	–	–	–	6,853	2,056	560	168
Gratuity liability and actuarial losses on defined benefit plans	1,351,510	405,453	1,317,911	395,373	1,393,247	417,974	1,347,712	404,313
Lease liability	1,351,757	405,527	1,457,895	437,369	1,365,177	409,553	1,475,178	442,554
Unfunded pension liability	57,720	17,316	53,214	15,964	57,720	17,316	53,214	15,964
Short-term employment benefits	2,008,780	602,634	732,840	219,852	2,046,797	614,039	739,180	221,754
Expected Credit loss-loans to and receivable from banks and other customers	19,603,520	5,881,056	18,475,176	5,542,553	19,612,670	5,883,801	18,483,883	5,545,165
Expected credit loss – Debt and other instruments	–	–	4,519,987	1,355,996	–	–	4,519,987	1,355,996
	24,373,287	7,311,986	26,557,023	7,967,107	24,482,464	7,344,739	26,619,714	7,985,914
Liabilities								
Property, equipment and software	935,687	280,706	812,374	243,712	1,092,147	327,644	965,791	289,738
Finance leases	–	–	412,764	123,829	–	–	412,764	123,829
Right-of-use asset	1,148,230	344,469	1,288,101	386,431	1,160,330	348,099	1,304,874	391,463
Fair value through other comprehensive income financial assets	4,317,723	1,295,317	3,410,365	1,023,110	4,317,723	1,295,317	3,410,365	1,023,110
Equity investments at FVOCI – unquoted shares	262,890	78,867	230,681	69,204	262,890	78,867	230,681	69,204
Funded pension liability and actuarial gains on defined benefit plans	447,990	134,397	443,250	132,975	447,990	134,397	443,250	132,975
Cross currency SWAP	949,157	284,747	1,934,067	580,220	949,157	284,747	1,934,067	580,220
Undistributed profits of the Group	–	–	–	–	396,467	59,470	428,167	64,225
	8,061,677	2,418,503	8,531,602	2,559,481	8,626,704	2,528,541	9,129,959	2,674,764

42. OTHER ASSETS

See accounting policy in Note 5.3

As at 31 December	Note	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Financial assets					
Refundable deposits		17,881	17,381	17,881	17,381
Receivable from Government of Sri Lanka	42.1	133,669	3,092,720	133,669	3,092,720
Other receivables		2,447,503	5,820,258	2,636,396	5,989,613
Clearing account balances		2,347,169	2,091,082	2,347,169	2,091,082
Due from subsidiaries	42.2	306	268	–	–
		4,946,528	11,021,709	5,135,115	11,190,796
Non financial assets					
Advances and prepayments		2,426,614	1,950,606	2,477,834	1,988,754
Defined benefit asset	48.1.2	447,990	443,250	447,990	443,250
		2,874,604	2,393,856	2,925,824	2,432,004
		7,821,132	13,415,565	8,060,939	13,622,800

42.1 RECEIVABLE FROM GOVERNMENT OF SRI LANKA

As at 31 December	Note	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Matured government security receivables	42.1.1	–	5,161,285	–	5,161,285
Provision made for matured government security receivables	42.1.2	–	(2,580,642)	–	(2,580,642)
Reimbursement of additional interest paid on Special Deposit Accounts (SDA)		115,102	195,299	115,102	195,299
Interest differential on special senior citizen fixed deposit		–	–	–	–
Interest subsidy on credit lines		18,567	316,778	18,567	316,778
		133,669	3,092,720	133,669	3,092,720

42.1.1 MATURED GOVERNMENT SECURITY RECEIVABLES

This includes matured Sri Lanka International Sovereign Bonds (SLISBs) with matured coupon interest receivables. Refer Note 32.1.4 which explains the background and basis of SLISBs Provision.

42.1.2 MOVEMENT IN IMPAIRMENT DURING THE YEAR

As at 31 December	Note	BANK/GROUP 2024 LKR '000	BANK/GROUP 2023 LKR '000
Balance at beginning		2,580,642	1,772,871
Transferred from financial assets at amortised cost	33.5	2,109,075	124,470
Exchange rate impact		(456,365)	(142,133)
Charge to income statement	16.1	518,264	825,434
Reversal with the disposal		(4,751,616)	–
Balance as at 31 December		–	2,580,642

The Bank's total exposure to matured SLISBs are presented in Note 14.1 The main uncertainties regarding the estimations for the recoverability of the Bank's total exposure relate to the debt service capacity of the Government of Sri Lanka, which, in turn, is affected by the development of the prevailing macroeconomic environment as well as by the levels of liquidity of the government and the outcome of the debt restructuring negotiations with the International Monetary Fund (IMF) and the resultant comprehensive debt restructuring programme. Due to the uncertainties relating to the above, the Bank has used significant judgement using the information available as at reporting date to estimate the recoverable value. Accordingly, an impairment charge has been recognised. Refer Note 32.1.4 which explains the background and basis of SLISBs provision.

42.2 DUE FROM SUBSIDIARIES

As at 31 December	BANK	
	2024 LKR '000	2023 LKR '000
DFCC Consulting (Pvt) Limited	306	268

43. ASSET HELD FOR SALE

ACCOUNTING POLICY

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for- distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

DFCC Bank made an announcement to Colombo Stock Exchange (CSE) disclosing its intention to divest from investment in its joint venture of Acuity Partners (Pvt) Ltd.

Accordingly, the investment in joint venture is presented as Asset held for sale in these financial statements as at 31 December 2024 based on the SLFRS 5 – Non-current asset held for sale and discontinued operation.

As at 31 December	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	**2024** LKR '000	2023 LKR '000
Investment in Joint Venture (Reclassified)	755,000	–	5,480,475	–
Asset Held for sale	755,000	–	5,480,475	–

43.1 IMPAIRMENT LOSSES RELATING TO ASSET HELD FOR SALE

There was no impairment losses to be recognised in the financial statements for the period ended 31 December 2024, in respect of the asset held for sale.

43.2 Subsequently to the reporting date, The bank has disposed its 50% stake to Hatton National Bank PLC as per the sales purchase agreement.

44. DUE TO BANKS

See accounting policy in Note 9.4.5.

These represent call money borrowings, credit balances in nostro accounts and borrowings from banks. Subsequent to initial recognition, these are measured at amortised cost using the EIR method. Interest paid/ payable on these borrowings is recognised in income statement.

As at 31 December	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Borrowing – Foreign banks	17,699	1,960,670	17,699	1,960,670
– Local banks	7,131,775	50,832,794	7,131,775	50,832,794
	7,149,474	52,793,464	7,149,474	52,793,464

The maturity analysis of due to banks is given in Note 8.3.3 on pages 259 to 264.

45. FINANCIAL LIABILITIES AT AMORTISED COST – DUE TO DEPOSITORS

See accounting policy in Note 5.3.2.2.1.

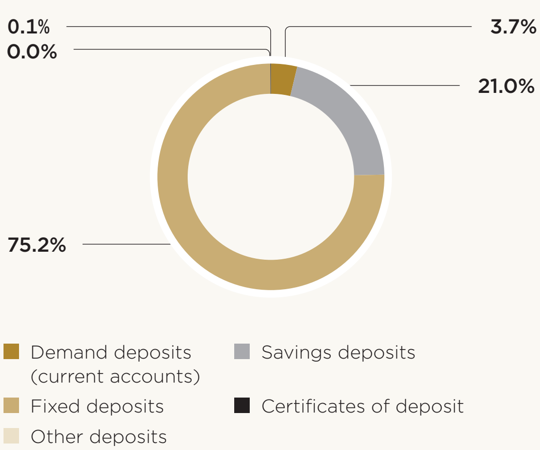
As at 31 December	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Total amount due to depositors	465,153,180	407,225,313	464,359,564	406,584,864

45.1 ANALYSIS

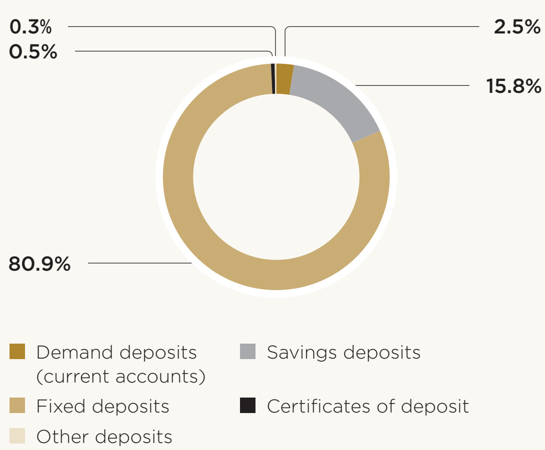
45.1.1 BY PRODUCT

As at 31 December	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Demand deposits (current accounts)	17,376,417	12,363,893	17,376,641	12,363,628
Savings deposits	97,489,923	84,105,805	97,376,953	84,021,644
Fixed deposits	349,918,782	309,983,634	349,237,912	309,427,611
Certificates of deposit	27,029	375,333	27,029	375,333
Other deposits	341,029	396,648	341,029	396,648
	465,153,180	407,225,313	464,359,564	406,584,864

Deposit Mix (2024)



Deposit Mix (2023)



45.1.2 BY CURRENCY

As at 31 December	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Sri Lankan Rupee (LKR)	359,520,560	320,273,847	358,911,945	319,671,526
United States Dollar (USD)	95,028,553	76,446,386	94,843,552	76,408,258
Great Britain Pound (GBP)	4,738,303	4,509,446	4,738,303	4,509,446
Others	5,865,764	5,995,634	5,865,764	5,995,634
	465,153,180	407,225,313	464,359,564	406,584,864

45.1.3 BY INSTITUTION/CUSTOMERS

As at 31 December	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Deposits from banks	10,310,005	2,235,589	10,310,005	2,235,589
Deposits from finance companies	3,795,360	1,133,644	3,795,360	1,133,644
Deposits from other customers	451,047,815	403,856,080	450,254,199	403,215,631
	465,153,180	407,225,313	464,359,564	406,584,864

The maturity analysis of deposits from customers is given in Note 8.3.3 on pages 259 to 264.

46. FINANCIAL LIABILITIES AT AMORTISED COST – DUE TO OTHER BORROWERS

See accounting policy in Note 9.4.7.

As at 31 December	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Repayable in foreign currency				
Borrowing sourced from				
Multilateral institutions	529,153	823,713	529,153	823,713
Bilateral institutions	32,967,878	48,094,051	32,967,878	48,094,051
	33,497,030	48,917,764	33,497,030	48,917,764
Repayable in rupees				
Borrowing sourced from				
Multilateral institutions	13,426,214	11,912,387	13,426,214	11,912,387
Bilateral institutions	774,241	677,296	774,241	677,296
Central Bank of Sri Lanka – refinance loans (secured)	158,180	173,394	158,180	173,394
Securities sold under repurchase (Repo) agreements	48,899,967	10,341,893	48,899,967	10,341,893
	63,258,602	23,104,970	63,258,602	23,104,970
	96,755,632	72,022,734	96,755,632	72,022,734

46.1 ASSETS PLEDGED AS SECURITY

As at 31 December	2024 LKR '000	2023 LKR '000
Assignment in terms of Section 88 A of the Monetary Law of Loans refinanced by Central Bank	158,180	173,394

47. DEBT SECURITIES ISSUE

See accounting policy in Note 9.4.8.

47.1 DEBT SECURITIES AT AMORTISED COST ISSUED BY BANK

	Face value LKR '000	Interest rate %	Repayment terms	Issue date	Maturity date	BANK/GROUP 31 December 2024 LKR '000	31 December 2023 LKR '000
Debenture issue – Listed (LKR)	3,804,760	13.50	5 Years	28-Mar-19	28-Mar-24	–	4,190,458
	1,784,070	13.75	7 Years	28-Mar-19	28-Mar-26	1,967,841	1,966,124
	4,411,170	13.90	10 Years	28-Mar-19	28-Mar-29	4,864,732	4,861,776
	2,500,000	12.00	3 Years	24-Sep-24	24-Sep-27	2,559,906	
Unlisted (LKR)	5,000,000	11.00	5 years	12-Jun-20	12-Jun-25	5,298,244	5,293,219
	17,500,000					14,690,723	16,311,577

47.2 Carrying values are the discounted amounts of principal and interest.

47.3 There were no debt securities issued designated as FVTPL.

47.4 The Bank/Group did not have any defaults of principal or interest or other breaches with respect to its debt securities during the year ended 31 December 2024.

47.5 DEBT SECURITIES ISSUED – LISTED DEBENTURES

Debenture category	Interest payable frequency	Applicable interest rate %	Interest rate of comparative government securities (Gross) p.a. %	Balance as at 31 December 2024 LKR '000	Market price Highest	Market price Lowest	Yield last traded %
Fixed rate							
2019/2026	Annually	13.75	9.22	1,967,841	N/T	N/T	N/A
2019/2029	Annually	13.90	10.40	4,864,732	N/T	N/T	N/A
2024/2027	Annually	12.00	9.76	2,559,906	N/T	N/T	N/A
Unlisted							
2020/2025	Annually	11.00	9.02	5,298,244	N/T	N/T	N/A
				14,690,723			

N/T – Not traded

N/A – Not applicable

47.6 DEBT SECURITIES AT AMORTISED COST – BY MATURITY

As at 31 December	BANK/GROUP 2024 LKR '000	2023 LKR '000
Payable within one year	5,298,244	4,190,458
Payable after one year	9,392,480	12,121,119

As at 31 December	2024 LKR '000	2023 LKR '000
Other ratios		
Debt to equity ratio (times)	2.01	2.54
Interest cover (times)	2.78	2.27
Liquidity coverage ratio (%)	280.26	597.47

47.7 DISCLOSURES REGARDING THE UTILISATION OF FUNDS AS PER THE OBJECTIVES STATED IN THE GREEN BOND ISSUE PROSPECTUS

Objective as per Prospectus	Amount allocated as per Prospectus	Proposed Date of allocation as per Prospectus	Amount allocated from Proceeds (A)	% of Total Proceeds	Amount utilised as at 31.12.2024 (B)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including where the funds are invested (eg:Whether lent to related party/s etc.)
Financing the establishment, acquisition, expansion, and/or ongoing management of on – shore ground and rooftop mounted solar photovoltaic (PV) power generation facilities	LKR 2,500 Mn (Maximum issuance)	In up to 18 months upon allotment of the Bonds	LKR 1,510 Mn	60.4%	LKR 185 Mn	12.3%	Invested in Government Securities
Refinancing existing on-shore ground and rooftop mounted solar photovoltaic (PV) power generation facilities provided such projects were approved for financing by the Bank and were commissioned within a two (2) year 'lookback' period from the date the project was earmarked for funding by the proceeds of the particular Green Bond.		Immediately, upon allotment of bonds	LKR 990 Mn	39.6%	LKR 990 Mn	100.0%	N/A

* Date of allotment of Green Bonds - 24 September 2024

48. EMPLOYEE BENEFITS

ACCOUNTING POLICY

A. Defined Contribution Plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

This provides for a lump sum payment on termination of employment by resignation, retirement at the age of 57-60 years or death while in service. Lump sum payment is by an outside agency to which contributions are made.

All employees of the Bank are members of the Mercantile Service Provident Society and the Employees' Trust Fund Board to which the Bank contributes 15% and 3% respectively of such employee's consolidated salary.

Other subsidiary companies of the Group contribute to the Employees' Provident Fund and Employees' Trust Fund in the range of 12% – 15% and 3% respectively.

Contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

B. Defined Benefit Plans (DBPS)

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 on "Employee Benefits".

Pension Liability Arising from Defined Benefit Obligations

Description of the Plan and Employee Groups Covered

The Bank established a trust fund in May 1989, for payment of pension which operates the pension scheme approved by the Commissioner General of Inland Revenue. The fund of the scheme is managed by trustees appointed by the Bank and is separate from the Bank. The scheme provides for payment of pension to retirees, spouse, and minor children of deceased retirees based on pre-retirement salary. All members of the permanent staff who joined prior to 1 May 2004 are covered by this funded pension scheme subject to fulfilment of eligibility conditions prescribed by the Bank.

The scheme was amended on 31 August 1998 and the amended plan will apply to all members of the permanent staff who joined the Bank on or after this date and prior to 1 May 2004. The amendment reduced the scope of the benefit in the interest of long-term sustainability of the pension plan as advised by the independent actuary. The defined benefit pension plan does not permit any post-retirement increases in pension nor any other benefit (e.g., medical expenses reimbursement).

Funding Arrangement

The Bank's contributions to the Trust Fund are made annually based on the recommendation of an independent actuary. The employees make no contributions to qualify for the basic pension, which is therefore a non-contributory benefit to the employees.

Eligible employees who desire to provide for the payment of pension to spouse and minor children, who survive them are however, required to contribute monthly, an amount based on a percentage of gross emoluments, excluding bonus, if they joined the Bank on or after 31 August 1998 and prior to 1 May 2004.

Recognition of Actuarial Gains and Losses

The net actuarial gains or losses arising in a financial year is due to increases or decreases in either the present value of the promised pension benefit obligation or the fair value of pension assets. The causes for such gains or losses include changes in the discount rate, differences between the actual return, and the expected return on pension assets and changes in the estimates of actual employee turnover, mortality rates, and increases in salary.

The Group recognises the total actuarial gains and losses that arise in calculating the Group's obligation in respect of the plan in other comprehensive income and the expense under personnel expenses in the income statement during the period in which it occurs.

Recognition of Past Service Cost

Past service cost arises when a defined benefit plan is introduced for the first time or subsequent changes are made to the benefits payable under an existing defined benefit plan. Group will recognise past service cost as an expense on a straight-line basis over the average period until the benefits become vested. To the extent the benefits are already vested following the introduction of or changes to a defined benefit plan, the Group will recognise past service cost immediately.

Provision for end of Service Gratuity Liability under a Defined Benefit Plan

Description of the Plan and Employee Groups Covered

The Group provides for the gratuity payable under the Payment of Gratuity Act No. 12 of 1983 as amended for all employees who do not qualify under the pension scheme. Therefore, this applies to employees recruited to the permanent cadre on or after 1 May 2004 on tenured or fixed term contract employment in the Bank. The subsidiary companies, which do not have a non-contributory pension scheme provide for the gratuity payable under the Payment of Gratuity Act No. 12 of 1983 for all employees. The promised benefit is half a month pre-termination salary for each completed year of service, provided a minimum qualifying period of five years is served prior to termination of employment.

