



transforming **LIVES**

UNION BANK OF COLOMBO PLC
ANNUAL REPORT 2024

Transforming **LIVES**

At the heart of our operations lies a singular purpose: to transform lives. We understand that banking is much more than just transactions-it's about enabling dreams, fostering growth and uplifting lives.

Every service we deliver is designed to empower individuals, families, and businesses to achieve their aspirations. We transform lives by, helping entrepreneurs to build their visions, families to secure their futures, employees to realise their true potential and supporting communities to thrive.

Our journey of transformation extends beyond financial growth by introducing a new era of banking powered by digitalisation and customer-centricity. Through sustainable initiatives, educational programmes and community outreach, we envisage to build a better society-because we believe that true transformation happens when everyone moves forward together towards their aspirations of growth.

With Transforming Lives as our guiding principle, we remain steadfast in our mission to create meaningful impact on the lives of all our stakeholders.

CONTENTS



Chairman's Message

“Union Bank embarked on a transformative journey with CG Corp Global’s acquisition, setting the stage for accelerated growth and innovation.”



Chief Executive Officer's Review

“The year 2024 was characterised by a relentless pursuit of growth across six key strategic pillars: fostering a sales-driven culture, rebranding for transformation, expanding our retail and SME horizons, driving digital leadership, empowering our people, and achieving operational excellence.”

About this Report	4
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OVERVIEW

About Us	6
Transforming Our Corporate Identity	7
Financial Highlights	8
Milestones	10
Chairman's Message	12
Chief Executive Officer's Review	14

STRATEGIC AND OPERATIONAL REVIEW

Business Model	18
Our Operating Environment	20
Listening and Responding to Our Stakeholders	23
Materiality	26
Our Strategy	33
Our Approach to Sustainability	36
Review of Business Operations	
Retail Banking	42
Corporate Banking	43
SME Banking	44
Treasury	45
Subsidiary Operations	46

VALUE CREATION

Financial Capital	48
Manufactured Capital	52
Human Capital	55
Social and Relationship Capital	68
Intellectual Capital	75
Natural Capital	79

GOVERNANCE

Board of Directors	84
Corporate Management Team	90
Vice Presidents	92
Assistant Vice Presidents	93
Chief Managers	94
Senior Managers	97
Corporate Governance	101
Board Audit Committee Report	133
Integrated Risk Management Committee Report	136
Nomination and Governance Committee Report	140
Human Resources and Remuneration Committee Report	143
Related Party Transactions Review Committee Report	144
Annual Report of the Board of Directors on the Affairs of the Company	146
Directors' Statement on Internal Control over Financial Reporting	155
Assurance Report on the Directors' Statement on Internal Control over Financial Reporting	157
Risk Review	159
Statement of Directors' Responsibilities for Financial Statements	181
Chief Executive Officer's and Chief Financial Officer's Statement of Responsibility	182

FINANCIAL REPORTS

Financial Calendar	184
Independent Auditor's Report on Financial Statements	185
Statement of Profit or Loss	190
Statement of Comprehensive Income	191
Statement of Financial Position	192
Statement of Changes in Equity	193
Statement of Cash Flows	195
Notes to the Financial Statements	197

SUPPLEMENTARY INFORMATION

Ten Years at a Glance	332
Quarterly Performance of the Bank	334
Investor Relations Information	335
Direct Economic Value Generated & Distributed	342
Repurchase and Reverse Repurchase Transactions in Scripless Treasury Bonds and Scripless Treasury Bills	343
Pillar III Market Disclosures	344
Compliance with Annual Report Disclosure Requirements of Central Bank of Sri Lanka	352
GRI Content Index	357
Independent Assurance Report on Sustainability Reporting	362
Glossary of Financial Terms	364
Abbreviations	375
Branch Network	376
Notice of Meeting	378
Form of Proxy	379
Stakeholder Feedback Form	381
Form of Request	382
Circular to Shareholders	383
Corporate Information	Back Inner page

ABOUT THIS REPORT



Online Version



Union Bank of Colombo PLC

Annual Report 2024

Union Bank of Colombo PLC is pleased to present its second Integrated Annual Report for the year ending 31 December 2024. This Integrated Annual Report provides an in-depth analysis of how Union Bank ('We' or 'Union Bank') has created value for its providers of financial capital and other stakeholder groups during the year. The Bank's Annual Report consistently upholds transparency in its financial and non-financial reporting, empowering stakeholders with the clarity needed to make confident, forward-looking investments, business, and other strategic decisions.

Digital Version

This integrated report can be accessed through the Bank's website at: <https://www.unionb.com>

Reporting Scope and Boundary

Disclosure 2-3, 2-4

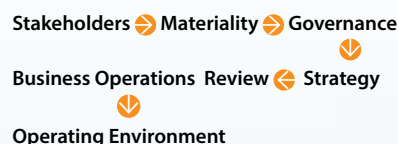
This Integrated Annual Report provides a comprehensive view of Union Bank's financial and non-financial performance for the period from 1 January 2024 to 31 December 2024 (FY2024). It covers all material events up to the date of Board approval of financials. There are no significant changes from previous reporting periods in the scope and aspect boundaries and the most recent annual

report covered the 12-month period ended 31 December 2023. Comparative financial information, if re-classified or re-stated, has been disclosed and explained in the relevant sections.

There have been no restatements to the information provided in previous reports or to the scope and aspect boundaries. Our reporting boundary covers the strategic narrative relating to the Bank's business model, strategy, performance and outlook. The risks, opportunities and outcomes arising

from entities and stakeholders over which we do not have control or significant influence are included where they affect our ability to create and preserve value and mitigate value erosion.

Our reporting boundary covers opportunities, risks and outcomes arising:



Reporting Frameworks

Financial Statement	Report Narratives	Sustainability Reporting	Corporate Governance Report
<ul style="list-style-type: none"> Companies Act No. 07 of 2007 Sri Lanka Accounting Standards and Other Guidelines issued by the CA Sri Lanka (SLFRSs & LKASs) Banking Act No. 30 of 1988 and amendments thereto Relevant directions/circulars issued on reporting formats by the Central Bank of Sri Lanka Listing Rules of the Colombo Stock Exchange / Securities Exchange Commission (SEC) Regulations 	<ul style="list-style-type: none"> Integrated Reporting Framework Guidelines for the presentation of Annual Reports issued by CA Sri Lanka 	<ul style="list-style-type: none"> GRI Standards (2021) of the Global Reporting Initiative. Sustainable Development Goals (SDG's) Non-Financial Reporting Guidelines issued by CA Sri Lanka Gender Parity Reporting Framework issued by CA Sri Lanka 	<ul style="list-style-type: none"> Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2023) Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka issued by the Central Bank of Sri Lanka and any amendments thereto. Listing Rules of the Colombo Stock Exchange / SEC Regulations. Companies Act No. 07 of 2007. Banking Act No. 30 of 1988 and amendments thereto

Materiality

Material matters form the foundation of this report, guiding the selection of information for inclusion based on the principle of materiality. This report discloses our risks, opportunities, macro trends and other considerations that impact materiality on our capitals and our ability to create, preserve and minimise erosion of value for our stakeholders.

We conduct a materiality assessment on key topics critical to both internal and external stakeholders focusing on areas such as governance, environment, employees, society and products and services. This materiality assessment helps to shape our long-term strategy and execution of our business model to create value-added outcomes for all stakeholders.

Combined Assurance

Disclosure 2-5

We ensure the quality of the information in this report through a robust assurance process, combining our internal capabilities with external assurance.

Internally, the assurance given to the Board is underpinned by the Management, the Bank's relevant functions, and the reviews performed by the Internal Audit. We engaged Ernst & Young (EY), Chartered Accountants, to obtain external assurance for the Financial Statements and other statutory financial disclosures. EY has also provided an assurance for our non financial information aligned with the GRI universal standards 2021.

Forward Looking Statements

Bank's Financial and Non-Financial forecasts disclosed in this report are prepared based on assumptions and estimations expected under current and future economic and market conditions and those could be changed with the change in conditions.

Integrated Approach

We aim to create measurable and sustainable growth and value for all our stakeholders. Guided by our purpose we adopt an integrated thinking approach for decision-making. We apply this principle into our ability to generate value in the short, medium, and long term.

Board Responsibility Statement

The Board of Union Bank of Colombo PLC takes the ultimate responsibility for this integrated annual report for FY 2024. The Board assures that the report elicits a fair and transparent account of the performance, the financial stability and sustainability of the Bank. Accordingly, the Board approved this report for publication and release.



How to Navigate this Report

The Capitals



Financial Capital



Manufactured Capital



Human Capital



Social and Relationship Capital



Intellectual Capital



Natural Capital

Our Stakeholders



INVESTORS



CUSTOMERS



EMPLOYEES



BUSINESS PARTNERS



GOVERNMENT INSTITUTIONS AND REGULATORS



SOCIETY & ENVIRONMENT

Strategic Pillars



Reinforcing Brand Identity



Retail and SME Growth



Digital Transformation



Service Philosophy



Workforce Capacity Development



Operational Excellence

Disclosure 2-3



Feedback and Queries

Union Bank welcomes reader feedback regarding this current report and requests that all such comments be directed to:-

Union Bank of Colombo PLC

Company Secretarial Division

9th Floor, 64 Galle Road, Colombo 03

Sri Lanka

Tel: +941 12374100

(weekdays 8.30 am to 5.00 pm)

ABOUT US

Union Bank stands as a progressive force in the financial landscape, making a meaningful impact on individuals and businesses alike. Dedicated to fostering a resilient and sustainable economy. The Bank embraces innovation and strives to deliver exceptional value. With deep commitment to customer aspirations, Union Bank continues to navigate evolving market dynamics, consistently adapting its offerings to meet the needs of a diverse and ever-changing clientele.

About Union Bank

Union Bank is a licensed private commercial bank, and a public limited liability company listed on the Colombo Stock Exchange. Since its establishment in 1995, the Bank has grown into a trusted financial partner, empowering individuals, businesses, and communities to contribute to a resilient and sustainable economy. With a legacy spanning over 30 years, Union Bank is well-capitalised and positioned as a progressive, growth-oriented institution, delivering innovative and tailored financial solutions across Retail, SME, and Corporate segments.

Building a Resilient, Purpose-driven Future

Our approach to growth is holistic, combining technological advancements, product innovations, and enhanced service delivery to offer a superior banking experience. With a network of 61 branches across the island, supported by alternative channels such as a dynamic sales force, a 24-hour call centre, digital banking platforms, and an expansive ATM and CRM network, the Bank ensures seamless access to financial services for its diverse clientele.

The Bank made history in 2014 with a significant USD 117 Mn investment by TPG USA, a leading global Private Equity Firm, marking one of the largest foreign direct investments to Sri Lanka's financial services sector. This momentum continued in 2023 when CG Capital Partners Global Pte. Ltd., an affiliate of the renowned CG Corp Global conglomerate, became the Bank's majority shareholder through Culture Financial Holdings.

Broadening our service portfolio, Union Bank's subsidiaries include National Asset Management Limited and UB Finance PLC.

Defining how we work



Vision

Union Bank aims to be a leading force in the financial services sector, becoming one of the top five banks in Sri Lanka by 2029.



Mission

To enrich our customer's lives by making banking simpler and aligned with their digital lifestyles.



Values

- We are **customer-centric**, always putting our customers first.
- We are committed to **service excellence**, delivering top-tier service at all times.
- We believe in **collaboration**, working together to drive success.
- We embrace an **entrepreneurial mindset**, constantly innovating and seizing new opportunities.
- We focus on **execution**, turning plans into action with precision and efficiency.
- We are **digital-first**, leading through cutting-edge digital innovation.

Pursuing Our Aspirations



Reinforcing Brand Identity



Retail and SME Growth



Digital Transformation



Service Philosophy



Workforce Capacity Development



Operational Excellence

Union Bank has developed a forward-looking vision and a strategic plan to guide us through the next phase of growth. With a bold aspiration to be a top contender in the financial services, we are committed to transforming the Bank by embedding our core values of Customer Centricity and Service Excellence. Our focus will be on driving profitable loan growth with enhanced asset quality, accelerating digitisation, expanding fee and CASA income, and strengthening Customer Experience. We are also dedicated to creating a modern, reliable, and future-ready brand. By aligning our actions with these strategic priorities, we aim to deliver sustainable growth and long-term value for all our stakeholders.

TRANSFORMING OUR CORPORATE IDENTITY

In 2024, Union Bank embarked on a transformative journey by unveiling a new brand identity that reflects our forward-thinking vision, unwavering commitment to customer-centricity, and a digital-first approach to innovation. This rebranding initiative is encapsulated in our new logo, which embodies our dedication to **“Transforming Lives.”**

The contemporary design of our new logo features a strong blue hue, symbolising trust, stability, and professionalism, while the vibrant orange signifies optimism, prosperity, and the warmth of our enduring customer relationships. The distinctively slanted forward look of the logo underscores our commitment to being a progressive partner in driving digital leadership and service excellence.

This rebranding marks a significant milestone in our strategic transformation, positioning Union Bank as a robust, customer-centric entity poised to meet the evolving needs of our customers. As we continue our journey, our new brand identity stands as a powerful representation of our vision and dedication to delivering exceptional banking experiences.



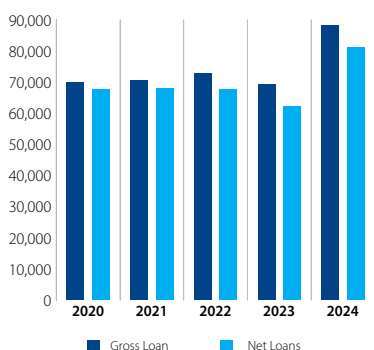
Dr. Binod Chaudhary, Chairman of CG Corp Global, and Mr. Nirvana Chaudhary, Deputy Chairman of Union Bank unveiled the bank's new logo and vision for growth.

FINANCIAL HIGHLIGHTS

	BANK			GROUP		
	2024	2023	Change %	2024	2023	Change %
Results for the year (LKR' 000)						
Gross Income	16,450,684	22,410,834	(26.6%)	18,677,455	24,893,435	(25.0%)
Total operating income	6,877,623	8,097,630	(15.1%)	7,901,073	9,177,798	(13.9%)
Impairment for loans and other losses	141,901	1,643,327	(91.4%)	182,064	1,740,474	(89.5%)
Profit attributable to equity holders of the parent	300,202	379,206	(20.8%)	297,673	456,292	(34.8%)
Assets and Liabilities (LKR' 000)						
Gross loans and advances to customers	88,264,533	69,143,302	27.7%	97,836,327	77,435,192	26.3%
Due to customers	103,740,584	87,984,721	17.9%	110,629,257	95,391,334	16.0%
Total assets	147,191,673	139,087,719	5.8%	155,594,221	147,331,789	5.6%
Total liabilities	127,351,315	119,823,693	6.3%	135,385,393	127,725,346	6.0%
Total equity attributable to equity holders of the Bank	19,840,358	19,264,026	3.0%	19,848,151	19,274,348	3.0%
Profitability (%)						
Net Interest Margin	3.4%	4.7%		N/A	N/A	
Stage 3 Ratio (%)	12.3%	12.5%		N/A	N/A	
Return on average shareholders' funds (ROE) after tax	1.5%	2.0%		1.5%	2.4%	
Return on average assets (ROA) after tax	0.2%	0.3%		0.2%	0.3%	
Investor Information						
Earnings per share - Basic (LKR)	0.3	0.4		0.3	0.4	
Net asset value per share (LKR)	18.3	17.8		18.3	17.8	
Market value per share as at 31 December (LKR)	11.7	10.0		N/A	N/A	
Market capitalisation (LKR 000)	12,677,634	10,835,583		N/A	N/A	
Regulatory Ratios (%)						
Capital Adequacy Ratios (%)						
Common Equity Tier 1 Capital Ratio	15.6%	17.2%		16.9%	18.3%	
Tier 1 Capital Ratio	15.6%	17.2%		16.9%	18.3%	
Total Capital Ratio	16.6%	18.2%		17.9%	19.3%	
Leverage Ratio	8.3%	8.4%		9.1%	9.0%	
Liquidity Coverage Ratio (%)						
Rupee	565.9%	795.4%		N/A	N/A	
All Currency	486.6%	787.7%		N/A	N/A	
Net Stable Funding Ratio (%)						
	136.0%	110.7%		N/A	N/A	

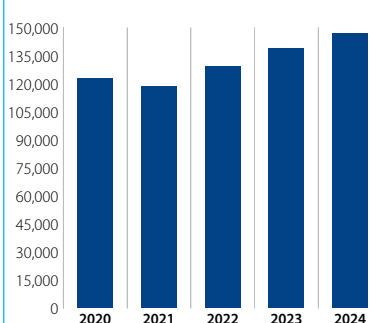
Gross Loans and Net Loans

LKR Mn

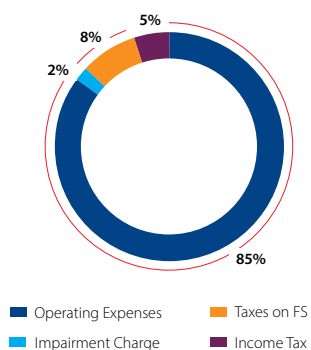


Total Assets

LKR Mn

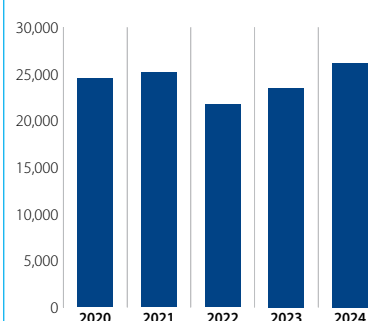


Expenses Composition



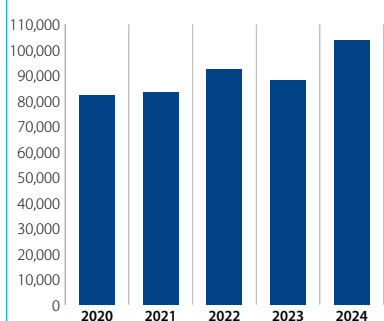
CASA

LKR Mn

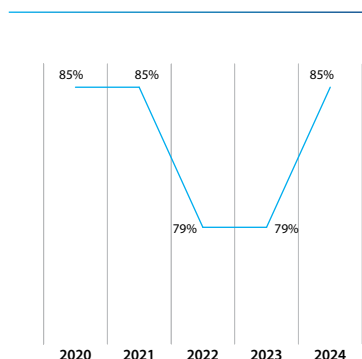


Deposits

LKR Mn



Loans to Deposits Ratio



▲ LKR 88.2 Bn

Gross Loans

LKR 69.1 Bn (2023)

28% Growth

▲ LKR 103.7 Bn

Total Deposits

LKR 88.0 Bn (2023)

18% Growth

▲ LKR 26.1 Bn

CASA

LKR 23.5 Bn (2023)

11% Growth

▲ LKR 81.2 Bn

Net Loans

LKR 62.2 Bn (2023)

20% Growth

▲ LKR 74.2 Mn

Gross Loans per Employee

LKR 56.6 Mn (2023)

31% Growth

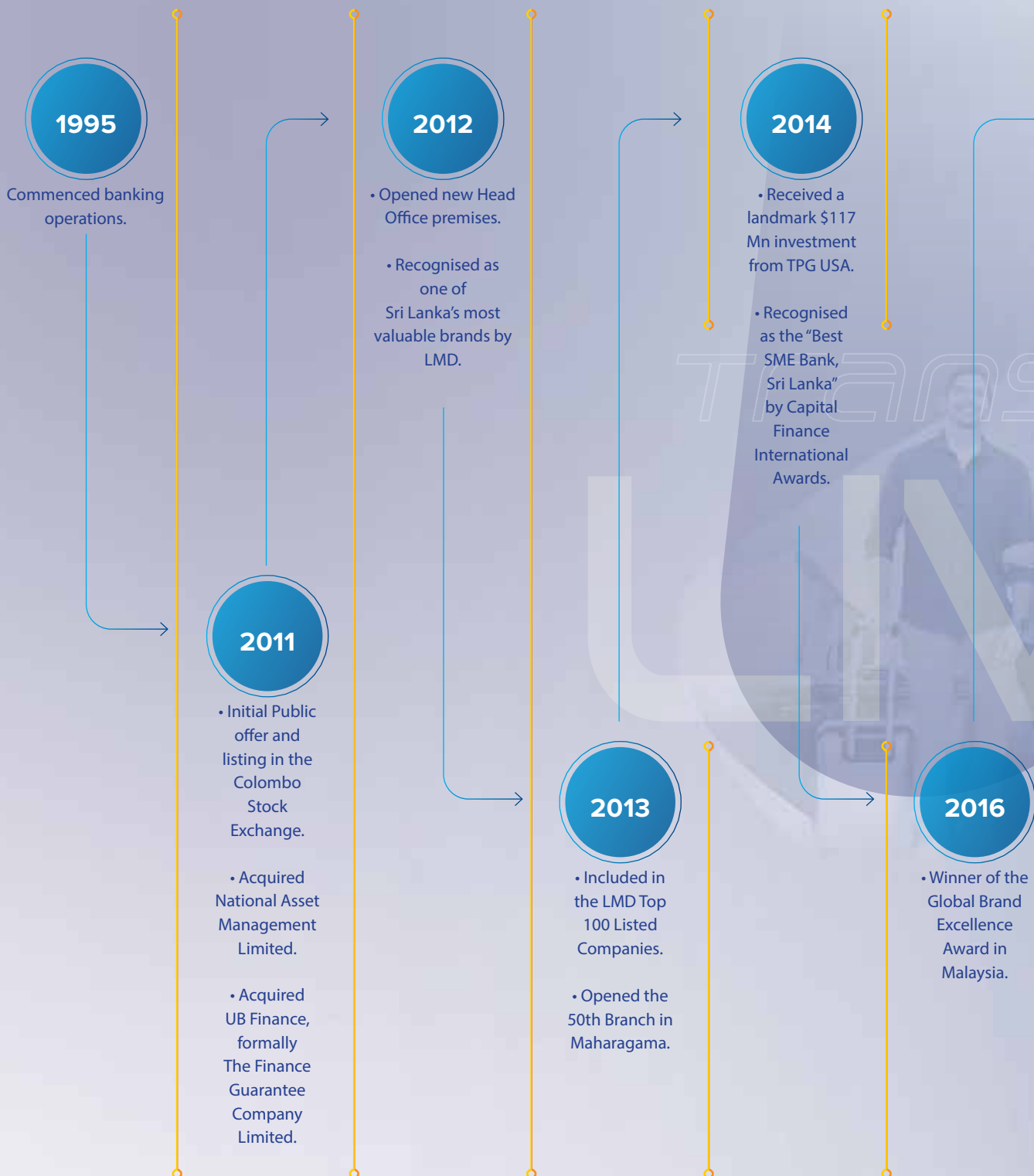
▲ LKR 87.3 Mn

Deposits per Employee

LKR 72.1 Mn (2023)

21% Growth

MILESTONES



2018

- Achieved LKR 1 Bn in PBT.
- Became the first local bank to launch a transaction banking solution.

2020

- Completed 25 years of service to the nation.
- Recognised as the "Best Cash Management Bank, Sri Lanka" by Asian Banker Transaction Finance Awards.

2023

- UB Finance goes public through its Initial Public Offering.
- CG Corp Global affiliate, CG Capital Partners Pte Ltd, acquired a majority stake in Union Bank.

2019

- Recognised as the "Best Cash Management Bank, Sri Lanka" by Global Business Outlook Awards.

2022

- Secured a line of credit from the Asian Development Bank (ADB) to support SME growth.

2024

- Launched Union Bank School of Social Entrepreneurship (UBSSE).
- Unveiled a new Brand Identity.



“Union Bank embarked on a transformative journey with CG Corp Global’s acquisition, setting the stage for accelerated growth and innovation.”

CHAIRMAN'S MESSAGE

Dear Stakeholders,

Across the globe, 2024 was yet another year of significant challenges, marked by ongoing wars and violence in the Middle East and growing geopolitical tensions. While these events and the resulting instability had implications for our country, bank, colleagues, customers and partners, Union Bank navigated a challenging year with resilience and adaptability. I am pleased to share that the Bank demonstrated strong growth by successfully managing fluctuating interest rates and narrowing margins while remaining steadfast in our commitment to delivering value to our customers and stakeholders. It is, therefore, my pleasure to present our Integrated Annual Report and Financial Statements for the year ended 31 December 2024.

A New Chapter

In 2023, Union Bank embarked on a transformative journey with CG Corp Global's acquisition, setting the stage for accelerated growth and innovation. This strategic alliance has infused the bank with fresh capital, global expertise, and visionary leadership, enabling the launch of an enhanced suite of products and services that redefine excellence. Leveraging the strength of a diversified global

conglomerate, Union Bank is fast-tracking its digital transformation and exploring new expansion opportunities, while also embracing sustainable business practices that align with its long-term vision. This partnership not only marks a pivotal change in ownership but also heralds a new era of agility and forward-thinking strategy, aimed at delivering greater value to customers, employees, and stakeholders alike.

Performance and Key Highlights

Despite market pressures, Union Bank recorded notable growth in loans, advances, and deposits, reaffirming its commitment to supporting customers and strengthening our market presence. The Bank continued to maintain one of the highest capital adequacy ratios in the industry. Additionally, our total assets have shown a positive growth trajectory, reinforcing financial stability and resilience. While income from core operations faced some headwinds, we implemented cost-efficiency measures, keeping expense growth modest and ensuring long-term profitability. Despite these challenges, the Bank recorded a pre-tax profit of LKR 1.2 Bn.

Strategic Initiatives and Milestones

In line with our growth strategy, Union Bank has proactively expanded its product suite and enhanced customer engagement. The relaunch of existing products, alongside the introduction of new financial solutions such as leasing and pawning, has strengthened our customer base. Additionally, strategic collaborations have enriched our business propositions.

A key focus this year has been our digital transformation agenda, aimed at enhancing customer experience and operational efficiency. Union Bank remains committed to social responsibility, exemplified by the launch of the Union Bank School of Social Entrepreneurship (UBSSE) to foster innovation and social enterprise. We have also established new Climate Adaptation Project partnerships, mobilising finance for sustainability-driven solutions, particularly in agriculture and tourism.

Throughout 2024, Union Bank remained deeply committed to addressing socioeconomic challenges. We proactively supported our customers and communities by extending flexible lending solutions and prioritising

transforming LIVES

financial inclusion, ensuring that underserved populations have access to essential banking services.

Our partnerships with various organisations have been instrumental in mobilising funds for sustainable development, particularly in key economic sectors. These efforts align with our broader mission of fostering long-term social and economic resilience, helping our customers and the nation navigate challenging times.

Focus on ESG (Environmental, Social, and Governance)

In 2024, Union Bank significantly strengthened its commitment to ESG principles, aligning our operations with global sustainability and corporate responsibility standards.

We expanded our focus on sustainable financing, supporting green projects and financing electric vehicles in collaboration with our partners. The Bank also advanced financial inclusion initiatives and launched social impact programmes to benefit underserved communities.

On the governance front, we have reinforced corporate governance frameworks, ensuring transparency, accountability, and ethical business practices. By embedding ESG principles into our operations, Union Bank aspires to set new benchmarks in Sri Lanka's banking sector and contribute to a more sustainable, inclusive, and ethical financial ecosystem.

A Strengthened Governance Structure

This year saw significant changes to the Board of Directors and leadership team. We welcomed Dr. Dharmasri Kumaratunge, Mr. Mahesh Nanayakkara, and Mr. Dilshan Rodrigo to the Board. Their collective expertise and experience will be invaluable in driving Union Bank's strategic growth.

Simultaneously, we have enhanced our compliance and governance frameworks, reinforcing our commitment to regulatory excellence and ensuring operational transparency. Our investments in risk management systems and compliance

frameworks uphold the highest standards of integrity, security, and ethical conduct, strengthening stakeholder confidence.

Opportunities and Challenges in the Industry

As Sri Lanka progresses toward economic recovery, the banking sector faces both opportunities and challenges. The stabilisation of macroeconomic conditions, along with government reforms and foreign investment inflows, presents new growth prospects.

The rising demand for financial inclusion, digital banking, and sustainable investment products offers Union Bank the opportunity to further expand its market presence and enhance its portfolio. However, costs pressures, currency volatility, and increasing competition particularly from fintech companies necessitate continuous investment in technology, innovation, and customer-centric solutions.

By leveraging its strong capital base and CG Corp Global's backing, Union Bank is well-positioned to navigate these challenges while seizing emerging growth opportunities.

Looking to the Future

We recognise that the foundation of our success rests with our people.

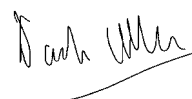
Our employees, both individually and as teams, serve our customers and communities, build technology, make strategic decisions, manage risks, determine investments, and drive innovation. A Bank's prosperity requires a great team of people with courage, intelligence, integrity, exceptional capabilities, and high standards of professional excellence to ensure its ongoing success. In 2025, with CG Corp Global's support, Union Bank is poised for an exciting new phase of growth and expansion. Our focus remains on leveraging this partnership to drive innovation, enhance customer experiences, and strengthen our leadership in Sri Lanka's banking sector. As we look ahead to 2025 and beyond, we will continue to prioritise operational excellence, talent development, sustainable growth, and superior service delivery.

A Note of Appreciation

As I reflect on Union Bank's achievements in 2024, I extend my heartfelt gratitude to our key stakeholders. Our dedicated employees have been a source of strength in charting our path to success. I take this opportunity to express my appreciation to the team led by Director/CEO Mr. Dilshan Rodrigo for their dedication and commitment. I am grateful to the Board of Directors for their strategic vision, unwavering guidance, and collective wisdom, which have been pivotal in shaping the Bank's growth trajectory. I also thank the Governor and the officials of the Central Bank of Sri Lanka for their guidance and regulatory support.

To our customers, I express my deepest gratitude for your continued trust and loyalty. Your confidence in Union Bank drives our relentless pursuit for innovation and excellence. I invite you to stay engaged and collaborate with the Bank as we continue our journey of growth and transformation.

Finally, I extend my sincere thanks to our major shareholder, the Chairman of CG Corp, our other shareholders, business partners, and the communities we serve. Your support, dedication, and engagement are integral to our collective success. Together, we look forward to a prosperous future as we embark on this next phase of growth, expansion, and transformation, united by our principles and purpose.



Dinesh Weerakkody
Chairman

Colombo
28 February 2025



“The year 2024 was characterised by a relentless pursuit of growth across six key strategic pillars: fostering a sales-driven culture, rebranding for transformation, expanding our retail and SME horizons, driving digital leadership, empowering our people, and achieving operational excellence.”

CHIEF EXECUTIVE OFFICER'S REVIEW

Union Bank's history has been one of perseverance. From the challenges posed by the constitutional crisis, the Easter Sunday bombings, the COVID-19 pandemic, and the economic crisis, the Bank's resilience and commitment to serving its customers remained unwavering. With CG Corp Global's involvement, we launched a transformative roadmap designed to reawaken the Bank and redefine its positioning in Sri Lanka's Banking sector.

Accelerating Growth: Our 2024 Strategic Pillars

The year 2024 was characterised by a relentless pursuit of growth across six key strategic pillars: fostering a sales-driven culture, rebranding for transformation, expanding our retail and SME horizons, driving digital leadership, empowering our people, and achieving operational excellence. Each of these pillars represented a cornerstone of our commitment to delivering superior value to our customers, stakeholders, and employees. These strategies were not mere initiatives but transformative forces that redefined Union Bank's role in the financial sector and our contribution to Sri Lanka's economic progress.

Fostering a Sales-Driven Culture

At the heart of our transformation was a renewed emphasis on cultivating a sales-driven culture. Recognising that the essence of any financial institution lies in its ability to connect with and serve its customers effectively, we embarked on a comprehensive cultural shift. This involved introducing performance-linked incentives that motivated our teams to achieve ambitious sales targets, empowering branch-level staff to take ownership of growth objectives and launching innovative customer engagement programmes that strengthened relationships and enhanced satisfaction. These initiatives were instrumental in embedding a customer-first mindset across the organisation, driving both financial growth and customer loyalty.

A Bold New Identity: Rebranding for Transformation

Rebranding is more than a cosmetic change; it is a declaration of intent. In 2024, Union Bank unveiled a new logo and tagline, “Transforming Lives,” symbolising our commitment to making a meaningful

impact. This rebranding extended beyond visual elements to encompass a complete transformation of our customer experience. All 61 branches were revitalised with modern facades, welcoming interiors and enhanced service delivery mechanisms, reflecting our promise of innovation and excellence. This bold new identity not only redefined how we are perceived but also reinforced our dedication to elevating the banking experience for all our stakeholders.

Expanding Retail and SME Horizons

Retail and SME banking remained at the core of our growth strategy in 2024. We enhanced reach for pawning and launched leasing solutions, addressing critical gaps in our retail portfolio in meeting the evolving needs of our customers. Our SME initiatives were equally impactful, focusing on high-growth sectors such as export-oriented businesses and agri-tech. By equipping our branches with the tools and resources to cater to regional needs, we strengthened our local presence and deepened our connection with communities across Sri Lanka.

transforming LIVES

Driving Digital Leadership

In an era defined by digital innovation, Union Bank positioned itself as a leader in leveraging technology to enhance customer experiences. Our UBgo App achieved a 50% increase in active users, offering seamless functionalities such as fund transfers, bill payments, and enhanced security. The Biz Direct cash management solution streamlined operations for over 500 corporate clients, delivering unmatched efficiency and satisfaction. Looking ahead, we laid the groundwork for next-generation digital solutions, including AI-driven financial advisory services and advanced fraud detection systems, ensuring that Union Bank remains at the forefront of technological advancement.

Empowering People: Our Most Valuable Asset

Our employees are the driving force behind Union Bank's success. In 2024, we invested heavily in their growth and well-being, conducting Over 5000 training hours across key areas such as sales, credit, and leadership development. Enhanced remuneration structures and performance-based rewards underscored our commitment to attracting and retaining top talent. Additionally, health and wellness programmes were introduced to support the physical and mental well-being of our employees, fostering a workplace culture that values and empowers its people.

Operational Excellence: Streamlining for Success

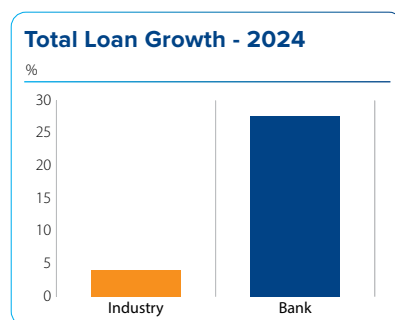
In 2024, Union Bank placed a strong emphasis on enhancing operational efficiency, through automation, process improvements and many structural changes were made to facilitate this.

Union Bank's dedication to placing customers at the heart of our operations was evident in our implementation of a new complaint resolution system. This initiative enabled us to address and resolve customer concerns swiftly and efficiently, with many complaints being resolved within 48 hours.

A lean management unit was set up with a roadmap to strengthen Service Level agreements and turnaround times resulting in improved agile and speedier customer service.

Exceptional Loan Growth: Performance Highlights

In 2024, Union Bank achieved a gross income of LKR 16.4 Bn with a Net Interest Income (NII) of LKR 4.8 Bn. Declining interest rates necessitated repricing of the existing loan book which resulted in a decline in Gross Income and Net Interest Income compared to results achieved during the FY 2023.



The year 2024 saw a 27.7% year-on-year growth of our loan portfolio, which far surpassed the average industry growth rate of 4.1%. Lending growth was driven by our strategic focus on innovation and customer-centric solutions. Corporate, SME and Retail Banking divisions contributed to this growth with retail and SME portfolios growing by 35% and 34% respectively over 2023 levels, highlighting our commitment to empowering both individuals and businesses with tailored financial support. Corporate loans grew by 20% on the foundation of innovative financing solutions that address the evolving needs of our corporate clients.

During 2024 the deposit base of the Bank crossed the LKR 100 Bn threshold growing by 17.9% over 2023, due to efforts on multiple fronts including strategic rebranding, a renewed vigor from better empowered people and a more sales driven culture. The increase was mainly driven by fixed deposits, which, however, resulted in a drop in the

Current Account Savings Account (CASA) Ratio, suppressing Net Interest Margin of the Bank. Our relentless pursuit towards operational excellence helped improve the gross loans to deposit ratio to 85% in 2024 up from 79% the previous year.

With improving economic conditions, lower interest rates and repricing of the loan book to reflect the declining interest levels, helped borrowers commence servicing debt obligations thus improving credit quality of the Bank significantly. Consequently, the impairment charge for the year declined to LKR 142 Mn, a 91.4% decline from the previous year's LKR 1,643 Mn. Improved credit origination and underwriting standards will help minimise the deterioration of new credit granted during the year, and into the future. With a solid foundation built on innovation, customer trust, and strong governance, we are well positioned to drive further success and deliver lasting value to our stakeholders.

Committed to Sustainability

Sustainability is not just a responsibility but a core aspect of our business strategy at Union Bank. In 2024, we made significant strides in promoting sustainable development by disbursing over LKR 1 Bn in green loans. These loans were strategically allocated to support renewable energy projects, energy-efficient initiatives, and environmentally responsible ventures, aligning with our commitment to reducing our ecological footprint and fostering a more sustainable future.

Launch of the UBSSE and our partnership with the University of Moratuwa and the NIA has been instrumental in driving this vision forward. Through this collaboration, we are in the process of equipping over 200 entrepreneurs, with the knowledge and tools necessary to develop businesses. By empowering these individuals, we are not only nurturing future leaders but also supporting the creation of businesses that prioritise environmental responsibility and ethical practices.

CHIEF EXECUTIVE OFFICER'S REVIEW

Moreover, we have implemented a comprehensive Environmental, Social, and Governance (ESG) framework to guide our efforts in sustainability. This framework ensures that Union Bank adheres to the highest standards in environmental stewardship, social responsibility, and governance, helping us contribute positively to the communities we serve and drive sustainable growth for the future.

Awards and Accolades

While we are still in the early stages of our rejuvenation process, there are several recognitions we have achieved this year that underscores our commitment to technology and digital transformation efforts. These include, first bank to be recognised for PCIDSS certification and ISO 27001-2022 certifications for customer information and data protection.

Looking Ahead

Vision 2027

One of our key expectations moving forward is to be recognised as the fastest-growing bank. This ambition reflects our determination to lead in the industry by continually evolving and adapting to meet the needs of a dynamic and ever-changing financial landscape. With a strong focus on digital innovation, we aim to set new benchmarks in customer service, efficiency and growth, ensuring that Union Bank remains a trusted and forward-thinking institution.

The Bank has developed a forward-looking vision and strategic plan to propel Union Bank through the next three years. With a bold aspiration to be among the top 5 banks in the country within the next five years, we are committed to transforming the Bank by embedding our core values of Customer Centricity and Service Excellence supported by Collaboration, an Entrepreneurial Mindset, seamless Execution, and a Digital-First approach into everything we do. Our business focus will be on driving profitable loan growth with enhanced asset quality, accelerating digitisation, expanding fee and CASA income, and strengthening customer experience and creating a brand that resonates a modern,

reliable and future ready Bank. By aligning our actions with these strategic priorities, we aim to deliver sustainable growth and long-term value for all our stakeholders.

Building Momentum for 2025

As we look towards 2025, Union Bank is not just continuing its growth but redefining leadership in Sri Lanka's financial landscape. Our vision is centred on transforming the future for our customers, employees and stakeholders.

A key focus is advancing Digital Banking excellence. We're committed to introducing innovative technologies, including AI-driven financial advisory tools and blockchain for enhanced security and transparency. Partnerships with leading tech firms will enhance our ability to deliver transformative services.

Expanding our SME offerings remains critical, particularly in high-growth sectors like export-oriented businesses, agri-tech, and renewable energy. By tailoring solutions and leveraging data analytics, we aim to drive sustainable economic growth and remain proactive in identifying emerging trends.

Our strategy to explore niche markets, such as renewable energy, specialised manufacturing, and value added agribusiness, positions Union Bank as the go-to financial partner in these areas, ensuring efficient use of resources and maximising impact.

We also see significant potential in the leasing sector. We are well-prepared and organised to capitalise on the much anticipated growth in the industry but new products are being developed in these targeted areas to ensure that we remain competitive and relevant.

Operational excellence will continue to be the foundation of our growth, with a focus on process automation, advanced analytics, and customer satisfaction. Our commitment to sustainability will be strengthened through green financing products and partnerships.

Guided by our core values, Union Bank is poised for significant achievements in 2025. By combining personalised service with innovative technology, we aim to set new standards of excellence, transforming lives and creating lasting value for our stakeholders.

Heartfelt Appreciation

I extend my heartfelt gratitude to the Board of Directors, particularly our Chairman and the CG Group for their unwavering support and strategic guidance. Your vision and dedication have been instrumental in shaping the future of Union Bank, guiding us through both challenges and achievements.

To the outgoing Director/CEO Indrajit Wickramasinghe, your leadership has been invaluable, fostering growth, innovation, and a strong foundation for our future endeavours. We sincerely appreciate your dedication and the legacy.

Most importantly, I express my deepest appreciation to my Corporate Management Team and our employees for their unwavering dedication, resilience, and commitment. Your hard work and passion have been the driving force behind our success. To our customers and stakeholders, thank you for your trust and loyalty.

Together, we have redefined Union Bank's path, and I am confident that we will continue to achieve remarkable milestones as we transform lives and create enduring value.



Dilshan Rodrigo
Director/ Chief Executive Officer

Colombo
28 February 2025

Self-Driving

*empowering
dreams
transforming*

LIVES



BUSINESS MODEL

Disclosure 2-6

VISION AND MISSION

STRATEGY

INPUTS



FINANCIAL CAPITAL

- Equity Capital - LKR 19.84 Bn
- Deposit Base - LKR 103.74 Bn



MANUFACTURED CAPITAL

- 61 Branches
- 118 ATMs and CRMs
- 558 Agent Banking Network
- UBgo Mobile App
- UBdirect Online Banking Platform
- Union Bank BizDirect Cash Management Solution
- IT Infrastructure



INTELLECTUAL CAPITAL

- Brand Strength
- Digital Innovation
- Information Security Systems, including the Payment Card Industry Data Security Standard (PCIDSS) Certification
- Business Conduct and Ethics
- Strategic Partnerships



HUMAN CAPITAL

- Create a Competent UB workforce
- Performance-driven Culture
- Talent Acquisition and Talented Workforce
- Team Building and Boosting
- Engagement Culture
- Employee Well-being and HR Governance



SOCIAL AND RELATIONSHIP CAPITAL

- Product Diversity
- Accessibility and Reach
- Responsible Marketing
- Service Quality
- Procurement Best Practices
- Community Development



NATURAL CAPITAL

- Sustainable Finance
- Carbon Footprint Management

VALUE TRANSFORMATION

VISION

Union Bank aims to be a leading force in the financial services sector, becoming one of the top five banks in Sri Lanka by 2029.

VALUES AND CORPORATE CULTURE

KEY ENABLERS OF VALUE CREATION PROCESS

BUSINESS LINES

- Corporate
- Retail
- SME
- Treasury

SUPPORT FUNCTIONS

- Credit Operations
- Legal, Administration and HR
- IT and Data Services
- Customer Care
- Recoveries
- Other Support Functions

STRATEGIC THEMES

Business

Human Resources

Strategic Objectives



Technology

Sustainability

Governance

Risk Management & Compliance

Opportunities

Challenges

Risks

VALUE TRANSFORMATION OUTPUTS / OUTCOMES

STAKEHOLDERS IMPACTED



FINANCIAL CAPITAL

- Earnings per share - LKR 0.28
- Profit - LKR 300 Mn
- CAR - 16.63%
- Taxes Paid- LKR 1.086 Mn



MANUFACTURED CAPITAL

- 16.3% Average Increase in Transactions at Union Bank ATMs and CRMs
- 10% Average Increase in Transaction Values Generated through the Agent Banking
- 34% Increase in Transaction Values Through the UBgo app



INTELLECTUAL CAPITAL

- Increased Brand Loyalty
- Higher Customer Satisfaction
- ZERO Incidents of Non-compliance
- ZERO Information Security Breaches



HUMAN CAPITAL

- Best fit gets paid well
- 100% of the Workforce to Complete all the Mandatory E-Learning Modules
- Developing Competencies for all the Critical Job Roles
- Creating Talent Pools
- Creating a Culture of Camaraderie and Collaboration



SOCIAL AND RELATIONSHIP CAPITAL

- Uninterrupted Service
- Reduction in Customer Complaints
- ZERO Incidents of Non-compliance Concerning Marketing Communications
- ZERO Incidents of Non-Compliance Concerning Product and Service Information and Labelling
- LKR 3.5 Bn paid to Suppliers and Service Providers



NATURAL CAPITAL

- LKR 1,579.98 Mn of Sustainable Finance portfolio as at 31st Dec 2024
- 56 Trees Saved from Recycling of Waste Paper
- 3.31 Cubic Meters of Waste not sent to Landfills



SHAREHOLDERS



REGULATORS



CUSTOMERS



REGULATORS



CUSTOMERS



SHAREHOLDERS



REGULATORS



EMPLOYEES



CUSTOMERS



SHAREHOLDERS



REGULATORS



COMMUNITY



REGULATORS



COMMUNITY

OUR OPERATING ENVIRONMENT



Macroeconomic Overview of Sri Lanka - 2024

The year 2024 has been a defining year for the political and economic landscape of Sri Lanka. The landslide presidential victory by President Anura Kumara Disanayake created a transformative shift in the country's governance structure. The year 2024 witnessed progress in debt restructuring efforts, and by June 26th, Sri Lanka secured agreements to restructure all bilateral debt, deferring Paris Club repayments to 2028, and extending terms to 2043. China extended loan maturities by 15 years with an agreement to reduce interest rates, offering up to 92% debt relief during the IMF programme. Additionally, Sri Lanka restructured USD 14.2 Bn in ISBs, achieving a total external debt relief of USD 17 Bn throughout the IMF programme. Having complied with all the requirements mandated by the IMF, Sri Lanka received the 2nd tranche totaling USD 336 Mn under the Extended Fund Facility.

On account of stabilising macroeconomic conditions following the debt restructuring efforts, Fitch Ratings upgraded Sri Lanka's long-term foreign currency issuer default rating to a CCC+ from an RD (Restrictive

Default), while Moody's upgraded the rating to 'Caa1' from 'Ca', assigning a stable outlook.

Interest Rates

The Central Bank policy shifted to a single policy rate, the Overnight Policy Rate (OPR) at 8%, reducing the SDFR by 100bps and the SLRF by 150bps from end-2023 levels, with the intention of establishing greater clarity and stability in monetary policy operations. By end-2024, the AWCMR fell by 50-100bps, the 12-month treasury bill rate dropped over 400bps to 8.9% and longer-dated government securities yields decreased by 300-400bps. These measures reflect the Central Bank's efforts to stabilise the economy and foster a conducive environment for growth.

Sri Lanka's primary surplus improved from 0.6% (LKR 55.0 Bn) of GDP in the first eight months of 2023 to 2.1% (LKR 648.8 Bn) in 2024, primarily as a result of increased VAT with a 42.6% increase in tax revenue. The reduced policy rates and higher tax revenue led to a lower fiscal deficit, easing pressure on public spending.

Exchange Rate

The Sri Lankan Rupee (LKR) appreciated by 10.8%, maintaining a stable exchange rate

between 305 and 320 LKR throughout the year. This stability was driven by a strong current account surplus, supported by increased remittances up by 18% to over USD 6.5 Bn and a surge in tourism with USD 3.2 Bn in foreign exchange earnings. Although the trade deficit widened by 18.9% in the first three quarters of 2024 due to rising import demand, this was offset by robust earnings from remittances and tourism. As a result, Sri Lanka's gross official reserves reached USD 6 Bn by the end of 2024, the highest since the economic crisis.

Inflation

Alongside the improvements to the exchange rate and foreign reserves, inflation during 2024 also saw significant reductions, with the year-on-year Colombo Consumer Price Index (CCPI) dropping from 6.4% in January to -1.7% by December 2024. This decline was driven by lower oil prices, reduced electricity tariffs, and the appreciation of the Sri Lankan rupee. Both headline and core inflation saw sharp declines, indicating continued macroeconomic stabilisation.

Outlook

The macroeconomic landscape of Sri Lanka was guided in a positive direction throughout

2024 due to significant changes to policy in conjunction with the continued commitment to IMF obligations and successful debt restructuring, which underpinned macroeconomic stability. While this is a leap forward in the overall economic growth of the country, resilience is key to weathering cyclical shocks and sustaining progress.

Global Economic Overview - 2024

The global economy in 2024 continued its post-pandemic recovery, with growth expectations surpassing those of 2023. According to forecasts by the International Monetary Fund, global economic growth stood at 3.2%, while the World Bank projected a lower rate of 2.6% for 2024. Asia's expanding economies, particularly in India and China, alongside the narrowing of the output gap in major advanced economies like the United States, have contributed significantly to this positive global economic outlook.

The United States witnessed robust growth of 2.8% as forecasted by the IMF fueled by higher spending, favourable financial conditions, accelerated output growth and stronger consumption of core goods. Emerging and Frontier Asian markets continued to grow, fueled by improved economic activity in India and China. India witnessed a significant 7% growth, although slightly lower than the projected 7.2%, which was driven by public infrastructure investment, household investments in real estate, and on the supply side, a 9.9% rise in manufacturing industry output. China's growth outlook was revised down to 4.8% due to weak domestic demand and property market challenges. Global economic performance was largely driven by a faster-than-expected decline in inflation rates.

Geopolitical tensions continued to significantly shape the global economic landscape in 2024, with the ongoing Middle East and Ukraine conflict continuing to affect global grain and energy supplies, while Western sanctions on Russia led to a reshuffling of energy markets.

The year 2024 witnessed major elections in the US, UK, and India, which had a notable impact on global markets. Donald Trump's victory brought mixed reactions, with US markets showing both optimism and caution. Bitcoin hit a record high after the election but concerns over US trade policies and tariffs created further uncertainty for the year ahead.

Outlook

The IMF projects global GDP growth to recover to 3.3% in 2025, while the OECD forecasts inflation to ease further to 3.8%. Central bank policy rate reductions are likely to continue, while consumer spending is anticipated to rise gradually, supported by growth in real disposable income. With Trump's trade protectionism policies expected to have significant global ripple effects, 2025 is set to be a pivotal year for the global economy.

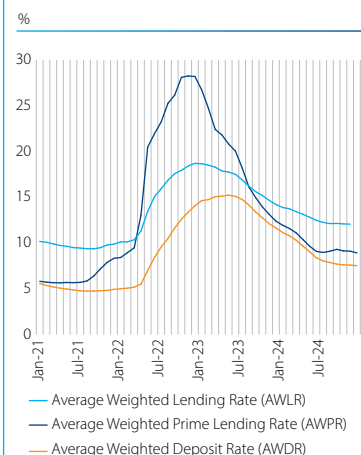
Banking Sector Overview - 2024

Sri Lanka's banking sector witnessed notable stabilisation, bolstered by improved domestic macro-financial conditions, which had a positive impact on the banking sector through improved liquidity, strengthened capital buffers, and better management of non-performing loans. Moderated inflation levels, rising foreign reserves and effective fiscal policies, strengthened confidence in both household spending and business activities.

The Business Condition Index (BCI) remained above the neutral threshold for a second consecutive quarter in Q3 2024, signaling improved business confidence. With optimism growing, the BCI is expected to stay above the neutral threshold of 100, reinforcing economic recovery, long-term growth, and investment, both within the banking sector and across the wider economy.

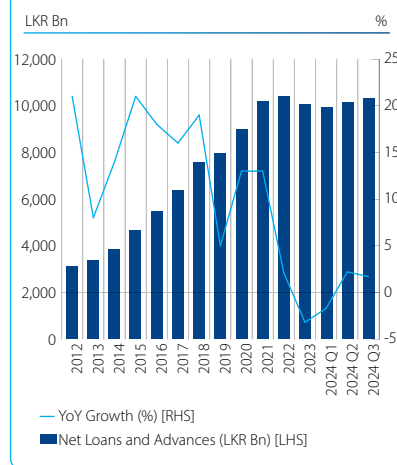
Improved Credit Growth

Market Interest Rates



A key development in the banking sector in 2024 was the steady rise in credit growth, driven by better economic conditions and monetary easing since mid-2023. The long-standing contraction in loans and receivables began to reverse, making credit expansion a defining trend of 2024. This growth was largely supported by rupee-denominated lending, reflecting increased confidence in the domestic currency.

Net Loans and Advances



OUR OPERATING ENVIRONMENT

By Q3 2024, default risk in the banking sector declined, with non-performing loans (NPLs) dropping to 12.4% from 13.6% in 2023. While still high by historical standards, this improvement signals a shift toward a less risky lending environment since the 2022 economic crisis. The improved asset quality reduced default risks and increased the sector's resilience against potential economic shocks.

Deposit Growth

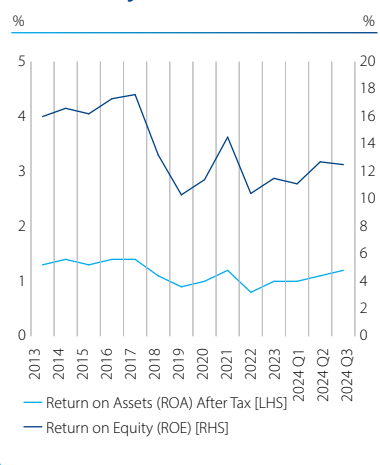
Despite monetary easing, which typically reduces deposit interest rates, the banking sector saw modest deposit growth, reflecting public confidence in the banking system and signaling broader economic recovery. Deposits grew by 8% YoY in Q3 2024, contributing significantly to the YoY increase in liabilities for the year. The expansion in deposits provided banks with a stable funding source, supporting credit growth and strengthening overall financial stability.

Liquidity Levels

The banking sector's sovereign exposure continued to rise, driven by elevated yields on government securities relative to other market interest rates. This contributed to the accumulation of high-quality liquid assets, bolstering rupee liquidity in the sector.

The rupee Liquidity Coverage Ratio (LCR) rose to 345% by Q3 2024 from 336.7% in 2023. Demonstrating prudent foreign currency liquidity management, banks maintained substantial funds with financial institutions abroad, which resulted in the LCR for foreign currency increasing marginally during the year. The Net Stable Funding Ratio (NSFR) also continued to recover from crisis lows.

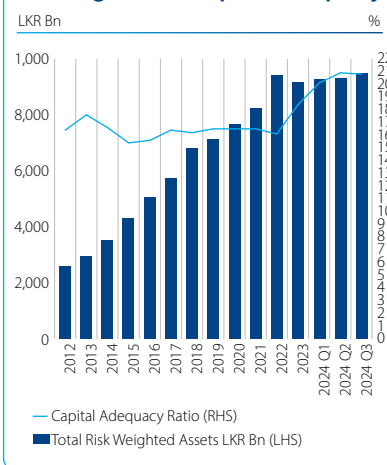
Profitability



The LCB sector reported a profit after tax of LKR 178.6 Bn during the three quarters ending Q3 2024, a 23.8% YoY increase, driven by higher net interest income as deposit rates fell faster than lending rates. Improved asset quality and sovereign debt provision reversals allowed banks to reduce impairment allocations, offsetting challenges from lower interest income and, as a result, boosting profitability.

Profitability gains, higher investments in government securities, and Tier-2 capital from debentures strengthened capital levels. Regulatory Capital to Risk-Weighted Assets (RWA) rose to 18.5% by Q3 2024 from 16.4% in Q3 2023, showing improved financial stability of the overall banking system while bolstering the sector's overall performance.

Banking Sector Capital Adequacy



Future Outlook

Looking ahead to 2025, the banking sector is poised to build on the positive trends observed in 2024.

Enhanced asset quality, evidenced by declining NPLs, is anticipated to further strengthen the sector's resilience and profitability. Banks are expected to optimise impairment allocations, reinforcing financial health and operational efficiency. Global financial conditions will also influence the sector's trajectory, with stable markets and easing liquidity providing additional support to Sri Lanka's banking landscape.

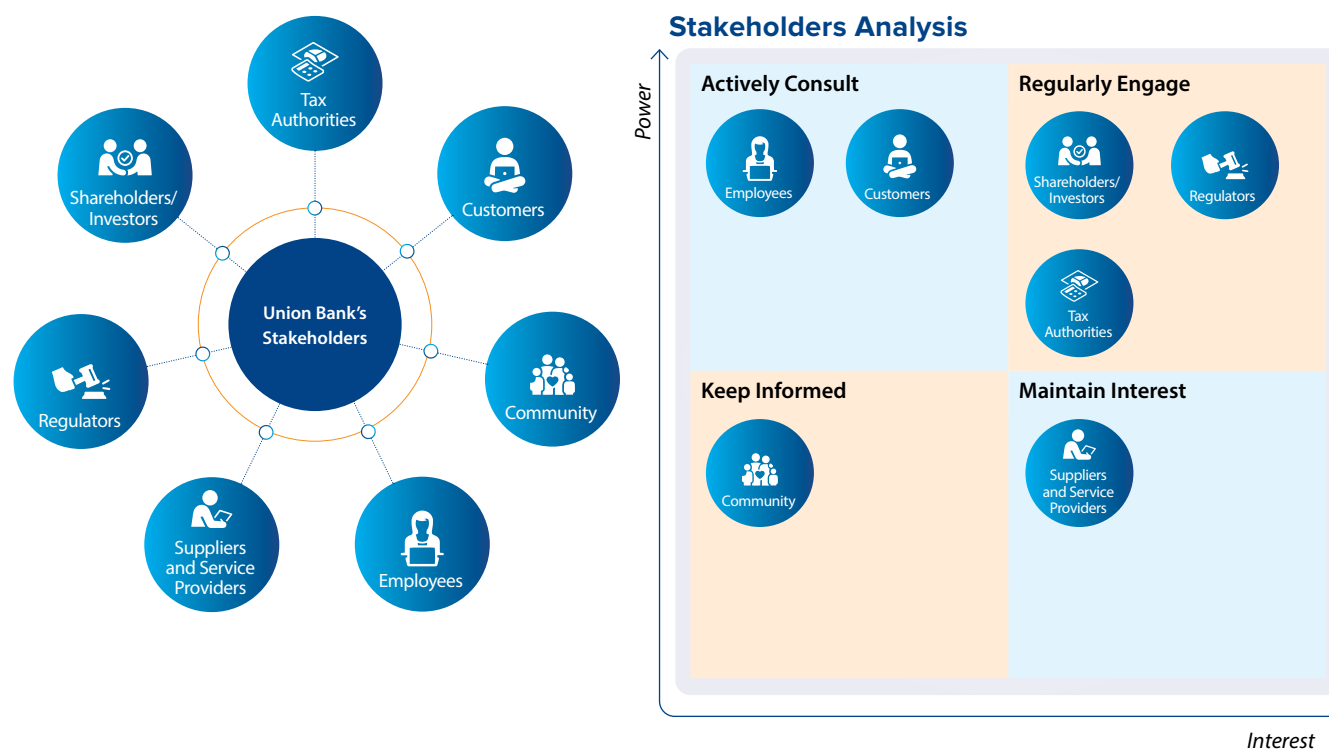
Stabilising macro-financial conditions, rising business confidence and credit growth have laid a solid foundation for sustained and continued recovery in 2025. With continued macro-financial stability, structural reforms and strong business conditions the credit growth is expected to remain robust.

LISTENING AND RESPONDING TO OUR STAKEHOLDERS

Disclosure 2-29, 207-3

At Union Bank, we believe that constructive dialogue with our stakeholders is crucial for the sustainability of our business. We undertake stakeholder engagement activities with the intention of understanding stakeholder perspectives, which in turn contributes to the ongoing review of our strategy, policies and practices for the purpose of driving continuous improvement of financial and non-financial performance outcomes.

A systematic approach underscores our efforts to form and maintain strong relationships with stakeholders. The first step involves identifying various stakeholder groups based on their interest in the Bank and the power / influence they exert over Union Bank's operations. Business heads across the Bank are required to use these guidelines to identify and group stakeholders in their respective area. Next, we develop and implement appropriate stakeholder engagement mechanisms based on the stakeholders' position on the power-interest grid.



SHAREHOLDERS / INVESTORS

As a listed entity, Union Bank has 27,291 individual shareholders and 415 institutional shareholders.

Method of Engagement	Frequency of Engagement	Matters of Importance to Stakeholders	Union Bank's Response
Annual General Meeting	Annual	Financial performance	Financial Capital - page 48
Annual Report	Annual	Strategy	
Extraordinary General Meetings	As needed	Governance, Compliance and Best Practices	
Interim Financial Statements	Quarterly	Shareholder returns	
CSE Announcements	As needed	Business expansion plans	
Press Conferences / Press Releases	As needed	Risk management	
Corporate Website	Continuous and Ongoing	Sustainable growth	
Social Media Platforms	Continuous and Ongoing		

LISTENING AND RESPONDING TO OUR STAKEHOLDERS

CUSTOMERS

Union Bank serves more than 279,163 customers (Retail, SME and Corporate) in Sri Lanka and other countries

Method of Engagement	Frequency of Engagement	Matters of Importance to Stakeholders	Union Bank's Response
Sales Teams	Continuous and Ongoing	● Customer touch points	Social and Relationship Capital - page 68
Call Center	Continuous and Ongoing	● Customer security and privacy	
Promotional Activities	Continuous and Ongoing	● Service quality	
Press Conferences / Press Releases	As needed	● Affordability of services and convenience	
Corporate Website	Continuous and Ongoing	● Digital solutions	
Social Media Platforms	Continuous and Ongoing	● Complaint handling mechanism	
Customer Surveys	As needed	● Financial advisory services	
		● Financial support for revival of business	
		● Financial inclusion	

EMPLOYEES

Union Bank's 1,189 employees are located around Sri Lanka

Method of Engagement	Frequency of Engagement	Matters of Importance to Stakeholders	Union Bank's Response
Sales Briefings / Team Meetings	Continuous and Ongoing	● Remuneration and benefits	Human Capital - page 55
Management Meetings	As needed	● Managing performance	
Internal Communications (Intranet)	Continuous and Ongoing	● Career planning	
Employee Notice Board	As needed	● Training and development	
Training Activities	Continuous and Ongoing	● Employee loyalty and recognition	
Awards Ceremonies	Annual		
Bank events	As scheduled		

REGULATORS

As a Licensed Commercial Bank and a listed entity, Union Bank's main governing bodies are the Central Bank of Sri Lanka, the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange

Method of Engagement	Frequency of Engagement	Matters of Importance to Stakeholders	Union Bank's Response
Directives and circulars	Continuous and Ongoing	● Financial performance	Capital Reports - pages 48 to 82
CBSL Audit	Annual / As needed	● Governance and compliance	
Interim Financials	Quarterly	● Shareholder returns	
Annual Report	Annual	● Branch expansion plans	
Regulatory submissions / filings	As mandated	● Digital strategy	
Other meetings	As needed	● Employment opportunities	
		● Support for SME's	

SUPPLIERS AND SERVICE PROVIDERS

Union Bank deals with a network of over 497 suppliers and service providers

Method of Engagement	Frequency of Engagement	Matters of Importance to Stakeholders	Union Bank's Response
Supplier registration process	Every 2 years	● Timely settlement of dues	Social and Relationship Capital - page 68
One-on-one meetings	Continuous and Ongoing	● Future business opportunities	
Corporate Website	Continuous and Ongoing	● Ease of working	
Other correspondence	Continuous and Ongoing	● Collaboration for new technological advances in the financial sector	

COMMUNITY AND ENVIRONMENT

Union Bank maintains close ties with the wider community, especially the communities who live around the areas where Union Bank has a branch presence

Method of Engagement	Frequency of Engagement	Matters of Importance to Stakeholders	Union Bank's Response
Press Conferences / Press Releases	As needed	● Community empowerment	Social and Relationship Capital - page 68
Corporate Website	Continuous and Ongoing	● Assistance for disadvantaged and vulnerable groups	
Social Media Platforms	Continuous and Ongoing	● Employment opportunities	Natural Capital - page 79
Annual Report	Annual	● Environmental performance	
Community Initiatives	As needed		

TAX AUTHORITIES

Union Bank closely interacts with the tax authorities to ensure that it's compliant with the local tax regulations

Method of Engagement	Frequency of Engagement	Matters of Importance to Stakeholders	Union Bank's Response
Interviews and discussions with authorities	As needed	● Timely tax payments	Notes to Financials Page 222
Tax filings	Periodic	● Timely and accurate tax filings	
Tax payments	Periodic	● Resolution of long outstanding tax issues	

MATERIALITY

IDENTIFYING MATTERS OF PRIORITY

Identifying issues material to the Bank helps us better manage our risks, make informed decisions, and gain the long-term trust and confidence of our stakeholders.

How We Assess Materiality

We at Union Bank consider the diverse perspectives of our stakeholders when identifying material issues, helping us understand their views on how the Bank creates value and identify key areas to maintain social legitimacy.

We evaluate issues based on both financial materiality (how issues affect our performance, value drivers, and competitiveness) and impact materiality (how our business affects people, the environment, and the economy). This approach ensures a comprehensive process that is essential for delivering strong financial results and positive impacts.

Materiality Determination

We undertook an in-depth review of our material issues in 2024. The issues have remained stable relative to 2023.

Process Adopted for Arriving at the Materiality Matrix

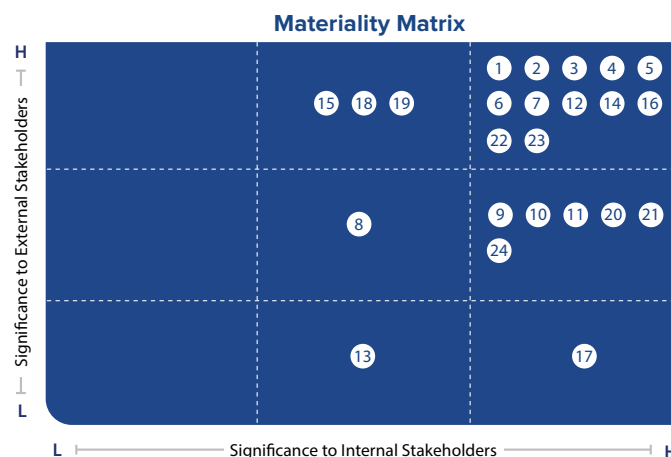


The Bank identifies the following as major stakeholders;

1. Shareholders/Investors
2. Customers
3. Regulators
4. Community
5. Suppliers and Service Providers
6. Employees
7. Tax Authorities

Materiality matrix: mapping stakeholder priorities

- | | |
|--------------------------------------|-------------------------------------|
| 1. Economic Performance | 13. Anti-Competitive Behaviour |
| 2. Prudent Lending | 14. Employment |
| 3. Credit Quality Management | 15. Labour Management Relations |
| 4. Tax | 16. Training and Education |
| 5. Customer Outreach and Convenience | 17. Occupational Health and Safety |
| 6. Digital Transformation | 18. Diversity and Equal Opportunity |
| 7. Service Excellence | 19. Non-discrimination |
| 8. Procurement Practices | 20. Child Labour |
| 9. Energy | 21. Forced and Compulsory Labour |
| 10. Brand Equity | 22. Marketing and Labeling |
| 11. IT Resilience | 23. Customer Privacy |
| 12. Employee Job Satisfaction | 24. Operational Efficiency |



Key Material Matters

Material Topic	Bank	Stakeholder	Link to Strategy	GRI Relevance	Our Response
Economic Performance	H	H	Shareholder	201	
Prudent Lending	H	H	Shareholder	N/A	Business Reports - Pages 42-45 Financial Capital - Page 50
Credit Quality Management	H	H	Shareholder / Customer	N/A	Business Reports - Pages 42-45 Financial Capital - Page 49
Tax	H	H	Shareholder	207	
Customer Outreach and Convenience	H	H	Customer	N/A	Manufactured Capital - Pages 52-54
Digital Transformation	H	H	Customer	N/A	Intellectual Capital - Pages 76-77 Social and Relationship Capital - Page 71
Service Excellence	H	H	Customers	N/A	Social and Relationship Capital - Pages 69-72
Procurement Practices	L	L	Customers	204	
Energy	H	M	Shareholders	302	Natural Capital - Pages 80-81
Brand Equity	H	M	Shareholders/ Customers	N/A	Intellectual Capital - Page 75
IT Resilience	H	M	Shareholders / Customers	N/A	Intellectual Capital - Page 76-77
Employee Job Satisfaction	H	H	Employees	N/A	Human Capital - Pages 55-67
Anti-Competitive Behavior	M	L	Employees	206	
Employment	H	H	Employees	401	Human Capital - Pages 55-67
Labour Management Relations	M	H	Employees	402	Human Capital - Pages 55-67
Training and Education	H	H	Employees	404	Human Capital - Page 61-63
Occupational Health and Safety	L	H	Employees	403	Human Capital - Page 65
Diversity and Equal Opportunity	M	H	Employees	405	Human Capital - Page 65
Non-discrimination	M	H	Employees	406	Human Capital - Page 65
Child Labour	H	M	Employees	408	Human Capital - Page 59
Forced and Compulsory Labour	H	M	Employees	409	Human Capital - Page 59
Marketing and Labeling	H	H	Customer	417	Social and Relationship Capital - Page 70
Customer Privacy	H	H	Customer	418	Social and Relationship Capital - Page 72
Operational Efficiency	H	M	Shareholders	N/A	Financial Capital - Pages 48- 51

(Disclosure 3-1/3-2/3-3)

GRI Related Material Topics and Boundaries

The materiality is defined by considering the significant impact, which the Bank's operations impose on its internal and

external stakeholders and the influences the Bank receives from externalities. The Bank's operations have been reviewed considering both financial and non-financial aspects and in comparison with the previous year's assessment no significant changes have taken

effect to the materialistic topics and topic boundaries which are being considered in this report. The significance of materiality topics discussed herein are detailed below.

MATERIALITY

Economic Performance (GRI 201)

Reasons for Materiality	Economic performance entails the organisation's considerations towards its stakeholders in terms of strategic decision making, which in turn enable the stakeholders to make long-term employment decisions, investment decisions and partnering decisions with the organisation. This would generate impacts on both internal and external stakeholders and hence the significance and relevance of economic performance being materialistic to the Bank.
Management Strategy	Measurement of the performance would be through evaluation of annual goals and objectives set based on the budgeted performance for the year reviewed. Quantitative measures of this aspect are presented through the Key Financial Highlights, illustrated on page 8. The Bank continues to place high significance to this aspect as it impacts the Bank's long-term sustainable growth, and the performance is reported in line with the Sri Lanka Accounting Standards.
Evaluation Mechanism	Annual internal and external audits would provide in-depth analysis on the performance of the Bank, and the assurance provided following the audit proceedings would ensure that the Bank stands in accordance with the statutory and regulatory compliance requirements and facilitates a space to recognise the Bank's achievement against comparative competitor performance during the reporting year.

Procurement Practices (GRI 204)

Reasons for Materiality	The Bank's procurement process is recognised as a prominent feature of its supply chain, which significantly contributes towards maintaining its corporate image, as a high-quality service provider. The Bank also indirectly contributes towards strengthening the economy through its procurement, by empowering and sourcing through a growing network of local suppliers and partners.
Management Strategy	The Bank identifies its suppliers as strategic business partners, and the selection of goods and services sourcing partners is mainly based on compatibility with the Bank's ethics, processes, culture, and social responsibility. The Bank's comprehensive approach towards its sourcing partners has been documented in the Board-approved Procurement Policy, where transparency, ethical business practices, environmental friendliness, competitive pricing and value for money in the respective deliverables are recognised as main factors for a supplier to be qualified as a suitable product/service provider for the Bank. The Bank calls for supplier registrations once in every two years, providing opportunities for interested sourcing parties to enroll under twenty-six (26) supplier categories. Procurement is conducted through a competitive bidding process, which is open to all registered suppliers as well as those nominated by internal stakeholders. If any sourcing party continuously fails to participate in the quotation process and/or repeatedly fails to meet supply deadlines, the Bank's Procurement Committee takes measures to penalise/blacklist such suppliers to maintain the credibility of the process. Currently, 95% of the Bank's supplier portfolio consists of local businesses while several suppliers that provide specialised technology and technical services, remain outside Sri Lanka's geographic boundaries.
Evaluation Mechanism	Supplier registration and all procurement related aspects are governed by the Bank's Procurement Policy which is a Board-approved document and is reviewed every year, in order to incorporate any required amendments based on the market dynamics and best practices in the industry. Evaluations are conducted considering both financial and technical aspects of the proposals by the Procurement Committee.

Tax (GRI 207)

Reasons for Materiality	Tax could be recognised as the key mechanism which allows corporates to contribute to the economy and social wellbeing. As a responsible corporate citizen, the Bank has an obligation to comply with tax legislations and ensure tax compliance to its stakeholders.
Management Strategy	The Bank provides significant concern towards tax regulations and separate managerial person has been assigned to ensure that the bank functions are in line with prevailing tax laws which are volatile in nature due to unstable economic conditions. Currently Bank adheres to the main tax requirements of Income tax 30% on bank operations, Value Added Tax (VAT) liability of 18% on Financial Services and 18% on Non-Financial Services and Social Security Contribution Levy of 2.5%. The Bank encourages to maintain an intense concern towards rapid changes in taxation and remains flexible to incorporate respective fluctuating regulatory requirements to its operations.
Evaluation Mechanism	Reviews and audits are carried out by internal and external auditors to facilitate further assurance on Bank's compliance towards prevailing tax rules and regulations. Further, the Compliance department also conduct regular reviews on respective tax regulations to ensure the fact that the Bank is preserving the title of responsible corporate citizen in all aspects.

Energy

Reasons for Materiality	Energy is recognised as an essential requirement to maintain uninterrupted, efficient organisational performance at pre-determined levels. The significance is high from both internal and external stakeholder perspectives, as the absence of energy would disrupt banking operations while limiting its customers from carrying out their daily banking requirements in a timely manner.
Management Strategy	The Bank in 2024 commenced conducting detailed analysis of its energy usage including consumption of electricity in its office, branch network and off-site ATM network, as well as diesel usage for generators and diesel and petrol usage for vehicles maintained on operational leases. An Electrical Engineer has been appointed as Energy Manager to monitor and report electricity consumption to the Sustainable Energy Authority. The Sustainability Unit of the Bank commenced raising awareness on energy management best practices and a group of Sustainability Champs have been trained to serve as ambassadors to drive the sustainability culture across the Bank.
Evaluation Mechanism	The Executive Committee on Sustainability reviews Bank's energy management initiatives and performance. Internal and External Energy Audits are to be conducted in high electricity consuming branches.

Anti-Competitive Behaviour / Employment (GRI 206/401)

Reasons for Materiality	The Bank values its employees as important assets, as the experience and skills to provide required services to customers are of paramount importance to the Bank's performance. The Bank believes in selecting the right person for the right job, be it through internal or external resources. Competition would be the drive which elevates the corporate unit to the next level, hence every business unit should ensure to maintain fair competitive conditions.
Management Strategy	The annual head count planning exercise, which is aligned to the Bank's strategy, provided direction regarding the roles that need to be resourced either internally or externally. The Bank follows a meticulous recruitment process to ensure that it provides career development opportunities to internal candidates through transfers and promotions. Further, the recruitment process is geared to select the suited candidates with the required knowledge, skills and abilities. The management has established sound processes and policies to ensure that employment is provided to the most suited candidates whilst constant efforts are made to ensure that all employees are rewarded and compensated on par with industry standards. The Bank's HR policy guides the direction in respect to this aspect and the HR department stands responsible for successful implementation of specific HR activities of the Bank. The Bank maintains sound compliance policies and negative competitive attempts, the same would be evaluated through periodical audits take up by the Compliance department and the Internal Audit unit.
Evaluation Mechanism	The policies relevant to the selection of employees and anti-competitive activities are periodically reviewed by the audit and compliance teams and recommendations are provided to address gaps, if any. The Bank also conducts an employee engagement surveys and remunerations surveys periodically, to gauge employee sentiment and evaluate the positioning of the Bank against the market.

MATERIALITY

Labour Management Relations / Training and Education (GRI 402/404)

Reasons for Materiality	The Bank believes in equipping its employees with the skills and tools necessary to perform in their respective job roles at an optimum, in a bid to gear them towards delivering a remarkable service experience to its customers. Hence, the Bank invests significantly in providing opportunities for employees to learn and grow within the organisation. The Bank further ensures that employees receive sufficient training and upgraded knowledge on product information, operational procedures and regulatory compliance, so that the Bank's interests with regard to good governance are preserved at all times. Further communication could also be known as a prominent factor which facilitates the flow of information across various levels of the organisation.
Management Strategy	The scope for learning and development initiatives is reviewed annually and aligned to the Bank's strategy as well as regulatory requirements. The annual training budget is optimised to provide specific staff development interventions throughout the year. These interventions include internal training, external forums as well as selected overseas exposures. Further any changes to the operations or the existing designation changes of the Bank will be informed to the staff through global emails and town hall meetings. Town hall meetings are held on a bi-annual basis where all employees will be provided with an update relevant to financial and non-financial aspects of the Bank.
Evaluation Mechanism	The effectiveness of internal training interventions is assessed by obtaining spot feedback from employees subsequent to each training programme. The annual employee performance review exercise also allows the employee and line manager to highlight any particular training requirements needed during the year. This information is considered at the time of deciding on nominating employees for programmes or when designing learning interventions. Overall sentiments of employees regarding learning and development are also obtained through the feedback of the employee engagement survey. All employee updates with respect to operations will be given by the HR department on a timely basis.

Occupational Health and Safety (GRI 403)

Reasons for Materiality	Providing a safe and healthy environment for employees to work is of utmost importance to the Bank. The Bank has thus established systems and processes across all locations to ensure employees are confident of the security provided, so that they are able to perform at their best in their respective roles.
Management Strategy	The Bank established security personnel and security devices such as CCTV cameras and access control across all locations, including the entire branch network. The Bank conducts regular fire-drills, whilst selected employees are trained as fire wardens and on basic first aid skills periodically. In addition, all employees on the permanent cadre are covered by personal accident, critical illness and life covers along with surgical and hospitalisation insurance as well as reimbursements of OPD bills. The HR department stands responsible to ensure the full implementation of employee well-being by aligning the grievance mechanism and the HR policy in line with the industry norms.
Evaluation Mechanism	The effectiveness of fire drills is periodically assessed to ensure the Bank's readiness to safeguard employees during an emergency situation. All security equipments is checked and maintained frequently. In addition, an annual review of the surgical and hospitalisation insurance service provider is conducted to ensure that the best facilities are extended to employees.