The Group however, recognises the liability by way of a provision for all employees in tenured employment from the date they joined the permanent cadre, while fixed term employees liability is recognised only if the fixed term contract of service provides for unbroken service of five years or more either singly or together with consecutive contracts.

Funding Arrangement

The Bank and the subsidiaries adopt a pay-as-you-go method whereby the employer makes a lump-sum payment only on termination of employment by resignation, retirement at the age of 57-60 years or death while in service.

Recognition of Actuarial Gains and Losses

The Group recognises the total actuarial gains and losses in the other comprehensive income during the period in which it occurs.

Recognition of Past Service Cost

Since end of service gratuity defined benefit is a statutory benefit, the recognition of past service cost will arise only if the Payment of Gratuity Act No. 12 of 1983 is amended in future to increase the promised benefit on termination of employment. In such event, the Bank will adopt the accounting policy currently used for defined benefit pension plan. When the benefit of a plan change or plan curtailed the resulting change in benefit that relate to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Bank recognises gain or loss on the settlement of a defined plan when settlement occurs.

48.1 COMPOSITION

		BANK		GROUP	
As at 31 December	Note	**2024** LKR '000	2023 LKR '000	**2024** LKR '000	2023 LKR '000
Unfunded defined benefit plans	48.1.1	1,409,232	1,371,126	1,450,966	1,400,921
		1,409,232	1,371,126	1,450,966	1,400,921

48.1.1 UNFUNDED DEFINED BENEFIT PLANS

As at 31 December	Note	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Defined benefit					
– unfunded pension	48.1.1.1	57,720	53,214	57,720	53,214
– unfunded end of service gratuity	48.1.1.2	1,351,512	1,317,912	1,393,246	1,347,707
		1,409,232	1,371,126	1,450,966	1,400,921

48.1.1.1 UNFUNDED PENSION LIABILITIES

As at 31 December	BANK/GROUP 2024 LKR '000	BANK/GROUP 2023 LKR '000
Balance at beginning	53,214	39,612
Interest on obligation	5,684	6,269
Benefits paid	(6,995)	(6,995)
Actuarial experience loss	1,112	740
Loss due to changes in assumptions	4,705	13,588
Present value of defined benefit pension obligations	57,720	53,214

This relates to pension liability of an ex-employee, not funded through the DFCC Bank PLC Pension Fund. The liability covers the pension benefit to retiree and survivor.

48.1.1.2 UNFUNDED END OF SERVICE GRATUITY

As at 31 December	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Balance at beginning	1,317,912	551,938	1,347,707	576,237
Current service cost	191,244	79,647	201,476	83,824
Interest on obligation	151,560	96,589	161,786	99,257
Benefits paid	(86,823)	(115,226)	(88,378)	(118,297)
Actuarial experience loss	40,939	64,138	36,785	65,861
Loss/(gain) due to changes in assumptions	(263,320)	640,826	(263,320)	640,825
Transfers during the year	–	–	(2,807)	–
Present value of defined benefit pension obligations	1,351,512	1,317,912	1,393,247	1,347,707

48.1.2 FUNDED PENSION ASSETS

As at 31 December	Note	BANK/GROUP 2024 LKR '000	BANK/GROUP 2023 LKR '000
Present value of defined benefit pension obligations	48.1.2.1	3,016,206	2,670,723
Fair value of pension assets	48.1.2.2.2	(3,464,196)	(3,113,973)
Defined benefit assets		(447,990)	(443,250)

As per LKAS 19 - "Employee Benefits" if a plan is in surplus, then the amount recognised as an asset in the statement of financial position is limited to the "asset ceiling". The asset ceiling is the present value of any economic benefits available to the entity in the form of a refund or a reduction in future contributions. By analysing all the future economic benefits available to the DFCC Pension Fund, the independent actuary Mr Piyal S Goonetilleke of Piyal S Goonetilleke & Associates, has estimated the asset ceiling as at 31 December 2024 to be LKR 447 Mn in his report dated 16 January 2025.

48.1.2.1 MOVEMENT IN DEFINED PENSION OBLIGATION

As at 31 December	BANK/GROUP 2024 LKR '000	2023 LKR '000
Present value of defined benefit pension obligations at the beginning	2,670,723	1,699,403
Current service cost	44,562	27,020
Interest on obligation	307,133	297,396
Benefits paid	(247,808)	(247,826)
Actuarial experience loss	51,939	375,427
Loss due to changes in assumptions	189,657	519,303
Present value of defined benefit pension obligations	3,016,206	2,670,723

48.1.2.2 MOVEMENT IN PENSION ASSETS

As at 31 December	BANK/GROUP 2024 LKR '000	2023 LKR '000
Pension assets at the beginning	3,394,973	3,026,968
Expected return on pension assets	374,983	506,226
Benefits paid	(247,808)	(247,826)
Actuarial experience (loss)/gain	(24,721)	109,605
Pension assets	3,497,427	3,394,973

48.1.2.2.1 ASSETS CEILING ADJUSTMENT

As at 31 December	BANK/GROUP 2024 LKR '000	2023 LKR '000
Current year assets ceiling adjustment	(33,231)	(281,000)
Reversal of previous year adjustment	281,000	1,072,805
Net asset ceiling adjustment for the year	247,769	791,805

48.1.2.2.2 PENSION ASSET ADJUSTED FOR THE ASSET CEILING

As at 31 December	BANK/GROUP 2024 LKR '000	2023 LKR '000
Pension assets	3,497,427	3,394,973
Current year assets ceiling adjustment	(33,231)	(281,000)
Pension asset adjusted for the asset ceiling	3,464,196	3,113,973

48.1.2.3 PLAN ASSETS CONSIST OF THE FOLLOWING:

As at 31 December	BANK/GROUP 2024 LKR '000	2023 LKR '000
Treasury bonds	936,579	–
Treasury bills	265,988	1,180,196
Balances with banks	22,004	32,326
Fixed deposits	2,129,500	1,979,062
Others	143,356	203,389
	3,497,427	3,394,973

48.1.2.4 THE EXPECTED BENEFIT PAY OUT IN THE FUTURE YEARS TO THE DEFINED BENEFIT OBLIGATION – BANK

	Unfunded pension liability*	Unfunded end of service gratuity*	Funded pension liability*
	31 December 2024 LKR '000	**31 December 2024** LKR '000	**31 December 2024** LKR '000
Within next 12 months	6,995	80,305	229,655
Between 2 and 5 years	27,982	376,797	1,040,983
Beyond 5 years	34,977	1,197,788	1,885,560

* Based on expected benefits pay-out in next 10 years

48.2 ACTUARIAL VALUATION

Actuarial valuation was carried out by Mr Piyal S Goonetilleke, Fellow of the Society of Actuaries USA, of Piyal S Goonetilleke & Associates, on 31 December 2024.

48.2.1 ACTUARIAL VALUATION METHOD

Projected unit credit method was used to allocate the actuarial present value of the projected benefits earned by employees to date of valuation.

48.2.2 PRINCIPAL ACTUARIAL ASSUMPTIONS – BANK

	31 December 2024		31 December 2023	
	Pension benefit (%)	End of service gratuity (%)	Pension benefit (%)	End of service gratuity (%)
Discount rate per annum				
Pre-retirement	10.0	10.0	11.5	11.5
Post-retirement	10.0	Not applicable	11.5	Not applicable
Future salary increases per annum	12	12	15	15
Expected rate of return on pension assets	10.0	–	11.5	–
Actual rate of return on pension assets	10.1	–	20.1	–
Mortality	UP 1984 mortality table	RP-2000 mortality table	UP 1984 mortality table	RP-2000 mortality table
Retirement age	57-60 years	57-60 years	57-60 years	57-60 years
Normal form of payment:	lump sum commuted pension payment followed by reduced pension for 10 years (25% reduction) (for new entrants recovery period is 15 years)	lump sum	lump sum commuted pension payment followed by reduced pension for 10 years (25% reduction) (for new entrants recovery period is 15 years)	lump sum
Turnover rate –				
Age				
20	10.0	10.0	10.0	10.0
25	10.0	10.0	10.0	10.0
30	10.0	10.0	10.0	10.0
35	7.5	7.5	7.5	7.5
40	5.0	5.0	5.0	5.0
45	2.5	2.5	2.5	2.5
50/55	1.0	1.0	1.0	1.0

The principal actuarial assumptions in the current year have changed from previous year as presented in the Note 45.2.2. The discount rate is the yield rate on 31 December 2024 with a term equalling the estimated period for which all benefit payments will continue. This period is approximately 16.95 years for pension and 9.3 years for end of service gratuity. The differences in the discount rates for pension and end of service gratuity reflect the differences in the estimated period for benefit payments will continue.

PRINCIPAL ACTUARIAL ASSUMPTIONS – GROUP

The subsidiaries have used discount rates of 10% – 11% and the salary increment rate ranging 3% – 25%.

The differences in the rate of future annual salary increases reflect the remaining working life of participants for each plan.

48.2.3 SENSITIVITY OF ASSUMPTIONS USED IN THE ACTUARIAL VALUATION

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions used with all other variables held constant in the employment benefit liability measurement. The effect in the income statement and the statement of financial position with the assumed changes in the discount rates and salary increment rate is given below:

	Effect on other comprehensive income statement	Effect on defined benefit obligation
	Increase/(decrease) LKR '000	Increase/(decrease) LKR '000
Funded pension liability		
Discount rate		
1%	230,432	(230,432)
–1%	(266,070)	266,070
Salary increment rate		
1%	(54,674)	54,674
–1%	51,709	(51,709)
Unfunded pension liability*		
Discount rate		
1%	3,217	(3,217)
–1%	(3,577)	3,577
Unfunded end of service gratuity		
Discount rate		
1%	150,393	(150,393)
–1%	(179,807)	179,807
Salary increment rate		
1%	149,152	(149,152)
–1%	149,152	(149,152)

*Salary increment not applicable for ex-employee

48.3 HISTORICAL INFORMATION

As at 31 December	**2024** **LKR '000**	2023 LKR '000	2022 LKR '000	2021 LKR '000	2020 LKR '000
Present value of the defined benefit obligation	3,016,206	2,670,723	1,699,403	2,692,271	2,827,321
Fair value of plan assets	(3,464,196)	(3,113,973)	(1,954,163)	(2,808,394)	(2,767,072)
(Surplus)/deficit in the plan	(447,990)	(443,250)	(254,760)	(116,123)	60,249

49. CURRENT TAX (ASSETS)/LIABILITIES

Accounting policy in Note 21.

As at 31 December	Note	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Balance at beginning		4,426,683	2,479,562	4,535,557	2,575,008
Provision for the year	21.1	4,677,547	6,260,241	4,814,168	6,416,490
Reversal of over provision	21.1	–	–	–	(355)
Self-assessment payments		(6,034,647)	(4,305,780)	(6,173,051)	(4,446,617)
Withholding tax/other credits		(2,997)	(7,340)	(18,584)	(8,969)
Other tax payable		–	–	–	–
Balance as at 31 December		3,066,586	4,426,683	3,158,090	4,535,557
Current tax liabilities		3,066,586	4,426,683	3,160,100	4,535,557
Current tax assets		–	–	(2,010)	–

50. OTHER LIABILITIES AND PROVISIONS

Provisions are recognised when it is probable that an outflow of economic benefit will be required to settle a current legal or constructive obligation which has arisen as a result of past events, and for which a reliable estimate can be made of the amount of the obligation.

As at 31 December	Note	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Financial liabilities					
Prior year's dividends		18,891	25,624	18,891	25,624
Security deposit for leases		–	–	222,280	204,300
Lease liabilities	52.3	1,347,869	1,455,858	1,361,286	1,473,145
Account payables		6,071,849	4,521,492	6,117,525	4,538,333
Due to subsidiaries	50.2	2,711	15,492	–	–
		7,441,320	6,018,466	7,719,982	6,241,402
Non-financial liabilities					
Accruals		1,018,225	1,098,475	1,087,501	1,134,619
Prepaid loan and lease rentals		580,851	1,048,699	628,807	1,104,041
Provision for loan commitments and financial guarantee contracts	58.1.1	822,395	706,338	822,395	706,338
Other provisions	50.1	2,243,969	732,524	2,286,947	751,074
		4,665,440	3,586,036	4,825,650	3,696,072
		12,106,760	9,604,502	12,545,632	9,937,474

50.1 OTHER PROVISIONS

Other provisions includes benefit payable to employees.

As at 31 December	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Balance at 1 January	732,524	410,985	751,074	433,171
Provisions for the financial year	2,008,779	732,840	2,053,028	753,041
Provisions used during the year	(732,524)	(359,654)	(752,345)	(383,492)
Provisions reversed during the year	235,190	(51,647)	235,190	(51,646)
Balance as at 31 December	2,243,969	732,524	2,286,947	751,074

50.2 DUE TO SUBSIDIARIES

As at 31 December	BANK 2024 LKR '000	2023 LKR '000
Synapsys Limited	2,711	15,492
	2,711	15,492

51. SUBORDINATED TERM DEBT

Accounting policy in Note 5.3

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

	Face value LKR '000	Interest rate %	Repayment terms	Issued date	Maturity date	BANK/GROUP 31 December 2024 LKR '000	31 December 2023 LKR '000
Listed debentures							
Issued by Bank	4,086,530	13.00	7 Years	29-Mar-2018	28-Mar-2025	4,485,689	4,481,179
	4,318,000	9.00	5 Years	23-Oct-2020	23-Oct-2025	4,386,825	4,383,031
	205,000	9.25	7 Years	23-Oct-2020	23-Oct-2027	208,191	208,055
	7,945,230	15.25	5 Years	16-Jan-2024	16-Jan-2029	9,090,767	–
	54,770	14.75	7 Years	16-Jan-2024	16-Jan-2031	62,582	–
	16,609,530					18,234,054	9,072,265

51.1 SUBORDINATED TERM DEBT – LISTED DEBENTURES

Debenture category	Interest frequency payable	Applicable interest rate %	Interest rate of comparative Government securities (Gross) p.a. %	Balance as at 31 December 2024 LKR '000	Market price Highest	Market price Lowest	Market price Last traded
Fixed rate							
2018-2025	Annually	13.00	8.97	4,485,689	N/T	N/T	N/T
2020-2025	Annually	9.00	9.11	4,386,825	N/T	N/T	N/T
2020-2027	Annually	9.25	9.75	208,191	N/T	N/T	N/T
2024-2029	Annually	15.25	10.36	9,090,767	N/T	N/T	N/T
2024-2031	Annually	14.75	10.89	62,582	N/T	N/T	N/T
				18,234,054			

N/T – Not traded.

Debt equity ratio, interest cover and liquid asset ratio is given in Note 47.6.

51.2 SUBORDINATED LIABILITIES BY MATURITY

As at 31 December	BANK/GROUP 2024 LKR '000	2023 LKR '000
Payable within one year	8,872,514	–
Payable after one year	9,361,540	9,072,265
Total	18,234,054	9,072,265

In the event of the winding-up of the issuer, the above liabilities would be subordinated to the claims of depositors and all other creditors of the issuer. The Bank has not had any defaults of principal, interest or other breaches with respect to its subordinated liabilities during the year ended 31 December 2024.

The maturity analysis of subordinated liabilities is given in Note 8.3.3 on page 259 to 264.

52. LEASES

ACCOUNTING POLICY

At inception of a contract, the Group 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 Group uses the definition of a lease in SLFRS 16.

As a Lessee

At commencement or on modification of a contract that contains a lease component, the Group 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 Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group 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 or payable 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 Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group 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, plant 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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from the Bank's internal records (weighted average cost of funds) 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 Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group 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 Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group 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.

Short-term Leases and Leases of Low-value Assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a Lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group 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 Group 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 Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group 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 Group 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 Group applies SLFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

52.1 LEASES AS LESSEE (SLFRS 16)

The Bank leases a number of branch and office premises. The leases typically run for a period of 2-10 years, with an option to renew the lease after that date. For some leases, payments are renegotiated to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

There were no identifiable assets that were sub-let by the Bank to its subsidiary during the year.

Information about leases for which the Bank is a lessee is presented below:

52.2 RIGHT-OF-USE ASSETS

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see Note 39).

As at 31 December	BANK Branch and office premises		GROUP Branch and office premises	
	2024 LKR '000	2023 LKR '000	**2024** LKR '000	**2023** LKR '000
Balance at 1 January	1,288,101	1,382,393	1,304,874	1,382,393
Additions to right-of-use assets	269,488	254,733	269,488	273,456
Depreciation charge for the year	(346,225)	(326,149)	(350,906)	(328,099)
Derecognition of right-of-use assets	(63,133)	(22,876)	(63,133)	(22,876)
Balance at 31 December	1,148,231	1,288,101	1,160,323	1,304,874

See Note 8 for maturity analysis of lease liabilities as at 31 December 2024.

52.3 LEASE LIABILITY

As at 31 December	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	**2024** LKR '000	2023 LKR '000
Balance at the beginning	1,455,858	1,512,565	1,473,145	1,512,565
Interest charged during the year	144,282	153,345	146,803	154,570
Payment to lease creditors	(431,274)	(417,219)	(437,665)	(419,881)
Termination of operating lease agreements during the year	(97,646)	(816)	(97,646)	(816)
Additions/renewals of operating lease agreements during the year	276,649	207,983	276,649	226,707
Balance as at 31 December	1,347,869	1,455,858	1,361,286	1,473,145

52.4 THE FUTURE MINIMUM LEASE PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASES

As at 31 December	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Maturity analysis – contractual undiscounted cash flows				
Less than one year	395,002	136,272	401,393	142,663
Between one and five years	1,043,201	894,889	1,053,319	911,398
More than five years	371,093	602,440	371,093	602,440
Total undiscounted lease liabilities at 31 December	1,809,296	1,633,601	1,825,805	1,656,501
Total discounted lease liabilities at 31 December	1,347,869	1,455,858	1,361,286	1,473,145

52.5 AMOUNTS RECOGNISED IN INCOME STATEMENT

For the year ended 31 December	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Leases under SLFRS 16				
Interest on lease liabilities	144,282	153,345	146,803	154,570
Expenses relating to short-term leases				
Depreciation charge for the year	346,225	326,149	350,906	328,099
	490,507	479,494	497,709	482,669

52.6 EXTENSION OPTIONS

Some property leases contain extension options exercisable by the Bank. Where practicable, the Bank seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Bank and not by the lessors. The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

53. STATED CAPITAL

ACCOUNTING POLICY

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets.

As at 31 December	Number of Ordinary Voting Shares 2024	Number of Ordinary Voting Shares 2023	BANK/GROUP 2024 LKR '000	BANK/GROUP 2023 LKR '000
Balance at beginning	421,948,655	402,666,056	13,866,557	13,182,025
Issue of ordinary shares as part of the final dividend satisfied in the form of issue and allotment new shares	10,709,356	19,282,599	843,897	684,532
Balance as at 31 December	432,658,011	421,948,655	14,710,454	13,866,557

Ordinary shares in the Bank are recognised at the amount paid per ordinary share. The shares of the Bank quoted on the Colombo Stock Exchange.

The holders of ordinary shares are entitled to receive dividends declared from time to time and are entitled to one vote per share at General Meetings of the Bank.

54. STATUTORY RESERVE

RESERVE FUND

As at 31 December	BANK/GROUP 2024 LKR '000	2023 LKR '000
Balance at beginning	3,239,968	2,874,968
Transfers	418,000	365,000
Balance as at 31 December	3,657,968	3,239,968

NATURE AND PURPOSE OF RESERVE

Statutory reserve fund is maintained as per the statutory requirements in terms of Section 20 (1) and (2) of the Banking Act No. 30 of 1988.

This fund is built by transferring a sum equivalent to not less than 5% of the profit after tax before any dividend is declared or any profits are transferred until the fund equals 50% of the Bank's stated capital. Thereafter, a further sum equal to 2% of profit after tax is transferred until the fund equals the stated capital of the Bank.

55. RETAINED EARNINGS

As at 31 December	BANK		GROUP	
	2024 LKR '000	2023 LKR '000	2024 LKR '000	2023 LKR '000
Balance at beginning	28,250,357	22,600,898	33,645,590	26,731,857
Profit for the year	8,352,531	7,219,702	9,777,516	8,485,146
Other comprehensive income/(expenses) net of tax	128,947	(503,798)	124,407	(506,474)
Transfers to statutory reserve fund	(418,000)	(365,000)	(418,000)	(365,000)
Dividends paid-scrip	(843,897)	(805,332)	(843,897)	(805,332)
Dividends paid-cash	(1,265,846)	–	(1,265,846)	–
Forfeiture of unclaimed dividends	6,579	5,255	6,579	5,255
Net gains on disposal of equity investments	1,624,059	98,632	1,624,059	98,632
Change in holding through joint venture	–	–	17,696	1,506
Balance as at 31 December	35,834,730	28,250,357	42,668,104	33,645,590

This represents cumulative net earnings, inclusive of final dividend approved amounting to LKR 2,596 Mn.

The balance is retained and reinvested in the business of the Bank.

56. OTHER RESERVES

As at 31 December 2024	BANK			
	Fair value reserve LKR '000	Hedging reserve LKR '000	General reserve LKR '000	Total LKR '000
Balance at beginning	7,250,399	1,353,846	13,779,839	22,384,084
Movements/transfers	8,135,198	(689,437)	–	7,445,761
Balance as at 31 December	15,385,597	664,409	13,779,839	29,829,845

As at 31 December 2023	BANK			
	Fair value reserve LKR '000	Hedging reserve LKR '000	General reserve LKR '000	Total LKR '000
Balance at beginning	(1,832,190)	115,407	13,779,839	12,063,056
Movements/transfers	9,082,589	1,238,439	–	10,321,028
Balance as at 31 December	7,250,399	1,353,846	13,779,839	22,384,084

As at 31 December 2024	GROUP				
	Fair value reserve LKR '000	Exchange equalisation reserve LKR '000	Hedging reserve LKR '000	General reserve LKR '000	Total LKR '000
Balance at beginning	5,818,791	561,071	1,071,797	13,779,839	21,231,498
Movements/transfers	8,135,807	(266,441)	(737,271)	–	7,132,095
Balance as at 31 December	13,954,598	294,630	334,526	13,779,839	28,363,593

As at 31 December 2023	GROUP				
	Fair value reserve LKR '000	Exchange equalisation reserve LKR '000	Hedging reserve LKR '000	General reserve LKR '000	Total LKR '000
Balance at beginning	(3,273,562)	822,582	(103,057)	13,779,839	11,225,802
Movements/transfers	9,092,353	(261,511)	1,174,854	–	10,005,696
Balance as at 31 December	5,818,791	561,071	1,071,797	13,779,839	21,231,498

TRANSFER OF NET GAINS ON DISPOSAL OF EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME TO RETAINED EARNINGS

As at 31 December	BANK/GROUP	
	2024 LKR '000	2023 LKR '000
Fair value of the investment at the date of derecognition	4,246,408	469,060
Cost of Investment	2,622,349	370,428
Cumulative net gains on disposal	1,624,059	98,632

Dispose to optimised the investment objective

56.1 FAIR VALUE RESERVE

The fair value reserve comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income until such investments are derecognised or impaired.

56.2 HEDGING RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in Income Statement as the hedge cash flows affect profit or loss.

56.3 GENERAL RESERVE

The Bank transfers the surplus retained earnings to the general reserve time to time. The purpose of setting up the General Reserve is to meet potential future unknown liabilities.

57. NON-CONTROLLING INTERESTS

ACCOUNTING POLICY

Non-controlling interests (NCI) are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations:

As at 31 December	Lanka Industrial Estates Limited	
	2024 LKR '000	2023 LKR '000
Non-current assets	672,710	640,229
Current assets	740,694	618,014
Non-current liabilities	(207,788)	(182,864)
Current liabilities	(291,634)	(272,508)
Net assets*	913,982	802,871
Net assets attributable to NCI – 48.84%	446,431	392,159

* See Note 35

For the year ended 31 December	**2024** LKR '000	2023 LKR '000
Revenue	652,521	606,653
Profit	317,101	354,994
Other comprehensive income	(6,374)	749
Total comprehensive income	310,727	355,743
Profit allocated to NCI – 48.84%	154,885	173,393
Other comprehensive expense allocated to NCI	(3,113)	366
Cash flows from operating activities	402,724	263,043
Cash flows from investing activities	(29,343)	(5,219)
Cash flows from financing activities	(199,615)	(179,654)
Net increase in cash and cash equivalents	173,766	78,170

58. CONTINGENT LIABILITIES AND COMMITMENTS

ACCOUNTING POLICY

Commitments and Contingencies

Contingent liabilities, which include guarantees, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Bank; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognised in the Financial Statements but are disclosed unless the probability of settlement is remote.

Even though these obligations may not be recognised on the Statement of Financial Position they do contain credit risk and are there for part of the overall risk of the Bank as disclosed in Note 55.1 below:

Financial Guarantees

Liabilities under financial guarantee contracts are recorded initially at their fair value, which is generally the fee received or receivable. Subsequently, financial guarantee liabilities are measured at the higher of the initial fair value, less cumulative amortisation, and the best estimate of the expenditure required to settle the obligations.

58.1 CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December	BANK 2024 LKR '000	BANK 2023 LKR '000	GROUP 2024 LKR '000	GROUP 2023 LKR '000
Guarantees issued to –				
Banks in respect of indebtedness of customers of the Bank	986,667	381,307	986,667	381,307
Companies in respect of indebtedness of customers of the Bank	13,437,786	12,159,411	13,437,786	12,159,411
Principal collector of customs (duty guarantees)	1,920,002	717,051	1,920,002	717,051
Shipping guarantees	4,985,445	5,232,263	4,985,445	5,232,263
Documentary credit	22,354,686	14,175,442	22,354,686	14,175,442
Performance bonds	5,285,654	7,201,578	5,285,654	7,201,578
Forward exchange contracts	82,943,485	63,934,697	82,943,485	63,934,697
Commitments in ordinary course of business – commitments for unutilised credit facilities	89,963,162	89,301,635	89,963,162	89,301,635
Capital expenditure approved by the Board of Directors				
Contracted	652,954	862,070	652,954	862,070
Not contracted	8,170	27,316	8,170	27,316
	222,538,011	193,992,770	222,538,011	193,992,770

58.1.1 MOVEMENT IN IMPAIRMENT DURING THE YEAR

As at 31 December	BANK/GROUP 2024 LKR '000	BANK/GROUP 2023 LKR '000
Stage 1		
Balance at beginning	625,189	519,425
Charge to income statement	88,291	105,764
Balance as at 31 December	713,480	625,189
Stage 2		
Balance at beginning	81,149	97,300
(Reversal)/charge to income statement	27,766	(16,151)
Balance as at 31 December	108,915	81,149
Stage 3		
Balance at beginning	–	–
(Reversal)/charge to income statement	–	–
Balance as at 31 December	–	–
Total	822,395	706,338

Classified under other liabilities in Note 50 on page 355.

58.2 LITIGATION AGAINST THE BANK

58.2.1 A client has initiated action against five Defendants including the Bank in the District Court of Kurunegala, claiming that a property mortgaged by him to the Bank had been unlawfully transferred to a third party under the parate process, and also claiming damages from the Bank. The Bank is defending this action.

58.2.2 There are two actions initiated in the District Court of Kandy and one action initiated in District Court of Negombo, where third parties are claiming ownership of properties acquired by the Bank under recovery action. The Bank is defending these actions before the respective District Courts.

58.2.3 There are two actions initiated in the District court of Theldeniya, where third parties are claiming ownership of properties mortgaged to the Bank. The Bank is defending these actions before the District Court of Theldeniya.

58.2.4 A client has initiated an action in the District court of Matara claiming damages from the Bank, alleging that a loan was not disbursed in a lump sum but in installments based on the client's progress and as such his business went into decline and he suffered losses. The Bank is defending the action before the District Court of Matara.

58.2.5 An action has been initiated in the Labour Tribunal by one ex-employee of the Bank, claiming compensation from the Bank. This action has been laid by the President of the Labour Tribunal since a connected money recovery action initiated by the Bank has commenced.

58.2.6 Action has been initiated in High Court of Galle (Appeal case against the order of the Labour Tribunal Galle) against the Bank by the ex employee.

58.2.7 One of the directors of a company where several actions initiated by the Bank are pending against the company, has initiated an action in the District Court of Colombo, claiming damages against the Bank. The Bank is defending this action before the District Court of Colombo.

58.2.8 An action initiated in the District Court of Galle, in which a customer was claiming damages against the Bank was dismissed by the court. The customer has preferred an appeal against the said decision. The Bank is defending the appeal in the Civil Appellate High Court of Galle.

58.2.9 Three Defendants in a money recovery action initiated by the bank has made counter claims for damages. The bank is defending the said counter claims.

58.2.10 An action for damages has been instituted against the Bank by an heir to the estate of a deceased customer, whose property has been acquired and sold by the Bank consequent to a legal recovery process. The Bank is defending this action before the District Court.

58.3 TAX ASSESSMENTS AGAINST THE BANK/GROUP

There are no assessments against the Bank/Group on substantive matters by the Department of Inland Revenue which requires disclosures in the financial statements. The Bank/Group is of the view that, tax assessments against the Bank/Group will not have any significant impact on the Financial Statements.

59. RELATED PARTIES

The Group's related parties include associate, subsidiaries, trust established by the Bank for post-employment retirement plan, joint venture, Key Management Personnel, close family members of Key Management Personnel and Entities which are controlled, or jointly controlled by Key Management Personnel or their close family members.

The Bank carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as related parties as per the Sri Lanka Accounting Standard – LKAS 24 – "Related Party Disclosures", other than, transactions that the Key Management Personnel (KMP) have availed under schemes uniformly applicable to all staff at concessionary rates.

59.1 PARENT AND ULTIMATE CONTROLLING PARTY

The Bank does not have an identifiable parent of its own.

59.2 TRANSACTION WITH KEY MANAGEMENT PERSONNEL

59.2.1 KEY MANAGEMENT PERSONNEL

Key Management Personnel are the Board of Directors of the Bank including Chief Executive, Deputy Chief Executive, Vice President – Strategic Planning, Chief Risk Officer, Chief Financial Officer, Chief Operating Officer, and Senior Vice President – Treasury and Investment Banking for the purpose of Sri Lanka Accounting Standard – LKAS 24 on "Related Party Disclosures".

59.2.2 COMPENSATION OF DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

	BANK		GROUP	
For the year ended 31 December	**2024** LKR '000	2023 LKR '000	**2024** LKR '000	2023 LKR '000
Number of persons	15	16	17	18
Short-term employment benefits	224,861	138,703	251,413	165,122
Post-employment benefits – Pension*	702	(1,812)	702	(1,812)
– Others	21,453	17,088	22,081	17,694
	247,016	153,979	274,196	181,004

* In year 2023, the after tax return on pension assets was 20.1% vs. 17.5% assumed. An actuarial gain resulted, as the actual asset value was more than what was expected. This net interest reversal on the net asset has been recognised in the statement of profit or loss in compliance with the Sri Lanka Accounting Standard "LKAS 19-Employee Benefits".

59.2.3 OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND THEIR CLOSE FAMILY MEMBERS

59.2.3.1 STATEMENT OF FINANCIAL POSITION – BANK

As at 31 December	**2024**		2023	
	Number of KMPs	LKR '000	Number of KMPs	LKR '000
Assets				
Financial assets at amortised cost – Loans and advances to customers	17	39,583	18	73,555
		39,583		73,555
Liabilities				
Financial liabilities at amortised cost – Due to depositors	34	926,659	33	527,397
Financial liabilities at amortised cost due to other borrowers	02	32,605		–
		959,264	–	527,397
Contingent liabilities and commitments		36,330	–	52,994

INCOME STATEMENT – BANK

For the year ended 31 December	2024 LKR '000	2023 LKR '000
Interest income	2,432	6,972
Interest expense	92,023	73,385
Fee and commission income	157	41
Net gains from trading	13	18
Net gains from derecognition of financial assets	–	101
Net other operating (expense)/income	(38)	419

59.3 TRANSACTION WITH ENTITIES IN WHICH DIRECTORS OF THE BANK HAVE SIGNIFICANT INFLUENCE

STATEMENT OF FINANCIAL POSITION – BANK

As at 31 December	2024 LKR '000	2023 LKR '000
Assets		
Financial assets at amortised cost – Loans and advances to customers	1,196,404	1,370,002
	1,196,404	1,370,002
Liabilities		
Financial liabilities at amortised cost – Due to depositors	4,782,506	4,771,430
Debt securities issued	5,162	–
	4,787,668	4,771,430
Contingent liabilities and commitments	121,916	–

INCOME STATEMENT – BANK

For the year ended 31 December	2024 LKR '000	2023 LKR '000
Interest income	137,921	306,550
Interest expenses	411,043	263,952
Fee and commission income	170	99
Other operating expenses	4,186	6,059
Net other operating income	94	115

59.4 TRANSACTION WITH GROUP ENTITIES

The Group entities include the subsidiaries, associate and joint venture of the Bank.

59.4.1 TRANSACTIONS WITH SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION – BANK

As at 31 December	**2024** LKR '000	2023 LKR '000
Assets		
Other assets	44,634	61,441
	44,634	61,441
Liabilities		
Financial liabilities at amortised cost – Due to depositors	785,266	640,947
Financial liabilities at amortised cost – Due to other borrowers	2,711	15,492
	787,977	656,439
Contingent liabilities and commitments	5,403	2,000

INCOME STATEMENT – BANK

For the year ended 31 December	**2024** LKR '000	2023 LKR '000
Interest income	–	67
Interest expense	73,584	104,758
Fee and commission income	302	250
Net other operating income	87,127	78,443
Other operating expenses net of reimbursements	145,262	217,065

OTHER TRANSACTIONS – BANK

For the year ended 31 December	**2024** LKR '000	2023 LKR '000
Payments made for purchase of computer software	30,654	25,546

59.4.2 TRANSACTIONS WITH JOINT VENTURE/ASSET HELD FOR SALE

STATEMENT OF FINANCIAL POSITION – BANK

As at 31 December	**2024** LKR '000	2023 LKR '000
Assets		
Financial assets at amortised cost – Loans and advances to customers	283,367	62,071
	283,367	62,071
Liabilities		
Financial liabilities at amortised cost – Due to depositors	3,432	7,705
	3,432	7,705
Contingent liabilities and commitments	966,633	1,194,550

INCOME STATEMENT – BANK

For the year ended 31 December	**2024** LKR '000	2023 LKR '000
Interest income	21,920	57,864
Fee and commission income	130	35
Other operating expenses	4,675	–

59.4.3 TRANSACTIONS WITH ASSOCIATE

STATEMENT OF FINANCIAL POSITION – BANK

As at 31 December	**2024** LKR '000	2023 LKR '000
Liabilities		
Financial liabilities at amortised cost – Due to depositors	38	35
Other operating expenses	38	35

59.5 TRANSACTIONS WITH DFCC BANK PENSION FUND – TRUST

DFCC Bank Pension Fund constituted as a Trust was established by the DFCC Bank to discharge defined benefit pension liability of eligible employees of the Bank.

As at 31 December	**2024** LKR '000	2023 LKR '000
Contribution prepaid as at beginning	443,250	254,760
Contribution due for the financial year recognised as expense in income statement	23,290	181,810
Recognition of actuarial gain in the other comprehensive income	(18,550)	6,680
Contribution prepaid (Note 48.1.2)	447,990	443,250

During the year 2024, DFCC Bank has carried out transactions related to sale of Treasury Bills, Bonds and Repo amounting to LKR 2.35 Bn with DFCC Bank Pension Fund at the prevailing market rates.