Diversity and Equal Opportunity (GRI 405)

Reasons for Materiality	The Bank is committed to providing equal opportunities throughout an employee's career and encourages diversity in the workplace at all times. This enables a healthy work environment where diverse individuals bring in different skill sets and experiences.
Management Strategy	The Bank consistently encourages equal opportunity and diversity throughout the employee life-cycle. The Bank has also ensured that appropriate policies and processes are in place to provide employees with an environment where they are comfortable. The Whistleblowing Policy and the process for handling disciplinary issues and grievances ensure that the employees' best interest is maintained and respected at all times.
Evaluation Mechanism	Regular audits are conducted to ensure the aforementioned policies and processes are in place. Internal investigations are attentively conducted in to any incidents which are reported. The management of the Bank has zero tolerance towards any form of discrimination and ensures appropriate action is taken with due diligence, at all times.

Non-discrimination/Child Labour and Forced or Compulsory Labour (GRI 406/408/409)

Reasons for Materiality	The Bank does not tolerate discrimination of any form. Being an organisation that fosters diversity and equality, the Bank believes in encouraging employees to accept and value each other's differences. Being a service-oriented organisation, it is of importance that employees themselves foster an environment of non-discrimination as it has a direct bearing on how we treat our customers. The Bank strictly against child labour, forced labour and compulsory labour utilisation with any cost, which further directs the Bank towards creating a discrimination-free corporate platform.
Management Strategy	The Bank has policies and processes to handle grievances and disciplinary issues.
Evaluation Mechanism	All issues reported are investigated by the audit teams and all policies are reviewed periodically to ensure they are current and are supportive of the Bank's approach to prevent any form of discrimination.

Marketing and Labeling / Customer Privacy and Socio Economic Compliance (GRI 417/418)

Reasons for Materiality	As one of the fastest growing commercial banks in Sri Lanka with 61 branches, the Bank serves a significant number of customers each day – thus the significance of the materiality of this aspect. All banks have a legal duty to protect the confidentiality of existing and former customers under the Banking Act and the Bank's responsibility for protecting customer data is continuing to grow in importance. External stakeholders would get adversely affected in the event customer information is exposed to an unauthorised party, leading on to breach of trust and confidence in the customers, which would bear a negative influence on the corporate image of the organisation. Communicating the exact nature of the service to the customer becomes vital and essential in order to maintain transparency and enhance the strength of customer relationships in the long run. Further, steps against customer privacy breach attempts would enhance customer trust towards the Bank.
Management Strategy	All Bank staff are responsible to ensure the Bank's operations remain within the scope of the Banking Act and Directions issued by the Central Bank. Further, the Bank has implemented processes and systems to ensure that customer confidentiality is safeguarded to the maximum from potential internal and external threats imposed.
Evaluation Mechanism	Reviews carried out by Internal Audit, Compliance Department and Operational Risk Management teams ensure continuous evaluation of the Bank's processes and systems add value to the evaluation mechanism.

MATERIALITY

Other GRI Prospects

Disclosure 402-1

All the operational changes and the significant designation variations are informed to the employees on a timely basis through a global mail. All significant operational changes are initially executed under a User Acceptance Testing (UAT) environment, and are implemented in a live environment subsequent to obtaining approval from authorities. The minimum notice period with regard to operational changes vary according to the nature of the change and the impact it would have on the ongoing operations. Further, employment contracts of the Bank precisely disclose the terminating mechanism and notice periods have been imposed in due course, enabling employees to make informed decisions with regard to their profession.

OUR STRATEGY

OUR CORNERSTONES FOR SUSTAINABLE GROWTH

Our strategic pillars give us maneuverability in a dynamic landscape where banking has long transcended its traditional boundaries. From tailoring distinctive solutions for diverse needs to redefining banking in the digital-first era, our focus remains on enabling access, fostering innovation, and driving long-term progress.

We have defined 6 key strategic pillars and articulated our expectations and aspirations for each to support long term value creation.

1. Reinforcing brand identity
2. Retail and SME growth
3. Digital transformation
4. Service philosophy
5. Workforce capacity development
6. Operational excellence

Reinforcing Brand Identity	Revitalise the brand by aligning it with the Bank's evolving vision, reposition branches with a bold new outlook and functional upgrades, innovative products, and strategic partnerships to strengthen market presence and trust.
Retail and SME Growth	Create a full suite of retail products. Deepen SME relationships with tailored financial solutions at the branch level, supporting export, manufacturing, tourism, and trade sectors.
Digital Transformation	Enhance digital banking platforms including the UBgo Mobile App & Online banking, and Biz Direct to deliver secure and improved banking experience to customers and staff for greater convenience and efficiency.
Service Philosophy	Deliver exceptional service by prioritising customer needs, building trust through meaningful engagement, and providing solutions that drive success and lasting value.
Workforce Capacity Development	Build a high-performing workforce by driving a performance driven culture through comprehensive training, multi-skilling across functions, career development opportunities, and efforts to boost capacity and reduce attrition.
Operational Excellence	Streamline processes, optimise back-office operations, and strengthen efficiency to improve customer experience, support digital transformation, and promote sustainability.

Way Forward

The Bank continues to strive for sustainable performance through future readiness, innovation, improved customer centricity, and skillful staff. The Bank will focus on the below areas as its strategic thrusts in the coming years.

Strategic focus:

- Brand presence
- Digital channels
- Product development
- Value added service & collaborations
- People development
- Automation and AI
- Process re-engineering
- Infrastructure and IT upgrades

Reinforcing Brand Identity

Actions during 2024

- Launch a new brand identity including a new logo & brand promise for transforming lives.
- Rebranding of Branch/ ATM/ CRM networks & integrated communicating to customers.
- Build stronger brand recognition in niche, underpenetrated markets through targeted campaigns and CSR initiatives.

2024

Brand rating (LMD Ranking)	59
Brand Value	LKR 1.3 Bn

Future Focus

- Position Union Bank as a preferred choice in the affluent market segments.
- Enhance customer experience through service excellence, digital & product innovation.

Capitals impacted


INTELLECTUAL
CAPITAL


MANUFACTURED
CAPITAL


SOCIAL AND
RELATIONSHIP
CAPITAL


FINANCIAL
CAPITAL

OUR STRATEGY

Retail and SME Growth

Actions during 2024

- Strengthened SME relationships and diversify retail offerings to capture a larger market share.
- Expanded the retail product portfolio with leasing and pawning.
- Introduced tailored financial solutions to address SME sector needs.
- Focused on managing non-performing SME loans while fostering new business opportunities.

Performance

2024	
Growth in Loans	34.1%
Growth in CASA	12%

Future Focus

- Position the Bank to benefit from growth areas such as leasing (vehicle imports), value-added agriculture, IT/BPO/KPO sectors, and high-export industries.
- Focus on niche market segments and innovative product development to differentiate from competitors and capture growth opportunities.
- Launched entrepreneurship development programmes in collaboration with academic institutions, focusing on supporting SME and budding entrepreneurs.

Capitals impacted



Digital Transformation

Actions during 2024

- Revamped UBGo app with enhanced features including biometric security and self-registration.
- Upgraded Biz Direct cash management solution to improve customer experience.
- Enhanced Internal process efficiency enhancements through automation.
- Increased staff engagement, knowledge sharing and skill building to drive digital progress.

Performance

2024	
Growth in digital banking transaction value	34%
Growth in no. of ATM transactions	16.3%

Future Focus

- Enhance digital banking platforms further with non-face-to-face onboarding and AI-driven tools.
- Focus on digital customer acquisition, operational efficiency, and staff training using digital platforms.

Capitals impacted



Service Philosophy

Actions during 2024

- Multi-skilling staff across diverse functions, including Credit, Risk, SME Banking, and Corporate Banking, while driving productivity at branches.
- Strengthen customer engagement through personalised service and community involvement.

Future Focus

- Enhance customer experience through advanced data analytics to better anticipate and fulfill customer needs.
- Expand the reach of customer-centric services to underserved markets, fostering deeper relationships and loyalty.

Capitals impacted



Workforce Capacity
Development

Actions during 2024

- Conducted extensive training in sales, credit, soft skills and leadership.
- Implemented a branch operating model to optimise staffing based on branch potential.

Future Focus

- Address staff attrition through competitive remuneration, performance-based incentives, and career development programmes.
- Cultivate a performance-driven culture that inspires collaboration, engagement, and innovation, empowering teams to thrive together.

Capitals impacted



Operational Excellence

Actions during 2024

- Streamlined branch operations to improve turnaround times and minimise rework.
- Strengthened efficiency across credit and operational processes.
- Implemented ESG and sustainable policy practices.

Future Focus

- Expand branch operations selectively while prioritising productivity and operational efficiency.
- Leverage digital and process improvements for long-term sustainability.
- Continue refining operational processes to enhance customer experience.

Capitals impacted



OUR APPROACH TO SUSTAINABILITY

INFUSING SUSTAINABILITY TO OUR DNA

Disclosure 201-2

Introduction

Union Bank recognises that the quality of life and prosperity of our current and future stakeholders is underpinned by the wellbeing of nature and societal well-being. The Bank also recognises the impact that inter-connected challenges of social inequity, climate change, loss of biodiversity and nature, and environmental pollution could have on quality of life. The magnitude of these challenges transcends organisational boundaries and requires collective action from individuals, organisations, countries and the international community.

With Sri Lanka charting a course for a sustainable recovery and growth after the poly-crisis and the economic crisis of 2022, Union Bank of Colombo PLC is well poised to support this inclusive, green and blue economy transition in Sri Lanka with the breadth of services and solutions that the

Bank can offer in collaboration with its Group companies.

During the year, the Bank established a dedicated Sustainability Unit within the Bank and mobilised to formulate and adopt an Integrated Sustainability Policy, Governance framework on Sustainability and 2030 Strategic Targets for the Bank. Through stakeholder consultations including a half-day dialogue with the Bank's Management Committee (ManCom), the Bank commenced identifying strategic priorities. During the half-day sustainability strategy workshop, the ManCom reviewed Sri Lanka's national mobilisation on the Sustainable Development Goals, with presentations made by Ms. Chamindry Saparamadu, Director General of the Sustainable Development Council of Sri Lanka and by Ms. Selyna Peiris, Consultant to the "National Strategy to Promote Inclusive and Sustainable Businesses to Achieve the Sustainable Development Goals in Sri Lanka".




Priority SDGs for Mobilisation and Strategic Imperatives

Stemming from these stakeholder engagements, the Bank has identified eight Sustainable Development Goals (SDGs) that the Bank will prioritise for focused mobilisation over the next 5 years whilst contributing to all SDGs in the value creation process. The eight SDGs were identified based on the Bank's unique context and aligned with four key thrust areas of the Bank, namely;

- 1) Promoting Social Entrepreneurship.
- 2) Advancing Digital Economy Transition.
- 3) Gender Strategy and Women Financing.
- 4) Climate Action and Climate Finance.

These strategic thrusts will positively contribute to 15 SDG targets as indicated below:

SDGs	SDG Target Areas	Union Bank's Commitment and Approach
 	<p>SDG 4.4: By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.</p> <p>SDG 8.3: Support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro, small, and medium-sized enterprises, including through access to financial services.</p>	<p>Promoting Social Entrepreneurship</p> <p>To enhance the resilience and vitality of the Sri Lankan economy, the country would need to diversify the economy (transition to creative, regenerative, knowledge-based, shared and circular, etc.) and leverage the strength of its entrepreneur ecosystem to venture into new areas of productive capacity.</p> <p>Based on the positive experience of Nabil Bank in Nepal, a CG Corp Global group company, where it had launched the Nabil School of Social Entrepreneurship, under the leadership of Deputy Chairman of Union Bank Mr. Nirvana Chaudhary, the Bank also launched the Union Bank School of Social Entrepreneurship in March 2024.</p> <p>The Union Bank School of Social Entrepreneurship (UBSSE) entered a partnership with the University of Moratuwa and the National Innovation Agency in August 2024 to implement a National Entrepreneurship Development Program (NEDP).</p> <p>NEDP is an online-plus-workshop programme that offers a comprehensive learning experience in key business areas such as Strategic Development, Marketing and Branding, Labour Law, Business Planning, Accounting and Finance, Compliance, Intellectual Property and Leadership. Participants will benefit from expert guidance, interactive workshops, and hands-on training, designed to help them enhance their entrepreneurial abilities and scale their businesses.</p> <p>Calling for applications for the first batch of entrepreneurs (open for 200 participants) was released in December 2024.</p>

SDGs	SDG Target Areas	Union Bank's Commitment and Approach
 	<p>SDG 8.4: Improve progressively resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation.</p>	<p>Advancing Digital Economy Transition and Introducing Digital Finance Propositions</p> <p>The Bank is focused on digital innovation and enabling digital transformation in Sri Lanka's economy. The Bank already promotes its own digital solutions to clients including Union Bank BizDirect and UBgo app that provide customers greater convenience and at the same time help to reduce their environmental impact in reducing resource use such as transport and paper usage.</p>
	<p>SDG 9.3: Increase the access of small scale industrial and other enterprises to financial services, including affordable credit, and their integration into value chains and markets.</p>	<p>The Bank will continue to innovate and launch new propositions for digital enablement. Through these digital initiatives, the Bank will support clients to enhance connectivity including connecting business clients to business ecosystems, value chains and markets.</p> <p>GoSL's identification of the digital economy transition including focus on digital public infrastructure and digital ID framework is a key opportunity that will help the Bank to fast track its digital transformation efforts.</p>
	<p>SDG 5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making.</p> <p>SDG 5.c: Adopt and strengthen sound policies for the promotion of gender equality.</p>	<p>Gender Equality and Women Financing</p> <p>According to the World Bank's South Asia Development Update, raising women's labour force participation rate to parity with men would increase regional GDP by 13-51 percent.</p> <p>With the support of the Asian Development Bank, the Bank had earlier conducted a Gender Gap Assessment in 2023. In January 2024, the Bank entered an MoU with USAID CATALYZE to obtain their support to enhance the Bank's women financing proposition. As part of the MoU, USAID CATALYZE supported the Bank with research insights through a detailed study conducted by EY. A suite of propositions for different banking needs of women is currently being developed with these research insights. The Bank aims to significantly enhance its share of 2X Challenge criteria aligned portfolio over the ensuing years.</p> <p>The Bank will implement a focused gender strategy both within the Bank and in its engagement with external stakeholders. Diversity, Equity and Inclusion Policy defines the Bank's commitment in this regard.</p>

OUR APPROACH TO SUSTAINABILITY

SDGs	SDG Target Areas	Union Bank's Commitment and Approach
 	SDG 13.3: Improve education, awareness raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.	Climate Action and Climate Finance Sri Lanka, in its Climate Prosperity Plan, had identified that the country would require USD 44.1Bn in climate investment by 2030 to meet its transition and adaptation needs. Such investment could also avoid USD 21.2Bn in costs to the country stemming from climate risks over the same period. Union Bank recognises significant potential to enhance its sustainable finance portfolio in seizing such investment opportunities.
	SDG 13.1: Strengthen resilience and adaptive capacity to climate related hazards and natural disasters.	In terms of decarbonisation or transition, the Bank had identified energy efficiency, renewable energy and EV ecosystem related financial and non-financial solutions as a priority. The Bank had set a target of adding 30MW of renewable energy capacity between FY2025 to end FY2028. It has also set a target of enabling annual electricity consumption reduction of 4,200mWh annually by end FY2028 because of its energy efficiency financing efforts. To achieve these goals, the Bank has entered an MoU with the USAID Sri Lanka Energy Program to develop Bank's internal capacity and build awareness among its clients.
	SDG 12.2: Achieve the sustainable management and efficient use of natural resources.	
	SDG 12.8: Ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.	In terms of climate adaptation, the Bank had identified agriculture and tourism sectors as key sectors for resilience building. The Bank has entered an MoU with the USAID Climate Adaptation Project to develop internal capacity and strengthen client engagement in climate adaptation advisory.
 	SDG 9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource efficiency and greater adoption of clean and environmentally sound technologies and industrial processes.	As the Bank operationalises its Environmental and Social Risk Management System (ESMS) with detailed assessment of clients on their climate resilience, especially benefitting from analysis of client disclosures on IFRS S2, the Bank will be able to tailor Bank's climate advisory services to the clients' needs.
	SDG 7.3: double the rate of improvement in energy efficiency.	The Bank intends to support 20% of its Corporate and SME Clients to develop Climate +Nature Related Risk Management, Resilience and Adaptation Plan by end FY 2026.
	SDG 7.2: increase substantially the share of renewable energy in the energy mix.	The Bank is also cognisant of climate risks to its own operations. Climate information shared by the Ceylon Chamber of Commerce and by A-PAD Sri Lanka had been circulated among Bank's staff for purposes of disaster risk reduction and preparedness.
		The Bank is committing to achieve Net Zero for Scope 1 and Scope 2 emissions by 2030. The Bank will work towards identifying Scope 3 emissions including financed and facilitated emissions during FY2025 and set long term targets for net zero for Scope 3 emissions. Offsets will be considered only to complement and address residual impacts. Focus on the regeneration and restoration of ecosystems would be a part of the Bank's sustainable finance focus.

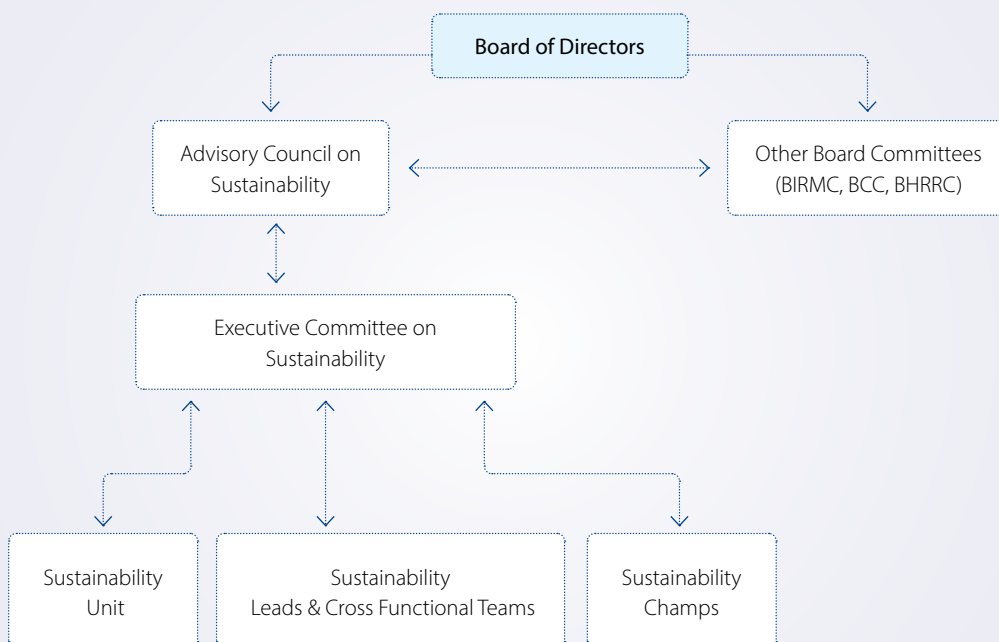
SDGs	SDG Target Areas	Union Bank's Commitment and Approach
	<p>SDG 17.16: Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilise and share knowledge, expertise, technology, and financial resources to support the achievement of SDGs.</p> <p>SDG 17.17: Encourage and promote effective public, private, civil society partnerships, building on the experience and resourcing strategies of partnerships</p>	<p>The Bank recognises the importance of multistakeholder collaboration in achieving the SDGs.</p> <p>Bank is an active member of the Sri Lanka Banks' Association's Sustainable Banking Initiative, which is a voluntary industry level initiative to collectively support Sri Lanka's transition to an inclusive, sustainable economy.</p> <p>The Bank is also partnering with the National Innovation Agency and the University of Moratuwa to promote innovation and entrepreneurship. The Bank is also engaged in partnership with the Ceylon Chamber of Commerce to support export-oriented value chains.</p> <p>The Bank will continue to explore opportunities to collaborate internationally, nationally and at the industry level in support of the SDGs, especially the eight SDGs that have been prioritised along the focus areas of social entrepreneurship, digital economy, women empowerment and building climate resilience.</p>

Disclosure 2-13

Governance Framework on Sustainability

In September 2024, the Board of Directors of Union Bank approved the adoption of the Bank's Integrated Sustainability / ESG Policy. This policy outlines in detail the Bank's sustainability commitments and outlines the Bank's approach to ESG integration within the organisation.

The policy provides direction in formalising the governance on sustainability at Union Bank of Colombo. Below is an organigram of the Sustainability Governance framework.



OUR APPROACH TO SUSTAINABILITY

Disclosure 2-13

The Bank has already set up and operationalised the Executive Committee on Sustainability headed by the CEO with other Key Management Personnel of the Bank being also included. The Committee convened twice during FY2024, in August and December 2024. The following KMPs have been appointed as Sustainability Leads within the Committee to drive six pillars of ESG integration:

ESG Integration Pillar	Sustainability Leads
1. Overall Review of Integrated Sustainability Policy and Strategy Implementation	Director/ CEO – Chair of the Executive Committee on Sustainability
2. Inclusive and Sustainable Finance Pillar	Lead: Director/CEO and Business Segment Heads (Chief Business Officer, Head of Retail Banking and Head of Corporate Banking)
3. Environmental and Social Risk Management System (ESMS) Pillar	Lead: Chief Risk Officer Supported by: Head of Credit
4. People and Transformation for Sustainability Pillar a). Operational Footprint, Resilience and Excellence Sub-Pillar b). Sustainability Culture and Performance Management Sub-Pillar	Lead: Chief People and Transformation Officer
5. Sustainability Brand Pillar	Lead: Head of Marketing
6. ESG Data, Analytics and Sustainability Reporting and Sourcing Impact Investment Pillar	Lead: Chief Financial Officer

The Bank is currently in the process of setting up the Advisory Council on Sustainability, with Board level representation. The Bank is engaging with the management of its Group companies (UB Finance PLC and National Asset Management Limited) on the possibility of setting this Council as a Group Level council to explore synergy and integration on long-term sustainability strategies. The set-up of this body as an Advisory Council will also allow flexibility for the Group to bring in expertise from external national experts on key material topics for the Bank such as climate change, gender, digital economy and social entrepreneurship.

The Bank had also identified and conducted preliminary awareness and capacity building for "Sustainability Champions" who act as ambassadors across the Bank's branch

network and departments to mainstream the Bank's sustainability agenda. The Bank aims to conduct a "Sustainability Awards" scheme in FY2025 to recognise branch/department teams and the sustainability champs for exemplary performance.

Risk Management

The highest impact and risk in terms of sustainability related risks and opportunities for the Bank stem from its financing portfolio. The Bank is currently rolling out its Environmental and Social Risk Management System (ESMS) with the relevant internal teams capacitated during the year through internal training programmes. Bank has commenced detailed Environmental and Social Due Diligence for Corporate Banking exposures above LKR 50 Mn from December 2024 and intends to extend due diligence to

SME customer net exposures above LKR 50 Mn from 01st January 2025. Through this roll-out of the framework, the Bank will be in a position to ascertain the baseline in terms of portfolio and client/project risk and set risk appetite statement for ESG related risks in the financed portfolio accordingly. The Bank intends to ascertain the Climate Value at Risk (VAR) of its financed portfolio by the end of Q4 2025.

Climate and human capital related risks in relation to Bank's own operations will also be reviewed by the Executive Committee on Sustainability from FY2025 onwards.

Metrics

By end FY 2030, achieve Net Zero for Scope 1 and Scope 2	By end of FY 2028, 30MW of new Renewable Energy installed capacity enabled by the Bank and 4,200mWh of annual energy savings enabled through energy efficiency financing
By end FY 2026, 20% of Corporate and SME Clients supported to develop a Climate & Nature Related Risk Management, Resilience and Adaptation Plan	

The Bank is currently working to set mid-term targets on its key sustainability focuses. Through the Executive Committee on Sustainability preliminary targets have already been identified including Net Zero for Scope 1 and 2 by 2030, renewable energy (addition of 30MW of installed capacity by end FY2028) and energy efficiency (4,200mWh annual savings by end FY2028 through financing activities) and on climate adaptation engagement with clients (20% of Corporate and SME clients). With the Advisory Council on Sustainability being operationalised in 1H 2025, the Bank will identify other targets and finalise them for implementation.

REVIEW OF BUSINESS OPERATIONS

RETAIL BANKING

Disclosure 2-6

Savings and Current Accounts | Time Deposits | Investment Planner | Debit Cards/Credit Cards | Foreign Currency Accounts | Elite Circle | Cash Backed Advances | Loans-Personal and Mortgage | Pawning | Leasing | Internet Banking | Mobile Banking | ATMs-Branch/Off-site | Digital Zones (CRMs) | Agent Banking | Safety Deposit Lockers | Bancassurance | Remittances

Focus for 2024

- Overhaul of all digital platforms including revamped mobile app, CRM integration, and creation of digital zones in branches.
- Target the mass affluent segment with tailored products, services, and pricing strategies.
- Strengthening Retail Banking presence in key geographic areas, particularly the Western Province, while also expanding to Central, Southern, and selected Northern regions.
- Enhance customer acquisition through brand and product awareness campaigns.

Key Highlights of 2024

- Retail liabilities grew by 22.8%, surpassing the industry growth rate as of 31 December 2024.
- Retail assets grew at nearly 35.5%, exceeding competitor benchmarks as of 31 December 2024.
- Retail Banking contributed 35.5% of total Bank growth.
- Launch of "ZERO-DOWN" home loan product, a market-first initiative offering financing with no initial capital contribution for selected apartment projects.
- Collaborated with over 30 partners to enhance lending opportunities in property and leasing products. This included John Keells Properties, Prime Lands PLC, Home Lands, Access, JAT, ICONIC, Trillium and other property developers along with John Keells CG Auto and Micro Cars to enhance offerings in real estate and leasing respectively.
- Expansion of installment plans and high-end card offerings (Platinum, Signature) catering to mass affluent customers.
- Operationalised a new leasing system within 2 months to capture opportunities from relaxed vehicle import regulations.



Union Bank Partnered with John Keells CG Auto for BYD



Introduced ZERO-DOWN a Revolutionary Homeownership Plan for VIMAN Ja-Ela by John Keells Properties & Union Bank

Way Forward



- Continue prioritising the mass affluent customer segment with bespoke service offerings and exclusive benefits to drive value and loyalty.
- Strengthen presence in emerging outstation markets while sustaining leadership in the Western Province.
- Implement further upgrades to digital platforms to optimise customer experience and improve operational efficiencies.
- Expand initiatives such as "ZERO-DOWN" product to boost engagement and solidify leadership in the property and lending sectors.
- Capitalise on eased vehicle import regulations to scale leasing operations and meet growing market demand.
- Strengthen existing partnerships and onboard new collaborators to diversify and enhance the product portfolio.
- Address talent challenges through focused recruitment, retention strategies, and comprehensive training and development programmes.
- Enhance Retail Banking relevance across diverse customer segments with innovative, customer-centric solutions.
- Lead the market in digital innovation by delivering seamless, personalised, and intuitive customer experiences across mobile, web, and in-branch touchpoints.

REVIEW OF BUSINESS OPERATIONS

CORPORATE BANKING

Disclosure 2-6

Trade Services | Trade Finance | Working Capital Finance | Term Finance Transaction Banking and Cash Management Services

Focus for 2024

- Achieve profitable balance sheet growth with an emphasis on NIM's and overall customer returns.
- Onboard new clients to the cash management platform and enhance service delivery.
- Expand fee income through trade services and capturing a larger share of clients' wallets.
- Focus on mid-tier corporates in selected industry segments to facilitate business expansion.

Key Highlights of 2024

- Achieved 20.2% loan book growth outperforming market average.
- Expanded fee income through increased trade volumes and onboarding of new clients to the cash management platform.
- Introduced a Special Asset Management Unit focused on business revival and recovery.
- Conducted strategic client-focused events across treasury, cash management, and trade finance to boost client engagement, strengthen relationships, and promote digital solutions.

Way Forward

- Peruse project term opportunities in selected segments including renewable energy and tourism to foster sustainable and profitable loan growth.
- Strengthen Biz Direct proposition to enhance value and operational efficiencies of clients.
- Harness new opportunities in the realm of sustainable financing.



REVIEW OF BUSINESS OPERATIONS

SME BANKING

Disclosure 2-6

Project Finance | Factoring | Working Capital Solutions | Trade Finance | Bancassurance | Transaction Banking and Cash | Management Services | Development and Refinancing

Focus for 2024

- Sustain and protect the portfolio following the restructuring efforts of 2020–2023. Key strategies included vigilant monitoring of repayments and assisting customers with cash flow challenges, resulting in the successful rehabilitation of most customers impacted by the post-2022 economic challenges.
- In Q2, the SME unit shifted to a growth-oriented approach, targeting sectors such as manufacturing (with a focus on import substitution), services, tourism, and trading.
- The branch network was leveraged to identify and harness regional SME growth opportunities.
- Favourable macroeconomic conditions, including declining interest rates and stable exchange rates, further supported significant expansion within the SME sector.

Key Highlights of 2024

- Achieved a 34% growth in the SME portfolio, establishing the Bank as the fastest growing in the sector.
- Fully utilised low-cost funding facilities, including the ADB funding for SMEs and Government-supported revitalisation schemes.
- Enhanced cash management services through BizDirect to support SMEs of all scale and size in their digitisation efforts.
- Expanded business through branch-led outreach events and workshops across the country, educating SMEs on exports and other growth opportunities.
- Supported delinquent customers with extended moratoriums and restructured repayment plans, actively mentoring SMEs to navigate post-COVID challenges through the Business Revival and Rehabilitation Unit.



Union Bank partnered with USAID & Ceylon Chamber of Commerce to empower SMEs for global growth



Union Bank partnered with USAID Womens Banking Solutions

Way Forward



- The strategic focus will include expanding SME export activities through continued regional outreach and educational initiatives.
- Anticipated funding from ADB will bolster women entrepreneurs and provide for additional SME grants. The Bank will roll this out through targeted awareness campaigns, collaboration with local industry groups, and financial literacy workshops.
- Growth plans will centre on key sectors such as tourism, trade, and manufacturing to drive sustainable expansion.
- Discontinued initiatives such as Tea-smallholder funding will necessitate a pivot toward alternate sustainable programmes.
- Product innovation efforts will continue, by building on the success of cash management and trade finance solutions to attract SMEs.
- Strengthening digital solutions through BizDirect will remain a priority to enhance SME efficiency and competitiveness.

REVIEW OF BUSINESS OPERATIONS

TREASURY

Disclosure 2-6

FCY Cash | TOM | Spot and Forward Contracts | Re-purchase and Reverse Re-purchase agreements | Treasury Bills and Treasury Bonds | Sri Lanka Development Bonds | Debentures | Commercial Papers | Equity investments | Unit trust investments

Focus for 2024

- Capitalise on declining interest rates to stimulate long-term borrowings from corporates.
- Transition from a reliance on Treasury bills to an increased focus on Treasury bonds to benefit from term premiums.
- Maintain substantial investments in gilt-edged unit trusts, capitalising on high-yield bonds secured during the economic crisis. Increase investments in unit trusts with a relatively higher exposure towards equity markets, to leverage on the anticipated momentum in the sector.
- Strengthening the foreign currency book by leveraging improved net foreign assets in the banking sector.

Key Highlights of 2024

- Reversed the Government Securities portfolio composition from 60% : 40% of Treasury Bills: Treasury Bonds to that of 40% : 60%
- Grew treasury income through strategic investments in unit trusts and higher yielding Treasury bonds.
- Union Bank's foreign currency book expanded by 70% year on year.
- Maintained competitiveness in a low-interest-rate regime, contributing to treasury income.

Way Forward



- Anticipate further Central Bank rate cuts to stimulate economic growth.
- Prepare for potential increases in prime lending rates as private sector borrowing accelerates.
- Increase investments in long-term Treasury bonds to secure stable returns.
- Continue leveraging unit trust investments, focusing on diversifying away from gilt-edged funds.
- Explore innovative financing products to attract private-sector clients.
- Strengthen the foreign currency portfolio through market borrowing and optimal liquidity utilisation.
- Position Union Bank as a key player in leveraging surplus foreign currency liquidity within the sector.

SUBSIDIARY OPERATIONS



The economic landscape showcased a remarkable rebound in 2024, providing a solid foundation for UB Finance. GDP grew by 4.5%–5%, inflation dropped to -1.7%, and exchange rates strengthened, boosting investor confidence. Foreign reserves rose to USD 6 Bn, while improved liquidity and reduced PAYE tax supported credit growth and consumer spending. The planned resumption of vehicle imports in 2025 presents opportunities for auto financing. These positive trends positioned UB Finance to expand its portfolio and capitalise on market opportunities.

Performance Update

During the operating year, the company's performance was fueled by favourable market conditions and a strategic focus on key product segments. Highlights include:

- The company's gross portfolio increased by 19% compared to 2023, driven by:
 - Auto Loans: A notable portfolio growth of 18%.
 - Gold Loans: An exceptional increase of 51%.
- The company achieved a 27% reduction in non-performing loans (NPLs), leading to a 61% decline in impairment charges.
- UBF maintained a strong Capital Adequacy Ratio (CAR) of 29.8%, significantly exceeding the regulatory requirement of 12.5%, demonstrating financial stability and capacity for future growth.

Other Key Developments

- Partnered with Scinter Technologies (Pvt) Ltd to overhaul the core banking system, aiming to improve operational efficiency and customer experience.
- Upgraded IT infrastructure to ensure compatibility with the new core banking system, reinforcing technological advancement.
- Relocated the Tissamaharama and Mawanella branches to more central locations as part of a strategic initiative to improve accessibility and customer convenience.
- Rebranded the Ratnapura and Kalmunai branches as part of a visual enhancement strategy to strengthen brand identity and customer engagement.

Way Forward

- UBF projects significant growth in its loan portfolio by the end of 2025 with the expected resumption of vehicle imports.
- Broaden its geographical presence by opening new branches in underserved areas, tapping into new customer segments.
- Launch mobile and internet banking platforms to streamline internal processes and improve customer experience, positioning UBF as a leader in innovation and accessibility.



In 2024, NAMAL achieved remarkable milestones. The company recorded a 45% year-on-year (YoY) growth in Assets Under Management (AUM), climbing from LKR 3 Bn to LKR 4.4 Bn. NAMAL manages LKR 2.7 Bn in PWM clients, underscoring its broad market presence. Its portfolio spans four mutual funds—National Equity Fund, NAMAL Growth Fund, NAMAL Income Fund, and NAMAL High Yield Fund—complemented by bespoke portfolio management services for high-net-worth clients. This growth reflects NAMAL's strategic investment framework and its agility in adapting to dynamic market conditions.

National Equity Fund

The National Equity Fund recorded a noteworthy AUM growth of 28.3% YoY, reaching LKR 2.44 Bn by year-end. The Fund delivered an impressive annual return of 34.87%, with a balanced allocation of 60% in equities and the remainder in fixed-income instruments. The broader market's buoyancy, reflected by ASPI's 48.16% growth and S&P SL20's 58.46% increase, amplified the Fund's performance, demonstrating its strategic equity positioning.

NAMAL Growth Fund

The Growth Fund recorded a 20.2% year-on-year (YoY) increase in AUM, reaching LKR 192.7 Mn. Fully invested in equities, the Fund delivered a 31.80% return, leveraging the equity market's strong performance. The results aligned with the growth of the ASPI and S&P SL20 indices, reflecting disciplined fund management.

NAMAL Income Fund

Exhibiting extraordinary growth, the Income Fund achieved remarkable AUM growth of 720%, rising from LKR 84 Mn to LKR 1.4 Bn. With an annual return of 15.09%, it outperformed the 1-Year Treasury Bill rate. The Fund focused on BBB- rated or higher.

NAMAL High Yield Fund

The High Yield Fund demonstrated a strong AUM growth of 22%, with assets rising from LKR 900 Mn to over LKR 1.8 Bn. The Fund achieved a return of 10.79%, maintaining a low-risk profile by focusing on fixed-income securities rated BBB- or higher with maturities under 13 months. This conservative yet effective strategy ensured steady performance amidst fluctuating interest rate environments.

Way Forward

- Leverage digital transformation and enhance client engagement.
- Deliver a modern, user-friendly experience through the newly revamped website.
- Launch digital client onboarding and client portal (web and mobile applications) to streamline operations and improve accessibility.
- Capitalise on a favourable equity market outlook to drive further inflows into mutual funds.
- Continue leveraging market opportunities to achieve sustained growth.
- Maintain NAMAL's strategic vision and commitment to innovation, solidifying its position as a key player in the asset management landscape.

*Beyond
Banking*
Transforming
LIVES



FINANCIAL CAPITAL

Value Created and Preserved in 2024

- 30.5% growth in loans and advances
- 17.9% growth in deposits
- Stable capital adequacy ratio
- LKR 18.3 Net asset value per share
- Earnings per share LKR 0.28
- Improved credit quality

Capitals Impacted



Human Capital



Manufactured Capital



Social and Relationship Capital



Natural Capital



Intellectual Capital

Sustainable Development Goals (SDGs)



BUILDING FINANCIAL STABILITY



The Bank's financial capital consists of shareholders' funds and borrowings which are utilised in the process of creating value through our banking activities. Effective and efficient financial capital management is a crucial part of our ability to create sustained value for our stakeholders.

Overview and Our Focus

The year 2024 marked a transformative shift in the country's economic and political landscape. Within this landscape the Bank implemented several strategic initiatives aimed at driving growth and enhancing customer engagement. Significant investments were made in technology and infrastructure to reinforce the Bank's brand presence and customer experience. These dynamic strategies culminated in a robust profit after tax of LKR 300 Mn and substantial and sustainable growth in both loans and deposits. The financial capital review sets out the Bank's management of its key resources to gain market share and demonstrate strength and stability.

Net Interest Income (NII)

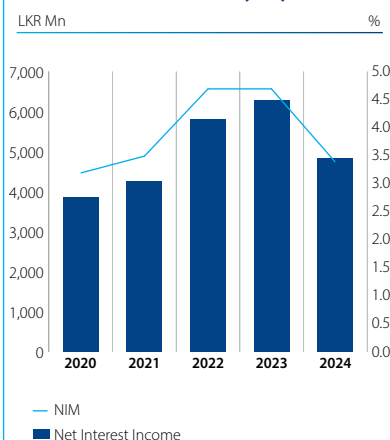
The Central Bank of Sri Lanka (CBSL) shifted to a single policy rate in 2024. Policy rates declined by 1% and 2% in terms of SDFR and SLFR respectively, leading to a drop of 347 basis points in the monthly average weighted prime lending rate. In line with the eased-out monetary conditions of CBSL the Bank swiftly reduced its lending rates to pass the maximum benefit to the customers. NIMs were affected due to repricing the deposit

book at a lower pace and as a result, NII decreased by 23.3% to LKR 4,827 Mn.

The Bank does not hold any International Sovereign Bond (ISBs) and Sri Lanka Development Bond (SLDBs) portfolios.

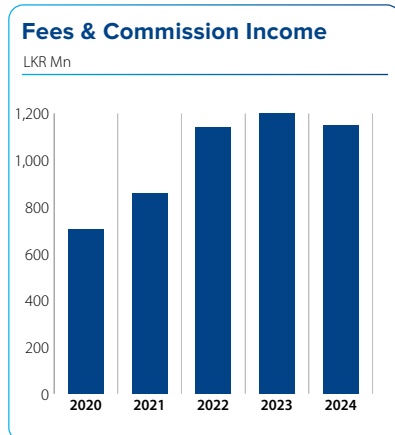
NIM for the current period would have been 3.6% if the return on investment in units is considered. Return on investment in units is LKR 377Mn and is recorded under capital gains under Net fair value gains/ (losses) from financial instruments at fair value through profit or loss.

Net Interest Income (NII)



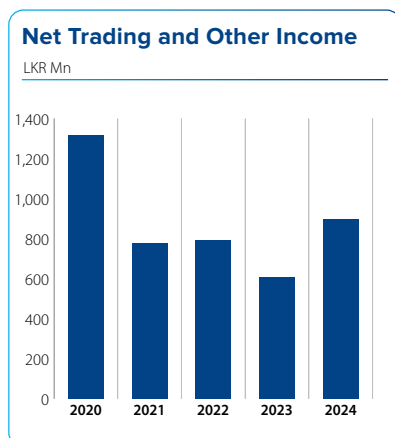
Fees and Commission Income

The net fee and commission income decreased by LKR 47Mn to LKR 1,152 Mn. While loan fee income recorded notable growth during the year, the decline in credit card fees and trade and outward fee income surpassed this growth, leading to the net decrease.



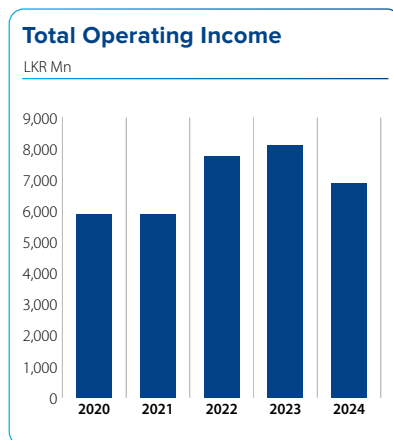
Net Trading and Other Income

Net trading and other income reached LKR 899 Mn in 2024 predominantly from unit investment income followed by gains on Government Securities, moving swiftly to capitalise on the downward trend in policy rates.



Total Operating Income

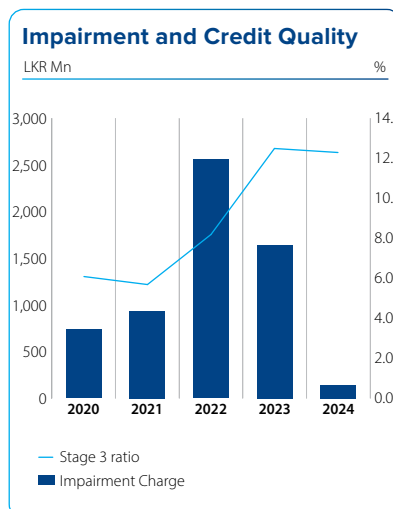
The total operating income stood at LKR 6,877 Mn, recording a decrease of LKR 1,220Mn compared to the prior year. This is mainly attributable to the drop in NII.



Impairment and Credit Quality

With economic conditions improving during 2024, asset quality which had been under pressure indicated signs of recovery. Furthermore, strengthened credit origination and underwriting standards minimised the deterioration of new credit. This coupled with lower interest rates enabled borrowers to start servicing their debt obligations.

Accordingly, the impairment charge for the year stood at LKR 142 Mn marking a notable YoY decrease of 91.4% from the previous year's charge of LKR 1,643 mn.

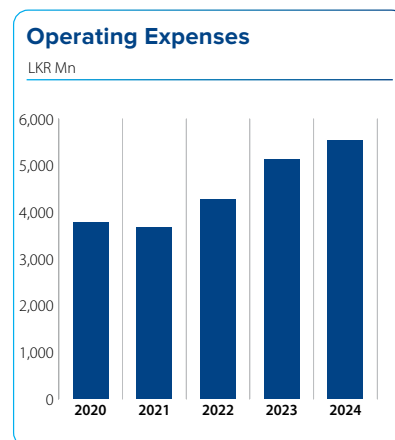


Operating Expenses

Despite prudent cost management initiatives, total operating expenses increased by 8.0% YoY reaching LKR 5,528 Mn at the end of the year.

Staff costs of the Bank stood at LKR 2,426 Mn, marking an increase of 3.2% compared to the previous year. This was due to the increase in staff salaries in line with the general price increases seen during the year.

Depreciation and amortisation of right-of-use assets coupled with other expenses increased to LKR 3,102 Mn largely due to increase in costs related to transformation journey of the Bank.



Profit for the Year and Other Comprehensive Income

The Bank's profit after tax for the year reached LKR 300 Mn marking a decrease of 20.8% compared to the previous year's PAT of LKR379 Mn.

Other comprehensive income for the year stood at LKR 274 Mn which is a 302.3% increase compared to the previous year. The increase is due to the unrealised gains on Government Securities alongside the downward trend in policy rates.

Accordingly, total comprehensive income for the year reached LKR 575 Mn which is a 28.4% increase over the previous year. At Group level, profit after tax stood at 300 Mn.

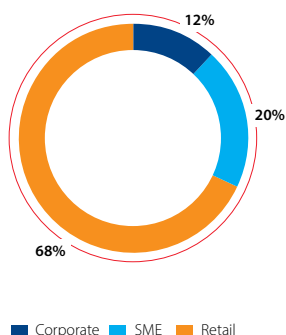
FINANCIAL CAPITAL

Funding and Capital

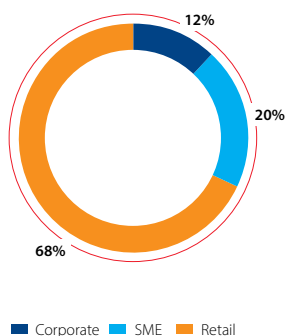
The deposit base of the Bank crossed the LKR 100 Bn threshold and stood at LKR 103,740 Mn as at the year-end, which was mainly driven by the increase in fixed deposits.

Consequently, the Current Account and Saving Accounts (CASA) mix decreased to 25.2% by the end of 2024 from 26.7% in 2023.

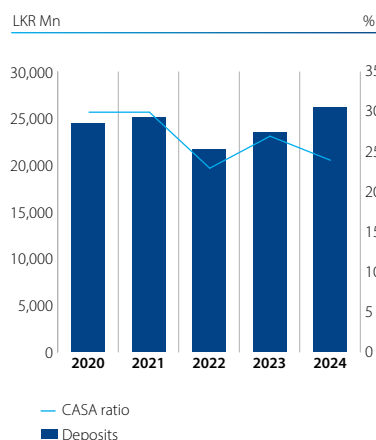
Deposit Mix 2024



Deposit Mix 2023



CASA

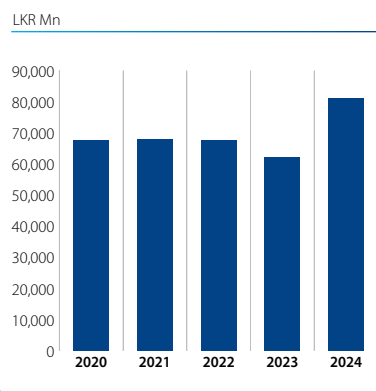


Loans and Advances

The Bank's net loans and advances demonstrated a notable increase of 30.5%, reaching LKR 81,203 as at the end of 2024, compared to LKR 62,208 Mn in 2023.

The portfolio increase was supported by the increase in all three main business segments during the year.

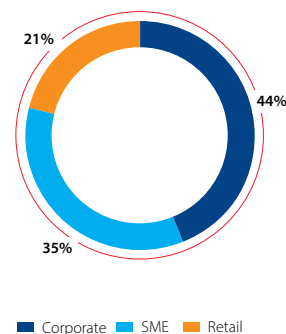
Loans & Advances



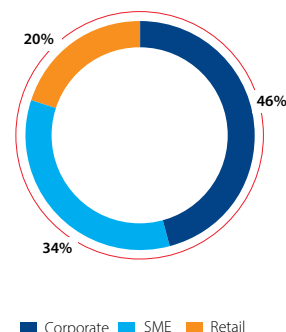
The gross loans to deposit ratio increased to 85.1% in 2024 from 78.6% in 2023.

The loans and advances mix at the end of 2024 stood as follows:

Loan Mix 2024



Loan Mix 2023



The balance sheet remained strong and resilient, and the Bank continued to preserve sound liquidity and capital adequacy. The Bank maintained its capital adequacy ratios well above the minimum regulatory requirements and reported a healthy Total Capital Ratio of 16.6% as of the reporting date. The Core Capital Ratio too stood comfortably above the minimum requirement at 15.61% at the year end.

Regulatory Liquidity Coverage Ratio (Rupee), Liquidity Coverage Ratio (All Currency) and Net stable Funding Ratio stood well above the regulatory minimum requirement at 565.9%, 486.6% and 136.0% respectively.

ROA and ROE

ROA and ROE for 2024 were 0.2% and 1.5% respectively compared to 0.3% and 2.0% in 2023.

The increase in ROE is underpinned by the strong growth in other comprehensive incomes with the downward movement of interest rates of Government Securities.

Disclosure 2-2

Group Performance

The Group consists of the Bank and its two subsidiaries, UB Finance PLC and National Asset Management Limited. The operations of these companies are briefly described in the section titled 'Subsidiary Operations', on page 46.

Group profit after all taxes stood at LKR 300 Mn. during the year under review.

The total assets of the group were LKR 156 Bn. The Bank accounts for 94.6% of the Balance Sheet of the Group and hence the Group's performance is mainly propelled by the Bank. Considering the significance of the performance of the Bank, it also discloses non-financial performance in accordance with the GRI standards.

The Way Forward



Driving business growth, maximising investment returns, optimising costs, and ensuring financial stability are central to delivering value to our shareholders and stakeholders. As we move through a year of recovery and growth, we will be mindful of the socioeconomic trends and investment climate in the country that influence our outlook. We are encouraged by the signs of recovery and will focus on pursuing selective growth opportunities through capital efficient lending.

MANUFACTURED CAPITAL

STRENGTHENING OUR FOUNDATION

Value Created and Preserved in 2024

- Digital zones were set up in 24 cities.
- All branch facades were updated with the Bank's new corporate signage.

Capitals Impacted



Financial Capital



Social and Relationship Capital



Intellectual Capital

Sustainable Development Goals (SDGs)



The Bank's manufactured capital encompasses its extensive physical infrastructure, including its island-wide network of branches, ATMs, Digital Zones (CRMs), equipment, and other tangible assets that enable value creation. The Bank focuses on keeping this infrastructure ready for changing customer needs and future challenges while ensuring it works efficiently and represents the Bank's values.

Additions during the year

	2024	2023	2022
Fixed Assets (Book Value) (LKR Mn)	2,109	1,584	1,710
Additions to fixed assets (LKR Mn)	1,058	371	435
Investment in Technology (LKR Mn)	1,032	566	655

Branch Network

In 2024, the Branch Banking unit operated 61 branches across five regional zones, with strategic consolidations in the Southern and Central regions enhancing operational efficiency and customer service. All branches underwent aesthetic upgrades to align with the Bank's rebranding and strategic vision. Efforts to streamline operations included integrating branch-based digital platforms, such as ATMs and Digital Zones (with CRMs), to improve convenience and accessibility. 24 Digital Zones were set up in key areas with 24/7 access to cash withdrawals and deposits.

Credit approvals were decentralised through strengthened zonal offices, significantly accelerating the approval process.

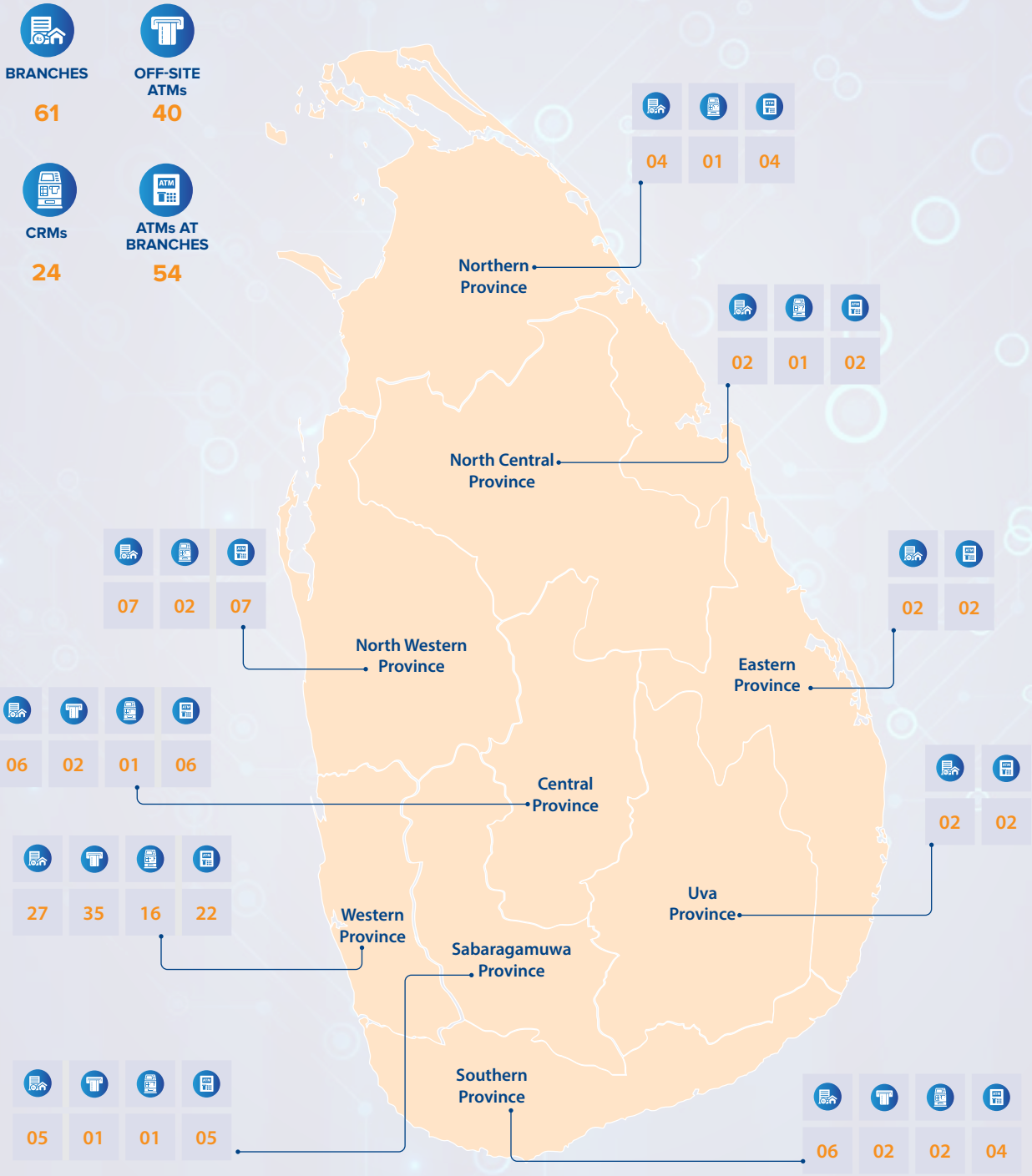
The branches focused on strengthening SME relationships by growing current account bases and fostering deeper ties within the sector. High-net-worth individual portfolios were targeted through personalised banking services aimed at increasing retail savings accounts, fixed deposits, and investment accounts. Regional branch managers played a critical role in community engagement, actively participating in local events, SME forums, and exporter initiatives to foster stronger regional connections. Local hiring practices further enhanced branch productivity by enabling staff to work closer to their residences. Service quality was continuously monitored through regular surveys and mystery caller programmes.

Our Branch Footprint

The Bank's branch network provides a robust platform for delivering its products and services. Union Bank operates a comprehensive network across the island, consisting of 61 Bank branches, 94 ATMs, 24 cash recycler machines Digital Zones (CRMs), catering to an expanding customer base.

Disclosure 2-6

Branch and ATM / CRM Network



MANUFACTURED CAPITAL

Agent Banking

Agent Banking Network	Number of outlets	Services
Cargills Food City	494	<ul style="list-style-type: none">● Credit Card Payments
SLT Mobitel	64	<ul style="list-style-type: none">● Deposits to Savings Accounts● Loan Payments● Credit Card Payments

Expanding financial accessibility remained a key priority in 2024. The agent banking service provided through partnerships with SLT Mobitel Pvt Ltd and the Cargills Supermarket chain supported customers to access real-time transactions, enabling credit card payments, loan repayments, and savings deposits at more convenient locations outside standard banking hours. Agent banking transactions saw a 10% increase in transaction volume from the previous year, with significant growth in credit card payments.

ATM / CRM Network

The Bank operated a combined network of 94 ATMs and 24 Digital Zones with CRMs, strategically designed to enhance customer accessibility and convenience while driving business growth. The ATM network, including 40 remote locations, ensured coverage in high-traffic and underserved areas, achieving over 98% uptime to maintain strong customer satisfaction and loyalty. A switch upgrade enhanced ATM functionality, supporting the Bank's CASA growth strategy, while integration with LankaPay CAS, VISA, and JCB systems provided seamless access for local and foreign customers.

Digital Zones (CRMs) complemented this network by enabling 24/7 deposit services and mobilising low-cost funds. Strategically positioned in business hubs, CRMs offered customers convenient options to deposit cash collections and played a vital role in mobilising almost LKR 7 Bn in CASA deposits within a very short span of operations in 2024. Together, the ATMs and Digital Zones (CRMs) networks reinforced the Bank's commitment to accessibility, innovation, and operational efficiency.

Digital Banking

In 2024, the Bank advanced its digital banking efforts, prioritising customer experience and operational efficiency. The UBgo mobile app and online banking platform facilitated real-time transactions, recording over LKR 41 Bn in transaction value with a subscriber base exceeding 38,000. A revamped UBgo app launched in August introduced an improved UI/UX, biometric security, self-registration, password resets, 360-degree portfolio views, and integration with other Bank accounts for seamless payments. To drive its digital transformation goals, the Bank established a Board Sub Committee to oversee current and future initiatives.


Cash Management Solutions

The Bank continued to enhance its cash management solutions to support business clients with efficient and reliable services. The focus remained on simplifying processes, improving transaction speed, and integrating cash management with digital platforms for seamless operations. The Bank also introduced BizDirect Lite a simplified version to smaller Businesses.

IT Infrastructure

The Bank made significant advancements in IT infrastructure, including key upgrades and the streamlining of processes to align with ISO 27001 certification requirements.

The Way Forward



- Open new branches outside the Western Province, relocate selected branches, and integrate digital platforms into branch operations for improved accessibility and customer experience.
- Expand CRMs by setting up digital zones deployment in high-potential business zones and explore cost-effective technologies to optimise operations.
- Consolidate the ATM network by relocating underperforming units and leveraging low-cost technologies for efficient fund mobilisation.
- Increase the number of agent banking sites while retiring underperforming locations to improve efficiency and customer access.
- Enhance the UBgo app with non-face-to-face onboarding, account openings, and adopting AI, machine learning, and blockchain to improve convenience, security, and sustainability.
- Align Cash management solutions with the digital strategy by providing enhanced services.
- Enhanced customer convenience by feature enrichment to UBgo app with non face to face onboarding, account, and fixed deposit opening.
- Enhancements to IT infrastructure in-order to support business growth, enhanced security, compliance and application upgrades.

HUMAN CAPITAL

Value Created and Preserved in 2024

- Investment in learning and development – LKR 15.5 Mn
- 23,599 training hours
- 78 promotions
- 420 new recruits

Capitals Impacted



Financial Capital



Social and Relationship Capital



Intellectual Capital

Sustainable Development Goals (SDGs)



TRANSFORMING THE POTENTIAL OF OUR HUMAN CAPITAL



Our people are our greatest strength. Their unparalleled skills, deep knowledge, and expertise are the driving forces behind bringing our value proposition to life. They don't just deliver services—they shape experiences, advance our strategy, and create meaningful impact for every stakeholder we serve.

Key Focus for 2024

Impact

Transformation of the corporate culture to build a performance driven team.

Creating an empowered and motivated team, who is results oriented.

Internships for both undergraduates and graduates

Addressed capability and built capacity across two tiers ultimately developing a more robust workforce

Conscious recruitment and selection procedures including focus on gender sensitivity

Achieving a healthy gender balance
♂ 51%, ♀ 49%

Performance management that identifies skills gap

Enabled specialised development of individuals. Clearly defined goals and growth opportunity

Compensation revision for junior grades

Lowered attrition rates. Contributed to engagement within a critical segment of the workforce

Creating a cohesive team through outbound activities, promoting regional and zonal level engagement activities.

Building a strong and cohesive team across the Bank which is driven towards objectives.

Enhancing branch performance through a KPI driven culture. Rewarding branch teams with incentives based on performance.

Increasing efficiency levels of the branches with a motivated team.

Governance

Union Bank's centralised HR function oversees the governance of Human Capital activities. This includes the development and implementation of a comprehensive framework that incorporates HR policies and

procedures, ensuring compliance with labour laws and global best practices in human capital development. The policy framework undergoes an annual review and is updated to align with the latest regulatory requirements and international standards.

HUMAN CAPITAL

Team Profile

We have established a human resource strategy with a focus on building a diverse and inclusive culture. The total employee count of the Bank stood at 1189 as at 31st December 2024 end out of which 84% are full-time permanent employees.

Employee Snapshot as of 31 December 2024

Staff strength | **1189** Total turnover for the year | **430**

Total recruits for the year | **420**

Employees by Age and Gender

Age Category	Female	Male	Total
Less than 25 Yrs	225	128	353
25 Yrs - 35 Yrs	242	225	467
35 Yrs - 45 Yrs	110	140	250
45 Yrs - 55 Yrs	30	69	99
More than 55 Yrs	5	15	20
Total	612	577	1189



Disclosure 2-7

Employee Profile based on Employment Type and Province as at 31st December 2024

Province	Employment Type						Grand Total	%
	Contract	%	Permanent	%	Trainee	%		
Central Province	1	1	37	4	5	5	43	4
Eastern Province	-	-	12	1	2	2	14	1
North Central Province	-	-	17	2	-	-	17	1
North Western Province	4	4	51	5	5	5	60	5
Northern Province	-	-	39	4	1	1	40	3
Sabaragamuwa Province	1	1	35	4	2	2	38	3
Southern Province	1	1	49	5	2	2	52	4
Uva Province	-	-	11	1	1	1	12	1
Western Province	86	92	742	75	85	83	913	77
Total	93	8	993	84	103	9	1189	100

Disclosure 2-7

Total number of employees by employment contract (i.e. permanent and temporary) and by gender

Employment Type	Gender				Total	%
	Female	%	Male	%		
Contract	52	8	41	7	93	8
Permanent	490	80	503	87	993	84
Trainee	70	11	33	6	103	9
Total	612	51	577	49	1189	100

The Bank currently does not employ any part time employees

Disclosure 405-1 Diversity of Governance Bodies and Employees

Employee representation by employment category, age and gender

Age	Corporate Management		Chief Manager		Senior Manager and Manager		Assistant Manager		Fixed Term Contract		Non Executive and Trainee		Minor Staff	Grand Total
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Male	
18-24							1 (0.9%)	34 (77.3%)	18 (47.4%)	191 (48.6%)	109 (40.5%)			353 (29.7%)
25-29							2 (2.1%)	8 (7.1%)	9 (20.5%)	13 (34.2%)	127 (32.3%)	91 (33.8%)		250 (21.0%)
30-34					9 (13.6%)	12 (10.0%)	40 (41.2%)	49 (43.8%)		1 (2.6%)	56 (14.2%)	52 (19.3%)		219 (18.4%)
35-39	1 (20.0%)	1 (3.8%)	3 (27.3%)	22 (33.3%)	38 (31.7%)	33 (34.0%)	36 (32.1%)				13 (3.3%)	11 (4.1%)		158 (13.3%)
40-44		1 (3.8%)	1 (14.3%)	2 (18.2%)	22 (33.3%)	28 (23.3%)	12 (12.4%)	14 (12.5%)		1 (2.6%)	5 (1.3%)	4 (1.5%)		90 (7.6%)
45-49		10 (38.5%)	3 (42.9%)	5 (45.5%)	8 (12.1%)	18 (15.0%)	4 (4.1%)	3 (2.7%)		2 (5.3%)	1 (0.3%)	1 (0.4%)		55 (4.6%)
50-54	4 (80.0%)	8 (30.8%)	1 (14.3%)		4 (6.1%)	19 (15.8%)	5 (5.2%)	1 (0.9%)				1 (0.4%)	1 (100.0%)	44 (3.7%)
>55		6 (23.1%)	2 (28.6%)	1 (9.1%)	1 (1.5%)	5 (4.2%)	1 (1.0%)		1 (2.3%)	3 (7.9%)				20 (1.7%)
Grand Total	5 (0.4%)	26 (2.2%)	7 (0.6%)	11 (0.9%)	66 (5.6%)	120 (10.1%)	97 (8.2%)	112 (9.4%)	44 (3.7%)	38 (3.2%)	393 (33.1%)	269 (22.6%)	1 (0.1%)	1189 (100.0%)

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Employee representation by employment category, age and gender – 2024

Employment Type	Female	Male	Total
Contract	52	41	93
Less than 25 Yrs	36	18	54
25 Yrs - 35 Yrs	15	15	30
35 Yrs - 45 Yrs	0	1	1
45 Yrs - 55 Yrs	0	2	2
More than 55 Yrs	1	5	6
Permanent	490	503	993
Less than 25 Yrs	120	78	198
25 Yrs - 35 Yrs	226	209	435
35 Yrs - 45 Yrs	110	139	249
45 Yrs - 55 Yrs	30	67	97
More than 55 Yrs	4	10	14
Trainee	70	33	103
Less than 25 Yrs	69	32	101
25 Yrs - 35 Yrs	1	1	2
Total	612	577	1189

Employee composition by ethnicity and gender – 2024

Religion	Female	Male	Total
Buddhism	447	420	867
Christianity	116	112	228
Hinduism	43	34	77
Islam	6	11	17
Total	612	577	1189

Workforce by years of service

Tenure category	Total
Less than 1 Yr	322
1 Yr - 3 Yrs	364
3 Yrs - 5 Yrs	71
5 Yrs - 10 Yrs	250
10 Yrs - 15 Yrs	117
15 Yrs - 20 Yrs	39
More than 20 Yrs	26
Total	1189

Disclosure 2-8

Workers who are not employees

Union Bank employs the following contract workers in its day to day operations

Outsourced Staff Category	Type of Work	No of staff Count 2024
Janitorial	Cleaning	82
Stewards	Tea Service	6
Mail room	Mail dispatching and collection	5
Messengers	Clerical workers	6
Drivers	Pool vehicle Drivers	7
Electricians	Maintenace work	3
Security	Providing Security services	163
Front office	Receptionists	2
Total		274

Recruitment and Selection Process

Disclosure 408-1, 409-1

Recruitment plays a vital role in meeting Union Bank's requirement for industry-best talent. Hence recruitment is a planned process where the requirements of each business unit/ department are compiled into the annual manpower plan, which is prepared in conjunction with the annual budgeting process.

To satisfy its manpower plan, the Bank aims to recruit candidates who are the best fit for Union Bank in terms of the right values, attitudes and professional skills. In doing so, Union Bank advocates for equal and non-discriminatory treatment regardless of a candidate's origin, religion, race or gender. All vacant positions are first announced internally to give existing employees the opportunity to apply, and thereafter notified publicly. Local hiring also is an important element of the Bank's overall approach to meeting the staffing needs of branches.

The Bank does not have any risk of running operations and dealing with suppliers involved in incidents of child or forced/compulsory labour. No candidates are given preferential treatment with all applicants (internal / external) evaluated equally and selections made solely on the candidates ability to meet the Bank's selection criteria. Depending on the role, shortlisted candidates perform skills assessment to identify their level of technical proficiency (Management level roles) or as a screening mechanism (Entry Level roles). Shortlisted candidates are also interviewed by a suitable panel, appointed by management to identify the most suitable talent.

New recruitment by hierarchy

Grade	Male	%	Female	%	Grand Total	%
Assistant Manager	34	17	14	7	48	11
Assistant Vice President	1	-	-	-	1	-
Banking Assistant I	3	1	13	6	16	4
Banking Assistant II	5	2	6	3	11	3
Chief Manager	2	1	2	1	4	1
Fixed Term Contract	42	20	58	27	100	24
Intern (Graduate)	1	-	9	4	10	2
Manager	20	10	5	2	25	6
Officer	44	21	24	11	68	16
Senior Banking Assistant	6	3	17	8	23	5
Senior Manager	4	2	1	-	5	1
Senior Vice President	2	1	-	-	2	-
Trainee Banking Assistant	40	19	65	30	105	25
Vice President	2	1	-	-	2	-
Grand Total	206	49	214	51	420	100

New Recruits by Age

<30	30-50	>50	Total
278 (66.19%)	134 (31.90%)	8 (1.91%)	420 (100%)

HUMAN CAPITAL

Disclosure 401-1 : New Employee Hires and Employee Turnover

New Recruits by Province, Region, Age Category and Gender

Province	Age Category												Grand Total	
	<30				30-50				50<					
	Female		Male		Female		Male		Female		Male			
Central Province	7	4.2%	6	5%	3	7%	8	9%	-	-	-	-	24	6%
Eastern Province	2	1.2%	1	1%	2	4%	3	3%	-	-	-	-	8	2%
North Central Province	-	0.0%	-	-	-	-	1	1%	-	-	-	-	1	0%
North Western Province	6	3.6%	2	2%	1	2%	2	2%	-	-	-	-	11	3%
Northern Province	1	0.6%	1	1%	2	4%	4	4%	-	-	-	-	8	2%
Sabaragamuwa Province	3	1.8%	2	2%	-	-	3	3%	-	-	-	-	8	2%
Southern Province	2	1.2%	4	4%	3	7%	6	7%	-	-	-	-	15	4%
Uva Province	1	0.6%	2	2%	-	-	2	2%	-	-	-	-	5	1%
Western Province	146	86.9%	92	84%	34	76%	60	67%	1	100%	7	100%	340	81%
Grand Total	168	40.0%	110	26.2%	45	10.7%	89	21.2%	1	0.2%	7	1.7%	420	100%

Disclosure 401-1 New Employee Hires and Employee

Turnover by Age

Staff resignation by province, region, age category and gender

Province	Age Category						Grand Total
	<30		30 - 50		50<		
	Female	Male	Female	Male	Female	Male	
Central Province	5 (3.5%)	2 (1.5%)	3 (7.9%)	9 (8.7%)	1 (25%)		20 (4.6%)
Eastern Province	3 (2.1%)	2 (1.5%)	1 (2.6%)	1 (1.0%)			7 (1.6%)
North Central Province		1 (0.7%)		2 (1.9%)			3 (0.7%)
North Western Province	7 (4.9%)	3 (2.2%)	1 (2.6%)	4 (3.8%)	1 (33.3%)		16 (3.7%)
Northern Province	1 (0.7%)	3 (2.2%)	1 (2.6%)	3 (2.9%)			8 (1.9%)
Sabaragamuwa Province	2 (1.4%)	5 (3.6%)	1 (2.6%)	3 (2.9%)			11 (2.6%)
Southern Province	7 (4.9%)	8 (5.8%)	3 (7.9%)	7 (6.7%)			25 (5.8%)
Uva Province	3 (2.1%)	6 (4.3%)		2 (1.9%)			11 (2.6%)
Western Province	115 (80.4%)	108 (78.2%)	28 (73.8%)	73 (70.2%)	2 (66.7%)	3 (75%)	329 (76.5%)
Grand Total	143 (33.3%)	138 (32.1%)	38 (8.8%)	104 (24.2%)	3 (0.7%)	4 (0.9%)	430 (100.0%)

Employee Development

Learning is deeply ingrained in our culture at Union Bank. We are committed to enhancing employee skills and competencies, empowering them to perform their roles effectively and contribute to the Bank's success.

All our training initiatives are guided by an annual training plan and budget, carefully designed to meet the unique requirements of business units and departments.

In 2024, we prioritised staff development through a comprehensive Learning and Development plan shaped by a Training Needs Analysis conducted at the start of the

year. This analysis identified Credit, Leadership, and Branch Management as key focus areas. To address these priorities, structured training curriculums were designed and implemented. In-house training sessions, delivered by both internal and external experts, played a critical role in equipping employees with the necessary skills.

To ensure continuous learning, employees were also nominated for relevant external webinars, training sessions, conferences, and seminars. Additionally, online training programmes conducted via the MS Teams platform kept staff engaged and supported their ongoing skill enhancement.

Looking ahead, we will launch our Learning Management System (LMS) in Jan 2025 to address training priorities more efficiently. Competency models for critical roles, such as branch managers and credit officers, have already been developed. The LMS will

feature Assessments, Content and Course Management, Mobile Capabilities and Certification, Management modules covering technical, behavioural, and leadership skills, enabling employees to achieve certifications and advance their careers.

Details of training programmes conducted in 2024

In 2024, a total of 150 training sessions were conducted across three categories: soft skills, leadership, and technical. These sessions amounted to 23,599 hours and involved 2,633 participants. Additionally, there were workshops, diplomas, certification courses, conferences, seminars, quiz competitions, focused group discussions and more. These additional sessions amounted to 2,086 hours and involved 289 participants.

Disclosure 404-1 Average hours of training per year per employee

Average Training Hours Per Employee by Employee Category

Employee Category	Total Training Hours	Average Hours
Intern	329	15
Trainee Banking Assistant	3,265	27
Banking Assistant I	1,932	18
Banking Assistant II	980	12
Senior Banking Assistant	5,045	48
Officer	1,804	13
Assistant Manager	3,177	18
Manager	3,233	27
Senior Manager	1,040	24
Chief Manager	168	13
Top Management	176	10

As the country faced a severe brain drain, the Bank also experienced an increase in the staff turnover levels.

Considering the high levels of employee turnover in the market and its impact, the Bank took proactive steps to

- Branch Operating Model has been announced for the Branch staff to be more independent and business focused
- Branch Managers have been empowered through training & coaching to build stronger relationships with the staff.
- Interim job enhancements for junior level has been implemented with an additional allowance/Introduced bonus and incentive schemes
- Creation of talent pool have an impact on staff career progression.

Gender-Wise Training Hours Details (Excluding FTC)

Gender	Total Training Hours	Average Hours
Female	10284	20
Male	10862	21

Details of Certifications

Disclosure 404-2

The Intermediate Certificate in Corporate Credit was conducted for corporate credit staff by an external trainer over 7 days, totalling 40 hours. The course involved 26

participants, and certificates were awarded to those who completed the course.

The Certificate Course on Treasury and Foreign Exchange Operations was conducted by CBSL from August to October for 59.5 hours, involving 3 participants. Certificates were awarded to those who completed the course.

Another Certificate Course on Treasury and Foreign Exchange Operations was conducted by CBSL from March to April for two participants. Certificates were awarded to those who completed the course.

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The Management Development Program with PIM was conducted for branch managers over 11 days. This comprehensive 96-hour training session was attended by 24 participants, and certificates were awarded to those who completed the course.

The training programme for SME staff was conducted by an external trainer over 7 days. The 48-hour session was attended by 27 participants, and certificates were awarded to those who completed the course.

Disclosure 404-2 Programs for upgrading employee skills and transition assistance programmes

Programmes for Upgrading Employee Skills and Transition

Programme Name	No. of Programmes	Total No. of Training Hours	Total No. of Participants	Duration of the Programme (hours)
Bancassurance Training for Banca Champions	1	91	26	3.5
34th Anniversary Convention	1	50	5	10
PCI DSS V4 Compliance Training	1	290	58	5
AICPA & CIMA Career Day 2024	1	15	3	5
AML / CFT Compliance for Financial Institutions	2	21	3	7
Awareness programme for data protection	1	16	8	2
Awareness Session on "Government Securities Market"	1	3	2	1.5
Bancassurance Training for Banca Champions	1	91	26	3.5
Building Professional Presentations	1	240	30	8
Business Process Mapping Workshop	1	84	24	3.5
CA 45th National Conference	1	27	3	9
CIO Confluence 2024	1	24	3	8
Certificate Course on Treasury and Foreign Exchange Operations	2	297.5	5	59.5
CIPM National HR Conference 2024	1	45	3	15
CMA Sri Lanka SME Development Summit 2024	1	24	3	8
Comprehensive Audit Training	1	85	17	5
Course on Operational Aspects of International Trade	1	120	2	60
CSE Masterminds 2024	1	25	5	5
Development Program for Trainee Branch Managers	1	72	3	24
Diploma in Treasury and Risk Management	1	232	2	116
Diploma in International Trade	1	8	2	4
Excel Training	1	450	45	10
EY Annual ESG/Sustainability Event 2024	1	14	2	7
FINAL Workshop on "BIS FX Global Code"	1	90	6	15
IBSL and IOA (UK) Present Workshop on Data Analytical Skills	1	21	3	7
ICCSL Workshop on Trade Finance	1	25.5	3	8.5
IIA Sri Lanka National Conference 2024	1	24	6	4
Intermediate and Advanced level PowerPoint Technical Workshop	1	350	50	7
Intermediate Certificate in Corporate Credit	1	1040	26	40
Leasing product & process training	1	455	182	2.5

Programme Name	No. of Programmes	Total No. of Training Hours	Total No. of Participants	Duration of the Programme (hours)
Management Development Program with PIM	1	2304	24	96
On the Job Training for Branch staff	6	496	31	16
Public Seminar "Global Trade Finance Trends - Navigating Opportunities and Challenges in a Dynamic Market"	1	14	2	7
Quiz Competition - 2024 Organised by Association of Professional Bankers - Sri Lanka	1	20	5	4
Sales Essentials Training for Branch staff	9	1704	213	8
SIBS Training	1	210	35	6
SME on the Job Training	4	168	21	8
TBA Induction	7	2160	90	24
Sales Induction	1	416	26	16
Permanent Cadre Induction	5	488	122	4

Training Programs by Type

Soft Skill Training
Leadership Training
Technical Training



Total training and development cost **LKR 15.5 Mn**

Employee Remuneration

Union Bank offers competitive remuneration and benefits to all employees. The Bank's well established compensation practices take into account relevant external compensation levels, business context and affordability. Wage and salary structures are kept simple to avoid unnecessary complexity to provide effective compensation and reward whilst being flexible in order to adapt to market conditions. Meanwhile the Bank makes a concerted effort to minimise salary gaps between men and women in comparable roles. The Annual Pay Review Process creates a platform to revisit employee salary structures and make revisions as needed.

Disclosure 405-2

Ratio of Basic Salary and Remuneration of Women to Men

Grade for Annual Report	Male	Female
Manager	1.00	0.88
Chief Manager	1.00	0.85
Senior Manager	1.00	1.00
Assistant Manager	1.00	0.93
Officer	1.00	0.99
Assistant Vice President	1.00	0.81
Key Management Personnel	1.00	0.87
Senior Banking Assistant	1.00	1.01
Support Staff	1.00	0.00
Banking Assistant II	1.00	1.02
Fixed Term Contract	1.00	0.69
Banking Assistant I	1.00	1.00
Trainee	1.00	1.01
Intern	1.00	1.00

HUMAN CAPITAL

Disclosure 401-2

Benefits

Benefits Provided	Permanent	Trainee	Fixed Term
Private Provident fund with the option for increased contribution	☑	☑	☑
Loan for staff members at concessionary rates for housing, motor vehicle, personal needs, furniture loans, festival advances	☑	☒	☒
Medical reimbursements, spectacle reimbursement	☑	☒	☒
Personal accident and Life Insurance	☑	☒	☑
Special insurance cover for critical illnesses covering employee, spouse, and children	☑	☒	☒
Medical check-up for staff 40 years and above	☑	☒	☑
Reimbursement of course fee and exam fee in relation to Banking exams conducted by IBSL	☑	☒	☒
Payment of membership subscription of professional bodies for Officer and above grades	☑	☒	☒
Difficult Station Allowance	☑	☑	☑
Outstation Allowance	☑	☑	☑
Travelling Allowance	☑	☒	☑
Incentives for high performing Sales and recoveries Staff	☑	☒	☑
Incentives for high performing Branch Managers	☑	☒	☒
Bonus Based on Bank's Performance	☑	☑	☑
Awards for high performing teams	☑	☑	☑
Recognition for longstanding employees who have completed 20/25 years of service	☑	☒	☒
Half a day leave on birthday	☑	☑	☑
Paternity Leave	☑	☑	☑
Compassionate Leave	☑	☑	☑

Gender Parity

Female members of the Board of Directors

 11.11%

Union Bank focuses on building a balanced team with equitable female representation across all leadership levels from the Board of Directors, corporate management and other levels.