59.6 TRANSACTIONS WITH GOVERNMENT OF SRI LANKA (GOSL) AND ITS RELATED ENTITIES

Entities related to the Government of Sri Lanka (GOSL) by virtue of their aggregate shareholdings has the power to participate in the financial and operating policy decision of the Bank and by extension to participate in the financial and operating policy decisions of the Bank. However, in fact this power was not exercised.

Paragraph 25 of Sri Lanka Accounting Standard Related Party Disclosure – LKAS 24 has exempted DFCC Bank from the normally applicable disclosure requirements on transactions with GOSL – related entities. In making use of this exemption the Board has determined that the limited disclosure required under paragraph 26 of LKAS 24 is only required to be made for transaction that are individually significant because of their size although these transactions were undertaken on normal market terms in the ordinary course of business and there was no requirement to disclose the transactions to regulatory or supervisory authorities or require shareholder approval.

INDIVIDUALLY SIGNIFICANT TRANSACTIONS INCLUDED IN THE STATEMENT OF FINANCIAL POSITION – BANK

As at 31 December	**2024** LKR '000	2023 LKR '000
Assets		
Balances with Central Bank of Sri Lanka	2,328,346	2,107,776
Placements with banks	4,573,215	5,882,624
Financial assets measured at fair value through profit or loss	1,828,696	532,933
Financial assets at amortised cost – Loans and advances to customers	17,854,794	12,362,367
Financial assets at amortised cost – Debt and other instruments	105,424,311	67,867,424
Financial assets measured at fair value through other comprehensive income	113,099,228	117,448,154
Other assets	133,669	7,926,053
	245,242,259	214,127,331
Liabilities		
Due to Banks	3,100,607	45,259,333
Financial liabilities at amortised cost – Due to depositors	3,283,148	3,969,556
Financial liabilities at amortised cost – Due to other borrowers	20,238,402	16,187,151
Debt securities issued	6,135,322	7,324,761
Subordinated term debt	4,235,512	3,830,534
	36,992,991	76,571,335
Commitments		
Undrawn credit facilities	2,099,815	150,000
Forward exchange contracts	65,613,029	56,478,281

For the year ended 31 December	2024 LKR '000	2023 LKR '000
Income Statement – Bank		
Interest income	30,827,008	36,475,182
Interest expense	2,441,895	4,998,752
Fee and commission income	15,100	893
Net gain from trading	4,734	–
Net gains from derecognition of financial assets	423,882	318,325
Net other operating income	–	5
Impairment charge	573,358	1,319,633

There are no other transactions that are collectively significant with government related entities.

59.7 DISCLOSURE REQUIREMENT UNDER SECTION 9.14.8 (1) AND 9.14.8 (2) OF THE CSE LISTING RULES

As per Rule No. 9.14.8 (1) the Bank does not have any non-recurrent related party transactions carried out during the financial year under review with a value exceeding 10% of the equity or 5% of the total assets whichever is lower, as per the audited financial statements of the Bank.

As per Rule No. 9.14.8 (2) the Bank has following recurrent related party transactions (loans and advances) carried out during the financial year under review with value exceeding 10% of the gross revenue/income as per the latest audited financial statements of the bank.

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate value of Related Party Transactions entered into during the financial year	Aggregate value of Related Party Transactions as a % of Net Revenue/Income	Terms and Conditions of the Related Party Transactions
Entity owned by Government of Sri Lanka	Related Party	On balance sheet credit facilities	Facilities approved during the year – LKR 10,000 Mn	0.38% *	Terms and conditions under normal commercial terms similar to other non related customers

* Actual income on the facilities disbursed as a percentage of the annual consolidated income of the Bank

59.8 PRICING POLICY AND TERMS FOR TRANSACTIONS WITH RELATED PARTIES

Bank enters into transactions with related parties in the ordinary course of business on terms similar to comparable transactions with an unrelated comparable counterparty with the exception of accommodation granted to Key Management Personnel under approved schemes uniformly applicable to all or specific categories of employees. The terms include pricing for loans, deposits, and services, collateral obtained for loans where appropriate.

60. OPERATING SEGMENTS

ACCOUNTING POLICY

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Group's other components, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO (being the CODM) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Bank's headquarters), expenses, tax assets and liabilities.

60.1 BASIS FOR SEGMENTATION

The Group has the following four strategic divisions, which are reportable segments. These divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure.

Corporate Banking	Loans, deposits and other transactions and balances with corporate customers
Retail Banking	Loans, deposits and other transactions and balances with retail customers
Treasury	Funding and centralised risk management activities through borrowings, issues of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short term placements and corporate and government debt securities
Other	Revenue and expenses attributable to the incorporated business segments of industrial estate management, unit trust management, investment banking related services, Information Technology and consultancy services are included in the column for others.

Segment performance is evaluated based on operating profits or losses which are measured differently from operating profits or losses in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

The Group's Management Committee reviews internal management reports from each division at least monthly.

60.2 INFORMATION ABOUT REPORTABLE SEGMENTS

Information related to each reportable segment is set out below. Segment profit before tax, as included in internal management reports reviewed by the Group's Management Committee, is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate within the same industries. Inter-segment pricing is determined on an arm's length basis. Eliminations are the consolidation adjustments for inter company transactions, dividend and dividend payable attributable to minority shareholders.

	2024					
	Corporate Banking LKR '000	Retail Banking LKR '000	Treasury LKR '000	Other LKR '000	Unallocated LKR '000	Total LKR '000
For the year ended 31 December						
Net interest income	3,138,865	11,444,713	9,963,931	80,685	3,573,718	28,201,912
Net fees and commission income	1,256,540	2,891,898	(25,038)	(788)	805,821	4,928,433
Net gains from trading	198,405	136,838	937,381	–	255	1,272,879
Net gains from derecognition of financial assets	–	–	3,868,231	–	–	3,868,231
Net other operating income	16,945	40,326	–	594,784	1,118,839	1,770,894
Total operating income	4,610,755	14,513,775	14,744,505	674,681	5,498,633	40,042,349
Impairment for loans and other losses	(1,041,117)	(1,204,521)	(483,993)	–	(1,918,729)	(4,648,360)
Net operating income/Segment Result	3,569,638	13,309,254	14,260,512	674,681	3,579,904	35,393,989
Operating profit after taxes on financial services						13,818,037
Share of profits of associate						1,536
Profit for the period from discontinued operation						1,377,926
Income tax expense						(5,265,098)
Non-controlling interest						154,885
Net profit for the period, attributable to equity holders of the Bank						9,777,516
As at 31 December						
Segment assets	156,416,404	235,442,678	284,347,431	1,134,776	31,857,398	709,198,687
Segment liabilities	77,134,875	388,001,390	137,739,071	670,928	15,805,873	619,352,137
For the year ended 31 December	–	–	–	–	–	–
Information on cash flows	–	–	–	–	–	–
Cash flows from operating activities	–	–	–	–	–	24,521,240
Cash flows from investing activities	–	–	–	–	–	(29,383,369)
Cash flows from financing activities	–	–	–	–	–	(14,041,954)
Net cash flows generated during the period	–	–	–	–	–	(18,904,083)
Capital expenditure:	–	–	–	–	–	–
Property, plant and equipment	–		–	995,715	–	995,715
Intangible assets	–	–	–	459,874	–	459,874
Total capital expenditure	–	–	–	–	–	1,455,589

2023					
Corporate Banking LKR '000	Retail Banking LKR '000	Treasury LKR '000	Other LKR '000	Unallocated LKR '000	Total LKR '000
4,463,966	12,357,350	10,480,721	116,145	3,922,460	31,340,642
1,340,535	2,455,326	(6,456)	(1,253)	761,558	4,549,710
419,739	213,147	422,221	–	–	1,055,107
–	–	2,838,626	–	–	2,838,626
6,622	(231)	–	556,204	821,879	1,384,474
6,230,862	15,025,592	13,735,112	671,096	5,505,897	41,168,559
(6,214,845)	(3,740,066)	(1,172,288)	–	(2,857,631)	(13,984,830)
16,017	11,285,526	12,562,824	671,096	2,648,266	27,183,729
					11,367,168
					1,614
					1,139,367
					(3,849,610)
					173,393
					8,485,146
146,988,400	195,869,059	256,957,751	1,093,643	44,611,704	645,520,557
64,002,310	343,011,101	150,581,693	570,621	14,979,060	573,144,785
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	70,868,270
–	–	–	–	–	(84,436,978)
–	–	–	–	–	25,856,630
–	–	–	–	–	12,287,922
–	–	–	–	–	–
–	73,370	–	297,573	–	370,943
–	–	–	30,182	–	30,182
–	–	–	–	–	401,125

61. EVENTS AFTER THE REPORTING PERIOD

ACCOUNTING POLICY

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

All material events after the reporting date have been considered and where appropriate, adjustments or disclosures have been made in the respective Notes to the financial statements.

There have been no events subsequent to the reporting date, which would have any material effect on the Company, other than the following;

61.1 FIRST AND FINAL DIVIDEND

The Directors have approved the payment of a first and final dividend of LKR 6.00 per share which will consist of LKR 4.00 per share in cash and LKR 2.00 in the form of a scrip dividend, for the financial year ended 31 December 2024. The Board of Directors confirms that the Bank has satisfied the solvency test in accordance with Section 57 of the Companies Act No. 07 of 2007 and has obtained the certificate from the Auditor.

61.2 SALE OF 50% STAKE IN ACUITY PARTNERS (PVT) LTD (JOINT VENTURE OF DFCC BANK PLC AND HATTON NATIONAL BANK PLC)

DFCC Bank PLC sold 75,500,001 number of ordinary voting shares issued and fully paid up representing 50% stake held by DFCC Bank PLC in Acuity Partners (Pvt) Ltd for a consideration of Rupee Six Billion Five Hundred Million (Rs. 6,500,000,000).

Following the successful disposal, DFCC Bank PLC does not hold any share of Acuity Partners (Pvt) Ltd.

Financial effect of disposal	2024	
	BANK LKR '000	GROUP LKR '000
Net gain on disposal	5,015,366	231,370

62. COMPARATIVE FIGURES

The information has been reclassified with the current year's classification in order to provide a better presentation.

As at 31 December	Current presentation - 2023		As disclosed previously - 2023	
	BANK LKR '000	GROUP LKR '000	BANK LKR '000	GROUP LKR '000
Statement of Financial Position				
Other Assets	13,415,565	13,622,800	12,963,406	13,170,641
Other Liabilities and Provisions	9,604,502	9,937,474	9,152,343	9,485,315

For the year ended 31 December	Current presentation - 2023		As disclosed previously - 2023	
	BANK LKR '000	GROUP LKR '000	BANK LKR '000	GROUP LKR '000
Income statement				
Fee and commission expenses	688,960	688,960	1,335,294	1,335,294
Other expenses	6,464,554	6,402,642	5,818,220	5,756,308
Statement of Cash Flow				
(Increase)/decrease in operating assets:				
Others	3,212,236	3,263,663	3,409,013	3,460,440
Increase/(decrease) in operating liabilities:				
Others	630,302	630,383	433,525	433,606

63. DIRECTORS' RESPONSIBILITY

ACCOUNTING POLICY

The Board of Directors of the Bank is responsible for the preparation and presentation of these financial statements. Please refer page 215 for the Statement of Directors' Responsibility.

OTHER DISCLOSURE REQUIREMENTS UNDER THE PRESCRIBED FORMAT ISSUED BY THE CENTRAL BANK OF SRI LANKA FOR PREPARATION OF ANNUAL FINANCIAL STATEMENTS OF LICENSED COMMERCIAL BANKS

Disclosure Requirements		Description	Page No.
1.	Information about the Significance of Financial Instruments for Financial Position and Performance		
1.1	Statement of Financial Position		
1.1.1	Disclosures on categories of financial assets and financial liabilities	Notes to the financial statements: Note 25 – Classification of financial assets and financial liabilities	306-309
1.1.2	Other Disclosures		
	i. Special disclosures about financial assets and financial liabilities designated to be measured at fair value through profit or loss, including disclosures about credit risk and market risk, changes in fair values attributable to these risks and the methods of measurement	Not designated Principal accounting policies: Note 5.3.9 – Designation at fair value through profit or loss	244
		Notes to the financial statements: Note 08 – Financial risk review	246-276
	ii. Reclassifications of financial instruments from one category to another	Principal accounting policies: Note 5.3.3 – Reclassification of financial assets	242
	iii. Information about financial assets pledged as collateral and about financial or non-financial assets held as collateral	Notes to the financial statements: Note 46.1 – Assets pledged as security	348
	iv. Reconciliation of the allowance account for credit losses by class of financial assets	Note the financial statements: Note 33.5 – Movement in impairment during the year	326
	v. Information about compound financial instruments with multiple embedded derivatives	The Bank does not have compound financial instruments with multiple embedded derivatives	
	vi. Breaches of terms of loan agreements	None	
1.2	Statement of Comprehensive Income		
1.2.1	Disclosures on items of income, expense, gains and losses	Notes to the financial statements: Notes 10 to 22	284-304
1.2.2	Other Disclosures		
	i. Total interest income and total interest expense for those financial instruments that are not measured at fair value through profit and loss	Notes to the financial statements: Note 11 – Net interest income	284-286
	ii. Fee income and expense	Notes to the financial statements: Note 12 – Net fee and commission income	286-287
	iii. Amount of impairment losses by class of financial assets	Notes to the financial statements: Note 16 – Impairment for loans and other losses	290-297
	iv. Interest income on impaired financial assets	Notes to the financial statements: Note 11 – Net interest income	
1.3	Other Disclosures	Principal accounting policies:	
1.3.1	Accounting policies for financial instruments	Note 5.3 – Financial assets and Financial liabilities	241-244

Disclosure Requirements			Description	Page No.
1.3.2	Financial liabilities designated as at FVTPL		Notes to the financial statements: Note 30 – Financial Assets Measured at Fair Value Through Profit or Loss	315-316
1.3.3	Investments in equity instruments designated as at FVOCI		Notes to the financial statements:	
	i.	Details of equity instruments that have been designated as at FVOCI and the reasons for the designation;	Note 34 – Financial Assets Measured at Fair Value Through Other Comprehensive Income	327-331
	ii.	Fair value of each investment at the reporting date;	Notes 34.1 – Quoted Ordinary Shares and Notes 34.2 – Unquoted Ordinary Shares	328-329 330
	iii.	Dividends recognised during the period, separately for investments derecognised during the reporting period and those held at the reporting date;	Note 15 – Net Other Operating Income	289
	iv.	Any transfers of the cumulative gain or loss within equity during the period and the reasons for those transfers	Statement of Profit or Loss and Other Comprehensive Income and Statement of Changes in Equity	224 and 228-231
	v.	If investments in equity instruments measured at FVOCI are derecognised during the reporting period,	Statement of Profit or Loss and Other Comprehensive Income and Statement of Changes in Equity	224 and 228-231
	–	reasons for disposing of the investments;		
	–	fair value of the investments at the date of derecognition; and		
	–	the cumulative gain or loss on disposal.		
1.3.4	Reclassifications of financial assets			242
1.3.5	Information on hedge accounting.		Notes to the financial statements: Note 29 – Derivative financial assets/ liabilities	312-314
1.3.6	Information about the fair values of each class of financial asset and financial liability, along with:			
	i.	Comparable carrying amounts	Notes the financial statements: Notes 9.1 to 9.4.9 – Fair values of financial instruments	277-283
	ii.	Description of how fair value was determined	Notes to the financial statements: Note 9 – Fair values of financial instruments	277-283
	iii.	The level of inputs used in determining fair value	Notes to the financial statements: Notes 9.1 – Valuation models	277
	iv.	a. Reconciliations of movements between levels of fair value measurement hierarchy b. Additional disclosures for financial instruments that fair value is determined using level 3 inputs	There were no movements between level of fair value hierarchy during the year under review	
	v.	Information if fair value cannot be reliably measured	Notes to the financial statements: Notes 9.4.1 to 9.4.9	283
2.	Information about the Nature and Extent of Risks Arising from Financial Instruments			
2.1	Qualitative Disclosures			
2.1.1	Risk exposures for each type of financial instrument		Notes to the financial statements: Note 8 – Financial risk review	246-276
2.1.2	Management's objectives, policies, and processes for managing those risks		Notes to the financial statements: Note 8 – Financial risk review	246-276
2.1.3	Changes from the prior period		Notes to the financial statements: Note 62 – Comparative figures	374

Disclosure Requirements		Description	Page No.
2.2	Quantitative Disclosures		
2.2.1	Summary of quantitative data about exposure to each risk at the reporting date	Notes to the financial statements: Note 8 – Financial risk review	246-276
2.2.2	Disclosures about credit risk, liquidity risk, market risk, operational risk, interest rate risk and how these risks are managed.		
	i. Credit Risk		
	a. Maximum amount of exposure (before deducting the value of collateral), description of collateral, information about credit quality of financial assets that are neither past due nor impaired and information about credit quality of financial assets.	Notes to financial statements: Note 8.2.3 – Credit quality analysis	247-249
		Note 8.2.3 – Credit quality analysis	247-249
	b. For financial assets that are past due or impaired, disclosures on age, factors considered in determining as impaired and the description of collateral on each class of financial asset.	Notes to the financial statements: Note 8.2.3 – Credit quality analysis	247-249
		Note 8.2.4 – Collateral held and other credit enhancement	250-254
		Note 8.2.5 – Amounts arising from ECL	254-257
	c. Information about collateral or other credit enhancements obtained or called.	Notes to the financial statements: Note 8.2.4 – Collateral held and other credit enhancement	250-254
	d. For other disclosures, please refer Banking Act Direction No. 7 of 2011 on Integrated Risk Management Framework for Licensed Banks (Section H).	Notes to the financial statements: Note 8.2 – Credit risk (Financial risk review)	247-257
	ii. Liquidity Risk		
	a. A maturity analysis of financial liabilities.	Notes to the financial statements: Notes 8.3.3 – Maturity analysis of financial liabilities and financial assets	259-266
	b. Description of approach to risk management.	Notes to the financial statements: Note 8 – Financial risk review	246-276
	c. For other disclosures, please refer Banking Act Direction No. 7 of 2011 on Integrated Risk Management Framework for Licensed Banks (Section H).	Notes to the financial statements: Note 8.3 – Liquidity risk (Financial risk review)	258-267
	d. For other disclosures, refer Pillar III disclosures of the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks.	Supplementary Information Quantitative Disclosures as per Schedule III of the Banking Act Direction No. 01 of 2016, Capital Requirements Under Basel III	381-401
	iii. Market Risk		
	a. A sensitivity analysis of each type of market risk to which the entity is exposed.	Notes to the financial statements: Note 8.4 – Market risk financial risk review	267-273
	b. Additional information, if the sensitivity analysis is not representative of the entity's risk exposure.	None	
	c. For other disclosures, please refer Banking Act Direction No. 7 of 2011 on Integrated Risk Management Framework for Licensed Banks (Section H).	Notes to the financial statements: Note 8.4 – Market risk financial risk review	267-273
	d. For other disclosures, refer Pillar III disclosures of the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks.	Supplementary Information Quantitative Disclosures as per Schedule III of the Banking Act Direction No. 01 of 2016, Capital Requirements Under Basel Iii	381-401

Disclosure Requirements		Description	Page No.
	iv. Operational Risk		
	a. Please refer Banking Act Direction No. 7 of 2011 on Integrated Risk Management Framework for Licensed Banks (Section H).	Notes to the financial statements: Note 8.5 – Operational risk financial risk review	273
	b. For other disclosures, refer Pillar III disclosures of the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks.	Supplementary Information Quantitative Disclosures as per Schedule III of the Banking Act Direction No. 01 of 2016, Capital Requirements Under Basel III	381-401
	v. Equity Risk in the Banking Book		
	a. Qualitative Disclosures		
	Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons.	Notes to the financial statements: Note 8.4.2.1 – Equity price risk	269
	Discussion of important policies covering the valuation and accounting of equity holdings in the banking book.	Note 5.1.1 to 5.1.7 – Basis of consolidation Note 35 – Investments in subsidiaries Note 36 – Investments in associates Note 37 – Investments in joint venture	240-245 331-332 332-333 333-334
	b. Quantitative Disclosures		
	Value disclosed in the statement of financial position of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.	Notes to the financial statements: Note 30 – Financial assets measured at fair value through profit or loss Note 34 – Financial assets measured at fair value through other comprehensive income	315-316 327-331
	The types and nature of investments. The cumulative realised gains/(losses) arising from sales and liquidations in the reporting period.	Notes to the financial statements: Note 13 – Net gains from trading Note 14 – Net gains from derecognition of financial assets Note 15 – Net other operating income	288 288-289 289
	vi. Interest Rate Risk in the Banking Book		
	a. Qualitative Disclosures Nature of interest rate risk in the banking book (IRRBB) and key assumptions.	Notes to the financial statements: Note 8 – Financial risk review	246-276
	b. Quantitative Disclosures	Notes to the financial statements: Note 8 – Financial risk review Note 8.4.4.1 – Potential impact on NII due to change in market interest rates	246-276 271-272
	The increase/(decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant).		
2.2.3	Information on concentrations of risk.	Notes to the financial statements: Note 8 – Financial risk review	246-276

Disclosure Requirements		Description	Page No.
3.	Other Disclosures		
3.1	Capital		
3.1.1	Capital Structure		
	i. Qualitative Disclosures.	Notes to the financial statements: Note 8.6.1 – Key regulatory ratios – capital adequacy	274
	Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of innovative, complex or hybrid capital instruments.		
	ii. Quantitative Disclosure	Notes to the financial statements: Note 8.6.1 – Key regulatory ratios – capital adequacy	274
	a. The amount of Tier 1 capital, with separate disclosure of: Paid-up share capital/common stock Reserves Non-controlling interests in the equity of subsidiaries Innovative instruments Other capital instruments Deductions from Tier 1 capital b. The total amount of Tier 2 and Tier 3 capital c. Other deductions from capital d. Total eligible capital		
3.1.2	Capital adequacy		
	i. Qualitative Disclosures	Notes to the financial statements: Note 8.6 – Capital management	274-276
	A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities.		
	ii. Quantitative Disclosures		
	a. Capital requirements for credit risk, market risk and operational risk	Notes to the financial statements: Note 8.6 – Capital management	274-276
	b. Total and Tier 1 capital ratio	Notes to the financial statements: Note 8.6.1 – Key regulatory ratios – capital adequacy	274-276

SUPPLEMENTARY INFORMATION

MARKET DISCIPLINE – DISCLOSURE REQUIREMENTS PILLAR III

(As per Banking Act Direction No. 01 of 2016)

DISCLOSURE 1
KEY REGULATORY RATIOS – CAPITAL AND LIQUIDITY

Item	31 December 2024		31 December 2023	
	Bank	Group	Bank	Group
Regulatory capital (LKR '000)				
Common equity Tier 1	52,485,838	57,804,406	43,632,490	47,491,186
Tier 1 capital	52,485,838	57,804,406	43,632,490	47,491,186
Total capital	66,693,851	72,021,286	51,304,883	55,171,249
Regulatory capital ratios (%)				
Common equity Tier 1 capital ratio (Minimum requirement – 7.00%)	12.40	13.61	11.49	12.46
Tier 1 capital ratio (Minimum requirement – 8.50%)	12.40	13.61	11.49	12.46
Total capital ratio (Minimum requirement – 12.50%)	15.76	16.96	13.51	14.48
Leverage Ratio (Minimum Requirement – 3%)	7.33	8.03	6.25	6.77
Regulatory Liquidity				
Statutory Liquid Assets (Rs 000)	N/A	N/A	189,469,687	N/A
Statutory Liquid Assets Ratio (Minimum Requirement – 20%)				
Bank (%)	N/A	N/A	36.63	N/A
Liquidity Coverage Ratio (%) – Rupee (Minimum Requirement -100%)	310.01	N/A	715.50	N/A
Liquidity Coverage Ratio (%) – All Currency (Minimum Requirement -100%)	280.26	N/A	597.47	N/A
Net Stable Funding Ratio (%) (Minimum Requirement -100%)	124.60	N/A	124.60	N/A

DISCLOSURE 2
BASEL III COMPUTATION OF CAPITAL RATIOS

Item	31 December 2024		31 December 2023	
	Bank LKR '000	Group LKR '000	Bank LKR '000	Group LKR '000
Common equity Tier 1 (CET1) capital after adjustments	52,485,838	57,804,406	43,632,490	47,491,186
Common equity Tier 1 (CET1) capital	71,009,611	77,842,985	61,524,384	66,919,617
Equity capital (stated capital)/assigned capital	14,710,454	14,710,454	13,866,557	13,866,557
Reserve fund	3,657,968	3,657,968	3,239,968	3,239,968
Published retained earnings/ (accumulated retained losses)	35,834,730	42,668,104	28,250,357	33,645,590
Published accumulated Other Comprehensive Income (OCI)	3,026,620	3,026,620	2,387,663	2,387,663
General and other disclosed reserves	13,779,839	13,779,839	13,779,839	13,779,839
Unpublished current year's profit/ loss and gains reflected in OCI	–	–	–	–
Ordinary shares issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	–	–	–	–
Total adjustments to CET1 capital	18,523,773	20,038,579	17,891,894	19,428,431
Goodwill (net)	–	156,226	–	156,226
Intangible assets (net)	2,001,636	2,013,975	1,926,287	1,945,030
Investment in capital of banks and financial institutions	11,180,665	12,507,386	10,114,730	11,468,498
Others	5,341,472	5,360,992	5,850,877	5,858,677
Additional Tier 1 (AT1) capital after adjustments	–	–	–	–
Additional Tier 1 (AT1) capital	–	–	–	–
Qualifying additional Tier 1 capital instruments	–	–	–	–
Instruments issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	–	–	–	–
Total Adjustments to AT1 capital	–	–	–	–
Investment in own shares	–	–	–	–
Others (specify)	–	–	–	–
Tier 2 capital after adjustments	14,208,013	14,216,880	7,672,393	7,680,063
Tier 2 capital	14,208,013	14,216,880	7,672,393	7,680,063
Qualifying Tier 2 capital instruments	9,803,906	9,803,906	3,525,812	3,525,812
Revaluation gains	–	–	–	–
Loan loss provisions	4,404,107	4,412,974	4,146,581	4,154,251
Instruments issued by consolidated banking and financial subsidiaries of the Bank and held by third parties	–	–	–	–
Total adjustments to Tier 2	–	–	–	–
Investment in own shares	–	–	–	–
Others (specify)	–	–	–	–
CET1 capital	52,485,838	57,804,406	43,632,490	47,491,186
Total Tier 1 capital	52,485,838	57,804,406	43,632,490	47,491,186
Total capital	66,693,851	72,021,286	51,304,883	55,171,249
Total risk weighted assets (RWA)				
RWAs for credit risk	352,328,550	353,037,904	331,726,504	332,340,053
RWAs for market risk	27,403,720	27,403,720	14,061,808	14,061,808
RWAs for operational risk	43,468,784	44,241,426	33,950,018	34,615,939
CET1 capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on d-sibs) (%)	12.40	13.61	11.49	12.46
of which: capital conservation buffer (%)	2.50	2.50	2.50	2.50
of which: countercyclical buffer (%)	N/A	N/A	N/A	N/A
of which: capital surcharge on d-sibs (%)	N/A	N/A	N/A	N/A
Total Tier 1 capital ratio (%)	12.40	13.61	11.49	12.46
Total capital ratio (including capital conservation buffer, countercyclical capital buffer and surcharge on d-sibs) (%)	15.76	16.96	13.51	14.48
of which: capital conservation buffer (%)	2.50	2.50	2.50	2.50
of which: countercyclical buffer (%)	N/A	N/A	N/A	N/A
of which: capital surcharge on d-sibs (%)	N/A	N/A	N/A	N/A

DISCLOSURE 3
BASEL III COMPUTATION OF LEVERAGE RATIO

Item	31 December 2024		31 December 2023	
	Bank LKR '000	Group LKR '000	Bank LKR '000	Group LKR '000
Tier 1 Capital	52,485,838	57,804,406	43,632,490	47,491,186
Total Exposures	715,921,306	720,097,361	698,237,531	701,271,268
On-Balance Sheet Items				
(excluding securities financing transactions, but including collateral)	672,489,151	676,665,206	604,132,634	607,166,371
Derivative Exposures	16,753,173	16,753,173	72,602,003	72,602,003
Securities Financing Transaction Exposures	2,851,459	2,851,459	1,974,425	1,974,425
Other Off-Balance Sheet Exposures	23,827,523	23,827,523	19,528,469	19,528,469
Basel III Leverage Ratio (%) (Tier 1/Total Exposure) (Minimum requirement 3%)	7.33	8.03	6.25	6.77

DISCLOSURE 4
BASEL III COMPUTATION OF LIQUIDITY COVERAGE RATIO (LCR) – ALL CURRENCIES

Item	Amount (LKR '000)			
	31 December 2024		31 December 2023	
	Total un-weighted value	Total weighted value	Total un-weighted value	Total weighted value
Total stock of High-Quality Liquid Assets (HQLA)	190,863,719	189,840,978	152,762,344	151,562,260
Total adjusted level 1A assets	188,818,237	188,818,237	148,747,554	148,747,554
Level 1 assets	188,818,237	188,818,237	148,747,554	148,747,554
Total adjusted level 2A assets	–	–	2,306,603	1,960,613
Level 2A assets	–	–	2,306,603	1,960,613
Total adjusted level 2B assets	2,045,482	1,022,741	1,708,187	854,093
Level 2B assets	2,045,482	1,022,741	1,708,187	854,093
Total cash outflows	605,544,252	107,121,287	584,446,642	89,080,919
Deposits	327,258,102	28,901,213	300,166,130	26,997,638
Unsecured wholesale funding	134,877,080	64,457,610	109,168,821	53,262,615
Secured funding transactions	25,427,972	–	43,752,861	–
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	112,674,385	8,455,751	130,623,427	8,085,263
Additional requirements	5,306,713	5,306,713	735,403	735,403
Total cash inflows	59,200,684	39,384,729	77,169,785	63,713,421
Maturing secured lending transactions backed by collateral	25,763,891	18,588,160	26,780,604	25,793,392
Committed facilities	–	–	–	–
Other inflows by counterparty which are maturing within 30 Days	28,461,057	19,479,105	46,800,877	37,755,736
Operational deposits	2,435,145	–	3,259,718	–
Other cash inflows	2,540,591	1,317,464	328,586	164,293
Liquidity coverage Ratio (%) (Stock of high quality liquid assets/total net cash outflows over the next 30 calendar days) *100		280.26		597.47

BASEL III COMPUTATION OF LIQUIDITY COVERAGE RATIO (LCR) – LKR ONLY

Item	Amount (LKR '000)			
	31 December 2024		31 December 2023	
	Total un-weighted value	Total weighted value	Total un-weighted value	Total weighted value
Total stock of High-Quality Liquid Assets (HQLA)	190,127,663	189,104,922	150,243,525	149,389,432
Total adjusted level 1A assets	188,082,181	188,082,181	148,535,338	148,535,338
Level 1 assets	188,082,181	188,082,181	148,535,338	148,535,338
Total adjusted level 2A assets	–	–	–	–
Level 2A assets	–	–	–	–
Total adjusted level 2B assets	2,045,482	1,022,741	1,708,187	854,094
Level 2B assets	2,045,482	1,022,741	1,708,187	854,094
Total cash outflows	485,610,838	94,439,394	464,356,185	58,215,737
Deposits	285,736,836	24,827,049	264,288,518	23,433,959
Unsecured wholesale funding	70,754,099	37,379,639	55,509,591	28,093,184
Secured funding transactions	25,427,973	–	43,752,860	–
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	77,536,349	6,077,125	100,069,813	5,953,191
Additional requirements	26,155,581	26,155,581	735,403	735,403
Total cash inflows	49,098,640	33,438,991	46,552,914	37,336,837
Maturing secured lending transactions backed by collateral	23,232,211	16,056,481	24,551,225	23,564,013
Committed facilities	–	–	–	–
Other inflows by counterparty which are maturing within 30 Days	17,660,717	10,399,925	21,673,103	13,608,531
Operational deposits	–	–	–	–
Other cash inflows	8,205,712	6,982,585	328,586	164,293
Liquidity coverage Ratio (%) (Stock of high quality liquid assets/total net cash outflows over the next 30 calendar days) *100		310.01		715.5

DISCLOSURE 5
BASEL III COMPUTATION OF NET STABLE FUNDING RATIO (NSFR)

Item	BANK	
	31 December 2024	31 December 2023
Total available stable funding	488,990,770	448,446,564
Required stable funding-On balance sheets assets	386,813,051	358,713,526
Required stable funding-Off balance sheet assets	5,633,720	1,181,497
Total required stable funding	392,446,771	359,895,023
Net Stable Funding Ratio (%)	124.60	124.60

DISCLOSURE 6
MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

Description of the Capital Instrument (Bank Only)	Stated Capital	Subordinated Term-debt (2018 – Type B)
Issuer	DFCC Bank PLC	DFCC Bank PLC
Unique Identifier (e.g., ISIN or Bloomberg identifier for private placement)	LK0055N00000	C-2394
Governing Law(s) of the Instrument	Companies Act, No. 07 of 2007, Colombo Stock Exchange Regulations	
Original date of issuance	N/A	26 March 2018
Par value of instrument (LKR)		100
Perpetual or dated	Perpetual	Dated
Original maturity date, if applicable	N/A	29th March 2025
Amount recognised in regulatory capital (in LKR '000 as at 31 December 2024)	14,710,454	817,306
Accounting classification (Equity/liability)	Equity	Liability
Issuer call subject to prior supervisory approval		
Optional call date, contingent call dates and redemption amount (LKR '000)	N/A	N/A
Subsequent call dates, if applicable	N/A	N/A
Coupons/dividends		
Fixed or floating dividend/coupon	Floating dividend	Fixed coupon
Coupon rate and any related index (%)	N/A	13.00% p.a
Non-cumulative or cumulative	Non-cumulative	Non-Cumulative
Convertible or non-convertible	Non-convertible	Convertible
If Convertible, conversion trigger (s)	N/A	Determined by and at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka, and is defined in the Banking Act Direction No. 1 of 2016
If Convertible, fully or partially	N/A	Fully
If Convertible, mandatory or optional	N/A	Mandatory
If Convertible, conversion rate	N/A	Based on the simple average of the daily Volume Weighted Average Price (VWAP) of an ordinary voting shares during the three months (0-3) period, immediately preceding the date of the Trigger Event.

Subordinated Term-debt (2020 – Type A)	Subordinated Term-debt (2020 - Type B)	**Subordinated Term-debt (2024 - Type A)**	**Subordinated Term-debt (2024 - Type B)**
DFCC Bank PLC	DFCC Bank PLC	DFCC Bank PLC	DFCC Bank PLC
C-2458	C-2457	C-2523	C-2524
Companies Act, No. 07 of 2007, Colombo Stock Exchange Regulations			
23 October 2020	23 October 2020	16 January 2024	16 January 2024
100	100	100	100
Dated	Dated	Dated	Dated
23 October 2025	23 October 2027	16 January 2029	16 January 2031
863,600	123,000	7,945,230	54,770
Liability	Liability	Liability	Liability
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
Fixed coupon	Fixed coupon	Fixed coupon	Fixed coupon
9.00% p.a	9.25% p.a	15.25% p.a	14.75% p.a
Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative
Convertible	Convertible	Convertible	Convertible
Determined by and at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka, and is defined in the Banking Act Direction No. 1 of 2016	Determined by and at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka, and is defined in the Banking Act Direction No. 1 of 2016	Determined by and at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka, and is defined in the Banking Act Direction No. 1 of 2016	Determined by and at the sole discretion of the Monetary Board of the Central Bank of Sri Lanka, and is defined in the Banking Act Direction No. 1 of 2016
Fully	Fully	Fully	Fully
Mandatory	Mandatory	Mandatory	Mandatory
Based on the simple average of the daily Volume Weighted Average Price (VWAP) of an ordinary voting shares during the three months (0-3) period, immediately preceding the date of the Trigger Event.	Based on the simple average of the daily Volume Weighted Average Price (VWAP) of an ordinary voting shares during the three months (0-3) period, immediately preceding the date of the Trigger Event.	Based on the simple average of the daily Volume Weighted Average Price (VWAP) of an ordinary voting shares during the three months (0-3) period, immediately preceding the date of the Trigger Event.	Based on the simple average of the daily Volume Weighted Average Price (VWAP) of an ordinary voting shares during the three months (0-3) period, immediately preceding the date of the Trigger Event.