Females at leadership roles

 25%

Female hiring rate Female promotion rate

	New Recruits	Promotions
Female	214 (50.95%)	37 (47.43%)

Movements in Our Talent Pool

As the Bank continues to adapt to a dynamic environment, our ongoing commitment to

growth and innovation is reflected in the infusion of fresh talent. The recent additions to our team bring diverse skills, perspectives, and energy that will play a pivotal role in shaping the Bank's future. Our strategy focuses on developing a younger, more diverse, and future-ready workforce. In 2024, we recruited 420 new employees, with approximately 66% of them being under the age of 30.

Performance Management

Performance management is a cornerstone of Union Bank's commitment to fostering a performance-driven culture among its employees. To achieve this, the Bank has implemented a fully digitised performance management system. This system serves as a framework to clearly communicate performance expectations, document and evaluate employee achievements against set targets, and identify potential for career growth. It also enables managers to continuously monitor performance

throughout the year, ensuring opportunities for improvement are promptly addressed.

The annual assessment process begins with a self-assessment, where employees document their own performance. These self-assessments are then compared against performance outcomes recorded in the system. The results form the basis for key decisions, including annual bonus allocations, promotions, and personalised training plans.

No. of Employees eligible for Annual Year End Review - 2024

Disclosure 404-3

Gender	Count	%
Female	351	49%
Male	363	51%
Grand Total	714	100%

Additionally, the system identifies high-performing employees, who are then nurtured through development initiatives aligned with the Bank's succession planning strategy. These initiatives include tailored development plans, mentoring, and coaching provided by senior leaders, preparing top talent for future leadership roles.

Promotions During the Year

Union Bank ensures that all permanent employees benefit from this annual performance evaluation, reinforcing its commitment to professional growth and organisational excellence.

Employee Engagement

Union Bank values strong employee relationships as essential for maintaining motivation and long-term commitment to the organisation's success. To foster this, the Bank emphasises open and ongoing communication with its staff.

Leaders are encouraged to engage regularly with their teams, while an open-door policy ensures employees can approach the leadership at any time. The "Ask CEO" feature on the Bank's intranet provides a direct channel for employees to connect with the CEO.

Additionally, employees can formally report grievances to the HR department, which are independently recorded, reviewed, and escalated to the appropriate Business or Function Head for resolution. The HR team closely monitors and follows up on these cases to ensure concerns are addressed effectively and satisfactorily.

Disclosure 403-3, 403-6

Health and Well-being

We have established comprehensive policies and procedures to safeguard the well-being of our staff and maintain a secure work environment. While a formal system for hazard identification, risk assessment, and incident investigation is not in place, documented protocols are available for managing hazards such as fires, explosions, or natural disasters.

These protocols clearly define responsibilities and outline step-by-step actions for staff to follow in such events. With the health and wellness of employees seen as a top priority, Union Bank continues to invest considerable resources each year to safeguard the physical and mental wellness of employees.

In our commitment to fostering a workplace that prioritises the well-being of our employees, we have initiated various wellness programmes. Our goal is to create an environment where employees can thrive both personally and professionally.

Union Bank Eye Camp and Women Wellness Clinic were organised to promote this across the Bank. Special discounts and offers were provided to the staff.

Disclosure 403-2, 403-7

Occupational Health and Safety

All policies and procedures have been put in place to ensure the well-being of our staff, whilst providing a secure work environment.

Although there is no formal procedure for hazard identification, risk assessment and incident investigations, there are documented procedures which are followed in the event of a hazard like a fire, explosion, natural disaster etc. These procedures lay out in detail, the division of responsibilities as well as the procedures to be followed by all staff in the event of a hazard.

Diversity and Inclusion

Attracting and retaining top talent from diverse backgrounds is essential to fostering a high-performance culture and addressing the skills gap. Union Bank stands out for its rich diversity, which brings a wide array of skills and perspectives to drive sustainable value creation. Inclusion is deeply embedded in the Bank's culture, as we work with various stakeholders to create an equitable environment where everyone feels valued, welcomed, and empowered to bring their authentic selves to work. As an equal opportunity employer, the Bank upholds

gender-inclusive recruitment policies and ensures no gender-based discrimination in reward structures, training opportunities, or promotions.

Disclosure 2-30

Employee Relations

Union Bank practices an open-door policy across all levels, which encourages staff to present their grievances/suggestions, while numerous formal and informal engagement mechanisms are in place to build camaraderie. This environment has resulted in increasing employees' trust. Due to the above transparent and open culture at the Bank, it is worthy to note that employees have not had the need to seek Trade Union representation. As such, employees of the Bank are not covered by a collective bargaining agreement or represented by a Trade Union.



Bakthi Gee



Diwali Celebrations

HUMAN CAPITAL



Union Bank Christmas Carols



Union Bank Celebrates Long Service Awards

Disclosure 406-1

Respectful Workplace

The primary goal of the "Respectful Workplace Policy" is to maintain a respectful and safe work environment, free from all forms of violence, harassment, including bullying and sexual harassment.

In 2024, the Bank received no reports of discrimination across its operations.

Notice Period Requirement



We require all employees to provide 3 months' notice when resigning. This policy helps us minimise any disruptions to operations, ensuring continuous, uninterrupted service to our customers.

Parental Leave

Parental leave is an essential aspect of the Bank. The Bank succeeded in retaining 100% of the employees who went on parental leave.

- a. Total no. of Employees that were entitled to parental leave, by gender

Disclosure 401-3

	577
	612
Total	1189


- b. Total no. of employees that took parental leave, by gender

Disclosure 401-3

	12
	13
Total	25

- c. Total no. of employees that returned to work in the reporting period after parental leave ended, by gender

Disclosure 401-3



	12
	13
Total	25

- d. Total no. of employees that returned to work after parental leave ended and were still employed 12 months after their return to work, by gender



Disclosure 401-3

	10
	12
Total	22

Return to work rate %

	100%
	100%

Retention rate %

	83%
	92%

The Way Forward



People & Transformation Strategy

Union Bank recognises its human capital as the cornerstone of its operations. A comprehensive people transformation strategy has been initiated providing its team opportunities for development and progress.

Create a competent Union Bank workforce

- Competency development of the current staff
- Create a continuous learning culture
- Right sizing departments/ units through BPR

Performance driven culture

- Performance based incentive structures
- Staff recognition schemes
- Talent based remuneration

Talent acquisition and talent development

- Ensure the required talent is available at Union Bank
- Groom and develop existing staff
- Make Union Bank an attractive employer for junior staff
- Succession planning for critical roles

Team building and boosting engagement

- Create a culture of camaraderie and collaboration
- Create a culture that supports sports and recreation

Employee well-being and HR governance

- Make employees responsible and accountable for their job roles
- Enhance employee wellbeing

SOCIAL AND RELATIONSHIP CAPITAL

Value Created and Preserved in 2024

Customers

- Onboard new to Bank customers and strengthen relationships.
- Tailored financial solutions and digital tools, along with personalised, attentive, and responsive customer service for individual customers, businesses and corporate clients.
- New and upgraded products to meet the diverse and emerging needs of the mass affluent segment.
- Continuous process improvements based on customer satisfaction surveys and feedback.
- Digital and social media strategies to foster greater customer engagement levels, awareness and education.

Suppliers / Business Partners

- Implementation of the procurement process and adoption of best practices.
- Proactive measures to reduce costs and prevent revenue leakages.

Community

- Active participation in community CSR events and sponsorships.
- Transparent and compliant marketing communications, ensuring ethical engagement.

Capitals Impacted



Financial
Capital



Human
Capital

Sustainable Development Goals (SDGs)



MAKING A DIFFERENCE TO THE LIFE OF EVERY STAKEHOLDER



Our social and relationship capital reflects the enduring partnerships built with our customers, suppliers, business partners and communities. These connections not only support the continuity of our operations but also reinforce our social license to operate.

Customers

Evolution of the corporate identity

During the year, the Bank embarked on the revitalisation of its corporate identity. As one of the most trusted financial institutions, we strived to ensure that our corporate identity evolved with the times to ensure that it remains relevant. The Bank's brand promise 'Transforming Lives' reflects the strategic transformation and commitment to create a tangible impact in the lives of customers, employees, the community and other stakeholders.

During the year, we focused on internal transformation to ensure that our systems support our new identity and that our team is onboard with the brand values and promise to reflect the personality of the Bank. This strategic agenda required a significant cultural shift within the team to drive a relationship based, sales driven culture. The Bank initiated several activities to foster stronger relationships with its customer base.

Delivering value for our customers

We prioritise building strong relationships with our customers, taking the time to understand their expectations and needs. Due to its size the Bank was able to build and develop strong and enduring relationships with its customers by responding to the unique and evolving needs with customised solutions. Our financial solutions are designed to empower clients with better financial decision-making capabilities.

During the year, significant emphasis was placed on embracing advancements in digital technology, to enhance the user experience, ensuring superior service delivery. The Bank expanded its network of touchpoints to deliver a seamless service. Through cutting-edge technology and industry-leading processes, we are dedicated to offering exceptional customer experience and safeguarding our valued clients.

Disclosure 417-1

Diversity of products

The Bank caters to a diverse customer base consisting of retail, corporate and SME segments. The Bank has a wide range of products and services to cater to these segments.

Retail	SME Banking	Corporate banking	Treasury
Savings and Current Accounts Time Deposits Investment Planner Debit Cards/Credit Cards Foreign Currency Accounts Elite Circle Cash Backed Advances Loans-Personal and Mortgage Pawning Leasing Internet Banking Mobile Banking ATMs-Branch/Off-site Digital Zones (CRMs) Agent Banking Safety Deposit Lockers Bancassurance Remittances	Project Finance Factoring Working Capital Solutions Trade Finance Bancassurance Transaction Banking and Cash Management Services Development and Refinancing	Trade Services Trade Finance Working Capital Finance Term Finance Transaction Banking and Cash Management Services	FCY Cash TOM Spot and Forward Contracts Re-purchase and Reverse Re-purchase agreements Treasury Bills and Treasury Bonds Sri Lanka Development Bonds Debentures Commercial Papers Equity investments Unit trust investments

Customer touchpoints

Union Bank provides access to its services through a network of 61 branches, 94 ATMs, and 24 CRMs strategically located across the country. Complementing this physical presence, customers can also access banking services at 64 payment points and 494 Cargills Food City outlets nationwide.

During the year the Bank launched its first Digital Zone in its Head office and moved ahead to open 24 Digital Zones across the island, covering key cities.

To ensure constant availability, Union Bank provides 24/7 customer assistance through voice, email, and chat, allowing prompt resolution of inquiries, complaints, essential operations, and escalations of customer needs.

Recognising the importance of seamless digital connectivity, Union Bank has invested significantly in building a robust online presence. Customers can manage their banking needs anytime, anywhere through the UBdirect online platform and the UBgo mobile app, ensuring reliable service and round-the-clock convenience.

Disclosure 417-1

Integrity-focused marketing

Union Bank is dedicated to maintaining open and transparent communication with its customers. All marketing content is crafted to align with CBSL guidelines, ensuring that customers receive accurate and timely product information to make well-informed financial decisions. To cater to diverse customer segments, marketing materials are tailored and distributed through a mix of Above The Line (ATL) and Below The Line (BTL) channels, available in English, Sinhala, and Tamil.

Sales teams are trained to guide customers in selecting suitable products while explaining potential risks. We are bound by business ethics and fair-trade policies and our advertisements do not carry information that is not true.

The Bank's website is regularly updated with the latest information, including exchange rates, offers, and notices. Targeted social media campaigns further enhance awareness of products like credit cards, remittances, and foreign exchange services.

SOCIAL AND RELATIONSHIP CAPITAL

Key Campaigns Conducted During the Year

- New brand identity to reveal the Bank's positioning to affluent market segments.
- Home loans with competitive interest rates and flexible re-payment plans.
- Leasing with low monthly rentals and quick approval for vehicle and asset financing.
- Credit cards with extended payment plans and savings.
- Awareness for pawning.
- Revamped UBgo mobile banking app.
- Savings, FDs, and Money Market accounts with attractive returns.
- Promotion of BizDirect cash management solution.
- Tailored funding offerings for SMEs



Promoting entrepreneurship

The Bank is committed to developing entrepreneurship amongst the youth of the country. In order to promote this objective of entrepreneurship development, the Bank entered into a Memorandum of Understanding (MOU) with the University of Moratuwa (UoM) and the National Innovation Agency to support the National Entrepreneurship Development Programme (NEDP). This initiative aligns with Union Bank School of Social Entrepreneurship (UBSSE)'s vision to develop, support, and promote social entrepreneurs while providing essential access to finance. The NEDP certificate course, equip participants with the skills and knowledge needed to launch and grow their social enterprises.

The Bank was inspired by the NabilSSE initiative, a renowned entrepreneurship development programme spearheaded by Nabil Bank, Nepal's largest private commercial bank of the CG Corp Global Group, the major shareholder of Union Bank.



Union Bank Partners National Entrepreneurship Development Programme with the University of Moratuwa (UoM) and the National Innovation Agency (NIA)



Union Bank Kick- Starts National Entrepreneurship Development Programme with UoM & NIA

A Commitment to Excellence in Service

Our commitment to service excellence and customer-centricity drives our continuous improvement efforts across all facets of the operations. This year, we made key improvements across processes, performance, and people. By streamlining operations and upgrading systems, we've improved efficiency and responsiveness, ensuring faster, more reliable service for our customers. Our focus on employee development also ensures that every team member is equipped to deliver the best possible service. These efforts reinforce our commitment to operational excellence and customer satisfaction. During the year, the Bank focused on empowering the branch teams creating a performance driven culture within the Bank.

Refining Processes

During the year significant emphasis was made on reducing turnaround times and loan processing times to deliver an efficient and speedy service level. These initiatives created positive results with a notable improvement in service levels.

- Reduced turnaround time (TAT) for loans against cash from 2-3 days to 2 hours.
- Discontinued select registers at branches to streamline operations.
- Enhanced the SDL process, making it easier for both customers and staff.
- Streamlined key branch processes, such as ATM balancing and transaction slip handling to boost efficiency.
- Branches are thoughtfully re-designed and modernised to facilitate easy navigation and ease of access.

Performance

- Provided 24/7 customer support through voice and IVR systems.
- Handled 155,945 inbound calls with a 92% answer rate and an average response time of 9 seconds.

- Monitored card-related transactions in real-time to detect and prevent fraudulent activities.
- Upgraded the contact centre to a state-of-the-art 3CX system for enhanced customer interactions.

People

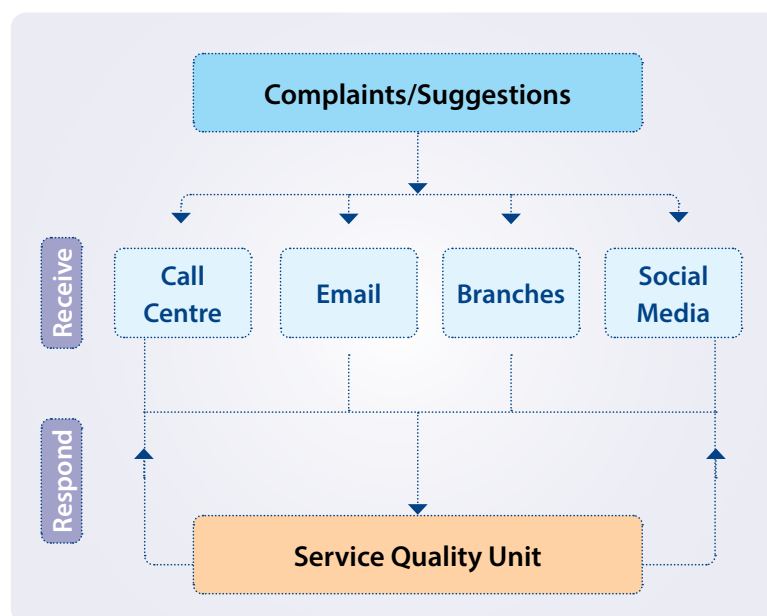
- Fostered a sales – driven culture within the branches to drive growth in business.
- Trained employees on “right first time” service with structured learning programmes.
- Conducted training on products, processes, and behaviour transformation to promote customer-centric service.
- Deployed the right talent and provided the necessary resources to enhance service delivery.

Customer Grievance Redressal Procedure

Effectively managing customer complaints is vital to building trust and confidence, as every issue is viewed as an opportunity to enhance the Bank's services and improve the overall customer experience.

Union Bank has established multiple channels for customers to voice their concerns, ensuring accessibility and convenience. Customers can register complaints directly at branches by scanning a QR code, through branch staff or relationship managers (RMs), via the 24/7 contact centre, or through the Bank's website and social media platforms. Each complaint is meticulously documented and addressed in line with board-approved guidelines. These guidelines include defined workflows and strict timelines to ensure prompt and efficient resolution of all reported issues.

Complaint Handling Process



SOCIAL AND RELATIONSHIP CAPITAL

Customer privacy

The Bank prioritises safeguarding customer information with robust policies, protocols, and a secure infrastructure to ensure confidentiality.

Customer information from the KYC form is securely stored with strong physical and electronic security measures to prevent unauthorised access. A clear process is in place to ensure employees uphold the bank's privacy standards.

The Bank's Privacy Policy, available on the corporate website, details the procedures for protecting customer information collected online.

Training and education play a key role in Union Bank's commitment to protecting customer privacy. Regular awareness sessions on critical topics such as anti-money laundering, data privacy, and anti-bribery are held to ensure employees understand the importance of confidentiality and safeguarding customer information.

Notably, no privacy breaches were reported during the year.

Suppliers / Business Partners

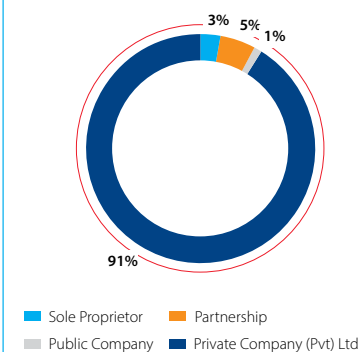
Disclosure 2-6

Supplier evaluation and procurement process

Our procurement processes are designed to deliver long-term value to our partners while fostering strong supplier relationships. The Bank predominantly collaborates with local suppliers in Sri Lanka but occasionally engages international vendors for specific needs, such as sourcing IT systems.

The Bank's Procurement Policy, overseen by the Procurement Committee, ensures fair procurement from suppliers. The policy focuses on maximising value, fairness, transparency, and consistency in the selection process. It also sets minimum standards for suppliers on labour practices, employee safety, and environmental responsibility, while supporting local sourcing for the branch network's operational needs.

Segregation of Suppliers as per the Supplier Type



Disclosure 204-1

Procurement related spends on Local and Foreign Suppliers

Value of total procurement - (LKR Mn, %)	2021	2022	2023	2024
Local	96.7	157.3	254.2	692.4
	97%	100%	50%	99%
Foreign	3.3	-	250.2	8.8
	3%	-	50%	1%

Bank suppliers categorised by registration type and geography

Suppliers Disclosure 2-6

Union Bank focuses on developing strong ties with key suppliers and service providers across its value chain through the adoption of procurement best practices

Types of suppliers	Location (Local / Foreign)
Janitorial services	Sri Lanka
Messenger (Office Assistants) services	Sri Lanka
Security services	Sri Lanka
Courier services	Sri Lanka
Supply of foliage plants and flowers	Sri Lanka
Pest control services	Sri Lanka
Supply of ATM consumables	Sri Lanka
Supply of toners / ribbons / fax cartridges	Sri Lanka
Supply of envelopes / registers / ledger binders / rubber stamps	Sri Lanka
Printing of security documents such as cheque books, vouchers, Advertising materials etc.	Sri Lanka
Supply of printing of stationery items / Plastic material / Advertising materials	Sri Lanka
Statement printing (pressure seal) and dispatching	Sri Lanka
Banking Equipments	Sri Lanka
Telecommunication equipments and accessories (mobile phones, iPads, Chargers etc.)	Sri Lanka
Supply and maintenance of security related equipment (fire extinguishers, CCTV cameras, police alarm guard tour system etc.)	Sri Lanka
Office furniture including bank safes, lockers, Steel cupboards	Sri Lanka
Waste paper collectors	Sri Lanka
Movers / Goods & Safes Transporters	Sri Lanka
Suppliers of vehicles on hire (vans /cars / three wheelers)	Sri Lanka
Services & maintenance of office equipment (Photocopy, fax machines etc.)	Sri Lanka
IT Equipment / Hardware, Networking Equipment	Sri Lanka / Foreign
Complimentary & public materials	Sri Lanka
Gift Items	Sri Lanka
Civil construction & Interior / Exterior decor, Architecture	Sri Lanka
Electrical Contractors	Sri Lanka
Supply of sanitary items	Sri Lanka
Generators	Sri Lanka

SOCIAL AND RELATIONSHIP CAPITAL

Our Existing and Proposed Commitment to Sustainable Business Practices

Disclosure 2-27/206-1/417-2/417-3/418-1

Measurement	Achievement
Non-compliance with laws and regulations	
Legal action against the bank for anti-competitive behaviour, anti-trust, and monopoly practices.	
Incidents of non-compliance concerning marketing communications	No incidents recorded during the year
Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	
Incidents of non-compliance concerning product and service information and labeling	

The Procurement Policy establishes clear guidelines for supplier registration, updated every two years to maintain a comprehensive supplier registry across 26 categories. Suppliers wishing to register in multiple categories must submit separate applications for each. Procurement is conducted through a transparent tender process, ensuring a level playing field for all registered suppliers. However, suppliers who repeatedly fail to submit quotes or delay deliveries risk being blacklisted by the Bank's Procurement Committee.

Community

Community development

Our CSR programme plays a vital role in fostering trust and goodwill within the wider community. As such our branch network spearheads community development efforts in their respective regions. Branch teams actively engage with local communities to understand their needs and provide tailored solutions. CSR activities undertaken by these branches encompass a wide range of initiatives, including livelihood support, capacity building, and disaster relief efforts, delivered as and when required.

The Way Forward



- Developing a differentiated product portfolio targeted at specific customer segments
- Strengthen digital banking capabilities to meet evolving customer preferences and the Gen z segments
- Developing a service driven culture through human capital transformation
- Enhance operational efficiency and cost management
- Foster a culture of risk management and compliance
- Delivering an omni-channel customer experience with a mix of physical and digital touchpoints
- Focus on enhancing customer service and satisfaction

INTELLECTUAL CAPITAL

Value Created and Preserved in 2024

- Transformation of the brand identity
- Ranked among 'LMD's Top 100 Listed Companies'
- Recognised in LMD's Best 100 Brands with a brand value surpassing LKR 1 Billion
- First Sri Lankan Bank to achieve PCI DSS 4.0 certification and ISO 270001-2022 certification
- Enhancing presence in social media channels
- Revamp of the UBG0 App

Capitals Impacted



Financial Capital



Social and Relationship Capital

Sustainable Development Goals (SDGs)



DRIVING INNOVATION AND OPPORTUNITY



The Bank's intellectual capital, encompassing its distinctive tacit knowledge, organisational frameworks, and brand identity, serves as a critical competitive edge in the ever-changing business environment. It plays a vital role in driving sustainable value creation and significantly contributes to profitability and productivity. Leveraging on opportunities through digital transformations, the Bank remains committed to innovation and adaptability, drawing on the expertise and experience of its workforce.

Our Brand Legacy

Since its inception in 1995, Union Bank has built a unique brand identity anchored by its core values of customer centricity, service excellence, collaboration, entrepreneurial mindset by execution and digital first approach. Guided by these principles, the Bank has established itself as a trusted and reliable banking partner committed to transforming lives of customers across the country to achieve their financial aspirations. Union Bank's dedication to exceptional service quality, respect for the dignity of people, and leadership in transforming the local banking industry underscores its enduring legacy.

The Bank's approach to brand building combines service excellence with innovative, customer-centric solutions that meet the evolving needs of individuals, businesses, and corporate clients. By focusing on personalised experiences and leveraging its digital capabilities, the Bank continues to distinguish itself in the competitive financial landscape.

As part of its evolution, In the year 2024, we undertook a significant rebranding effort to reflect its modern, customer-focused vision and the commitment encapsulated in its brand promise, "Transforming Lives." This effort introduced a bold new look and a dynamic new logo, symbolising the Bank's forward-thinking ethos and dedication to service excellence, innovation, and personalised solutions.

Union Bank is positioned to target the affluent customer segments. The Bank rebranded all its branches with a new outlook and created visibility for its products & services in the branch localities. The Bank launched integrated communication campaigns to create visibility for the new brand identity covering ATL, BTL, Digital, and branch locations. Internal Branding campaigns were carried out to ensure the Union Bank team resonated these Brand values.

INTELLECTUAL CAPITAL

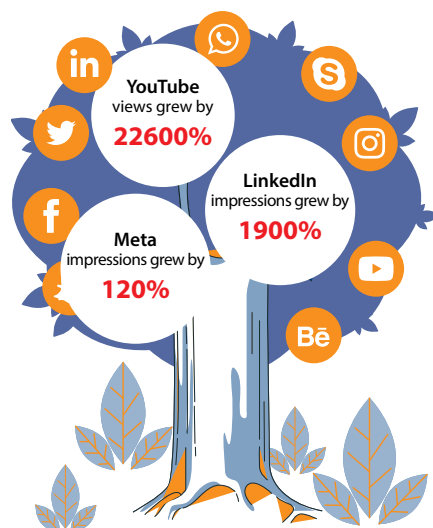
Ranked amongst LMD's Top 100 listed companies with top honors for aspirational workplace, ethical outlook, and unwavering integrity.



Recognised in the LMD's Most Valuable 100 Brands with a brand value surpassing LKR 1 Bn.



Growth in Our Social Media Footprint



Over **82,000** Facebook and over **3,000** Instagram followers - Enhanced visibility and interactions reflecting a stronger connection with both affluent audiences and Gen Z.



Union Bank's LinkedIn highlights initiatives, products, awards, workplace updates, and job vacancies, attracting over **26,000** followers. This growth reflects its rising influence among business and professional audiences.



The Bank's YouTube channel resulted a remarkable surge in video content engagement and audience reach, showcasing the Bank's visual storytelling success.

Leveraging Technology and Innovation

The growing shift toward digital preferences among consumers, coupled with heightened competition from fintechs, is driving a surge in digital investments across banking and payment systems. Union Bank seeks to harness technology to deliver a personalised and frictionless banking experience, with a digitisation strategy that addresses both internal enhancements and external customer needs.

Internally – we aim to upgrade our systems by investing in new technology for process automation, to get more robust returns on investment and focus on enhancing security to enable better internal and external digital stakeholder management.

- Workflow Automation: Streamlined processes have led to faster turnaround times, fewer errors, and cost savings.

Externally: our goals include on-boarding affluent and Gen Z audiences onto digital channels and creating opportunities for cross-selling products and services. Through these digital channels, we will be able to deliver a personalised service to our customers:

- Revamp of UBgo services, introducing an improved UI/UX platform with biometric security features.
- A 360-degree view of customer portfolios, including investments in user-friendly interfaces and new feature integrations.
- Development of "request money" feature from third-party Union Bank customers.
- Improving customer engagement with self-service features such as self-registration, password reset, and standing orders.

- Customising payment collection platforms such Biz Direct to specific customer segments.

During the year our digital banking platforms were revamped, allowing us to provide a better service, Biz Direct and enabling the handling of a greater number of transactions through the digital banking systems. Furthermore, we expanded the UB Direct app to better serve corporate and SME clients, offering enhanced cross-border trading benefits available 24/7, 365 days a year.

With the latest upgrades, the UBgo app gained significant traction, surpassing 38,000 registered users and facilitating transactions exceeding LKR 41 Bn in 2024. To drive customer acquisition, the Bank introduced new digital features, positioning UBgo as the country's most versatile banking app.

To strengthen its digitalisation efforts, the Bank expanded its Cash Recycler Machine (CRM) network, enhancing 24/7 accessibility for cash deposits and withdrawals.



Information Security and Compliance

In a rapidly evolving cyber-threat landscape, the Bank reinforced its security position by obtaining ISO 27001:2022 certification and becoming the first Sri Lankan Bank to achieve PCI DSS 4.0 certification. These accomplishments position Union Bank as a secure and reliable financial institution for customers and stakeholders.

A Security Operations Center (SOC) was established to monitor cyber threats 24/7, enhancing real-time risk mitigation. The Bank also deployed Advance Threat Protection, endpoint security solutions, and Data Loss Prevention (DLP) mechanisms to safeguard sensitive information.

Recognising the importance of a proactive cybersecurity culture, Union Bank launched mandatory cybersecurity awareness programmes for employees, including phishing simulations and cybersecurity newsletters. These initiatives aim to fortify human resilience against evolving cyber risks.

To maintain compliance with Central Bank directives, Union Bank has aligned its IT governance framework with ISO 27001 and PCI DSS standards, ensuring regulatory compliance, operational resilience, and secure data management. The Bank also partners with independent firms for regular penetration testing, reinforcing its cybersecurity defenses.

Process Optimisation and IT Infrastructure

Union Bank has taken strategic steps to automate and modernise internal processes. A key initiative includes the back-office digitisation project, where the Bank is using AI/ML technologies to improve data driven decision making and process improvements.

To further enhance operational efficiency, the Bank embarked on a VPR (Value Process Reengineering) initiative, aimed at optimising process flows. This exercise includes mapping existing workflows, identifying for cash

deposits and withdrawals, and aligning process improvements with IT system upgrades.

The core banking hardware was also upgraded, with a major core banking system enhancement planned for 2025. This upgrade will enable faster processing times, improved customer service, and stronger integration with digital banking platforms.

The Bank maintains an uptime of over 98% across its digital banking infrastructure, reinforcing reliability and customer trust.

Strategic Partnerships

In the competitive banking industry, Union Bank recognises that strategic partnerships are key to driving growth. The Bank collaborates with like-minded partners, both local and international, to align with shared values and goals.

Through partnerships with SLT Mobitel and Cargills Foodcity, Union Bank has become one of the few Banks in Sri Lanka to expand its nationwide presence via a network of authorised banking agents providing basic banking services.

Partnerships with Western Union and Instant Cash Global drive Union Bank's remittance services, while ties with 170+ global correspondent banks strengthen trade facilitation for customers.

Union Bank has participated in all fund allocation rounds of the ADB-funded SME Line of Credit (SMELoC) over the past 3 years, significantly supporting its efforts to assist SME customers nationwide.

The Union Bank School of Social Entrepreneurship (UBSSE) was launched in partnership with the University of Moratuwa and the National Innovation Agency (NIA). This partnership will enhance the knowledge and capacity of entrepreneurs with ideas for startups whilst promoting national entrepreneurship development.

INTELLECTUAL CAPITAL

Membership in Associations

Disclosure 2-28

The Bank has general membership in several sectoral, industrial, and professional organisations and associations. The list of the Bank's corporate memberships with relevant associations are as follows:

- Sri Lanka Banks' Association (Guarantee) Limited
- The Ceylon Chamber of Commerce
- Association of Compliance Officers of Banks - Sri Lanka
- International Chamber of Commerce Sri Lanka
- The National Chamber of Commerce of Sri Lanka
- The Employers' Federation of Ceylon
- Financial Ombudsman Sri Lanka (Guarantee) Limited
- Colombo Stock Exchange
- Sri Lanka Forex Association

The Way Forward



- Increase penetration to the affluent market segments and be the preferred financial partner.
- Enhance service excellence through digital transformation both internal and external.
- Ensure stronger data and customer information protection.
- Build on a strong ESG agenda for sustainable growth.

NATURAL CAPITAL

Value Created and Preserved in 2024

- Working to identify baseline on climate impact of the Bank, commencing with the quantification of Scope 1 and Scope 2 emissions.
- Strengthening the Environmental and Social Risk Management System (ESMS) across the Bank through capacity building programmes and exercising due diligence.
- Setting mid-term targets on sustainability and mobilising on sustainable finance strategies including on energy efficiency, renewable energy and climate smart agriculture and tourism.
- Identifying eight branches that require internal energy audits based on Specific Energy Consumption Benchmarking Regulation.

Capitals Impacted



Financial Capital



Social and Relationship Capital



Manufactured Capital

Sustainable Development Goals (SDGs)



MANAGING OUR ENVIRONMENTAL IMPACT



The triple planetary crisis of climate change, nature loss and pollution are already beginning to impact quality of life and posing challenges to global economic and financial stability. Financial sector regulators such as the Central Bank of Sri Lanka as well as potential investors are already calling on Sri Lankan financial institutions to proactively disclose how respective organisations are responding to the risks emanating from the triple planetary crisis. Union Bank recognises that our biggest impact on the environment, as well as the highest environmental risks to the Bank stems from the Bank's financing portfolio. Therefore, a key imperative of the Bank is to engage Bank's customers through its Environmental and Social Risk Management framework and Sustainable Finance initiatives, whilst continuing to reduce Bank's own footprint and engaging with other stakeholders to make a net positive impact on the environment.

Adoption of Integrated Sustainability Policy

In September 2024, the Bank adopted an Integrated Sustainability Policy that defines the Bank's approach in relation to its environmental performance. Key environmental performance parameters include the robust functioning of Bank's Environmental and Social Risk Management System (ESMS) including proactive management of climate and nature related risks; mobilising sustainable finance in line with Sri Lanka Green Finance Taxonomy; and mobilising on Net Zero ambition commencing with managing Bank's own internal footprint and value chain and then extending to financed and facilitated emissions.

Developing Capability and Operationalising ESMS

In October 2023, the Board of Directors approved the Bank's Environmental and Social Risk Management System (ESMS) Policy and Procedure Manual. Bank has been screening loan facilities coming under refinancing schemes based on this ESMS framework and based on Asian Development Bank safeguard standards. During FY2024, the Bank commenced awareness raising and capacity building for operationalising of the ESMS framework for other client segments with multiple training programmes conducted for personnel from Credit, Risk, SME Banking and Corporate Banking functions. From Q4 2024, pilot implementation of the ESMS

NATURAL CAPITAL

commenced with new Corporate Banking client exposures that exceed LKR 50 Mn in net exposure. ESMS implementation will be broad based to all SME loan facilities above LKR50mn from Q1 2025. The Bank aims to obtain external validation on the robustness of its ESMS from ADB and other international financial institutions for management of medium to high Environmental and Social (E&S) risk facilities.

During FY2024, the Bank also partnered with the USAID Climate Adaptation Project to develop the Bank's capability to advise and support clients in agriculture and tourism sectors on climate adaptation including on nature-based solutions. By the end of FY 2026, the Bank aims to support 20% of its Corporate and SME Clients to develop a Climate & Nature Related Risk Management, Resilience and Adaptation Plan. This will also benefit clients as they progress on IFRS S1 and S2 as well as on guidance relating to TNFD reporting framework.



MoU signed with USAID Climate Adaptation Project to develop the Bank's internal capacity on climate adaptation advisory



Sustainable Finance Performance and Strategy

As of December 2024, the Bank's financing portfolio aligned with Sri Lanka's Green Finance Taxonomy and for Women Empowerment was LKR 1.58 Bn, compared to LKR 2.12 Bn as of December 31, 2023. Below is a snapshot of the year-on-year performance comparison.

Green Finance Taxonomy	Dec 2023 LKR Mn	Dec 2024 LKR Mn	% Change (YoY)
Sustainable Agriculture and Forestry	301.49	287.66	-5%
Sustainable Manufacturing Operations	72.62	49.09	-32%
Renewable Energy	1,478.58	953.02	-36%
Sustainable Transport and Storage	204.15	243.47	19%
Sustainable Construction	28.50	28.74	1%
ICT for Sustainability	21.81	5.77	-74%
Women Empowerment	13.51	12.23	-9%
Total	2,120.65	1,579.98	-25%

The decrease in portfolio aligned to CBSL taxonomy is as a result of repayment of several large ticket facilities in renewable energy, manufacturing and ICT sector.

During FY2024, the Bank identified key sustainable finance focuses and mid-term targets. A particular focus has been set on climate finance, as part of which the Bank has set the target of adding 30MW of renewable energy capacity and enabling 4,200mWh of annual electricity consumption reductions by clients/stakeholders by end of FY2028 as a result of Bank's financial and non-financial support and engagement. To drive this agenda, the Bank has partnered with USAID Sri Lanka Energy Program (USAID SLEP) to develop its internal capacity on Energy Efficiency Financing. Few capacity building programmes were held in FY2024 for management and staff of the Bank with the support of USAID SLEP and Eco33, reputed Energy Service Company. During FY2025, the Bank aims to conduct at least two capacity building programmes for clients (SME and Corporate Banking clients) on energy efficiency measures and availability of energy efficiency finance solutions by the Bank.



Capacity Building Program conducted by USAID Sri Lanka Energy Program Energy Efficiency Financing

The Bank also entered an MoU with Singhagiri Solar to jointly explore opportunities to promote solar energy capacity addition in Sri Lanka with Singhagiri Solar agreeing to provide a discount scheme for Bank's stakeholders including customers, employees and property owners of Bank's leased properties.

Managing Bank's Internal Footprint and Value Chain Impacts

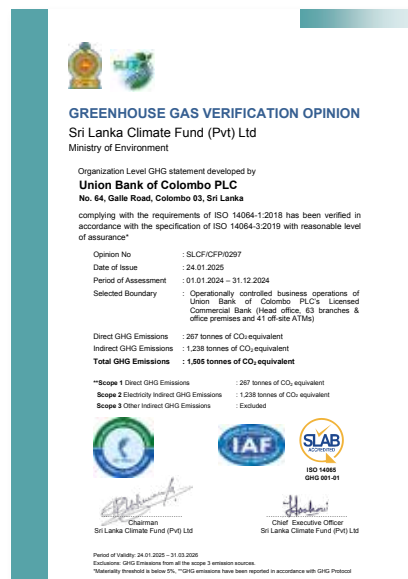
During the year, the Bank placed an emphasis on reducing resource consumption within the Bank by driving a focused, integrated strategy under the leadership of the Chief People and Transformation Officer, bringing together Human Resources, Premises and Administration Departments and also setting up new Sustainability Division and Business Process Re-engineering Division. This will enable both behavioural and cultural changes, process changes and changes to procurement and infrastructure to enable better resource efficiency. The Bank also created a dedicated "Digital Transformation" function to make significant shifts from paper based and physical network based operations to digital operations. The Bank also engaged with its data centre service providers, SLTmobitel and Dialog, to indicate Bank's NetZero emissions and to understand their mobilisations to reduce PUE and tCO₂e of data centre operations.

The Bank intends to integrate the targets to KPIs starting with Key Management Personnel and also conduct employee recognition/ awards programmes to reinforce positive environmental behaviours among its employees from FY2025.

Emissions and Net Zero Strategy

Having agreed internally for the target of achieving Net Zero for Scope 1 and 2 emissions by 2030, the Bank commenced quantification of GHG emissions for the first

time in FY2024 to understand the baseline. The Bank will extend the coverage to some components of Scope 3 by end of FY2025, with the Bank also intending to explore PCAF and Joint Impact Model methodologies/tools in 2025 to identify portfolio impacts.



Scope 1 (Direct Emissions)	tCO ₂ e
Onsite Diesel Generators	40.08
Refrigerant Leakage/ Refilling	183.20
Fire Extinguisher Leakage/ Refilling	0.10
Company Owned Vehicles/ Transport	43.47
Scope 2 (Indirect Emissions from Imported Energy)	
Grid Connected Electricity	1,238
Total Scope 1 and 2 Emissions (further to round- up)	1,505

Energy Consumption

Disclosure 302-1, 302-3

The Bank's largest energy source is grid-connected electricity. In 2024, the Bank consumed 2,891,641kWh of electricity,

reflecting a 17% increase compared to the previous year (7% of the increase is due to better capture of data – eg: electricity use in ATM network). The increase in electricity consumption YoY for branch and office network (without ATMs) is approx. 10%. The Bank also used 14,882 litres of diesel for backup generators. The Bank's leased vehicles consumed 6004.16 litres of diesel and 11444.69 litres of petrol. The total energy usage from these sources in 2024 was 11,614.46 GJ.

The Bank analysed its electricity consumption during the FY2024 in terms of electricity intensity for the Bank's office and branch network. The average electricity intensity in FY2024 was 119 kWh per square meter per year, compared to corresponding figure for FY2023 being 104kWh/m² per annum. Based on this analysis, the Bank has identified 8 branches with relatively high consumption, according to Sri Lanka's Specific Energy Benchmarking Regulation. Bank's energy management efforts are being reviewed at the Executive Committee on Sustainability. The Bank appointed an electrical engineer during the year as its Energy Manager. With the support of Sustainability Function, the Energy Manager is to conduct internal audits of the eight identified branches during H1 2025. The Bank is also considering conducting ASHRAE Level II external audits to identify infrastructure upgrades, if consumption cannot be reduced through behavioural and low-cost options further to internal audits. The Bank is also working together with Singhagiri Solar to offer a special loan scheme for branch property owners to install rooftop solar PV systems on branch/office building rooftops. The Bank currently does not own any premises and all physical locations including off-site ATMs are on rented/leased property.

Paper and Material Consumption

The Bank manages regular consumables through an Inventory Management System (IMS), which tracks usage for 390 Stock Keeping Units (SKUs). However, due to limited adoption, only stock issuances to branches

NATURAL CAPITAL

and departments are recorded. A4 paper accounts for majority of paper consumption. In 2024, the Bank issued 5,406 A4 bundles or 2,703,000 A4 sheets to its departments and branches, compared to 5,229 bundles or 2,614,500 sheets in FY2023. This reflects a 3.38% increase in paper usage YoY. In 2024, 3,310 kg of paper was sent for recycling to Neptune Recyclers, a CEA-approved waste management provider.

The highest A4 consuming departments and branches were reviewed in the meetings of the Executive Committee on Sustainability. Paper usage is also reviewed in Bank's operational excellence efforts. With the appointment of dedicated senior management members on digital and business process re-engineering during the year, multiple processes such as account opening have been streamlined and digital options enabled.

Water Consumption

The Bank's water consumption is mainly from the National Water Supply and Drainage Board (NWSDB). However, for some branches, the water supply is managed by property owners, either through well water or common metering, so total water usage cannot be accurately estimated. For branches where the Bank is the NWSDB account holder, the total water consumption is 20,992 m³. Water use per employee (excluding drinking water) is 17,973 liters per employee. The Bank also procured 26,210 19L water dispenser canisters, totaling 497,990 litres of drinking water.

The Way Forward



We recognise that managing our environmental impact is an ongoing journey requiring continuous effort. Through the implementation of our sustainability strategy and a strong sustainability culture, we aim to positively impact the environment while ensuring the Bank's long-term resilience.

- Increasing investments in renewable energy to reduce reliance on non-renewable sources.
- Setting clear targets for reducing Scope 1 and Scope 2 emissions, with a goal of achieving Net Zero by 2050. Collaborating with industry partners, regulators, and NGOs to foster environmental innovation.
- Expanding financing for green projects and supporting climate-resilient businesses and eco-friendly innovations.

driving
change
transforming
LIVES



BOARD OF DIRECTORS



Left to right: **A. S. Ibrahim** - Independent/Non-Executive Director, **Dilshan Rodrigo** - Executive Director / Chief Executive Officer, **Nirvana Chaudhary** - Deputy Chairman Non Independent / Non Executive Director, **Dinesh Weerakkody** - Chairman Independent / Non-Executive Director



Left to right: **Dilshani Wijayawardana** - Independent / Non-Executive Director, **Malay Mukherjee** - Non-Independent / Non-Executive Director, **Sanjay Pokhrel** - Non-Independent / Non-Executive Director, **Dr. Dharmasri Kumaratunge** - Independent/ Non-Executive Director, **Mahesh Nanayakkara** - Independent / Non-Executive Director

BOARD OF DIRECTORS

Mr. Dinesh Weerakkody

Chairman

Independent, Non-Executive Director

Mr. Dinesh Weerakkody is a corporate leader with extensive experience in banking, governance and policy development. He is the former Chairman of Hatton National Bank PLC, Commercial Bank of Ceylon PLC and a former Director of DFCC Bank PLC. Currently, he serves as the Chairman of the Employers' Federation of Ceylon and is the immediate Past Chairman of the International Chamber of Commerce Sri Lanka. He is also the Senior Vice Chairman of the Sri Lanka Institute of Directors and a Director of several leading companies.

In public service, Mr. Weerakkody was the Advisor on Treasury Affairs to the President from 2022 to 2024, the Chairman of the Colombo Port City Economic Commission and the Board of Investment of Sri Lanka. He also previously chaired the Employees' Trust Fund Board of Sri Lanka, the International Chamber of Commerce, Sri Lanka and the National Human Resource Development Council of Sri Lanka. Additionally, he served as an Advisor to the Prime Minister, to the Ministry of National Policies and Economic Affairs and to the Minister of Tourism Development and Lands.

Mr. Weerakkody holds an Advanced Diploma in Business Administration, United Kingdom (UK) and is a Fellow Member of both the Chartered Institute of Management Accountants, UK and the Certified Management Accountants of Sri Lanka. He is a Professional Member of the Singapore Human Resource Institute and has earned an MBA from the University of Leicester, UK. He was also awarded an Honorary Doctorate from the American National Business University, United States.

His leadership and management expertise are supported by extensive training in economics, finance, HR and management from leading institutions in the UK, USA, France, Japan, Singapore and India.

He was Conferred Honorary Membership by the Institute of Personnel Management of Sri Lanka in 2008 for contributions to Human Resource Management. He is a recipient of the Jaycees Ten Outstanding Young Persons Award (TOYP) in 1999 and was honored with the International Association of Lions Clubs National Achievers Award in 2008 for promoting good governance in the public sector, OPA Apex Award for Banking and Finance in 2022 and was conferred the National Honor Sri Lanka Sikhamani in 2019.

Mr. Nirvana Chaudhary

Deputy Chairman

Non-Independent, Non-Executive Director

Mr. Nirvana Chaudhary has extensive experience as a business leader and currently serves as the Chairman of CG Foods Bangladesh Ltd, Moldcell Modova, CG Pay Nepal Pvt. Ltd and Middle Modi Hydropower Ltd. Additionally, he holds directorships in several companies, including CG Capital Partners Global Pte. Ltd, Nabil Bank Limited, Nepal, CG Electronics Pvt. Ltd, Nepal, CG Cement Industries Pvt. Ltd, CG Foods (Nepal) Pvt. Ltd, CG Brewery Nepal Pvt. Ltd and Himal Hydro and General Construction Ltd, Nepal.

Previously, Mr. Chaudhary served as the Chairman of Union Bank of Colombo PLC, a Director of Culture Financial Holdings Limited and United Insurance Ltd, Nepal and as an Alternate Director of Nabil Bank Ltd.

He holds a Bachelor of Business Administration and a Master of Business Administration (MBA) from Kathmandu University, Nepal and has completed the Entrepreneurial Masters Programs at London Business School, UK and Massachusetts Institute of Technology, USA.

Mr. Dilshan Rodrigo

Executive Director / Chief Executive Officer

Mr. Dilshan Rodrigo is a banking professional with an impressive track record with over two decades of banking experience. He last served as the Executive Director/Chief Operating Officer at Hatton National Bank PLC (HNB) and has held several senior positions across diverse industries including banking, insurance, investment banking and apparel.

He currently serves as a Director of the Credit Information Bureau of Sri Lanka, National Asset Management Ltd and UB Finance PLC. Previously, he has held several Directorships at recognised organisations including HNB Finance PLC, HNB Assurance PLC and Guardian Acuity Management Ltd. He was also the Chairman of Lankan Financial Services Bureau Ltd.

Mr. Rodrigo serves on the Councils of the Sri Lanka Institute of Directors (SLID) and was the Chairman of the Policy Advocacy Committee of the Asian Bankers Association (Taiwan) during 2011/2012 and 2019/2020. He has taught on various Undergraduate and Postgraduate programmes (Chartered Institute of Management Accountants (CIMA), Association of Chartered Certified Accountants (ACCA), Postgraduate Institute of Management - Master of Business Administration (PIM-MBA)) for over a decade. He has also served on the local Councils of CIMA, ACCA and the Risk Professional Forum, the latter two as President for two terms.

Mr. Rodrigo holds a Master of Business Administration (MBA) from Cranfield University, United Kingdom and is a Fellow of both the Chartered Institute of Management Accountants (FCMA) and the Certified Chartered Accountants (FCCA), United Kingdom.

Mr. Sabry Ibrahim

Independent, Non-Executive Director

Mr. Sabry Ibrahim has over 37 years of banking experience primarily in the areas of Corporate Banking, Treasury Management and Risk Management. He currently serves on the Boards of Asset Trust Management (Pvt) Ltd, Fintrex Finance Limited and Real Image International Pvt Ltd.

Mr. Ibrahim has previously served as a Director of People's Insurance PLC, People's Merchant Finance PLC, People's Leasing Fleet Management Limited, People's Leasing Havelock Properties Limited, People's Micro-Commerce Limited, People's Leasing Property Development Limited and Lankan Alliance Finance Limited in Bangladesh.

Mr. Ibrahim served as the Chief Executive Officer of People's Leasing and Finance PLC from July 2017 to November 2020 and prior to that held very senior positions both locally and internationally including, Senior Deputy General Manager, Wholesale Banking (October 2014 to September 2016) and Senior Deputy General Manager, Risk Management (August 2007 to October 2014) and Senior General Manager – Corporate Banking of People's Bank, Deputy General Manager, Head of Treasury, Head of Corporate Banking and Recoveries, Chief Risk Officer and Chief Credit Officer of Hatton National Bank PLC (2004 to July 2007) and Head of Credit and GSAM, Standard Chartered Bank (2002 to 2004).

He holds an Honours Degree (BSc) in Physics from the University of Colombo and is a Fellow of the Chartered Institute of Bankers - UK (FCIB).

Mr. Malay Mukherjee

Non-Independent, Non-Executive Director

Mr. Malay Mukherjee counts over 43 years of banking experience primarily in the areas of Risk, Audit and IT. Mr. Mukherjee presently serves as the Chairman of Chartered Finance Management (Pvt) Ltd, India, National Asset Management Limited, Sri Lanka and UB Finance PLC, Sri Lanka. He is also a Director of Nabil Bank Limited, Nepal, an Independent Director of Shivalik Small Finance Bank, India, and Dilip Buildcon Limited, India and also works as a Consultant to the Asian Development Bank.

He has previously served as the Managing Director and Chief Executive Officer of IFCI Limited, India (December 2013 to December 2016) and an Executive Director of the Central Bank of India (September 2012 to December 2013). He was the General Manager in charge of the Risk Management Department and the Technology Management Department of Indian Bank at its Corporate Office in Chennai, India, the Chairman of the Board of Directors of Management Development Institute and Institute of Leadership Development and a Member of the Governing Body of Entrepreneurship Development Institute of India. He was also the Chairman of the Board of Directors of IFCI Factors Limited, IFCI Infrastructure Development Limited, Tourism Finance Corporation of India Limited, IFCI Financial Services Limited, IFCI Venture Capital Funds Limited and Stock Holding Corporation of India Limited.

Mr. Mukherjee holds a Master of Science (MSc) in Physics from Banaras Hindu University, India and was awarded an Honorary Fellowship in Banking and Finance from the Indian Institute of Banking and Finance, India.

BOARD OF DIRECTORS

Mr. Sanjay Pokhrel

Non-Independent, Non-Executive Director

Mr. Sanjay Pokhrel is a Chartered Accountant (ICAI) and a Chartered Financial Analyst (CFA®) with over 11 years of experience in Mergers and Acquisitions, Investment Management, Treasury Management, Fundraising and Project Management.

Mr. Pokhrel currently serves on the Boards of Nabil Bank Limited, Nepal, CG Cell Technologies DAC, Ireland, UB Finance PLC and National Asset Management Limited. Previously, he served as a Director of Culture Financial Holdings Limited.

Additionally, Mr. Pokhrel is the Head of Mergers and Acquisitions at CG Corp Global's International Headquarters in Dubai. He is responsible for leading the overall investment processes, asset management function for Telecom and Financial Services and manages the overall treasury and family office function. He has also led CG's impact investment vertical, PSP Business and the FTTX business for the Group. His past experience includes leading a private equity fund focused on early stage Nepalese business funds and renewable energy within Nepal, investment banking, merchant banking and corporate advisory function for a leading PE and Investment Banking firm in Nepal.

Ms. Dilshani Wijayawardana

Independent, Non-Executive Director

Ms. Dilshani Wijayawardana is an Attorney-at-Law of the Supreme Court of Sri Lanka. She holds a Master of Laws (LL.M) degree from the University of Cambridge and has been in active commercial law practice since 1996. Currently, she appears in both primary and appellate court litigation. Additionally, Ms. Wijayawardana serves as a Board member of Senkadagala Finance PLC.

Ms. Wijayawardana began her legal career in the year 1996 as a Research Assistant to Hon. Justice Mark Fernando and then went on to work as a Legal Executive at Shook Lin and Bok-Advocates and Solicitors, Singapore in the year 1999. She has published many articles on Commercial law and is also the Co-author of the book 'Company Law', published in the year 2014.

She has served as a Commissioner at the Securities and Exchange Commission of Sri Lanka. She also served as a Member of the Committee appointed for the revision of the Code of Intellectual Property in Sri Lanka and the Advisory Committee appointed for the drafting of the new Securities and Exchange Act.

Dr. Dharmasri Kumaratunge

Independent, Non-Executive Director

Dr. Dharmasri Kumaratunge has over 35 years of extensive experience in Banking and Finance, Financial Technology, IT and International Trade, Payment Processing, Information and Communication Technology and Digital Transformation. Dr. Kumaratunge currently serves as the Chairman of PayMedia (Pvt) Ltd and also as a Consultant, Public Policy at Mastercard, Sri Lanka and Maldives.

He held the position of Assistant Governor at the Central Bank of Sri Lanka (CBSL) and was a Director of the Payments and Settlements Department at CBSL from 2016 to 2022. Additionally, he served as the Secretary to the Ministry of Technology until September 2024. He also served as Chairman of the Telecommunications Regulatory Commission of Sri Lanka and the Information and Communication Technology Agency until September 2024. Dr. Kumaratunge has held several key leadership positions in several organisations. He served as the Senior National Consultant for the International Trade Centre (UN), Consultant at the PayMedia (Pvt) Ltd. Additionally, he served as a Board Member of the Lanka Clear (Pvt) Ltd (now LankaPay) and Lanka Financial Service Bureau (LFSBL), DirectPay (Pvt) Ltd, and CelaTa Tech (Pvt) Ltd. Dr. Kumaratunge was also a Member of the Governing Council of the National Institute of Business Management. He has also served as a Member representing various Cabinet appointed Subcommittees on investigating and recommending effective utilisation of the Revenue Administration Management Information System (RAMIS) and Expert Committee Appointed to study on Digital Banking, Blockchain Technology and Blockchain related industries.

He also served as the Alternate Country Director for the Asian Clearing Union (ACU) and as Country Director for the SAARC Payment Council from 2016 to 2022. Earlier in his career at the CBSL, Dr. Kumaratunge worked in several departments in different positions including the Economic Research Department, Information Technology Department, Payments and Settlements Department, Centre for Banking Studies and Management Audit Department. Before joining the Central Bank, he also worked at the Cooperative Wholesale Establishment (CWE) as a Manager Export and M/S Thornton Panditharatne & Co (Chartered Accountants).

Dr. Kumaratunge holds a Doctor of Philosophy (PhD) in Business Management, Philippines, a Master of Science (MSc) and Postgraduate Diploma in Information Technology from the University of Colombo School of Computing as well as a Master of Arts (MA) in Economics and a Postgraduate Diploma in Economics, United Kingdom.

Mr. Mahesh Nanayakkara

Independent Non-Executive Director

With over 30 years' experience in the financial services industry, Mr. Mahesh Nanayakkara currently serves as the Managing Director/Chief Executive Officer of Citizens Development Business Finance PLC (CDB). Over the past two decades, he has successfully led a vibrant team of young professionals, driving the transformation of CDB from a company with a negative net worth to an entity that today stands among the top four largest NBFIs in the country.

Previously, Mr. Nanayakkara served as the Chairman of Unisons Capital Leasing Ltd and as a Director of Biodiversity, Sri Lanka.

He also played a pivotal role in establishing the Autism Trust Fund, a collaboration between CDB and the Sri Lanka Association for Child Development (SLACD), focusing on raising awareness, early detection and intervention for autism in Sri Lanka.

Mr. Nanayakkara holds a Bachelor of Science (BSc) in Business Administration and a Master of Business Administration (MBA) from the Postgraduate Institute of Management (PIM), University of Sri Jayawardenepura. He is a Fellow of the Chartered Institute of Management Accountants (CIMA), United Kingdom (UK). His other training includes an Executive Development Programme at the Harvard Business School, Boston, United States and the Cambridge Centre for Alternative Finance (CCAF), University of Cambridge, UK.

CORPORATE MANAGEMENT TEAM



Left to right : **Nisala Kodippili** - Chief Technology Officer, **Tharindu Gamage** - Assistant Vice President / Head of Compliance, **Thishani Dissanayake** - Vice President Marketing, **Gayana Ranaweera** - Chief Credit Officer, **Rushira De Silva** - Head of Corporate Banking, **Mahendra Illangasinghe** - Vice President Branch Network Distribution, **Asanka Ranhoty** - Chief Business Officer, **Dilshan Rodrigo** - Executive Director / Chief Executive Officer



Left to right: **Jayantha Amarasinghe** - Chief People and Transformation Officer, **Chaya Jayawardane** - Senior Vice President Retail Banking, **Sampath Weerasinghe** - Chief Risk Officer, **Sandamali Munasinghe** - Vice President - Head of Legal, **Priyantha Gamage** - Vice President - Head of Operations / Chief Information Security Officer, **Laswie Tsung** - Company Secretary, **Chandima Samarasinghe** - Vice President Internal Audit, **Brian Joseph** - Vice President – Treasury

VICE PRESIDENTS



Left to right: **Malinda Perera** - Vice President - Head of Cards, Asset Products, Service Quality & Contact Centre, **Manisha Fernando** - Vice President - Digital Banking, **Dinuk Perera** - Vice President - Head of SME, **Ayesha Naotunna** - Vice President - Financial Controller **Asanga Tennakoon** - Vice President - Corporate Banking Team Head - Unit II

ASSISTANT VICE PRESIDENTS



Left to right: **Jayanath Kariyakarawana** - Assistant Vice President - Recoveries, **Nalin Ahangama** - Assistant Vice President - Trade Services
Anuruddha Ranasinghe - Assistant Vice President - Regional Head North Western Region, **Saman Kottawatta** - Assistant Vice
President - Regional Head Metro 2 Region, **Kasun De Silva** - Assistant Vice President - Head of Deposit Mobilisation, **Chaminda
Fernando** - Assistant Vice President - Regional Head Metro 1 Region

CHIEF MANAGERS



Left to right: **Rajieve Samarasinha** - Head of Data Centre, **Shehan Uduwara** - Chief Manager - Recoveries, **Achala Ratnayake** - Chief Manager- Management Reporting and Strategic Planning, **Kasun Balasooriya** - Head of Leasing, **Ayesha Thennakone** - Deputy Head of Internal Audit, **Minoli Fernando** - Chief Manager - Finance, **Chandani Perera** - Chief Manager - Credit Administration, **Roshan Fernando** - Chief Manager - Internal Audit, **Kanchana De Silva** - Chief Manager - Trade Services, **Sivarajah Piratheepan** - Chief Manager - Regional Head North & East Region



Left to right: **Janaka Iroshan** - Chief Manager - Application Development & Support, **Nadika Senaratne** - Chief Manager - IT Operations
Asanka Ranasinghe - Chief Manager - Unit Head - Post Credit Monitoring, **Irani Karunanayake** - Chief Manager - Legal
(Conveyancing), **Darsha Hendahewa** - Chief Manager - Treasury – Bank Notes Operations, **Devani Konara** - Chief Manager -
Human Resources, **Nilmini Weerasekera** - Chief Manager - Corporate Banking, **Dilaksha Fernando** - Chief Manager - SME Banking,
Shabbir Raheem - Chief Manager - Customer On-boarding and Card Operations, **Dhanushka Sethuhewa** - Chief Manager - Risk
Management

CHIEF MANAGERS



Left to right: **Geeth Sirisena** - Chief Manager - SME Banking, **Chalith Perera** - Unit Head - Asset Products Management, **Sailajah Nadarajah** - Chief Manager - Treasury, **Salinda Kumarasiri** - Chief Manager - Credit Risk, **Christella Sivapragasam** - Chief Manager - Head of Elite, **Nirosha Kapurubandara** - Chief Manager - Retail Credit - Retail Banking Department, **Charitha De Silva** - Chief Manager - Litigation, **Madhavi Obadage** - Unit Head - Credit, **Adheesha Perera** - Head of Sustainability

SENIOR MANAGERS



Left to right: **Harsha Rajapaksha** - Senior Manager SME (Southern Region), **Premil Cooray** - Senior Manager - IT Service & Project Management, **Asela Jayasekara** - Senior Manager - Zonal Operations and Compliance, **Ranmalee Jayasuriya** - Senior Manager - Customer Experience, **Thilan Silva** - Senior Manager - Payment Systems - IT Payment Systems, **Gayan Lokupitiya** - Senior Manager - Application Administration, **Jesdharajan Shanmugeswaran** - Senior Manager - Kotahena Branch, **Nalaka Kotinkaduwa** - Senior Manager - Regional Credit (Central Region)

SENIOR MANAGERS



Left to right: **Sechithra Serasinghe** - Senior Manager - Development Financing, Portfolio Monitoring, Factoring & Business Revival/ Rehabilitation, **Dilan Rodrigo** - Senior Manager - Transaction Banking, **Frank Nesarajah** - Cluster Head - Trade Hub – Metro 2, **Iroshini Suriyasena** - Senior Manager - Corporate Banking Unit II, **Robin Perera** - Senior Manager - OMS Branch, **Lakna Niriella** - Senior Manager - Business Process Re-Engineering, **Chethiya Weerasinghe** - Senior Manager -Regional Credit Metro 2, **Rangika Ekanayaka** - Senior Manager - Nugegoda Branch, **Osadhi Gunasekara** - Senior Manager - Internal Audit, **Vasantha Perera** - Senior Manager - Negombo Branch, **Sandun Wijsekera** - Senior Manager - Branch Network Operations, **Hasitha Wijeratne** - Senior Manager - Head Office Branch



Left to right: **Shalitha Silva** - Senior Manager - Remittances, **Suranga Jayaweera** - Senior Manager - Liability Products Management
Amila Erandi - Senior Manager - Internal Audit, **Hiran De Silva** - Senior Manager - Recoveries,
Naomi Jebaratnam - Senior Manager - Treasury, **Shane Martyn** - Senior Manager - Finance, **Suhashini Corea** - Senior Relationship
Manager - Corporate Banking, **Indika Igalawithana** - Senior Manager - Recoveries, **Natalie Salgado** - Senior Manager - Treasury,
Praveen Dehideniya - Senior Manager - IT Security & Governance

SENIOR MANAGERS



Left to right: **Dulin Rajapakse** - Senior Manager - Technology Risk, **Pradeep Namasivayam** - Senior Manager - Card Products, **Prathapa Karunasinghe** - Senior Manager - Credit Underwriting, **Oshadhi Hapangama** - Senior Manager - Retail MIS & Analytics, **Yohan Alahakoon** - Senior Manager - SME (North Western Region), **Kasun Parakrama** - Senior Manager - Process Control & Branch Operation, **Shiromi Priyadarshani** - Senior Manager - Legal, **Sathsara Palathanthri** - Senior Manager - Card Underwriting, **Chrislan Algama** - Head of Pawning

CORPORATE GOVERNANCE

Chairman's Statement on Corporate Governance

"We uphold the highest standards of corporate integrity, supported by a strong governance framework founded on values such as profound leadership, robust internal controls and a strong culture of risk and compliance, all of which are essential to achieving our purpose and strategy."

Dear Stakeholders,

We, at Union Bank of Colombo PLC, firmly believe in dealing equitably and with fairness with all our stakeholders, while being accountable and responsible in all our actions. We are committed to maintaining transparency at all times, particularly through the disclosure of relevant and material information, in line with the core principles of corporate governance. Our approach is aimed at maximising long term value while safeguarding the interests of all our stakeholders.

As Chairman of the Bank, I am pleased to affirm that we uphold the highest standards of corporate integrity, supported by a strong governance framework. This framework is founded on values such as profound leadership, robust internal controls and a strong culture of risk and compliance, all of which are essential to achieving our purpose and strategy. The Board's primary responsibility is to ensure a sound governance and management structure for the Bank, providing leadership, strategic guidance, balanced oversight, effective decision-making and risk management, while meeting the expectations of our stakeholders.

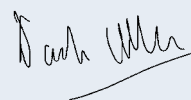
In a year marked by global uncertainty and challenging conditions, we have scaled up operations while maintaining profitability. By adapting to these challenges, the Bank's

core banking businesses have demonstrated robust performance, transforming obstacles into competitive advantages, all while upholding the core principles, ethical standards and values of corporate governance.

In response to Environmental, Social and Governance (ESG) sustainability measures, we have made a conscious effort to engage with stakeholders, valuing their feedback on various aspects of our business operations. We have ensured transparent processes in appointment and re-election of Directors and carried out our business in full compliance with applicable statutory and regulatory requirements, maintaining confidentiality and avoiding conflicts of interest. Additionally, we have effectively managed related party transactions, exercised oversight of the Board Sub-committees in fulfilling their responsibilities and focused on key areas such as succession planning for Directors and Key Management Personnel, the reward management structure and performance evaluations.

While remaining committed to consistently delivering greater value to our stakeholders, I would like to conclude by affirming, as Chairman, that the Bank has fully complied with Direction No. 11 of 2007 on Corporate Governance issued by the Central Bank of Sri Lanka under the Banking Act No. 30 of 1988 (as amended), as outlined in this Report. We have also adhered to Section 9 on Corporate

Governance in the Listing Rules issued by the Colombo Stock Exchange. The observations in the External Auditors' 'Factual Findings Report' regarding compliance with the aforementioned Direction are consistent with this Report. To the best of my knowledge, there have been no material violations of the said Direction.



Dinesh Weerakkody
Chairman

Colombo
28 February 2025

CORPORATE GOVERNANCE

Bank's Corporate Governance Framework

The Bank's Corporate Governance Framework has been established based on the requirements of the Banking Act Direction No 11 of 2007 on Corporate Governance (the Direction) issued by the Central Bank of Sri Lanka (CBSL) and Section 9 of the Listing Rules on Corporate Governance (the Listing Rules) issued by the Colombo Stock Exchange (CSE).

Disclosure 2-9, 2-11

Governance Structure

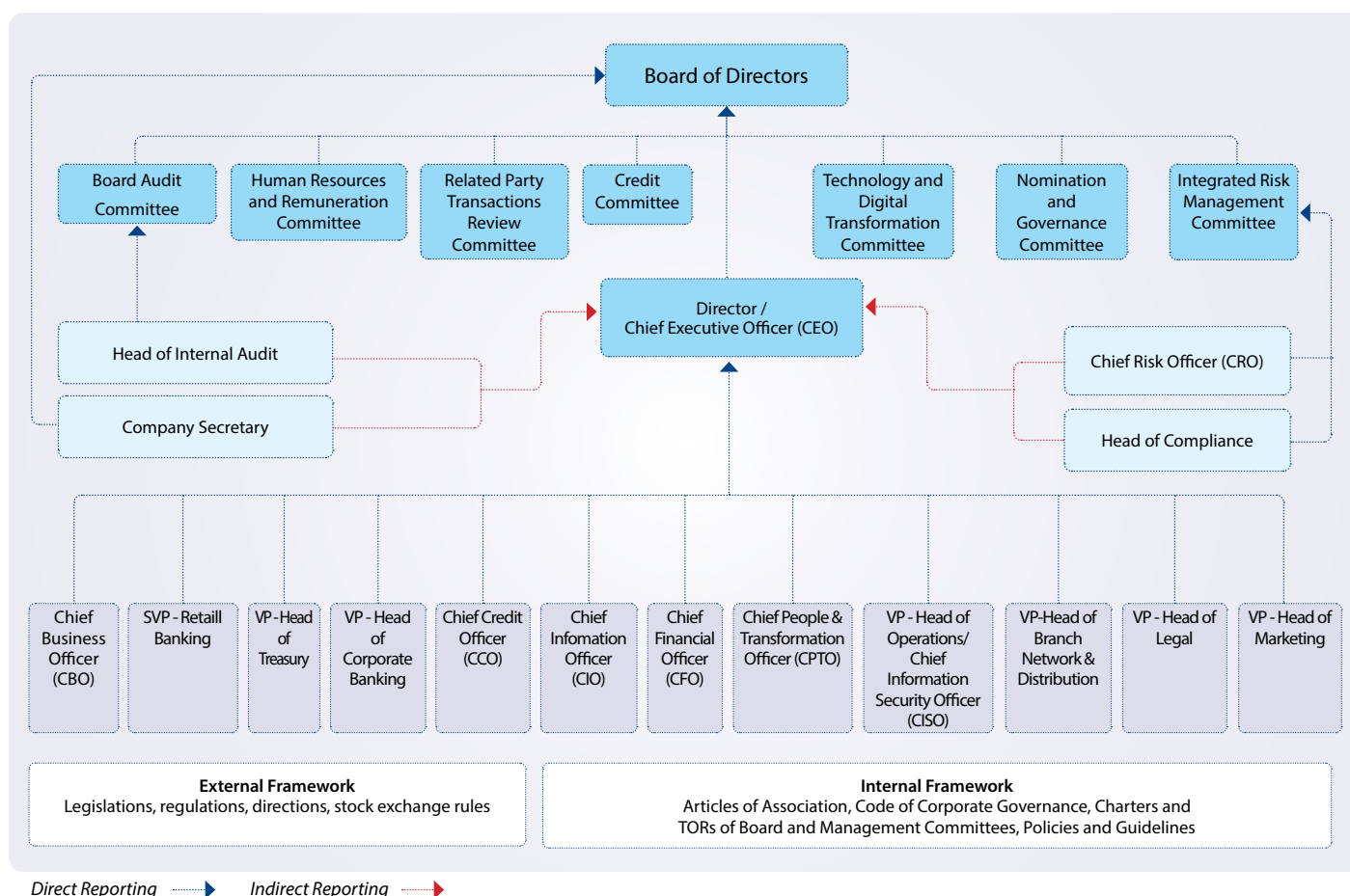
The Bank upholds a steadfast commitment to maintain high standards of Corporate

Governance by continuously improving the Corporate Governance practices as per the applicable statutory and regulatory provisions to ensure that the Bank's business is aligned with the Governance requirements although the Bank's approach to governance is not limited to Rules and Regulations. It recognises the pivotal role that good governance plays in fostering growth and instilling trust and confidence amongst stakeholders, which is the key to deliver the Bank's purpose and strategy.

At the core of the Bank's governance structure, are the principles of competent leadership, robust internal controls, a resilient risk culture, effective delegation of power,

adequate oversight for decision making and a commitment to being accountable to stakeholder needs and business.

Regular scrutiny of its governance structures is a standard practice for the Bank and is primarily aimed at ensuring effectiveness in facilitating sound decision-making. This ongoing review process is geared towards establishing a corporate value based culture that resonates with the Bank's overarching purpose, promoting sustainable growth and aligning with evolving best practices.



The Bank has adopted this Governance structure in order to guide the performance of the Board of Directors, Board Sub-Committees, Management, Management Committees and employees productively and successfully, maintaining consistency.

Competent Leadership

The Bank's competent and effective Board structure develops and promotes the Bank's purpose in line with its vision and mission. It ensures that the Bank's values, strategy and culture are aligned with its purpose and objectives.

Board of Directors

The Board of Directors (the Board) assumes a crucial responsibility in establishing governance standards that align with the expectations of the Bank's stakeholders. The leadership model deployed by the Bank ensures a judicious equilibrium of power, accountability and independence in decision-making across its diverse functional units.

Disclosure 2-12, 2-14

Role and Focus of the Board

The Board assumes the leadership role of setting the precedence for upholding high standards of professionalism and ethics. The Board's primary responsibilities encompass the oversight of the Bank's operations, effective governance of key affairs, articulating the vision and mission, approving business strategies and objectives, evaluating performance, assessing major risks, succession planning for the Board as well as the Bank's Key Management Personnel and ensuring compliance with relevant laws and regulations.

The Board, as the highest decision making authority of the Bank, bears the responsibility for the Bank's long-term success, being accountable to shareholders and other stakeholders for financial and operational performance.

The Board's Terms of Reference are set out in a written Charter known as, "The Code of Corporate Governance", which outlines the

role, responsibilities and composition of the Board and the manner in which it discharges its responsibilities. This mandate undergoes periodic reviews to ensure alignment with applicable legislation, regulatory requirements and the Bank's Articles of Association. Board focuses on key issues and tasks facing the Bank and on topics of interest to the Board in consultation with the Executive Director / CEO, and senior management of the Bank.

Disclosure 2-10, 2-12

Key Responsibilities of the Board

- Deploying a governance framework, which maintains an effective control over all aspects of the Bank and supports the strategic objectives of the Bank.
- Setting the strategic direction and long-term goals of the Bank and ensuring that adequate resources are available to achieve the Bank's strategic objectives.
- Delegating specific functions to its Sub-committees, each with well-defined mandates and decision-making rights, (without diluting its own authority), as per the established Governance Framework enabling the Board to allocate adequate attention to matters reserved for its decision-making, while also ensuring that delegated responsibilities receive comprehensive scrutiny.
- Monitoring the responsibilities delegated to the Board Sub-committees to ensure proper and effective oversight and control of the Bank's activities.
- Establishing a framework for Internal Controls and risk management and risk appetite of the Bank.
- Reviewing management performance.
- Determining the Bank's values and standards and ensuring that obligations to its stakeholders are understood and met.
- Developing succession plans for the Directors and Key Management Personnel.
- Considering sustainability issues (including environmental, social and governance factors) as part of the Bank's strategy.
- Approving capital management initiatives and financial plans to be implemented across the Bank.
- Ensuring that guidance is provided with regard to trading in securities of the Bank.
- Ensuring that the Bank complies with the statutory and regulatory requirements including those specified in the Companies Act No. 7 of 2007 (as amended), Banking Act No. 30 of 1988 (as amended) and the Directions and Guidelines issued thereunder and the Listing Rules and the Continuing Listing Rules issued by the Colombo Stock Exchange.
- Ensuring compliance with the provisions of statutes relating to Money Laundering, Terrorist Financing, Bribery and Corruption.
- Promoting corporate sustainability including key performance indicators to Environmental, Social and Governance (ESG) criteria in order for the Bank to align their practices with environmental stewardship, social responsibility and strong governance.
- Providing a mechanism to ensure that Directors and Management are kept abreast of the applicable Laws, Rules and Regulations with proper training.
- Appointing the Company Secretary.
- Approving Revolving Corporate Strategic Plan and Budget for the Bank.

Disclosure 2-10

Composition

The Board comprises of a wide array of diverse professionals, who provide collective experience and expertise to the Board contributing a well-rounded blend of attributes, essential for fulfilling their duties and responsibilities in support of sound decision-making, ultimately aligning with the Bank's strategic objectives. The Board complies with the criteria for determining

CORPORATE GOVERNANCE

independence set out in Rule 9.8.3 of the Listing Rules. The Board uses these Categorical Standards to assist with its determination of status of each Director's independence.

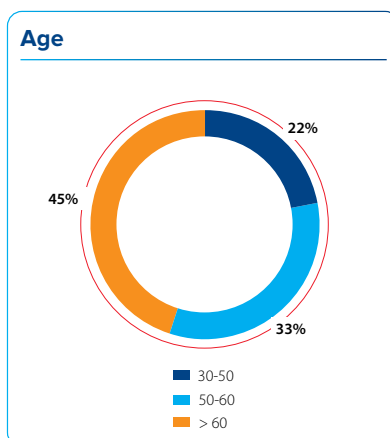
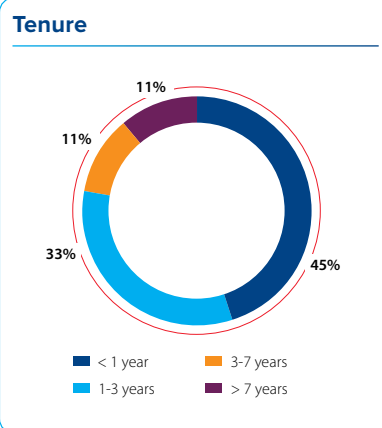
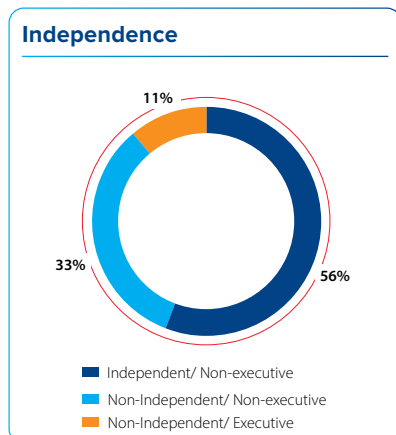
As at the closure of the financial year-ended 31st December 2024, the Board comprised of nine members. Amongst them, eight were Non-Executive Directors. Five of the nine Directors were Independent Non- Executive Directors. The Chief Executive Officer was the only Executive Director on the Board. This composition underscores the Board's commitment to maintain a diverse and well-qualified membership, fostering effective governance and decision-making processes.

Senior Independent Director

Mr. Trevine Fernandopulle, Independent Non-Executive Director and Deputy Chairman, served as the Bank's Senior Independent Director until his retirement from office on 23rd November 2024.

Disclosure 2-10

Board Diversity



The current composition of the Board reflects a judicious mix of knowledge, skills, experience and diversity. Adequate measures are in place to safeguard the independence of the Board, reinforcing its ability to make objective and impartial decisions.