DISCLOSURE 7

SUMMARY DISCUSSION ON ADEQUACY/MEETING CURRENT AND FUTURE CAPITAL REQUIREMENTS

The Bank's capital planning framework ensures that it maintains adequate capital to support current and future business activities, absorb unexpected losses, and comply with regulatory requirements. Under Basel III's Pillar II (Supervisory Review Process – SRP), the Bank has implemented an Internal Capital Adequacy Assessment Process (ICAAP) to assess capital adequacy in line with its risk profile and strategic objectives. The ICAAP integrates risk management with capital planning, utilizing both regulatory capital calculations (Pillar I) and economic capital assessments (Pillar II) to cover all material risks. The Bank applies a combination of quantitative and qualitative assessment methods, ensuring a comprehensive evaluation of risk exposures, including credit, market, operational, concentration, liquidity, interest rate, reputational, and strategic risks. This forward-looking approach aligns capital requirements with the Bank's risk appetite and business expansion plans.

Capital forecasting is conducted over a three-year horizon, considering projected business growth, macroeconomic conditions, and potential stress scenarios. The Bank ensures capital adequacy through internal sources such as retained earnings and profit reinvestment, while also evaluating external sources, including equity issuance and subordinated debt, as needed. Anticipated capital expenditure is factored into capital planning to support business expansion and regulatory compliance. Stress testing is a key component of the ICAAP, enabling the Bank to assess the resilience of its capital position under adverse conditions and proactively manage emerging risks. Regular reviews of risk-weighted assets and capital buffers ensure alignment with evolving regulatory and business requirements.

To address unexpected capital shortfalls or market disruptions, the Bank has a contingency plan that includes raising additional capital, restricting business activities, or deploying risk mitigation techniques. Senior Management actively participates in the capital planning process, ensuring that strategic objectives, risk management frameworks, and capital requirements are well integrated. This disciplined approach enhances the Bank's financial stability and ensures that it maintains a sufficient capital buffer to absorb potential losses while pursuing sustainable growth.

Refer to the Capital Adequacy Management Section on page 182 of the Annual Report.

DISCLOSURE 8

CREDIT RISK UNDER STANDARDISED APPROACH – CREDIT RISK EXPOSURES AND CREDIT RISK MITIGATION (CRM) EFFECTS

Asset Class	As at 31 December 2024					
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post CCF and CRM		RWA and RWA density (%)	
	On-balance sheet amount LKR '000	Off-balance sheet amount LKR '000	On-balance sheet amount LKR '000	Off-balance sheet amount LKR '000	RWA LKR '000	RWA Density[ii] %
Bank						
Claims on Central Government and CBSL	243,477,465	61,501,801	243,477,465	2,975,555	–	0
Claims on foreign sovereigns and their Central Banks	595,288	–	595,288	–	119,058	20
Claims on public sector entities	9,699,984	–	–	–	–	0
Claims on official entities and multilateral development banks	–	–	–	–	–	0
Claims on banks exposures	10,727,258	51,772,550	10,727,258	1,671,191	3,740,152	30
Claims on financial institutions	9,538,837	600,000	9,538,837	300,000	5,567,607	57
Claims on corporates	181,729,518	41,328,561	143,890,247	16,110,354	154,905,619	97
Retail claims	132,331,741	10,167,733	132,331,741	6,834,803	109,418,598	79
Claims secured by residential property	12,311,825	–	12,311,825	–	4,309,139	35
Claims secured by commercial real estate	28,247,533	–	28,247,533	–	28,247,533	100
Non-performing assets (NPAs) (i)	31,404,769	–	31,404,769	–	35,570,913	113
Higher-risk categories	624,868	–	624,868	–	1,562,169	250
Cash items and other assets	19,826,802	85,728,026	19,826,802	–	8,887,762	45
Total	680,515,888	251,098,671	632,976,633	27,891,903	352,328,550	
Group						
Claims on Central Government and CBSL	243,537,646	61,501,801	243,537,646	2,975,555	–	0
Claims on foreign sovereigns and their Central Banks	595,288	–	595,288	–	119,058	20
Claims on public sector entities	9,699,984	–	–	–	–	0
Claims on official entities and multilateral development banks	–	–	–	–	–	0
Claims on banks exposures	10,727,258	51,772,550	10,727,258	1,671,191	3,740,152	30
Claims on financial institutions	9,605,290	600,000	9,605,290	300,000	5,600,834	57
Claims on corporates	181,492,483	41,328,561	143,653,212	16,110,354	154,668,584	97
Retail claims	132,331,741	10,167,733	132,331,741	6,834,803	109,418,598	79
Claims secured by residential property	12,311,825	–	12,311,825	–	4,309,139	35
Claims secured by commercial real estate	28,247,533	–	28,247,533	–	28,247,533	100
Non-performing assets (NPAs) (i)	31,404,769	–	31,404,769	–	35,570,913	113
Higher-risk categories	691,985	–	691,985	–	1,729,963	250
Cash items and other assets	20,590,841	85,728,026	20,590,841	–	9,633,130	47
Total	681,236,643	251,098,671	633,697,388	27,891,903	353,037,904	

DISCLOSURE 9

CREDIT RISK UNDER STANDARDISED APPROACH: EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS (POST CCF & CRM) – BANK

BANK Description	Amount (LKR '000) as at 31 December 2024 (Post CCF and CRM)			
Asset classes Risk weight	0%	20%	35%	50%
Claims on Central Government and CBSL	246,453,020	–	–	–
Claims on foreign sovereigns and their Central Banks	–	595,288	–	–
Claims on public sector entities	–	–	–	–
Claims on official entities and multilateral development banks	–	–	–	–
Claims on banks exposures	–	9,850,116	–	1,556,409
Claims on financial institutions	–	100,296	–	8,381,986
Claims on corporates	–	978,963	–	8,623,624
Retail claims	8,587,635	7,480,511	–	–
Claims secured by residential property	–	–	12,311,825	–
Claims secured by commercial real estate	–	–	–	–
Non-performing assets (NPAs)	–	–	–	517,246
Higher-risk categories	–	–	–	–
Cash items and other assets	10,487,340	564,624	–	–
Total	265,527,995	19,569,798	12,311,825	19,079,265

CREDIT RISK UNDER STANDARDISED APPROACH: EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS (POST CCF & CRM) – GROUP

GROUP Description	Amount (LKR '000) as at 31 December 2024 (Post CCF and CRM)			
Asset classesRisk weight	0%	20%	35%	50%
Claims on Central Government and CBSL	246,513,201	–	–	–
Claims on foreign sovereigns and their Central Banks	–	595,288	–	–
Claims on public sector entities	–	–	–	–
Claims on official entities and multilateral development banks	–	–	–	–
Claims on banks exposures	–	9,850,116	–	1,556,409
Claims on financial institutions	–	100,296	–	8,448,439
Claims on corporates	–	978,963	–	8,623,624
Retail claims	8,587,635	7,480,511	–	–
Claims secured by residential property	–	–	12,311,825	–
Claims secured by commercial real estate	–	–	–	–
Non-performing assets (NPAs)	–	–	–	517,246
Higher-risk categories	–	–	–	–
Cash items and other assets	10,506,010	564,624	–	–
Total	265,606,846	19,569,798	12,311,825	19,145,718

Amount (LKR '000) as at 31 December 2024 (Post CCF and CRM)					
60%	75%	100%	150%	>150%	Total credit exposures amount
–	–	–	–	–	246,453,020
–	–	–	–	–	595,288
–	–	–	–	–	–
–	–	–	–	–	–
–	–	991,924	–	–	12,398,449
–	–	1,356,555	–	–	9,838,837
–	–	150,398,014	–	–	160,000,601
2,686,609	56,405,033	64,006,756	–	–	139,166,544
–	–	–	–	–	12,311,825
–	–	28,247,533	–	–	28,247,533
–	–	22,037,989	8,849,534	–	31,404,769
–	–	–	–	624,868	624,868
–	–	8,774,838	–	–	19,826,802
2,686,609	56,405,033	275,813,609	8,849,534	624,868	660,868,536

Amount (LKR '000) as at 31 December 2024 (Post CCF and CRM)					
60%	75%	100%	150%	>150%	Total credit exposures amount
–	–	–	–	–	246,513,201
–	–	–	–	–	595,288
–	–	–	–	–	–
–	–	–	–	–	–
–	–	991,924	–	–	12,398,449
–	–	1,356,555	–	–	9,905,290
–	–	150,160,979	–	–	159,763,566
2,686,609	56,405,033	64,006,756	–	–	139,166,544
–	–	–	–	–	12,311,825
–	–	28,247,533	–	–	28,247,533
–	–	22,037,989	8,849,534	–	31,404,769
–	–	–	–	691,985	691,985
–	–	9,520,207	–	–	20,590,841
2,686,609	56,405,033	276,321,943	8,849,534	691,985	661,589,291

DISCLOSURE 10
MARKET RISK UNDER STANDARDISED MEASUREMENT METHOD

Item	31 December 2024 RWA amount BANK LKR '000	GROUP LKR '000
(a) RWA for interest rate risk	2,844,269	2,844,269
General interest rate risk	2,844,269	2,844,269
(i) Net long or short position	2,844,269	2,844,269
(ii) Horizontal disallowance	–	–
(iii) Vertical disallowance	–	–
(iv) Options	–	–
Specific interest rate risk	–	–
(b) RWA for equity	418,201	418,201
(i) General equity risk	225,023	225,023
(ii) Specific equity risk	193,178	193,178
(c) RWA for foreign exchange and gold	162,995	162,995
Capital charge for market risk [(a) + (b) + (c)] * CAR	27,403,720	27,403,720

DISCLOSURE 11
OPERATIONAL RISK – BANK
OPERATIONAL RISK UNDER BASIC INDICATOR APPROACH

Business lines	Capital charge factor	Fixed factor	Gross Income (LKR '000) as at 31 December 2024	2023	2022
BANK					
The basic indicator approach	15%		40,262,262	37,654,880	30,754,817
The standardised approach					
Corporate finance	18%				
Trading and sales	18%				
Payment and settlement	18%				
Agency services	15%				
Asset management	12%				
Retail brokerage	12%				
Retail banking	12%				
Commercial banking	15%				
The alternative standardised approach					
Corporate finance	18%				
Trading and sales	18%				
Payment and settlement	18%				
Agency services	15%				
Asset management	12%				
Retail brokerage	12%				
Retail banking	12%	0.035			
Commercial banking	15%	0.035			
Capital charges for operational risk (LKR '000)					
The basic indicator approach	5,433,598				
The standardised approach					
The alternative standardised approach					

OPERATIONAL RISK – GROUP
OPERATIONAL RISK UNDER BASIC INDICATOR APPROACH

BUSINESS LINES	Capital Charge Factor	Fixed Factor	Gross income (LKR '000) as at 31 December		
			2024	2023	2022
Risk weighted amount for operational risk (LKR '000)					
The basic indicator approach	43,468,784				
The standardised approach					
The alternative standardised approach					
Group					
The basic indicator approach	15%		40,936,942	38,325,975	31,340,647
The standardised approach					
Corporate finance	18%				
Trading and sales	18%				
Payment and settlement	18%				
Agency services	15%				
Asset management	12%				
Retail brokerage	12%				
Retail banking	12%				
Commercial banking	15%				
The alternative standardised approach					
Corporate finance	18%				
Trading and sales	18%				
Payment and settlement	18%				
Agency services	15%				
Asset management	12%				
Retail brokerage	12%				
Retail banking	12%	0.035			
Commercial banking	15%	0.035			
Capital charges for operational risk (LKR '000)					
The basic indicator approach	5,530,178				
The standardised approach					
The alternative standardised approach					
Risk weighted amount for operational risk (LKR '000)					
The basic indicator approach	44,241,426				
The standardised approach					
The alternative standardised approach					

DISCLOSURE 12

DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES AND MAPPING OF FINANCIAL STATEMENT CATEGORIES WITH REGULATORY RISK CATEGORIES – BANK ONLY

as at 31 December	2024				
Item	Carrying Values as Reported in Published Financial Statements Statements LKR '000	Carrying Values under Scope of Regulatory Reporting LKR '000	Subject to Credit Risk LKR '000	Subject to Market Risk LKR '000	Not subject to Capital Requirements or Subject to Deduction from Capital LKR '000
Assets	703,507,826	703,507,826	669,910,965	3,374,092	30,222,769
Cash and cash equivalents	13,504,806	13,504,806	13,504,806	–	–
Balances with Central Bank of Sri Lanka	2,328,346	2,328,346	2,328,346	–	–
Placements with Banks	11,229,492	11,229,492	11,229,492	–	–
Derivative financial assets	9,643,442	9,643,442	9,643,442	–	–
Financial Assets measured at fair value through profit or loss	7,416,018	7,416,018	4,041,926	3,374,092	–
Financial assets at amortized cost – Loans and advances to banks	1,500,338	1,500,338	1,500,338	–	–
Financial assets at amortized cost – Loans and advances to customers	394,361,480	394,361,480	394,361,480	–	–
Financial assets measured at fair value through other comprehensive income	105,641,690	105,641,690	105,641,690	–	–
Investments in subsidiaries	138,258,226	138,258,226	116,166,735	–	22,091,491
Investments in associates	237,035	237,035	237,035	–	–
Investments in joint ventures	33,169	33,169	–	–	33,169
Investment properties	9,879	9,879	9,879	–	–
Property, plant and equipment	3,872,654	3,872,654	3,872,654	–	–
Intangible assets and goodwill	2,001,636	2,001,636	–	–	2,001,636
Deferred tax assets	4,893,483	4,893,483	–	–	4,893,483
Other assets	7,821,132	7,821,132	7,373,142	–	447,990
Assets held for sale	755,000	755,000	–	–	755,000
Liabilities	619,474,829	619,474,829	–	–	–
Due to Banks	7,149,474	7,149,474	–	–	–
Derivative financial liabilities	909,188	909,188	–	–	–
Financial liabilities at amortised cost – Due to depositors	465,153,180	465,153,180	–	–	–
Financial liabilities at amortised cost – Due to other borrowers	96,755,632	96,755,632	–	–	–
Debt securities issued	14,690,723	14,690,723	–	–	–
Employee benefits	1,409,232	1,409,232	–	–	–
Current tax liabilities	3,066,586	3,066,586	–	–	–
Other liabilities and provisions	12,106,760	12,106,760	–	–	–
Subordinated term debt	18,234,054	18,234,054	–	–	–

as at 31 December	2024				
Item	Carrying Values as Reported in Published Financial Statements Statements LKR '000	Carrying Values under Scope of Regulatory Reporting LKR '000	Subject to Credit Risk LKR '000	Subject to Market Risk LKR '000	Not subject to Capital Requirements or Subject to Deduction from Capital LKR '000
Off-balance sheet liabilities	222,538,011	222,538,011	220,241,741	–	–
Guarantees	18,751,901	18,751,901	18,751,901	–	–
Performance bonds	5,285,654	5,285,654	5,285,654	–	–
Letters of credit	22,354,686	22,354,686	22,354,686	–	–
Other contingent items	3,239,123	3,239,123	942,853	–	–
Undrawn loan commitments	89,963,162	89,963,162	89,963,162	–	–
Other commitments	82,943,485	82,943,485	82,943,485	–	–
Shareholders' equity	84,032,997	84,032,997	–	–	–
Equity capital (Stated Capital/ Assigned Capital) of which amount eligible for CET1	14,710,454	14,710,454	–	–	–
of which amount eligible for AT1	–	–	–	–	–
Retained earnings	35,834,730	35,834,730	–	–	–
Accumulated other comprehensive income	15,385,597	15,385,597	–	–	–
Other reserves	18,102,216	18,102,216	–	–	–

DISCLOSURE 13
BANK RISK MANAGEMENT APPROACH

Refer to the Integrated Risk Management Section from page 160 to page 184 and Financial Risk Review Section from page 246 to page 276 of the Annual Report.

DISCLOSURE 14
RISK MANAGEMENT RELATED TO KEY RISK EXPOSURES

Refer to the Integrated Risk Management Section from page 160 to page 184 and Financial Risk Review Section from page 246 to page 276 of the Annual Report.

ASSESSMENT OF DOMESTIC SYSTEMICALLY IMPORTANT BANKS (D-SIBS)

GROUP	As at 31 December 2024 LKR '000
Size Indicator	
Section 1 Total Exposures	
Total exposure measure	720,097,362
Interconnectedness Indicators	
Section 2 – Intra-Financial System Assets	
a. Funds deposited with or lent to other financial institutions (including unused portion of committed lines extended)	
i) Funds deposited	11,164,371
ii) Lending	27,274,948
b. Holdings of securities issued by other financial institutions	23,537,241
c. Net positive current exposure of securities financing transactions (SFTs) with other financial institutions	1,554,461
d. Over-the-counter (OTC) derivatives with other financial institutions that have a net positive mark to mark value	524,926
Intra-financial system assets	64,055,947
Section 3 – Intra-Financial System Liabilities	
a. Funds deposited by or borrowed from other financial institutions (including unused portion of committed lines obtained)	
i) Funds deposited	14,105,365
ii) Borrowings	47,522,060
b. Net negative current exposure of securities financing transactions with other financial institutions	156,019
c. Over-the – counter derivatives with other financial institutions that have a net negative mark to mark value	172,900
Intra-financial system liabilities	61,956,344
Section 4 – Securities Outstanding	
Securities outstanding	32,924,778
Sustainability/Financial Institutions Infrastructure Indicators	
Section 5 – Payment made in the reporting year (excluding intragroup payments)	
Payment activity	2,008,123,269
Section 6 – Assets Under Custody	
Assets under custody	–
Section 7 – Underwritten Transactions	
Underwritten transactions	–
Section 8 – Trading Volume	
Trading volume (Number in thousands)	173,742
Complexity Indicators	
Section 9 – Notional Amount of Over-the-Counter (OTC) Derivatives	
OTC derivatives	82,943,485
Section 10 – Level 2 Assets	
Level 2 assets	2,671,318
Section 11 – Trading and available for sale (AFS) securities	
Trading and AFS securities	145,674,244
Section 12 – Cross-Jurisdictional Liabilities	
Foreign liabilities (excluding derivatives and intragroup liabilities)	48,963,347
Cross-jurisdictional liabilities	48,963,347
Section 13 – Cross-Jurisdictional Claims	
Foreign claims (excluding derivatives and intragroup claims)	28,737,608
Cross-jurisdictional claims	28,737,608

As per the Banking Act Direction No. 10 of 2019 – Framework for Dealing with Domestic Systemically important Banks.

MATURITY OF ASSETS AND LIABILITIES

As at 31 December	2024							
	Up to 1 month LKR '000	1-3 months LKR '000	3-6 months LKR '000	6-12 months LKR '000	1-3 years LKR '000	3-5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Financial assets								
Cash and cash equivalents	13,504,806	–	–	–	–	–	–	13,504,806
Balances with Central Bank of Sri Lanka	2,328,346	–	–	–	–	–	–	2,328,346
Placement with banks	11,229,492	–	–	–	–	–	–	11,229,492
Derivative financial assets	90,020	662,749	607,485	1,210,278	5,111,497	1,961,413	–	9,643,442
Financial assets measured at fair value through profit or loss	84,561	6,594	–		1,737,541	–	5,587,322	7,416,018
Financial assets at amortised cost - Loans and advances to banks	1,500,338	–	–	–	–	–	–	1,500,338
Financial assets at amortised cost – Loans and advances to customers	32,436,512	62,539,088	41,380,654	50,362,955	111,042,995	39,801,554	56,797,722	394,361,480
Financial assets at amortised cost – Debt and other instruments	1,968,781	1,471,837	12,821,143	1,299,203	32,685,637	41,947,893	13,447,196	105,641,690
Financial assets measured at fair value through other comprehensive income	2,432,441	4,300,057	30,804,112	34,146,084	39,681,028	2,247,371	24,647,133	138,258,226
Other assets	4,084,635	7,287	65,521	112,542	217,684	181,705	277,154	4,946,528
Total financial assets	69,659,932	68,987,612	85,678,915	87,131,062	190,476,382	86,139,936	100,756,527	688,830,366
Financial liabilities								
Due to banks	17,698	2,689,069	4,442,707	–	–	–	–	7,149,474
Derivative assets held – for – risk – management	99,031	632,537	177,620	–	–	–	–	909,188
Financial liabilities at amortised cost – Due to depositors	43,302,232	102,316,706	86,880,436	90,005,575	81,593,914	32,251,952	28,802,365	465,153,180
Financial liabilities at amortised cost – Due to other borrowers	25,250,598	16,502,081	6,163,590	11,757,508	23,145,660	10,451,736	3,484,459	96,755,632
Debt securities issued	–	642,356	5,299,812	67,456	4,270,068	4,411,031	–	14,690,723
Other liabilities	5,307,760	50,362	92,099	142,700	505,933	395,075	947,391	7,441,320
Subordinated term debt	1,169,078	4,483,582	–	4,388,242	197,069	7,941,332	54,751	18,234,054
Total financial liabilities	75,146,397	127,316,693	103,056,264	106,361,481	109,712,644	55,451,126	33,288,966	610,333,571
Total net financial assets/(liabilities)	(5,486,465)	(58,329,081)	(17,377,349)	(19,230,419)	80,763,738	30,688,810	67,467,561	78,496,795
Contingencies								
Guarantees	–	–	–	–	–	–	4,985,445	4,985,445
Acceptance	70,079	7,499,776	1,031,408	14,670	4,153,153	3,575,370	–	16,344,456
Performance bonds	651,655	1,438,940	1,243,641	962,044	972,504	16,869	–	5,285,653
Forward contracts	13,054,961	24,706,110	19,772,096	3,714,540	15,537,463	6,158,315	–	82,943,485
Documentary credit	1,002,836	10,751,708	1,452,332	1,394,074	2,066,938	5,686,798	–	22,354,686
Total Contingencies	14,779,531	44,396,534	23,499,477	6,085,328	22,730,058	15,437,352	4,985,445	131,913,725
Commitments								
Commitments in ordinary course of business – Commitments for unutilised credit facilities	89,963,162	–	–	–	–	–	–	89,963,162
Capital commitments	661,124	–	–	–	–	–	–	661,124
Total commitments	90,624,286	–	–	–	–	–	–	90,624,286
Total commitments and contingencies	105,403,817	44,396,534	23,499,477	6,085,328	22,730,058	15,437,352	4,985,445	222,538,011

As at 31 December	2023							
	Up to 1 month LKR '000	1-3 months LKR '000	3-6 months LKR '000	6-12 months LKR '000	1-3 years LKR '000	3-5 years LKR '000	Over 5 years LKR '000	Total LKR '000
Financial assets								
Cash and cash equivalents	14,478,468	–	–	–	–	–	–	14,478,468
Balances with Central Bank of Sri Lanka	2,107,776	–	–	–	–	–	–	2,107,776
Placement with banks	29,138,098	–	–	–	–	–	–	29,138,098
Derivative financial assets	98,653	810,321	796,764	1,651,425	7,010,475	6,131,533	–	16,499,171
Financial assets measured at fair value through profit or loss	–	532,135	–	798	–	–	1,207,995	1,740,928
Financial assets at amortised cost – Loans and advances to customers	48,084,553	54,748,269	40,674,588	21,241,905	122,647,623	25,580,497	35,790,031	348,767,466
Financial assets at amortised cost – Debt and other instruments	–	1,979,930	52,045	–	23,853,009	25,680,592	16,465,737	68,031,313
Financial assets measured at fair value through other comprehensive income	16,726,256	29,092,254	36,568,960	7,571,404	11,945,976	16,442,286	16,555,629	134,902,765
Other assets	3,277,473	548,088	232,347	20,066	22,622	19,002	6,902,111	11,021,709
Total financial assets	113,911,277	87,710,997	78,324,704	30,485,598	165,479,705	73,853,910	76,921,503	626,687,694
Financial liabilities								
Due to banks	43,372,338	6,471,052	2,950,074	–	–	–	–	52,793,464
Derivative financial liabilities	147,240	234,413	–	–	–	–	–	381,653
Financial liabilities at amortised cost – Due to depositors	44,666,732	81,884,008	82,358,004	88,754,856	29,537,126	55,818,311	24,206,276	407,225,313
Financial liabilities at amortised cost – Due to other borrowers	3,229,347	9,886,030	3,949,723	7,610,382	22,284,106	21,277,149	3,785,997	72,022,734
Debt securities issued	–	4,832,618	290,688	–	6,777,101	–	4,411,170	16,311,577
Other liabilities	3,166,193	884,053	68,956	141,728	519,793	370,474	867,269	6,018,466
Subordinated term debt	–	396,257	–	69,537	8,401,546	204,925	–	9,072,265
Total financial liabilities	94,581,850	104,588,431	89,617,445	96,576,503	67,519,672	77,670,859	33,270,712	563,825,472
Total net financial assets/(liabilities)	19,329,427	(16,877,434)	(11,292,741)	(66,090,905)	97,960,033	(3,816,949)	43,650,791	62,862,222
Contingencies								
Guarantees	18,942	27,161	151,660	6,889	6,506	5,018,307	2,797	5,232,262
Acceptance	2,615,760	2,403,046	607,234	53,625	77,310	7,500,795	–	13,257,770
Performance bonds	1,563,866	2,573,281	709,602	1,385,011	950,284	19,534	–	7,201,578
Forward contracts	7,243,553	16,137,790	2,068,220	4,221,152	17,717,145	16,546,837	–	63,934,697
Documentary credit	2,621,469	3,951,661	825,789	816,964	162,845	5,796,714	–	14,175,442
Total contingencies	14,063,590	25,092,939	4,362,505	6,483,641	18,914,090	34,882,187	2,797	103,801,749
Commitments								
Commitments in ordinary course of business – Commitments for unutilised credit facilities	89,301,635	–	–	–	–	–	–	89,301,635
Capital commitments	889,386	–	–	–	–	–	–	889,386
Total commitments	90,191,021	–	–	–	–	–	–	90,191,021
Total commitments and contingencies	104,254,611	25,092,939	4,362,505	6,483,641	18,914,090	34,882,187	2,797	193,992,770

MATURITY GAP ANALYSIS OF FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES – USD

As at 31 December	2024							
	Up to 1 month USD 000	1-3 months USD 000	3-6 months USD 000	6-12 months USD 000	1-3 years USD 000	3-5 years USD 000	Over 5 years USD 000	Total USD 000
Total assets	50,868	65,104	30,632	17,281	42,846	21,315	38,574	266,620
Total liabilities	35,828	84,630	83,754	127,518	94,860	49,094	26,161	501,845
Total net financial assets/(liabilities)	15,040	(19,526)	(53,122)	(110,237)	(52,014)	(27,779)	12,413	(235,225)

As at 31 December	2023							
	Up to 1 month USD 000	1-3 months USD 000	3-6 months USD 000	6-12 months USD 000	1-3 years USD 000	3-5 years USD 000	Over 5 years USD 000	Total USD 000
Total assets	88,182	51,823	22,253	30,111	51,801	34,200	26,899	305,269
Total liabilities	21,800	66,700	57,338	113,435	85,318	74,311	21,607	440,509
Total net financial assets/(liabilities)	66,382	(14,877)	(35,085)	(83,324)	(33,517)	(40,111)	5,292	(135,240)

SENSITIVITY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

As at 31 December Bank	2024								
	Up to 1 month LKR '000	1-3 months LKR '000	3-6 months LKR '000	6-12 months LKR '000	1-3 years LKR '000	3-5 years LKR '000	Over 5 years LKR '000	Non-interest bearing LKR '000	Total LKR '000
Financial assets									
Cash and cash equivalents	204,107	–	–	–	–	–	–	13,300,699	13,504,806
Balances with Central Bank of Sri Lanka	–	–	–	–	–	–	–	2,328,346	2,328,346
Placement with banks	10,457,186	297,677	–	–	–	–	–	474,629	11,229,492
Derivative financial assets	–	–	–	–	–	–	–	9,643,442	9,643,442
Financial assets measured at fair value through profit or loss	61,447	23,116	6,593	–	–	1,737,540	–	5,587,322	7,416,018
Financial assets at amortised cost – Loans and advances to banks	1,500,338	–	–	–	–	–	–	–	1,500,338
Financial assets at amortised cost – Loans and advances to customers	150,458,026	55,268,447	22,966,380	31,789,811	26,626,948	43,996,279	41,194,278	22,061,311	394,361,480
Financial assets at amortised cost – Debt and other instruments	1,968,800	1,471,837	12,821,143	1,299,203	32,685,619	41,947,892	13,447,196	–	105,641,690
Financial assets measured at fair value through other comprehensive income	2,492,757	3,839,705	31,271,210	17,713,405	18,283,967	38,354,145	1,739,327	24,563,710	138,258,226
Other assets	–	–	–	–	–	–	–	4,946,528	4,946,528
Total financial assets	167,142,661	60,900,782	67,065,326	50,802,419	77,596,534	126,035,856	56,380,801	82,905,987	688,830,366
Financial liabilities									
Due to banks	7,135,609	–	–	–	–	–	–	13,865	7,149,474
Derivative financial liabilities	–	–	–	–	–	–	–	909,188	909,188
Financial liabilities at amortised cost – Due to depositors	134,139,528	87,771,237	77,848,272	80,629,995	51,304,888	15,645,061	98,395	17,715,804	465,153,180
Financial liabilities at amortised cost – Due to other borrowers	25,902,185	15,681,387	6,651,748	11,713,849	23,083,642	10,328,908	3,393,913	–	96,755,632
Debt securities issued	–	–	5,645,447	–	4,583,880	4,461,396	–	–	14,690,723
Other liabilities	–	–	–	–	–	–	–	7,441,320	7,441,320
Subordinated term debt	–	5,635,605	–	4,318,000	280,448	7,945,230	54,771	–	18,234,054
Total financial liabilities	167,177,322	109,088,229	90,145,467	96,661,844	79,252,858	38,380,595	3,547,079	26,080,177	610,333,571
Interest rate sensitivity gap	(34,661)	(48,187,447)	(23,080,141)	(45,859,425)	(1,656,324)	87,655,261	52,833,722	56,825,810	

As at 31 December Bank	2023								
	Up to 1 month LKR '000	1-3 months LKR '000	3-6 months LKR '000	6-12 months LKR '000	1-3 years LKR '000	3-5 years LKR '000	Over 5 years LKR '000	Non-interest bearing LKR '000	Total LKR '000
Financial assets									
Cash and cash equivalents	828,589	–	–	–	–	–	–	13,649,879	14,478,468
Balances with Central Bank of Sri Lanka	–	–	–	–	–	–	–	2,107,776	2,107,776
Placements with banks	28,583,114	74,161	–	–	–	–	–	480,823	29,138,098
Derivative financial assets	–	–	–	–	–	–	–	16,499,171	16,499,171
Financial assets measured at fair value through profit or loss	–	–	532,186	748	–	–	–	1,207,994	1,740,928
Financial assets at amortised cost – Loans and advances to customers	117,771,062	49,406,263	22,906,727	27,649,675	23,576,099	38,290,720	43,767,384	25,399,536	348,767,466
Financial assets at amortised cost – Debt and other Instruments	–	4,276,077	244,290	–	21,364,617	25,680,592	16,465,737	–	68,031,313
Financial assets measured at fair value through other comprehensive income	16,776,751	28,142,777	37,518,437	7,571,405	11,945,975	16,442,286	–	16,505,134	134,902,765
Other assets	–	–	–	–	–	–	–	11,021,709	11,021,709
Total financial assets	163,959,516	81,899,278	61,201,640	35,221,828	56,886,691	80,413,598	60,233,121	86,872,022	626,687,694
Financial liabilities									
Due to banks	48,337,235	1,506,155	2,950,074	–	–	–	–	–	52,793,464
Derivative financial liabilities	–	–	–	–	–	–	–	381,653	381,653
Financial liabilities at amortised cost – Due to depositors	124,662,425	72,215,659	75,780,831	78,566,344	8,432,074	34,722,025	88,852	12,757,103	407,225,313
Financial liabilities at amortised cost – Due to other borrowers	–	13,739,264	4,496,986	6,580,264	22,336,315	21,288,244	3,581,661	–	72,022,734
Debt securities issued	–	4,819,254	297,082	–	6,784,070		4,411,171	–	16,311,577
Other liabilities	–	–	–	–	–	–	–	6,018,466	6,018,466
Subordinated term debt	–	397,839	–	73,578	8,395,848	205,000	–	–	9,072,265
Total financial liabilities	172,999,660	92,678,171	83,524,973	85,220,186	45,948,307	56,215,269	8,081,684	19,157,222	563,825,472
Interest rate sensitivity gap	(9,040,144)	(10,778,893)	(22,323,333)	(49,998,358)	10,938,384	24,198,329	52,151,437	67,714,800	

TEN YEAR SUMMARY

LKR Mn	Based on LKAS 39 For the 9 months ended 31 December 2015	For the year ended 31 December 2016	2017	2018
Bank				
Operating results				
Total income	10,036	26,754	35,942	39,154
Profit before income tax	1,589	4,414	5,792	4,233
Income tax expense	521	1,125	1,377	1,464
Profit after tax	1,068	3,289	4,415	2,768
Statement of financial position				
Assets				
Cash and short-term funds	9,859	13,744	21,355	17,307
Loans to and receivables from banks and other customers	160,548	185,872	213,704	249,691
Financial investments	71,233	84,675	91,330	97,165
Investment in associate, joint venture and subsidiary companies	823	902	957	957
Other assets	3,688	4,919	5,761	9,788
Total assets	246,151	290,112	333,107	374,908
Liabilities				
Due to depositors	110,891	140,514	193,307	242,238
Due to other borrowers	87,379	97,291	84,607	82,614
Other liabilities	5,062	6,457	7,316	6,210
Equity	42,819	45,850	47,877	43,846
Total equity and liabilities	246,151	290,112	333,107	374,908
Ratios				
Return on equity (%)*	5.0	11.0	13.4	7.6
Return on total assets (%)*	1.0	1.3	1.5	0.8
Dividend cover (times)	0.7	5.0	3.7	2.1
Liquidity coverage (%)	111.1	168.8	108.5	113.5
Cost to income ratio (%)	51.8	44.7	41.1	49.7
Share information				
Market value per share (LKR)	168.10	122.50	124.00	93.00
Earnings per share (LKR)	4.03	12.41	16.65	10.44
Price earnings ratio (times)	41.71	9.87	7.45	8.91
Earnings yield (%)	2.40	10.13	13.43	11.23
Dividend per share (LKR)	2.50	4.50	5.00	3.50
Gross dividend (LKR Mn)	1,591	663	1,193	1,325
Other information				
Number of employees	1,445	1,642	1,770	1,860

* After eliminating fair value reserve

	Based on SLFRS 09 For the year ended 31 December					
	2019	2020	2021	2022	2023	2024
	43,297	43,300	42,649	74,960	106,883	89,559
	2,989	3,398	4,326	2,439	10,960	13,498
	915	1,010	1,105	(74)	3,741	5,146
	2,074	2,388	3,222	2,513	7,220	8,353
	14,282	28,040	26,336	40,378	45,724	27,063
	272,818	306,062	365,901	369,072	348,767	394,361
	108,170	120,932	81,223	115,696	204,675	252,816
	978	1,008	1,007	1,025	1,025	270
	8,649	9,035	11,038	39,769	40,759	28,998
	404,897	465,077	485,505	565,940	640,950	703.508
	247,787	310,027	319,861	370,314	407,225	465,153
	102,910	97,406	107,623	131,708	150,200	136,830
	6,720	8,287	9,035	13,197	15,784	17,492
	47,480	49,357	48,986	50,721	67,741	84,033
	404,897	465,077	485,505	565,940	640,950	703.508
	7.6	5.6	7.1	5.1	12.8	12.9
	0.8	0.8	0.9	0.5	1.8	2.0
	2.2	2.6	3.5	2.6	9.0	4.0
	140.5	204.4	136.2	202.3	597.5	280.3
	55.0	49.0	45.5	32.8	29.4	42.7
	91.90	65.30	60.00	32.00	79.60	113.75
	7.14	7.83	10.14	6.75	17.27	19.40
	12.87	8.34	5.92	4.74	4.61	5.86
	7.77	11.99	16.90	21.09	21.70	17.05
	3.00	2.98	3.00	2.00	5.00	6.00
	928	913	918	962	805	2,110
	2,076	2,072	2,191	1,989	2,109	2,439