Detailed profiles of the Board of Directors, encompassing their individual experiences and expertise, can be found on pages 86 to 89 of the Annual Report.

Board Meetings

Regular Board meetings were scheduled at approximately monthly intervals, with additional special meetings convened as required by business exigencies. During these meetings, the Board considered business philosophy, strategic matters, established risk parameters, approved financial results and budgets and oversaw the implementation

of delegated responsibilities, comprehensive feedback from Board Sub-committees, key performance indicators, variance reports and industry trends forming an integral part of the discussions.

Meeting dates were communicated to the Board in advance. The Company Secretary in consultation with the Chairman and the Executive Director, meticulously planned and compiled the agenda for each meeting. The agenda was designed to be comprehensive yet flexible, accommodating any necessary adjustments. Directors received complete information related to agenda items in advance, accessible through a secure portal on tablet devices provided to them.

The Chairman actively fostered an environment of open and candid debate amongst all Directors during each Board meeting. Directors were encouraged to freely express their views. Decisions were reached either unanimously or by consensus and any dissenting views raised by Directors if any, were duly recorded in the meeting minutes, ensuring transparency and accountability in the decision-making process.

The table on Page 108 of this Annual Report provides the details of attendance of the Members of Board and of Board Sub-Committees in respect of the Board and Board Sub-Committee meetings held during the year 2024.

Effective Engagement with the Board

The Board had access to the Bank's senior management, as well as any other relevant internal and external parties and information and was able to make any necessary inquiries to fulfill its responsibilities. The Chief Financial Officer consistently delivered detailed monthly financial performance reports to the Board, fostering a well-informed and efficient decision-making process.

The Board cultivated a close relationship built on trust with the Executive Director/CEO, offering support, advice, and feedback while respecting his executive responsibilities.

Disclosure 2-10

Succession Planning and Appointments to the Board

The Board proactively manages its own succession planning process, with the assistance of the Nomination and Governance Committee. The Board continues to oversee Executive Director/ CEO's continuity and succession planning and succession planning for Key Management Personnel to promote continuity in senior management. Several key considerations that were taken into account by the Board in this process include the following:

- Skills, expertise and experience necessary to meet the strategic vision for the business;
- Means by which Board performance could be enhanced, both at an individual Director level and at composite level;
- Skills, expertise and experience currently represented at the Board and skills, expertise and experience not adequately represented at the Board; and
- The process necessary to ensure the selection of a candidate who possesses those qualities.

The Board Nomination and Governance Committee evaluated the appointment of Directors to the Board and Board Sub-Committees of the Bank, adhering to the applicable regulatory provisions.

All appointments, elections and re-elections to the Board were made based on merit, with careful consideration given to factors such as Board's balance, composition, background, experience as well as the overall level of contribution each could offer. The Board evaluated and ensured a balanced mix of skills, independence, knowledge, and diversity representation during the year under review. The decisions for appointment were made taking into account, factors crucial for the Board's effectiveness on the recommendation of the Board Nomination and Governance Committee.

The Board Nomination and Governance Committee is entrusted with the responsibility of identifying and recommending suitable candidates as Directors as well as Key Management Personnel for formal consideration by the Board. The Code of Corporate Governance and the Articles of Association outline a comprehensive procedure for the selection and appointment of Directors.

As per the Articles of Association, a Director appointed by the Board holds office until the next Annual General Meeting, where such Director shall retire and offer him/herself for election by shareholders. Additionally, one-third of the Bank's Non-executive Directors shall retire by rotation at each Annual General Meeting and may seek re-election by shareholders.

The Board Nomination and Governance Committee assessed the suitability of Directors eligible for re-election at the upcoming Annual General Meeting and the Board, following this Committee's recommendation, submits the recommended re-elections for shareholders' approval.

Directors do not participate in discussions related to their own re-appointment/ re-election.

The Board extends its focus beyond its own composition to include Succession Planning for the Bank's Key Management Personnel as well. With the assistance of the Board Nomination and Governance Committee, the Board considers the immediate, emerging, and long-term succession plan for relevant roles within the organisation. This comprehensive approach ensures a well-structured and forward-looking strategy for leadership continuity.

Disclosure 2-17

Induction, On-going Education and Access to Information and Advice

Upon their appointment, all new Directors undergo a comprehensive induction programme designed to facilitate a thorough

understanding of the Bank's values, culture, customer focus, business operations, financial affairs, governance framework, strategic position, risk management and their specific responsibilities as Directors in accordance with applicable legal and regulatory requirements.

The Bank places a strong emphasis on the continuous development of its Directors. Consequently, ongoing education is a key focus, ensuring that Directors are continuously updated on all relevant legislation, regulations, changes to rules, standards and codes, as well as pertinent sector developments that could potentially influence the Bank and its operations.

As part of continuous education for Directors, Directors are entitled to seek independent advice from internal and/or external experts on such respective subjects, at the Bank's expense, on any matter relevant and/or under discussion and/or pertinent to the Bank's business in accordance with the established formal procedures. External and/or internal experts may be invited to present the matters desired to be discussed and/or information sought on to the Board, offering updates on such matters that may impact the Bank's affairs including corporate governance, risk management, tax and accounting. This approach underscores the Board's commitment to maintain a well-informed and proficient directorate.

Additionally, the Directors are provided with access to information essential for the effective discharge of their individual and collective responsibilities through means including seeking guidance from the Company Secretary and other Key Management Personnel.

Disclosure 2-18

Annual Evaluations

The Board and the Board Sub-Committees evaluated their own effectiveness through the annual formal assessment of their performance with the assistance of the Company Secretary at the conclusion of the financial year ended on 31st December

CORPORATE GOVERNANCE

2024 in accordance with the applicable procedure established by the Nominations and Governance Committee.

This evaluation was carried out through a standardised questionnaire structured in accordance with the Code of Corporate Governance and relevant rules and regulations. The questionnaire was designed to delve into key areas, including but not limited to Board composition and expertise, organisational culture and stakeholder engagement, Board dynamics, management and focus of meetings, effectiveness of Board Sub-committees, strategic oversight, risk

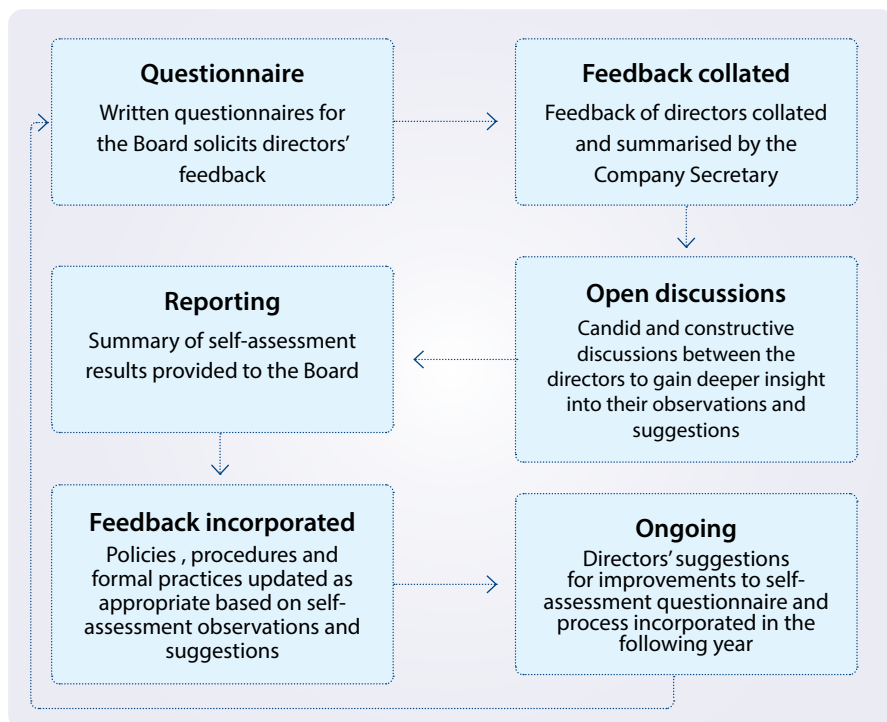
management and internal controls, as well as succession planning and human resource management.

This systematic assessment process ensures a comprehensive and in-depth review of the Board's and Board Sub-Committees' performance, facilitating continuous improvement and alignment with the highest standards of corporate governance. The outcomes of these evaluations contribute to the Board's commitment to enhancing its effectiveness, governance practices and overall contribution to the Bank's strategic objectives.

- a) Board Nominations and Governance Committee
- b) Board Human Resources and Remuneration Committee
- c) Board Audit Committee
- d) Board Integrated Risk Management Committee
- e) Board Related Party Transaction Review Committee

Board Sub-committees have provided full disclosure, transparency and regular reporting to the Board of their respective proceedings, matters considered and decisions through submitting their respective minutes of the meetings during each subsequent Board meeting. Subject to the regulatory limitations, the practice of cross-committee membership fosters visibility and awareness of matters relevant across different Board Sub-committees. These approaches reinforce a collaborative and informed governance structure, where Board Sub-committees operate as vital support mechanisms under the overarching supervision of the Board.

The commitment to enhanced Corporate Governance is highlighted by the deliberate initiative to ensure that statutory Sub-committees are led by Independent Non-Executive Directors. Recognising the pivotal role played by these Board Sub-committees in specific areas, the appointment of Independent Non-Executive Directors aims to strengthen transparency, accountability, and objective decision-making. Board Sub-Committee Chairpersons are accountable for ensuring the efficient functioning of the respective Sub-Committees they lead.



Disclosure 2-10

Board Sub-Committees

The Board has established several Board Sub-committees, each assigned with specific responsibilities outlined in their respective Charters or the Terms of Reference, as the case may be, approved by the Board. These Sub-committees play a crucial role in assisting the Board in fulfilling its duties and responsibilities. It is important to note that the ultimate responsibility always rests with the Board and it does not relinquish this responsibility to the

Sub-committees. The Board performs much of its work with the assistance of the Board Sub-committees, ensuring that oversight and accountability are maintained at all levels.

The Board has established the following Board Sub-committees mandated by the Listing Rules and the Direction, in addition to which, the Board has at its discretion, established the Board Credit Committee and the Board Technology and Digital Transformation Committee.

Disclosure 2-11, 2-13

Division of Responsibilities

The position of the Chairman and the Chief Executive Officer of the Bank are distinct and separated to facilitate the balance of power and authority complying with the principles of Good Governance articulated in the Listing Rules issued by the Colombo Stock Exchange and the Banking Act Direction No. 11 of 2007 issued by the Central Bank of Sri Lanka. Their respective roles are clearly set out in the Code of Corporate Governance of the Bank

with clear separation of responsibility and accountability.

An effective Corporate Governance framework serves as a cornerstone for the Board in successfully executing the Bank's strategy. It not only facilitates the realisation of the Bank's strategic objectives but also underpins long-term sustainable growth, while operating within a framework of effective controls. The Board acknowledges the critical role of robust governance structures inclusive of internal controls, understanding that they are indispensable for informed and effective decision-making processes.

The Board

Having an effective Corporate Governance framework helps the Board to deliver the Bank's strategy. It also supports Bank's long-term sustainable growth while operating within a framework of effective controls. The Board recognises that having robust governance structures in place is vital to sound decision-making.

Chairman

- Promote Good Corporate Governance practices and highest standards of integrity by setting up the ethical tone for the Board and the Bank.
- Promoting open and inclusive discussion and debate within the Board while ensuring its effective functioning.
- Maintain a regular and open and constructive dialogue between the Executive Director/ CEO and management serving as the primary link between the Board and the Management and conveying feedback in a balanced and accurate manner between the Board and the Chief Executive Officer.
- Representing the views of the Board to stakeholders including shareholders, regulators and community by building and maintaining stakeholder trust and confidence.

- Setting the Board's annual work plan and agendas, in consultation with the Company Secretary, the Chief Executive Officer and other Directors and monitoring the effectiveness of the Board and ensuring assessment of performance of Directors.
- Liaising with Company Secretary to address the Board's information requirement. Additionally establishing processes to ensure that the Board receives all information required for arriving at objective, sound decisions in the discharge of its responsibilities.
- Ensure that the balance of power is maintained between the Executive and Non-Executive Directors.
- Ensure that the Board is in full control of Bank's affairs and is alert to its obligations to all stakeholders.

Senior Independent Director

During the period the Bank's Chairman was a Non-Independent Non- Executive Director, in order to strengthen the independence of the Board and comply with the relevant governance regulations, the Board appointed a Senior Independent Director who served as such until his retirement from the Board on 23rd November 2024. On 30th September 2024, an Independent Non-Executive Director was appointed as the Chairman of the Board.

Executive Director/ Chief Executive Officer

- Conduct the Management Function by leading the Management team as directed by the Board, including installing the Code of Conduct, culture and work environment based on Bank's values to set the tone for ethical leadership and creating an ethical environment.
- Developing the Bank's strategy for consideration and approval by the Board, by implementing, strategic, business and financial objectives.

- Analyse the impact of strategic objectives and financial position when allocating the resources, capital, approving expenditure and making financial decisions in compliance with the authorities delegated unto him.
- Assessing the reputational consequences of decisions and actions taken.
- Implementing the processes, policies procedures and systems with appropriate controls for effectively managing the operations and risk of the Bank.
- Ensuring that the Bank operates within the approved risk appetite limits .
- Building and maintaining stakeholder trust and confidence.
- Ensuring proper succession planning of the executive team and assessing their performance.
- Developing and recommending to the Board, budgets that support the Bank's long-term strategy.
- Monitoring and reporting to the Board on the performance of the Bank and its compliance with applicable laws, regulatory requirements and corporate governance principles.
- Being responsible for external engagements with Bank's stakeholders including shareholders, government, regulators and the community.

Board Sub-Committees

The Board has delegated specific responsibilities to its Sub-Committees.

Board Audit Committee

Assists the Board in maintaining an effective system of internal controls, compliance with applicable legal and regulatory requirements, external financial reporting and internal audit function.

The Report of the Board Audit Committee and its composition are given on page 133 of the Annual Report.

CORPORATE GOVERNANCE

Board Integrated Risk Management Committee

Ensures that Group wide risks are managed within the risk strategy and appetite as approved by the Board.

The Report of the Board Integrated Risk Management Committee and its composition are given on page 136 of the Annual Report.

Board Human Resources and Remuneration Committee

Assists the Board in the determination of remuneration of the Directors, Executive Director/CEO and KMPs, HR Policies, Organisational structure, HR systems, including performance evaluation.

The Report of the Board Human Resources and Remuneration Committee and its composition are given on page 143 of the Annual Report.

Board Nomination and Governance Committee

Assists the Board in the selection and appointment of Directors and KMPs, and succession planning at both Board and Management level.

The Report of the Board Nomination and Governance Committee and its composition are given on page 140 of the Annual Report.

Board Related Party Transactions Review Committee

Assists and guides the Board in reviewing Related Party Transactions in line with the Bank's Related Party Transactions Policy and processes.

The Report of the Board Related Party Transactions Review Committee and its composition are given on page 144 of the Annual Report.

Board Credit Committee

Assists the Board in determining the credit policy of the Bank and approves credit proposals above a pre-determined threshold in line with the Bank's risk appetite and regulatory requirements.

Board Technology and Digital Transformation Committee

Assists the Board in overseeing and guiding digital monetisation, the development of best-in-class digital technology for retail and SME businesses, IT system upgrades, back-office efficiencies and cost optimisation initiatives.

Attendance at Board and Committee Meetings

	Board	Board Audit Committee (BAC)	Integrated Risk Management Committee (IRMC)	Nomination and Governance Committee (NGC)	Human Resources and Remuneration Committee (HRRC)	Board Credit Committee (BCC)	Related Party Transaction Review Committee (RPTRC)
Number of Meetings	12	6	5	4	5	16	4
Dinesh Weerakkody	9/9		1/1		1/2		
Trevine Fernandopulle	10/10			3/3	4/4	13/14	4/4
Dilshani Wijayawardana	12/12	5/6		4/4	5/5		
Sarath Wikramanayake	10/10	6/6	4/4	3/3	4/4		
Roshan Perera (Dr)	4/5	2/2	3/3				2/2
Sabry Ibrahim	12/12		1/1		1/1	16/16	4/4
Malay Mukherjee	12/12		5/5	3/3	5/5	16/16	
Nirvana Kumar Chaudhary	12/12			4/4	4/4		
Sanjay Pokhrel	12/12	6/6					
Dilshan Rodrigo	5/5		1/1			5/5	2/2
Indrajit Wickramasinghe	7/7		3/3			10/11	2/2
Mahesh Nanayakkara	1/1					1/1	
Dr. Dharmasri Kumaratunge	2/2		1/1	1/4			

Disclosure 2-13

Management Committees

The Board has entrusted the day-to-day management of the Bank to the Executive Director /CEO, who serves as the apex executive. The Chief Executive Officer assumes accountability for implementing the Bank's strategy and ensuring its overall performance. To support this role, several committees have been established at the management level, operating within statutory parameters.

In addition to the Board and Board Sub-Committees, eight management committees have been established to

support maintenance and practice of good governance, each operating under written Terms of Reference that outline their composition and key responsibilities and a structure and process similar to that of Board Sub-committees. These Terms of Reference undergo periodic reviews to maintain alignment with the Bank's strategy and to ensure appropriateness and consistency in delegation levels and authority. These management committees play a vital role in executing policies and strategies determined by the Board, actively managing the Bank's business affairs, and contributing to the overarching objective of achieving sustainable growth.

and systems, amongst other established controls within the Bank add value to the Internal Control Framework of the Bank. The oversight of this comprehensive system is a collaborative effort involving the Board, with support from the Board Audit Committee and Board Integrated Risk Management Committee. Regular reviews of the Internal Controls Framework are conducted to ensure its ongoing relevance and effectiveness.

The Board monitors the adequacy, integrity and effectiveness of the Bank's Internal Controls Framework through the Board Audit Committee to ensure that effective internal controls are established and periodically reviewed and modified in response to changes in laws, regulations, asset size and organisational complexity, some of the key components of control environments being Risk assessments, control activities, information and communication and monitoring.

The internal control system is strategically designed to mitigate significant risks faced by the Bank. It is accepted that, whilst providing reasonable assurance, the system does not guarantee absolute protection against material errors, omissions, misstatements, or losses. Within the Bank, this is achieved through a combination of processes such as risk identification, evaluation, and monitoring, as well as through appropriate decision-making and oversight forums. Assurance and control functions, including Risk Management, Internal Audit, and Compliance, play a pivotal role in reinforcing the effectiveness of the Bank's Internal Control Framework.

Internal Audit Function

The Internal Audit function at the Bank is entrusted with the responsibility of offering independent, risk-based oversight to the Board Audit Committee and the Board concerning the Bank's processes and controls. The Board Audit Committee Charter, which outlines its mandate and authority, has been approved by the Board.

Internal Audit Function executed its Audit Plan for the year under review with proper

Management Committee	Scope
Asset and Liability Management Committee	Optimising the financial resources and managing the connected risks in the areas of market and liquidity.
Executive Risk Management Committee	Reviewing, monitoring and evaluating the policies and procedures in the areas of credit risk, operational risk and market risk in accordance with the guidelines of the Board Integrated Risk Management Committee.
Information Technology Steering Committee	Monitoring and reviewing the IT infrastructure to support the optimisation of overall business strategy and mitigating technological risks.
Operational Risk Management Committee	Reviewing and monitoring the operational risk related areas including people, processes and systems in accordance with guidelines of the Board Integrated Risk Management Committee.
Outsourcing Management Committee	Reviewing, monitoring and evaluating outsourced functions of the Bank.
Executive Credit Committee	Reviewing and approving credit proposals within the delegated authority levels of the Committee as directed by Board Credit Committee.
Executive Committee on Sustainability	Reviewing the implementation of the Bank's Integrated Sustainability Policy and Strategy including on sustainable finance and managing bank's own environmental footprint.
Information Security Committee	The Committee is responsible for both strategic and operational aspects of information security and technology risk management.

Effective Controls

Internal Controls Framework

The Bank's internal controls framework encompasses Board approved Policies and procedures supporting the implementation

of these Policies which have been established to reduce the risk and ensure that they meet the operating, reporting and compliance objectives of the Bank. The compliance risk mitigation system and information technology controls, as well as risk management policies

CORPORATE GOVERNANCE

methodology and reported the results to the Management, Board Audit Committee and where appropriate to the Board Integrated Risk Management Committee for necessary action.

Conducted by a team of appropriately qualified and experienced professionals, Internal Audit reviews are inherently risk-based and encompass assurance over financial, operational and Information Technology functions. To preserve its independence, the Internal Audit Function headed by the Head of Internal Audit directly reports to the Board Audit Committee. This reporting structure ensures independence, transparency, accountability and an effective system of checks and balances within the Bank's Governance Framework.

Dealings in Securities

The Bank's Code of Corporate Governance, along with the Code of Conduct on Share Dealing and Gift Declaration by Employees, explicitly prohibits Directors and employees from engaging in direct or indirect dealings in the Bank's securities whilst in possession of unpublished price-sensitive and/or material information. This restriction remains in force until expiry of three (03) Market Days from the day the information becomes publicly available or ceases to be considered relevant information of a material non-public nature.

Disclosure 2-15

Avoidance of Conflicts of Interests

The Code of Corporate Governance and the Code of Conduct on Share Dealing and Gift Declaration by Employees require that all Directors and employees must steer clear of conflicts of interest or any appearance thereof in their dealings and commitments with other organisations or related parties. This requires refraining from utilising their position or confidential, price-sensitive information in their possession and/or within their knowledge for personal or third-party benefit, whether financial or otherwise. Directors and employees are also obligated to assess potential or actual conflicts arising from

personal relationships, external associations, or interests in matters that could influence their independent judgment.

Furthermore, these Codes necessitate Directors and employees to promptly inform the Bank of any conflicts or potential conflicts of interest that may compromise their independent judgment. Directors with conflicting interests in matters under consideration at Board meetings as well as at meetings of Board Sub-committees are required to abstain from participating in deliberations and voting on such matters after declaring such interest. The Company Secretary duly recorded these abstentions in the relevant meeting minutes during the year under review.

The Bank's Related Party Transactions Policy provides guidance in categorising parties and individuals deemed as related parties. The Bank's systems are designed to capture, monitor, and report related party transactions, ensuring that the organisation maintains impartiality at all levels.

Strong Culture

Risk Culture

Taking measured risks is recognised as a vital element for the sustainability of the Bank's business. Consequently, the Bank operates within a comprehensive risk management framework, integrating risk management into its day-to-day business operations and strategic planning. This proactive approach ensures that the Bank conducts its activities in an ethical and prudent manner. The framework is designed to identify, measure, and control risks across all levels of the organisation, thereby safeguarding the Bank's financial strength.

The Independent Risk Management function of the Bank plays a crucial role in supporting the Board. It contributes to the formulation of risk appetite, strategies, policies, and limits. Additionally, the Risk Management function provides a review, oversight and support role throughout the organisation, encompassing various risk-related aspects of the Bank's business and operations including the

successful operation of the Bank's Business Continuity Plan.

Environmental, Social and Governance (ESG) Sustainability Risk

In order to integrate ESG considerations into Bank's strategies and operations the Bank has a Board approved Policy in place. ESG principles are embedded in Bank's decision making Process by aligning the Bank with Global sustainability principles. By adopting ESG Sustainability requirements, Bank has been able to capitalise on opportunities driving from ESG considerations and risk mitigation into stakeholder needs.

Staff Ethics and Code of Conduct

The Board of Directors holds the responsibility for cultivating a culture within the Bank that fosters alignment between its employees and key strategic initiatives. Setting the tone from the top, both the Board and senior management lead by example in creating an environment that reflects the Bank's values.

The Bank's Staff Ethics and Code of Conduct, along with the Anti-Corruption Policy, establish the standards and behaviour expected from all Directors and employees. These policies are integral to the Bank's culture and form a crucial part of its training programmes for the employees as well as for the Directors, reinforcing its core values. Furthermore, the Anti-Corruption Policy extends to the Bank's service providers, suppliers, and trade partners, ensuring that they also adhere to principles that prohibit dishonesty, fraud, and corruption.

Compliance

The Bank views compliance with applicable laws, industry regulations, codes, and its own ethical standards and internal controls including policies and procedures as an integral aspect of its business operations. To facilitate effective compliance management, Bank's independent Compliance Officer is tasked with analyzing statutory and regulatory requirements, as well as monitoring their

implementation and execution. In cases of material deviations from compliance standards, such instances are reported to the Board Integrated Risk Management Committee. Additionally, the Bank has implemented a system to manage Money Laundering and Terrorist Financing Risk and Reporting in compliance with the applicable statutory and regulatory framework.

Whistle-Blowing Mechanisms

The Code of Conduct on Share Dealing and Gift Declaration by Employees, along with the Anti-Corruption Policy, actively encourage employees to consult the Head of Compliance when uncertain about the best course of action in a particular situation. Furthermore, employees are urged to report any violations of laws, rules, regulations, and any of the Internal Controls including policies and procedures or the Code.

In addition to these policies, the Bank has instituted a Whistle-blower Policy, serving as a widespread informal channel for managing violations of laws, rules, and regulations, internal controls as well as addressing unethical conduct and corporate frauds. The Policy is committed to fostering a culture where staff and others feel safe to speak up on matters or conduct that concerns them or the Bank. This Policy allows employees who observe or become aware of any improper or illegal activities or unethical practices or receives credible information of the same within the Bank to report them directly to the Board Audit Committee. Information channeled through the Whistle-blower mechanism is carefully verified, and the Committee takes appropriate action. Importantly, the confidentiality of individuals reporting violations is maintained, and they are protected from any discriminatory actions.

Accountability to Stakeholders

Equitable treatment

The Bank actively promotes fair and equitable treatment for all stakeholders, emphasising equal information rights. To uphold this principle, all price-sensitive information is made publicly available before holding any sessions with individual investors or analysts.

The Board is committed to providing stakeholders including the shareholders with comprehensive information through quarterly and annual financial reports. During the presentation of these statements, the Board endeavors to offer to its stakeholders, a well-balanced assessment of the Group's and the Bank's financial performance and position. Furthermore, the Board is dedicated to ensuring timely and complete disclosure of material corporate developments to its stakeholders.

Engagement with Stakeholders

The Bank places significant importance on ensuring that key stakeholder groups are aligned with its strategic direction. Recognising the wealth of relevant knowledge and experience held by these groups, the Bank considers them as influential factors in key operational, investment, and business decisions. To facilitate this alignment, the Bank has implemented a policy governing and promoting constructive communication with its stakeholders.

In its commitment to fostering communication with shareholders and other stakeholders, the Bank conducts periodic briefings on financial results. Additionally, it plans and conducts briefings on business activities and strategies as deemed appropriate to enhance understanding about the Bank's operations. Opinions and feedback received through these communication channels with shareholders, investors and other stakeholders are promptly shared with the Management, ensuring that valuable insights contribute to the Bank's business planning in a timely and effective manner.

Disclosure 2-16

Conduct of Shareholder Meetings

The Annual General Meeting (AGM) serves as a crucial platform for shareholders to express their views and interact with the Board, including the Chairpersons of the Board Sub-Committees and selected members of the Senior Management. The Bank's External

Auditors are also present at the AGM to address any queries raised by shareholders. During the AGM, the Bank presents its financial performance for the relevant financial year.

At general meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, Board Members and management. The Bank encourages and values shareholder participation at its general meetings. Resolutions requiring shareholders' approval are tabled separately for adoption at general meetings unless they are closely related and are more appropriate to be tabled together.

CORPORATE GOVERNANCE

The Bank's compliance with Direction No. 11 of 2007 issued by the Central Bank of Sri Lanka on the subject 'Corporate Governance for Licensed Commercial Banks in Sri Lanka'.

Annual Corporate Governance Report of Union Bank of Colombo PLC for the year ended 31 December 2024 is given below:-

Section	Rule	Level of Compliance
3 (1)	The Responsibilities of the Board	
3(1)(i)	The Board shall strengthen the safety and soundness of the Bank by ensuring the implementation of the following	
	(a) Approve and oversee the Bank's strategic objectives and corporate values and ensure that these are communicated throughout the Bank.	Complied. The strategic objective and corporate values of the Bank are incorporated in the Board approved Strategic Plan. Annual Budget has been approved by the Board and prepared based on the Strategic Plan. Strategic objectives and Corporate values are assessed at regular meetings with the Management Committee and cascaded down to all staff levels through regular management meetings, briefings and discussions.
	(b) Approve the overall business strategy of the Bank, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least the next three years.	Complied. The Board has approved the Bank's overall three-year strategic Business plan for 2025 – 2027 incorporating the measurable strategic objectives subsequent to detailed deliberation by the Board and the Corporate Management.
	(c) Identify the principal risks and ensure implementation of appropriate systems to manage the risks prudently.	Complied. The Board is responsible for the overall risk framework of the Bank. In addition, identification of principal risks and implementation of appropriate risk management techniques are performed via the Board appointed Integrated Risk Management Committee (IRMC). Risk Management Department has developed policies and procedures on Integrated Risk Management Framework and has enforced mechanisms to prudentially assist the IRMC in identifying principal risks. Risk Reports in Pages 159 to 180 provide detailed insight of the Bank's Integrated Risk Management Framework.
	(d) Approve implementation of a policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers.	Complied. Board approved Communication Policy is in place. This covers the communication to all stakeholders, depositors, creditors, shareholders and clients.
	(e) Review the adequacy and the integrity of the Bank's internal control systems and management information systems.	Complied. The adequacy and the integrity of the Bank's internal control systems and management information systems are regularly reviewed by the Board Audit Committee (BAC) and annually by the Board of Directors.

Section	Rule	Level of Compliance
	(f) Identify and designate key management personnel, as defined in Banking Act Determination No.1 of 2019 on the assessment of fitness and propriety of officers performing executive functions in LCBs.	Complied. The Board of Directors has identified and designated the CEO, SVPs, VPs, Head of Compliance, Head of Legal and Company Secretary as Key Management Personnel (KMPs) as per the CBSL guideline.
	(g) Define the areas of authority and key responsibilities for the Board of Directors themselves and for the Key Management Personnel.	Complied. The segregation of duties and authority between the Board of Directors and KMPs is in place. Articles of the Bank stipulate the authority of Directors and matters specifically reserved for the Directors. The Bank's Internal Code of Corporate Governance, also sets areas of responsibility of the Directors. Further responsibilities and authority are delegated to the Directors and KMPs through Board-approved policies, Terms of References and operational delegation arrangements. Key responsibilities of the KMPs are outlined in their respective job descriptions.
	(h) Ensure that there is appropriate oversight of the affairs of the Bank by Key Management Personnel, that is consistent with Board policy;	Complied. Board of Directors has oversight on KMPs primarily at Board Meetings and Board Sub-Committee Meetings. KMPs make regular presentations to the Board on matters under their purview and are also called in by the Board and to Board Sub-Committees to explain matters relating to their concerns.
	(i) Periodically assess the effectiveness of the Board Directors' own governance practices, including: <ul style="list-style-type: none"> i. The selection, nomination and election of Directors and Key Management Personnel; ii. The management of conflicts of interests; and iii. The determination of weaknesses and implementation of changes where necessary; 	Complied. The Board has a procedure for selection and appointment of Directors, CEO and KMPs, which is delegated to the Nominations Committee. The Code of Corporate Governance approved by the Board has a provision in this regard. Furthermore, management of conflict of interest is covered in the Board approved Policy of Related Party transactions. The Bank has a self-evaluation process in place for the Board of Directors which includes the evaluation of Board Directors' own governance practices. Summary of self-evaluations obtained have been submitted to the Board for their review and action if deemed necessary.
	(j) Ensure that the Bank has an appropriate succession plan for Key Management Personnel;	Complied. The Board Nomination and Governance Committee (BNGC) and the Board has approved the succession plan for KMPs, which has been reviewed for 2024.
	(k) Meet regularly, on a needs basis, with the Key Management Personnel to review policies, establish communication lines and monitor progress towards corporate objectives;	Complied. KMPs make regular presentations to the Board on matters under their purview and are also called in by the Board and to Board Sub-Committees to explain matters relating to their concerns.

CORPORATE GOVERNANCE

Section	Rule	Level of Compliance
	(l) Understand the regulatory environment and ensure that the Bank maintains an effective relationship with regulators.	Complied. Compliance Officer submits quarterly reports to the Board that assists the Board to understand the regulatory environment. Board ensures that an effective relationships with the regulators are maintained by way of active participation at meetings with the regulators by the CEO.
	(m) Exercise due diligence in the hiring and oversight of external auditors.	Complied. Terms of Reference of the Board Audit Committee (BAC) includes provisions to recommend the appointment of External Auditors; BAC has recommended the re-appointment of Messrs. Ernst and Young, Chartered Accountants as the Bank's External Auditors for audit services for year 2024. Pursuant to recommendations, Messrs. Ernst and Young was re-appointed as the Auditors for the financial year 2024 by the shareholders at the Annual General Meeting held on 28 March 2024.
3 (1)(ii)	The Board shall appoint the Chairman and the Chief Executive Officer and define and approve the functions and responsibilities of the Chairman and the Chief Executive Officer in line with Direction 3(5) of these Directions.	Complied. Positions of the Chairman and the Director/Chief Executive Officer (CEO) are separated. Further, functions and responsibilities of the Chairman and the CEO are properly defined and approved in line with the Direction 3(5) of these Directions through the Board approved Terms of Reference - Functions and Responsibilities of Chairman, CEO and Senior Director.
3 (1)(iii)	The Board shall meet regularly and Board meetings shall be held at least twelve times a year at approximately monthly intervals. Such regular Board meetings shall normally involve active participation in person of a majority of Directors entitled to be present. Obtaining the Board's consent through the circulation of written resolutions/ papers shall be avoided as far as possible.	Complied. The Board ensures that it meets regularly. The Board has met twelve times during the year at monthly intervals and the Directors have actively participated in the Board's decision making process. There were Forty One circular resolutions passed during the year due to importance and urgency which were subsequently ratified by the Board.
3 (1)(iv)	The Board shall ensure that arrangements are in place to enable all Directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the Bank.	Complied. Code of Corporate Governance sets a procedure to include such matters and proposals. Meetings are notified in advance allowing Directors to raise matters concerning promotion of business and management of risks.
3 (1)(v)	The Board procedures shall ensure that notice of at least 7 days is given of a regular Board meeting to provide all Directors an opportunity to attend. For all other Board meetings, reasonable notice may be given.	Complied. Dates of regular monthly Board Meetings and Board Sub-Committee Meetings are scheduled well in advance and the notices are circulated to Directors seven (07) days in advance. The notices, agenda and Board Papers are circulated to Directors through the Board Paper Management System.

Section	Rule	Level of Compliance
3 (1)(vi)	The Board procedures shall ensure that a Director, who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a Director. Participation at the Directors' meeting through an alternate Director shall, however, be acceptable as attendance.	Complied. Director's attendance register is maintained by the Company Secretary to ensure compliance with the direction. As per Board Attendance schedule, all Directors have attended the required number of meetings held during the year 2024.
3 (1)(vii)	The Board shall appoint a Company Secretary who satisfies the provisions of Section 43 of the Banking Act No. 30 of 1988 whose primary responsibilities shall be to handle the secretariat services to the board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	Complied. The Board has appointed a Company Secretary whose primary responsibilities are handling secretariat services to the Board and Shareholder meetings and to carry out the other functions specified in the statutes and other regulations and is also stipulated in the Code of Corporate Governance of the Bank.
3 (1)(viii)	All Directors shall have access to advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable rules and regulations are followed.	Complied. All Directors have equal opportunity to access the Company Secretary to advice and services. A Board approved policy is in place in this regard.
3 (1)(ix)	The Company Secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any Director.	Complied. Minutes of Board meetings are maintained by the Company Secretary and there is a Board approved procedure under Corporate Governance Code that enables all Directors to have access to such minutes. Any Director can inspect the minutes of Board meetings with reasonable notice to the Company Secretary.
3 (1)(x)	<p>Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties.</p> <p>The minutes shall also serve as a reference for regulatory and supervisory authorities to assess the depth of deliberations at the Board meetings. Therefore, the minutes of a Board meeting shall clearly contain or refer to the following;</p> <ul style="list-style-type: none"> (a) A summary of data and information used by the Board in its deliberations; (b) The matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; (d) The testimonies and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; (e) The Board's knowledge and understanding of the risks to which the Bank is exposed and an overview of the risk management measures adopted; and (f) The decisions and Board resolutions. 	<p>Complied.</p> <p>Comprehensive Minutes of the Board meetings are recorded with sufficient details and maintained by the Company Secretary.</p> <p>The Minutes of the meetings includes:</p> <ul style="list-style-type: none"> (a) A summary of data and information used by the Board in its deliberations; (b) The matters considered by the Board; (c) The fact-finding discussions and the issues of contention or dissent (d) The testimonies and confirmations of relevant Executives with regard to the Board's strategies and policies and adherence to relevant laws and regulations; (e) Matters regarding the risks to which the Bank is exposed to and an overview of the risk management measures including reports of the Board Integrated Risk Management Committee; and (f) The decisions and Board resolutions including reports of all Board Committees.

CORPORATE GOVERNANCE

Section	Rule	Level of Compliance
3 (1)(xi)	<p>There shall be a procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Bank's expense.</p> <p>The Board shall resolve to provide separate independent professional advice to Directors to assist the relevant Director or Directors to discharge his/her/their duties to the Bank.</p>	<p>Complied.</p> <p>Code of Corporate Governance includes provisions for Board of Directors to seek independent professional advice in appropriate circumstances, at the Bank's expense to assist them in discharging their duties effectively.</p>
3 (1)(xii)	<p>Directors shall avoid conflicts of interests, or the appearance of conflicts of interest, in their activities with, and commitments to, other organisations or related parties. If a Director has a conflict of interest in a matter to be considered by the Board, which the Board has determined to be material, the matter should be dealt with at a Board meeting, where independent Non-Executive Directors who have no material interest in the transaction are present. Further, a Director shall abstain from voting on any Board resolution in relation to which he/she or any of his/her close relation or a concern in which a Director has substantial interest, is interested and he/she shall not be counted in the quorum for the relevant agenda item at the Board meeting.</p>	<p>Complied.</p> <p>The Board approved procedure is in place to avoid conflicts of interests or the appearance of conflicts of interest which is included in the Corporate Governance Code and is implemented. Furthermore, the Board approved Related Party Transactions Policy includes provision to manage conflicts of interests, or the appearance of conflicts of interest.</p> <p>This procedure further evidence that the Director is to abstain from voting on any Board resolution in relation to which he/ she or any of his/ her close relation or a concern in which a Director has substantial interest and he/ she not has been counted in the quorum.</p> <p>During the year Board of Directors has complied with the procedure.</p>
3 (1)(xiii)	<p>The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Bank is firmly under its authority.</p>	<p>Complied.</p> <p>Article 98 of the Bank's Articles of Association define the areas of authority and responsibilities for the Board and matters that cannot be delegated and that are reserved exclusively to the Board. Policies, Terms of References, and operational delegation arrangements sets authority and responsibilities of Directors.</p>
3 (1)(xiv)	<p>The Board shall, if it considers that the Bank is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of Bank Supervision of the situation of the Bank prior to taking any decision or action.</p>	<p>Complied.</p> <p>The Board is aware of the requirement to inform the Director Banking Supervision of the situation of the Bank prior to taking any decisions or action. The Bank has not come across any situation as such during the year 2024.</p>
3(1)(xv)	<p>The Board shall ensure that the Bank is capitalised at levels as required by the Monetary Board in terms of the capital adequacy ratio and other prudential grounds.</p>	<p>The Board has ensured that the bank is capitalised at levels as required by the Monetary Board in terms of the capital adequacy ratio and other prudential grounds other than the minimum capital requirement, for which the bank has obtained an extension from the CBSL.</p>
3 (1)(xvi)	<p>The Board shall publish in the Bank's Annual Report, an annual corporate governance report setting out the compliance with Direction 3 of these Directions.</p>	<p>Complied.</p> <p>The Bank has published the Corporate Governance Report in the Annual Report 2024.</p>
3 (1) (xvii)	<p>The Board shall adopt a scheme of self-assessment to be undertaken by each Director annually, and maintain records of such assessment.</p>	<p>Complied.</p> <p>The Board has a process of self-assessment of each Director which is performed by the Directors annually and is filed with the Company Secretary.</p>

Section	Rule	Level of Compliance
3 (2)	Board's Composition	
3 (2)(i)	The number of Directors on the Board shall not be less than 7 and not more than 13.	Complied. Board Composition was in compliance with the requirement throughout the year 2024.
3 (2)(ii)	The total period of service of a Director other than a Director who holds the position of Chief Executive Officer shall not exceed nine years, and such periods in office shall be inclusive of the total period of service served by such Director up to 01 January 2008.	Complied. Service period has not exceeded nine years for any of the Directors.
3 (2)(iii)	An employee of a Bank may be appointed, elected or nominated as a Director of the Bank (hereinafter referred to as an "Executive Director") provided that the number of Executive Directors shall not exceed one-third of the number of Directors of the Board. In such an event, one of the Executive Directors shall be the Chief Executive Officer of the Bank.	Complied. There is only one Executive Director on the Board; the number does not exceed 1/3 of the Board.
3 (2)(iv)	<p>The Board shall have at least three Independent Non-Executive Directors or one third of the total number of Directors, whichever is higher. This sub-direction shall be applicable from January 1,2010 onwards.</p> <p>A Non-Executive Director shall not be considered independent if he/ she</p> <ol style="list-style-type: none"> Has direct and indirect shareholdings of more than 1% of the Bank; Currently has or had during the period of two years immediately preceding his/her appointment as Director, any business transactions with the Bank as described in Direction 3 (7) hereof, exceeding 10% of the regulatory capital of the Bank; Has been employed by the Bank during the two-year period immediately preceding the appointment as Director; Has a close relation who is a Director or Chief Executive Officer or a member of Key Management Personnel or a material shareholder of the Bank or another Bank. For this purpose, a 'close relation' shall mean the spouse or a financially dependent child; Represents a specific stakeholder of the Bank; Is an employee or a Director or a material shareholder in a company or business organisation; Which currently has a transaction with the Bank as defined in Direction 3 (7) of these Directions, exceeding 10% of the regulatory capital of the Bank, or In which any of other Directors of the Bank are employed or are Directors or are material shareholders; or In which any of other Directors of the Bank has a transaction as defined in Direction 3(7) of these Directions, exceeding 10% of regulatory capital in the Bank. 	<p>Complied.</p> <p>Please refer pages 149 to 150 and 337 to 339</p>

CORPORATE GOVERNANCE

Section	Rule	Level of Compliance
3 (2)(v)	In the event an alternate Director is appointed to represent an Independent Director, the person so appointed shall also meet the criteria that apply to the Independent Director.	Complied. No Alternative Director has been appointed to represent the Independent Directors during the year 2024.
3 (2)(vi)	Non-Executive Directors shall be persons with credible track records and/or have necessary skills and experience to bring an independent judgement to bear on issues of strategy, performance and resources.	Complied. Nominations and Governance Committee has a procedure in place to appoint Non-Executive Directors, who possess necessary skills and experiences.
3 (2)(vii)	A meeting of the Board shall not be duly constituted, although the number of Directors required to constitute the quorum at such meeting is present, unless more than one half of the number of Directors present at such meeting are Non-Executive Directors.	Complied. During 2024 all the quorum of meetings had been in line with the Direction.
3 (2)(viii)	The Independent Non-Executive Directors shall be expressly identified as such in all corporate communications that disclose the names of Directors of the Bank. The Bank shall disclose the composition of the Board, by category of Directors, including the names of the Chairman, Executive Directors, Non-Executive Directors and Independent Non-Executive Directors in the Annual Corporate Governance Report.	Complied. Please refer pages 84 to 89
3 (2)(ix)	There shall be a formal, considered and transparent procedure for the appointment of new Directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.	Complied. Nomination and Governance Committee has a procedure in place to appoint Directors and all new appointments have been done in accordance with the procedure.
3 (2)(x)	All Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.	Complied. All Directors appointed to fill casual vacancies are subject to election by shareholders at the first Annual General Meeting after their appointment.
3 (2)(xi)	If a Director resigns or is removed from office, the Board shall: (a) announce the Director's resignation or removal and the reasons for such removal or resignation; and (b) issue a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.	Complied. Directors' resignations and the reason for such resignations are duly informed to the CBSL and to the Colombo Stock Exchange (CSE).
3 (2)(xii)	A Director or an employee of a Bank shall not be appointed, elected or nominated as a Director of another Bank except where such Bank is a subsidiary company or an associate company of the first mentioned Bank.	Complied. The Bank has a process to identify whether a Director of a Bank is appointed, elected or nominated as a Director of another Bank based on the affidavit obtained and submitted to CBSL annually. Letter of Appointment of selected employees include a clause with regard to this restriction. None of the present Directors or an employee acts as a Director of any Banks. Nomination and Governance Committee shall ascertain at the time of selection of Directors for such appointment of their fit and propriety in accordance with the Banking Act and other regulations by the CBSL.

Section	Rule	Level of Compliance
3 (3)	Criteria to assess the fitness and propriety of Directors	
3 (3)(i)	The age of a person who serves as Director shall not exceed 70 years.	Complied. None of the Directors' age exceeds 70 years.
3 (3)(ii)	A person shall not hold office as a director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the Bank.	Complied. None of the Directors holds directorships of more than 20 Companies/ entities/ institutions inclusive of subsidiaries or associate companies of the Bank.
3 (3)(iii)	A Director or a Chief Executive Officer of a licensed Bank operating in Sri Lanka shall not be appointed as a Director or a Chief Executive Officer of the Bank, before the expiry of a period of 6 months from the date of cessation of his/her office at the previous Bank.	Complied. No such appointments had been made during the year 2024.
3 (4)	Management functions delegated by the Board	
3 (4)(i)	The Directors shall carefully study and clearly understand the delegation arrangements in place.	Complied. The Board is empowered by the Articles 98 of the Bank's Articles of Association to delegate its powers to CEO upon such terms and conditions and with such restrictions as the Board may think fit and in terms of the Articles. Directors are aware of such delegation arrangements.
3 (4)(ii)	The Board shall not delegate any matters to a Board Committee, Chief Executive Officer, Executive Directors or Key Management Personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied. The Board has delegated powers to the Sub-Committees, CEO and the KMPs without hindering their ability to discharge functions. Please refer 3.1.(i) g
3 (4)(iii)	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Bank.	Complied. Section 98 of the Bank's Articles of Association defines the delegation process. The Board periodically reviews and approves the delegation arrangements to ensure that they are remaining relevant to the needs of the Bank at Board meetings, Sub-Committee meetings when reviewing policies and Terms of References.
3 (5)	The Chairman and Chief Executive Officer	
3 (5)(i)	The roles of Chairman and Chief Executive Officer shall be separate and shall not be performed by the same individual.	Complied. Roles of Chairman and CEO are separate and are held by two individuals appointed by the Board.
3 (5)(ii)	The Chairman shall be a Non-Executive Director and preferably an independent Director as well. In this case where the Chairman is not an Independent Director, the Board shall designate an Independent Director as the Senior Director with suitably documented terms of reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the Bank's Annual Report.	Complied. An independent Non-Executive Director has been appointed as Senior Director of the Bank. Designation of the Senior Director is disclosed in pages 84, 86 and 149.

CORPORATE GOVERNANCE

Section	Rule	Level of Compliance
3 (5)(iii)	The Board shall disclose in its Corporate Governance Report, the identity of the Chairman and the Chief Executive Officer and the nature of any relationship [including financial, business, family or other material/ relevant relationship(s)], if any, between the Chairman and the Chief Executive Officer and the relationship among members of the Board.	<p>Complied.</p> <p>Identity of the Chairman and the CEO are disclosed in the Annual Report. Refer pages 84, 86 and 88.</p> <p>Directors' interests in contracts with the Bank have been separately disclosed in the Annual Report of 2024.</p> <p>Please refer pages 151 and 152.</p> <p>The Bank has a process in this regard. Company Secretary obtains an annual declaration from all members of the Board to this effect. Accordingly, there are no financial, business, family or other material/relevant relationships between, Chairman, CEO and among Directors.</p>
3 (5)(iv)	The Chairman shall: provide leadership to the Board; ensure that the Board works effectively and discharges its responsibilities; and ensure that all key and appropriate issues are discussed by the Board in a timely manner.	<p>Complied.</p> <p>Functions and responsibilities of the Chairman approved by the Board includes the requirements stipulated and Chairman provides leadership to the Bank and to the Board in line with the Code of Corporate Governance of the Bank.</p>
3(5)(v)	The Chairman shall be primarily responsible for drawing up and approving the agenda for each Board meeting, taking into account where appropriate, any matters proposed by the other Directors for inclusion in the agenda. The Chairman may delegate the drawing up of the agenda to the Company Secretary.	<p>Complied.</p> <p>Chairman has delegated drawing of the agenda to the Company Secretary and which is drawn in consultation with the Chairman.</p>
3 (5)(vi)	The Chairman shall ensure that all Directors are properly briefed on issues arising at Board meetings and also ensure that Directors receive adequate information in a timely manner.	<p>Complied.</p> <p>Board papers are circulated seven days prior to the meeting and the Chairman ensures that the Board is adequately briefed and informed of all matters arising at the Board.</p>
3 (5)(vii)	The Chairman shall encourage all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the Bank.	<p>Complied.</p> <p>Code of Corporate Governance sets Directors' responsibilities and principles in respect of leading and acting in the best interest of the Bank.</p>
3 (5)(viii)	The Chairman shall facilitate the effective contribution of Non-Executive Directors in particular and ensure constructive relations between Executive and Non-Executive Directors.	<p>Complied.</p> <p>Code of Corporate Governance sets Directors' responsibilities and principles in respect of leading and acting in the best interest of the Bank, to ensure full and active contribution by Non-Executive Directors.</p>
3 (5)(ix)	The Chairman shall not engage in activities involving direct supervision of Key Management Personnel or any other executive duties whatsoever.	<p>Complied.</p> <p>Chairman is a Non-Executive Director. The Chairman does not directly get involved in the supervision of KMPs or any other executive duties.</p>

Section	Rule	Level of Compliance
3 (5)(x)	The Chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Complied. Communication with shareholders are done in accordance with the Board approved Communication Policy.
3 (5)(xi)	The Chief Executive Officer shall function as the apex executive in-charge of the day-to-day-management of the Bank's operations and business.	Complied. The Chief Executive Officer is in charge of the day-to-day management of the Bank's operations and business and is supported by the Corporate Management.
3 (6)	Board appointed committees	
3 (6)(i)	Each Bank shall have at least four Board Committees as set out in Directions 3(6) (ii), 3(6) (iii), 3(6) (iv) and 3(6) (v) Directions. Each committee shall report directly to the Board. All committees shall appoint a secretary to arrange the meetings and maintain minutes, record, etc., under the supervision of the Chairman of the Committee. The Board shall present a report of the performance on each Committee, on their duties and roles at the Annual General Meeting.	Complied. The following mandatory Board Sub-Committees have been appointed by the Board requiring each such committee to report to the Board: 1. Human Resources and Remuneration Committee 2. Integrated Risk Management Committee 3. Nomination and Governance Committee 4. Audit Committee All committees have a secretary appointed. Report of each Board Committee is presented in the Annual Report. Refer Pages 133 to 143.
3 (6)(ii)	The following rules shall apply in relation to the Audit Committee:	
(a)	The Chairman of the committee shall be an Independent Non-Executive Director who possesses qualifications and experience in accountancy and/or audit.	The Chairman Audit Committee during the period 01.01.2024 to 15.11.2024, Mr. Sarath Wikramanayake, is an Independent, Non-Executive Director who possesses required qualifications and related experience. The Chairman Audit Committee since 06.12.2024, Mr. Mahesh Nanayakkara is an Independent, Non-Executive Director who possesses required qualifications and related experience.
(b)	All members of the committee shall be Non-Executive Directors.	Complied. All members of the Committee are Non-Executive Directors.

CORPORATE GOVERNANCE

Section	Rule	Level of Compliance
	<p>(c) The committee shall make recommendations on matters in connection with:</p> <ul style="list-style-type: none"> i. The appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes; ii. The implementation of the Central Bank guidelines issued to auditors from time to time; iii. The application of the relevant accounting standards; and iv. The service period, audit fee and any resignation or dismissal of the auditor; provided that the engagement of the Audit partner shall not exceed five years, and that the particular Audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. 	<p>Complied.</p> <p>In line with its Terms of Reference, the Board Audit Committee (BAC) has reviewed and/or made relevant recommendations including the following:</p> <ul style="list-style-type: none"> i. The re-appointment of Messrs. Ernst and Young, Chartered Accountants as the Bank's External Auditors for audit services in compliance with the relevant regulations and guidelines; ii. The implementation of guidelines applicable to the External Auditors issued time to time by the Central Bank of Sri Lanka; iii. The application of relevant Accounting Standards, including the requirements of the Sri Lanka Financial Reporting Standards (SLFRS/LKAS) complying with the IFRS and the IAS complying to it in all material respects; iv. Reviewed and recommended the service period and audit fee.
	<p>(d) Review and monitor External Auditor's independence and objectivity and the effectiveness of the audit processes.</p>	<p>Complied.</p> <p>The BAC discussed with the External Auditors, the nature and the scope of audit and the effectiveness of the audit processes in respect of the financial year, 2024 at a meeting held with the Auditors in the last quarter of 2024.</p> <p>Representation submitted by the External Auditors stating their independence and the objectivity and effectiveness of the audit processes in accordance with Sri Lanka Auditing Standards, and best practices.</p>
	<p>(e) The committee shall develop and implement a policy on the engagement of an External Auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines, in doing so; the Committee shall ensure that the provision by an External Auditor of non-audit service does not impair the External Auditor's Independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision non-audit services, the Committee shall consider:</p> <ul style="list-style-type: none"> i. Whether the skills and experience of the audit firm make it a suitable provider of the non-audit services; ii. Whether there are safeguards in place to ensure that there is no threat to the objectivity and/ or independence in the conduct of the audit resulting from the provision of such services by the External Auditor; and iii. Whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the audit firm, pose any threat to the objectivity and/ or independence of the External Auditor. 	<p>Complied.</p> <p>The Committee has implemented a process on the engagement of an External Auditor to provide non-audit services after considering relevant statutes, regulations, requirements and guidelines. Further, relevant information is obtained from External Auditors to ensure that their independence or objectivity is not impaired, as a result of providing any non-audit services.</p>

Section	Rule	Level of Compliance
	<p>(f) The committee shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including:</p> <p>i. An assessment of the Bank's compliance with the relevant Direction in relation to Corporate Governance and the management's internal controls over financial reporting;</p> <p>ii. The preparation of financial statements for external purposes in accordance with relevant accounting principles and reporting obligations; and</p> <p>iii. The co-ordination between firms where more than one audit firm is involved.</p>	<p>Complied.</p> <p>The Auditors made a presentation at the Board Audit Committee Meeting with details of the proposed Audit Plan and the Scope. The committee discussed and agreed on the nature and the scope of the audit to be performed in accordance with Sri Lanka Auditing Standards.</p>
	<p>(g) Check that the committee has a process to review the financial information of the Bank, in order to monitor the integrity of the financial statements of the Bank, its annual report, accounts and quarterly reports prepared for disclosure, and a process in place to receive from the CFO the following;</p> <p>i. Major judgemental areas;</p> <p>ii. any changes in accounting policies and practices;</p> <p>iii. The going concern assumption;</p> <p>iv. The compliance with relevant accounting standards and other legal requirements, and;</p> <p>v. In respect of the annual financial statements the significant adjustments arising from the audit.</p>	<p>Complied.</p> <p>The committee has a process to review financial information of the Bank when the quarterly and annual audited financial statements and the reports prepared for disclosure are presented to the committee by the Chief Financial Officer.</p> <p>Once the members of the Board Audit Committee have obtained required clarifications in respect of all aspects included in the Financial Statements, such Financial Statements are recommended for approval by the Board of Directors.</p>
	<p>(h) The committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of Key Management Personnel, if necessary.</p>	<p>Complied.</p> <p>The BAC met with the External Auditors during the year which included two meetings without the presence of the management and ensured that there was no limitation of scope or incidents that could have negatively impacted on the effectiveness of the External Audit.</p>
	<p>(i) The committee shall review the External Auditor's management letter and the management's response thereto.</p>	<p>Complied.</p> <p>BAC reviewed the management letter with the management's responses thereto. The Board Audit Committee discussed, with the relevant Heads of Departments significant findings and remedial action to be taken in respect of such findings.</p>

CORPORATE GOVERNANCE

Section	Rule	Level of Compliance
	<p>(j) The committee shall take the following steps with regard to the Internal Audit function of the Bank:</p> <ul style="list-style-type: none"> i. Review the adequacy of the scope, functions and resources of the Internal Audit Department, and satisfy itself that the department has the necessary authority to carry out its work; ii. Review the Internal Audit programme and results of the Internal Audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the Internal Audit department; iii. Review any appraisal or assessment of the performance of the head and senior staff members of the Internal Audit department; iv. Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the Internal Audit function; v. Ensure that the committee is appraised of resignations of senior staff members of the Internal Audit Department; and vi. Ensure that the Internal Audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care. 	<p>Complied.</p> <ul style="list-style-type: none"> (i) The Annual Audit Plan, prepared by the Internal Audit Department is submitted to the Board Audit Committee for approval. The plan covers the scope and resource requirement relating to the Audit Plan; (ii) The Head of Audit updates the BAC on Status of the Audit Plan and the actions taken by the management on internal audit recommendations; (iii) The approval of the Head of Audit is undertaken by the Audit Committee Chairman and the performance appraisals of senior staff are carried out by the Head of Audit and reviewed by the BAC. (iv) There were no termination of senior staff members or outsourced service providers. A Deputy Head of Internal Audit was recruited during the year, which was referred to the BAC. (v) There was no resignation of senior staff members of the Internal Audit department during the period; and (vi) The BAC reviewed the adequacy of the internal audit function and ensured that it conforms to the principles of the Internal Audit Charter. The BAC reviewed and recommended revisions to the Internal Audit Charter during the year. The Internal Audit Charter defines the scope, functions, authority, responsibility, adjudication, external relationship management and ethics that assist and direct/guide the Internal Audit Department to discharge its functions independently. <p>Also the BAC has ensured that the internal audit function was independent of the activities it audits and that it performs impartially and with required proficiency and exercises due professional care in performing the audit function.</p>
	<p>(k) The committee shall consider the major findings of internal investigations and management's responses thereto.</p>	<p>Complied.</p> <p>The committee reviewed Investigation Reports issued and has considered the major findings of internal investigations. The BAC reviewed the management responses and made appropriate recommendations, where necessary.</p>
	<p>(l) The Chief Finance Officer, the Chief Internal Auditor and a representative of the External Auditor may normally attend meetings, other Board Members and the Chief Executive Officer may also attend meetings upon the invitation of the Committee. However, at least twice a year, the Committee shall meet with the External Auditors without the Executive Directors being present.</p>	<p>Complied.</p> <p>The Head of Audit, who is secretary to the Audit Committee attends meetings regularly and the Chief Financial Officer, Director/CEO and other Corporate Heads have attended meetings by invitation as appropriate. The Committee has met the external auditors two times without the Executive Directors being present.</p>
	<p>(m) The committee shall have:</p> <ul style="list-style-type: none"> i. Explicit authority to investigate into any matter within its Terms of Reference; ii. The resources which it needs to do so; iii. Full access to information; and iv. Authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary. 	<p>Complied.</p> <p>The BAC's Terms of Reference provides authority to investigate into any matter within its Terms of Reference; obtain the resources which it needs to carry out the investigation; full access to information and authority to obtain external professional advice and to invite outsiders with relevant experience to be involved, if necessary.</p>

Section	Rule	Level of Compliance
	(n) The committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Complied. The BAC met Six times during the year with due notice. The agenda and the papers for discussions and consideration/ approval were circulated prior to the meeting. The minutes of the meetings were recorded by the Head of Internal Audit who functioned as the Secretary to the Committee. The minutes were approved by the BAC at the next regular meeting.
	(o) The Board shall disclose in an informative way, i. Details of the activities of the Audit Committee; ii. The number of Audit Committee meetings held in the year; and iii. Details of attendance of each individual Director at such meetings.	Complied. Please refer the BAC Report on pages 133 to 135 which covers the details of number of meetings held and the attendance of the Audit Committee Members.
	(p) The secretary of the committee (who may be the company secretary or the head of the Internal Audit function) shall record and keep detailed minutes of the committee meetings.	Complied. The Head of Audit, who is the Secretary of the Committee, records and maintains all minutes of the meetings.
	(q) The committee shall review arrangements by which employees of the Bank may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the Bank's relations with the External Auditor.	Disclosure 2-23, 2-24 Complied. The Bank has in place a Whistle-Blower Policy which was reviewed/ revised during the year. The BAC has ensured that all employees are duly informed and duly advised of the effective use of the Whistle-Blower process. Arrangements are in place to carry out independent investigations by the Internal Audit Department on whistle blower complaints and to report to the BAC.
3 (6)(iii)	The following rules shall apply in relation to the Human Resources and Remuneration Committee:	
	(a) The committee shall determine the remuneration policy (salaries, allowances and other financial payments) relating to Directors, Chief Executive Officer (CEO) and Key Management Personnel of the Bank.	Disclosure 2-19, 2-20 Complied. A Board approved Remuneration Policy is in place to determine remuneration in relation to Directors, CEO and KMPs of the Bank.
	(b) The committee shall set goals and targets for the Directors, CEO and the Key Management Personnel.	Complied. Goals and targets for Directors are in place approved by the Committee. Goals and Targets for KMPs had been set for the year 2024.
	(c) The committee shall evaluate the performance of the CEO and Key Management Personnel against the set targets and goals periodically and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.	Complied. A balanced scorecard was used to set the targets for the Key Management Personnel in 2024. Their performance will be assessed in the first Quarter 2025 against the set targets. The revision of remuneration in 2025 will be linked to the 2024 performance of the respective KMP.

CORPORATE GOVERNANCE

Section	Rule	Level of Compliance
	(d) The CEO shall be present at all meetings of the committee, except when matters relating to the CEO are being discussed.	Complied. Board approved HRRC Charter defines the criteria that the CEO shall attend all meetings of the committee by invitation except when matters relating to him are being discussed.
3 (6)(iv)	The following rules shall apply in relation to the Nomination Committee:	
	(a) The committee shall implement a procedure to select/appoint new Directors, CEO and Key Management Personnel.	Complied. Board approved policy is in place to select/appoint new Directors, CEO and KMPs.
	(b) The committee shall consider and recommend (or not recommend) the re-election of current Directors, taking into account the performance and contribution made by the Director concerned towards the overall discharge of the Board's responsibilities.	Complied. Board approved policy and process in place. The Committee has considered and recommended the appointment of current Directors.
	(c) The committee shall set the criteria for eligibility to be considered for appointment or promotion to the post of CEO and the key management positions.	Complied. Policy is in place for 'Selection Criteria for Directors, CEO and Key Management Personnel' which includes the required criteria and appointments and promotions. All KMPs have been appointed with the approval of the committee.
	(d) The committee shall ensure that Directors, CEO and Key Management Personnel are fit and proper persons to hold office as specified in the criteria given in Direction 3(3) and as set out in the Statutes.	Complied. Policy is in place for 'Selection Criteria for Directors, CEO and KMPs' which includes the required criteria for appointments and promotions. All Key Management Personnel have been appointed with the approval of the committee. A fit and proper certificate from CBSL has been obtained for all appointments of KMPs.
	(e) The committee shall consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring Directors and Key Management Personnel.	Complied. In 2024, the NGC assessed Board vacancies based on the expertise required by the bank, adhering to the Board-approved procedure for selecting and appointing Directors. They recommended qualified candidates as necessary. Additionally, the NGC proposed the Succession Plan for KMP to the Board, which reviewed and approved it that same year.
	(f) The Committee shall be chaired by an Independent Director. The CEO may be present at meetings by invitation.	Complied. Chairman of Nomination and Governance Committee (NGC) is an independent Director. CEO has attended NC meetings by invitation.
3 (6)(v)	The following rules shall apply in relation to the Integrated Risk Management Committee:	
	(a) The committee shall consist of at least three Non-Executive Directors, Chief Executive Officer and Key Management Personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks. The committee shall work with Key Management Personnel very closely and make decision on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.	Complied. A Board approved Terms of Reference for the Integrated Risk Management Committee (IRMC) is in place. Committee consisted of three Non-Executive Directors, CEO and Chief Risk Officer. Other KMPs supervising broad risk categories are called by invitation to discuss respective risk areas.

Section	Rule	Level of Compliance
	(b) The committee shall assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the Bank on a monthly basis. In the case of subsidiary companies and associate companies, risk management shall be done, both on a Bank basis and Group basis.	<p>Complied.</p> <p>On monthly basis, IRMC has implemented a procedure to assess the risks such as credit, market, and operational risks of the Bank through relevant risk indicators and management information and such risks are reported to IRMC through Quarterly Risk Report and Risk Matrix table.</p> <p>Bank has also formed a Group Risk Governance structure covering its connected entities.</p>
	(c) The committee shall review the adequacy and effectiveness of all management level committees such as the Credit Committee and the Asset-Liability Committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.	<p>Complied.</p> <p>The committee reviews the adequacy and effectiveness of all management level committees.</p>
	(d) The committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the Committee on the basis of the Bank's policies and regulatory and supervisory requirements.	<p>Complied.</p> <p>Committee identifies specific risks through periodical reports submitted to them and gives advice on a need basis to mitigate such risks.</p>
	(e) The committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	<p>Complied.</p> <p>Committee meets at least quarterly and at regular frequencies.</p>
	(f) The committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of Bank Supervision.	<p>Complied.</p> <p>The Board approved Disciplinary Policy includes provisions and criteria for such situations.</p>
	(g) The committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	<p>Complied.</p> <p>Risk assessment reports are circulated to Board members within one week from the date of IRMC.</p>
	(h) The committee shall establish a compliance function to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from Key Management Personnel shall carry out the compliance function and report to the committee periodically.	<p>Complied.</p> <p>A compliance function has been established to assess the Bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies in all areas of business operations. This function is headed by the Compliance Officer who reports directly to the Board Integrated Risk Management Committee. Compliance function assesses the Bank's internal controls and approved policies on all areas of business operations.</p>

CORPORATE GOVERNANCE

Section	Rule	Level of Compliance
3 (7)	Related Party Transactions	
3 (7)(i)	<p>The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the Bank with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purpose of this direction.</p> <ul style="list-style-type: none"> (a) Any of the Bank's subsidiary companies; (b) Any of the Bank's associate companies; (c) Any of the Directors of the Bank; (d) Any of the Bank's Key Management Personnel; (e) A close relation of any of the Bank's Directors or Key Management Personnel; (f) A shareholder owning a material interest in the Bank; (g) A concern in which any of the Bank's Directors or a close relation of any of the Bank's Directors or any of its material shareholders has a substantial interest. 	<p>Complied.</p> <p>The Board takes necessary steps in line with the Banking Act, this direction and as stipulated in the Bank's Internal Code of Corporate and Related Party Transactions Policy to avoid any conflicts of interest that may arise from any transaction of the Bank with its related parties.</p>
3 (7)(ii)	<p>The type of transactions with related parties that shall be covered by this Direction shall include the following:</p> <ul style="list-style-type: none"> (a) The grant of any type of accommodation, as defined in the Monetary Board's Directions on maximum amount of accommodation, (b) The creation of any liabilities of the Bank in the form of deposits, borrowings and investments, (c) The provision of any services of a financial or non-financial nature provided to the Bank or received from the Bank, (d) The creation or maintenance of reporting lines and information flows between the Bank and any related parties which may lead to the sharing of potentially proprietary, confidential or otherwise sensitive information that may give benefits to such related parties. 	<p>Complied.</p>
3 (7)(iii)	<p>The Board shall ensure that the Bank does not engage in transactions with related parties as defined in Direction 3(7) (i) above, in a manner that would grant such parties "more favourable treatment" than that accorded to other constituents of the Bank carrying on the same business.</p>	<p>Complied.</p> <p>Please refer comment in 3 (7) (i) and 3 (7) (ii) above.</p> <p>The formal policy approved by the Board on Related Party Transactions enhances transparency and contains provisions of this rule to ensure compliance. Further, to strengthen the corporate governance of the Bank, the Board Related Party Transactions Review Committee reviews the related party transactions in line with the policy to avoid any 'favourable treatment' granted to such parties.</p>

Section	Rule	Level of Compliance
3 (7)(iv)	A Bank shall not grant any accommodation to any of its Directors or to a close relation of such Director unless such accommodation is sanctioned at a meeting of its Board of Directors, with not less than two-thirds of the number of Directors other than the Director concerned, voting in favour of such accommodation. This accommodation be secured by such security as may from time to time be determined by the Monetary Board as well.	Complied. Please refer 3.7 (i). All such accommodation has to be approved at the Board level meetings with not less than 2/3 of the number of Directors other than the Director concerned, voting for such accommodations granted.
3 (7)(v)	<p>(a) Where any accommodation has been granted by a Bank to a person or a close relation of a person or to any concern in which the person has a substantial interest, and such person is subsequently appointed as a Director of the Bank, steps shall be taken by the Bank to obtain the necessary security as may be approved for that purpose by the Monetary Board, within one year from the date of appointment of the person as a Director.</p> <p>(b) Where such security is not provided by the period as provided in Direction 3(7)(v)(a) above, the Bank shall take steps to recover any amount due on account of any accommodation, together with interest, if any, within the period specified at the time of grant of accommodation or at the expiry of a period of eighteen months from the date of appointment of such Director, whichever is earlier.</p> <p>(c) Any Director who fails to comply with the above sub directions shall be deemed to have vacated the office of Director and the Bank shall disclose such fact to the public.</p> <p>(d) This sub-direction, however, shall not apply to a Director who at the time of the grant of the accommodation was granted under a scheme applicable to all employees of such Bank.</p>	Complied. The Bank did not encounter such a situation during the year.
3 (7)(vi)	A Bank shall not grant any accommodation or “more favourable treatment” relating to the waiver of fees and/or commissions to any employee or a close relation of such employee or to any concern in which the employee or close relation has a substantial interest other than on the basis of a scheme applicable to the employees of such Bank or when secured by security as may be approved by the Monetary Board in respect of accommodation granted as per Direction 3(7)(v) above.	Complied. No accommodation has given to employees on a favourable basis other than the general schemes applicable to all employees of the Bank, such as staff loan facilities. Please refer 3.7 (i)
3 (7)(vii)	No accommodation granted by a Bank under Direction 3 (7) (v) and 3 (7)(vi) above, nor any part of such accommodation, nor any interest due thereon shall be remitted without the prior approval of the Monetary Board and any remission without such approval shall be void and of no effect.	Complied. The Bank did not encounter such a situation during the year.

CORPORATE GOVERNANCE

Section	Rule	Level of Compliance
3 (8)	Disclosures	
3(8)(i)	<p>The Board shall ensure that:</p> <p>(a) 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 that</p> <p>(b) such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.</p>	<p>Complied.</p> <p>The Bank has prepared annual audited financial statements and quarterly financial statements in accordance with the formats prescribed by the supervisory and regulatory authorities and applicable accounting standards. Addition Bank has published such statements in the newspapers in Sinhala, Tamil and English.</p>
3 (8)(ii)	<p>The Board shall ensure that the following minimum disclosures are made in the Annual Report:</p> <p>(a) A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.</p> <p>(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.</p> <p>(c) The External Auditor's certification on the effectiveness of the internal control mechanism reported by the Board of Directors.</p> <p>(d) Details of Directors,</p> <p>i. Including names, fitness and propriety,</p> <p>ii. Transactions with the Bank and</p> <p>iii. The total of fees/remuneration paid by the Bank.</p> <p>(e) Total net accommodation as defined in 3 (7)(iii) granted to each category of related parties. The net accommodation granted to each category of related parties shall also be disclosed as a percentage of the Bank's regulatory capital.</p> <p>(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.</p> <p>(g) The External Auditor's certification of the compliance with these Directions in the annual Corporate Governance reports published in the annual report.</p>	<p>Please refer page 147</p> <p>Please refer pages 155 to 156</p> <p>Please refer page 157</p> <p>Please refer pages 84 to 89, 151 to 152 and 283 to 286</p> <p>Please refer pages 151 to 152 and 283 to 286</p> <p>Please refer pages 151 to 152.</p> <p>The Bank has obtained External Auditor's factual finding report on this Corporate Governance Report.</p>

Section	Rule	Level of Compliance
	The Board shall ensure that the following minimum disclosures are made in the Annual Report:	
(h)	A report setting out details of the compliance with i. Prudential requirements, regulations, laws and ii. Internal controls and iii. Measures taken to rectify any material non-compliance.	Please refer page 153 The Bank complied with all applicable laws and regulations in conducting its business.
(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.	There is no such non-compliance issues pointed out by the Director of Bank Supervision to be disclosed to the public.

Union Bank's Commitment to Anti-Bribery/Anti-Corruption

Disclosure 2-23, 2-24

The Bank is committed to conduct its business activities with integrity, honesty, and fairness. An important part of honouring commitment is making sure that everyone at the Bank upholds the Bank's standards of ethical business conduct.

Thus, the Bank takes a zero-tolerance approach to any form of bribery and corruption. Conduct of this type is prohibited whether committed by employees or anyone else acting on behalf of the Bank.

Anti-Corruption Policy

The Bank has formalised its commitment to anti-corruption compliance by establishing an Anti-Corruption Policy, which is approved by the Board of Directors. This policy articulates the Bank's approach to corruption and sets out the Bank's expectations with respect to bribery and corruption, prohibiting employees, Directors, agents, consultants and other similar intermediaries who act on the Bank's behalf from making, receiving, or giving bribes, gifts, gratifications, or rewards as an inducement to persuade a person to act in a particular manner to achieve a particular

result. These prohibitions apply to dealings with individuals and corporate entities, public officials and any other person with whom the Bank does and/or anticipates doing business with.

A breach of the Anti-Corruption Policy by an employee will be treated as grounds for disciplinary action.

The Bank's commitment to compliance with anti-corruption laws extends to the activities of its agents and business partners as well. Accordingly, the Bank has a policy of conducting anti-corruption-related due diligence on its agents and business partners in order to identify any potential risks associated with them. Union Bank's Statement on Anti-Corruption can be viewed via <https://www.unionb.com/customer-charter/>

Implementation of Anti-Corruption Policies

The Bank has implemented an anti-corruption compliance programme that includes training, due diligence of third parties and mandatory reporting and ensure that all Bank employees undergo the training programme. The Bank maintains books and records that accurately reflect its transactions,

the use of its assets, and other similar information, and a reasonable system of internal controls.

The Bank has also implemented rules with regard to acceptance and offer of gifts and hospitality, in order to ensure compliance with the Anti-Corruption Policy. Accordingly, employees are prohibited from accepting gifts, services, loans or favoured preferential treatment from anyone, including customers and suppliers, in exchange for or with regard to a current or future business relationship or transaction with the Bank except when such a gift is part of a customary exchange of seasonal gifts/ complimentary gifts not exceeding a value prescribed in the Anti-Corruption Policy. Acceptance of any such gift is required to be reported to the Head of Compliance. The Policy permits the giving of a token gift (which is not cash or cash equivalent) to third parties subject to a pre-approval mechanism.

The Bank's Anti-Corruption Policy also prohibits the making of, offering or facilitating any payments to win, influence, gain or retain business or an improper business advantage and the making of political donations (including sponsorships), for any such purpose.

CORPORATE GOVERNANCE

Responsibility

The accomplishment of the Bank's commitment to anti-corruption relies on the diligence of all its personnel. Formal responsibility for overseeing the implementation of the Anti-Corruption Policy is assigned to the Head of Compliance, who provides training and guidance on the policy to the employees.

Reporting Channels

Disclosure 2-25.2-26

Everyone within the organisation has a duty to report suspected acts of bribery or corrupt practices. The Bank believes that it is essential to create an environment in which everyone feels that they can raise any matters of genuine concern without fear of disciplinary action being taken against them or fear of reprisal. Thus, the Bank ensures that all cases of suspected bribery and/or corruption are dealt with consistently and whether or not an investigation shows bribery exists, there will be no retaliation against or adverse consequences for the person reporting the possible case of bribery and/or corruption.

The Bank has several channels that employees resort to in order to raise any concerns in confidence, including violations of the Anti-Corruption Policy. These include,

- multiple contact lines provided in the Whistle Blowing Policy; and
- Head of Compliance

All reported concerns are taken seriously and treated with the utmost confidentiality and anonymity. The Bank has processes in place to ensure that reports are promptly investigated and addressed and outcome is conveyed to the person/s who raised the concern, thereby ensuring a two-way communication process.

The Bank does not take any reprisal or retaliation measures, including any adverse employment measures, against any director, officer, employee and/or third party who in good faith brings forward actual or potential violations or concerns.

Compliance with Cyber Security

The Bank holds ISO/IEC 27001:2022 certification in information Security Management System (ISMS) and Payment Card Industry Data Security Standards (PCI DSS) V4.0 and was the first Bank in the country to obtain both certifications.

The Chief Information and Security Officer (CISO) is entrusted with the duty of ensuring confidentiality, integrity and availability of systems data and the Board Integrated Risk Management Committee supports the Board in overseeing Information Security aspect of the Bank.

Bank's Information Security Policy and other related IT procedures aligns with ISO/IEC 27001:2022 security standards for employees and all other relevant stakeholders covering various domains.

Data Security and Privacy

The Bank has been taking measures to adhere to Data Protection Act No. 09 of 2022 and confirms that Bank's data security measures and proactive approach is expected to adequately protect customer and other stakeholder information.

BOARD AUDIT COMMITTEE REPORT

The Board Audit Committee (“the Committee”) of Union Bank of Colombo PLC (“the Bank”) is delegated with the authority by the Board of Directors (“the board”) of the Bank to assist the Board in meeting its oversight responsibilities for maintaining an effective system of internal control, ensuring compliance with legal and regulatory requirements.

Composition

The Board Audit Committee comprises of two (02) Independent Non-Executive Directors and one (01) Non-Independent Non-Executive Director. Profiles of the Directors representing the committee are given on pages 84 to 89 of this Annual report. The Chairperson, Mr. Mahesh Nanayakkara, is a Fellow of the Chartered Institute of Management Accountants (UK) and counts over 30 years’ experience in the financial services industry. Mr. Sarath Wikramanayake, independent non-executive director, who functioned as the chairperson of the committee till his retirement w.e.f. 15 Nov 2024 is a fellow of the Institute of Chartered Accountants of Sri Lanka with many years of experience in the financial services industry.