GRI CONTENT INDEX

Statement of use	DFCC Bank PLC has reported in accordance with the GRI Standards for the 1 January 2024 to 31 December 2024
GRI 1 used	GRI 1: Foundation 2021

GRI Standard/ Other Source	Disclosure	Location/page reference	Omission		
			Requirement(s) Omitted	Reason	Explanation
General disclosures					
GRI 2: General Disclosures 2021	2-1 Organizational details	4, 235, 415			
	2-2 Entities included in the organization's sustainability reporting	4			
	2-3 Reporting period, frequency and contact point	4, 8			
	2-4 Restatements of information	Note 01			
	2-5 External assurance	7, 411-414			
	2-6 Activities, value chain and other business relationships	11-12, 52-53, 117-129, 157-158			
	2-7 Employees	101-102, Note 02			
	2-8 Workers who are not employees	109			
	2-9 Governance structure and composition	30-35, 56, 130-135			
	2-10 Nomination and selection of the highest governance body	152, 147-148, 201-202			
	2-11 Chair of the highest governance body	22, 30, 140-144			
	2-12 Role of the highest governance body in overseeing the management of impacts	56, 135-136, 138			
	2-13 Delegation of responsibility for managing impacts	56, 135-136			
	2-14 Role of the highest governance body in sustainability reporting	56, 135-136			
	2-15 Conflicts of interest	141, 148, 206			
	2-16 Communication of critical concerns	134, 198-199, Note 03			
	2-17 Collective knowledge of the highest governance body	105, 135, 198-199			
	2-18 Evaluation of the performance of the highest governance body	198-199			
	2-19 Remuneration policies	146-147, 200-201			
	2-20 Process to determine remuneration	146-147, 200-201			

GRI Standard/ Other Source	Disclosure	Location/page reference	Omission		
			Requirement(s) Omitted	Reason	Explanation
	2-21 Annual total compensation ratio	–	2-21	Confidentiality constraints	Information not disclosed due to confidentiality reasons
	2-22 Statement on sustainable development strategy	22-25, 130			
	2-23 Policy commitments	54, 132, 134-135, 138			
	2-24 Embedding policy commitments	54, 132, 134-135, 138			
	2-25 Processes to remediate negative impacts	106, 134, 160-162, 198			
	2-26 Mechanisms for seeking advice and raising concerns	106, 134, 160-162, 198-199			
	2-27 Compliance with laws and regulations	Note 04			
	2-28 Membership associations	121			
	2-29 Approach to stakeholder engagement	63-69			
	2-30 Collective bargaining agreements	Note 05			
Material topics					
GRI 3: Material Topics 2021	3-1 Process to determine material topics	70-74			
	3-2 List of material topics	70-76			
Economic performance					
GRI 3: Material Topics 2021	3-3 Management of material topics (Inclusive Economic Growth)	78-83			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	78-83			
	201-2 Financial implications and other risks and opportunities due to climate change	Note 06			
	201-3 Defined benefit plan obligations and other retirement plans	349-350			
	201-4 Financial assistance received from government	Note 07			

GRI Standard/ Other Source	Disclosure	Location/page reference	Omission		
			Requirement(s) Omitted	Reason	Explanation
Market presence					
GRI 3: Material Topics 2021	3-3 Management of material topics (Diversity, Equity and Inclusion)	99-110			
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Note 08			
	202-2 Proportion of senior management hired from the local community	Note 09			
Indirect economic impacts					
GRI 3: Material Topics 2021	3-3 Management of material topics (Developing Sustainable Financial Products and Services, Resilient Communities)	48-51, 54-58			
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	54-58, 85-90, 122-129			
	203-2 Significant indirect economic impacts	54-58, 85-90, 122-129			
Anti-corruption					
GRI 3: Material Topics 2021	3-3 Management of material topics (Risk Management and Compliance)	133-135, 160-162			
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	133-135, Note 10			
	205-2 Communication and training about anti-corruption policies and procedures	61, Note 10			
	205-3 Confirmed incidents of corruption and actions taken	Note 11			
Tax					
GRI 3: Material Topics 2021	3-3 Management of material topics - (Risk Management and Compliance)	78, 300-301, Note 12			
GRI 207: Tax 2019	207-1 Approach to tax	Note 12			
	207-2 Tax governance, control, and risk management	Note 12			
	207-3 Stakeholder engagement and management of concerns related to tax	Note 12			
	207-4 Country-by-country reporting	300-301 Note 12			

GRI Standard/ Other Source	Disclosure	Location/page reference	Omission		
			Requirement(s) Omitted	Reason	Explanation
Energy					
GRI 3: Material Topics 2021	3-3 Management of material topics (Climate Action)	84-98			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	93-94			
	302-2 Energy consumption outside of the organization	93-94			
	302-3 Energy intensity	93-94			
	302-4 Reduction of energy consumption	93-94			
	302-5 Reductions in energy requirements of products and services	Note 13			
Emissions					
GRI 3: Material Topics 2021	3-3 Management of material topics (Climate Action)	84-98			
	305-1 Direct (Scope 1) GHG emissions	96-97			
	305-2 Energy indirect (Scope 2) GHG emissions	96-97			
	305-3 Other indirect (Scope 3) GHG emissions	96-97			
	305-4 GHG emissions intensity	96-97			
	305-5 Reduction of GHG emissions	96 Note 14			
	305-6 Emissions of ozone-depleting substances (ODS)	96-97			
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	96-97			
Employment					
GRI 3: Material Topics 2021	3-3 Management of material topics –(Diversity, Equity and Inclusion, Talent Management)	99-110			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	102, 106			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	106-107			
	401-3 Parental leave	107			

GRI Standard/ Other Source	Disclosure	Location/page reference	Omission		
			Requirement(s) Omitted	Reason	Explanation
Training and education					
GRI 3: Material Topics 2021	3-3 Management of material topics (Talent Management)	99-110			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	103-104			
	404-2 Programs for upgrading employee skills and transition assistance programs	103-105			
	404-3 Percentage of employees receiving regular performance and career development reviews	107			
Diversity and equal opportunity					
GRI 3: Material Topics 2021	3-3 Management of material topics (Women Empowerment, Diversity, Equity and Inclusion)	99-110			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	101-102, 109			
	405-2 Ratio of basic salary and remuneration of women to men	109			
Non-discrimination					
GRI 3: Material Topics 2021	3-3 Management of material topics (Diversity, Equity and Inclusion)	199			
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Note 15			
Local communities					
GRI 3: Material Topics 2021	3-3 Management of material topics (Local communities, Women Empowerment)	57-58, 122-130			
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	57-58, 122-130			
	413-2 Operations with significant actual and potential negative impacts on local communities	Note 16			

GRI Standard/ Other Source	Disclosure	Location/page reference	Omission		
			Requirement(s) Omitted	Reason	Explanation
Marketing and labelling					
GRI 3: Material Topics 2021	3-3 Management of material topics (Customer Centricity, Brand and Reputation)	111-116			
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labelling	112, Note 17			
	417-2 Incidents of non -compliance concerning product and service information and labelling	Note 18			
	417-3 Incidents of non -compliance concerning marketing communications	Note 19			
Customer privacy					
GRI 3: Material Topics 2021	3-3 Management of material topics - (Customer Centricity, Data Privacy and Cyber Security)	111-116			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	112			

NOTES TO THE GRI INDEX

Note Number	GRI Reference	Explanation/Remarks
1	GRI 2-4	GHG emissions of DFCC Bank for the base year 2023 were recalculated during the 2024 assessment to ensure a clearer comparison, reflecting updated emission factors.
2	GRI 2-7	All permanent employees are full time employees. As at the end of the financial year 2024, the services of 4 employees at the Contact Center and 4 employees at the PFS department were outsourced. This staff is on fixed-term contracts.
3	GRI 2-16	Six critical concerns were communicated to the highest governance body i.e. the Board during the reporting period. Resolution of two concerns are currently in progress.
4	GRI 2-27	CBSL imposed a penalty of LKR 1 million in March 2024 for a failure to adhere to FTRA and Financial Institutions (Customer Due Diligence) Rules. No other penalties (fines) were imposed during the year for non-compliance of laws and regulations
5	GRI 2-30	The staff of DFCC Bank do not belong to any unions. Hence, there are no collective bargaining agreements in place.
6	GRI 201-2	No significant impacts on the business due to climate change were identified during the reporting period.
7	GRI 201-4	The Bank makes use of concessionary loan schemes and subsidies provided by the Government of Sri Lanka.
8	GRI 202-1	The minimum remuneration paid to entry level employees at DFCC Bank is above the national minimum wage rate. Both males and females are entitled to the same entry level minimum remuneration.

Note Number	GRI Reference	Explanation/Remarks
9	GRI 202-2	Percentage of senior management hired from the local community – 100% All senior management (VPs & above) are Sri Lankan citizen residents in Sri Lanka. They operate from offices in Colombo and in the regions.
10	GRI 205-1 GRI 205-2	There is an Anti Bribery & Corruption Policy in place, which is reviewed annually. The latest review was done in the Q4 of 2023 and information with regard to the Policy guidelines was communicated to all staff of the Bank in Q1 of 2024. Further, information to the Bribery & Corruption Policy framework is communicated to new staff under the employment offer letters and also during the orientation programmes. Participation for anti-corruption training and awareness is compulsory for all employees.
11	GRI 205-3	Total number of confirmed incidents in which employees were dismissed or disciplined for corruption – 01 Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption – 01
12	GRI 207-1 GRI 207-2 GRI 207-3 GRI 207-4	DFCC Bank follows a well-structured and transparent tax management approach, ensuring compliance with regulatory standards and legal requirements, while aligning with the Bank's overall business and sustainability strategies. The tax strategy and policy are integrated into the Bank's broader operational framework and are governed at the highest level, with oversight from the Board. A strong emphasis is placed on regulatory compliance based on the prevailing tax laws of the country. Additionally, DFCC Bank integrates tax governance into its sustainability initiatives, supporting long-term environmental and business objectives. The Bank maintains robust tax governance, control, and risk management practices, with the management team responsible for ensuring consistent compliance. The Board, supported by the Audit and Risk Committee, Internal Audit Department, and the Chief Financial Officer along with the Taxation Unit, oversees tax compliance, internal control systems, and risk management. DFCC Bank follows a proactive approach to managing tax risks, conducting regular assessments, seeking external advice when necessary, and making operational adjustments to address potential risks. The Bank also promotes transparency through external assurance processes, where independent auditors verify tax disclosures to ensure their accuracy and reliability. Additionally, a confidential whistleblowing mechanism has been implemented to allow employees and stakeholders to report any concerns regarding tax conduct or ethical violations. Engagement with tax authorities is a key aspect of DFCC Bank's tax strategy. The Bank maintains open communication with regulatory bodies, ensuring compliance and proactively addressing tax-related issues. Furthermore, DFCC Bank actively gathers feedback from stakeholders, including customers, regulators, and investors, integrating their concerns into its tax policies and strategic decision-making.
13	GRI 302-5	Reductions in energy requirements of products and services are not assessed at present.
14	GRI 305-5	GHG emission reductions cannot be assessed accurately for 2024 since the boundaries of the GHG assessment have been changed.
15	GRI 406-1	No incidents with regard to discrimination were reported during the year.
16	GRI 413-2	No formal impact assessments have been done and there are no negative impacts on local communities that we are aware of at present.
17	GRI 417-1	Product and service information is published on the Bank's website (www.dfcc.lk) and in marketing communication material in three languages: Sinhala, Tamil and English.
18	GRI 417-2	No known incidents were reported on non-compliance concerning product and service information and labeling for the reporting year.
19	GRI 417-3	No known incidents were reported on non-compliance concerning marketing communications for the reporting year.

INDEPENDENT ASSURANCE REPORT ON SUSTAINABILITY REPORTING

GRI 2-5

Building a better working world

Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

Tel : +94 11 246 3500
Fax : +94 11 768 7869
Email : eysl@lk.ey.com
ey.com

Independent practitioner's assurance report to the Board of Directors of DFCC Bank PLC on the Sustainability reporting criteria presented in the Integrated Annual Report FY 2024

SCOPE

We have been engaged by DFCC Bank PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on DFCC Bank PLC's Economic, Environment, Social and Governance (EESG) indicators (the "Subject Matter") contained in DFCC Bank PLC's (the "Entity's") Integrated Annual Report for the year ended 31 December 2024 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

CRITERIA APPLIED BY DFCC BANK PLC

In preparing the Subject Matter, DFCC Bank PLC applied the following criteria ("Criteria"):

- The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at https://www.globalreporting.org

Such Criteria were specifically designed for the purpose of assisting you in determining whether Entity's Economic, Environment, Social and Governance (EESG) indicators contained in the Entity's Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

DFCC BANK PLC'S RESPONSIBILITIES

DFCC Bank PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

ERNST & YOUNG'S RESPONSIBILITIES

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the DFCC Bank PLC on 15 January 2025. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

DESCRIPTION OF PROCEDURES PERFORMED

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Validated the information presented and checked the calculations performed by the organization through recalculation.
- Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- Conducted interviews with relevant organization's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff.
- Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

EMPHASIS OF MATTER

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Report.

CONCLUSION

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information on the Economic, Environment, Social and Governance (EESG) contained in the Integrated Annual Report of DFCC Bank PLC for the year ended 31 December 2024, in order for it to be in accordance with the Criteria.

22 February 2025
Colombo

INDEPENDENT ASSURANCE REPORT FOR INTEGRATED REPORTING

Building a better working world

Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

Tel : +94 11 246 3500
Fax : +94 11 768 7869
Email : eysl@lk.ey.com
ey.com

Independent practitioner's assurance report to the Board of Directors of DFCC Bank PLC on the Integrated Annual Report 2024

SCOPE

We have been engaged by DFCC Bank PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on DFCC Bank PLC's Information on how strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value over the short, medium and long term (the "Subject Matter") contained in DFCC Bank PLC's (the "Entity's") Integrated Annual Report for the year ended 31 December 2024 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

CRITERIA APPLIED BY DFCC BANK PLC

In preparing the Subject Matter, DFCC Bank PLC applied the Integrated Reporting Framework (<IR> Framework) issued by the International Integrated Reporting Council (IIRC) ("Criteria"):

Such Criteria were specifically designed for the purpose of assisting in determining whether the capital management, stakeholder engagement, business model, strategy, organizational overview & external environment outlook presented in the Integrated Annual Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

DFCC BANK PLC'S RESPONSIBILITIES

DFCC Bank PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

ERNST & YOUNG'S RESPONSIBILITIES

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the DFCC Bank PLC on 15 January 2025. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

DESCRIPTION OF PROCEDURES PERFORMED

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Performed a comparison of the content of the Integrated Annual Report against the Guiding Principles and Content Elements given in the Integrated Reporting Framework (<IR> Framework).
- Checked whether the information contained in the Integrated Annual Report – Financial Capital element information has been properly derived from the audited financial statements.
- Conducted interviews with the selected key management personnel and relevant staff and obtained an understanding of the internal controls, governance structure and reporting process relevant to the Integrated Report.
- Obtained an understanding of the relevant internal policies and procedures developed, including those relevant to determining what matters most to the stakeholders, how the organization creates value, the external environment, strategy, approaches to putting members first, governance and reporting.
- Obtained an understanding of the description of the organization's strategy and how the organization creates value, what matters most to the stakeholders and enquiring the management as to whether the description in the Integrated Report accurately reflects their understanding.
- Checked the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- Tested the relevant supporting evidence related to qualitative & quantitative disclosures within the Integrated Report against identified material aspects.
- Read the Integrated Report in its entirety for consistency with our overall knowledge obtained during the assurance engagement.

We also performed such other procedures as we considered necessary in the circumstances.

EMPHASIS OF MATTER

Economic, Environment, Social and Intellectual capital management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Annual Report.

CONCLUSION

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information contained in the Integrated Annual Report of DFCC Bank PLC for the year ended 31 December 2024, in order for it to be in accordance with the Criteria.

22 February 2025
Colombo

CORPORATE INFORMATION

GRI 2-1

NAME OF COMPANY

DFCC Bank PLC

LEGAL FORM

A quoted public company with limited liability incorporated by Development Finance Corporation of Ceylon Act No. 35 of 1955 and with the enactment of the DFCC Bank (Repeal and Consequential Provisions) Act No. 39 of 2014, incorporated under the Companies Act No. 07 of 2007 with the name "DFCC Bank PLC" with effect from 6 January 2015.
A licensed commercial bank under the Banking Act No. 30 of 1988.

COMPANY REGISTRATION NUMBER

PQ 233

CREDIT RATING

A(lka) credit rating from Fitch Ratings Lanka Limited.

ANNUAL GENERAL MEETING (AGM)

The AGM will be held at the "Auditorium" of the Bank, No. 73/5, Galle Road, Colombo 3, on 28 March 2025 at 10.00am.

FOR ANY CLARIFICATION ON THIS REPORT PLEASE WRITE TO:

The Company Secretary
DFCC Bank PLC
No. 73/5, Galle Road,
Colombo 3, Sri Lanka or
Email to: care@dfccbank.com

COMPANY SECRETARY

Ms N Ranaraja

AUDITORS

KPMG
Chartered Accountants

VAT REGISTRATION NUMBER

409000088-7000

REGISTERED OFFICE

73/5, Galle Road,
Colombo 3, Sri Lanka
Phone: +94 11 244 2442
Email: care@dfccbank.com
Website: www.dfcc.lk

NOTES

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