The composition of the committee as of 31 December 2024 is as follows:

Name	Status
Mr. Mahesh Nanayakkara (Appointed w.e.f. 06 Dec 2024)	Chairperson/ Independent Non - Executive Director
Ms. Dilshani Wijewardena	Independent Non - Executive Director
Mr. Sanjay Pokhrel	Non – Independent, Non - Executive Director

Meetings

The Committee met six (06) times during the period under review. The eligibility and attendance of the committee members is as follows. The quorum of the committee is three (03) as per the Board approved Charter.

Name	Status	Eligible to attend/ Attended
Mr. Mahesh Nanayakkara (Appointed w.e.f. 06 December 2024)	Chairperson/ Independent Non - Executive Director	0/0
Mr. Sarath Wikramanayake (Retired w.e.f. 15 November 2024)	Chairperson/ Independent Non - Executive Director	6/6
Ms. Dilshani Wijewardena	Independent Non - Executive Director	6/6
Dr. (Mrs.) Roshan Perera (Resigned w.e.f 31 May 2024)	Independent Non - Executive Director	3/3
Mr. Sanjay Pokhrel	Non - Independent Non - Executive Director	6/6

The Head of Internal Audit continues to function as the Secretary to the Committee.

Director/Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Information Officer and Head of Internal Audit are regular invites to the Committee. The Messrs. Ernst & Young (External Auditor) also attended five (5) out of six (6) meetings by invitation during the period.

Charter of the Committee

The Audit Committee Charter, which was approved by the Board, clearly defines the Terms of Reference (TOR) of the Committee. It is reviewed annually to ensure that new developments relating to the committee are addressed.

The Banking Act Direction No. 11 of 2007 on ‘Corporate Governance for Licensed Commercial Banks in Sri Lanka’, the Companies Act, the Securities and Exchange Commission Act, the Listing Rules of the Colombo Stock Exchange and the ‘Code of Best Practice on Corporate Governance’, issued by The Institute of Chartered Accountants of Sri Lanka, further regulate the composition, roles and functions of the Committee.

Financial Reporting

The Committee reviewed the Bank’s financial reporting process on behalf of the Board to ensure that Financial Statements are prepared in accordance with the Bank’s accounting records, in compliance with regulatory provisions including the Sri Lanka Accounting Standards, Companies Act No. 7 of 2007, and Banking Act No. 30 of 1988 and amendments thereto and reflect a true and fair view on the financial position and performance of the Bank.

The Committee satisfied itself that accounting policies and practices are appropriate, and adequate internal controls and procedures are in place to provide reasonable assurance that the financial reporting system is effective and well managed to provide reliable and timely information.

The committee reviewed the impact of the accounting treatment on significant risks and uncertainties and key estimates and judgements material to the Bank’s financial reporting.

The Committee recommended annual and quarterly Financial Statements to the Board for approval.

BOARD AUDIT COMMITTEE REPORT

The Committee obtained and reviewed assurance received from the Chief Executive Officer and Chief Financial Officer that the financial records have been properly maintained, and the financial statements give a true and fair view of the Bank's operations and finances.

The Committee is satisfied with the status of the compliance with Financial Reporting Requirements, Companies Act No. 07 of 2007, CBSL regulatory requirements, information requirements under CSE Listing Rules, the SEC Act and other relevant financial reporting related regulations and requirements.

External Audit

The Committee has made recommendations to the Board regarding the re-appointment of the External Auditor (Messrs. Ernst & Young) in compliance with regulatory provisions.

The committee discussed the audit plan, scope and the methodology proposed to be adopted in conducting the audit with the External Auditor prior to commencement of the annual audit. Also, all relevant matters arising from the interim and final audits together with the Management Letter and management responses thereto were reviewed by the committee.

The committee evaluated the External Auditor, covering key areas such as scope and delivery of audit, resources and quality assurance initiatives, during the year 2024.

The committee met with the External Auditor twice (2) during the year, in the absence of Key Management Personnel to ensure that there were no limitations of the scope in relation to the audit and to allow for the full disclosure of any incidents which could have had a negative impact on the effectiveness of the external audit. The Committee concluded that there was no cause for concern.

Independence of the Auditors

The committee obtained assurance in writing from the external auditor on their independence throughout the conduct of the audit engagement in accordance with

professional ethical standards and applicable rules & regulations.

The committee reviewed the non-audit services provided by the External auditor and the associated fees against the Bank's Policy on non-audit services provided by the External Auditors, to ensure such functions do not fall within the restricted services and provision of such services would not impair the External Auditors' independence and objectivity. The Policy on non-audit services provided by the External Auditors was reviewed and revised during the year for the approval of the Board. The committee is satisfied that the independence and objectivity of the External Auditor has not been impaired by the provision of non-audit services during the period.

The committee ensured that the number of years that the engagement audit partner of the external auditor does not exceed three years.

Risks and Internal Control

The committee continued to assess the adequacy, efficiency and effectiveness of the Bank's internal control systems. Through the internal audit function that reports directly to the committee, the effectiveness of the Bank's internal control over financial reporting as at 31st December 2024 was assessed, as required by the section 3.8(ii)(b) of the Banking Act Direction No 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka and based on the "Guidance for Directors of Banks on the Directors' Statement on Internal Control" issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The Committee is satisfied with the reliability of the financial reporting system as disclosed on pages 155 and 156, Directors' Statement on Internal Control over Financial Reporting. Furthermore, the External Auditor has issued an Assurance Report on Directors' Statement on Internal Control over Financial Reporting.

The Committee focused on specific operational areas of the Bank and held detailed discussions with the members

of Corporate Management to ensure the adequacy and effectiveness of the Bank's internal controls over such operational aspects and Information security including prevent the leakage of material information to unauthorised persons.

The Committee obtained the required assurances from the Business line on the remedial action in respect of the identified risks to maintain the effectiveness of internal control procedures.

The committee reviewed and assessed the Bank's risk management process, including the adequacy of the overall control environment and controls in areas of significant risk and updated business continuity plan based on the reports from the Internal and External audit.

The Committee monitored the progress on implementation of the recommendations made in the Statutory Examination Reports of the Central Bank of Sri Lanka (CBSL) through follow-up reports during the year.

Internal Audit

The Committee continuously reviewed and satisfied itself with the independence, objectivity and effectiveness of the internal audit function as the third line of defense. Ensured the adequacy and coverage of the annual audit plan for the year, which was prepared on risk-based planning methodology along with the frequency of reviews.

The committee assessed and addressed the Internal Audit Department's resource requirements, including succession planning. Reviewed the internal audit findings along with recommendations, management responses and followed up the status of implementations on a regular basis. Thereby ensured prompt corrective action to mitigate the effect of specific risk in the case such risks are at a level beyond the prudent level on the basis of the Bank's risk appetite and regulatory requirements.

The committee, through the Internal Audit Department, obtained professional service from an outsourced service provider on certain areas of information security aspects.

The committee reviewed and satisfied itself with the performance of the Head of Internal Audit and other senior staff members of the Internal Audit Department. Independent discussions were held with the Head of Internal Audit, in the absence of Key Management Personnel, to ensure the independence of the Internal Audit Department's operations.

Whistleblowing

The Whistleblowing policy is in place for educating and encouraging all members of staff to resort to whistleblowing if they suspect wrongdoing or other improprieties. All appropriate procedures are in place to conduct independent investigations into incidents reported through whistleblowing or identified through other means. The Whistle-Blowers Policy guarantees the maintenance of strict confidentiality of the identity of the whistle blowers. The policy is reviewed annually in order to further enhance its effectiveness.

Committee Evaluation

A self-evaluation of the effectiveness of the Committee was carried out by the members of the committee during the year and concluded that the Committee has been concurred as effective in carrying out its responsibilities.



Mahesh Nanayakkara

Chairman - Board Audit Committee

Colombo

28 February 2025

INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

The Integrated Risk Management Committee (IRMC), the apex body which formulates the Risk Appetite of the Bank under the guidance of the Board of Directors, comprised of four members at the end of the year 2024 of which three of the members were Non – Executive Directors.

Attendees	Eligible to attend/attended
Mr. Sabry Ibrahim Appointed Chairman w.e.f. 2nd December 2024 (Independent Non-Executive Director)	1/1
Mr. Dinesh Weerakkody Chairman appointed on 1st June 2024 and ceased w.e.f. 2nd December 2024	1/1
Dr. (Mrs.) Roshan Perera Chairperson Resigned w.e.f. 31st May 2024 (Independent Non-Executive Director)	3/3
Mr. Sarath Wikramanayake Retired w.e.f. 15th November 2024 (Independent Non-Executive Director)	4/4
Dr. Dharmasiri Kumaratunge Appointed w.e.f. 2nd December 2024 (Independent Non-Executive Director)	1/1
Mr. Malay Mukherjee (Non-Independent Non-Executive Director)	5/5
Mr. Indrajit Wickramasinghe (CEO-Executive Director) Resigned w.e.f. 15th August 2024	3/3
Mr. Dilshan Rodrigo (CEO-Executive Director)	2/2
Mr. Suhen Vanigasooriya (Chief Risk Officer) Retired w.e.f. 2nd June 2024	2/2
Mr. Sampath Weerasinghe (Chief Risk Officer) Appointed w.e.f. 20th August 2024	2/2

Major Initiatives Implemented in 2024

The Banking sector faced numerous challenges in 2024, and UBC proactively adapted to the evolving risk landscape by consistently strengthening its risk management strategies.

Credit Risk Management

- The Bank's credit, valuation, and collateral policies/frameworks were reviewed to ensure alignment with current market

trends, regulatory requirements, and the macro environment.

- The Bank's Credit Risk Management Framework, which defines the internal policies, procedures, and practices outlining the Credit Risk Management process, was reviewed and updated in line with the evolving risk environment.
- Delegated lending authorities of the Bank as well as credit approval structures were reviewed enabling more authority

at Regional levels, and thereby expediting the credit approval process.

- The Environmental and Social Risk Management Policy was updated to comply with regulatory requirements and new Environmental, Social, and Corporate Governance (ESG) directives.
- Risk thresholds were re-calibrated, based on the Bank's risk appetite and industry best practices.
- Regular training and knowledge-sharing sessions were conducted for staff on Bank policies/guidelines, best practices, common lapses in credit underwriting, and rescheduling/restructuring facilities.
- Started to review /independently validate internal risk rating model of the Bank.

Portfolio Risk Management

- The Bank's ICAAP was reviewed during the year to ensure capital adequacy was maintained above minimum regulatory requirements. Stress testing was conducted on variables including asset quality, market risk factors, concentration risk assessments, and other macroeconomic factors.
- Several industry reviews across various sectors were conducted to evaluate risk levels and implement corrective measures to enhance the Bank's lending portfolio management.
- Developed a colour coded Risk Dashboard to efficiently monitor the Bank's Risk Exposures.
- Retail lending Product Program Guidelines (PPGs) were reviewed in view of improving TATs.
- New credit approval structure was introduced for Retail self-employed customers.
- The lending portfolios were frequently reviewed for credit quality, early warning signals and shifts in portfolios.

- Strengthened hindsight reviews for Retail Loans, Credit Cards and Leasing to ensure adherence and compliance with the Bank's Credit policies.

Loan Review Mechanism

- Findings on policy deviations and their implications were brought to the notice of business units and discussed at length. These discussions centred on understanding implications, adding clarity to existing policy, and introducing appropriate measures to mitigate potential risks arising from the underlying deviations.
- Shared LRM observations and learnings based on reviews carried out on Stage 3 accounts along with best credit underwriting practices with Business and Credit Teams in order to ensure qualitative improvements in Credit underwriting and Credit Administration process.

Market Risk

- Treasury limits were reviewed, updated & new limits were introduced in line with the market best practices.
- Review caps and limits on investments in securities and measurement of volatility of forex and securities.
- Review the limit structure for Treasury activities for the year 2024, considering the strategic focus of the Bank, possible risk factors, current market and economic challenges, impact on external debt restructuring etc.
- Strengthened the MIS daily reports by incorporating additional information.
- Introduction of monitoring & reporting of rate tolerances on a daily basis.
- Continuous assessment on stress testing, especially on Liquidity, Foreign exchange & Interest rate risks & strategic decisions were taken based on the stress testing results.

Operational Risk

- Annual Risk and Control Self-Assessments (RCSA) were conducted across all Head Office departments and the branch network to evaluate the evolving risk profiles and implement measures to mitigate identified risks.
- The Operational Risk Management Framework of the Bank was reviewed to align with the new industry developments.
- Regular on-site operational control reviews were performed among 40 branches to identify and address control gaps/weaknesses and to further strengthen the control mechanism.
- Training sessions were organised for business and operational teams across the Bank to foster a proactive risk management culture, equipping staff with the skills to identify, report and prevent operational risks effectively.
- Reviewed Product Programme Guidelines/ other internal policies/ new product developments/ process changes annually or as and when required and recommended risk mitigation strategies and improvements to Bank policies, processes and practices.
- Analysis and monitoring trends of Key Risk Indicators (KRIs).
- Analysis of operational loss event reports to identify control gaps/ root causes and recommend pragmatic solutions to close such gaps.
- Operational risk awareness quiz was successfully conducted via Learning Management System for all staff as an initiative to enhance staff understanding and preparedness in identifying and managing operational risks effectively.
- Fraud Risk Management Framework was reviewed strengthening the Bank's overall fraud risk governance.

- In par with the Fraud Risk Policy of the Bank, identified/ possible frauds, misappropriations and irregularities were discussed at Fraud Risk Management Committee meetings on monthly basis and preventive and detective controls were placed accordingly to mitigate Bank's Fraud Risk exposure.
- BCP testing was conducted for all critical departments as well as DR Drills for IT systems to assess the operational resilience during a possible event of a disruption or disaster.

Group risk

- Regular meetings were held at Senior Executive level to evaluate the compliance and risk positions of Group companies and to identify any issues or challenges requiring attention.

Looking Ahead

The following key initiatives have been identified for implementation in 2025.

Credit Risk Management

- Bank is in the process of validating the internal rating model through an external party, to enhance accuracy and reliability, whilst facilitating better assessment of credit risk.
- Conduct frequent credit familiarisation programmes for staff in order to upskill credit underwriting standards and build a prudent risk management culture.
- Improve credit evaluation/ underwriting standards by issuing regular guidelines and directions taking into account lessons learned, macro-economic developments and industry practices.
- Bank is considering incorporating ESG policies into the Bank's overall risk management framework.

INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

Portfolio Risk Management

- The Risk Appetite Statement of the Bank to be reviewed in line with Bank's budgets and performance and response to macro and micro economic factors of the country.
- Increase risk reviews on industries in order to identify new opportunities and to understand elevated risk business sectors.

Loan Review Mechanism

- Review and update the Credit policy of the Bank in line with the major LRM findings.
- Extend the post disbursement audit function to the recently started Leasing service and update the credit policy with details.

Market Risk

- To enhance monitoring mechanism of Treasury with the introduction of updated Treasury system.
- Review Treasury activity limits for 2025, aligning with the Bank's growth plan and anticipated challenges.

Operational Risk

- Obtain ISO certification for the Business Continuity Management process of the Bank.
- To strengthen RCSA process by identifying new risk exposures. Pragmatic actions to be taken to mitigate these risk items in order to create a culture of adherence and compliance.
- Conduct root cause analysis for significant operational losses to identify causes and to suggest controls and improvements to prevent recurrence.
- Strengthening of Bank Key Risk Indicators (KRIs) to align with the evolving risk profile.

- Implement an Operational Risk Dashboard that integrates key components of operational risk elements, offering a clear and concise view of the Bank's Operational Risk profile to support informed decision making by presenting essential data, trends and insights at a glance.

Group Risk

- Further strengthen the mechanism and assessment of Group risk monitoring by way of introducing new tools.

Charter of the IRMC

The Charter of the Integrated Risk Management Committee was approved by the Board of Directors outlining their responsibilities. The Charter details the composition, duties, responsibilities and authority. The detailed functionalities, supportive structures and framework are discussed in detail under "Risk Management at Union Bank" of this annual report.

Meetings of the IRMC

The IRMC held four meetings on a quarterly basis in the year 2024. These meetings were conducted mostly in hybrid mode.

Primary Responsibilities of the IRMC

The IRMC is responsible for the implementation of the Risk Strategy of the Bank as laid down by the Board of Directors. The IRMC is vested with the responsibility of approving framework for the efficient functioning of business units and monitoring of risks. The IRMC is in charge of reviewing the risk profile of the Bank within the context determined by the Board. The IRMC is responsible for the assessment of all risks relating to Credit, Operational, Market, Liquidity and Technology/ Cyber. Using appropriate risk indicators and management information, necessary recommendations will be made to the Board in order to enhance the risk controls wherever appropriate.

Other Responsibilities of the Committee

The IRMC has an oversight over the implementation and risk management in relation to legal and compliance functions and takes prompt corrective actions to alleviate the risk effects.

The Compliance function assists the Board and the Corporate Management Team in managing the compliance risk. The Bank is committed to adhere to the highest standards of compliance vis-à-vis regulatory prescriptions and internal guidelines. During the year the IRMC reviewed the Compliance Policy, outlining the compliance philosophy of the Bank and roles & responsibilities of the Compliance Department. The compliance function aims to improve the compliance culture within the Bank through various enablers such as dissemination of regulatory changes, percolation of compliance knowledge through training, newsletters, e-learning initiatives and other means of communication apart from direct interaction. During the year, these initiatives were carried out by the compliance function.

Compliance

The IRMC was established as a Committee of the Board, in compliance with Section 3 (6) of the Banking Act Direction No. 11 of 2007, on "Corporate Governance for Licensed Commercial Banks in Sri Lanka". The composition and the scope of work of the IRMC are in conformity with the provisions of the aforementioned Direction. The Bank has adopted an Integrated Risk Management Framework (IRMF) in line with the Central Bank of Sri Lanka Banking Act Direction No. 7 of 2011.

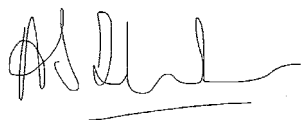
In compliance with section no.3(6)(v)(g) of Corporate Governance Direction No.11 of 2007 issued by the Central Bank of Sri Lanka, the IRMC submits a quarterly Risk Assessment Report within a week of each meeting to the Board for information as well as to seek the Board's views, concurrence and/ or specific directions.

Professional Advice

The Board of Directors provides oversight to the Business and Risk strategy of the Bank's along with the risk appetite statement. As the effects of macroeconomic vulnerabilities continued during 2024, the Board's direction in risk governance also evolved. Additionally, the Committee is content with the successfully deployed risk management initiatives to ensure the continued stability of the Bank for the year under review and beyond.

Committee Evaluation

The Bank's risk infrastructure was reviewed by the IRMC by reviewing the adequacy and performance of the closely related management Committees such as Asset and Liability Committee (ALCO), the Executive Risk Management Committee (ERMC), the Operational Risk Management Committee (ORMC), Fraud Risk Management Committee (FRMC) and Information Security Committee (ISC).



Mr. Sabry Ibrahim
Chairman

Integrated Risk Management Committee

Colombo
28 February 2025

NOMINATION AND GOVERNANCE COMMITTEE REPORT

Composition of the Committee

The Nomination and Governance Committee ('the Committee') comprises of three Non-Executive Directors appointed by the Board of Directors (the Board) of Union Bank of Colombo PLC (the Company) two of whom are Independent Directors.

The following Directors, whose profiles are given on pages 86 to 89 of the Annual Report, currently serve on the Committee:

Name	Directorship Status	Membership Status	Date appointed to the Committee
Ms. Dilshani Wijayawardana	Independent, Non-Executive	Chairperson	01.04.2017
Mr. Nirvana Kumar Chaudhary	Non- Independent, Non- Executive	Member	06.11.2023
Dr. Dharmasiri Kumaratunge	Independent, Non-Executive	Member	02.12.2024

The following Directors also served on the Committee during the year 2024:

Name	Directorship Status	Membership Status	Tenure
Mr. Trevine Fernandopulle	Independent, Non- Executive	Member	Until 23.11.2024
Mr. Sarath Wikramanayake	Independent, Non-Executive	Member	Until 15.11.2024
Mr. Dinesh Weerakkody	Independent, Non- Executive	Member	Until 02.12.2024
Mr. Malay Mukherjee	Non-Independent, Non- Executive	Member	Until 02.12.2024

Reporting to the Board

The Minutes of the Committee meetings were tabled at Board meetings thereby providing the Board members access to the deliberations of the Committee

The Committee reports directly to the Board.

Senior Independent Director

Mr. Trevine Fernandopulle, Independent Non-Executive Director and Deputy Chairman served as the Company's Senior Independent Director until his retirement on 23rd November 2024 .

Secretary to the Committee

The Company Secretary functions as the Secretary to the Committee.

Mr. Thilak Theja Silva served as the Company Secretary until 09th July 2024 and Ms. Laswie Tsung serves as the Company Secretary with effect from 10th July 2024.

Meetings

The Committee met four times during the year 2024, with meetings held on a quarterly basis. The attendance of the members at each meeting is detailed in the table on page 108 of the Annual Report. When necessary, the Director/ Chief Executive Officer and the Senior Vice President – Chief People and Transformation Officer attended these meetings by invitation.

Charter of the Committee

The Committee was established by the Board in compliance with Section 3 (6) of the Banking Act Direction No. 11 of 2007 (as amended) on "Corporate Governance for Licensed Commercial Banks in Sri Lanka" issued by the Monetary Board of the Central Bank of Sri Lanka under the Banking Act No. 30 of 1988 (as amended) and also meets the requirements under the Listing Rules of the Colombo Stock Exchange.

The Charter of the Committee ('Charter') sets out the main responsibilities entrusted to the Committee; composition, scope, authority, conduct and scheduling of meetings as well as matters pertaining to the quorum for the meetings.

Key Responsibilities of the Committee

The key responsibilities of the Committee are as follows,

- Reviewing and evaluating the structure, size and composition of the Board and its sub-committees to ensure that they are effectively configured to discharge their duties and responsibilities.
- Evaluating the appointment of Directors to the Board and its subcommittees, ensuring that no Committee member is involved in decisions regarding their own appointment.
- Establishing and maintaining an updated procedure for the selection, appointment and re-election of Directors to the Board with a focus on assessing their fitness and propriety, qualifications, competencies and independence in compliance with applicable statutory and regulatory provisions.
- Implementing a procedure for the identification, selection and appointment of new Directors, Executive Director/ CEO and Key Management Personnel (KMP's) in accordance with the applicable regulations, statutory provisions, and guidelines.
- Considering and recommending the re-appointment/re-election of current Directors, taking into account their knowledge, experience, the performance and contribution respectively made by each such Director to meet the strategic demand of the Company, the overall discharge of the Board's responsibilities and the number of directorships held by each of them in other listed and unlisted companies and their other principal commitments.

- Setting the eligibility criteria including qualifications, experience and key attributes required to be considered for appointment or promotion to the positions of CEO and KMP's.
- Ensuring that Directors, Executive Director/ CEO and KMP's are fit and proper persons to hold office as per the criteria specified under Statutory and Regulatory requirements.
- Considering and recommending the requirements of additional/new expertise and the succession arrangements for retiring Directors and KMP's from time to time.
- Reviewing the Charter of the Committee periodically, to ensure that it reflects changing statutory and regulatory requirements as well as industry best practices at all times.
- Assessing the performance of the Committee annually.
- Reviewing and recommending enhancements to the Company's overall corporate governance framework, ensuring alignment with applicable statutory and regulatory provisions and industry best practices.
- Periodically assess and update the corporate governance policies and framework to reflect regulatory and legal developments.
- As a best practice, receiving regular reports from the Company's Management on compliance with the Corporate Governance framework, including adherence to the Securities and Exchange Commission of Sri Lanka Act, Listing Rules of the Colombo Stock Exchange and other applicable laws.
- Reviewing any instances of deviations or non-compliance along with the rationale provided for such occurrences.

Activities in 2024

During the year, the Committee reviewed the fitness and propriety of the Directors in accordance with the provisions of the Banking Act No. 30 of 1988 (as amended) and the relevant Directions issued thereunder. Based on these evaluations, the Committee made recommendations to the Board on their continuation in office. Additionally, the Committee advised the Board on re-appointment of Directors retiring by rotation and seeking re-election at the Annual General Meeting. These reviews and recommendations were conducted with careful consideration of each Director's performance and contribution to the effective discharge of the Board's responsibilities. During the year, the Committee evaluated the fitness and propriety of four potential candidates and recommended their appointment as Directors to the Board. Additionally, the Committee reviewed the expertise, skills and talents of potential candidates both internal and external in line with the internal policies and applicable rules and regulations, to identify suitable individuals for several key managerial positions of the Company. Succession planning at the KMP level remained a key focus during the year. The Committee conducted in-depth deliberations on the Company's succession planning for Directors and KMP's and made strategic recommendations to ensure alignment with the Company's long-term objectives and the achievement of strategic goals.

Disclosures by the Committee

The Committee conducted a self-evaluation of its individual performance, of other Board Sub-Committees, as well as an assessment of the Board's overall effectiveness. During the year under review, the regular evaluation was also carried out to assess the performance of the Executive Director/CEO.

The Directors appointed during the year under review participated in a comprehensive induction programme designed to familiarise them with Corporate Governance practices, Listing Rules, Securities and Market Regulations, other relevant laws and regulations and to give them an overview of the Company's key focus areas, ensuring Directors are well-prepared to fulfill their responsibilities effectively.

The Board is regularly updated on matters related to Corporate Governance, Listing Rules, Securities and Market Regulations and other relevant laws and regulations as necessary.

All eligible Directors have consistently submitted themselves for re-election at the prescribed intervals in terms of the Articles of Association of the Company.

The Company ensures diversity on the Board in terms of experience, skills, age, and gender, recognising these factors as essential for effective Board performance as evidenced by the profiles of Directors given on pages 86 to 89 of the Annual Report.

The Company has effectively implemented policies and processes for the appointment and reappointment of Directors. Below are the details of the Directors who are recommended by the Board for re-election for the ensuing year, based on the Committee's recommendation :

NOMINATION AND GOVERNANCE COMMITTEE REPORT

Name of the Director	Board subcommittee memberships	Date of first appointment as a Director	Date of last re-election as a Director	Number of Directorships in other entities	Material relationships
Mr. Nirvana Kumar Chaudhary	-	26.10.2023	-	None in Sri Lanka	None
Mr. Malay Mukherjee	Integrated Risk Management Committee - Member Human Resources and Remuneration Committee - Member Related Party Transactions Review Committee - Member	26.10.2023	-	2 entities in Sri Lanka	None
Mr. Sanjay Pokhrel	Audit Committee - Member	06.11.2023	-	2 entities in Sri Lanka	None

Below are the details of the Directors who are recommended by the Board for election for the ensuing year, based on the Committee's recommendation:

Name of the Director	Board subcommittee memberships	Date of first appointment as a Director	Number of Directorships in other entities	Material relationships
Mr. Dinesh Stephen Weerakkody	None	01.04.2024	10 entities	None
Dr. Dharmasri Kumaratunge	Related Party Transactions Review Committee - Chairman Integrated Risk Management Committee - Member	27.11.2024	None	None
Mr. Mahesh Nanayakkara	Audit Committee - Chairman Related Party Transactions Review Committee - Member	06.12.2024	1 entity	None

Declaration by the Committee

The Company has established an effective process for the regular evaluation of the Board of Directors and the Director/CEO to ensure that their responsibilities are being effectively fulfilled.

The Company has established a process to ensure that Independent Directors are promptly informed of any major issues affecting the Company.


The Company has already complied with the Corporate Governance requirements

outlined in the Listing Rules, including recent updates. Additionally, the Company is in the process of adopting the latest amendments issued under the Banking Act No. 30 of 1988 as amended) to ensure full compliance with these regulations.

Evaluation of the Committee's Effectiveness

At the end of the year, the members of the Committee conducted an annual self-assessment, which confirmed the Committee's effectiveness. Additionally, the performance and effectiveness of the

Committee were assessed by the Board as a whole.



Dilshani Wijayawardena

Chairperson – Nomination and Governance Committee

Colombo
28 February 2025

HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

The Human Resources and Remuneration Committee (“the Committee”) comprises of 3 Directors appointed by the Board of Directors of the Bank.

Disclosure 2-19

Name	Directorship Status	Membership Status	Date appointed to the Committee
Ms. Dilshani Wijayawardana	Independent, Non-Executive	Chairperson	23.07.2019
Mr. Malay Mukherjee	Non-Independent, Non-Executive	Member	02.12.2024
Mr. Sabry Ibrahim	Independent, Non-Executive	Member	02.12.2024

The following Directors also served on the Committee during the year 2024:

Name	Directorship Status	Membership Status	Tenure
Mr. Trevine Fernandopulle	Independent, Non-Executive	Member	Until 23.11.2024
Mr. Sarath Wikramanayake	Independent, Non-Executive	Member	Until 15.11.2024
Mr. Dinesh Weerakkody	Independent, Non-Executive	Member	Until 02.12.2024
Mr. Nirvana Kumar Chaudhary	Non-Independent, Non-Executive	Member	Until 02.12.2024

Given the significance of the Committee for the strategic objective of investing in and developing employees, the Director/Chief Executive Officer (CEO), Mr. Indrajit Wickramasinghe, attended and participated in meetings of the Committee by invitation. Subsequently, after Mr Wickramasinghe's retirement, Mr Dilshan Rodrigo, who was appointed as the Director/Chief Executive Officer, attended the meetings as a member.

The Committee reported directly to the Board of Directors of the Bank.

The Committee Charter

The Committee, which is governed by the Human Resources and Remuneration Committee Charter, has set the following as its objectives:

- To establish and maintain performance and industry-based remuneration policies in relation to Directors, Chief Executive Officer, Key Management Personnel, and Staff.
- To determine goals and targets for the Directors, Chief Executive Officer and Key Management Personnel of the Bank and evaluate performance against those.

- To provide assistance to the Board on Corporate Governance matters in relation to the Committee.
- To prepare a sustainable succession plan for all Key Management Positions.
- To assist the Board in relation to Workforce Stability, Demographics, Productivity and Skill Development.

In achieving the above objectives in the year under review, the Committee strived to strengthen and develop the talent pool of the Bank with appropriate professional, managerial and operational expertise necessary to achieve the overall objectives of the Bank.

Key Focus Areas in 2024

In 2024 the Committee focused on the following areas;

Performance Management - The Committee reviewed the performance of the bank's Key Management Personnel (KMP) in 2023 against set goals and targets. Necessary recommendations regarding increments and bonus payments were made for the approval of the Board of Directors. The Committee also set KMP goals and targets for 2024 aligned to the Bank's strategic goals and annual financial budgets.

In addition to the above, the Committee also reviewed and approved the performance management process, related remuneration changes, and performance bonus payments of the non-KMP staff.

Staff Safety & Wellbeing - The committee and the management team focused on business continuity and staff safety and well-being during 2024. Additional measures were taken to temporarily relieve staff loan repayments to help them cope with the drastically increased living expenses.

Strengthening the Key Management Personnel Team

The committee approved the recruitment and remuneration of the Chief People & Transformation Officer, Chief Credit Officer, Chief Risk Officer, and Head of Operation to lead their respective teams and provide strategic input to the Bank's business plans.

Governance and HR Policies - The Committee reviewed relevant HR policies and approved changes where required to ensure that the Bank's HR policies remain relevant and consistent and are compliant with all legal and regulatory requirements.

Meetings

The Committee held Five (05) meetings during the year 2024.

The minutes of these meetings reflecting the decisions of the Committee, including recommendations, were presented at subsequent monthly meetings of the Board of Directors for discussion, approval, and ratification or to otherwise be acted upon by the Board.



Dilshani Wijayawardana

Chairperson - Human Resources and Remuneration Committee

Colombo
28 February 2025

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Composition of the Committee

The Related Party Transactions Review Committee ('the Committee') of the Company which is responsible for reviewing related party transactions, currently comprises of four Non-Executive Directors of whom the majority are Independent, appointed by the Board of Directors (the Board) of Union Bank of Colombo PLC (the Company).

The following Directors whose profiles are given on pages 86 to 89 of the Annual Report currently serve on the Committee.

Name	Directorship Status	Committee Membership Status	Date appointed to the Committee
Dr. Dharmasri Kumaratunge	Independent, Non-Executive	Chairman	06.12.2024
Mr. Sabry Ibrahim	Independent, Non-Executive	Member	15.08.2021
Mr. Malay Mukherjee	Non-Independent, Non-Executive	Member	06.12.2024
Mr. Mahesh Nanayakkara	Independent, Non-Executive	Member	06.12.2024

The following Directors also served on the Committee during the year 2024:

Name	Directorship Status	Committee Membership Status	Tenure
Mr. Trevine Fernandopulle	Independent, Non-Executive	Chairman	Until 23.11.2024
Mr. Dilshan Rodrigo	Executive	Member	Until 05.12.2024
Dr. Roshan Anne Perera	Independent, Non-Executive	Member	Until 31.05.2024
Mr. Indrajit Wickramasinghe	Executive	Member	Until 15.08.2024

The Committee reports directly to the Board and the Company Secretary functions as the Secretary to the Committee.

Mr. Theja Silva served as the Company Secretary until 09th July 2024 and Ms. Laswie Tsung serves as the Company Secretary with effect from 10th July 2024.

Meetings

In accordance with the Terms of Reference of the Committee, the Committee met four times during the year under review, with meetings

held on a quarterly basis. Attendance of the members at each of these meetings is given in the table on page 108 of this Annual Report.

The Minutes of all the Committee meetings have been properly documented and regularly submitted to the Board.

Terms of Reference

Terms of Reference ('ToR') of the Committee sets out the functions of the Committee in line with Section 9.14 of the Listing Rules of the Colombo Stock Exchange ('the Listing Rules'),

the Code on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka, Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks in Sri Lanka ('Direction'), Sri Lanka Accounting Standard LKAS 24 on Related Party Transactions, 'Code of Best Practices on Corporate Governance 2023' issued by the Institute of Chartered Accountants of Sri Lanka and the Related Party Transactions Policy of the Company.

The Committee has direct access to required data and information in order to discharge its duties and responsibilities as and when necessary. The Committee has a further right to obtain appropriate opinions from external specialists in the manner prescribed in the Listing Rules. The ('ToR') is subject to periodic review based on statutory, regulatory as well as operational requirements.

Key Responsibilities of the Committee

The ('ToR') approved by the Board provides for the responsibilities and functions of the Committee, which include:

- Ensuring that a clear policy, procedures and processes are in place for identifying, monitoring and reporting related party transactions on an on-going basis in line with applicable laws and regulations;
- Reviewing all the related party transactions of the Bank prior to the transaction being entered into, and/or if the transaction is expressed to be conditional on such review prior to completion of the transaction including the transactions defined in section No. 3(7) of the Direction, particularly transactions with the persons who are considered as "related parties", as defined in the Direction and as per the Listing Rules, to prevent any conflicts of interest that may arise from such transactions.
- Advising the Board to convene a shareholders' meeting and to obtain shareholder approval as and when mandatorily required, for related party transactions, complying with the regulatory requirements.

- In the absence of a Related Party Transactions Review Committee of a subsidiary, which is a listed entity, functioning as the Related Party Transactions Review Committee of such subsidiary on the instructions and advice of the Board of the Company.
- Ensuring that a quarterly report is submitted to the Board containing the details of related parties, related party transactions and economic consequences of the related party transactions.
- Reviewing and making recommendations for changes to the Related Party Transactions Policy of the Company from time to time, as and when deemed fit.
- Considering any other matters relating to a related party transaction, as the Management, the Committee or the Board may think relevant taking into account the interests of the stakeholders as a whole when entering into a related party transaction and to prevent a related party taking advantage of his or her or its position.
- Referring related party transactions for approval of the Board if warranted, in accordance with the Bank's formally established procedures with regard to granting approval for diverse categories of transactions.

Related Party Transactions Policy

The Company has in place, a Board approved Related Party Transactions Policy ('the Policy') whereby categories of persons who shall be considered as 'related parties' have been defined in line with the applicable rules and regulations, including the Listing Rules, the Direction and the Sri Lanka Accounting Standards on Related Party Transactions.

The Policy provides for the establishment and maintenance of a process for the identification, clarification and reporting the related party transactions on an end-to-end basis across the Company and a procedure to ensure that the Company does not engage in transactions with related parties in a

manner that would afford such parties 'more favourable treatment' owing to the positions respectively held by them.

Methodology Used by the Committee

In the performance of its duties, the Committee emphasises the avoidance of 'conflicts of interest' which may arise from any transaction of the Company with any person, particularly with related parties and ensures arm's length dealings with related parties and strict compliance with the provisions of the Listing Rules, the Direction, the Company's mechanism on Managing and Handling Conflicts of Interest and the Policy.

Activities in 2024

Subject to the exemptions given in Section 9.14.10 of the Listing Rules, details of all transactions with the related parties coming under the purview of the Committee during the year 2024 were reviewed by the Committee and duly reported to the Board for its information and necessary action.

As part of the annual review process, the Committee reviewed the Policy in March 2024.

Details of related party transactions are disclosed under Note 48 on pages 283 to 286 of the Financial Statements in the Annual Report.

Evaluation of the Committee's Effectiveness

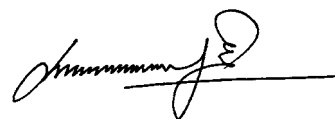
As part of the annual evaluation of performance of the Board, the performance and effectiveness of the Committee was also assessed and the Board was kept informed of the outcome of such evaluation for appropriate steps to be taken.

Disclosures and Declarations

In compliance with Section 9.14.8 of the Listing Rules, the Committee confirms that,

- transactions with related parties during the financial year ended 31st December 2024 were reviewed by the Committee with the Committee's observations and recommendations thereon being duly communicated to the Board; and
- there were no non-recurrent or recurrent related party transactions that exceeded the respective thresholds specified in Sections 9.14.8 (1) and (2) of the Listing Rules.

The declaration by the Board that it has complied with the provisions of the Listing Rules relating to related party transactions is contained in the Annual Report of the Board of Directors on the Affairs of the Company on page 151 of this Annual Report.



Dr. Dharmasri Kumaratunge

Chairman – Related Party Transactions Review Committee

Colombo
28 February 2025

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

General

The Board of Directors of Union Bank of Colombo PLC ('the Company') is pleased to present the Annual Report of the Board of Directors on the Affairs of the Company (Report) to its members for the financial year ended 31st December 2024, together with the Audited Financial Statements of the Company, Audited consolidated Financial Statements of the Group for that year and the Auditor's Report on these Financial Statements, conforming to the Companies Act No. 7 of 2007 (the Companies Act) and the Banking Act No. 30 of 1988 (the Banking Act) as amended.

The Financial Statements and the Report were reviewed by the Board Audit Committee and approved by the Board of Directors (the Board) on 28th February 2025. This Report includes the information as required by the Companies Act No. 7 of 2007 (as amended), Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks issued by the Central Bank of Sri Lanka and subsequent amendments thereto (the Direction), the Banking Act, the Listing Rules (the Listing Rules) issued by the Colombo Stock Exchange (CSE) and is also guided by the recommended best practices on Corporate Governance.

The appropriate number of copies of the Annual Report will be submitted to the CSE,

Registrar of Companies and to the Sri Lanka Accounting and Auditing Standard Monitoring Board within the statutory deadlines.

1. Legal Status

The Company is a Licensed Commercial Bank registered under the Banking Act and was incorporated as a Public Limited Liability Company in Sri Lanka on 02nd February 1995. The Company was re-registered as required under the provisions of the Companies Act on 23rd September 2008 and received the Registration No. PB 676 PQ. The Registered Office as well as the Head Office of the Company is situated at No.64, Galle Road, Colombo 3, Sri Lanka.

The Ordinary Shares of the Company have been listed on the Main Board of the CSE since 29th March 2011.

Fitch Ratings Lanka Limited has in its Annual Rating Review, affirmed the National Long Term Rating at BBB- (lka) whilst revising the Outlook on the Company from Stable to Negative from 29th August 2024.

2. Vision, Mission and Values

The Company's Vision, Mission and Values are given on page 6 of this Annual Report. The business activities are conducted with the highest ethical standards and integrity, reflecting the Company's commitment to achieving its Vision and Mission.

3. Principal Business Activities

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review. The said principal business activities of the Company and its subsidiaries during the year are set out below, as required by Section 168(1)(a) of the Companies Act.

3.1 The Company

The principal activities of the Company are commercial banking and provision of related financial services including accepting deposits, personal banking, retail banking, trade financing, off-shore banking, resident and non-resident foreign currency operations, corporate and retail credit, pawning, project financing, lease financing, rural credit, internet banking, money remittance facilities, dealing in Government Securities and treasury related products.

3.2 Subsidiaries

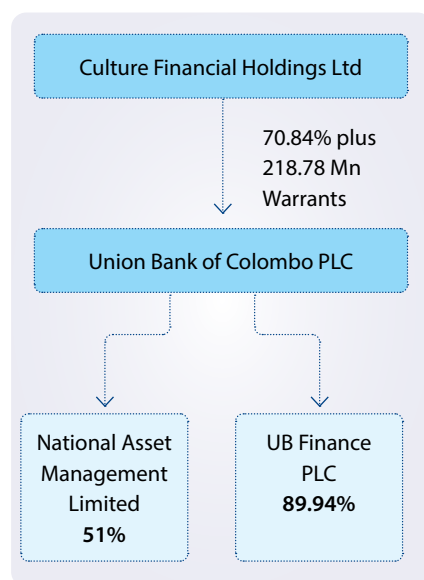
The Company had two Subsidiaries as at 31st December 2024. The details of these subsidiaries, including their principal business activities and directorates are tabulated below:

Name of the Subsidiary	National Asset Management Limited (NAMAL)	UB Finance PLC (UBF)
Principal business activities	NAMAL is the pioneer Unit Trust Management company in Sri Lanka established in 1991. With 30 years of experience and a successful track record of investing in equity and fixed income markets, NAMAL launched the first Unit Trust to be licensed in Sri Lanka (National Equity Fund) and the first listed Unit Trust (NAMAL Acuity Value Fund). NAMAL Operates five Unit Trusts and offer private portfolio management services as well.	The principal activity of UBF is carrying on finance business by providing financial services namely accepting deposits, maintaining savings accounts, lease financing, hire purchase, vehicle loans, mortgage loans, pawning, factoring, working capital financing and real estate.
Legal status and Registered office	A company incorporated in Sri Lanka as a Limited Liability Company and re-registered under the Companies Act No.7 of 2007. Registered Office and principal place of business is situated at No. 07, Glen Aber Place, Colombo 03, Sri Lanka.	A company incorporated in Sri Lanka as a Limited Liability Company and re-registered under the Companies Act No. 7 of 2007. Ordinary shares of the Company are listed on the CSE. Registered Office and principal place of business is situated at No. 10, Daisy Villa Avenue, Colombo 04, Sri Lanka.

Name of the Subsidiary	National Asset Management Limited (NAMAL)	UB Finance PLC (UBF)
Company's Shareholding in the Subsidiary	The Company holds 51% of the issued capital of NAMAL.	The Company holds 89.94% of the issued capital of UBF.
Board of Directors and CEO as at 31st December 2024	Malay Mukherjee - Chairman Dilshan Rodrigo Wijenanda Punchi Banda Dambawinne Kodituwakku Arachchige Prins Perera Ravi Anuruddha Dassanayake Sanjay Pokhrel Nassar Hammad Nirupan Wijeyanathan - Chief Executive Officer Kandeepan Ihsan Kumarasamy	Malay Mukherjee - Chairman Sabry Ghouse Raj Moahan Balendra Jayendra Arulraj Setukavalar Sanjay Pokhrel Ratnayake Mudiyansele Mohan Joseph Ratnayake Ajantha Sujeewa Dharmasiri Dilshan Rodrigo Ransith Nishantha Karunartne - Chief Executive Officer/ Executive Director

4. Changes to the Group Structure

During the year 2024, there were no changes to the Group structure, which is exhibited below.



On 25th October 2023 the Company made an announcement to the CSE that CG Capital Partners Global Pte Ltd, a private Company incorporated under the laws of Singapore, had acquired all shares of Culture Financial Holdings Ltd, thereby gaining an indirect material interest in the Company.

5. Review of Operations

A review of the financial and operational performance of the Company during the financial year 2024 are contained in the Chairman's Message on pages 12 to 13, the Chief Executive Officer's Message on pages 14 to 16 and the Review of Business Operations on pages 42 to 45 respectively of the Annual Report. These reports form an integral part of the Report.

6. Future Developments

An overview of the future developments of the Company is given in the Chairman's Message on pages 12 to 13, the Chief Executive Officer's Message on pages 14 to 16 and the Review of Business Operations on pages 42 to 45 of the Annual Report.

7. Financial Statements

The financial statements of the Company and the Group have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka, and in compliance with the requirements of the Companies Act, the Banking Act and regulatory requirements inclusive of specific disclosures. As required by the Section 168(1) (b) of the Companies Act, the aforementioned financial statements for the year ended 31st December 2024 duly signed by the Financial Controller, two Directors of the Company

and the Company Secretary are given on pages 190 to 330 of the Annual Report. These financial statements form an integral part of the Report.

8. Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the financial statements of the Group and the Company and to present a true and fair view of its state of affairs. The Directors are of the view that these financial statements appearing on pages 190 to 330 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Banking Act, the Direction and the Listing Rules of the Colombo Stock Exchange. The Directors' Statement on Internal Controls over Financial Reporting appearing on pages 155 to 156 of the Annual Report forms an integral part of the Report.

9. Auditor's Report

The Auditors of the Company, Messrs. Ernst and Young carried out the audit on the Financial Statements of the Group and of the Company for the year ended 31st December 2024 and their report on those Financial Statements as required by the Section 168(1) (c) of the Companies Act is given on pages 185 to 188 of the Annual Report.

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

10. Significant Accounting Policies

The significant accounting policies adopted in the preparation of the Financial Statements are given on pages 197 to 331 of the Annual Report as required by Section 168(1)(d) of the Companies Act.

11. Financial Results and Appropriations

11.1 Income

The gross income of the Group for 2024 was LKR 18,677 Mn (2023: LKR 24,893 Mn), while the Bank's gross income was LKR 16,451 Mn (2023: LKR 22,411 Mn). An analysis of the income is given in Note 06 to the financial statements on page 211.

11.2 Profit and appropriations

The Group has recorded a decrease in profit before all taxes of 14% and a decrease in profit after tax of 35% in 2024. The Bank's Profit before all taxes has decreased by 13% and the decrease in profit after tax of the Bank is 21% in 2023.

Total Comprehensive Income (net of tax) of the group for the year was LKR 575 Mn (2023: LKR 532 Mn) while the Bank has recorded a total comprehensive income (net of tax) of LKR 575 Mn (a comprehensive income of LKR 447 Mn in 2023).

Details of the Bank's performance and appropriation of profit are tabulated as follows:

	2024 LKR 000	2023 LKR 000
Profit before income tax	657,278	780,244
Less: Income tax expense	(357,076)	(401,038)
Profit for the year	300,202	379,206
Profit brought forward from previous year	2,461,628	2,102,979
Profit available for appropriation	2,761,830	2,482,185
Transfer to the reserves	(15,010)	(18,960)
Dividend paid for previous year	-	-
Other comprehensive income	24,382	(1,597)
Total appropriation	9,372	(20,557)
Unappropriated profit carried forward	2,771,202	2,461,628

12. Taxation

The Company's operations are subject to Income tax rate of 30% & Additionally, the Company is liable for Financial Services VAT & VAT on non-financial services at 18%. The Social Security Contribution Levy (SSCL) is applied at a rate of 2.5%, effective from 01st October 2022.

The Group has also provided deferred taxation on all known temporary differences under the liability method, as permitted by the Sri Lanka Accounting Standard - LKAS 12 (Income Taxes).

13. Property, Plant and Equipment and Intangible Assets

Information on Goodwill, Intangible Assets, Property, Plant and Equipment and Right of Use of Assets for the Group and the Company are given in Notes 33 and 34 to the Financial Statements on pages 254 to 261 of the Annual Report. The details of capital expenditure approved and contracted for are given in Note 46.2 to the Financial Statements on page 279 of the Annual Report.

14. Value of Freehold Properties

The net book values of freehold properties owned by the Group respectively as at 31st December 2024 are included in the accounts at LKR 39.7 Mn (2023: LKR 40.7 Mn).

15. Stated Capital

As of 31st December 2024, the Company's stated capital was LKR 16,334,781,724 consisting of 1,083,558,338 ordinary voting shares (2023: LKR 16,334,781,724 consisting of 1,083,558,338 ordinary shares).

16. Share Information

Information relating to earnings, dividends, net assets and market value per share of the Company is given in the 'Financial Highlights' Section on page 8 of the Annual Report. Information on the share trading is given in the Section on 'Investor Relations' on pages 336 to 338 of the Annual Report.

17. Shareholdings

As at 31st December 2024, there were 27,706 registered ordinary shareholders (2023: 28,338). Information on the distribution of the

shareholding and the respective percentages are given on page 337 in the Annual Report. Details of the of the twenty largest shareholders, percentages of their respective holdings and percentages holding of the public are given in the Section on 'Investor Relations' on pages 337 to 338 of the Annual Report.

18. Equitable Treatment to Shareholders

The Company has at all times ensured that all shareholders are treated equitably.

19. The Board of Directors

19.1 Profiles of the Board of Directors

The Board of Directors of the Company as at 31st December 2024 comprises nine (2023: nine) with wide financial and commercial knowledge and experience. Their profiles in brief are given on pages 86 to 89 of the Annual Report.

19.2 Classification of Directors and appointments, retirements and cessations during 2024

Names of the Directors of the Company during the period 01st January 2024 to 31st December 2024, including four new appointments and four resignations are given below in accordance with Section 168(1)(h) of the Companies Act. The classification of Directors as Executive (ED), Non-Executive (NED) and Independent (IND), Non-Independent (NID), and Senior Director (SD) is provided against their names, in compliance with the Listing Rules of the CSE, Corporate Governance Rules of the CSE, and Banking Act Direction No. 11 of 2007 issued by the CBSL.

Name	Classification	Remarks
Mr. Dinesh Stephen Weerakkody	IND/NED	Director since 01.04.2024, Chairman since 30.09.2024
Mr. Nirvana Kumar Chaudhary	NID/NED	Director since 26.10.2023, Deputy Chairman since 02.12.2024
Mr. Trevin Sylvester Anthony Fernandopulle	IND/NED SID	Director since 01.04.2017 Deputy Chairman until 23.11.2024, retired on 23.11.2024
Mr. Indrajit Asela Wickramasinghe	NID/ED CEO	Director since 19.11.2014, retired on 15.08.2024
Ms. Dilshani Gayathri Wijayawardana	IND/NED	Director since 01.04.2017
Mr. Drayton Sarath Palitha Wikramanayake	IND/NED	Director since 21.06.2019, retired on 15.11.2024
Dr. Roshan Anne Perera	IND/NED	Director since 05.07.2021, resigned on 31.05.2024
Mr. Ahamed Sabry Ibrahim	IND/NED	Director since 15.08.2021
Mr. Malay Mukherjee	NID/NED	Director since 26.10.2023
Mr. Sanjay Pokhrel	NID/NED	Director since 06.11.2023
Dr. Dharmasri Kumaratunge	IND/NED	Director since 27.11.2024
Mr. Mahesh Nanayakkara	IND/NED	Director since 06.12.2024
Mr. Dilshan Peter Nirosh Rodrigo	NID/ED CEO	Director since 16.08.2024

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

As of 31st December 2024, the Board has not appointed any Alternate Directors for its members.

Name	Status	Length of Service	Name of Alternate Director
Mr. Dinesh Stephen Weerakkody (Chairman)	Independent, Non-Executive Director	Director since 01.04.2024 Chairman since 30.09.2024	None
Mr. Nirvana Kumar Chaudhary (Deputy Chairman)	Non-Independent, Non-Executive Director	Director since 26.10.2023 Deputy Chairman since 02.12.2024	None
Mr. Trevine Sylvester Anthony Fernandopulle (Deputy Chairman/ Senior Independent Director (SID))	Independent, Non-Executive Director	Director since 01.04.2017 Deputy Chairman until 23.11.2024 Retired on 23.11.2024	None
Mr. Indrajit Asela Wickramasinghe (Director/CEO)	Non-Independent, Executive Director	Director since 19.11.2014 Retired on 15.08.2024	None
Ms. Dilshani Gayathri Wijayawardana	Independent, Non-Executive Director	Director since 01.04.2017	None
Mr. Drayton Sarath Palitha Wikramanayake	Independent, Non-Executive Director	Director since 21.06.2019 Retired on 15.11.2024	None
Dr. Roshan Anne Perera	Independent, Non-Executive Director	Director since 05.07.2021 Resigned 31.05.2024	None
Mr. Ahamed Sabry Ibrahim	Independent, Non-Executive Director	Director since 15.08.2021	None
Mr. Malay Mukherjee	Non-Independent, Non-Executive Director	Director since 26.10.2023	None
Mr. Sanjay Pokhrel	Non-Independent, Non-Executive Director	Director since 06.11.2023	None
Dr. Dharmasri Kumaratunge	Independent, Non-Executive Director,	Director since 27.11.2024	None
Mr. Mahesh Nanayakkara	Independent, Non-Executive Director,	Director since 06.12.2024	None
Mr. Dilshan Peter Nirosh Rodrigo (Director/CEO)	Non-Independent, Executive Director	Director since 16.08.2024	None

19.3 Retirement by rotation/re-election of Directors

In terms of Articles No. 88 and 89 of the Company's Articles of Association Mr. Nirvana Kumar Chaudhary, Mr. Malay Mukherjee and Mr. Sanjay Pokhrel retire by rotation. Being eligible, they offer themselves for re-election following the unanimous recommendation of the Board Nomination and Governance Committee and approval of the Board for re-appointment.

Mr. Dinesh Stephen Weerakkody, Dr. Dharmasri Kumaratunge and Mr. Mahesh Nanayakkara having been appointed to the Company's Board with effect from 01.04.2024, 27.11.2024 and 06.12.2024 respectively to fill-up casual vacancies, retire from office and offer themselves for election by the shareholders in terms of Article 95 read together with Article 88 (ii) of the Company's Articles of Association and Direction No.3(2) (x) of the Direction with the unanimous

recommendation of the Board Nomination and Governance Committee and approval of the Board.

Sections 210 and 211 of the Companies Act do not apply to the Company, in view of the more stringent provision contained in Section 3(3)(i) of the Direction, which restricts the age of a Director of a Licensed Commercial Bank to 70 years.

19.4 Board Sub-Committees

In accordance with the Direction and the Listing Rules of the CSE, the Board has established five mandatory Board Sub-committees; the Board Nomination and Governance Committee, the Board Human Resources and Remuneration Committee, the Board Integrated Risk Management Committee, the Board Audit Committee and the Board Related Party Transactions Review Committee. These committees ensure that the Company's activities are conducted adhering to the highest ethical standards and in the best interest of its stakeholders. The Board has also voluntarily established two additional committees at the Board level; the Board Credit Committee, the Board Technology and Digital Transformation Committee and Board Strategy Committee. assists the Board in evaluating and approving credit proposals that exceed a pre-determined threshold, in line with the Company's risk appetite whilst the Board Technology and Digital Transformation Committee assists the Board by overseeing and guiding inter-alia, the development of the best in-class digital technology for retail and SME business, IT system upgrades and back-office efficiencies and cost optimisation. The Board Strategy Committee assists the Board in providing strategic direction, oversight and guidance to ensure the Company's growth and long term sustainability.

The scope and composition of all the Board Subcommittees as at 31st December 2024 are detailed in the reports of these Board Subcommittees on pages 133 to 145 of the Annual Report.

19.5 Directors' Meetings

The details of the Directors' meetings which comprise Board meetings and the Board subcommittee meetings and the attendance of the Directors at these meetings are presented in the 'Corporate Governance Report' on page 108 of the Annual Report.

19.6 Directors' Remuneration

As required under the Section 168(1)(f) of the Companies Act, details of Directors' remuneration and other benefits paid in respect of the Group and the Company during the financial year ended 31st December 2024 are given in Note 15 to the Financial Statements on page 220 of the Annual Report.

19.7 Interests Register/ Directors' Interest in Transactions

In compliance with the Section 168(1)(e) of the Companies Act, the Company maintains an Interest Register. Directors have made necessary declarations of their respective interests in contracts or proposed contracts with the Company in terms of the Sections 192(1) and 192(2) of the Companies Act and these interests have been duly recorded in the Interests Register.

Details of the Directors' interests in transactions with the Company are given in the Report as well as on pages 283 to 286 of the Annual Report under Related Party Transactions.

Furthermore, the Chairman, the Board and the Chief Executive Officer of the Company have made general declarations, as required by the Direction, confirming that there are no financial, business, family or other material/ relevant relationship(s) between themselves.

19.8 Directors' Interest in Shares

The Directors have disclosed their interests in the Company's shares along with any acquisitions or disposals, in compliance with Section 200 of the Companies Act. None of the Directors held any shares in the Company as at 31st December 2024.

20. Related Party Transactions

The details of the related party transactions are set out in Note 48 to the Financial Statements on pages 283 to 286 of the Annual Report. The aggregate value of remuneration/fees paid by the Company to its Key Management Personnel (KMPs), including Directors and the aggregate values of the transactions of the Bank with KMPs and their close family members, subsidiaries and other related entities and personnel as at 31st December 2024, are as follows:

Key Management Personnel	2024 LKR 000	As a % of Total equity attributable to equity holders of the Bank
Remuneration and other employment benefits	515,465	3.35%
Financial assets at amortised cost - loans and advances to customers		
KMPs	127,019	0.83%
Close Family Members	14	0.00%
Financial liabilities at amortised cost - Due to customers		
KMPs	138,983	0.90%
Close Family Members	6,283	0.04%

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

Directors	2024 LKR 000	As a % of Total equity attributable to equity holders of the Bank
Directors Fees	14,363	0.09%
Financial assets at amortised cost - loans and advances to customers		
Directors	140	0.00%
Close Family Members	-	-
Financial liabilities at amortised cost - Due to customers		
Directors	6,416	0.04%
Close Family Members	-	-

Subsidiaries	2024 LKR 000	As a % of Total equity attributable to equity holders of the Bank
Financial assets at amortised cost - loans and advances to customers	300,808	1.96%
Financial liabilities at amortised cost - Due to customers	10,835	0.07%

Others - Companies with Common Director	2024 LKR 000	As a % of Total equity attributable to equity holders of the Bank
Financial assets at amortised cost - loans and advances to customers	2,108,120	13.71%
Financial liabilities at amortised cost - Due to customers	403,256	2.62%

Director of a subsidiary	2024 LKR 000	As a % of Total equity attributable to equity holders of the Bank
Financial assets at amortised cost - loans and advances to customers	544	0.00%
Financial liabilities at amortised cost - Due to customers	19	0.00%

During the year ended 31st December 2024, there were no related party transactions, that exceeded 10% of the equity of the Company or 5% of the total assets of the Company, whichever is lower. The Company has fully complied with the requirements of the Listing Rules issued by the CSE in reviewing related party transactions.

21. Human Resources

The Company's Human Resource Practices and Policies are designed to enhance the efficiency, effectiveness and productivity of the workforce. These policies are reviewed periodically.

As of 31st December 2024, the Company employed 1,189 individuals, compared to 1,221 as of the previous year.

22. Insurance and Indemnity

Pursuant to a decision of the Board, the Company has obtained an Insurance Policy to cover Directors' and Officers' liability.

23. Employee Share Ownership/Option Plan (ESOPs)

On 1st December 2015 the Bank established three share option plans that entitle employees to purchase shares of the Bank. The first scheme of employee share grants was issued to employees at the grade of Vice President and above.

By 1st December 2020, options attached to first scheme completed the vesting period and based on pre-agreed targets reserve has been adjusted. The option holders are entitled to exercise the options vested on or before 17th June 2025.

During the year 2023, no options were granted to the employees under the scheme one of ESOP and no options already vested were exercised by them.

The second scheme of the employee share grants was issued to eligible Key Management Personnel of the Bank effective 1st April 2021. This ESOP grant provides employees with an option to purchase shares of the Bank at the given exercise price once these are vested as per the rules of the plan. Share options are vested based on time ratably over a 5-year period.

During the year 2024, 4,527,561 options were granted to the employees under scheme two of ESOP and no options were vested as at December 2024 of the same.

The Board of Directors confirms that the Bank or any of its subsidiaries have not, directly or indirectly provided funds for the ESOP

24. Environmental Protection

The Directors confirm, to the best of their knowledge and belief, that the Company has not engaged in any activities detrimental to the environment. Details of the specific measures implemented to protect the environment are given on pages 79 to 82 of the Annual Report.

25. Statutory Payments

The Directors confirm, to the best of their knowledge and belief, that all statutory payments due to the Government, regulatory bodies and employees have been paid promptly or, where applicable, adequately provided for.

26. Compliance with Laws and Regulations

To the best of the Directors' knowledge and belief, neither the Group nor the Company has engaged in any activities that violate applicable laws or regulations.

27. Donations

As required by the Section 168(1)(g) of the Companies Act, information pertaining to the donations of the Company during the year are given below.

In year 2024, the Company did not make any donations in accordance with the resolution passed at the last Annual General Meeting.

28. Going Concern

Following necessary inquiries and reviews, the Board has a reasonable expectation that the Company possesses adequate resources to continue its operation for the foreseeable future. As such, the Company has continued to adopt the going concern basis in preparing the Financial Statements.

29. Auditors

Messrs. Ernst and Young, Chartered Accountants served as the Company's Auditors during the year under review. Based on the declaration made by Messrs. Ernst and Young and to the best of the Directors' knowledge and awareness, the Auditors have no relationships or interests in the Company or its subsidiaries.

29.1 Auditors' Remuneration

A sum of LKR 16.27 Mn (2023: LKR 11.75 Mn) and LKR 19.85 Mn (2023: LKR 14.55 Mn) were paid by the Bank and the Group respectively for audit related and non-audit services including reimbursement of expenses.

29.2 Re-appointment of Auditors

The retiring Auditors, Messrs. Ernst and Young have expressed their willingness to continue in office. They come-up for re-election at the Annual General Meeting with the recommendation of the Board Audit Committee and the Board. In accordance with the Companies Act, a resolution proposing the reappointment of Messrs. Ernest and Young, Chartered Accountants as the Company's Auditors for the ensuing financial year and to authorise the Directors to determine their remuneration is being proposed at the Annual General Meeting.

30. Risk Management and Internal Controls

The Company has a continuous process in place to identify, evaluate and manage the risks it faces. This process detailed in the 'Risk Management' Section on pages 164 to 180 of the Annual Report is regularly reviewed by the Board through the Board Integrated Risk Management Committee.

The Board is satisfied with the effectiveness of the internal control system for the year under review and up to the date of approval of the Annual Report and Financial Statements. The Directors' Statement on Internal Controls and the Auditors' Report are given on pages 155 to 156 of the Annual Report.

31. Corporate Governance

The Board is committed to the belief that strong governance practices are essential to earn stakeholder trust, which is critical for sustaining performance and enhancing shareholder value. Thus, in the management of the Company, the Directors focus on adhering to the best corporate governance practices, implementing improved systems and structures to strengthen risk management and enhancing accountability and transparency. A detailed report on Corporate Governance is given on pages 101 to 111 of the Annual Report.

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

As required by Section 3(8)(ii)(g) of the Direction, the Board confirms that all the findings of the "Factual Findings Reports" of auditors issued under "Sri Lanka Related Services Practice Statement 4400" have been incorporated in the Governance Report on pages 112 to 132 of the Annual Report. The Directors declare that,

- (i) The Company has conducted its business in full compliance with all applicable laws and regulations, without engaging in any activities that contravene these provisions. The officers responsible for regulatory compliance regularly update the Board on changes in relevant laws and regulations. Additionally, they provide a quarterly report to the Board confirming the Company's adherence to these requirements;
- (ii) The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters where they had material interest;
- (iii) All endeavors have been made to ensure equitable treatment of shareholders;
- (iv) The business is a going concern; and
- (v) They have conducted a comprehensive review of the Company's internal controls covering financial, operational, compliance and risk management systems and have obtained a reasonable assurance of their effectiveness, proper adherence and implementation.

32. Stakeholder Management and Communication

The Directors believe that building and maintaining good stakeholder relationships helps it to manage and respond to their expectations, mitigating reputational risk and building strong partnerships, all of which support commercial sustainability. Details of the measures initiated by the Company to engage and manage its valued stakeholders are given in the Section on 'Stakeholder Engagement' on pages 23 to 25 of the Annual Report.

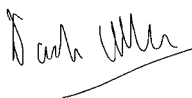
33. Annual General Meeting

The 30th Annual General Meeting of the Company is scheduled to be held on 27th March 2025 at 10.00 a.m. The Notice convening the meeting is enclosed at the end of the Annual Report and has also been sent by post to all shareholders.

34. Acknowledgement of the Contents of the Report

As required by Section 168 (1)(k) of the Companies Act, the Board hereby affirms their acknowledgment of the contents of the Report.

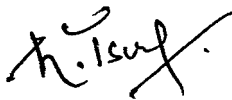
For and on behalf of the Board of Directors,



Dinesh Weerakkody
Chairman



Dilshan Rodrigo
Director/ Chief Executive Officer



Laswie Tsung
Company Secretary

Colombo
28 February 2025

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Responsibility

In line with the Banking Act, Direction No 11 of 2007, section 3.8(ii)(b), the Board of Directors present this report on Internal Control over Financial Reporting. The Board of Directors ("the Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at Union Bank of Colombo PLC, ("the Bank"). In considering such adequacy and effectiveness, the Board recognises that the business of banking requires reward to be balanced with risk on a managed basis and as such the internal control systems are primarily designed with a view to highlighting deviations, if any from the limits and indicators which comprise the risk appetite of the Bank. In this light, the system of internal controls could only provide reasonable, but not absolute assurance, against material misstatement on financial reporting and records, and against financial losses or frauds. The Board has established an ongoing process for identifying, evaluating, and managing significant risks faced by the Bank and mitigates such risks by enhancing the system of internal control over financial reporting as and when there are changes to the operations and business environment including compliance with regulatory guidelines. This ongoing process is regularly reviewed by the Board and accords with the Guidance for Directors of Banks on the Directors' Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal control over financial reporting taking into account principles for the assessment of internal control system as given in that guidance.

The Board is of the view that the system of internal controls over financial reporting in place is sound and adequate 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. 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, and in the design operation and monitoring of appropriate internal controls to mitigate these risks.

Key Internal Control Processes

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

- Committees have been established to assist the Board to ensure the corporate objectives, strategies, annual budget as well as the policies and business directions approved by the Board are implemented effectively and are reflected in the Bank's operations;
- The Internal Audit Division of the Bank checks for compliance with policies and procedures and assesses the effectiveness of the internal control systems on an ongoing basis and highlight significant findings in respect of instances of non-compliance. Audits are carried out to ensure coverage on departments and branches in accordance with the annual audit plan approved by the Board Audit Committee (BAC). The frequency of audits and coverage is determined by the level of risk assessed. The annual audit plan is reviewed periodically by the BAC and the plan aligned to suit the changes in the risk profile of the Bank. Findings from the Internal Audit are submitted to the BAC for review at their periodic meetings;
- The BAC of the Bank reviews gaps in internal controls identified by Internal Audit, External Auditors, Regulatory Authorities, and the Management; and provides advice and direction on remediation and follows up on corrective action taken. The BAC also reviews the Internal Audit function with particular emphasis on the scope and quality of audits. The minutes of the BAC meetings are forwarded to the Board on a periodic basis. Further details of the activities

undertaken by the BAC of the Bank are set out in the Audit Committee Report on pages 133 to 135;

- 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.
- Operational committees have also been established with appropriate mandates to ensure effective management and supervision of the Bank's core areas of business operations.

The Banking sector is facing challenges in terms of increase in Fraud risk which could impact the Internal control system. In order to address the specific risk, independent verification needs to be carried out to evaluate whether the company's controls sufficiently address identified risks of material misstatement due to fraud. In addition, focus should be placed on controls intended to address the risk of management override of other controls.

The controls on Cyber security and data security were also monitored through the assignments handled.

The Bank continued to assess risk on collections and credit culture deteriorations, which could increase the provisioning requirements of the Bank.

In assessing the internal control system over financial reporting, the Bank continues to review and update all procedures and controls that are connected with significant accounts and disclosures in the financial statements. The Bank has processes and procedures to adopt new and revised Sri Lanka Accounting Standards. The Bank will continue to improve procedure manuals incorporating changes to and adopting Sri Lanka Accounting Standards as appropriate.

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

During the year, the existing credit impairment models were further refined to incorporate the potential implications on economic changes. The Bank will continue to focus on strengthening the review and testing process of the impairment models and the financial statements for the year ended 31 December 2024 in line with SLFRS 9.

The comments made by the External Auditors in connection with internal control system over financial reporting in previous years were reviewed during the year and appropriate steps have been taken to rectify them. The recommendations made by the External Auditors in 2024 in connection with the internal control system over financial reporting will be dealt within the next financial year.

Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Bank has been designed to provide a reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done 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. Ernst & Young, has reviewed the above Director's Statement on Internal Control over Financial Reporting included in the Annual Report of the Bank for the year ended 31 December 2024 and reported to the Board that nothing had 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 over financial reporting of the Bank. Their Report on the Statement of Internal Control over Financial Reporting is given on pages 157 to 158 of this Annual Report.

By Order of the Board



Mahesh Nanayakkara

Chairman - Board Audit Committee



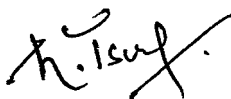
Dinesh Weerakkody

Chairman



Dilshan Rodrigo

Director/ Chief Executive Officer



Laswie Tsung

Company Secretary

Colombo

28 February 2025

ASSURANCE REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING



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Chartered Accountants
Rotunda Towers
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HLF/RM/KDM INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF UNION BANK OF COLOMBO PLC

Report on the Directors' Statement on Internal Control over Financial Reporting

We were engaged by the Board of Directors of Union Bank of Colombo PLC ("the Bank") to provide assurance on the Directors' Statement on Internal Control over Financial Reporting ("the Statement") included in page 155 and 156 of 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 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 requirements of the Code of Ethics for Professional Accountants issued

by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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

Our Responsibilities and Compliance with SLSAE 3050 (Revised)

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

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

Summary of Work Performed

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

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

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

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, B Vasanthan ACA ACMA, W D P L Perera ACA

Principals: T P M Ruberu FCA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paravitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shaktivel B.Com (Sp)

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ASSURANCE REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING



processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the 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 in the annual report is inconsistent with our understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Bank.

A handwritten signature in black ink, which appears to read 'Ernst Yang' followed by a period.

28 February 2025
Colombo

RISK REVIEW

Sri Lanka has witnessed a gradual economic improvement in 2024, with lowering interest rates and a declining rate of inflation, creating a more favourable business and operating environment. Nevertheless, the risk landscape remained unpredictable with many persistent risks in Credit, Liquidity, and Operational aspects, and rapidly evolving risks in Information Technology and Cyber Security. The worsening geopolitical environment also translated into indirect risk pressures on the banking sector. Addressing these challenges is crucial for the sustained growth and resilience of Sri Lanka's banking sector.

Risk Management Achievements in 2024

- Managed risks for sustainable growth and profitability.
- Bank was not exposed to any Cyber breaches during the year.
- Operational losses were at record low levels.

Our Significant Risks/ Emergent Risk in 2024

Macroeconomic environment

Bank's performance was significantly influenced by Sri Lanka's challenging macroeconomic environment in 2024. High inflation, increased taxes, and reduced disposable incomes constrained consumer spending and borrowing capacity, leading to a decline in the Bank's revenue streams. The strained economic conditions elevated credit risks, with households and businesses facing difficulties in meeting financial obligations. While the macroeconomic environment posed significant challenges, the Bank's ability to maintain asset growth and expand its core banking operations underscored its adaptability and stability in a difficult economic climate.

Low disposable income

In 2024, Bank's performance was influenced by Sri Lanka's challenging economic environment, marked by reduced disposable incomes due to higher prices, increased taxes, and stagnant wages. These conditions led to strained household finances and weakened demand for banking services. While the Bank achieved a notable 28% increase in Gross loans and advances and a 18% growth

in customer deposits, its profitability was significantly impacted. The Bank reported a 27% decline in gross income and a 23% drop in net interest income, resulting in a profit after tax of LKR 300Mn for the year. The financial strain on households likely increased the risk of loan defaults and constrained spending, which affected the Bank's revenue streams. In response, the Bank focused on operational efficiency, limiting its operating expense growth to 8%. Despite these challenges, the Bank's ability to sustain growth in its core banking operations highlighted its resilience, even as it navigated the broader economic pressures caused by reduced consumer purchasing power.

Impact of Sri Lanka's current country rating

Sri Lanka's country credit rating has a direct and significant impact on the Bank's operations, profitability, and growth prospects. A low credit rating increases the cost of borrowing for the country and its financial institutions. Bank faces higher funding costs for international loans and credit facilities, which can compress profit margins. A downgraded or low rating discourages foreign direct investment (FDI) and portfolio investments, limiting opportunities for the Bank to expand its corporate lending or financing activities. The country's limited access to international capital markets due to its low rating exacerbates foreign exchange shortages. This impacts the Bank's ability to manage forex-denominated assets and liabilities. Weaker investor confidence and economic challenges linked to the country rating can strain businesses and individuals, increasing default risks and NPL levels for the Bank. Low ratings necessitate enhanced regulatory oversight and stress

testing to ensure financial stability, increasing operational complexity and compliance costs for the Bank. Recent upgrades in Sri Lanka's rating due to successful debt restructuring offer opportunities. Improved ratings enhance investor sentiment, reduce borrowing costs, and support economic recovery, creating a more favourable environment for the Bank to grow. Sri Lanka's current country rating poses both challenges and opportunities for Union Bank of Colombo (UBC). While a low rating increases risks and costs, recent improvements signal positive changes that could enhance the Bank's prospects in the medium term. Proactive risk management and strategic planning will be critical in navigating these dynamics.

Impact of global political instability

Global political instability in 2024 continued to influence the Bank's operations and performance, presenting both risks and challenges. Geopolitical events, including prolonged conflicts and tensions between major powers, caused fluctuations in global currency markets. The Sri Lankan rupee faced depreciation risks, increasing forex losses and affecting trade-related transactions. Ongoing geopolitical conflicts in energy-exporting regions drove global oil and gas price volatility. Sri Lanka's dependence on energy imports contributed to inflationary pressures, reducing consumer spending and impacting loan repayments. Disruptions in global supply chains hindered the growth of export-reliant industries, such as apparel and tea, key sectors for the Bank's corporate clients. This led to reduced credit demand and higher risks of loan defaults. Instability in global travel and tourism markets, influenced by geopolitical tensions, slowed the recovery

RISK REVIEW

of Sri Lanka's vital tourism sector, affecting related businesses and their ability to service loans. Political uncertainties globally deterred foreign investors, limiting capital inflows to Sri Lanka. This affected the Bank's opportunities to expand lending and investments in new projects. Concerns over a potential global economic slowdown reduced consumer confidence, suppressed credit growth, and heightened liquidity risks for banks. Mitigation strategies adopted by the Bank includes, focused on diversifying lending portfolios to minimise sectoral risks, strengthened forex management and hedging strategies to mitigate currency risks, enhanced digital banking and operational efficiency to reduce costs and improve customer retention and increased monitoring and compliance measures to meet global regulatory standards.

Global political instability in 2024 amplified economic and operational risks for the Bank. The Bank's ability to adapt to external uncertainties through proactive risk management and strategic diversification was critical to maintaining stability and profitability.

Staff turnover

Staff turnover spiked in 2024 due to a combination of factors including migration and headhunting by competitors, impacting the overall customer experience and putting pressure on specialised jobs due to losses of experienced and trained staff.

Fraudulent activities

Trend in fraudulent activities by customers and staff, such as fraudulent documents, identity theft, impersonation, money laundering etc. increased during the year for entire banking industry, increasing risks of financial losses, reputational damage, and legal actions.

Vulnerabilities in Mobile Apps

Proliferation of mobile devices enhances risks from mobile-specific Cyber threats including financial fraud, theft, and monetary losses. Breaches in mobile app security may lead to exposure of sensitive customer data.

Potential cloud vulnerability

Increased reliance on cloud infrastructure and possible security weaknesses may lead to unauthorised access and data breaches. Downtime in cloud services can impact operations and customer service. Non-compliance with data protection regulations may result in financial penalties.

Risk Management

The Bank operates under a comprehensive Risk Governance Framework, approved by the Board of Directors (BoD) and implemented by management and staff. This framework is integrated into the Bank's strategy and operations, designed to identify potential risks, manage them within the defined Risk Appetite, and provide reasonable assurance of achieving organisational objectives.

Assessing the short, medium, and long-term impacts across various areas and defining a strategic response to adapt risk management methodologies, processes, and systems is essential for ensuring the Bank's operational resilience. In the current environment, the Risk Management strategy focuses on addressing potential credit quality deterioration by evaluating and supporting credit restructuring while managing cash flows. This includes expanding the scope of close monitoring and contributing to Bank-wide recovery efforts.

Simultaneously, Risk Management will assist in reforecasting liquidity management and mitigating Foreign Exchange (FX) risks through effective limits monitoring. Additionally, efforts will be directed towards managing heightened operational risks related to alternative channels and network security.

Managing the Material Risks

	Credit Risk	Operational Risk	Technology Risk	Liquidity Risk	Market Risk	Strategic Risk	Reputation Risk
Definition of Risk	Credit Risk is the risk of loss, arising from a borrower's or counterparty's inability to meet its obligations in accordance with the agreed terms.	Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition includes legal risk but excludes strategic and reputational risk.	Technology Risk refers to the potential for financial losses, operational disruptions, and damage to Bank's reputation due to failures or security breaches within its technology systems.	Liquidity Risk is the risk of a Bank's inability to meet its commitments as and when due.	Market Risk is the risk of losses in On or Off balance sheet positions arising from movements in market price.	Strategic Risk refers to the strategic decisions / plans/ objectives which may go wrong due to actions or inactions by the parties to strategic decision making process, adversely affecting the shareholder wealth of the Bank.	Reputation Risk refers to the potential adverse effects, which can arise from the Bank's reputation being tarnished.
Risk Drivers	The drivers of credit risk are various factors that influence the likelihood of defaults such as macro – economic factors, external and systemic risk, lender specific factors, industry specific factors.	The drivers of operational risk are the factors or conditions that contribute to the occurrence of operational risk events increasing the likelihood or impact of operational failures or disruptions.	Technology risks can arise from a wide range of internal and external factors, including system failures, Cyber threats, and technology obsolescence.	Liquidity risk arises from the mismatch between Bank's short-term funding and long-term illiquid assets.	The Market Risk comprises of Interest Rate Risk (IRR), FX Risk, Equity Price Risk and Commodity Price Risk.	Strategic Risk arises from both internal and external factors that can affect an organisation's ability to achieve its long-term goals.	Reputation risk is driven by a variety of factors that can negatively impact public perception, customer loyalty, investor confidence, and regulatory standing. These drivers can stem from both internal and external sources.

RISK REVIEW

	Credit Risk	Operational Risk	Technology Risk	Liquidity Risk	Market Risk	Strategic Risk	Reputation Risk
How the Risk is Measured	Measuring the credit risk attached to each credit activity permits the determination of aggregate exposures to counterparties for control and reporting purposes, concentration limits and risk/reward returns.	The Bank uses qualitative as well as quantitative measurements in assessing OpRisk. Qualitative Measurements: Risk and Control Self Assessment (RCSA), Scenario Analysis, Key Risk Indicators (KRIs) and Self Assessment Questions (SAQs) Quantitative Measurements: Loss event data analysis Under Basel approach, the Bank uses Basic Indicator Approach for Operational Risk (Op Risk) measurement.	The Bank regularly assesses its threat levels through threat detection mechanisms to enhance its information/ Cyber security competencies to identify and prevent information theft, data leakage, denial of service attacks (DoS) and intrusion to payment gateways and Bank's network.	Liquidity Risk is managed using the gap assessment and ratios. The Bank also conducts various stress tests to gauge the impact under liquidity crunches at different intensities. Overall, the Asset and Liability Management (ALM) process in the Bank is well managed and monitored using various indicators of Liquidity Risk.	The Bank computes Value at Risk for FX, fixed income, equity and the total portfolio, prepare various Management Information Systems (MIS) such as Net Open Position (NOP) analysis, stress tests etc.	Strategic risk of the Bank is assessed separately using a Detailed score-card with a linkage to capital charge.	Reputation risk of the Bank is assessed separately using a detailed score-card with a linkage to capital charge.
How the Risk is Monitored	Credit portfolio is monitored on an on-going basis and keep the Integrated Risk Management Committee (IRMC) informed through monthly risk indicator reports and quarterly portfolio quality report to IRMC of the mix and significant changes in the portfolio.	The Bank monitors and manages operational risks vis-à-vis a comprehensive set of processes, systems of internal controls and policies, to reduce the probability and potential impact of losses from Operational Risks/ Losses via an automated system. The Bank's also uses heat maps to assess the Op risks.	The Board of Directors shall ensure technology risk appetite is defined through a framework of clearly delineated and measurable technology risk indicators with approved risk tolerance levels. The activities performed in Databases and Operating systems by users are also monitored based on the reports generated daily.	Treasury Middle Office (TMO) continuously monitors the Bank's liquidity position and alerts relevant stake holders if it approaches the trigger points. Besides, the Asset Liability Committee (ALCO) meets regularly to monitor the Liquidity situation at the Bank, and to revise the underlying assumptions if necessary.	Any deviations to the set limits and policies are monitored by TMO and notified to the respective business unit. The business units are liable to provide an exceptions report to the ALCO providing reasons, justifications on the deviations.	Strategic risk of the Bank is assessed separately using a detailed score-card.	Reputation risk of the Bank is assessed separately using a detailed score-card.

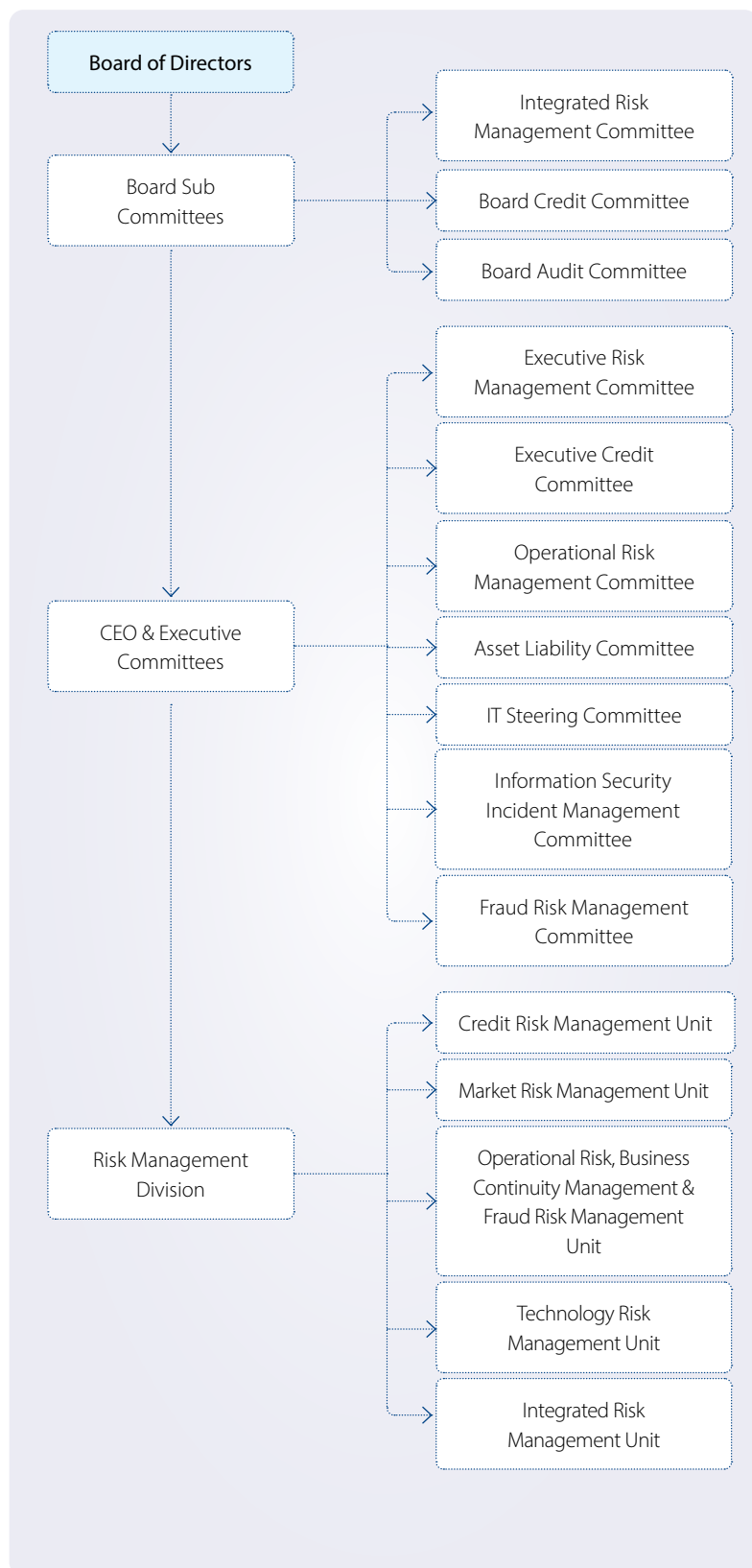
	Credit Risk	Operational Risk	Technology Risk	Liquidity Risk	Market Risk	Strategic Risk	Reputation Risk
How the Risk is Managed	All credit risk aspects are governed by the Credit Policy approved by the Board which indicates the credit culture within the Bank and the framework set to balance risks and opportunities.	The Bank manages operational risks by employing the tools and processes provided in the ORMF. Example: Loss event data analysis, RCSA, Scenario Analysis, KRIs and SAQs	Monitoring measures including RCSA processes for third-party service providers and agents in consultation with the Risk Management department.	The Bank has developed internal control processes and contingency funding plans for managing liquidity risk.	Market risk exposures arising from the trading book is managed by the Treasury of the Bank whilst the non-trading activities relating to market risks is managed through the ALM process handled by the ALCO.	The Board of Directors and Senior Management critically review the strategic direction of the Bank.	The Bank ensures the full capture and treatment of all risks through coordinated risk reporting procedure.
Assessment	Moderate	Moderate	Moderate	Low	Low	Moderate	Moderate
Trend	→	→	↑	→	→	→	→

Risk Related Key Management Bodies

Committee	Key Objectives	Represented By
Integrated Risk Management Committee (IRMC)	The committee ensures that Group wide risks are managed within the Risk Strategy & Appetite as approved by the Board of Directors.	Please refer Pages 136 to 139 (Integrated Risk Management Committee Report)
Board Credit Committee (BCC)	To approve credit proposals in line with the Bank's risk appetite and in line with regulatory requirements under BCC's delegated authority as directed by the Board of Directors.	Chairman, Representative Directors and CEO
Board Audit Committee (BAC)	To assist the Board in maintaining an effective system for internal control, compliance with legal and regulatory requirements of Central Bank of Sri Lanka (CBSL) and Colombo Stock Exchange (CSE) with external financial reporting and internal audit functions.	Please refer Pages 133 to 135 (Board Audit Committee Report)
Executive Credit Committee (ECC)	Review, and approve credit proposals under ECC's delegated authority as directed by the Board of Directors.	Wholesale Banking, Retail Banking, CEO and CRO
Executive Risk Management Committee (ERMC)	Review, monitor and evaluate the policies and procedures in the areas of credit risk, operational risk, and market risk in accordance with the IRMC guidelines.	Risk Management, Wholesale Banking, Treasury, Retail Banking, Operations, Finance, Compliance, Internal Audit and Information Technology.
Operational Risk Management Committee (ORMC)	Review and monitor the operational risk related areas emanating from people, processes, systems and external events in accordance with the IRMC guidelines.	Risk Management, Operations, Compliance, Internal Audit, Information Technology, Wholesale Banking, Retail Banking, Human Resources, Legal and Compliance.
Asset Liability Committee (ALCO)	Optimise financial resources and manage the connected risks in the areas of Asset and Liability Management	Risk Management, Wholesale Banking, Retail Banking, Finance and Treasury.
IT Steering Committee	To monitor and review the IT infrastructure to support the optimisation of overall business strategy and mitigate technological risks.	Risk Management, Wholesale Banking, Retail Banking, Operations, Finance, Compliance and Information Technology.
Fraud Risk Management Committee (FRMC)	Regularly review the risks of loss from frauds and to ensure that a structured approach is available/ implemented to identify threats/ control breaches, take appropriate mitigating actions promptly to minimise negative impacts and escalate to IRMC/ BoD as necessary.	Risk Management, Internal Audit, Card Security & Compliance and Information Technology.

RISK REVIEW

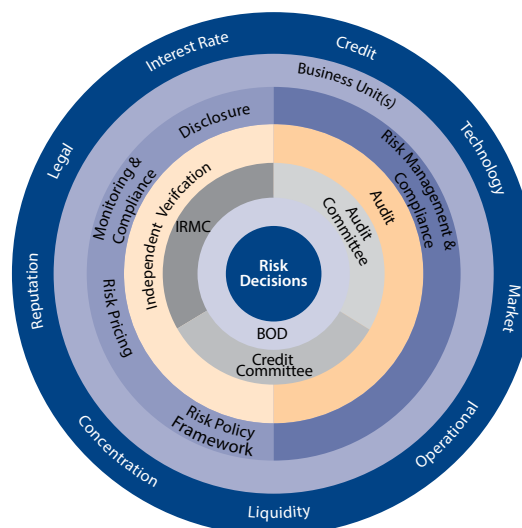
Risk Governance Structure



Three Lines of Defense Principle

The Bank upholds industry and global best practices in its risk management processes. It follows the internationally recognised “three lines of defense” model established by the Basel Committee. In this framework, the first line of defense is the front-line or business line management, which directly manages risk exposures at the source. These managers are empowered to address and take responsibility for the risks within their areas of operation.

The second line of defense is the Risk Management Department (RMD), which operates independently under the direction of the IRMC to oversee corporate risk management and Compliance department ensuring independent oversight on adherence to regulatory and internal policy guidelines. The third line of defense consists of the independent review functions performed by the Internal Audit department, ensuring an additional layer of oversight.



Risk Appetite and Tolerance

Risk appetite represents the level of risk the Bank is prepared to accept in meeting its commitments and obligations to stakeholders. Recognising that risk is an inherent part of its operations, the Bank accepts that risks within its defined appetite may result in anticipated losses. However, these losses are expected to be offset by

projected earnings, provided they are properly assessed and acknowledged.

The Bank is dedicated to embedding the Integrated Risk Management function as a core competency. This commitment is supported by a robust policy framework aimed at maintaining high operational standards and fostering informed decision-making. By enhancing awareness of the

relationship between risk and return, the Bank ensures sound and strategic risk management.

Strengthening Risk Management in 2024

The banking sector faced numerous challenges in 2024, and UBC proactively adapted to the evolving risk landscape by consistently strengthening its risk management strategies.

Key Initiatives of the Bank to Strengthen Risk Management in 2024

Credit Risk Management	Portfolio Risk Management	Loan Review Mechanism	Market Risk	Operational Risk	Group Risk
The Bank's credit, valuation, and collateral policies/frameworks were reviewed to ensure alignment with current market trends, regulatory requirements, and the macro environment.	The Bank's Internal Capital Adequacy Assessment Process (ICAAP) was reviewed during the year to ensure capital adequacy was maintained above minimum regulatory requirements. Stress testing was conducted on variables including asset quality, market risk factors, concentration risk assessments, and other macroeconomic factors.	Findings on policy deviations and their implications were brought to the notice of business units and discussed at length. These discussions centred on understanding implications, adding clarity to existing policy, and introducing appropriate measures to mitigate potential risks arising from the underlying deviations.	Treasury limits were reviewed, updated & new limits were introduced in line with the market best practices.	Annual RCSA were conducted across all Head Office departments and the branch network to evaluate the evolving risk profiles and implement measures to mitigate identified risks.	Regular meetings were held at Senior Executive level to evaluate the compliance and risk positions of Group companies and to identify any issues or challenges requiring attention.
The Bank's Credit Risk Management Framework, which defines the internal policies, procedures, and practices outlining the Credit Risk Management process, was reviewed and updated in line with the evolving risk environment.	Several industry reviews across various sectors were conducted to evaluate risk levels and implement corrective measures to enhance the Bank's lending portfolio management.	Shared Loan Review Management (LRM) observations and learnings based on reviews carried out on Stage 3 accounts along with best credit underwriting practices with Business and Credit Teams in order to ensure qualitative improvements in Credit underwriting and Credit Administration process.	Review caps and limits on investments in securities and measurement of volatility of forex and securities.	The Operational Risk Management Framework of the Bank was reviewed to align with the new industry developments.	

RISK REVIEW

Credit Risk Management	Portfolio Risk Management	Loan Review Mechanism	Market Risk	Operational Risk	Group Risk
Delegated Lending Authorities (DLAs) of the Bank as well as credit approval structures were reviewed enabling more authority at Regional levels, and thereby expediting the credit approval process.	Developed a colour coded Risk Dashboard to efficiently monitor the Bank's Risk Exposures.		Review the limit structure for Treasury activities for the year 2024, considering the strategic focus of the Bank, possible risk factors, current market and economic challenges, impact on external debt restructuring etc.	Regular on-site operational control reviews were performed among 40 branches to identify and address control gaps/weaknesses and to further strengthen the control mechanism.	
The Environmental and Social Risk Management Policy was updated to comply with regulatory requirements and new Environmental, Social, and Corporate Governance (ESG) directives.	Retail lending Product Program Guidelines (PPGs) were reviewed in view of improving Turn Around Time (TAT).		Strengthened the MIS daily reports by incorporating additional information.	Training sessions were organised for business and operational teams across the Bank to foster a proactive risk management culture, equipping staff with the skills to identify, report and prevent operational risks effectively.	
Risk thresholds were re-calibrated, based on the Bank's risk appetite and industry best practices.	New credit approval structure was introduced for Retail self-employed customers.		Introduction of monitoring & reporting of rate tolerances on a daily basis.	Reviewed Product Programme Guidelines/ other internal policies/ new product developments/ process changes annually or as and when required and recommended risk mitigation strategies and improvements to Bank policies, processes and practices.	

Credit Risk Management	Portfolio Risk Management	Loan Review Mechanism	Market Risk	Operational Risk	Group Risk
Regular training and knowledge-sharing sessions were conducted for staff on Bank policies/guidelines, best practices, common lapses in credit underwriting, and rescheduling/restructuring facilities.	The lending portfolios were frequently reviewed for credit quality, early warning signals and shifts in portfolios.		Continuous assessment on stress testing, especially on Liquidity, Foreign exchange & Interest rate risks & strategical decisions were taken based on the stress testing results.	Analysis and monitoring trends of KRIs.	
Started to review / independently validate internal risk rating model of the Bank.	Strengthened hindsight reviews for Retail Loans, Credit Cards and Leasing to ensure adherence and compliance with the Bank's Credit policies.			Analysis of operational loss event reports to identify control gaps/ root causes and recommend pragmatic solutions to close such gaps.	
				Operational risk awareness quiz was successfully conducted via Learning Management System for all staff as an initiative to enhance staff understanding and preparedness in identifying and managing operational risks effectively	
				Fraud Risk Management Framework was reviewed strengthening the Bank's overall fraud risk governance.	

RISK REVIEW

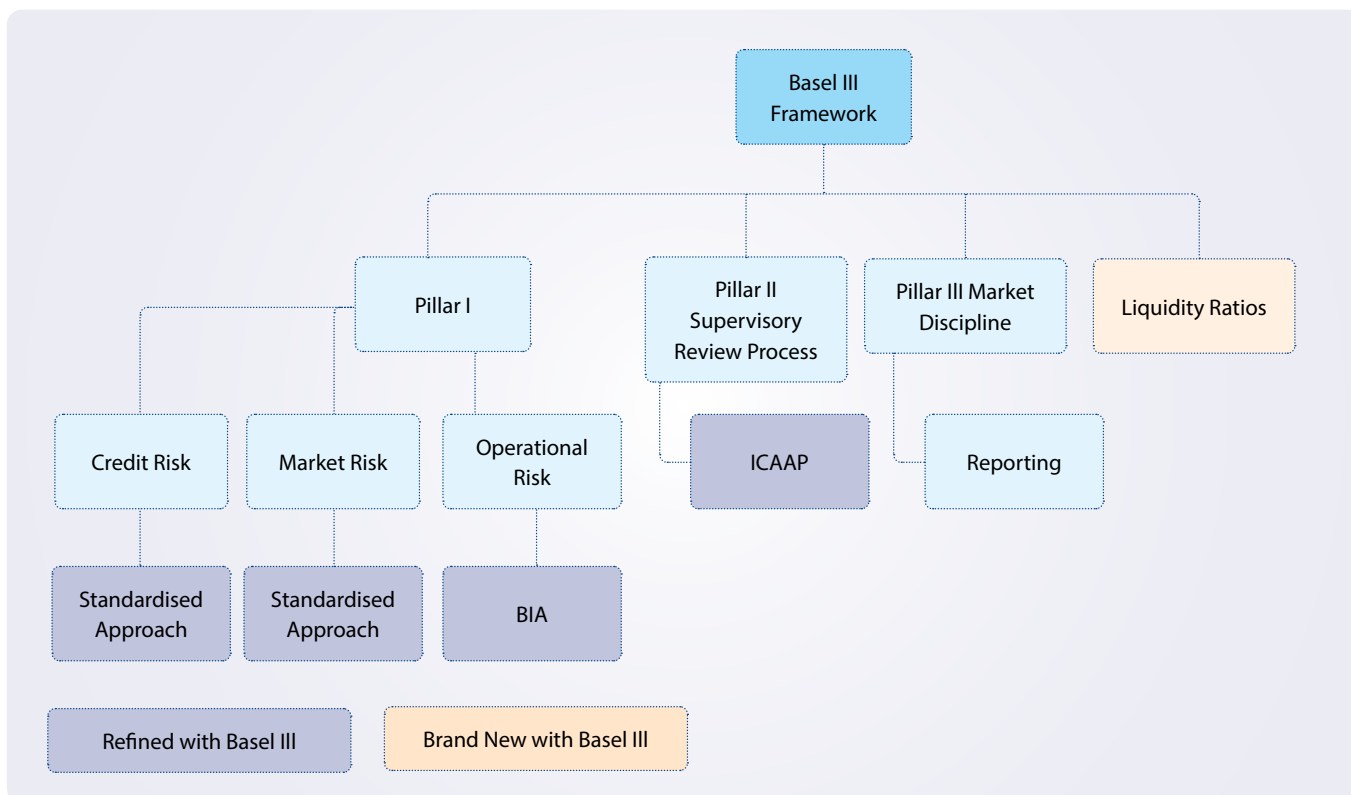
Credit Risk Management	Portfolio Risk Management	Loan Review Mechanism	Market Risk	Operational Risk	Group Risk
				In par with the Fraud Risk Policy of the Bank, identified/ possible frauds, misappropriations and irregularities were discussed at Fraud Risk Management Committee meetings on monthly basis and preventive and detective controls were placed accordingly to mitigate Bank's Fraud Risk exposure.	
				Business Continuity Process (BCP) testing was conducted for all critical departments as well as Disaster Recovery (DR) Drills for IT systems to assess the operational resilience during a possible event of a disruption or disaster.	

Planned Initiatives to Strengthen Risk Management in 2025

Credit Risk Management	Portfolio Risk Management	Loan Review Mechanism	Market Risk	Operational Risk	Group Risk
Bank is in the process of validating the internal rating model through an external party, to enhance accuracy and reliability, whilst facilitating better assessment of credit risk.	The Risk Appetite Statement of the Bank to be reviewed in line with Bank's budgets and performance and response to macro and micro economic factors of the country.	Review and update the Credit policy of the Bank in line with the major LRM findings.	To enhance monitoring mechanism of Treasury with the introduction of updated Treasury system.	Obtain ISO certification for the Business Continuity Management process of the Bank.	Further strengthen the mechanism and assessment of Group risk monitoring by way of introducing new tools.
Conduct frequent credit familiarisation programmes for staff in order to upskill credit underwriting standards and build a prudent risk management culture.	Increase risk reviews on industries in order to identify new opportunities and to understand elevated risk business sectors.	Extend the post disbursement audit function to the recently started Leasing service and update the credit policy with details.	Review Treasury activity limits for 2025, aligning with the Bank's growth plan and anticipated challenges.	To strengthen RCSA process by identifying new risk exposures. Pragmatic actions to be taken to mitigate these risk items in order to create a culture of adherence and compliance.	
Improve credit evaluation/underwriting standards by issuing regular guidelines and directions taking into account lessons learned, macro-economic developments and industry practices.				Conduct root cause analysis for significant operational losses to identify causes and to suggest controls and improvements to prevent recurrence.	
The Bank is considering in incorporating ESG policies into the Bank's overall risk management framework.				Strengthening of Bank KRIs to align with the evolving risk profile.	
				Implement an Operational Risk Dashboard that integrates key components of operational risk elements, offering a clear and concise view of the Bank's Operational Risk profile to support informed decision making by presenting essential data, trends and insights at a glance.	

RISK REVIEW

Basel Framework & Implementation



Under the new consultative paper issued by CBSL for implementation of Basel III minimum capital requirements, the regulator has advised that, Capital Adequacy Ratio (CAR) shall be maintained as a percentage

of Risk Weighted Assets (RWA) based on the following approaches.

- i) The standardised approach for credit risk.
- ii) The standardised measurement method for market risk.

- iii) The basic indicator approach for operational risk.

Bank's Approach	Credit Risk	Market Risk	Operational Risk
Pillar I – The minimum capital requirements	For regulatory capital computation purposes, the Bank/ Group use Standardised Approach under credit risk.	The Bank/ Group has adopted the Standardised Approach for calculation of the Market Risk capital charge .	Capital Charge for Operational Risk is computed using the Basic Indicator Approach (BIA) for the Bank and Group.
Pillar II – The supervisory review	Banks must conduct a comprehensive assessment of its risks periodically and retain adequate capital funds to endure any unexpected losses which are not assessed under Pillar I. As per the Banking Act direction no. 1 of 2016, the Bank must assess additional capital requirements for the risks such as interest rate, liquidity risk, concentration risk, reputational risk etc. A comprehensive ICAAP for the assessment and documentation of additional capital requirements under Pillar II.		
Pillar III – Market Discipline	Pillar III prepares the Bank to promote the availability of material information and true and fair status of the Bank's affairs. The Bank's disclosures are mainly met through the annual reports and with periodic financial statements published.		

Basel III and Future

As directed by the regulator, the Bank conforms with the requirement of sharing the Liquidity Coverage Ratio (LCR) with the CBSL. The Bank has confidently met the set limits and is comfortable in embracing the phased developments of the future requirements of the Basel III requirements. Under the new guidelines banks are to maintain the capital requirements on a staggered basis.

Regulatory Capital Requirement

Components of Capital	Regulatory Requirement as at			Bank's Position as at		
	31.12.2024	31.12.2023	31.12.2022	31.12.2024	31.12.2023	31.12.2022
Common Equity Tier (CET) 1	7.00%	7.00%	7.00%	15.61%	17.23%	17.15%
Total Tier 1	8.50%	8.50%	8.50%	15.61%	17.23%	17.15%
Total Capital	12.50%	12.50%	12.50%	16.63%	18.22%	18.26%

Risk Weighted Assets & Capital Charge

Item (LKR'000)	Bank				Group			
	Risk Weighted Assets		Capital Required		Risk Weighted Assets		Capital Required	
	2024	2023	2024	2023	2024	2023	2024	2023
Credit Risk	77,369,125	66,500,023	9,671,141	8,312,503	82,545,643	71,136,950	10,318,205	8,892,119
Market Risk	7,939,872	9,019,033	992,484	1,127,379	8,160,527	9,239,381	1,020,066	1,154,923
Operational Risk	9,361,050	8,883,777	1,170,131	1,110,472	10,665,259	10,215,732	1,333,157	1,276,967
Total	94,670,047	84,402,833	11,833,756	10,550,354	101,371,429	90,592,063	12,671,429	11,324,008

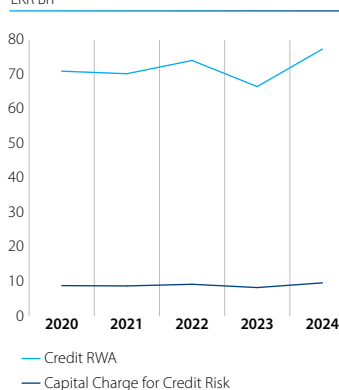
Credit Risk Management

	2024 Maximum Exposure LKR'000	2023 Maximum Exposure LKR'000	%
Maximum Credit Exposures	141,113,658	133,422,107	6%
Max Exposure to Credit Risk Gross Loans & Receivables to Customers	88,264,531	69,143,302	28%
Net Exposure to Credit Risk of Loans & Receivables to Customers	30,850,473	26,116,206	18%
Impaired Loans	17,759,192	15,191,327	17%
Provisions for Impairment	7,061,677	6,935,544	2%
Stage 3 Ratio	12.3%	12.5%	-2%

In 2024, the Bank's maximum exposure to credit risk increased by 6%, while Impaired Loans as a percentage of Gross Loans and Receivables stood at 20%.

RISK REVIEW

Risk Weighted Assets and Capital Charge for Credit Risk



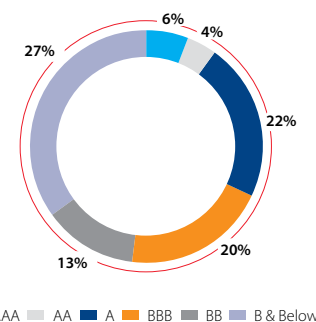
The Bank's Credit Policy, approved by the Board of Directors, provides the fundamental framework for lending activities. Complementing this, the Credit Manual and associated circular instructions detail the operational execution of responsibilities. Both documents are regularly reviewed to ensure alignment with the Bank's objectives and responsiveness to the evolving financial environment in the country.

Credit proposals are generated at the Regional Office, the Mid Market Enterprise (MME)

Unit, the Retail Credit, and the Corporate Banking Division. These proposals are created using the Bank's loan origination system, which evaluates borrowers against specific parameters and assigns a rating on a scale from AAA (lowest credit risk) to D (high default vulnerability). The proposals are then submitted for online approval.

While the Sri Lankan economy has shown signs of recovery and greater macroeconomic stability compared to previous years, challenges persist within the banking sector in managing loan portfolio quality. Despite some recent improvements, the industry continues to navigate these complexities.

Corporate and SME Rating Dec 2023

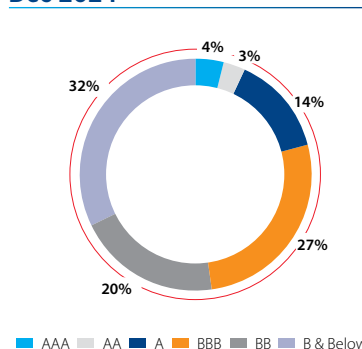


Managing Borrower risk

The Bank's Credit Policy and Credit Manual guide daily business operations, covering client selection, early warning reporting, concentration risk limits, and portfolio monitoring. They also establish a robust credit approval process with delegated authority levels aligned with the borrower's risk profile and the Bank's risk appetite.

Portfolio monitoring has been enhanced to include watch-listed customers, even those without arrears but operating in stressed industries, to ensure consistent oversight in the face of macroeconomic challenges.

Corporate and SME Rating Dec 2024



Loan Origination

Borrower rating derived from Kalypto system using quantitative and qualitative information. Facility rating is carried out using separate model, and combination of borrower and facility rating is derives an overall rating.

Choose appropriate model (Corporate, SME W/Fin & Without Fin, NBFC etc.) and economic sector in accordance with the credit framework.

Vertical and lateral submission of credit applications electronically.

Approval

DLAs are individual to each eligible staff member.

Higher levels of authority at Executive Credit Committee and Board Credit Committee.

Disbursement

Loan disbursement is independent from Loan origination.

Centralised Credit Administration Department responsible for loan sanctioning and housekeeping.

Loan Review at Risk Mgt Dept. independently verifies the sanctions according to approval terms.

Monitoring

All loans are reviewed annually or earlier if warranted.

Past dues are constantly monitored by the RMs, Branch Managers and the Recoveries dept.

60 to 90 days past dues are watch listed for close monitoring.

Various portfolio level MIS are prepared by Risk Mgt Dept. for Management and Board information.

Managing Concentration Risk

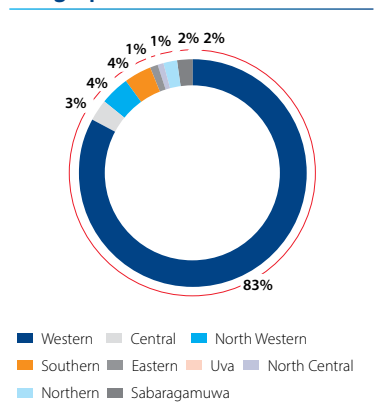
Excessive exposure to a single area or segment poses significant risks, as borrowers within such groups often share similar characteristics.

The Bank manages credit concentration risk primarily by monitoring economic sector groups and large borrower groups. Sector concentration risk is assessed against Board-approved limits and subjected to stress testing using the Herfindahl-Hirschman Index (HHI).

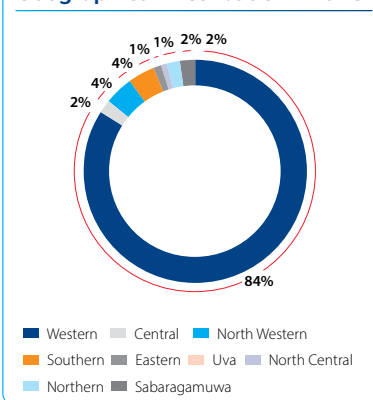
To mitigate concentration risks, the Bank has implemented a credit model that sets upper limits on maximum exposure across various industry categories. Additionally, interim restrictions are applied based on industry performance and relevant microeconomic factors. Regulatory requirements, such as monitoring top borrowers and ensuring compliance with single and related party exposure limits, are rigorously observed.

Regular discussions are conducted in multiple forums to manage portfolio risks effectively. The Bank also monitors factors such as borrower rating distributions, age analysis, geographic and country risk, and overall portfolio performance, in addition to sector and name-specific concentration risks.

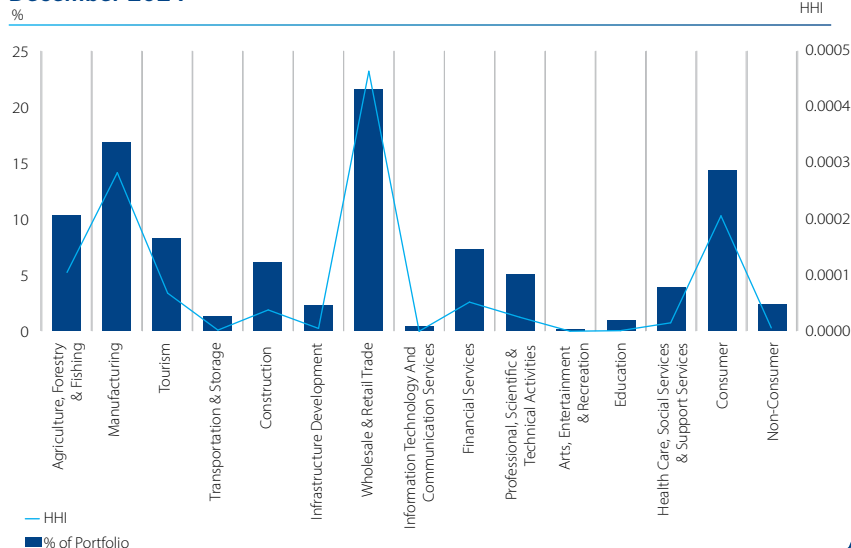
Geographical Distribution - 2024



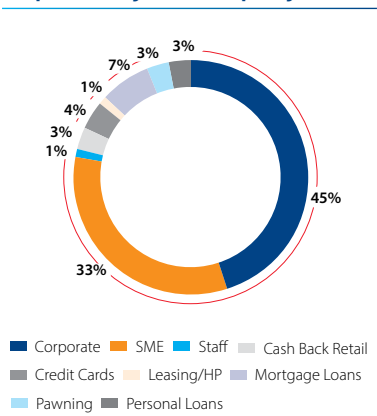
Geographical Distribution - 2023



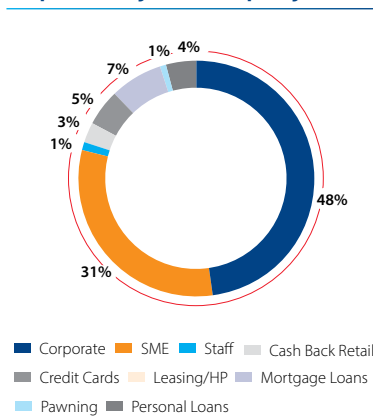
Economic Sector Concentration
December 2024



Exposure by Counterparty - 2024

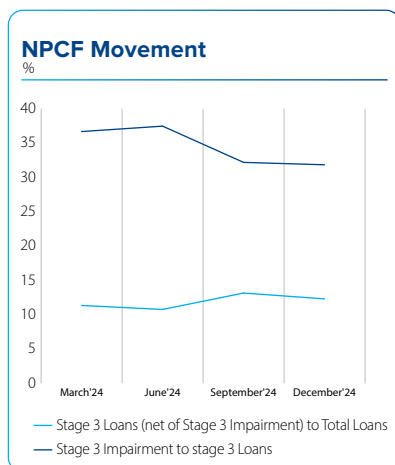


Exposure by Counterparty - 2023



RISK REVIEW

Managing Delinquent Loans



The Bank closely monitors its non-performing loan portfolio through regular client follow-ups and facility restructuring. The Risk Management Department provides recommendations and monitors actions to prevent new non-performing exposures while managing existing ones. Business units are advised to limit new lending in high-risk industries and to closely monitor existing exposures.

In compliance with CBSL directives, the Bank has established a Loan Review Unit within the Risk Management Department. This unit focuses on top exposures within each business group to enhance credit administration quality. Additionally, the Business Revival Unit assists both performing and non-performing borrowers facing financial challenges due to extraordinary macroeconomic conditions.

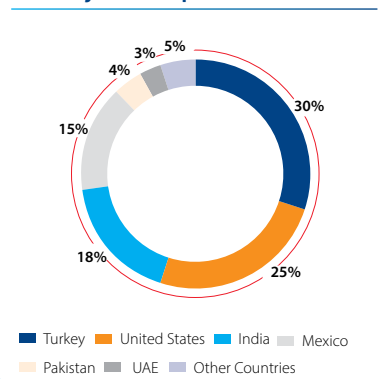
High-value loans are reviewed periodically, with increased frequency when there are indications of credit quality deterioration. Annually, 30%-40% of the loan portfolio is reviewed to ensure that significant credit risks

are tracked post-sanction. Loan evaluations cover approval processes, credit rating accuracy, policy and regulatory compliance, adherence to loan covenants, post-sanction monitoring, and documentation adequacy.

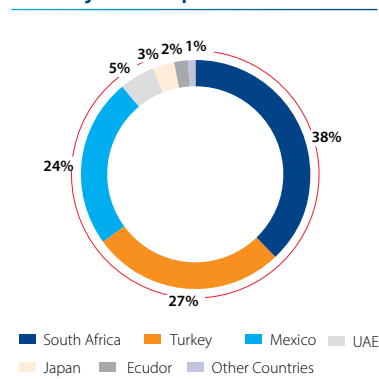
Managing Cross-Border Exposures

Cross-border exposures primarily arise from trade-related commitments with businesses in other countries. These exposures are subject to country-specific risks, such as currency repatriation restrictions and political instability. The Bank actively monitors and manages these risks to safeguard its portfolio.

Country wise Exposure - Dec 2024

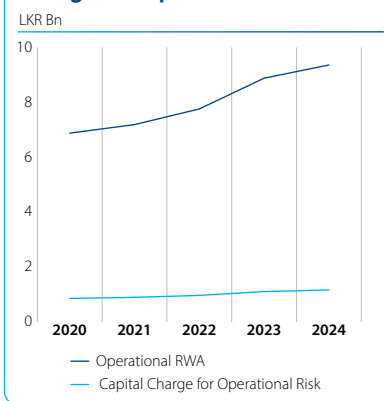


Country wise Exposure - Dec 2023



Operational Risk

Risk Weighted Assets and Capital Charge for Operational Risk



Operational Risk Management Framework:

The Bank manages operational risks through a governance framework based on the three lines of defence model, designed to safeguard the Bank, its stakeholders including customers and shareholders against potential losses and reputational damage. This approach ensures transparency and accountability in risk management through a clear segregation of responsibilities.

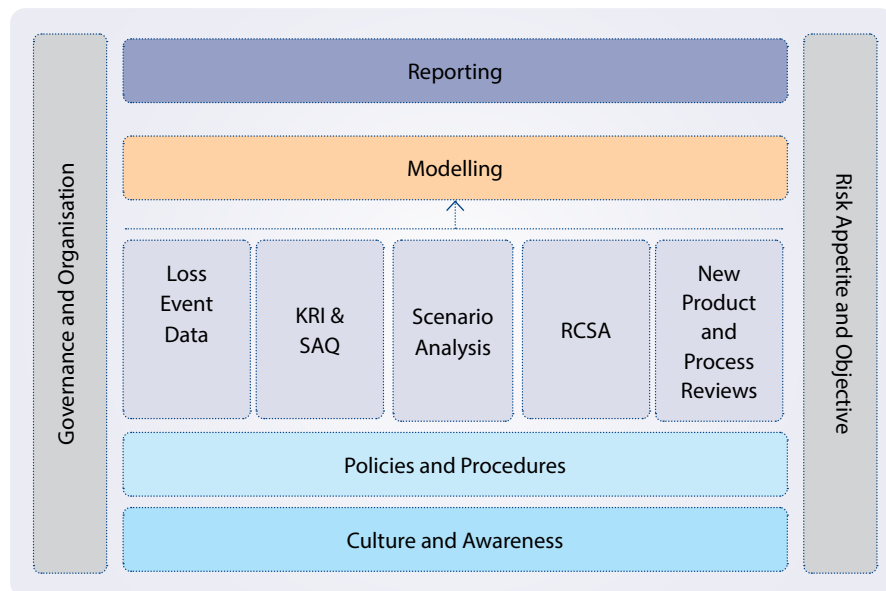
The three lines of defence include:

1. First line of defence: Full accountability of business units to manage and report their own risks.
2. Second line of defence: An independent risk management function that oversees, challenges risk-taking and risk management activities and Compliance Function implementing policies and procedures as prescribed by regulator and industry best standards.
3. Third line of defence: Independent audit function that provides an assessment of the adequacy and effectiveness of the overall risk management framework.

This model is applied at all organisational levels, ensuring robust risk management.

The Bank's risk appetite and tolerance are set by the Board and/or Executive Management, aligning with the Bank's strategy and growth objectives. Any breaches of risk tolerance limits are escalated to the IRMC. If residual

risks fall beyond the Bank's risk appetite, further mitigating actions, such as additional remediation, insurance, or discontinuing specific activities, must be undertaken.

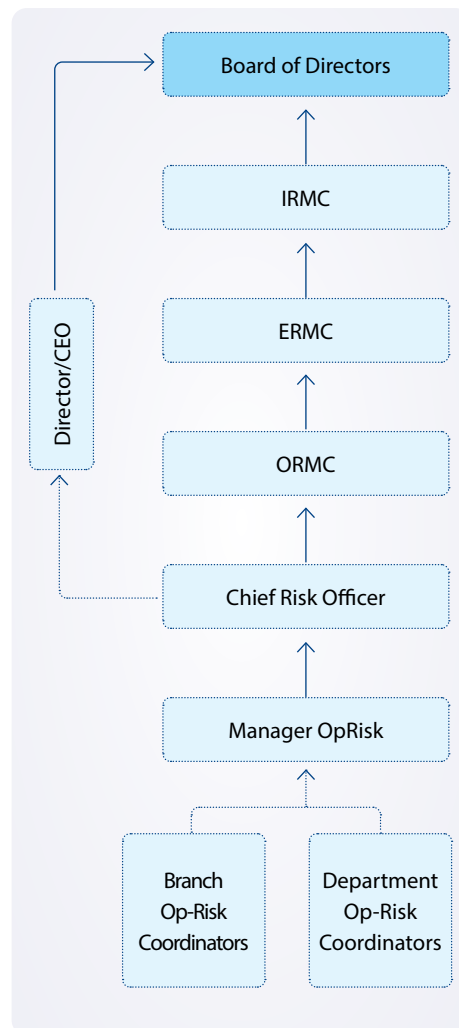


Operational Risk Governance Structure:

The primary responsibility for managing operational risk lies with the business and support functions, which act as risk owners. They identify and report risks in a timely manner while RMD oversees the Bank-wide management of operational risks, reports risk concentrations and promotes a consistent application of the ORMF across the Bank. RMD is headed by the Chief Risk Officer and operates under the supervision of the IRMC.

The Operational Risk Management Committee (ORMC) is the focal point between all operational functions of the Bank, which

is chaired by the Chief Risk Officer and responsible for the oversight, governance coordination and strengthening of the management of Operational Risk at functional level. The ERMChaired by the Director/Chief Executive Officer (D/CEO), is a senior management-level committee tasked with managing risks, including operational risks, on behalf of the IRMC. The CRO is a permanent member and convener of ERMChair meetings. The ERMChair adopts a cross-risk, holistic perspective to address key operational risks across the Bank. It holds decision-making and policy-related authority, including the review, management, and mitigation of operational risk issues that may affect the risk profile of the Bank's business units and support functions.



Managing Operational Risk

The Bank manages operational risks by utilising the tools and processes outlined in the Operational Risk Management Framework (ORMF), ensuring that the Bank's risk parameters remain within the approved risk appetite. This approach enables the systematic identification of operational risks and their concentrations, allowing the Bank to define risk mitigation measures and set priorities effectively.

In order to cover the diverse range of risk types of Operational Risk, the Bank's ORMF contains various management techniques that are applicable across Operational Risk types.

RISK REVIEW

Furthermore, the Bank, as a risk transfer strategy; has signed up for insurance to cover Fire, Natural Disaster, Theft/ Robbery, Fraud. Additionally, the Bank has outsourced certain back office functions/ processes in compliance with the outsourcing guidelines issued by the regulator. RMD also reviews and ensures the adequacy of the Bank's Insurance Policies and that the acceptable level of controls are in place with the outsourced activities of the Bank prior to signing up.

The sound operational risk management could be evident via the methods given below.

Methods of Operational Risk Management:

a. Loss Event Data

Loss event data are historic and retrospective which provides valuable insights into current operational risk exposures. Data gathered in accordance with Basel guidelines and are categorised as an actual loss, a gain, a potential loss or a near miss using one of the industry's best web-based solution for Operational Risk Management (ORM). Once an event is entered, it is reviewed independently, and submitted to the Operational Risk Management department for causal and impact analysis, and subsequently recording cause, effect, recovery and provisioning before closure, if applicable.

b. Key Risk Indicators and Self-Assessment Questions

KRI and SAQ programmes are conducted on a monthly, quarterly, and semi-annual basis to assess the evolving risk environment. KRIs are quantitative, while SAQs use pre-defined answer options. The collected data is analysed to identify trends that may pose operational risks or potential losses, enabling timely mitigation actions.

c. Scenario Analysis

A scenario analysis has to be completed on a monthly basis. In this, assignees are free to report any current & potential risks that they

envisage within their area of work, whether internal or external. In addition, scenarios of potential events, which are infrequent, but have severe impact to the Bank when they happen would be identified and analysed by the Operational Risk Management Department (ORMD).

d. Risk & Control Self-Assessment

RCSA programmes require branches and departments to identify and assess risks in their respective areas. These assessments are conducted annually to ensure appropriate controls are in place. Results are independently validated by the Internal Audit Department to minimise subjectivity and are subsequently approved by relevant Risk Management Committees, as outlined in the Risk Sanctioning Policy. The data is also used for future capital computation purposes.

Disclosure 2-26

e. Ad-hoc Incident Reporting

Employees are encouraged to report operational lapses, potential risks, or actual fraud incidents directly to designated senior management, as per the Bank's Whistleblower Policy, or through appropriate line management channels.

f. New Product, Service or Process Launch

Prior to launching new products, services or processes, the owners of same must identify and evaluate the risks inherent that have a material impact on Bank's operational processes using the new product policy. Subsequently, the detailed Product Programme Guide with a Risk Matrix, listing such risk identified and mitigants shall be signed off by all key stakeholders.

g. Customer complaints

Bank monitors complaints and their root causes and provides relevant information to ORMD for identifying and measuring risk. ORMD further analyses and escalate to relevant risk management committee/s for further action.

h. Audit and regulatory recommendations

Recommendations from audits and regulators help identify inherent risks caused by internal and external factors, highlighting control weaknesses and enabling timely corrective measures.

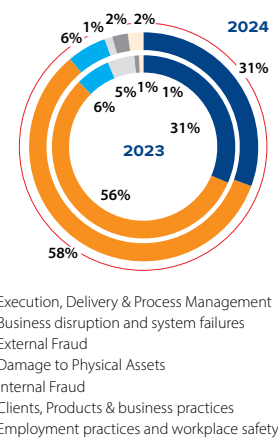
i. Training and Awareness Creation

Regular training sessions are conducted for new recruits and existing employees to emphasise the importance of risk reporting. Refresher programmes are organised to ensure continued awareness and adherence to risk management practices.

j. Appointment of Operational Risk Coordinators within the first line of defense

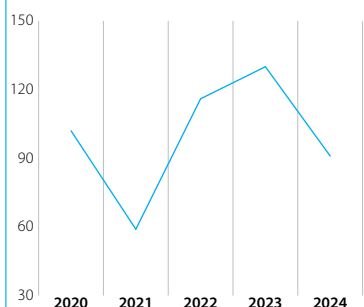
Operational Risk Coordinators (ORCs) are appointed across all branches and departments to act as primary liaisons between their respective units and ORMD.

Operational Loss by Event Type



No. of Incidents

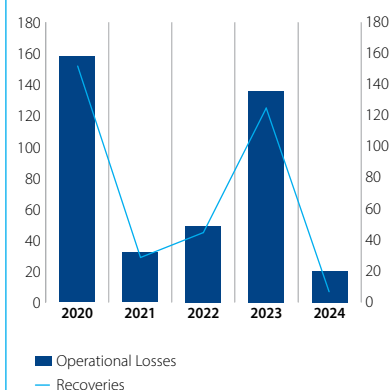
No. of Incidents



Operational Losses & Recoveries

LKR Mn

LKR Mn



Operational Risk (OR) Information System:

The Bank's operational risk information system, called Care Kalypto, supports operational risk management tools, providing information for reporting functions. The objective of Care Kalypto is to improve decision making for OR management throughout the Bank.

Measuring Operational Risks:

The Bank calculates and measures the capital charge requirements for Operational Risk using the Basic Indicator Approach methodology where the average of the last three years annual gross income x 15% is considered as the capital charge.

Business Continuity Management

The Business Continuity Management (BCM) function, which is under the purview of Operational Risk Management Department, ensures that a sound BCP is in place for the Bank covering the branch network and departments. The Bank-wide BCP is well structured and reviewed periodically, in assuring the immediate continuity of essential business operations. Department & branch level BCP Coordinators act as the focal point in reviewing and ensuring the current status of their respective entity's BCP, while periodically being trained on BCM aspects towards augmenting awareness. While being fully equipped with a Disaster Recovery Site along with an integrated IT recovery strategy, the Bank conducts drills to test the effectiveness of the BCP at least annually in order to ensure readiness. The Bank has an enhanced, fully functional Business Recovery facility accommodating infrastructure requirements in keeping with the Bank's growing business needs and assuring preparedness towards unprecedented contingency events. Moreover, in adherence to CBSL guidelines on BCP and with the introduction of the direction on Technology Risk Management & Resilience, the Bank successfully conducted a BCP drill from DR servers for 7 consecutive days, under a fully revamped primary & DR data centre towards keeping with rapidly evolving technological changes.

Fraud Risk

The Bank maintains a zero tolerance policy towards bribery, corruption and fraud. All employees, across both business and support/service functions, are committed to acting ethically, professionally, and with integrity in all core business activities and stakeholder relationships. Onsite and off-site monitoring is performed by the Operational Risk and Internal Audit departments.

The Bank has a robust Fraud Risk Policy which is governed by the senior management level, Fraud Risk Management Committee (FRMC). The FRMC convenes monthly to assess and manage the Bank's internal and external fraud landscape. This policy outlines current processes for addressing fraud risks and aims to foster a corporate culture that discourages fraudulent activities while raising awareness of associated risks and consequences.

Additionally, the current "Whistle Blowing Policy" also acts as an effective fraud detection mechanism.

Technology Risk Management

Union Bank continuously enhances its information security processes and Cyber defense systems to safeguard corporate data from emerging Cyber threats, aligning with international standards and best practices.

With the introduction of the CBSL's Technology Risk Management & Resilience directive, the Bank has streamlined its business and IT processes to comply with prescribed guidelines and timelines.

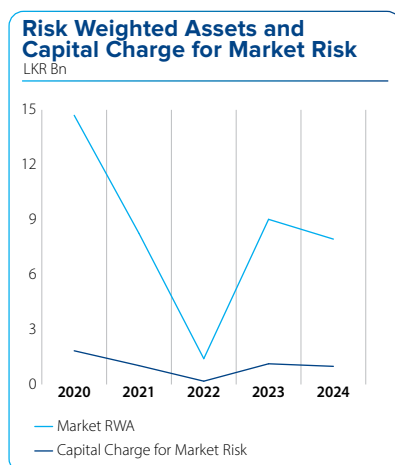
Key initiatives include:

- **Privilege Access Reviews:** Regular reviews of critical and non-critical information systems to monitor and validate privileged user activities across applications, databases, and operating systems. Real-time monitoring and investigation of user activities are performed based on criticality.
- **Incident Management:** The Bank has strengthened its detection and response processes to manage Cyber security incidents effectively.
- **Vulnerability Assessment and Penetration Testing (VAPT):** Third-party Cyber security providers conduct VAPT assessments to identify threat vectors and implement countermeasures to protect corporate systems.
- **Information Security Awareness:** Annual mandatory training and quizzes on information security are conducted via the Learning Management System (LMS). New employees participate in induction training on security awareness during onboarding.
- **Risk Assessments:** Bank-wide risk assessments are conducted to identify risks and develop remediation plans to mitigate their impact.

IT Security responsibilities are handled by a dedicated IT Security team within the IT Department. Internal and external audits are regularly reviewed by the Leadership Team and the Board Audit and Risk Management Committees to ensure robust security governance.

RISK REVIEW

Market Risk



Managing of Market Risk

ALCO oversees the management of Interest Rate Risk, Exchange Rate Risk, Liquidity Risk, and Equity Price Risk. Within the overall Risk Management Framework, the TMO independently monitors treasury front and back office functions. Market risk management is guided by the Integrated Risk Management Policy, Market Risk Management Policy, and Asset and Liability Risk Management Policy.

TMO is responsible for developing treasury operation policies, establishing and monitoring various operational limits, and preparing independent Management Information System (MIS) and dashboard reports for senior management, ALCO, the IRMC, and the Board of Directors. TMO employs tools such as Value at Risk (VaR), Duration, Modified Duration (MD), Mark-to-Market Valuations (MTM), and stress testing to measure and manage market risk exposures.



Managing foreign exchange Risk

The FX risk arises due to mismatches in assets and liabilities in different currencies. The cost of aggregate exposure will fluctuate with the changes in the exchange rates.

FX risk is managed through approved limits by the Board of directors and in line with the CBSL requirements.

FX risk arises from mismatches in assets and liabilities denominated in different currencies, with aggregate exposure fluctuating based on exchange rate movements. This risk is managed within board-approved limits and in compliance with CBSL requirements.

Foreign Exchange Rate Risk Parameters monitored by TMO on daily basis

- Open position limits on the aggregate of all currencies both Intraday and overnight
- Open position limits for individual currencies both intraday and overnight
- Counterparty limits, Settlement limits
- Management action trigger limits
- Dealer related limits
- Forward foreign exchange mismatch limits
- Country limits
- Maturity mismatch Limits
- Currency Tolerance Limits

The Bank has been prudent in managing the FX risk throughout. Bank has been able to manage its open positions (NOP) within the limit allowed by CBSL and no major losses were incurred during the recent volatile exchange rate period.

Please refer notes to Financial Statements section for the update on Foreign exchange position & impact on profit or loss due to exchange rate shocks.

Managing Liquidity Risk

Liquidity risk is managed using both stock and floor approaches under ALCO's supervision. The stock approach assesses liquidity through key ratios that reflect the Bank's balance sheet liquidity, while the floor approach analyses cash inflows and outflows based on their maturity.

TMO monitors liquidity using ratios such as the Advances to Deposit Ratio, Liquidity Coverage Ratio (LCR), and the Maturity Profile of Assets and Liabilities. Deviations or exceptions from approved limits are reported to the IRMC for review.

Liquidity Risk Parameters

- Maturity of Assets & Liabilities report (MAL)
- Net loans to total assets ratio
- Loans to customer deposits ratio
- Liquid assets to short term liabilities ratio
- Large Liabilities (minus) temporary investments to earning assets(minus) temporary investments ratio
- Purchased Funds to total Assets ratio
- Commitments to total Loans ratio
- Liquidity coverage ratio
- Net stable Funding ratio

Also, the Bank conducts regular stress tests & scenario analysis to measure impact on liquidity due to adverse movements in its cash flows.

Please refer notes to financial statements section for the update on Maturities of Assets & Liabilities

Managing Interest Rate Risk (IRR)

Interest Rate Risk arises from mismatches in interest rate-related products and the Bank's re-pricing strategies, potentially affecting net interest income (NII) and the economic value of assets and liabilities. The Bank measures IRR from both an earnings perspective and an Economic Value of Equity perspective.

The trading portfolio, consisting mainly of Treasury Bills, Treasury Bonds, and Unit Trusts, is monitored daily against limits for portfolio size, maturity buckets, categories, Mark-to-Market, and VaR. TMO also tracks Duration and Price Value of One Basis Point (PVO1) for the fixed income portfolio daily.

Please refer notes to financial statements section for the update on Sensitivity Report on Interest Sensitive Assets & Liabilities.

Legal Risk

As per the definition of Basel, legal risk is covered under operational risk management. Legal risk relates to the people, processes, systems and also the outside events affecting the normal course of business. Legal Risk can arise from the current and prospective risks to earnings, or capital due to violations of, or non-conformance with laws, rules, regulations, prescribed practices, or ethical standards issued by the regulator from time to time. As per ISO 31000, Legal Risk can be of the following types:

- Litigation Risk
- Contract Risk
- Regulatory Risk
- Structural Risk

In managing Bank's legal risk, factors such as regulatory guidelines which may lead to subsequent penalties and fines in noncompliance are taken in to consideration. Banking relationships maintained with

other entities, individuals both domestic and foreign also give rise to legal risk. This is mainly due to the non-fulfillment of required precise contractual documentation and non-adherence to the same. Bank takes adequate measures, process enhancements to ensure the compliance of such legal requirement under its overall risk governance structure.

Strategic Risk

Drivers of Strategic Risk



Compliance Risk

Compliance risk refers to the potential impact on earnings or capital resulting from noncompliance with laws, regulations, corporate governance practices, or ethical standards. It also arises in cases where rules governing certain products or client

Strategic risk arises from decisions, plans, or objectives that may fail due to errors, delays, or inadequate information, adversely impacting shareholder value. This includes incorrect decisions, delayed remedial actions, or insufficient decision-making data.

activities are ambiguous. This risk may lead to fines, penalties, reputational damage, and limited business opportunities. The Bank has implemented robust internal controls, policies, and procedures to manage compliance risk.

RISK REVIEW

Reputation Risk

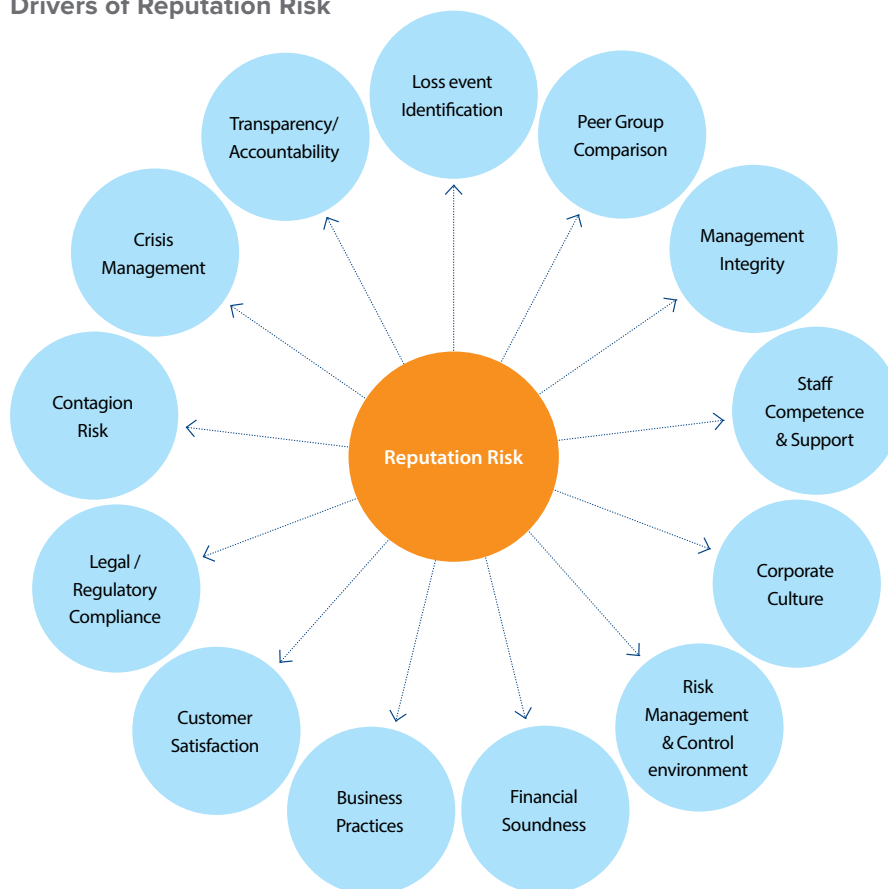
Reputation risk involves the adverse effects of damage to the Bank's reputation due to unethical practices, regulatory actions, customer dissatisfaction, negative publicity, or actions by subsidiaries or associates. The Bank remains committed to upholding and enhancing its reputation across all business areas.

Stress Testing

Stress testing is a critical risk management tool that evaluates the Bank's resilience to extraordinary but plausible events or fluctuations in financial variables. It is an integral part of the ICAAP under Pillar II.

The Bank's Stress Testing Policy outlines the process for identifying key risk factors, assessment frequency, methodologies, and risk tolerance limits. Results are communicated to management to support decision-making and capital planning. The Bank continuously refines its stress testing models to adapt to evolving market conditions.

Drivers of Reputation Risk



Stress Testing (Stress Testing Results on a Moderate Stress Scenario)

		Impact on CAR as at 31.12.2024		
		Moderate Impact	High Impact	Severe Impact
Credit Risk - Asset Downgrade	Increasing the direct non-performing facilities over the direct performing facilities balance for the entire portfolio.	☑		
Credit Concentration Risk - Large Borrowers Default	Default of the Largest borrowers by classifying the credit granted to them as non-performing credit facilities	☑		
Credit Concentration Risk - HHI	% Increase in HHI under stress	☑		
Foreign Exchange Risk	% shock in the LKR exchange rate against all other currencies	☑		
IRRBB EAR and EVE (LKR)	To assess the long-term impact of changes in interest rates on Bank's Economic Value of Equity (EVE) through changes in the economic value of its assets and liabilities and to assess the immediate impact of changes in interest rates on Bank's earnings through changes in its Net Interest Income (NII)	☑		
Global Financial Crisis (Multiple Scenarios)	1- Adverse changes in Foreign Exchange rates 2- Interest Rate Risk	☑		
Macro-Economic Stress Test	Movement of Non Performing Credit Facilities (NPCF) with GDP negative change and its impact to the P & L and capital base	☑		

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The responsibility of the Directors, in relation to the Financial Statements, is set out in the following statement. The responsibility of the Auditors, in relation to the Financial Statements, is set out in the Report of the Auditors' on pages 185 to 188 of this Annual Report.

The Companies Act No. 07 of 2007, requires that the Directors prepare financial statements for each financial year and place before a General Meeting. Financial Statements comprise of the Statement of Financial Position as at 31st December 2024, the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes thereto.

Accordingly, the Board of Directors confirm that the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2024 and the profit or loss of the Company and the Group for the financial year ended.

The Directors are of the view that, in preparing these Financial Statements:

- i. The appropriate Accounting Policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;
- ii. All applicable Accounting Standards have been followed (SLFRS/LKAS);
- iii. Judgments and estimates have been made which are reasonable and prudent.

The Directors are also of the view that the Company and its subsidiaries have adequate resources to continue in operation and have applied the going concern basis in preparing these Financial Statements.

The Directors are responsible for ensuring that the Company and its subsidiaries maintain sufficient accounting records to be able to disclose, with reasonable accuracy, the financial position of the Company and its

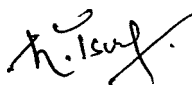
subsidiaries meet with the requirements of the Companies Act, the Banking Act and the Listing Rules of the Colombo Stock Exchange.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and its subsidiaries and in this regard, to give proper consideration to the establishment of appropriate internal control systems, with a view to preventing and for the detection of fraud and other irregularities.

The Directors are required to prepare Financial Statements and to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspections they consider to be appropriate, for the purpose of enabling them to give their audit report.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By Order of the Board



Laswie Tsung
Company Secretary

Colombo
28 February 2025

CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S STATEMENT OF RESPONSIBILITY

The Financial Statements of Union Bank of Colombo PLC ("the Bank") and the Consolidated Financial Statements of the Bank and its Subsidiaries ("the Group") as at 31st December 2024 have been prepared in conformity with the requirements of the following:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka,
- Companies Act No. 07 of 2007 and amendments thereto,
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995,
- Banking Act No. 30 of 1988 and amendments thereto and Directions, Determinations, Orders and Guidelines issued by the Central Bank of Sri Lanka (CBSL),
- The Listing Rules of the Colombo Stock Exchange (CSE),
- The Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka and Section 3(8)(ii)(b) of the Banking Act Direction No. 11 of 2007 on Corporate Governance issued by the CBSL.

The Group presents its financial results to its shareholders on a quarterly basis. 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, which are also in compliance with the disclosure requirements of the Sri Lanka Accounting Standard - LKAS 1 (Presentation of Financial Statements). The Accounting Policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Group. The significant accounting policies and estimates that involve a high degree of judgment and complexity were discussed with the Board Audit Committee and External Auditor.

Comparative information has been restated 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. We confirm that to the best of our knowledge, the Financial Statements give a true and fair view of the

financial position, results of the operations and the cash flows of the Group. We have reasonable grounds to believe that the Bank and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, we continue to adopt the Going Concern basis in preparing the Financial Statements.

The estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis; in order to ensure that the Financial Statements reflect in a true and fair manner, the form and substance of transactions and that the Bank's state of affairs are reasonably presented. To ensure this, the Bank and all of its Subsidiaries have taken proper and sufficient care in installing a system of internal controls and procedures for safeguarding assets, preventing and detecting frauds and/or errors as well as other irregularities which are reviewed, evaluated and updated on an ongoing basis. Our Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal control and accounting.

We confirm that, as of 31st December 2024 the Bank's Internal Controls Over Financial Reporting are adequate and effective and complies with section 3(8)(ii)(b) of the Banking Act Direction No. 11 of 2007 on Corporate Governance (Internal Control Over Financial Reporting - ICOFR) issued by the Central Bank of Sri Lanka. The Annual Report of the Directors on pages 146 to 154 briefly covers the Group's Internal Control Over Financial Reporting. In addition, the Directors' Statement on Internal Control Over Financial Reporting is also provided on pages 155 and 156. The Bank's External Auditor, Messrs Ernst & Young, have audited the effectiveness of the Bank's Internal Controls Over Financial Reporting and have given an opinion as given on pages 157 to 158 of this Annual Report.

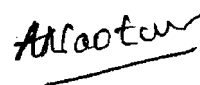
The Financial Statements of the Group were audited by Messrs Ernst & Young, Chartered Accountants, the independent External Auditor. Their report is given on pages 185 to 188 of this Annual Report. The Board Audit Committee of the Bank meets periodically with the Internal Auditors and the independent External Auditor

to review the manner in which these auditors are performing their responsibilities and to discuss issues relating to auditing, internal controls and financial reporting. To ensure complete independence, the External Auditor and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance. The Board Audit Committee report is given on pages 133 to 135.

The Board Audit Committee approves the audit and non-audit services provided by Messrs Ernst & Young, in order to ensure that the provision of such services does not impair Messrs Ernst & Young's independence.

We confirm that to the best of our knowledge:

- The Group has complied with all applicable laws, regulations and prudential requirements;
- There are no material non-compliances and
- There is no material litigation that is pending against the Group other than those disclosed in Note 46.3 to the Financial Statements in the Annual Report.



Ayesha Naotunna
Financial Controller



Dilshan Rodrigo
Chief Executive Officer

Colombo
28 February 2025

Transforming

Financial Reports

Financial Calendar 184

Independent Auditor's Report on Financial Statements 185

Statement of Profit or Loss 190

Statement of Comprehensive Income 191

Statement of Financial Position 192

Statement of Changes in Equity 193

Statement of Cash Flows 195

Notes to the Financial Statements 197

FINANCIAL CALENDAR

2023 Annual Report and Audited Financial Statements was signed on	28-Feb-24
29th Annual General Meeting was held on	28-Mar-24

	2024			
	Colombo Stock Exchange	Newspapers (as required by CBSL)		
		English	Sinhala	Tamil
Q1 ended 31 March*	30-Apr-24	29-May-24	29-May-24	29-May-24
Q2 ended 30 June*	6-Aug-24	30-Aug-24	30-Aug-24	30-Aug-24
Q3 ended 30 September*	12-Nov-24	28-Nov-24	28-Nov-24	28-Nov-24
Q4 ended 31 December	28-Feb-25	31-Mar-25	31-Mar-25	31-Mar-25

2024 Annual Report and Audited Financial Statements was signed on	28-Feb-25
30th Annual General Meeting was held on	27-Mar-25

	2025 to be submitted on or before			
	Colombo Stock Exchange	Newspapers (as required by CBSL)		
		English	Sinhala	Tamil
Q1 ended 31 March*	15-May-25	31-May-25	31-May-25	31-May-25
Q2 ended 30 June*	15-Aug-25	31-Aug-25	31-Aug-25	31-Aug-25
Q3 ended 30 September*	15-Nov-25	30-Nov-25	30-Nov-25	30-Nov-25
Q4 ended 31 December	28-Feb-26	31-Mar-26	31-Mar-26	31-Mar-26

* Based on unaudited information

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS



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Chartered Accountants
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HLF/RM/KMD/DRM

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNION BANK OF COLOMBO PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Union Bank of Colombo 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 31 December 2024, and the statement of profit or loss, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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 the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, B Vasanthan ACA ACMA, W D P L Perera ACA

Principals: T P M Ruberu FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakhiveli B.Com (Sp)

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS



Key Audit Matter	How our audit addressed the key audit matter
<p>Expected Credit Losses of Loans and Advances measured at amortised cost</p> <p>Expected credit losses of loans and advances measured at amortised cost as disclosed in Notes 27.5.1 and 27.5.2, is determined by management based on the accounting policies described in Note 3.4, 4.8 and 27.5 the financial statements.</p> <p>This was a key audit matter due to</p> <ul style="list-style-type: none"> the involvement of significant management judgements, assumptions and level of uncertainty associated with estimating future cash flows to recover such loans and advances; and the materiality of the reported amount of expected credit losses. <p>Key areas of significant judgements, assumptions and estimates made by management in the assessment of expected credit losses for loans and advances include forward-looking macroeconomic scenarios, associated weightages and considerations that indicate significant increase in credit risk. These are subject to inherently heightened levels of estimation uncertainty.</p> <p>Information of such key estimates, assumptions and judgements are disclosed in Note 53.2.1.4.</p>	<p>In addressing the adequacy of expected credit losses of loan and advances, our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> Assessed the Bank's expected credit loss computations with the underlying methodology including responses to economic conditions to its accounting policies, based on the best available information up to the date of our report. Evaluated the design, implementation, and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review, and approval of expected credit losses, policies and procedures by the Board of Directors and management. Tested the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by agreeing details to relevant source documents and accounting records of the Bank. Evaluated the reasonableness of credit quality assessments and related stage classifications The following procedures were also performed: <ul style="list-style-type: none"> For loans and advances assessed on an individual basis for impairment: <ul style="list-style-type: none"> Tested the arithmetical accuracy of the underlying individual impairment calculations. Evaluated the reasonableness of key inputs used in the expected credit losses made with economic conditions. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery action of the collaterals. For loans and advances assessed on a collective basis for impairment: <ul style="list-style-type: none"> Tested the key inputs and the calculations used in the allowances for expected credit losses. Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays. Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each scenario. Assessed the adequacy of the related financial statement disclosures set out in Notes 27, 27.5.1, 27.5.2, 53.2.1 and 53.2.1.4.



Information Technology (IT) systems related internal controls over financial reporting

Bank's financial reporting process is significantly reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets.

Accordingly, IT systems related internal controls over financial reporting were considered a key audit matter.

Our audit procedures included the following key procedures:

- Obtained an understanding of the internal control environment of the processes and tested relevant key controls relating to financial reporting and related disclosures.
- Involved our internal specialized resources and;
 - Identified, evaluated, and tested the design and operating effectiveness of IT systems related internal controls, including those related to user access and change management, and
 - Obtained a high-level understanding of the cybersecurity risks affecting the bank and the actions taken to address these risks primarily through inquiry.
- Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.

Other information included in the 2024 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do 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 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 Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. 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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS



Shape the future
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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.

2. 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's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those 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 auditor's 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

Requirements of section 163(2) of the Companies Act No. 07 of 2007 and section 39 of the Banking Act No 30 of 1988 (as amended by Banking Act No.24 of 2024)

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

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3755.

28 February 2025
Colombo

FINANCIAL STATEMENTS

Table of Contents

Primary Financial Statements	Page	Notes to the Financial Statements - Statement of Financial Position	Page
Statement of Profit or Loss	190	20 Measurement of Financial Instruments	227
Statement of Comprehensive Income	191	21 Cash and Cash Equivalents	231
Statement of Financial Position	192	22 Balances with Central Bank of Sri Lanka	232
Statement of Changes in Equity	193	23 Placements with Banks	232
Statement of Cash Flows	195	24 Reverse Repurchase Agreements	233
		25 Derivative Financial Instruments	234
		26 Financial Assets at Fair Value Through Profit or Loss	234
		27 Financial Assets at Amortised Cost - Loans and Advances to Customers	236
		28 Financial Assets at Amortised Cost - Debt and Other Instruments	244
		29 Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)	247
		30 Current Tax (Assets)/Liabilities	249
		31 Investments in Real Estate	249
		32 Investments in Subsidiaries	250
		33 Goodwill and Intangible Assets	254
		34 Property, Plant and Equipment and Right of Use Assets	257
		35 Deferred Taxation	261
		36 Other Assets	263
		37 Due to Banks	264
		38 Repurchased Agreements	264
		39 Financial Liabilities at Amortised Cost - Due to Customers	265
		40 Financial Liabilities at Amortised Cost - Other Borrowed Funds	266
		41 Other Liabilities	267
		42 Stated Capital	272
		43 Reserves	272
		44 Employee Share Option Plan (ESOP)	274
		45 Non - Controlling Interest (NCI)	276
Notes to the Financial Statements - General	Page	Notes to the Financial Statements - Other Disclosures	Page
1 Corporate Information	197	46 Contingent Liabilities and Commitments	277
2 Basis of Preparation of Financial Statements	197	47 Asset Pledged	281
3 Significant Accounting Judgments, Estimates and Assumptions	198	48 Related Party Disclosures	283
4 Material Accounting Policies	200	49 Segment Information	287
5 Standards Issued but not yet Effective as at 31 December 2024	209	50 Events After the Reporting Period	288
		51 Fair Value of Assets and Liabilities	288
		52 Maturity Analysis of Asset and Liabilities	294
		53 Risk Management	296
		54 Capital	330
		55 Reclassification of comparative information	331
		56 Selected Performance Indicators / Key Financial Data	331
Notes to the Financial Statements - Statement of Profit or Loss	Page		
6 Gross Income	211		
7 Net Interest Income	211		
8 Net Fee and Commission Income	213		
9 Net Fair Value Gains/ (Losses) from Financial Instruments at Fair Value through Profit or Loss	214		
10 Net Gains/(Losses) from Derecognition of Financial Investments	215		
11 Net Other Operating Income	215		
12 Impairment for Loans and Other Losses	216		
13 Personnel Expenses	218		
14 Depreciation and Amortisation	219		
15 Other Expenses	220		
16 Value Added Tax (VAT) on Financial Services & Social Security Contribution Levy	221		
17 Tax Expense	222		
18 Earnings Per Share (EPS)	226		
19 Dividend Paid and Proposed	227		

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
Gross income	6	16,450,684	22,410,834	18,677,455	24,893,435
Interest income	7.1	14,008,163	20,216,418	15,974,939	22,493,007
Less: Interest expenses	7.2	9,181,644	13,926,221	10,358,394	15,318,594
Net interest income		4,826,519	6,290,197	5,616,545	7,174,413
Fee and commission income	8.1	1,543,796	1,586,792	1,678,780	1,685,569
Less: Fee and commission expenses	8.2	391,417	386,983	417,988	397,043
Net fee and commission income		1,152,379	1,199,809	1,260,792	1,288,526
Net fair value gains/ (losses) from financial instruments at fair value through profit or loss	9	133,668	55,843	129,448	55,843
Net gains/(losses) from derecognition of financial investments	10	737,131	456,200	754,902	456,907
Net other operating income	11	27,926	95,582	139,386	202,111
Total operating income		6,877,623	8,097,630	7,901,073	9,177,798
Less: Impairment for loans and other losses	12	141,901	1,643,327	182,064	1,740,474
Net operating income		6,735,722	6,454,303	7,719,009	7,437,324
Less: Operating expenses					
Personnel expenses	13	2,425,758	2,349,674	2,775,329	2,685,089
Depreciation and amortisation	14	814,325	766,341	895,383	832,774
Other expenses	15	2,287,444	2,003,687	2,678,192	2,324,591
Total operating expenses		5,527,527	5,119,702	6,348,904	5,842,454
Results from operating activities		1,208,195	1,334,601	1,370,105	1,594,870
Share of profit/(losses) of equity accounted investees, net of tax	32.1	(1,471)	57,499	-	-
Profit before value added tax (VAT) on financial services & social security contribution Levy (SSCL)		1,206,724	1,392,100	1,370,105	1,594,870
Less: VAT on financial services & SSCL	16	549,446	611,856	636,692	694,003
Profit before income tax		657,278	780,244	733,413	900,867
Less: Income tax expense	17	357,076	401,038	433,687	436,980
Profit for the year		300,202	379,206	299,726	463,887
Attributable to:					
Equity holders of the parent		300,202	379,206	297,673	456,292
Non-controlling interest	45	-	-	2,053	7,595
Profit for the year		300,202	379,206	299,726	463,887
Earnings per share					
Earnings per share - Basic (LKR)	18.1	0.28	0.35	0.27	0.42
Earnings per share - Diluted (LKR)	18.2	0.28	0.35	0.27	0.42

The notes to the Financial Statements from pages 197 to 331 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

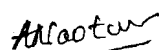
For the year ended 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
Profit for the year		300,202	379,206	299,726	463,887
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:					
Debt instruments at fair value through other comprehensive income					
Net change in fair value during the year		453,617	142,667	453,617	142,667
Reclassification to the income statement		(96,509)	(42,953)	(96,509)	(42,953)
Less: Income tax effect on above		(107,132)	(29,914)	(107,132)	(29,914)
Total items that will be reclassified to the statement of profit or loss		249,976	69,800	249,976	69,800
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:					
Actuarial gains/ (losses) on defined benefit plans	41.2.4	26,665	(3,278)	26,539	(2,666)
Revaluation gains/ (losses) on equity instruments at fair value through other comprehensive income		-	-	9,654	125
Less: Income tax effect on above		(8,000)	984	(10,858)	762
Share of other comprehensive income of equity accounted investees, net of tax	32.1	5,717	697	-	-
Total items that will not be reclassified to the statement of profit or loss		24,382	(1,597)	25,335	(1,779)
Other comprehensive income/(loss) for the year, net of taxes		274,358	68,203	275,311	68,021
Total comprehensive income for the year, net of tax		574,560	447,409	575,037	531,908
Attributable to:					
Equity holders of the parent		574,560	447,409	572,031	524,495
Non-controlling interest		-	-	3,006	7,413
Total comprehensive income for the year, net of tax		574,560	447,409	575,037	531,908

The notes to the Financial Statements from pages 197 to 331 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
Assets					
Cash and cash equivalents	21	3,736,158	3,181,546	4,333,380	3,329,804
Balances with Central Bank of Sri Lanka	22	375,596	484,876	375,596	484,876
Placements with Banks	23	1,135,072	3,618,819	1,135,072	3,618,819
Reverse repurchase agreements	24	562,470	2,989,653	562,470	2,989,653
Derivative financial instruments	25	44,429	28,856	44,429	28,856
Financial assets at fair value through profit or loss	26	4,884,509	6,495,860	4,994,837	6,606,034
Financial assets at amortised cost - loans and advances to customers	27	81,202,856	62,207,758	89,885,133	69,558,902
Financial assets at amortised cost - debt and other instruments	28	22,863,756	30,845,784	23,874,378	33,297,389
Financial assets at fair value through other comprehensive income	29	23,322,397	20,236,964	23,353,910	20,258,822
Investments in real estate	31	-	-	46,225	64,478
Investments in subsidiaries	32	3,043,405	2,814,347	-	-
Goodwill and intangible assets	33	1,615,188	1,210,845	1,941,454	1,541,836
Property, plant and equipment and Right of use assets	34	2,109,613	1,584,821	2,530,960	1,900,736
Deferred tax assets	35	582,376	827,216	654,579	975,965
Other assets	36	1,713,847	2,560,374	1,861,798	2,675,619
Total assets		147,191,673	139,087,719	155,594,221	147,331,789
Liabilities					
Due to Banks	37	7,996,693	3,375,823	8,215,859	3,442,119
Derivative financial instruments	25	22,162	56,769	22,162	56,769
Repurchase agreements	38	13,197,001	25,431,273	13,197,001	25,431,273
Financial liabilities at amortised cost - Due to customers	39	103,740,584	87,984,721	110,629,257	95,391,334
Financial liabilities at amortised cost - Other borrowed funds	40	-	-	407,128	-
Current tax liability	30	34,978	363,738	36,285	365,484
Other liabilities	41	2,359,897	2,611,369	2,877,701	3,038,367
Total liabilities		127,351,315	119,823,693	135,385,393	127,725,346
Equity					
Stated capital	42	16,334,782	16,334,782	16,334,782	16,334,782
Share warrants	42.1	65,484	65,484	65,484	65,484
Statutory reserve fund	43.1	292,152	277,142	319,758	304,748
Fair value through OCI reserve	43.2	333,875	83,899	346,111	96,135
Retained earnings	43.3	2,771,202	2,461,628	2,537,465	2,203,461
ESOP reserve	44.3	42,863	41,091	42,863	41,091
Regulatory loss allowance reserve	43.4	-	-	201,688	228,647
Total equity attributable to equity holders of the Bank		19,840,358	19,264,026	19,848,151	19,274,348
Non-controlling interest	45	-	-	360,677	332,095
Total equity		19,840,358	19,264,026	20,208,828	19,606,443
Total equity and liabilities		147,191,673	139,087,719	155,594,221	147,331,789
Contingent liabilities and Commitments	46	37,395,156	33,658,176	37,270,156	33,631,199
Net asset value per share (LKR)		18.31	17.78	18.32	17.79

The notes to the Financial Statements from pages 197 to 331 form an integral part of these Financial Statements.
I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



Ayesha Naotunna
Financial Controller

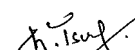
The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Approved and signed for and on behalf of the Board;



Dinesh Weerakkody
Chairman



Dilshan Rodrigo
Director/Chief Executive Officer



Laswie Tsung
Company Secretary

STATEMENT OF CHANGES IN EQUITY

BANK

	Note	Stated Capital LKR '000	Share Warrants LKR '000	Statutory Reserve Fund LKR '000	Fair value through OCI Reserve LKR '000	Retained Earnings LKR '000	ESOP Reserve LKR '000	Total Equity LKR '000
Balance as at 1 January 2023		16,334,782	65,484	258,182	14,099	2,102,979	37,305	18,812,831
Total comprehensive income for the year								
Net profit for the year		-	-	-	-	379,206	-	379,206
Other comprehensive income		-	-	-	69,800	(1,597)	-	68,203
Total comprehensive income		-	-	-	69,800	377,609	-	447,409
Transactions with equity holders, recognised directly in equity								
Share based payment expense	44.3	-	-	-	-	-	3,786	3,786
Transfers during the year	43.1	-	-	18,960	-	(18,960)	-	-
Balance as at 31 December 2023		16,334,782	65,484	277,142	83,899	2,461,628	41,091	19,264,026
Total comprehensive income for the year								
Net profit for the year		-	-	-	-	300,202	-	300,202
Other comprehensive income		-	-	-	249,976	24,382	-	274,358
Total comprehensive income		-	-	-	249,976	324,584	-	574,560
Transactions with equity holders, recognised directly in equity								
Share based payment expense	44.3	-	-	-	-	-	1,772	1,772
Transfers during the year	43.1	-	-	15,010	-	(15,010)	-	-
Balance as at 31 December 2024		16,334,782	65,484	292,152	333,875	2,771,202	42,863	19,840,358

The notes to the Financial Statements from pages 197 to 331 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

GROUP

	Note	Stated Capital LKR '000	Share Warrants LKR '000	Statutory Reserve Fund LKR '000	Fair value through OCI Reserve LKR '000	Retained Earnings LKR '000	ESOP Reserve LKR '000	Regulatory Loss Allowance Reserve LKR '000	Total Equity LKR '000	Non Controlling Interest LKR '000	Total LKR '000
Balance as at 1 January 2023		16,334,782	65,484	282,802	26,335	1,998,295	37,305	-	18,745,003	270,746	19,015,749
Total comprehensive income for the year											
Net profit for the year		-	-	-	-	456,292	-	-	456,292	7,595	463,887
Other comprehensive income		-	-	-	69,800	(1,597)	-	-	68,203	(182)	68,021
Total comprehensive income		-	-	-	69,800	454,695	-	-	524,495	7,413	531,908
Transactions with equity holders, recognised directly in equity											
Share based payment expense	44.3	-	-	-	-	-	3,786	-	3,786	-	3,786
Regulatory Loss Allowance Reserve	43.4	-	-	-	-	(228,647)	-	228,647	-	-	-
Change in control		-	-	-	-	1,064	-	-	1,064	53,936	55,000
Transfers during the year	43.1	-	-	21,946	-	(21,946)	-	-	-	-	-
Balance as at 31 December 2023		16,334,782	65,484	304,748	96,135	2,203,461	41,091	228,647	19,274,348	332,095	19,606,443
Total comprehensive income for the year											
Net profit for the year		-	-	-	-	297,673	-	-	297,673	2,053	299,726
Other comprehensive income		-	-	-	249,976	24,382	-	-	274,358	953	275,311
Total comprehensive income		-	-	-	249,976	322,055	-	-	572,031	3,006	575,037
Transactions with equity holders, recognised directly in equity											
New Right Issue		-	-	-	-	-	-	-	-	25,576	25,576
Share based payment expense	44.3	-	-	-	-	-	1,772	-	1,772	-	1,772
Transfers during the year	43.1	-	-	15,010	-	(15,010)	-	-	-	-	-
Regulatory Loss Allowance Reserve	43.4	-	-	-	-	26,959	-	(26,959)	-	-	-
Balance as at 31 December 2024		16,334,782	65,484	319,758	346,111	2,537,465	42,863	201,688	19,848,151	360,677	20,208,827

The notes to the Financial Statements from pages 197 to 331 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

ACCOUNTING POLICY

The cash flow statement has been prepared by using 'The Direct Method' in accordance with the Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash Flows), whereby gross cash receipts and gross cash payments of operating activities, finance activities and investing activities have been recognised. Cash and cash equivalents for the purpose of cash flow statement comprise of cash in hand and at Banks, placements with Banks, reverse repurchased agreements and unfavourable balances with local & foreign Banks that are subject to an insignificant risk of change in their value.

	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
Cash Flow from Operating Activities					
Interest receipts		13,068,063	19,716,630	15,190,718	21,933,995
Fee and commission receipts		1,152,380	1,199,809	1,260,793	1,288,526
Interest payments		(10,003,842)	(13,990,350)	(11,967,467)	(14,384,929)
Receipts from other operating activities		1,039,233	653,131	1,156,194	749,195
Payments on other operating activities		(5,499,366)	(5,210,254)	(6,374,705)	(5,990,353)
Operating profit before changes in operating assets & liabilities		(243,532)	2,368,966	(734,467)	3,596,434
(Increase)/decrease in operating assets:					
Balances with Central Bank of Sri Lanka		109,280	1,685,372	109,280	1,685,372
Financial assets at amortised cost - loans and advances to customers		(18,458,049)	3,796,832	(19,988,019)	4,644,798
Others		830,953	(110,119)	816,501	(116,507)
		(17,517,816)	5,372,085	(19,062,238)	6,213,663
Increase /(decrease) in operating liabilities:					
Due to Banks		2,079,883	249,778	2,079,883	249,778
Due to customers		16,403,496	(4,386,671)	16,571,273	(4,340,973)
Repurchase agreements		(12,163,695)	12,836,803	(12,163,695)	12,936,866
Others		(241,691)	157,460	(194,447)	161,196
		6,077,993	8,857,370	6,293,014	9,006,867
Net cash from/(used in) operating activities before income tax		(11,683,355)	16,598,421	(13,503,691)	18,816,964
Retirement benefit obligation paid	41.2.2	(108,129)	(55,417)	(111,192)	(62,897)
Income tax paid		(556,129)	(685,661)	(559,488)	(687,153)
Net cash from/(used in) operating activities		(12,347,613)	15,857,343	(14,174,371)	18,066,914
Cash flow from/(used in) investing activities					
Dividends received		1,536	1,019	2,133	1,725
Financial assets at fair value through profit or loss		1,641,200	(4,769,819)	1,774,930	(4,305,399)
Financial assets at fair value through other comprehensive income		(2,500,335)	(14,863,250)	(2,509,990)	(14,863,375)
Financial assets at amortised cost - debt and other instruments		7,982,917	5,305,661	9,423,898	2,849,875
Investment in subsidiaries		(228,703)	-	-	-
Purchase of property, plant & equipment		(758,921)	(98,236)	(863,584)	(142,610)
Purchase of intangible assets		(686,169)	(30,990)	(686,845)	(35,530)
Proceeds from sale of property, plant & equipment		1,216	847	4,988	2,197
Net cash from/(used in) investing activities		5,452,741	(14,454,768)	7,145,530	(16,493,117)
Cash flow from/(used in) financing activities					
Increase/(decrease) in borrowings		2,351,543	558,269	2,756,970	228,867
Proceeds from shares		-	-	25,576	55,000
Net cash from/(used in) financing activities		2,351,543	558,269	2,782,546	283,867
Net increase/(decrease) in cash and cash equivalents		(4,543,329)	1,960,844	(4,246,295)	1,857,663
Cash and cash equivalents at beginning of the year		9,767,999	7,807,155	9,849,960	7,992,297
Cash and cash equivalents at end of the year		5,224,670	9,767,999	5,603,665	9,849,960
Reconciliation of cash and cash equivalents					
Cash in hand and at Banks	21	3,736,158	3,181,546	4,333,380	3,329,804
Placements with Banks		1,134,133	3,618,819	1,135,072	3,618,819
Due to Banks - unfavourable balances with Banks		(208,091)	(22,019)	(427,257)	(88,316)
Reverse repurchase agreements	24	562,470	2,989,653	562,470	2,989,653
Total cash and cash equivalents at end of the year		5,224,670	9,767,999	5,603,665	9,849,960

STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

For the year ended 31 December 2024	Non cash change			
	31 Dec 2024	Cash change Cash flow	Foreign exchange movement	1 Jan 2024
	LKR '000	LKR '000	LKR '000	LKR '000
BANK				
Due to Banks	4,376,835	2,540,987	-	1,835,848
Less : Unfavourable balances with Banks	(208,091)	(186,072)	-	(22,019)
Less : Interest payable	(13,736)	(3,371)	-	(10,365)
Total	4,155,007	2,351,543	-	1,803,463
GROUP				
Due to Banks	4,596,000	2,693,856	-	1,902,144
Other borrowed funds	407,128	407,128	-	-
Less : Unfavourable balances with Banks	(427,257)	(338,942)	-	(88,315)
Less : Interest payable	(15,438)	(5,073)	-	(10,365)
Total	4,560,434	2,756,970	-	1,803,464
For the year ended 31 December 2023				
	Non cash change			
	31 Dec 2023	Cash change Cash flow	Foreign exchange movement	1 Jan 2023
	LKR '000	LKR '000	LKR '000	LKR '000
BANK				
Due to Banks	1,835,848	524,570	-	1,311,278
Less : Unfavourable balances with Banks	(22,019)	37,372	-	(59,391)
Less : Interest payable	(10,365)	(3,673)	-	(6,692)
Total	1,803,463	558,269	-	1,245,195
GROUP				
Due to Banks	1,902,144	513,029	-	1,389,115
Other borrowed funds	-	(331,516)	-	331,516
Less : Unfavourable balances with Banks	(88,315)	48,913	-	(137,228)
Less : Interest payable	(10,365)	(1,559)	-	(8,806)
Total	1,803,464	228,867	-	1,574,597

The Notes to the Financial Statements from pages 197 to 331 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting Entity

Union Bank of Colombo PLC ("Bank") is a Public Limited Liability Company listed on the Colombo Stock Exchange, incorporated on 02 February 1995 and domiciled in Sri Lanka. It is a Licensed Commercial Bank regulated under the Banking Act No. 30 of 1988 and amendments thereto. The Bank was re-registered under the Companies Act No. 7 of 2007. The registered office of the Bank is located at No. 64, Galle Road, Colombo 03. The ordinary shares of the Bank are listed on the Colombo Stock Exchange.

The staff strength of the Bank as at 31 December 2024 was 1,189 (2023: 1,221).

1.1.1 Consolidated Financial Statements

The Consolidated Financial Statements for the year ended 31 December 2024 comprise of the Bank (parent company) and the two subsidiaries, National Asset Management Limited and UB Finance PLC, (together referred to as the "Group").

The Financial Statements of all companies in the Group have a common financial year which ends on 31st December.

National Asset Management Limited was incorporated on 28 September 1990 as a Limited Liability Company under the Companies Act No. 17 of 1982. The Company was re-registered under the Companies Act No. 07 of 2007.

UB Finance PLC is a quoted public limited company, incorporated and domiciled in Sri Lanka. The Company was incorporated on 12 July 1961 under the Companies Ordinance No. 38 of 1938 and was re-registered as required under the provision of the Companies Act No. 7 of 2007. The Company is registered with

the Central Bank of Sri Lanka as a Licensed Finance Company under the Finance Business Act No 42 of 2011. The ordinary shares of the company are listed on the Colombo Stock Exchange.

1.1.2 Parent Entity and Ultimate Controlling Parties

The Bank's immediate parent is Culture Financial Holding Limited which is registered in the Cayman Islands. The ultimate parent is CG Corp Panama which is registered in Panama. The immediate or the ultimate parents do not publish consolidated financial statements to the public.

1.2 Principal Activities and Nature of Operations

1.2.1 Bank

The Bank provides a comprehensive range of financial services encompassing accepting deposits, personal Banking, retail banking, credit and debit cards, trade financing, offshore Banking, resident and non-resident foreign currency operations, corporate and retail credit, pawning, project financing, lease financing, rural credit, margin trading, internet banking, money remittance facilities, dealing in Government Securities and treasury related products etc.

1.2.2 Subsidiaries

1.2.2.1 National Asset Management Limited

The principal activities of the company are launching, operating, administering, and managing unit trusts.

1.2.2.2 UB Finance PLC

The principal activities of the Company are accepting deposits, providing lease, hire purchase and loan facilities and working capital activities such as factoring. The Company also deals in real estate and other investment activities.

There were no significant changes in the nature of the principal activities of the Group during the financial year under review. All subsidiaries are domiciled in Sri Lanka.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Statement of Compliance

The Consolidated Financial Statements of the Group and the separate financial statements of the Bank, which comprises of the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statements of Changes in Equity and Statement of Cash Flows and notes to the financial statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007. The presentation of the Financial Statements is also in compliance with the requirements of the Banking Act No. 30 of 1988 and amendments thereto and provide appropriate disclosures as required by listing rules of the CSE.

The formats used in the preparation and presentation of the Financial Statements and the disclosures made therein also comply with the specified formats prescribed by the CBSL in Circular No. 05 of 2024 dated 31st December 2019 on "Publication of Annual and Quarterly Financial Statements and Other Disclosures by Licensed Banks". The Bank also publishes annual and quarterly financial information and other disclosures in the press and the website in compliance with section 3.1 of the aforesaid circular.

2.2 Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and presentation of the financial statements of the Group as per Sri Lanka Accounting Standards and the provisions of the Companies Act No. 07 of 2007.

NOTES TO THE FINANCIAL STATEMENTS

The Board of Directors acknowledge their responsibility as set out in the 'Annual Report of the Board of Directors' on the Affairs of the Bank', Statement of Directors' Responsibilities on Financial Reporting' and the certification given on the 'Statement of Financial Position' on pages 146, 147 and 192 respectively.

These financial statements include;

- The Statement of Profit or Loss and the Statement of Other Comprehensive Income, providing information on the performance of the Group for the year under review (Refer Pages 190 and 191).
- Statement of Financial Position, providing information on the financial position of the Group as at the year-end (Refer Page 192).
- Statement of Changes in Equity, providing the changes in the shareholders' funds during the year under review for the Group (Refer Pages 193 and 194).
- Statement of Cash Flow, providing information to the users, on the ability of the Group to generate cash and cash equivalents and the utilization of those cash flows (Refer Pages 195 and 196).
- Notes to the financial statements, which comprise of significant accounting policies and other explanatory notes and information (Refer Pages 197 to 331).

2.3 Approval of Financial Statements by the Board of Directors

The financial statements of the Group and the Bank for the year ended 31 December 2024 were authorised for issue by the Board of Directors in accordance with the resolution of the Board of Directors on 28 February 2025.

2.4 Basis of Measurement

The financial statements of the Group have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position;

- Derivative financial instruments are measured at fair value (Note 25).
- Financial assets at fair value through other comprehensive income (FVOCI) are measured at fair value (Note 29).
- Financial assets at fair value through profit or loss (FVPL) are measured at fair value (Note 26).
- Liabilities for defined benefit obligations are recognised at the present value of the defined benefit obligation (Note 41.2).

2.5 Functional and Presentation Currency

The financial statements of the Group are presented in Sri Lankan Rupees, which is the currency of the primary economic environment in which the Group operates. Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand unless indicated otherwise. There was no change in the Group's presentation and functional currency during the year under review.

2.6 Presentation of Financial Statements

The assets and liabilities of the Group presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the financial statements.

An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 52 to the financial statements.

2.7 Materiality and Aggregation

In compliance with Sri Lanka Accounting Standard: LKAS 01 (Presentation of Financial Statements), the Group has performed a materiality assessment, and each material class of items are presented separately in the financial statements. However, if any other Accounting Standard requires any item to be disclosed separately, those items are reported separately irrespective of the materiality for the better presentation of the financial position and performance of the Group.

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 Statement of Profit or Loss unless required or permitted by an Accounting Standard.

2.8 Comparative Information

The comparative information is reclassified wherever necessary to conform to the current year's classification in order to provide a better presentation.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements of the Group in conformity with Sri Lanka Accounting Standards, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses, the accompanying disclosures as well as the disclosure of contingent liabilities. Actual results may differ from these estimates.

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

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements of the Group are as follows;

3.1 Going Concern

The Board of Directors has made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The Board of Directors is not aware of any material uncertainties that cast significant doubt upon the Group's ability to continue as a going concern and they do not intend to liquidate or to cease operations of the Group. Therefore, these financial statements continue to be prepared on a going concern basis.

3.2 Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities recorded in the Statement of Financial Position which cannot be derived from the active market, 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, if not available, judgment was used to establish fair values.

The Group measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is given in Note 51.

3.3 Classification of Financial Assets and Liabilities

The Group's accounting policies provide scope for assets and liabilities to be classified at inception into different accounting categories. The classification of financial instruments is given in Note 20, "Measurement of Financial Instruments".

3.4 Impairment Losses on Loans and Advances

The measurement of impairment losses under SLFRS 9 – Financial Instruments across all categories of financial assets requires judgment. These estimates are driven by a number of factors and the changes of these factors can result in different levels of allowances.

3.4.1 Individual Impairment Assessment

The Group reviews their individually significant loans and advances at each reporting date to assess whether an impairment allowance should be recorded in the Statement of Profit or Loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment allowance. These estimates are based on a number of assumptions and actual results may differ, resulting in future changes to the impairment allowance made.

3.4.2 Collective Impairment Assessment

Loans and advances that have been assessed individually and found not to be impaired, and all individually insignificant loans and advances are then assessed collectively, by categorising them into groups of assets with similar risk characteristics, to determine the expected credit loss on such loans and advances.

The Group's expected credit loss (ECL) calculation under SLFRS 9 requires management to make judgments and estimates with regard to the following;

- The Group's criteria for assessing if there has been a significant increase in credit risk and therefore impairment for financial assets should be measured on a Lifetime Expected Credit Loss (LTECL) basis and the qualitative assessment.
- Development of ECL models, including various formulas and the choice of inputs

- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The assumptions and judgments mentioned above are discussed in detail under Note 4.8 to the financial statements.

Furthermore, the procedures followed in the impairment calculations with the current economic outlook have been more fully described in Note 53.1.5 to the financial statements. Sensitivity of collective impairment provision to the staging of the loans and advances and the sensitivity of collective impairment provision to the economic factors are disclosed in Note 53.2.1.3 and 53.2.1.4

3.5 Impairment of Other Financial Assets

The Group reviews its debt securities classified as FVOCI/ amortised cost at each reporting date to assess whether they are impaired. Objective evidence that debt security held at FVOCI/amortised cost is impaired/ having an increased credit risk includes among other things significant financial difficulty of the issuer, a breach of contract such as a default or delinquency in interest or principal payment, etc. Management judgment has been involved in determining whether there is a significant increase in credit risk of these instruments as at the reporting date.

3.6 Impairment of Non-financial Assets

The Group assesses whether there are any indicators of impairment for an asset or a Cash Generating Unit (CGU) at each reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the value in use of such individual assets or the CGUs. Estimating value in use requires the management to make an estimate of the expected future cash flows from the assets or the CGU and also to select a suitable discount rate in order to calculate

NOTES TO THE FINANCIAL STATEMENTS

the present value of the future cash flows. This valuation requires the Group to make estimates about expected future cash flows and discount rates and hence, they are subject to uncertainty.

The details on the assessment of goodwill impairment is given in Note 33.

3.7 Useful lives of Property, Plant and Equipment and Intangible Assets

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

3.8 Taxation

The Group is subject to income tax and judgment is required to determine the total provision for current, deferred, and other taxes, due to the uncertainties that exist with respect to the interpretation of the applicability of tax laws at the time of preparation of these financial statements.

The detailed deferred tax computation is given in Note 35 to the Financial Statements.

3.9 Defined Benefit Obligation

The cost of the defined benefit plans and the present value of its obligations are determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and possible future gratuity increases, if any. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government Bonds with maturities corresponding to the expected duration of the defined benefit obligation. Future salary

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

Details of the key assumption used in the estimates are disclosed in Note 41.2 to the financial statements.

3.10 Share Based Payments

The Bank measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share based payment transactions requires the determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility, and making assumptions about them. The assumptions and models used for estimating fair value for share based payment transactions are disclosed in Note 44.1.

3.11 Contingent Liabilities and Commitments

All discernible risks are accounted for in determining the amount of all known liabilities.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote. Details of the Contingent Liabilities and Commitments are disclosed in Note 46 to the financial statements.

3.12 SLFRS 16 - Lease

The Group uses its judgment to determine whether an operating lease contract qualifies to recognise as right-of-use assets. It also uses

judgment in the determination of the discount rate used in the calculation of lease liability. The lease liability is initially measured as the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. As the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate ('IBR') to measure the lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Further, the Group applies judgment in evaluating whether it is reasonably certain to renew or terminate the lease at the end of the lease term. That is, it considers all relevant factors that create an economic benefit for it to exercise, either a renewal or termination option.

4. MATERIAL ACCOUNTING POLICIES

Following are the general accounting policies adopted in the presentation of financial statements. The specific accounting policies and the basis of measurement adopted by the Group for each item in the Statement of Profit or Loss and each class of assets and liabilities in the Statement of Financial Position are presented along with the notes to the financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements of the Group unless otherwise indicated.

4.1 Basis of Consolidation

The Bank's separate financial statements comprise of the amalgamation of the financial statements of the Domestic Banking Unit, the Off shore Banking Unit and the proportionate share of the profit or loss and net assets of its subsidiaries (equity method) in terms of the Sri Lanka Accounting Standard – LKAS 27 on "Separate Financial Statements".

The Group's financial statements comprise the consolidation of the financial statements of the Bank and its subsidiaries for the year

ended 31 December 2024 in terms of the Sri Lanka Accounting Standard - SLFRS 10 on "Consolidated Financial Statements". The financial statements of the Bank's subsidiaries for the purpose of consolidation are prepared for the same reporting year as Union Bank of Colombo PLC using consistent accounting policies.

4.2 Business Combination and Goodwill

Business combinations are accounted for using the acquisition method as per the requirement of Sri Lanka Accounting Standards: SLFRS 03 (Business Combinations). The consideration transferred in the acquisition and identifiable net assets acquired are measured at fair value. The goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised immediately in the Statement of Profit or Loss. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

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

4.2.1 Subsidiaries

Details of the Bank's subsidiaries and how they are accounted in the financial statements of the Bank are set out in Note 32 to the Financial Statements.

4.2.2 Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiaries, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognised in the Statement of Profit or Loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

4.2.3 Transactions Eliminated on Consolidation

Intra-group transactions and balances and any income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

4.2.4 Non-Controlling Interest (NCI)

The Details of Non-Controlling Interest are given in Note 45 to the Financial Statements.

4.3 Foreign Currency Transaction and Balances

All foreign currency transactions are translated into the functional currency, which is Sri Lankan Rupees, using the exchange rates prevailing at the dates of the transactions. In this regard, the Bank's practice is to use the middle rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the middle exchange rate of the functional currency prevailing at that date and all differences arising from these activities are taken to "Net other operating income" in the Statement of Profit or Loss.

Non-monetary assets and liabilities denominated in a foreign currency that are measured in terms of historical cost are translated using the exchange rate as at the dates of the initial transactions. Non-monetary items that are measured in terms of fair value in a foreign currency are translated using the spot exchange rate at the date when the fair value was determined.

Foreign exchange differences arising on the settlement or reporting of monetary items at rates different from those that were initially recorded are dealt with in the Statement of Profit or Loss.

Forward exchange contracts and SWAPs are valued at the forward market rates ruling on the reporting date. Resulting net unrealised gains or losses are dealt with in the Statement of Profit or Loss.

4.4 Financial Instruments – Initial Recognition, Classification and Subsequent Measurement

4.4.1 Date of Recognition

Financial assets and liabilities, except for loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognises balances due to customers when funds are transferred to the Group.

4.4.2 Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments as described in Note 4.4.2.2.1 and Note 4.4.2.2.2 to the Financial Statements.

Financial instruments are initially measured at their fair value plus or minus transaction costs that are directly attributable to their acquisition or issue, except in the case of financial assets and financial liabilities recorded at Fair Value through Profit or Loss (FVPL).

Transaction costs in relation to financial assets and financial liabilities at FVPL are dealt with through the Statement of Profit or Loss.

Trade Receivables are measured at transaction price. When the fair value of Financial Instruments at initial recognition differs from the transaction price, the Bank accounts for the "Day 1" profit or loss as described below.

NOTES TO THE FINANCIAL STATEMENTS

4.4.2.1 “Day 1” Profit or Loss

When the transaction price of the instrument differs from the fair value at origination and fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and the fair value in the Statement of Profit or Loss over the tenor of the financial instrument using the effective interest rate method. In those cases, where the fair value is based on models for which some inputs are not observable, the difference between the transaction price and the fair value is only recognised in the Statement of Profit or Loss when the inputs become observable, or when the instrument is derecognised.

The “Day 1 loss” arising in the case of loans granted to employees at the concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) in “Interest Income” and “Personnel expenses” over the remaining service period of the employees or tenure of the loan whichever is shorter.

4.4.2.2 Measurement Categories of Financial Assets and Liabilities

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

- Amortised cost as explained in Note 4.5.1 to the Financial Statements.
- FVOCI as explained in Note 4.5.3 to the Financial Statements.
- FVPL as explained in Note 4.5.4 to the Financial Statements.

The Group classifies and measures its derivative and trading portfolio at FVPL, as explained in Note 4.5.2 to the Financial Statements. The Group may designate financial instruments at FVPL, if doing so eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments are measured at amortised cost or at FVPL when they are either held for trading, derivative instruments or the fair value designation is applied as explained in Note 4.5.6.

4.4.2.2.1 Business Model Assessment

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

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

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity’s key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Group’s assessment.

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

4.4.2.2.2 The SPPI Test

As a second step of its classification process, the Group assesses the contractual terms of financial instruments to identify whether they meet the SPPI test. ‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. (For example, if there are repayments of principal or amortisation of the premium/discount.)

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

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

4.5 Financial Assets and Financial Liabilities

4.5.1 Financial Assets at amortised cost - Loans and Advances to Customers, Debt and Other Instruments, Reverse Repurchase Agreements

The Group measures due from Banks, Loans and advances to customers and other financial assets at amortised cost if both of the following conditions are met:

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

After initial measurement, due from Banks, Loans and advances to customers and other financial assets at amortised cost are subsequently measured at amortised cost using the effective interest rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' and the losses arising from impairment are recognised in 'Impairment for loans and other losses' in the Statement of Profit or Loss.

4.5.2 Derivatives Recorded at Fair Value through Profit or Loss

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

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

The Group enters into derivative transactions with various counterparties. These include foreign currency swaps, interest rate swaps, forward foreign exchange contracts etc. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in "Net other operating income". The Group has not applied hedge accounting for any of its derivatives during the years ended 31 December 2024 and 2023.

4.5.3 Financial Assets at FVOCI

The Group classifies financial assets under this category when both of the following conditions are met;

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

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains/losses are recognised in the statement of profit or loss in the same manner as for financial assets measured at amortised cost. The ECL calculation for debt instruments at FVOCI is explained in Note 4.8.4.3 to these Financial Statements. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first-in-first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss. The OCI reserve has been maintained to account for the changes in assets classified as FVOCI.

4.5.4 Financial Assets recorded at FVPL

As per SLFRS 9, all financial assets other than those classified as amortised cost or FVOCI, are classified and measured at FVPL. Financial assets and financial liabilities at FVPL include financial assets that are held for trading or managed on a fair value basis as they are neither held to collect contractual cash flows nor to sell financial assets.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in the statement of profit or loss.

4.5.5 Equity instruments at FVOCI

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

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss under other operating income when the right of the receive the dividend has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

4.5.6 Financial Liabilities at amortised cost - Due to Banks, Due to Customers, Repurchased Agreements and Other Borrowed Funds

After initial measurement, financial liabilities at amortised cost - due to Banks, due to customers, repurchase agreements and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on the issue of funds and costs that are an integral part of the EIR.

4.5.7 Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments. Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement and the ECL provision.

NOTES TO THE FINANCIAL STATEMENTS

The premium received is recognised in the income statement under net fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are within the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. The nominal values of these instruments are disclosed in Note 46, while the corresponding ECL is disclosed under Note 41, "Other liabilities".

4.6 Reclassification of Financial Assets and Financial Liabilities

According to the requirement of SLFRS 9, the Group reclassifies its financial assets subsequent to the initial recognition when and only when the business model for managing such financial assets is changed. Such reclassifications are applied prospectively from the reclassification date. Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

When a financial asset is reclassified out of the amortised cost measurement category and into the fair value through the profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost and the fair value is recognised in the Statement of Profit or Loss.

When a financial asset is reclassified from out of the fair value through the profit or loss measurement category and into the amortised cost measurement category, its fair value at the reclassification date becomes the new gross carrying value.

When a financial asset is reclassified out of the amortised cost measurement category and into the fair value through other comprehensive income measurement categories, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost and the fair value is recognised in OCI. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

When a financial asset is reclassified out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, a financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

When a financial asset is reclassified out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

When a financial asset is reclassified out of the fair value through other comprehensive income category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

The Group did not reclassify any of its financial assets in 2024 except for the reclassification of its Debt Portfolio which is detailed under Note 28.1.1 into these Financial Statements.

4.7 Derecognition of Financial Assets and Financial Liabilities

4.7.1 Derecognition due to substantial modification of terms and conditions

The Group derecognises a financial asset, such as loans to a customer, when the terms and conditions have been renegotiated to the extent that, substantially the financial asset becomes a new loan, with the difference recognised as a derecognition gain or loss to the extent that an impairment loss has not been recorded. The newly recognised loans are classified under stage 1 for ECL measurement purposes unless the new loan is deemed to be credit impaired at the date of granting.

When assessing whether or not to derecognise a loan to a customer, amongst others, the group considers the following factors;

- Change in currency of the loan.
- Introduction of an equity feature
- Change in counterparty.
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cashflows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

4.7.2 Derecognition other than for substantial modification

(i) Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial assets.

Or

- It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset.

Or

- The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

(ii) Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is related to a derecognition of the original liability and the recognition of a new liability.

The difference between the carrying value of the original financial liability and the consideration paid is recognised in the statement of profit or loss.

4.8 Impairment Allowance for Financial Assets

4.8.1 Overview of the ECL Principles

The Group calculates impairment allowances on financial assets in accordance with the SLFRS 9 (Financial Instruments) and as per the CBSL Direction No. 13 and 14 of 2021 on Classification, recognition and measurement of credit facilities/ other financial assets in Licensed Banks. The Group records an allowance for expected credit losses (ECL) for loans and advances to customers, debt and other financial instruments measured at amortised cost, debt instruments measured at FVOCI, together with loan commitments, Guarantee contracts, Letter of credits and acceptances.

The ECL allowance is based on the credit losses expected to arise over the life of the asset, the Life Time Expected Credit Loss (LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in Note 4.8.3 to the financial statements.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Group's policy for grouping financial assets measured on a collective basis is explained in Note 4.8.4.2. The details of individual assessment of ECLs are given in Note 4.8.4.1 to the financial statements.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 4.8.3. Based on the

NOTES TO THE FINANCIAL STATEMENTS

above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and ‘purchased or originated credit impaired (POCI)’ as described below:

- Stage 1: When loans are first recognised, the Group recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2 and Stage 3.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs.
- Stage 3: Loans considered credit impaired. The Group records an allowance for the LTECLs.
- Purchased or Originated Credit Impaired: POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses. The Group did not have POCI loans as at 31 December 2024 and 2023.

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

4.8.2 Definition of Default and Cure

The Group considers a financial instrument as defaulted and therefore stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes more than 90 days past due on its contractual payments.

Further, as per ‘CBSL’ Direction No. 13 of 2021 classification, recognition and measurement of credit facilities in licensed Banks, additional criteria are also used to classify borrowers as default.

As a part of the qualitative assessment of whether an individually significant customer is in default, the Group also considers a variety of instances that may indicate doubt in the recovery. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as stage 3 for ECL calculations or whether stage 2 is appropriate.

It is the Group’s policy to consider a financial asset, as ‘cured’ and therefore, reclassified out of stage 3 when none of the material default criteria have been presented and the borrower is no longer considered as non-performing as per the directions issued by the Central Bank of Sri Lanka.

Once cured, the decision whether to classify an asset as stage 2 or stage 1 largely depends on the days past due, at the time of the cure. The corresponding reduction in ECL is recognised under ‘Impairment charge/reversal’ in Note 12 to the financial statements.

The Group’s criteria for ‘cure’ for rescheduled or restructured loans is more stringent than ordinary loans and is explained in Note 4.8.4.4.

4.8.3 Significant Increase in Credit Risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers an exposure to have a significantly increased credit risk when it is past due for more than 30 days.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk, such as restructuring of an asset while the asset is less than past due. Further, restructured loans will remain in

stage 2 for at least 6 months from the date of Reschedulement even if such loans become less than past due.

The Group has identified certain industries as industries carrying an increased credit risk. Accordingly, exposures outstanding from the borrowers operating in these industries have been analysed on a case-by-case basis and required additional provisions have been made by moving stages.

4.8.4 The Calculation of ECL

4.8.4.1 Calculation of ECLs for Individually Significant Loans

The Group first assesses ECLs individually for financial assets that are individually significant to the Group. In the event the Group determines that such assets are not impaired, then it is assessed collectively for impairment.

If the asset is impaired, the amount of the loss is measured by discounting the expected future cash flows of a financial asset at its original effective interest rate and comparing the resultant present value with the financial asset’s current carrying amount. The impairment on individually significant accounts is reviewed on a monthly basis. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Land, Land and Building which are obtained as collateral against any accommodation including foreclosed properties were revalued by professionally qualified independent valuers.

Individually assessed impairment is only reversed when there is reasonable and objective evidence of a reduction in the established loss estimate. Interest on impaired assets continues to be recognised through the unwinding of the discount.

4.8.4.2 Grouping Financial Assets Measured on a Collective Basis

The Group calculates ECL either on a collective or an individual basis. Asset classes where the Group calculates ECL on an individual basis include;

- All the customers whose exposure is more than or equal to the internal threshold for classifying them as individually significant. However, if the customer is not impaired, such customers are moved to collective ECL calculation.
- The treasury and interBank relationships (such as due from Banks, debt instruments at amortised cost/FVOCI)

For all other asset classes, the Group calculates ECL on a collective basis. The Group categorises these exposures into subcategories based on a combination of internal characteristics of the loans such as product type and type of collateral.

4.8.4.2.1 The PD Estimation Process

PD estimation for loans and advances under SLFRS 9 is based on the days past due (DPD) of the customers. Accordingly, exposures are categorised into five groups based on DPDs as follows;

- Zero days past due
- 1-30 days past due
- 31-60 days past due
- 61-90 days past due
- Above 90 days past due

However, for debt and other instruments classified as amortised cost/FVOCI, the Group relies on external credit ratings in determining their respective PDs.

4.8.4.2.2 Exposure at Default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments.

To calculate the EAD for a stage 1 loan, the Group assesses the possible default events within 12 months. For stage 2 and stage 3 financial assets and credit impaired financial assets at origination, events over the lifetime of the instruments are considered.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The SLFRS 9 PDs are then assigned to each economic scenario based on the outcome of Group's models.

4.8.4.2.3 Loss Given Default

The Loss Given Default (LGD) rates take into account the EAD in comparison to the amount recovered or realised from any collateral held. Historically collected loss data is used for LGD calculation and involves a wider set of transaction characteristics as well as borrower characteristics. LGD values are assessed on a monthly basis.

For financial assets other than loans and receivables, the Group uses the LGD rates specified by the regulator in the Basel III guidelines when calculating the ECL as per SLFRS 9.

4.8.4.2.4 Forward Looking Information

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

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

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

To reflect these uncertainties in the calculation of ECLs, the Group changes the weights assigned for multiple economic scenarios.

To ensure completeness and accuracy, the Group obtains the above data primarily from the Central Bank of Sri Lanka (CBSL). Other

sources such as the IMF, the World Bank, the Department of Census and Statistics etc. are also used when CBSL data is not available.

4.8.4.3 Debt Instruments Measured at FVOCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value instead an amount equal to the impairment that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a correspondence charge to the statement of profit or loss. The accumulated loss recognised in OCI is reclassified to the statement of profit or loss upon the derecognition of the assets.

4.8.4.4 Rescheduled and Restructured Loans

The Group makes modifications to the original terms of loans in response to the borrower's financial difficulties, rather than taking possession of the collateral. The Bank considers such loans as rescheduled or restructured loans. Reschedulement or restructuring may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms.

Staging of the Rescheduled/restructured loans are in accordance with the CBSL Direction No. 13 on Classification, recognition and measurement of credit facilities. Rescheduled/ Restructured loans are upgraded to stage 1 by the Bank's Risk Management Department based on their independent evaluation of the customers considering the specified observation period.

4.8.5 Collateral Valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables,

NOTES TO THE FINANCIAL STATEMENTS

inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and subsequently in accordance with the CBSL directives. To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using third party independent valuation reports.

4.8.6 Write-offs

Financial assets 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.

Recoveries of amounts previously written off are recognised when cash is received and are included in "Other income" in the Statement of Profit or Loss. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4.9 Fair Value Determination and Measurement

4.9.1 Determination of Fair Value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

4.9.2 Measurement of Fair Value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) 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 (Level 01 valuation). 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 at 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 at 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 (Level 01 valuation) nor based on a valuation technique that uses only data from observable markets (Level 02 valuation), then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in the statement of profit or loss 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.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate.

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 a third-party market participant would take them into account in pricing a transaction.

The fair value of 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

Details of fair value of assets and liabilities and their inputs based on fair value hierarchy is given in Note 51 to the financial statement.

4.10 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group considers whether:

- The contract involves the use of an identified asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Group has the right to obtain substantially all the economic benefits from the use of the assets throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has the right to direct the use of the asset if either;
 - The Group has the right to operate the asset or
 - The Group designed the asset in a way that predetermines how and for what purpose it will be used

4.10.1 Group as the Lessee

4.10.1.1 Right of use assets

The Group recognises the right of use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). 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 on or before the commencement date, plus any initial cost incurred less any lease incentives received.

Right-of-use assets are subsequently depreciated using straight line method from the commencement date to the earlier of the end of the useful life or end of the lease term.

The right of use asset is presented within Note 34 - Property, equipment and right of use assets and are subject to impairment in line with the Group's policy as described in Note 3.6, Impairment of non-financial assets.

4.10.1.2 Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term discounted using the Groups' incremental borrowing rate.

The Lease liability is subsequently measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments based on the decisions of extensions, early terminations etc. 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 the statement of profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents Right of use asset in Note 34 and correspondence Lease liability in Note 41.1 to these Financial Statements.

4.10.1.3 Short term leases and leases of low value assets

The Group has elected not to recognise right of use assets and lease liabilities for short term leases (that have a lease term of 12 months or less) and leases of low value assets. The Group recognises lease payments associated with these leases as an expense based on the lease agreements.

4.10.2 Group as a Lessor

To classify each lease as a Finance lease or an operating lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to the ownership of the underlying asset. In this case, it is a Finance lease. If not, it is an operating lease.

When the Group is a lessor under a finance lease contract, the amounts due under the leases, after deduction of unearned interest income, are included in Note 27 "Loans and Advances". Interest Income is recognised in "Net interest income" over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

4.11 Fiduciary Assets

The Group provides fiduciary services that result in the holding of assets on behalf of its customers. Assets held in fiduciary capacity are not reported in the Financial Statements, as they are not assets of the Group.

4.12 Provisions

As a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation, provision is recognised in the Financial Statements.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. In a

situation where a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows.

4.13. Operational Risk Events

Provisions for operational risk events are recognised for losses incurred by the Group which do not relate directly to the amounts of principal outstanding for loans and advances. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision.

4.14 Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE AS AT 31 DECEMBER 2024

The new and amended standards and interpretations that are issued up to the date of issuance of the Group's financial statements but are not effective for the current annual reporting period, are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

NOTES TO THE FINANCIAL STATEMENTS

5.1 SLFRS 17 Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts that were issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance, and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) is mainly for short duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

This amendment does not have a material impact on the Consolidated/Separate Financial Statements of the Group/Bank.

5.2 Lack of exchangeability – Amendments to LKAS 21

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

This amendment does not have a material impact on the Consolidated/Separate Financial Statements of the Group/Bank.

6. GROSS INCOME

ACCOUNTING POLICY

Gross income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The specific recognition criteria for each type of gross income are given under the respective income notes.

For the year ended 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
Interest income	7.1	14,008,163	20,216,418	15,974,939	22,493,007
Fee and commission income	8.1	1,543,796	1,586,792	1,678,780	1,685,569
Net fair value gains/ (losses) from financial instruments at fair value through profit or loss	9	133,668	55,843	129,448	55,843
Net gains/(losses) from derecognition of financial investments	10	737,131	456,200	754,902	456,907
Net other operating income	11	27,926	95,582	139,386	202,111
Total		16,450,684	22,410,834	18,677,455	24,893,435

7. NET INTEREST INCOME

ACCOUNTING POLICY

The Group recognises interest income for all financial instruments measured at amortised cost, financial instruments measured at FVPL and interest earning financial assets measured at FVOCI using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR and therefore, the amortised cost of the asset is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Group recognises interest income and interest expense using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. The calculation includes all fees received or paid between parties to the contract, that are an integral part of the effective interest rate.

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset on the balance sheet with a corresponding increase or decrease in Interest income calculated using the effective interest method.

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit impaired as set out in Note 4.8.2 and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset for individually impaired financial assets. Bank ceases the recognition of interest income on assets that are collectively impaired and categorized under stage 3. When it is probable that the economic benefits associated will not continue to flow to the Bank. If the financial assets cure and are no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

NOTES TO THE FINANCIAL STATEMENTS

7. NET INTEREST INCOME (CONTD.)

For the year ended 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
Interest income	7.1	14,008,163	20,216,418	15,974,939	22,493,007
Less: Interest expense	7.2	9,181,644	13,926,221	10,358,394	15,318,594
Net interest income		4,826,519	6,290,197	5,616,545	7,174,413

7.1 Interest income

For the year ended 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Reverse repurchase agreements	164,763	340,864	178,901	345,509
Placements with Banks	45,242	72,998	47,258	81,151
Financial assets at fair value through profit or loss	556,865	559,071	560,957	559,071
Financial assets at amortised cost - loans and advances to customers	6,363,366	9,654,142	8,136,762	11,478,263
Interest income accrued on impaired financial assets	1,552,155	1,857,803	1,552,155	1,857,803
Financial assets at amortised cost - debt and other instruments	3,006,007	5,522,615	3,179,141	5,962,285
Financial assets at fair value through other comprehensive income	2,319,765	2,208,925	2,319,765	2,208,925
Total	14,008,163	20,216,418	15,974,939	22,493,007

7.2 Interest expenses

For the year ended 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Due to Banks	186,606	132,740	191,100	148,721
Repurchased agreements	1,404,734	2,156,124	1,407,105	2,153,865
Financial liabilities at amortised cost - Due to customers	7,247,883	11,094,809	8,378,601	12,430,373
Financial liabilities at amortised cost - Other borrowed funds	342,421	542,548	381,588	585,635
Total	9,181,644	13,926,221	10,358,394	15,318,594

7. NET INTEREST INCOME (CONTD.)

7.3 Net interest income from Sri Lanka Government Securities

For the year ended 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Interest income	5,805,049	8,007,833	5,992,320	8,359,419
Interest expense	1,404,734	2,156,124	1,402,364	2,156,124
Net interest income from Sri Lanka government securities	4,400,315	5,851,709	4,589,956	6,203,295

8. NET FEE AND COMMISSION INCOME

ACCOUNTING POLICY

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers.

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

Fees earned for the provision of services over a period of time are accrued over that period. These fees include trade service fees, commission income and asset management fees etc.

(ii) Fee and commission income from providing transaction services

Fees arising from negotiating or participating in negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised as the related services are performed.

Fee and commission expenses

All the fees and commission expenses are expensed as the services are received. Fee and commission expenses are recognised on an accrual basis.

For the year ended 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
Fee and commission income	8.1	1,543,796	1,586,792	1,678,780	1,685,569
Fee and commission expenses	8.2	391,417	386,983	417,988	397,043
Net Fee and commission income		1,152,379	1,199,809	1,260,792	1,288,526

NOTES TO THE FINANCIAL STATEMENTS

8. NET FEE AND COMMISSION INCOME (CONTD.)

8.1 Fee and commission income

For the year ended 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Loans	128,124	57,230	156,243	87,127
Trade and remittances	539,820	620,811	539,820	620,811
Credit and debit cards	543,715	596,731	543,715	596,731
Bancassurance	42,369	26,824	42,369	26,824
Fund management	-	-	56,835	45,010
Deposits related fee	184,820	171,475	184,820	171,475
Guarantees	88,287	87,793	88,287	87,793
Others	16,661	25,928	66,691	49,798
Total	1,543,796	1,586,792	1,678,780	1,685,569

8.2 Fee and commission expenses

For the year ended 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Financial services	64,896	73,838	91,467	83,898
Credit and debit cards	236,900	225,902	236,900	225,902
Brokerage fees	89,621	87,243	89,621	87,243
Total	391,417	386,983	417,988	397,043

9. NET FAIR VALUE GAINS/ (LOSSES) FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

ACCOUNTING POLICY

Income arising from trading activities include all unrealised gains and losses arising due to changes in fair value and dividend income from "financial assets at fair value through profit or loss". Dividend income is recognised when the Group's right to receive the payment is established.

For the year ended 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Government securities	138,104	51,276	133,884	51,276
Unit investments	(4,436)	4,566	(4,436)	4,566
Total	133,668	55,843	129,448	55,843

10. NET GAINS/(LOSSES) FROM DERECOGNITION OF FINANCIAL INVESTMENTS

ACCOUNTING POLICY

Net Gain/(Loss) on derecognition of financial assets include realised gain/(loss) related to financial assets measured at fair value through profit or loss, debt instruments measured at FVOCI and financial instruments measured at amortised cost.

For the year ended 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Government Securities				
- fair value through profit or loss	28,586	107,268	45,760	107,268
- fair value through other comprehensive income	326,979	274,983	327,576	275,690
Sub Total	355,565	382,251	373,336	382,958
Unit Investments				
- fair value through profit or loss	381,566	73,949	381,566	73,949
Sub Total	381,566	73,949	381,566	73,949
Total	737,131	456,200	754,902	456,907

11. NET OTHER OPERATING INCOME

ACCOUNTING POLICY

Income earned on other sources, which are not directly related to the normal operations of the Group are recognised as net other operating income, such as gains on disposal of property, plant and equipment, gain from investments in real estate and foreign exchange gains/(losses).

Gains/(losses) arising from the disposal of property, plant and equipment are recorded after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Foreign exchange gain includes income arising from customer transactions and revaluation of foreign currency assets/ liabilities.

For the year ended 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Net gain/(loss) on sale of property, plant and equipment	498	185	2,877	1,356
Foreign exchange gain	(6,181)	51,408	(6,181)	51,408
Income from real estate	-	-	10,607	7,867
Others	33,609	43,989	132,083	141,480
Total	27,926	95,582	139,386	202,111

Foreign exchange gains includes losses from inter-Bank foreign exchange transactions amounting to LKR 304.6 Mn (LKR 162.4 Mn loss for 2023)

NOTES TO THE FINANCIAL STATEMENTS

12. IMPAIRMENT FOR LOANS AND OTHER LOSSES

ACCOUNTING POLICY

The Group recognizes impairment provision for financial assets in accordance with Sri Lanka Accounting Standard SLFRS 9 – “Financial Instruments”. The Accounting policy adopted in determining the same is given in Note 27.5 to these financial statements. These financial assets include financial assets measured at amortised cost, loan commitments and other contingent liabilities and commitments. The charge also includes impairment of Group Intangibles and Investment in subsidiaries.

Further, the Group recognises an impairment loss when the carrying amount of a non-financial asset exceeds the estimated recoverable amount from that asset.

For the year ended 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
Financial assets at amortised cost - loans and advances to customers	12.1	146,392	1,999,577	185,411	2,095,968
Financial assets at amortised cost - debt and other instruments	12.2	-	(222,726)	-	(222,726)
Contingent liabilities and commitments	12.3	(8,384)	(139,120)	(22,841)	(147,727)
Investments in subsidiaries	32.1	3,893	5,596	-	-
Investments in real estate	31.1	-	-	15,602	9,363
Goodwill and intangible assets		-	-	3,893	5,596
Total impairment charge/ (reversal)		141,901	1,643,327	182,064	1,740,474

12.1 Financial assets at amortised cost - loans and advances to customers

For the year ended 31 December	BANK							
	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
Term loans	331,577	(540,456)	349,528	140,649	(4,717)	456,235	1,435,776	1,887,294
Overdrafts	1,675	(42,619)	(35,125)	(76,069)	(82,620)	29,078	243,207	189,665
Trade finance	76,699	10,198	12,807	99,704	(10,633)	(108,122)	(14,039)	(132,794)
Lease and hire purchase	8,818	(20,905)	(5,754)	(17,841)	(29)	20,686	(16,924)	3,733
Factoring	8,795	(1,107)	1,510	9,198	(1,620)	2,464	16,915	17,759
Credit cards	(7,916)	(26,047)	25,762	(8,201)	(11,205)	(37,309)	81,220	32,706
Others	(1,018)	-	(30)	(1,048)	1,184	-	30	1,214
Impairment charge/(reversal)	418,630	(620,936)	348,698	146,392	(109,640)	363,032	1,746,185	1,999,577

12. IMPAIRMENT FOR LOANS AND OTHER LOSSES (CONTD.)

12.1 Financial assets at amortised cost - loans and advances to customers (Contd.)

For the year ended 31 December	GROUP							
	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Term loans	328,415	(556,562)	347,284	119,137	(42,621)	408,130	1,432,379	1,797,888
Overdrafts	1,674	(42,619)	(35,125)	(76,070)	(82,620)	29,078	243,207	189,665
Trade finance	76,699	10,198	12,807	99,704	(10,633)	(108,122)	(14,039)	(132,794)
Lease and hire purchase	18,499	(34,578)	44,049	27,970	(8,533)	(19,865)	152,619	124,221
Factoring	8,795	(1,602)	23,428	30,621	(1,633)	2,958	75,240	76,565
Credit cards	(7,916)	(26,047)	25,762	(8,201)	(11,205)	(37,309)	81,220	32,706
Others	(1,576)	(2,335)	(3,839)	(7,750)	5,029	1,764	924	7,717
Impairment charge/(reversal)	424,590	(653,545)	414,366	185,411	(152,216)	276,634	1,971,550	2,095,968

12.2 Financial assets at amortised cost - debt and other instruments

For the year ended 31 December	BANK & GROUP							
	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Other financial assets at amortised cost	-	-	-	-	(513)	(222,213)	-	(222,726)
Impairment charge/ (reversal)	-	-	-	-	(513)	(222,213)	-	(222,726)

12.3 Contingent liabilities and Commitments

For the year ended 31 December	BANK							
	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Undrawn loan commitments	(15)	(24,498)	-	(24,513)	(80,713)	(55,264)	(8,876)	(144,853)
Other commitments	17,104	(590)	(385)	16,129	4,350	601	782	5,733
Impairment charge/ (reversal)	17,089	(25,088)	(385)	(8,384)	(76,363)	(54,663)	(8,094)	(139,120)

For the year ended 31 December	GROUP							
	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Undrawn loan commitments	3,623	(27,997)	(14,596)	(38,970)	(81,613)	(64,845)	(7,002)	(153,460)
Other commitments	17,104	(590)	(385)	16,129	4,350	601	782	5,733
Impairment charge/ (reversal)	20,727	(28,587)	(14,981)	(22,841)	(77,263)	(64,244)	(6,220)	(147,727)

NOTES TO THE FINANCIAL STATEMENTS

13. PERSONNEL EXPENSES

ACCOUNTING POLICY

Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. The provision for bonus is recognised if the Group has a present legal or constructive obligation to pay this amount, as a result of past services provided by the employee and the obligation can be estimated reliably.

Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund and Employees' Trust Fund contributions in accordance with the respective statutes and regulations. The Group contributes 12% and 3% of the gross salaries of employees to the Employees' Provident Fund and the Employees' Trust Fund respectively.

Defined benefit plans

Contributions to defined benefit plans are recognised in the Statement of Profit or Loss based on an actuarial valuation carried out for the gratuity liability of the Group in accordance with LKAS 19 - 'Employee Benefits' which is more fully described in Note 41.2 to these financial statements.

Share based payments

Share based payments represent the Bank's cost on the Employee Share Option Plan, which is more fully described in Note 44 to these financial statements.

For the year ended 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
Salary and bonus		1,487,997	1,553,432	1,748,511	1,806,668
Contributions to defined contribution plans		230,693	209,005	263,643	240,477
Contributions to defined benefit plans	13.1	97,292	99,730	108,507	110,454
Share based expense	44.3	1,772	3,786	1,772	3,786
Others	13.2	608,004	483,721	652,896	523,704
Total		2,425,758	2,349,674	2,775,329	2,685,089

13.1 Contributions to defined benefit plans have been made based on the actuarial valuation carried out as at 31 December 2024. Refer Note 41.2 for detailed disclosure and assumptions on the retirement benefit obligation.

13.2 Others include conveyance expenses, staff insurance, training related expenses and amortisation of pre-paid staff cost.

14. DEPRECIATION AND AMORTISATION

ACCOUNTING POLICY

The Group provides depreciation and amortisation from the date the assets are available for use up to the date of disposal, on a straight line basis, over the periods appropriate to the estimated useful lives, based on the pattern in which the asset's future economic benefits are expected to be consumed by the Group.

Improvements to leasehold properties are depreciated over the shorter of the lease term and their useful lives.

Depreciation of asset ceases at the earlier of the date that the asset is classified as held for sale or the asset is derecognised. Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Assets category	Estimated useful lives
Building	40 Years
Leasehold improvements	5 – 10 Years
Computer, equipment and generators	6 – 15 Years
Furniture and fittings	5 – 8 Years
Motor vehicles	5 Years
Computer software	10 Years

Amortisation of right of use assets

The right of use assets are depreciated using a straight line method from the commencement date to the earlier of the end of the useful life of the right of use assets or the end of the lease term.

Changes in estimates

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

For the year ended 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
Amortisation of intangible assets	33	281,826	279,449	283,335	281,393
Depreciation of property, plant and equipment	34	205,235	182,996	246,109	214,646
Amortisation of right of use-assets	34	327,264	303,896	365,939	336,735
Total		814,325	766,341	895,383	832,774

NOTES TO THE FINANCIAL STATEMENTS

15. OTHER EXPENSES

ACCOUNTING POLICY

Other expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earnings of specific items of income. Provisions in respect of other expenses are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

For the year ended 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
Auditor's remuneration	15.1	16,268	11,746	19,846	14,552
Directors' fees	15.2	24,759	16,603	35,203	21,407
Professional and legal expenses		34,175	49,595	51,713	67,602
Advertising and marketing expenses		169,034	76,817	220,799	119,981
Office administration and establishment expenses		1,726,775	1,549,478	2,013,353	1,785,964
Deposit insurance expenses		96,281	88,147	107,111	99,052
Others	15.3	220,152	211,301	230,167	216,033
Total		2,287,444	2,003,687	2,678,192	2,324,591

15.1 Auditor's remuneration

For the year ended 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Audit fees	9,628	5,673	13,206	8,479
Non audit expenses	6,640	6,073	6,640	6,073
Total	16,268	11,746	19,846	14,552

15.2 Directors' fees include fees paid to Non Executive Directors. Remuneration paid to the Executive Director is included under salary and bonus in Note 13.

15.3 Others include transportation related expenses, other overhead expenses incurred on day to day operations of the group.

16. VALUE ADDED TAX (VAT) ON FINANCIAL SERVICES & SOCIAL SECURITY CONTRIBUTION LEVY (SSCL)

ACCOUNTING POLICY

Value Added Tax on Financial Services

VAT on Financial Services is calculated in accordance with the Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before all taxes adjusted for the economic depreciation and emoluments paid to employees including cash benefits, non-cash benefits and provision related to terminal benefits. The VAT rate applied in 2024 is 18% (2023: 18%).

Social Security Contribution Levy

SSCL shall be paid by any person carrying on the business of financial services, on the liable turnover specified in the second schedule of the Social Security Contribution Levy Act No.25 of 2022 at the rate of 2.5% with effect from 1 October 2022. SSCL is payable on 100% of the value addition attributable to financial services. The value addition is computed based on the guidelines given under the Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto.

For the year ended 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Value Added Tax on financial services	482,440	537,239	558,184	611,697
Social Security Contribution Levy	67,006	74,617	78,508	82,306
Total	549,446	611,856	636,692	694,003

NOTES TO THE FINANCIAL STATEMENTS

17. TAX EXPENSE

ACCOUNTING POLICY

Disclosure 207-1, 207-2, 207-4

As per Sri Lanka Accounting Standard - LKAS 12 - 'Income Taxes', the tax expense is the aggregate amount included in the determination of profits or loss for the year in respect of income tax and deferred tax. The Income tax expense is recorded in the Statement of Profit or Loss except to the extent it relates to items recognised directly in the Statement of Comprehensive Income, in which case it is recognised in other comprehensive income. The Group applied IFRIC Interpretation 23 "Uncertainty over Income Tax Treatment" in the determination of taxable profit, tax bases, unused tax credits and tax rates, when there is uncertainty over the income tax treatment. However, the application of IFRIC 23 did not have any significant impact on the financial statements of the Group that require additional disclosures in the financial statements.

Current Taxation

Current tax assets and liabilities consist of amounts expected to be recovered or paid to the Commissioner General of Inland Revenue in respect of the current year as well as any adjustment to the tax payable or receivable in respect of previous years. The tax rates and tax laws used to compute the amount of current tax assets and current tax liabilities are those that are enacted or substantively enacted on the reporting date. Accordingly, the provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No 24 of 2017 and Inland Revenue Act No 45 of 2022, at the rates specified in Note 17.1.1 to these financial statements.

Deferred Taxation

Deferred tax is recognised on temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liabilities arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.
- In respect of taxable temporary differences associated with investment in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax shall be recognised for all taxable temporary differences, unless it arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination.
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); and
- at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised directly in equity are also recognised in equity and not in the Statement of Profit or Loss. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Details of current tax liabilities and deferred tax liabilities/(assets) are given in Note 30 and 35 to these financial statements.

17. TAX EXPENSE (CONTD.)

For the year ended 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
Current tax expense	17.1	227,369	773,219	229,582	775,878
Under/(Over) provision in respect of prior years		-	-	710	(7,059)
Deferred tax charge/ (reversal)	17.2	129,707	(372,181)	203,395	(331,839)
Total		357,076	401,038	433,687	436,980
Effective tax rate		54.2%	55.5%	59.1%	48.5%

17.1. Reconciliation of accounting profit to income tax expense

For the year ended 31 December	BANK				GROUP			
	2024		2023		2024		2023	
	%	LKR '000	%	LKR '000	%	LKR '000	%	LKR '000
Profit before tax		657,278		780,244		733,413		900,867
Adjust : Share of profit of equity accounted investees, net of tax		(1,471)		57,499		-		-
Adjusted profit before taxes		658,749		722,745		733,412		900,864
Tax using the comparable tax rate	30.0%	197,624	30.0%	216,824	30.0%	220,024	30.0%	270,259
Add: disallowable expenses	79.3%	522,257	137.6%	994,821	71.5%	524,600	134.8%	1,213,950
Less: Tax deductible expenses	(74.8%)	(492,512)	(59.8%)	(432,258)	(68.4%)	(501,859)	(75.3%)	(678,054)
Less: Tax exempt income	-	-	(1.1%)	(8,078)	(1.8%)	(13,183)	(3.6%)	(32,187)
Adjustment for leasing	-	-	0.3%	1,910	-	-	0.2%	1,910
Taxable profit	34.5%	227,369	107.0%	773,219	31.3%	229,582	86.1%	775,878
Under / (Over) provision in respect of previous years	-	-	-	-	0.1%	710	(0.8%)	(7,059)
Deferred tax charge/(reverse)	19.7%	129,707	(51.5%)	(372,181)	27.7%	203,395	(36.8%)	(331,839)
Tax expense	54.2%	357,076	55.5%	401,038	59.1%	433,687	48.5%	436,980

17.1.1 Applicable rates of tax

For the year ended 31 December	2024	2023
Income tax on Union Bank of Colombo PLC	30%	30%
Income tax on National Asset Management Limited (NAMAL)		
- Profits from Unit trust business	30%	30%
- Profits from Investments and Others	30%	30%
Income tax on UB Finance Company Limited	30%	30%

NOTES TO THE FINANCIAL STATEMENTS

17. TAX EXPENSE (CONTD.)

17.2 The deferred tax charge/ (reversal) in the Statement of Profit or Loss and Statement of Comprehensive Income

For the year ended 31 December	BANK			
	2024			
	Deferred Tax Assets	Deferred Tax Liabilities	Statement of Profit or Loss	Other Comprehensive Income
	LKR '000	LKR '000	LKR '000	LKR '000
Depreciation allowances for tax purpose	-	227,438	(4,652)	-
Impairment allowance	762,025	-	140,542	-
Re-measurement of financial assets - at fair value through other comprehensive income	-	140,624	-	107,132
Retirement benefit obligation	76,544	-	3,251	-
Actuarial gains/ (losses) on defined benefit plan liability	16,838	-	-	8,000
Other temporary differences	95,033	-	(9,434)	-
Total	950,440	368,062	129,707	115,132
Total deferred tax charge/ (reverse)			129,707	115,132

For the year ended 31 December	BANK			
	2023			
	Deferred Tax Assets	Deferred Tax Liabilities	Statement of Profit or Loss	Other Comprehensive Income
	LKR '000	LKR '000	LKR '000	LKR '000
Depreciation allowances for tax purpose	-	232,090	(55,192)	-
Impairment allowance	902,567	-	(285,069)	-
Re-measurement of financial assets - at fair value through other comprehensive income	-	33,491	-	29,915
Retirement benefit obligation	79,795	-	(13,294)	-
Actuarial gains/ (losses) on defined benefit plan liability	24,837	-	-	(984)
Other temporary differences	85,599	-	(18,626)	-
Total	1,092,798	265,581	(372,181)	28,931
Total deferred tax charge/ (reverse)			(372,181)	28,931

17. TAX EXPENSE (CONTD.)

17.2 The deferred tax charge/ (reversal) in the Statement of Profit or Loss and Statement of Comprehensive Income (Contd.)

For the year ended 31 December	GROUP			
	2024			
	Deferred Tax Assets	Deferred Tax Liabilities	Statement of Profit or Loss	Other Comprehensive Income
	LKR '000	LKR '000	LKR '000	LKR '000
Depreciation allowances for tax purpose	-	242,824	(7,790)	-
Impairment allowance	797,516	-	151,421	-
Carried forward losses	35,184	-	74,657	-
Retirement benefit obligation	91,367	-	805	-
Actuarial gains/ (losses) on defined benefit plan liability	16,828	1,344	-	7,962
Re-measurement of financial assets - at fair value through other comprehensive income	-	150,017	-	110,029
Other temporary differences	107,869	-	(15,698)	-
Total	1,048,764	394,185	203,395	117,991
Total deferred tax charge/ (reverse)			203,395	117,991

For the year ended 31 December	GROUP			
	2023			
	Deferred Tax Assets	Deferred Tax Liabilities	Statement of Profit or Loss	Other Comprehensive Income
	LKR '000	LKR '000	LKR '000	LKR '000
Depreciation allowances for tax purpose	-	250,614	(65,897)	-
Impairment allowance	948,937	-	(225,202)	-
Carried forward losses	109,841	-	(9,644)	-
Retirement benefit obligation	92,173	-	(14,267)	-
Actuarial gains/ (losses) on defined benefit plan liability	25,138	1,693	-	(800)
Re-measurement of financial assets - at fair value through other comprehensive income	-	39,989	-	29,952
Other temporary differences	92,171	-	(16,829)	-
Total	1,268,260	292,296	(331,839)	29,152
Total deferred tax charge/ (reverse)	-	-	(331,839)	29,152

NOTES TO THE FINANCIAL STATEMENTS

18. EARNINGS PER SHARE (EPS)

ACCOUNTING POLICY

The Bank/Group presents basic and diluted earnings per share data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss 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 attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share warrants issued, and employee share ownership plans as required by the Sri Lanka Accounting Standard No. 33 (LKAS 33) - 'Earnings per Share'.

18.1 Earnings per share - Basic

For the year ended 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
Net profit attributable to ordinary shareholders (LKR '000)		300,202	379,206	297,673	456,292
Weighted average number of ordinary shares ('000)	18.1.1	1,083,558	1,083,558	1,083,558	1,083,558
Basic earnings per ordinary share (LKR)		0.28	0.35	0.27	0.42

18.1.1 Weighted average number of ordinary shares for basic EPS

For the year ended 31 December	BANK & GROUP			
	2024		2023	
	Outstanding	Weighted Average	Outstanding	Weighted Average
	'000	'000	'000	'000
Number of shares held as at 1 January	1,083,558	1,083,558	1,083,558	1,083,558
Number of shares held as at 31 December	1,083,558	1,083,558	1,083,558	1,083,558

18.2 Earnings per share - Diluted

For the year ended 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
Net profit attributable to ordinary shareholders (LKR '000)		300,202	379,206	297,673	456,292
Weighted average number of ordinary shares ('000)	18.2.1	1,082,812	1,090,680	1,082,812	1,090,680
Diluted earnings per ordinary share (LKR)		0.28	0.35	0.27	0.42

18.2.1 Weighted average number of ordinary shares for diluted EPS

For the year ended 31 December	Note	BANK & GROUP	
		2024 '000	2023 '000
Number of ordinary shares used as denominator for Basic EPS	18.1.1	1,083,558	1,083,558
Effect of dilution :			
Add: Weighted average number of potential ordinary shares outstanding under warrant		218,281	218,281
Add: Weighted average number of potential ordinary shares outstanding under ESOP		22,875	22,875
Less: Weighted average number of potential ordinary shares that would have been issued at average market price		(241,903)	(234,034)
Number of shares held as at 31 December		1,082,812	1,090,680

19. DIVIDEND PAID AND PROPOSED

ACCOUNTING POLICY

Interim and final dividend are recognised and accrued at the time the dividend is proposed and approved by the Board of Directors and is in accordance with the Companies Act No 7 of 2007.

There are no dividends paid or proposed during the financial year 2024.

20. MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments in the Statement of Financial Position are measured on an ongoing basis either at fair value or at amortised cost. The summary of significant accounting policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standards - SLFRS 9 Financial Instruments under the headings of the Statement of Financial Position.

As at 31 December	Note	BANK			
		2024			
		Fair Value through P&L	Fair Value through OCI	Amortised Cost	Total
		LKR '000	LKR '000	LKR '000	LKR '000
Assets					
Cash and cash equivalents	21	-	-	3,736,158	3,736,158
Balances with Central Bank of Sri Lanka	22	-	-	375,596	375,596
Placements with Banks	23	-	-	1,135,072	1,135,072
Reverse repurchased agreements	24	-	-	562,470	562,470
Derivative financial instruments	25	44,429	-	-	44,429
Financial assets at fair value through profit or loss	26	4,884,509	-	-	4,884,509
Financial assets at amortised cost - loans and advances to customers	27	-	-	81,202,856	81,202,856
Financial assets at amortised cost - debt and other instruments	28	-	-	22,863,756	22,863,756
Financial assets at fair value through other comprehensive income	29	-	23,322,397	-	23,322,397
Other financial assets	36	-	-	36,493	36,493
Total financial assets		4,928,938	23,322,397	109,912,401	138,163,736

NOTES TO THE FINANCIAL STATEMENTS

20. MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTD.)

As at 31 December	Note	BANK		
		2024		
		Fair Value through P&L	Amortised Cost	Total
		LKR '000	LKR '000	LKR '000

Liabilities

Due to Banks	37	-	7,996,693	7,996,693
Derivative financial instruments	25	22,162	-	22,162
Repurchased agreements	38	-	13,197,001	13,197,001
Financial liabilities at amortised cost - Due to customers	39	-	103,740,584	103,740,584
Other financial liabilities	41	-	1,375,702	1,375,702
Total financial liabilities		22,162	126,309,980	126,332,142

As at 31 December	Note	BANK			
		2023			
		Fair Value through P&L	Fair Value through OCI	Amortised Cost	Total
		LKR '000	LKR '000	LKR '000	LKR '000

Assets

Cash and cash equivalents	21	-	-	3,181,546	3,181,546
Balances with Central Bank of Sri Lanka	22	-	-	484,876	484,876
Placements with Banks	23	-	-	3,618,819	3,618,819
Reverse repurchased agreements	24	-	-	2,989,653	2,989,653
Derivative financial instruments	25	28,856	-	-	28,856
Financial assets at fair value through profit or loss	26	6,495,860	-	-	6,495,860
Financial assets at amortised cost - loans and advances to customers	27	-	-	62,207,758	62,207,758
Financial assets at amortised cost - debt and other instruments	28	-	-	30,845,784	30,845,784
Financial assets at fair value through other comprehensive income	29	-	20,236,964	-	20,236,964
Other financial assets	36	-	-	62,869	62,869
Total financial assets		6,524,716	20,236,964	103,391,305	130,152,985

20. MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTD.)

As at 31 December	Note	BANK		
		2023		
		Fair Value through P&L	Amortised Cost	Total
		LKR '000	LKR '000	LKR '000

Liabilities

Due to Banks	37	-	3,375,823	3,375,823
Derivative financial instruments	25	56,769	-	56,769
Repurchased agreements	38	-	25,431,273	25,431,273
Financial liabilities at amortised cost - Due to customers	39	-	87,984,721	87,984,721
Other financial liabilities	41	-	1,539,762	1,539,762
Total financial liabilities		56,769	118,331,579	118,388,348

As at 31 December	Note	GROUP			
		2024			
		Fair Value through P&L	Fair Value through OCI	Amortised Cost	Total
		LKR '000	LKR '000	LKR '000	LKR '000

Assets

Cash and cash equivalents	21	-	-	4,333,380	4,333,380
Balances with Central Bank of Sri Lanka	22	-	-	375,596	375,596
Placements with Banks	23	-	-	1,135,072	1,135,072
Reverse repurchased agreements	24	-	-	562,470	562,470
Derivative financial instruments	25	44,429	-	-	44,429
Financial assets at fair value through profit or loss	26	4,994,837	-	-	4,994,837
Financial assets at amortised cost - loans and advances to customers	27	-	-	89,885,133	89,885,133
Financial assets at amortised cost - debt and other instruments	28	-	-	23,874,378	23,874,378
Financial assets at fair value through other comprehensive income	29	-	23,353,910	-	23,353,910
Other financial assets	36	-	-	58,141	58,141
Total financial assets		5,039,266	23,353,910	120,224,170	148,617,346

NOTES TO THE FINANCIAL STATEMENTS

20. MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTD.)

As at 31 December	Note	GROUP		
		2024		
		Fair Value through P&L	Amortised Cost	Total
		LKR '000	LKR '000	LKR '000

Liabilities

Due to Banks	37	-	8,215,859	8,215,859
Derivative financial instruments	25	22,162	-	22,162
Repurchased agreements	38	-	13,197,001	13,197,001
Financial liabilities at amortised cost - Due to customers	39	-	110,629,257	110,629,257
Financial liabilities at amortised cost - Other borrowed funds	40	-	407,128	407,128
Other financial liabilities	41	-	1,797,256	1,797,256
Total financial liabilities		22,162	134,246,501	134,268,663

As at 31 December	Note	GROUP			
		2023			
		Fair Value through P&L	Fair Value through OCI	Amortised Cost	Total
		LKR '000	LKR '000	LKR '000	LKR '000

Assets

Cash and cash equivalents	21	-	-	3,329,804	3,329,804
Balances with Central Bank of Sri Lanka	22	-	-	484,876	484,876
Placements with Banks	23	-	-	3,618,819	3,618,819
Reverse repurchased agreements	24	-	-	2,989,653	2,989,653
Derivative financial instruments	25	28,856	-	-	28,856
Financial assets at fair value through profit or loss	26	6,606,034	-	-	6,606,034
Financial assets at amortised cost - loans and advances to customers	27	-	-	69,558,902	69,558,902
Financial assets at amortised cost - debt and other instruments	28	-	-	33,297,389	33,297,389
Financial assets at fair value through other comprehensive income	29	-	20,258,822	-	20,258,822
Other financial assets	36	-	-	82,104	82,104
Total financial assets		6,634,890	20,258,822	113,361,547	140,255,259

20. MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTD.)

As at 31 December	Note	GROUP		
		2023		
		Fair Value through P&L	Amortised Cost	Total
		LKR '000	LKR '000	LKR '000

Liabilities

Due to Banks	37	-	3,442,119	3,442,119
Derivative financial instruments	25	56,769	-	56,769
Repurchased agreements	38	-	25,431,273	25,431,273
Financial liabilities at amortised cost - Due to customers	39	-	95,391,334	95,391,334
Other financial liabilities	40	-	1,849,847	1,849,847
Total financial liabilities	41	56,769	126,114,573	126,171,342

21. CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

Cash and cash equivalents comprise of cash in hand and balances with Banks that are subject to an insignificant risk of changes in their value and are used by the Group in the management of its short term commitments. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Local currency in hand	3,148,544	2,181,905	3,189,252	2,221,473
Foreign currency in hand	158,685	289,906	158,685	289,906
Balances with local Banks	22,184	3,273	578,698	111,963
Balances with foreign Banks	406,745	706,462	406,745	706,462
Total	3,736,158	3,181,546	4,333,380	3,329,804

NOTES TO THE FINANCIAL STATEMENTS

22. BALANCES WITH CENTRAL BANK OF SRI LANKA

ACCOUNTING POLICY

Balances with the Central Bank of Sri Lanka include the cash balance that is required as per the provisions of Sections 93 and 94 of the Monetary Law Act. As at 31 December 2024, the minimum statutory reserve requirement on rupee deposit liabilities was 2% (2023: 2%). There is no reserve requirement for the foreign currency deposit liabilities of the Domestic Banking Unit (DBU) and the deposit liabilities of the Foreign Currency Banking Unit (FCBU).

Balance with Central Bank of Sri Lanka are carried at amortised cost in the Statement of Financial Position.

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Statutory balances with Central Bank of Sri Lanka	375,596	484,876	375,596	484,876

23. PLACEMENTS WITH BANKS

ACCOUNTING POLICY

Placements with Banks include money at call and short notice that are subject to an insignificant risk of change in the fair value and are used by the Group in the management of its short term commitments. These are brought to the financial statements at the face values or gross values where appropriate.

Placements with Banks are carried at amortised cost in the statement of financial position.

As at 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
Placements outside Sri Lanka	23.1	1,135,072	3,618,819	1,135,072	3,618,819
Total		1,135,072	3,618,819	1,135,072	3,618,819

23.1 The below table shows the stage wise classification of placements

As at 31 December	BANK & GROUP			
	2024			
	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000
Placements	1,135,072	-	-	1,135,072
Total	1,135,072	-	-	1,135,072

23. PLACEMENTS WITH BANKS (CONTD.)

23.1 The below table shows the stage wise classification of placements (Contd.)

As at 31 December	BANK & GROUP			
	2023			
	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000
Placements	3,618,819	-	-	3,618,819
Total	3,618,819	-	-	3,618,819

24. REVERSE REPURCHASE AGREEMENTS

ACCOUNTING POLICY

Securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within "reverse repurchase agreements", reflecting the transaction's economic substance as a loan by the Group. The accounting policies pertaining to "Reversed Repurchased Agreements" are given in Note 4.5.1 to the Financial Statements

As at 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
Due from Banks		-	165,122	-	165,122
Due from customers	24.1	562,470	2,824,531	562,470	2,824,531
Total		562,470	2,989,653	562,470	2,989,653

24.1 The below table shows the stage wise classification of reverse repurchased agreements;

As at 31 December	BANK & GROUP			
	2024			
	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000
Placements	562,470	-	-	562,470
Total	562,470	-	-	562,470

As at 31 December	BANK & GROUP			
	2023			
	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000
Placements	2,989,653	-	-	2,989,653
Total	2,989,653	-	-	2,989,653

NOTES TO THE FINANCIAL STATEMENTS

25. DERIVATIVE FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

The accounting policy pertaining to "Derivative Financial Instruments" are given in Note 4.5.2 to these financial statements.

As at 31 December	BANK & GROUP			
	2024		2023	
	Assets	Liabilities	Assets	Liabilities
	LKR '000	LKR '000	LKR '000	LKR '000

Forward foreign exchange contracts

- Sales	-	-	7,376	284
- Purchases	2,309	12,112	-	77

Currency SWAPs

- Sales	-	-	-	188
- Purchases	42,120	10,050	21,480	56,220

Total	44,429	22,162	28,856	56,769
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26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

ACCOUNTING POLICY

The accounting policies relating to "Financial Assets recorded at FVPL" are given in Note 4.5.4 to these financial statements.

As at 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000

Sri Lanka Government securities	26.1	4,384,380	2,891,294	4,384,380	2,891,294
Investment in units	26.2	500,129	3,604,566	610,457	3,714,740
Total		4,884,509	6,495,860	4,994,837	6,606,034

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTD.)

26.1 Sri Lanka Government Securities

Year of Maturity	BANK & GROUP			
	2024		2023	
	Cost of Investment	Fair Value	Cost of Investment	Fair Value
	LKR '000	LKR '000	LKR '000	LKR '000
2023	-	-	-	-
2024	-	-	1,894,426	1,901,897
2025	1,958,823	1,967,050	-	-
2026	305,626	324,788	415,745	420,628
2027	655,987	719,204	547,133	568,769
2028	814,133	865,940	-	-
2029	477,718	507,398	-	-
Total	4,212,287	4,384,380	2,857,304	2,891,294

26.2 Investment in Units

	BANK					
	2024			2023		
	No of units	Cost	Market Value	No of units	Cost	Market Value
	'000	LKR '000	LKR '000	'000	LKR '000	LKR '000
JB Vantage Short Term Gilt Fund	-	-	-	46,946	1,100,000	1,101,437
NDB Wealth Money Fund	-	-	-	63,193	2,000,000	2,002,446
First Capital Money Market Fund	-	-	-	171	500,000	500,683
CAL Investment Grade Fund	14,071	500,000	500,129	-	-	-
Total		500,000	500,129		3,600,000	3,604,566

	GROUP					
	2024			2023		
	No of units	Cost	Market Value	No of units	Cost	Market Value
	'000	LKR '000	LKR '000	'000	LKR '000	LKR '000
NAMAL High Yield Fund	-	-	-	1,542	50,880	58,278
JB Vantage Short Term Gilt Fund	-	-	-	46,946	1,100,000	1,101,437
NDB Wealth Money Fund	-	-	-	63,193	2,000,000	2,002,446
First Capital Money Market Fund	14,071	500,000	500,129	171	500,000	500,683
NAMAL Income Fund	2,635	105,254	110,328	4,197	50,000	51,896
Total		605,254	610,457		3,700,880	3,714,740

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES TO CUSTOMERS

ACCOUNTING POLICY

The accounting policies pertaining to financial assets at amortised cost - Loans and advances to customers are given in Note 4.4 and 4.5.1 to these financial statements.

As at 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
Gross loans and receivables	27.1	88,264,533	69,143,302	97,836,327	77,435,192
Less: Impairment	27.5.1	(7,061,677)	(6,935,544)	(7,951,194)	(7,876,290)
Net loans and receivables		81,202,856	62,207,758	89,885,133	69,558,902

27.1 Loans and advances to customers - By Product

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Term loans	59,204,626	46,434,901	63,243,831	50,360,763
Overdrafts	9,324,060	8,901,213	9,324,060	8,901,213
Trade finance	11,157,220	8,312,523	11,157,220	8,312,523
Lease and hire purchase	1,197,339	140,445	4,881,083	3,182,269
Factoring	402,501	189,660	632,663	423,860
Pawning & gold loans	2,117,924	584,675	3,706,909	1,637,196
Credit cards	3,818,427	3,480,719	3,818,427	3,480,719
Staff loans	1,042,436	1,099,166	1,072,134	1,136,649
Gross loans and receivables	88,264,533	69,143,302	97,836,327	77,435,192

27. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES TO CUSTOMERS (CONTD.)

27.1 Loans and advances to customers - By Product (Contd.)

27.1.1 Stage-wise classification of gross loans and receivables - By product

As at 31 December	BANK							
	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Term loans	38,559,108	6,030,775	14,614,743	59,204,626	21,998,219	12,350,659	12,086,023	46,434,901
Overdrafts	7,284,861	594,339	1,444,860	9,324,060	6,538,975	902,539	1,459,699	8,901,213
Trade finance	9,407,633	871,449	878,138	11,157,220	7,299,171	77,070	936,282	8,312,523
Lease and hire purchase	1,093,926	-	103,413	1,197,339	-	83,942	56,503	140,445
Factoring	251,528	27,380	123,593	402,501	31,808	36,288	121,564	189,660
Pawning	2,111,817	2,763	3,344	2,117,924	578,398	3,976	2,301	584,675
Credit cards	3,118,269	114,044	586,114	3,818,427	2,702,128	249,636	528,955	3,480,719
Staff loans	1,037,447	-	4,989	1,042,436	1,099,166	-	-	1,099,166
Total	62,864,589	7,640,750	17,759,194	88,264,533	40,247,865	13,704,110	15,191,327	69,143,302

As at 31 December	GROUP							
	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Term loans	41,323,161	6,474,090	15,446,580	63,243,831	24,157,232	12,919,216	13,284,315	50,360,763
Overdrafts	7,284,861	594,339	1,444,860	9,324,060	6,538,975	902,539	1,459,699	8,901,213
Trade finance	9,407,633	871,449	878,138	11,157,220	7,299,171	77,070	936,282	8,312,523
Lease and hire purchase	3,286,530	754,154	840,399	4,881,083	1,223,696	934,092	1,024,481	3,182,269
Factoring	251,529	27,380	353,754	632,663	31,808	39,417	352,635	423,860
Pawning & gold loans	3,564,971	131,554	10,384	3,706,909	1,396,341	151,785	89,070	1,637,196
Credit cards	3,118,269	114,044	586,114	3,818,427	2,702,128	249,636	528,955	3,480,719
Staff loans	1,064,538	1,921	5,675	1,072,134	1,130,517	6,132	-	1,136,649
Total	69,301,492	8,968,931	19,565,904	97,836,327	44,479,868	15,279,887	17,675,437	77,435,192

27.2 Loans and advances to customers - By currency

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Sri Lanka Rupee	77,594,427	59,167,177	87,166,221	67,459,067
United States Dollar	10,662,998	9,961,469	10,662,998	9,961,469
Euro	639	4,364	639	4,364
Others	6,469	10,292	6,469	10,292
Gross loans and receivables	88,264,533	69,143,302	97,836,327	77,435,192

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES TO CUSTOMERS (CONTD.)

27.3 Loans and advances to customers - By Industry

As at 31 December	BANK			
	2024		2023	
	%	LKR '000	%	LKR '000
Agriculture* and fishing	9%	8,331,425	10%	6,830,965
Manufacturing	14%	12,145,790	15%	10,045,450
Tourism	8%	7,334,663	10%	6,747,031
Transport	1%	1,178,117	1%	606,729
Construction	6%	5,447,338	8%	5,362,655
Wholesale and retail trade	25%	21,919,067	23%	15,991,018
Information technology and communication services	1%	453,066	1%	585,637
Financial and business services	7%	5,767,999	2%	1,357,612
Infrastructure	2%	2,041,336	3%	2,407,593
Other services	10%	8,811,814	12%	8,147,481
Other customers including pawning	17%	14,833,918	16%	11,061,131
Gross loans and receivables	100%	88,264,533	100%	69,143,302

* As per the requirement of Central Bank of Sri Lanka (CBSL), a minimum of 10% of the loans and advances shall be granted to the agriculture sector. The Bank has complied with the said requirement as at 31 December 2024 and 31 December 2023. The computation method used to derive the industry-wise exposure given in note 27.3 above is different from the method used for CBSL minimum lending requirement calculation to agriculture sector. Based on CBSL guidelines, the Bank's lending to agriculture sector percentage computes to 10.27% as at 31 December 2024 (2023 - 11.34%)

As at 31 December	GROUP			
	2024		2023	
	%	LKR '000	%	LKR '000
Agriculture and fishing	9%	8,500,935	9%	7,305,824
Manufacturing	13%	13,117,657	14%	10,711,634
Tourism	8%	7,894,469	9%	6,894,962
Transport	2%	2,076,373	1%	1,104,631
Construction	6%	6,098,756	7%	5,769,358
Wholesale and retail trade	24%	23,771,642	22%	17,311,417
Information technology and communication services	1%	796,058	1%	689,724
Financial and business services	7%	7,103,592	3%	2,544,267
Infrastructure	2%	2,068,478	3%	2,428,569
Other services	11%	10,516,370	12%	9,441,199
Other customers including pawning	16%	15,891,997	17%	13,233,606
Gross loans and receivables	100%	97,836,327	100%	77,435,192

27. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES TO CUSTOMERS (CONTD.)

27.4 Lease and hire purchase receivables

As at 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000

27.4.1 Lease receivable

Total lease rentals receivable		1,479,574	171,097	6,290,165	4,074,250
Unearned lease income		(294,362)	(42,781)	(1,421,211)	(904,109)
Gross lease receivable		1,185,212	128,317	4,868,954	3,170,141
Less: Impairment allowance for lease receivable		(40,136)	(58,108)	(419,097)	(448,619)
Net lease receivables		1,145,076	70,209	4,449,857	2,721,522

Gross lease receivable within one year	27.4.1.1	201,363	128,317	1,815,658	1,702,279
Gross lease receivable from one to five years	27.4.1.2	966,611	-	3,036,058	1,467,862
Gross lease receivable after five years	27.4.1.3	17,238	-	17,238	-
Total gross lease receivable		1,185,212	128,317	4,868,954	3,170,141

27.4.1.1 Lease receivable within one year

Total lease receivable within one year		240,262	171,097	2,378,677	2,164,295
Unearned lease income		(38,899)	(42,781)	(563,019)	(462,017)
Gross lease receivable		201,363	128,317	1,815,658	1,702,279
Less: Impairment allowance for lease receivable		(32,199)	(58,108)	(197,551)	(253,081)
Net lease receivables		169,164	70,209	1,618,107	1,449,198

27.4.1.2 Lease receivable from one to five years

Total lease receivable from one to five years		1,214,114	-	3,886,290	1,909,954
Unearned lease income		(247,503)	-	(850,232)	(442,092)
Gross lease receivable		966,611	-	3,036,058	1,467,862
Less: Impairment allowance for lease receivable		(7,800)	-	(221,408)	(195,538)
Net lease receivables		958,811	-	2,814,650	1,272,324

27.4.1.3 Lease receivable after five years

Total lease receivable after five years		25,198	-	25,198	-
Unearned lease income		(7,960)	-	(7,960)	-
Gross lease receivable		17,238	-	17,238	-
Less: Impairment allowance for lease receivable		(138)	-	(138)	-
Net lease receivables		17,100	-	17,100	-

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES TO CUSTOMERS (CONTD.)

27.4 Lease and hire purchase receivables (Contd.)

As at 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000

27.4.2 Hire purchase receivables

Total hire purchase receivable		14,971	14,971	14,971	14,971
Unearned hire purchase income		(2,843)	(2,843)	(2,843)	(2,843)
Gross hire purchase receivable		12,128	12,128	12,128	12,128
Less: Impairment allowance for hire purchase receivable		(12,128)	(12,128)	(12,128)	(12,128)
Net hire purchase receivables		-	-	-	-
Gross hire purchase receivable within one year	27.4.2.1	12,128	12,128	12,128	12,128
Total gross hire purchase receivable		12,128	12,128	12,128	12,128

27.4.2.1 Hire purchase receivable within one year

Total hire purchase receivable within one year		14,971	14,971	14,971	14,971
Unearned hire purchase income		(2,843)	(2,843)	(2,843)	(2,843)
Gross hire purchase receivable		12,128	12,128	12,128	12,128
Less: Impairment allowance for hire purchase receivable		(12,128)	(12,128)	(12,128)	(12,128)
Net hire purchase receivables		-	-	-	-

27.5 Allowance for impairment charges for loans and advances to customers

27.5.1 Stage movements in allowance for impairment

ACCOUNTING POLICY

The accounting policy pertaining to allowance for impairment changes for loans and advances are given in Note 4.8 to these financial statements.

As at 31 December	BANK							
	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Opening balance as at 1 January	454,376	1,124,029	5,357,137	6,935,544	564,018	760,997	3,758,834	5,083,849
Charge/(reversal) to statement of profit or loss	418,631	(620,935)	348,696	146,392	(109,640)	363,032	1,746,185	1,999,577
Write-offs during the year	-	-	(20,259)	(20,259)	-	-	(147,882)	(147,882)
Closing balance as at 31 December	873,007	503,095	5,685,575	7,061,677	454,378	1,124,029	5,357,137	6,935,544

27. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES TO CUSTOMERS (CONTD.)

27.5 Allowance for impairment charges for loans and advances to customers (Contd.)

27.5.1 Stage movements in allowance for impairment (Contd.)

	GROUP							
	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Opening balance as at 1 January	532,272	1,200,700	6,143,318	7,876,290	684,488	924,066	4,491,433	6,099,987
Charge/(reversal) to statement of profit or loss	424,589	(653,544)	414,366	185,411	(152,216)	276,634	1,971,550	2,095,968
Write-offs during the year	-	-	(110,506)	(110,506)	-	-	(319,665)	(319,665)
Closing balance as at 31 December	956,860	547,156	6,447,178	7,951,194	532,272	1,200,700	6,143,318	7,876,290

27.5.2 Movements in allowance for impairment charges - By product

	BANK							
	2024							
	Term Loans	Overdraft	Trade Finance	Lease & Hire Purchases	Factoring	Credit Cards	Others	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000

Stage 1

Opening balance as at 1 January	269,806	61,724	99,101	-	1,623	20,894	1,230	454,378
Charge/(reversal) to statement of profit or loss	331,577	1,675	76,699	8,818	8,795	(7,916)	(1,018)	418,630
Closing balance as at 31 December	601,383	63,399	175,800	8,818	10,418	12,979	210	873,007

Stage 2

Opening balance as at 1 January	994,037	55,877	2,666	20,904	2,672	47,873	-	1,124,029
Charge/(reversal) to statement of profit or loss	(540,456)	(42,619)	10,198	(20,904)	(1,107)	(26,047)	-	(620,935)
Closing balance as at 31 December	453,581	13,258	12,864	-	1,565	21,826	-	503,095

Stage 3

Opening balance as at 1 January	3,837,367	1,084,481	47,528	49,331	100,369	238,031	30	5,357,137
Charge/(reversal) to statement of profit or loss	349,527	(35,125)	12,807	(5,754)	1,510	25,762	(30)	348,696
Write-offs during the year	(20,127)	-	-	(132)	-	-	-	(20,259)
Closing balance as at 31 December	4,166,767	1,049,356	60,335	43,445	101,879	263,792	-	5,685,575

Total

Opening balance as at 1 January	5,101,210	1,202,082	149,295	70,235	104,664	306,798	1,260	6,935,544
Charge/(reversal) to statement of profit or loss	140,648	(76,069)	99,704	(17,840)	9,198	(8,201)	(1,048)	146,392
Write-offs during the year	(20,127)	-	-	(132)	-	-	-	(20,259)
Closing balance as at 31 December	5,221,731	1,126,013	248,999	52,263	113,863	298,598	210	7,061,677

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES TO CUSTOMERS (CONTD.)

27.5 Allowance for impairment charges for loans and advances to customers (Contd.)

27.5.2 Movements in allowance for impairment charges - By product (Contd.)

	BANK							
	2023							
	Term Loans	Overdraft	Trade Finance	Lease & Hire Purchases	Factoring	Credit Cards	Others	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000

Stage 1

Opening balance as at 1 January	274,523	144,344	109,734	29	3,243	32,099	46	564,018
Charge/(reversal) to statement of profit or loss	(4,717)	(82,620)	(10,633)	(29)	(1,620)	(11,205)	1,184	(109,640)
Closing balance as at 31 December	269,806	61,724	99,101	-	1,623	20,894	1,230	454,378

Stage 2

Opening balance as at 1 January	537,802	26,799	110,788	218	208	85,182	-	760,997
Charge/(reversal) to statement of profit or loss	456,235	29,078	(108,122)	20,686	2,464	(37,309)	-	363,032
Closing balance as at 31 December	994,037	55,877	2,666	20,904	2,672	47,873	-	1,124,029

Stage 3

Opening balance as at 1 January	2,461,497	926,224	61,567	68,208	83,454	157,884	-	3,758,834
Charge/(reversal) to statement of profit or loss	1,435,776	243,207	(14,039)	(16,924)	16,915	81,220	30	1,746,185
Write-offs during the year	(59,906)	(84,950)	-	(1,953)	-	(1,073)	-	(147,882)
Closing balance as at 31 December	3,837,367	1,084,481	47,528	49,331	100,369	238,031	30	5,357,137

Total

Opening balance as at 1 January	3,273,822	1,097,367	282,089	68,455	86,905	275,165	46	5,083,849
Charge/(reversal) to statement of profit or loss	1,887,294	189,665	(132,794)	3,733	17,759	32,706	1,214	1,999,577
Write-offs during the year	(59,906)	(84,950)	-	(1,953)	-	(1,073)	-	(147,882)
Closing balance as at 31 December	5,101,210	1,202,082	149,295	70,235	104,664	306,798	1,260	6,935,544

27. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES TO CUSTOMERS (CONTD.)

27.5 Allowance for impairment charges for loans and advances to customers (Contd.)

27.5.2 Movements in allowance for impairment charges - By product (Contd.)

	GROUP							
	2024							
	Term Loans	Overdraft	Trade Finance	Lease & Hire Purchases	Factoring	Credit Cards	Others	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000

Stage 1

Opening balance as at 1 January	303,111	61,724	99,101	32,642	1,623	20,894	13,177	532,272
Charge/(reversal) to statement of profit or loss	328,415	1,674	76,699	18,499	8,795	(7,916)	(1,576)	424,590
Closing balance as at 31 December	631,526	63,398	175,800	51,141	10,418	12,978	11,601	956,860

Stage 2

Opening balance as at 1 January	1,028,997	55,877	2,666	53,731	3,166	47,873	8,391	1,200,700
Charge/(reversal) to statement of profit or loss	(556,562)	(42,619)	10,198	(34,578)	(1,602)	(26,047)	(2,335)	(653,545)
Closing balance as at 31 December	472,435	13,258	12,864	19,153	1,564	21,826	6,056	547,156

Stage 3

Opening balance as at 1 January	4,101,878	1,084,480	47,528	374,375	292,523	238,029	4,504	6,143,318
Charge/(reversal) to statement of profit or loss	347,284	(35,125)	12,807	44,049	23,428	25,762	(3,839)	414,366
Write-offs during the year	(52,872)	-	-	(57,492)	-	-	(141)	(110,505)
Closing balance as at 31 December	4,396,290	1,049,355	60,335	360,932	315,951	263,791	524	6,447,178

Total

Opening balance as at 1 January	5,433,986	1,202,081	149,295	460,747	297,312	306,796	26,072	7,876,290
Charge/(reversal) to statement of profit or loss	119,137	(76,070)	99,704	27,970	30,621	(8,201)	(7,750)	185,411
Write-offs during the year	(52,872)	-	-	(57,492)	-	-	(141)	(110,506)
Closing balance as at 31 December	5,500,251	1,126,011	248,999	431,226	327,933	298,594	18,182	7,951,194

NOTES TO THE FINANCIAL STATEMENTS

27. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES TO CUSTOMERS (CONTD.)

27.5 Allowance for impairment charges for loans and advances to customers (Contd.)

27.5.2 Movements in allowance for impairment charges - By product (Contd.)

	GROUP							
	2023							
	Term Loans	Overdraft	Trade Finance	Lease & Hire Purchases	Factoring	Credit Cards	Others	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Stage 1								
Opening balance as at 1 January	345,732	144,344	109,734	41,175	3,256	32,099	8,148	684,488
Charge/(reversal) to statement of profit or loss	(42,621)	(82,620)	(10,633)	(8,533)	(1,633)	(11,205)	5,029	(152,216)
Closing balance as at 31 December	303,111	61,724	99,101	32,642	1,623	20,894	13,177	532,272
Stage 2								
Opening balance as at 1 January	620,867	26,799	110,788	73,596	208	85,182	6,627	924,066
Charge/(reversal) to statement of profit or loss	408,130	29,078	(108,122)	(19,865)	2,958	(37,309)	1,764	276,634
Closing balance as at 31 December	1,028,997	55,877	2,666	53,731	3,166	47,873	8,391	1,200,700
Stage 3								
Opening balance as at 1 January	2,804,879	926,223	61,567	320,018	217,283	157,882	3,580	4,491,433
Charge/(reversal) to statement of profit or loss	1,432,379	243,207	(14,039)	152,619	75,240	81,220	924	1,971,550
Write-offs during the year	(135,380)	(84,950)	-	(98,262)	-	(1,073)	-	(319,665)
Closing balance as at 31 December	4,101,878	1,084,480	47,528	374,375	292,523	238,029	4,504	6,143,318
Total								
Opening balance as at 1 January	3,771,478	1,097,366	282,089	434,789	220,747	275,163	18,355	6,099,987
Charge/(reversal) to statement of profit or loss	1,797,888	189,665	(132,794)	124,221	76,565	32,706	7,717	2,095,968
Write-offs during the year	(135,380)	(84,950)	-	(98,262)	-	(1,073)	-	(319,665)
Closing balance as at 31 December	5,433,986	1,202,081	149,295	460,747	297,312	306,796	26,072	7,876,290

28. FINANCIAL ASSETS AT AMORTISED COST - DEBT AND OTHER INSTRUMENTS

ACCOUNTING POLICY

The accounting policies pertaining to financial assets at amortised cost – debt and other instruments are given in Note 4.4 and 4.5.1 to these financial statements.

As at 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
Sri Lanka Government securities	28.1	22,863,756	30,845,784	23,874,378	33,297,389
Total		22,863,756	30,845,784	23,874,378	33,297,389

28. FINANCIAL ASSETS AT AMORTISED COST - DEBT AND OTHER INSTRUMENTS (CONTD.)

28.1 Sri Lanka Government securities

Year of Maturity	BANK			
	2024		2023	
	Amortised Cost	Fair Value	Amortised Cost	Fair Value
	LKR '000	LKR '000	LKR '000	LKR '000
2024	-	-	22,725,221	22,695,621
2025	11,668,773	11,709,788	2,643,206	2,591,398
2026	3,484,947	3,515,724	1,799,244	1,637,510
2027	2,884,886	2,885,933	1,734,669	1,587,524
2028	2,903,240	3,192,686	497,563	511,493
2029	885,508	901,103	405,410	393,176
2030	228,308	204,453	231,963	183,611
2031	404,370	370,395	404,576	389,646
2033	403,724	363,443	403,932	391,885
Total	22,863,756	23,143,525	30,845,784	30,381,864

Year of Maturity	GROUP			
	2024		2023	
	Amortised Cost	Fair Value	Amortised Cost	Fair Value
	LKR '000	LKR '000	LKR '000	LKR '000
2024	-	-	25,176,824	25,147,225
2025	12,679,395	12,720,410	2,643,206	2,591,398
2026	3,484,947	3,515,724	1,799,244	1,637,510
2027	2,884,886	2,885,933	1,734,669	1,587,524
2028	2,903,240	3,192,686	497,563	511,493
2029	885,508	901,103	405,410	393,176
2030	228,308	204,453	231,963	183,611
2031	404,370	370,395	404,576	389,646
2033	403,724	363,443	403,932	391,885
Total	23,874,378	24,154,147	33,297,389	32,833,468

28.1.1 Reclassification of Debt portfolio

In accordance with the Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka on the reclassification of the debt portfolio, the Bank has classified LKR 18,893 Mn of the debt portfolio from Fair Value through Other Comprehensive Income to Amortised Cost category on 30 June 2022 as holding these instruments in the fair value through other comprehensive income category was not commercially viable in the current economic environment. The cumulative losses from these instruments previously recognised in Other Comprehensive Income has been removed from equity and adjusted against the fair value of the financial asset at the reclassification date.

Accordingly, the reclassified assets have been measured at the reclassification date as if they had always been measured at Amortised Cost. The cumulative losses and the fair value as at 31 December 2024 if the assets have continued to be measured at Fair Value through Other Comprehensive Income amounts to LKR 88 Mn and LKR 3,802 Mn respectively.

NOTES TO THE FINANCIAL STATEMENTS

28. FINANCIAL ASSETS AT AMORTISED COST - DEBT AND OTHER INSTRUMENTS (CONTD.)

28.2 Stage-wise classification - debt and other instruments

	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Stage 1	22,863,756	30,845,784	23,874,378	33,297,389
Stage 2	-	-	-	-
Stage 3	-	-	-	-
Total	22,863,756	30,845,784	23,874,378	33,297,389

	BANK & GROUP		
	2023		
	Sri Lanka Development Bonds	Others	Total
	LKR '000	LKR '000	LKR '000

Stage 1

Opening balance as at 1 January	513	513
Charge/(reversal) to statement of profit or loss	(513)	(513)
Closing balance as at 31 December	-	-

Stage 2

Opening balance as at 1 January	222,213	-	222,213
Charge/(reversal) to statement of profit or loss	(222,213)	-	(222,213)
Closing balance as at 31 December	-	-	-

Total

Opening balance as at 1 January	222,213	513	222,726
Charge/(reversal) to statement of profit or loss	(222,213)	(513)	(222,726)
Net write-offs during the year	-	-	-
Closing balance as at 31 December	-	-	-

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

ACCOUNTING POLICY

The accounting policies pertaining to financial assets at amortised cost – debt and other instruments are given in Note 4.4 and 4.5.3 to these financial statements.

As at 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
Sri Lanka Government securities	29.1	23,319,867	20,234,434	23,319,867	20,234,434
Equity securities- Unquoted	29.2	2,530	2,530	34,043	24,388
Total		23,322,397	20,236,964	23,353,910	20,258,822

29.1 Sri Lanka Government securities

Year of Maturity	BANK & GROUP			
	2024		2023	
	Cost of Investment	Fair Value	Cost of Investment	Fair Value
	LKR '000	LKR '000	LKR '000	LKR '000
2024	-	-	16,782,752	16,824,698
2025	11,048,286	11,101,357	873,719	892,913
2026	924,226	956,949	2,296,601	2,348,297
2027	1,278,705	1,326,206	-	-
2028	8,205,582	8,514,944	67,096	68,571
2028	1,387,534	1,413,976	-	-
2033	-	-	95,849	93,993
2034	6,788	6,435	6,779	5,962
Total	22,851,121	23,319,867	20,122,796	20,234,434

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI) (CONTD.)

29.2 Equity securities - Unquoted investments

As at 31 December	BANK					
	2024			2023		
	No of Shares	Cost Investment	Market Value	No of Shares	Cost Investment	Market Value
	'000	LKR '000	LKR '000	'000	LKR '000	LKR '000
Lanka Financial Service Bureau Limited	200	2000	2000	200	2,000	2,000
Lanka Clear Private Limited	50	500	500	50	500	500
Credit Information Bureau	0.3	30	30	0.3	30	30
Total		2,530	2,530		2,530	2,530
Less : Mark to market adjustment		-			-	
Net carrying value		2,530			2,530	

As at 31 December	GROUP					
	2024			2023		
	No of Shares	Cost Investment	Market Value	No of Shares	Cost Investment	Market Value
	'000	LKR '000	LKR '000	'000	LKR '000	LKR '000
Lanka Financial Service Bureau Limited	200	2,000	2,000	200	2,000	2,000
Lanka Clear Private Limited	50	500	500	50	500	500
Credit Information Bureau	0.3	31	31	0.3	31	31
Finance House Consortium Private Limited	20	200	200	20	200	200
CEG Education Holdings	23	31,312	31,312	23	21,657	21,657
Total		34,043	34,043		24,388	24,388
Less : Mark to market adjustment		-			-	
Net carrying value		34,043			24,388	

Unquoted equity securities categories under financial assets at fair value through other comprehensive income are recorded at cost since it is the most reasonable value available to represent the market value of these investments as at the reporting date.

30. CURRENT TAX ASSETS/ LIABILITIES

ACCOUNTING POLICY

The accounting policies pertaining to current tax assets/ liabilities are given in note 17 to these financial statements.

	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
Opening Balance as at 1 January		363,738	276,181	365,484	283,816
Tax Paid and other adjustments		(556,129)	(685,662)	(559,491)	(687,151)
Charge for the Year	17.1	227,369	773,219	229,582	775,878
(Over)/ Under provision	17.1	-	-	710	(7,059)
Closing Balance as at 31 December		34,978	363,738	36,285	365,484

31. INVESTMENTS IN REAL ESTATE

ACCOUNTING POLICY

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as a real estate property and is measured at the lower of cost and net realisable value.

Cost includes;

- Freehold rights for land
- Amounts paid to constructors for developments
- Borrowing costs, planning and design costs, site preparation costs, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid. Net realisable value (NRV) is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale. The cost of real estate property recognised in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

As at 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
Land		-	-	3,113	5,763
Housing projects		-	-	13,521	13,521
Other projects		-	-	177,868	177,862
Total		-	-	194,502	197,146
Less: write-down	31.1	-	-	(148,277)	(132,668)
Total Inventories at the lower of cost and NRV		-	-	46,225	64,478

NOTES TO THE FINANCIAL STATEMENTS

31. INVESTMENTS IN REAL ESTATE (CONTD.)

31.1 Impairment on investments in real estate

	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Opening balance as at 1 January	-	-	132,675	123,305
Impairment charge/ (reversal)	-	-	15,602	9,363
Closing balance as at 31 December	-	-	148,277	132,668

32. INVESTMENTS IN SUBSIDIARIES

ACCOUNTING POLICY

Subsidiaries are entities controlled by the Bank. The Bank “controls” an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. At each reporting date, the Group reassesses whether it controls and investee, if there are changes to one or more of the elements of control as mentioned above.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

The cost of an acquisition is measured at fair value of the consideration including contingent consideration, given on the date of transfer of title. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Subsequent to the initial measurement, investments in subsidiaries are recognised using the equity method in separate financial statements of the Bank.

The total assets and liabilities of the subsidiaries at the reporting date are included in the Consolidated Statements of Financial Position. The statement of profit or loss in the separate financial statements reflects the parent’s ownership share of the after-tax profits of the subsidiaries. The parent’s ownership share in the other comprehensive income of those subsidiaries is presented in the statement of the other comprehensive income. In addition, any change recognised directly in the equity of the subsidiaries is presented in the statement of changes in equity.

Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries not owned directly or indirectly by the Bank. The non-controlling interest is presented in the consolidated statement of financial position within equity separately from the equity attributable to the equity holders of the Bank. Non-controlling interests in the profit or loss of the Group is disclosed separately in the consolidated statement of profit or loss.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions, income and expenses are eliminated when preparing the consolidated financial statements.

The Bank reviews its investment in subsidiaries at each reporting date to assess whether there are any impairment indicators. Impairment if any is calculated as the difference between the recoverable amount of the subsidiaries and its carrying value, and recognises the loss within ‘Share of profit of equity accounted investees, net of tax’ in the statement of profit or loss.

The financial statements of all subsidiaries in the Group have a common financial year which ends on December 31, except for the UB Finance Company Limited, whose financial year ends on March 31. The financial statements of the Bank’s subsidiaries are prepared using consistent accounting policies.

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Parent (the Bank) in the form of cash dividend or repayment of loans and advances.

The Group did not acquire / dispose of any subsidiaries during the year ended 31 December 2024. All subsidiaries of the Bank have been incorporated in Sri Lanka.

32. INVESTMENTS IN SUBSIDIARIES (CONTD.)

As at 31 December	Note	BANK					
		2024			2023		
		Percentage Holdings	Equity Basis	Cost	Percentage Holdings	Equity Basis	Cost
		%	LKR '000	LKR '000	%	LKR '000	LKR '000
Name of the subsidiary							
National Asset Management Limited	32.1	51.0	261,802	331,500	51.0	262,714	331,500
UB Finance PLC	32.1	89.9	2,781,603	3,026,015	89.9	2,551,633	2,797,312
Total			3,043,405	3,357,515		2,814,347	3,128,812

32.1 Movement of equity accounted investee

As at 31 December	BANK		
	2024		
	UB Finance PLC	National Asset Management Limited	Total
	LKR '000	LKR '000	LKR '000
Percentage of ownership interest	89.9%	51.0%	
Balance brought forward	(245,679)	(68,786)	(314,465)
Current year share of profit (net of tax)	(4,082)	2,611	(1,471)
- Not to be reclassified to profit or loss	5,347	370	5,717
Less: Impairment	-	(3,893)	(3,893)
Total share of equity accounted investees retained profits	(244,412)	(69,698)	(314,110)
Total share of equity accounted investees retained profits	(244,412)	(69,698)	(314,110)
Cost of equity accounted investees	3,026,015	331,500	3,357,515
Total carrying amount of investments in equity accounted investees	2,781,603	261,802	3,043,405

NOTES TO THE FINANCIAL STATEMENTS

32. INVESTMENTS IN SUBSIDIARIES (CONTD.)

32.1 Movement of equity accounted investee (Contd.)

As at 31 December	BANK		
	2023		
	UB Finance PLC	National Asset Management Limited	Total
	LKR'000	LKR'000	LKR'000
Percentage of ownership interest	89.9%	51.0%	
Balance brought forward	(301,411)	(65,654)	(367,065)
Current year share of profit (net of tax)	54,756	2,743	57,499
- Not to be reclassified to profit or loss	976	(279)	697
Less: Impairment	-	(5,596)	(5,596)
Total share of equity accounted investees retained profits	(245,679)	(68,786)	(314,465)
Total share of equity accounted investees retained profits	(245,679)	(68,786)	(314,465)
Cost of equity accounted investees	2,797,312	331,500	3,128,812
Total carrying amount of investments in equity accounted investees	2,551,633	262,714	2,814,347

32. INVESTMENTS IN SUBSIDIARIES (CONTD.)

32.2 Summarised financial information of subsidiaries

	BANK			
	2024		2023	
	UB Finance PLC	National Asset Management Limited	UB Finance PLC	National Asset Management Limited
	LKR '000	LKR '000	LKR '000	LKR '000

For the year ended 31 December

Net operating income	918,623	67,302	822,683	65,655
Less: Operating expenses	761,485	60,002	664,028	58,569
Profit before taxes	157,139	7,300	158,656	7,086
Less: Tax expense (including VAT on financial services & SSCL)	161,677	-	98,941	1,707
Profit after tax	(4,538)	5,120	59,715	5,379
Total comprehensive income	1,407	5,845	60,778	4,832

As at 31 December

Financial assets at amortised cost - loans and advances to customers	8,979,334	-	7,351,143	-
Financial assets at amortised cost - debt and other instruments	1,010,622	-	2,451,604	-
Financial assets at fair value through other comprehensive income	31,513	-	21,858	-
Intangible assets	-	-	9,557	66
Property, plant and equipment and Right of use assets	417,039	13,097	298,250	17,662
Other assets	124,746	22,291	96,185	19,061
Total assets	11,287,631	147,823	10,617,960	149,701
Financial liabilities at amortised cost - Due to customers	6,899,508	-	7,437,232	-
Financial liabilities at amortised cost - Other borrowed funds	407,128	-	-	-
Other liabilities	501,958	17,909	411,054	25,196
Total liabilities	8,328,568	19,216	7,914,583	26,940
Total equity	2,959,063	128,607	2,703,377	122,762

NOTES TO THE FINANCIAL STATEMENTS

33. GOODWILL AND INTANGIBLE ASSETS

ACCOUNTING POLICY

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard – LKAS 38 on “Intangible Assets”. An intangible asset is initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, these assets are stated in the Statement of Financial Position at cost, less accumulated amortisation and accumulated impairment losses, if any.

(i) Goodwill

The goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Goodwill is not amortised but tested for impairment.

(ii) Computer Software

Software acquired by the Group is measured at cost less accumulated amortisation and accumulated impairment losses if any. Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs and are amortised over its useful life. The internally developed software is stated at capitalised cost less accumulated amortisation and impairment. Subsequent expenditures on software assets are capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iii) Other Intangible Assets

Other intangible assets consist of brand value, asset management and advisory intangible, licenses, and related infrastructure. Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use. The value of intangible assets that are acquired in a business combination is generally determined using income approach methodologies such as the discounted cash flow method.

Derecognition of Intangible Assets

The carrying amount of an item of an intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition of an item of an intangible asset is included in the Statement of Profit or Loss when the item is derecognised.

There were no restrictions on the title of the intangible assets as at the reporting date. Further, there were no items pledged as securities for liabilities.

Rates of amortization of computer software is given in Note 14 to these financial statements.

33. GOODWILL AND INTANGIBLE ASSETS (CONTD.)

	BANK	
	2024	2023
	Computer Software	Computer Software
	LKR '000	LKR '000

Cost

Opening balance as at 1 January	2,348,133	2,317,143
Additions	686,169	30,990
Adjustments/transfers	-	-
Closing balance as at 31 December	3,034,302	2,348,133

Less: Amortisation

Opening balance as at 1 January	1,137,288	857,839
Charge for the year	281,826	279,449
Closing balance as at 31 December	1,419,114	1,137,288

Net book value as at 31 December	1,615,188	1,210,845
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	GROUP					
	2024					
	Goodwill	Computer Software	Brand Value	Asset Mgt. & Advisory Intangible	Licenses and related Infrastructure	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000

Cost

Opening balance as at 1 January	113,031	2,401,181	10,169	118,947	136,001	2,779,329
Additions	-	686,845	-	-	-	686,845
Closing balance as at 31 December	113,031	3,088,026	10,169	118,947	136,001	3,466,174

Less: Amortisation

Opening balance as at 1 January	-	1,180,712	1,441	22,468	14,738	1,219,359
Charge for the year	-	283,335	-	-	-	283,335
Closing balance as at 31 December	-	1,464,047	1,441	22,468	14,738	1,502,694

Less: Impairment allowance	-	-	279	21,747	-	22,026
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Net book value as at 31 December	113,031	1,623,979	8,449	74,732	121,263	1,941,454
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NOTES TO THE FINANCIAL STATEMENTS

33. GOODWILL AND INTANGIBLE ASSETS (CONTD.)

	GROUP					
	2023					
	Goodwill	Computer Software	Brand Value	Asset Mgt. & Advisory Intangible	Licenses and related Infrastructure	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000

Cost

Opening balance as at 1 January	113,031	2,365,651	10,169	118,947	136,001	2,743,799
Additions	-	35,530	-	-	-	35,530
Closing balance as at 31 December	113,031	2,401,181	10,169	118,947	136,001	2,779,329

Less: Amortisation

Opening balance as at 1 January	-	899,319	1,441	22,468	14,738	937,966
Charge for the year	-	281,393	-	-	-	281,393
Closing balance as at 31 December	-	1,180,712	1,441	22,468	14,738	1,219,359

Less: Impairment allowance	-	-	279	17,855	-	18,134
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Net book value as at 31 December	113,031	1,220,469	8,449	78,624	121,263	1,541,836
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Impairment testing

Methods used to assess the recoverability of intangible assets;

Intangible Asset	Method Used
Goodwill and Brand value	Free Cash Flow to Equity (FCFE)
Asset management and advisory intangibles	Customer list
Licensing and other infrastructure	Income approach

Assumptions used by the Bank;

	BANK			
	2024		2023	
	Goodwill and Brand Value	License and related Infrastructure	Goodwill and Brand Value	License and related Infrastructure
Period of projected cashflows	5 years	3 years	5 years	3 years
Discount rate	10.8%	10.8%	13.0%	13.0%
Terminal growth rate	1.0%	1.0%	1.0%	1.0%

The calculation of the above are sensitive to discount rates, budgeted income/cash flows, terminal growth rates used to extrapolate cash flows beyond the budgeted period and market rates.

Brand Value, Asset Management and Advisory Intangible and Licenses and related Infrastructure items recognised as intangibles were initially assessed as having indefinite useful life based on characteristics of these assets and the future benefits expected to be derived. These assets are tested for impairment on annual basis or more frequently as and when warranted.

34. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

ACCOUNTING POLICY

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used for more than one period.

Basis of Recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably in accordance with LKAS 16 "Property, plant and equipment".

Measurement

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses if any. Initially, property, plant and equipment are measured at their cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that computer equipment.

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

Subsequent costs

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

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment which is calculated as the difference between the carrying amount and the net disposal proceeds is included in "Net other operating income" in the Statement of Profit or Loss in the year the asset is derecognised. When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised at each such capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

Capital Work in Progress

These are expenses of a capital nature directly incurred in the construction of buildings and system development, awaiting capitalisation. 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 management. Capital work-in-progress is stated at cost less any accumulated impairment losses.

Right of use assets

The accounting policy pertaining to the right of use assets has been given in Note 4.10.1 to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

34. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS (CONTD.)

	BANK								
	2024								
	Property, plant and equipment					Right of use assets			Total
	Leasehold Improvements	Computer & Equipment	Furniture & Fittings	Motor Vehicles	Subtotal	Building	Motor Vehicles	Subtotal	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000

Cost

Opening balance as at 1 January	657,080	2,047,053	420,879	24,999	3,150,011	1,709,722	100,314	1,810,036	4,960,047
Additions	13,947	625,478	119,496	-	758,921	201,148	98,190	299,338	1,058,259
Disposals	(11,947)	(30,265)	(5,695)	(24,999)	(72,906)	(162,615)	(27,556)	(190,171)	(263,077)
Closing balance as at 31 December	659,080	2,642,266	534,680	-	3,836,026	1,748,255	170,948	1,919,203	5,755,229

Less: Accumulated depreciation/ amortisation

Opening balance as at 1 January	635,963	1,480,619	354,855	17,688	2,489,125	843,164	42,936	886,099	3,375,224
Charge for the year	9,810	159,637	28,477	7,311	205,235	297,595	29,669	327,264	532,499
Disposals	(11,927)	(30,265)	(4,989)	(24,999)	(72,180)	(162,372)	(27,556)	(189,928)	(262,108)
Closing balance as at 31 December	633,846	1,609,991	378,343	-	2,622,180	978,387	45,049	1,023,436	3,645,616

Net book value as at 31 December	25,234	1,032,275	156,337	-	1,213,846	769,868	125,899	895,767	2,109,613
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	BANK								
	2023								
	Property, plant and equipment					Right of use assets			Total
	Leasehold Improvements	Computer & Equipment	Furniture & Fittings	Motor Vehicles	Subtotal	Building	Motor Vehicles	Subtotal	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000

Cost

Opening balance as at 1 January	651,084	2,028,605	389,696	24,999	3,094,384	1,634,120	99,867	1,733,987	4,828,371
Additions	13,018	50,898	34,320	-	98,236	224,530	48,305	272,835	371,071
Disposals	(7,022)	(32,450)	(3,137)	-	(42,609)	(148,928)	(47,858)	(196,786)	(239,395)
Closing balance as at 31 December	657,080	2,047,053	420,879	24,999	3,150,011	1,709,722	100,314	1,810,036	4,960,047

Less: Accumulated depreciation/ amortisation

Opening balance as at 1 January	632,706	1,373,488	333,215	8,667	2,348,076	705,608	64,048	769,655	3,117,731
Charge for the year	10,158	139,578	24,239	9,021	182,996	286,484	17,412	303,896	486,892
Disposals	(6,901)	(32,447)	(2,599)	-	(41,947)	(148,928)	(38,524)	(187,452)	(229,399)
Closing balance as at 31 December	635,963	1,480,619	354,855	17,688	2,489,125	843,164	42,936	886,099	3,375,224

Net book value as at 31 December	21,117	566,434	66,024	7,311	660,886	866,558	57,378	923,937	1,584,821
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34. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS (CONTD.)

	GROUP									
	2024									
	Property, plant and equipment						Right of use assets			Total
	Land and Buildings	Leasehold Improvements	Computer & Equipment	Furniture & Fittings	Motor Vehicles	Subtotal	Building	Motor Vehicles	Subtotal	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cost										
Opening balance as at 1 January	51,923	728,969	2,142,555	543,777	103,804	3,571,028	2,013,065	100,312	2,113,378	5,684,406
Additions	-	62,472	638,672	140,540	21,900	863,584	285,762	98,190	383,952	1,247,536
Disposals	-	(11,947)	(30,265)	(5,818)	(37,718)	(85,748)	(183,051)	(27,556)	(210,607)	(296,355)
Closing balance as at 31 December	51,923	779,494	2,750,962	678,499	87,986	4,348,864	2,115,776	170,946	2,286,722	6,635,586
Less: Accumulated depreciation/ amortisation										
Opening balance as at 1 January	11,259	691,179	1,563,094	438,607	64,806	2,768,945	971,789	42,936	1,014,725	3,783,670
Charge for the year	994	17,847	166,621	40,564	20,083	246,109	336,270	29,669	365,939	612,048
Disposals	-	(11,927)	(30,265)	(5,047)	(36,080)	(83,319)	(180,217)	(27,556)	(207,773)	(291,092)
Closing balance as at 31 December	12,253	697,099	1,699,450	474,124	48,809	2,931,735	1,127,842	45,049	1,172,891	4,104,626
Net book value as at 31 December	39,670	82,395	1,051,512	204,375	39,177	1,417,129	987,934	125,897	1,113,831	2,530,960

	GROUP									
	2023									
	Property, plant and equipment						Right of use assets			Total
	Land and Buildings	Leasehold Improvements	Computer & Equipment	Furniture & Fittings	Motor Vehicles	Subtotal	Building	Motor Vehicles	Subtotal	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cost										
Opening balance as at 1 January	51,923	714,936	2,120,023	501,560	90,184	3,478,626	1,804,288	99,865	1,904,153	5,382,779
Additions	-	21,055	59,692	48,243	13,620	142,610	360,748	48,305	409,054	551,664
Disposals	-	(7,022)	(37,160)	(6,026)	-	(50,208)	(151,971)	(47,858)	(199,829)	(250,037)
Closing balance as at 31 December	51,923	728,969	2,142,555	543,777	103,804	3,571,028	2,013,065	100,312	2,113,378	5,684,406
Less: Accumulated depreciation/ amortisation										
Opening balance as at 1 January	10,593	683,165	1,455,525	408,519	45,865	2,603,667	801,394	64,048	865,442	3,469,109
Charge for the year	666	14,915	144,724	35,400	18,941	214,646	319,323	17,412	336,735	551,381
Disposals	-	(6,901)	(37,155)	(5,312)	-	(49,368)	(148,928)	(38,524)	(187,452)	(236,820)
Closing balance as at 31 December	11,259	691,179	1,563,094	438,607	64,806	2,768,945	971,789	42,936	1,014,725	3,783,670
Net book value as at 31 December	40,664	37,790	579,461	105,170	38,998	802,083	1,041,276	57,376	1,098,653	1,900,736

NOTES TO THE FINANCIAL STATEMENTS

34. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS (CONTD.)

34.1 Cost of fully depreciated property, plant, equipment and intangible assets

The initial cost of fully depreciated property, plant and equipment as at 31 December, are as follows:

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Leasehold improvements	618,158	607,930	661,452	645,043
Computer and equipment	1,052,769	978,267	1,082,620	1,016,781
Furniture and fittings	271,294	230,249	304,756	260,539
Motor vehicles	-	-	1,658	158
Intangible assets	195,960	180,698	218,145	201,225
Total	2,138,181	1,997,144	2,268,631	2,123,746

34.2 Details of Group's land and buildings stated at cost and revaluation model

As at 31 December					2024					
					Cost Model				Revalued amount	
					Land	Building	Accumulated Depreciation	Net Book Value	Land	Building
Independent Valuer	Location	Date of Valuation	Method of Valuation	No. of Buildings	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Mr. D. Jayawardena	Negombo property	09-03-20	Contractor's Method	1	6,981	20,000	12,254	15,722	40,000	30,000
Mr. D. Jayawardena	Battaramulla property	17-01-21	Direct Comparison Method		9,775	-	-	9,775	18,400	-
Mr. D. Jayawardena	Bokundara property	20-03-20	Direct Comparison Method		15,167	-	-	15,167	90,000	-
					31,923	20,000	12,254	40,664	148,400	30,000

As at 31 December					2023					
					Cost Model				Revalued amount	
					Land	Building	Accumulated Depreciation	Net Book Value	Land	Building
Independent Valuer	Location	Date of Valuation	Method of Valuation	No. of Buildings	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Mr. D. Jayawardena	Negombo property	09-03-20	Contractor's Method	1	6,981	20,000	11,259	15,722	35,000	20,000
Mr. D. Jayawardena	Battaramulla property	17-01-21	Direct Comparison Method		9,775	-	-	9,775	15,000	-
Mr. D. Jayawardena	Bokundara property	20-03-20	Direct Comparison Method		15,167	-	-	15,167	44,243	-
					31,923	20,000	11,259	40,664	94,243	20,000

34. PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS (CONTD.)

34.3 Temporarily idle property, plant and equipment - Bank & Group

There were no property, plant and equipment idle from active use as at the reporting date (2023: NIL)

34.4 Property, plant and equipment retired from active use - Bank & Group

There were no property, plant and equipment retired from active use as at the reporting date (2023: NIL)

34.5 Title restriction on property, plant and equipment – Group

There were no restriction on the title of property, plant and equipment as at the reporting date (2023: NIL).

34.6 Property, plant and equipment pledged as security for liabilities - Bank & Group

There were no items of property, plant and equipment pledged as securities for liabilities (2023: NIL)

34.7 Compensation from third parties for items of property, plant and equipment - Bank & Group

There were no compensation received during the year from third parties for items of property, plant and equipment that were impaired, lost or given up (2023: NIL)

34.8 Fair value assessment of property, plant and equipment - Bank & Group

There are no material differences between the cost and fair value of property, plant and equipment.

35. DEFERRED TAXATION

ACCOUNTING POLICY

The accounting policy pertaining to the deferred tax asset are given in Note 17 to these financial statements.

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Deferred tax asset (Net)	582,376	827,216	654,579	975,965
Deferred tax assets/ (liabilities) movement				
Balance as at beginning of the year	827,216	483,966	975,965	673,278
Deferred tax (charged)/reversed to the Statement of Profit or Loss	(129,707)	372,181	(203,395)	331,839
Deferred tax (charged)/reversed to the Statement of Other Comprehensive Income	(115,132)	(28,931)	(117,991)	(29,152)
Balance as at 31 December	582,376	827,216	654,579	975,965

NOTES TO THE FINANCIAL STATEMENTS

35. DEFERRED TAXATION (CONTD.)

35.1 Deferred tax asset or liability applicable for Statement of Profit or Loss

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000

Deferred tax assets

Carry forward losses	-	-	35,184	109,841
Retirement benefit obligation	76,544	79,795	91,368	92,173
Impairment allowance	762,025	902,567	797,516	948,937
Share based payments	28,360	21,544	28,360	21,544
Operating leases	66,671	64,055	79,508	70,627
Total	933,600	1,067,961	1,031,936	1,243,122

Deferred tax liability

Accelerated depreciation allowance for tax purposes (Property, plant and equipment)	(209,654)	(206,332)	(221,729)	(219,399)
Accelerated depreciation allowance for tax purposes (Lease rental receivable)	(17,784)	(25,758)	(21,094)	(31,215)
Total	(227,438)	(232,090)	(242,823)	(250,614)

35.2 Deferred tax asset or liability applicable for Statement of Other Comprehensive Income

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000

Deferred tax assets/ (liabilities)

Actuarial gains/ (losses) on defined benefit plan liability	16,838	24,837	15,482	23,445
Gains/ (losses) on re-measuring financial assets through OCI	(140,624)	(33,491)	(150,017)	(39,989)
Total	(123,786)	(8,654)	(134,535)	(16,544)

36. OTHER ASSETS

ACCOUNTING POLICY

Financial assets included in other assets have been accounted for based on the accounting policy discussed in Note 4.4 to these financial statements.

Other financial assets and other non financial assets included under other assets are summarised below;

As at 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
Other financial assets					
Refundable deposits		17,472	16,378	26,138	20,715
Other debtors		19,021	46,491	32,003	61,389
Total other financial assets		36,493	62,869	58,141	82,104
Other non financial assets					
Advances		707,062	1,169,005	774,859	1,205,197
Prepaid expenses		171,090	186,428	213,970	223,835
Prepaid staff cost	36.1	329,136	462,350	341,212	482,413
Prepaid lease rental		2,249	3,140	2,249	3,140
Others*		467,817	676,582	471,367	678,931
Total other non financial assets		1,677,354	2,497,505	1,803,657	2,593,516
Total		1,713,847	2,560,374	1,861,798	2,675,619

*Others consist of stocks such as stationeries, three wheelers, gift stocks and other sundry financial assets.

36.1 Prepaid staff cost

	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	462,350	429,026	482,413	445,906
Add : Adjustments for new grants and settlements	75,648	213,120	80,723	220,497
Less : Charge to personnel expenses	(208,863)	(179,796)	(221,924)	(183,990)
Balance as at 31 December	329,136	462,350	341,212	482,413

NOTES TO THE FINANCIAL STATEMENTS

37. DUE TO BANKS

ACCOUNTING POLICY

The accounting policy pertaining to due to Banks are given in Note 4.5.6 to these financial statements.

As at 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
Local Bank borrowings		-	-	219,166	66,296
Foreign Bank borrowings		888,844	-	888,844	-
Refinance borrowings		3,279,900	1,813,829	3,279,900	1,813,829
Unfavourable balances with Banks		208,091	22,019	208,091	22,019
Deposits	37.1	3,619,858	1,539,975	3,619,858	1,539,975
Total		7,996,693	3,375,823	8,215,859	3,442,119

37.1 Deposits

As at 31 December	BANK & GROUP	
	2024	2023
	LKR '000	LKR '000
Demand Deposits	39	-
Total local currency deposits	39	-
Fixed deposits	3,619,819	1,539,975
Total foreign currency deposits	3,619,819	1,539,975
Total Deposits	3,619,858	1,539,975

38. REPURCHASED AGREEMENTS

ACCOUNTING POLICY

The accounting policy pertaining to due to Banks has been given in Note 4.5.6 to these financial statements.

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Due to Banks	12,002,666	24,884,937	12,002,666	24,884,937
Due to customers	1,194,335	546,336	1,194,335	546,336
Total	13,197,001	25,431,273	13,197,001	25,431,273

39. FINANCIAL LIABILITIES AT AMORTISED COST - DUE TO CUSTOMERS

ACCOUNTING POLICY

The accounting policy pertaining to due to customers are given in Note 4.5.6 to these financial statements.

As at 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000

Total deposits	39.1	103,740,584	87,984,721	110,629,257	95,391,334
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39.1 Due to customers - By product

Demand deposits		7,992,804	8,320,981	7,992,288	8,318,957
Savings deposits		18,143,616	15,157,353	18,141,616	15,129,041
Fixed deposits		76,353,838	63,193,745	83,245,027	70,630,694
Other deposits		1,250,326	1,312,642	1,250,326	1,312,642
Total deposits		103,740,584	87,984,721	110,629,257	95,391,334

39.1.1 Due to customers - Local currency deposits

Demand deposits		7,515,342	7,927,130	7,514,826	7,925,105
Savings deposits		13,810,697	10,392,323	13,808,697	10,364,011
Fixed deposits		64,522,114	52,806,140	71,413,303	60,243,090
Other deposits		1,250,326	1,312,641	1,250,326	1,312,641
Total local currency deposits		87,098,479	72,438,234	93,987,152	79,844,847

39.1.2 Due to customers - Foreign currency deposits

Demand deposits		477,462	393,852	477,462	393,852
Savings deposits		4,332,919	4,765,031	4,332,919	4,765,031
Fixed deposits		11,831,724	10,387,604	11,831,724	10,387,604
Total foreign currency deposits	39.1.2.1	16,642,105	15,546,487	16,642,105	15,546,487
Total deposits		103,740,584	87,984,721	110,629,257	95,391,334

39.1.2.1 Foreign currency deposits - By currency

As at 31 December		BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000

United States Dollar		15,587,320	13,514,305	15,587,320	13,514,305
Great Britain Pounds		612,357	1,132,130	612,357	1,132,130
Euro		310,171	472,612	310,171	472,612
Australian Dollar		104,527	394,855	104,527	394,855
Others		27,730	32,585	27,730	32,585
Total deposits		16,642,105	15,546,487	16,642,105	15,546,487

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL LIABILITIES AT AMORTISED COST - DUE TO CUSTOMERS (CONTD.)

39.2 Due to customers - By province

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Central	4,324,053	3,778,243	4,504,946	3,932,758
Eastern	968,091	909,904	971,385	910,538
North Central	651,028	550,149	695,025	570,604
North Western	5,370,983	4,503,521	5,389,607	4,527,684
Northern	3,210,121	3,266,115	3,210,121	3,266,115
Sabaragamuwa	1,934,218	1,953,663	1,967,422	1,974,853
Southern	4,193,368	3,959,948	4,337,372	4,119,817
Uva	966,750	716,065	966,750	716,065
Western	82,121,972	68,347,113	88,586,629	75,372,900
Total deposits	103,740,584	87,984,721	110,629,257	95,391,334

40. FINANCIAL LIABILITIES AT AMORTISED COST - OTHER BORROWED FUNDS

ACCOUNTING POLICY

The accounting policy pertaining to due to Banks are given in Note 4.5.6 to these financial statements

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Borrowings from non banking institutions	-	-	407,128	-

41. OTHER LIABILITIES

ACCOUNTING POLICY

Other liabilities include other financial liabilities and other non-financial liabilities. These liabilities are recorded at amounts expected to be payable at the reporting date.

As at 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
Other financial liabilities					
Other creditors*		544,721	689,332	720,932	805,507
Lease liability	41.1	830,981	850,430	1,076,324	1,044,340
Total other financial liabilities		1,375,702	1,539,762	1,797,256	1,849,847
Other non financial liabilities					
Accrued expenses		179,483	135,747	222,176	188,972
Retirement benefit obligation	41.2.2	311,271	348,771	356,171	385,394
Impairment on contingent liabilities and commitments	46.1.2	120,999	129,384	118,936	141,777
Other payables**		372,442	457,705	383,162	472,377
Total other non financial liabilities		984,195	1,071,607	1,080,445	1,188,520
Total other liabilities		2,359,897	2,611,369	2,877,701	3,038,367

*Other creditors include amount payable to suppliers and other miscellaneous financial payables.

** Other payables include bonus provision, deferred commission income, deferred bancassurance commissions and other miscellaneous non-financial payables.

41.1 Lease liability

The accounting policy relating to "Lease Liability" is given in Note 4.10.1.2 of these Financial Statements

	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
As at 1 January	850,430	915,700	1,044,340	1,005,369
Additions	230,169	201,291	309,644	332,869
Accretion of interest	107,358	109,691	144,007	137,752
Disposal	(243)	(9,334)	(7,147)	(12,377)
Payments	(356,733)	(366,918)	(414,519)	(419,273)
As at 31 December	830,981	850,430	1,076,324	1,044,340
41.1.1 Maturity analysis of lease liability				
Lease liability within one year	42,152	20,790	67,062	41,796
Lease liability within one to five years	597,496	562,817	672,005	632,858
Lease liability more than five years	191,333	266,823	337,257	369,686
Total	830,981	850,430	1,076,324	1,044,340

NOTES TO THE FINANCIAL STATEMENTS

41. OTHER LIABILITIES (CONTD.)

41.2 Retirement benefit obligation [Disclosure 201-3](#)

ACCOUNTING POLICY

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan as defined in LKAS 19 (Employee Benefit).

In compliance with the Gratuity Act No. 12 of 1983 provision is made in the financial statements from the first year of service for gratuity payable to employees who joined to the Bank and the Group.

An actuarial valuation is carried out annually to ascertain the full liability under gratuity.

The gratuity liability is not externally funded.

The Group determines the interest expense on the defined benefit liability by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the defined benefit liability at the end of the annual period. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the terms of the Bank's and the Group's obligations.

The increase in gratuity liabilities attributable to the service provided by employees during the year ended 31st December 2024 (current service cost) has been recognised in the statement of profit or loss under 'Personnel Expenses' together with the interest cost. The Group recognises the total actuarial gains and losses that arise in calculating the Bank's obligation with respect to the plan in Other Comprehensive Income during the period in which it occurs.

The demographic assumptions underlying the valuation are retirement age, early withdrawals from service and retirement on medical grounds etc.

41.2.1 Actuarial assumptions used in determining retirement benefit obligation

BANK

Type of assumption	Criteria	Description
Demographic	Mortality table	GA 1983 Mortality table
	Staff turnover	The staff turnover rate at an age represents the probability of an employee leaving within one year of that age due to reasons other than death, ill health, and normal retirement. The same withdrawal rates which were used in the last valuation as at December 31, 2023 to determine the liabilities of the active employees in the gratuity, were used in the actuarial valuation carried out as at December 31, 2024.
	Normal retirement age	A participant is eligible for normal retirement after attainment of age 60 and completion of 5 years of service.
Financial	Rate of discount	Interest rate of 12.5% p.a. (2023 : 12.9% p.a.) has been used to discount future liabilities considering the average payment period.
	Salary increases	A salary increment of 10.5% p.a. (2023 : 11.9% p.a.) has been used in respect of the active employees.

Expected average future working life of the active participants is 14.0 years (2023 : 13.9 years).

41. OTHER LIABILITIES (CONTD.)

41.2 Retirement benefit obligation (Contd.) [Disclosure 201-3](#)

UB FINANCE PLC

Type of assumption	Criteria	Description
Demographic	Mortality table	Mortality: A 1967/70 Mortality Table
	Staff turnover	The staff turnover rate at an age represents the probability of an employee leaving within one year of that age due to reasons other than death, ill health, and normal retirement.
	Normal retirement age	A participant is eligible for normal retirement after attainment of age 60 and completion of 5 years of service.
Financial	Rate of discount	In the absence of a deep market in long-term bonds in Sri Lanka, a long-term interest rate of 9% p.a. (2023 – 13.8% p.a.) has been used to discount future liabilities considering the average payment period.
	Salary increases	A salary increment of 7% p.a. (2023 - 11.8% p.a.) has been used in respect of the active employees.

Expected average future working life of the active participants is 2.68 years (2023 : 4.15 years).

NAMAL

Type of assumption	Criteria	Description
Financial	Rate of discount	Interest rate of 11% p.a. (2023 : 11.5% p.a.) has been used to discount future liabilities considering the average payment period.
	Salary increases	A salary increment of 7.5% p.a. (2023 : 10% p.a.) has been used in respect of the active employees.

NOTES TO THE FINANCIAL STATEMENTS

41. OTHER LIABILITIES (CONTD.)

41.2 Retirement benefit obligation (Contd.) [Disclosure 201-3](#)

41.2.2 The movement of the retirement benefit obligation

As at 31 December	Note	BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
As at 1 January		348,773	301,180	385,394	335,171
Charge to profit or loss	41.2.3	97,292	99,730	108,507	110,454
Charge/ (reversal) to other comprehensive income	41.2.4	(26,665)	3,278	(26,539)	2,666
Contribution made for retirement benefit obligation		419,400	404,188	467,362	448,291
Payments made during the year		(108,129)	(55,417)	(111,192)	(62,897)
As at 31 December		311,271	348,771	356,171	385,394

41.2.3 Net benefit expense (recognised in profit or loss)

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Current service cost	52,161	45,518	58,428	50,332
Interest cost on benefit obligation	45,131	54,212	50,079	60,122
Charge to profit or loss	97,292	99,730	108,507	110,454

41.2.4 Due to assumption change (recognised in OCI statement)

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
(Gains)/ losses due to assumption change				
Financial assumptions	(31,884)	586	(32,722)	4,076
Demographic assumptions	-	-	964	-
Experience loss/ (gain) arising during the year	5,219	2,692	5,219	(1,410)
Total amount recognised for the year	(26,665)	3,278	(26,539)	2,666

41.2.5 Messers Piyal S. Goonathileke and Associates (Bank) and Messers Actuarial & Management Consultants (Pvt) Limited (UB Finance PLC) , firms of professional actuaries, have carried out an independent actuarial valuations of the defined benefit plan and accordingly compatible assumptions have been used in determining the cost of defined benefits.

41. OTHER LIABILITIES (CONTD.)

41.2 Retirement benefit obligation (Contd.) [Disclosure 201-3](#)

41.2.6 The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

Increase/ (decrease) in discount rate	Increase/ (decrease) in salary increment rate	Sensitivity effect on employment benefit obligation			
		increase/ (decrease) in the liability			
		BANK		GROUP	
		2024	2023	2024	2023
		LKR '000	LKR '000	LKR '000	LKR '000
1%		(28,061)	(33,189)	(29,420)	(34,627)
(1%)		32,686	38,853	34,148	40,423
	1%	32,127	37,883	33,796	39,610
	(1%)	(28,062)	(32,961)	(29,642)	(34,566)

41.2.7 The expected benefit payout in the future years for retirement benefit obligation

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Within 12 months	13,302	14,170	25,256	19,893
Between 1 and 5 years	149,368	176,206	174,186	190,370
More than 5 years	493,337	475,596	498,078	489,110

NOTES TO THE FINANCIAL STATEMENTS

42. STATED CAPITAL

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023

Ordinary shares

Value (LKR '000)	16,334,782	16,334,782	16,334,782	16,334,782
Number of shares ('000)	1,083,558	1,083,558	1,083,558	1,083,558

42.1 Share warrants

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000

Share warrants	65,484	65,484	65,484	65,484
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The Bank had issued 218,281,250 warrants to be exercised within a period of 6 years at a price of LKR 16 per warrant. Given the Bank does not have an immediate need for new capital, with the request of Culture Financial Holdings, the Board of Directors of the Bank decided to extend the exercise period of the warrants until 31 March 2025 and revise the exercise price to a price that is equivalent to the average closing price per share for the five day period that immediately precedes the exercise of warrants. The Bank has obtained the concurrence of the Central Bank of Sri Lanka and the Securities and Exchange Commission of Sri Lanka for the extension of the warrants' exercise period and the revision to the exercise price, as described above.

Further extension has been given by the letter dated 13 December 2024 by the Central Bank of Sri Lanka to extend the period until 31 December 2025, This is subject to the approval of Securities and Exchange Commission of Sri Lanka.

43. RESERVES

43.1 Statutory reserve fund

Union Bank of Colombo PLC

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

UB Finance PLC

5% of the profits after tax is transferred to the reserve fund as required by the section 3b (i) of the Central Bank Direction No. 01 of 2003 applicable to licensed finance companies.

	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000

As at 1 January	277,142	258,182	304,748	282,802
Transferred from retained earnings	15,010	18,960	15,010	21,946
As at 31 December	292,152	277,142	319,758	304,748

43. RESERVES (CONTD.)

43.2 Fair value through OCI reserve

The fair value through other comprehensive income reserve (FVOCI) comprises the cumulative net change in fair value of financial assets measures at FVOCI until such investments are dereognised or impaired.

	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
As at 1 January	83,899	14,099	96,135	26,335
Debt instruments at fair value through other comprehensive income				
Net change in fair value during the year	453,617	142,667	453,617	142,667
Reclassification to the income statement	(96,509)	(42,953)	(96,509)	(42,953)
Deferred tax effect	(107,132)	(29,914)	(107,132)	(29,914)
As at 31 December	333,875	83,899	346,111	96,135

43.3 Retained earnings

	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
As at 1 January	2,461,628	2,102,979	2,203,461	1,998,295
Net profit for the year	300,202	379,206	297,673	456,292
Other comprehensive income	24,382	(1,597)	24,382	(1,597)
Transfers during the year	(15,010)	(18,960)	(15,010)	(21,946)
Change in control	-	-	-	1,064
Regulatory Loss Allowance Reserve	-	-	26,959	(228,647)
As at 31 December	2,771,202	2,461,628	2,537,465	2,203,461

43.4 Regulatory loss allowance reserve

	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
As at 1 January	-	-	228,647	-
Transferred from retained earnings	-	-	(26,959)	228,647
As at 31 December	-	-	201,688	228,647

As per Section 7.1.3 of Finance Business Act Direction No.01 of 2020, where the loss allowance for expected credit loss falls below the regulatory provision, company shall maintain the additional loss allowance in a non-distributable Regulatory Loss Allowance Reserve (RLAR) through an appropriation of its retained earnings. In compliance with the requirement, the Company has transferred additional loss allowance from retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

44. EMPLOYEE SHARE OPTION PLAN (ESOP)

On 1 December 2015, the Bank established three share option plans that entitle employees to purchase shares of the Bank. The first scheme of employee share grants was issued to employees at the grade of Senior Vice President and above. The ESOP grant provides employees with an option to purchase shares of the Bank at the given exercise price once these vest as per the rules of the plan. Share options vest in two ways. 50% of the share options vest based on time ratably over a 5-year period. The balance 50% of options vest annually over a 5-year period provided that the Bank achieves the pre-set performance targets. Thereby ensuring that these long-term incentives are linked to the Bank's performance.

By 1 December 2020, options attached to the first tranche completed the vesting period and based on pre agreed targets reserve has been adjusted.

The option holders are entitled to exercise the options vested on or before the 17th of June 2025.

The second tranche of the employee share grants was issued to eligible Key Management Personnel of the Bank effective 1 April 2021. This ESOP grant provides employees with an option to purchase shares of the Bank at the given exercise price once these vest as per the rules of the plan. Share options vest based on time ratably over a 5-year period.

If an employee leaves the Bank, before the service criteria is met, they will not be entitled to claim this benefit.

The fair value of equity settled share-based payment awards granted to employees from the grant date is recognised as an expense under personnel expenses, with a corresponding increase in equity, over the period in which the service and performance conditions are fulfilled. The fair value is determined using a Black-scholes model.

The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the Statement of Profit or Loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest because of service conditions have not been met.

When the terms of an equity settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense measured as at the date of modification is recognised for any modification that increases the total fair value of the share based payment transaction or is otherwise beneficial to the employee. Where an award is canceled by the Bank, any remaining element of the fair value of the award is expensed immediately through profit or loss.

44.1 Inputs and assumptions used to determine the fair value of share option plan are given below

As at 31 December	Scheme 01		Scheme 02	
	2024	2023	2024	2023
Fair value at measurement date (LKR '000)	23,500	23,500	19,362	17,590
Exercise price (LKR)	21.95	21.95	15.70	15.70
Expected volatility	30.1%	30.1%	41.7%	41.7%
Option life (remaining expected weighted average life)	5 Years	5 Years	5 Years	5 Years
Risk free interest rate (based on Government bonds)	5.0%	5.0%	5.2%	5.2%

Total expense arising from employee share option plan transactions are recorded in Note 44.3 to the financial statements.

The Expected volatility is based on historical average share price volatility and implied volatility derived from traded options over the Bank's ordinary shares of similar to those employees options. Historical volatility for scheme 01 was determined from 2016 and for scheme 02 from 2019.

44. EMPLOYEE SHARE OPTION PLAN (ESOP) (CONTD.)

44.2 Movement in weighted average exercise prices and share options during the year is given below

	Scheme 01			
	2024		2023	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	'000	LKR	'000	LKR
Outstanding as at 1 January	4,765	21.95	4,765	21.95
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding as at 31 December	4,765	21.95	4,765	21.95

	Scheme 02			
	2024		2023	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	'000	LKR	'000	LKR
Outstanding as at 1 January	4,528	15.70	1,811	15.70
Granted during the year	4,528	15.70	2,717	15.70
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding as at 31 December	9,056	15.70	4,528	15.70

44.3 Movement during the year

	BANK & GROUP					
	Scheme 01		Scheme 02		Total	
	2024	2023	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 January	23,500	23,500	17,591	13,805	41,091	37,305
Transfer to stated capital	-	-	-	-	-	-
Charge to profit or loss	-	-	1,772	3,786	1,772	3,786
Amount paid	-	-	-	-	-	-
Balance as at 31 December	23,500	23,500	19,363	17,591	42,863	41,091

NOTES TO THE FINANCIAL STATEMENTS

45. NON - CONTROLLING INTEREST (NCI)

Non-Controlling Interests (NCI) are measured 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. Accordingly, the Bank has non-controlling interest in two subsidiaries, namely, UB Finance PLC and National Asset Management Limited as at the reporting date.

	2024		
	UB Finance PLC	National Asset Management Limited	Total
	LKR '000	LKR '000	LKR '000
% of Ownership interest held by NCI	10.1%	49.0%	
Balance as at 1 January 2024	271,934	60,161	332,095
Profit for the year	(456)	2,509	2,053
Other comprehensive income, net of tax	598	355	953
New rights issue	25,576	-	25,576
Balance as at 31 December 2024	297,652	63,025	360,677

	2023		
	UB Finance PLC	National Asset Management Limited	Total
	LKR '000	LKR '000	LKR '000
% of Ownership interest held by NCI	10.1%	49.0%	
Balance as at 1 January 2023	212,951	57,795	270,746
Profit for the year	4,959	2,636	7,595
Other comprehensive income, net of tax	88	(269)	(182)
Change in control	53,936	-	53,936
Balance as at 31 December 2023	271,934	60,161	332,095

46. CONTINGENT LIABILITIES AND COMMITMENTS

ACCOUNTING POLICY

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured in accordance with the Sri Lanka Accounting Standard – LKAS 37 on 'Provision, Contingent Liabilities and Contingent Assets'.

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of guarantees, letters of credit and other undrawn commitments to lend. Letters of credit and acceptance commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. They carry a similar credit risk to loans. Operating lease commitments of the Bank (as a lessor and as a lessee) and pending legal claims against the Bank too form part of contingent liabilities and commitments of the Bank. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote. However, these contingent liabilities do contain credit risk and therefore form part of the overall risk of the Group.

No material losses are anticipated as a result of these transactions.

46.1 Contingent liabilities and Commitments

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Commitments				
Undrawn loan commitments	10,202,492	9,474,187	10,077,492	9,447,210
Contingencies				
Guarantees	9,576,379	8,776,484	9,576,379	8,776,484
Documentary credit	3,638,804	2,367,974	3,638,804	2,367,974
Forward contracts	10,290,065	7,118,991	10,290,065	7,118,991
Spot contracts	54,689	499,129	54,689	499,129
Acceptances	2,107,374	3,488,830	2,107,374	3,488,830
Forward bonds	216,302	440,537	216,302	440,537
Other contingent items	1,309,051	1,492,044	1,309,051	1,492,044
Total contingencies	27,192,664	24,183,989	27,192,664	24,183,989
Total contingent liabilities and commitments	37,395,156	33,658,176	37,270,156	33,631,199

NOTES TO THE FINANCIAL STATEMENTS

46. CONTINGENT LIABILITIES AND COMMITMENTS (CONTD.)

46.1 Contingent liabilities and Commitments (Contd.)

46.1.1 Stage movements in contingent liabilities and commitments

As at 31 December	BANK							
	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Undrawn loan commitments	10,192,022	10,470	-	10,202,492	9,241,390	232,797	-	9,474,187
Other contingencies	26,927,278	108,755	156,631	27,192,664	23,512,013	404,426	267,550	24,183,989
Total	37,119,300	119,225	156,631	37,395,156	32,753,403	637,223	267,550	33,658,176

As at 31 December	GROUP							
	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Undrawn loan commitments	10,067,022	10,470	-	10,077,492	9,288,170	116,394	42,646	9,447,210
Other contingencies	26,927,278	108,755	156,631	27,192,664	23,512,013	404,426	267,550	24,183,989
Total	36,994,300	119,225	156,631	37,270,156	32,800,183	520,820	310,196	33,631,199

46.1.2 Stage movements in allowance for impairment

	BANK							
	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000

Undrawn loan commitments

Opening balance as at 1 January	79,001	25,868	-	104,869	159,714	81,132	8,876	249,722
Charge to statement of profit or loss	(15)	(24,498)	-	(24,513)	(80,713)	(55,264)	(8,876)	(144,853)
Closing balance as at 31 December	78,986	78,986	-	80,355	79,001	25,868	-	104,869

Other contingencies

Opening balance as at 1 January	22,582	784	1,149	24,515	18,232	183	367	18,782
Charge to statement of profit or loss	17,104	(590)	(385)	16,129	4,350	601	782	5,733
Closing balance as at 31 December	39,686	194	764	40,644	22,582	784	1,149	24,515

Total

Opening balance as at 1 January	101,583	26,652	1,149	129,384	177,946	81,315	9,243	268,504
Charge to statement of profit or loss	17,089	(25,088)	(385)	(8,384)	(76,363)	(54,663)	(8,094)	(139,120)
Closing balance as at 31 December	118,672	1,563	764	120,999	101,583	26,652	1,149	129,384

46. CONTINGENT LIABILITIES AND COMMITMENTS (CONTD.)

46.1 Contingent liabilities and Commitments (Contd.)

46.1.2 Stage movements in allowance for impairment (Contd.)

	GROUP							
	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000

Undrawn loan commitments

Opening balance as at 1 January	73,299	29,367	14,596	117,262	154,912	94,212	21,598	270,722
Charge to statement of profit or loss	3,623	(27,997)	(14,596)	(38,970)	(81,613)	(64,845)	(7,002)	(153,460)
Closing balance as at 31								
December	76,922	1,370	-	78,292	73,299	29,367	14,596	117,262

Other contingencies

Opening balance as at 1 January	22,583	784	1,149	24,516	18,233	183	367	18,783
Charge to statement of profit or loss	17,104	(590)	(385)	16,129	4,350	601	782	5,733
Closing balance as at 31								
December	39,686	194	764	40,644	22,583	784	1,149	24,516

Total

Opening balance as at 1 January	95,881	30,151	15,745	141,777	173,144	94,395	21,965	289,504
Charge to statement of profit or loss	20,727	(28,587)	(14,981)	(22,841)	(77,263)	(64,244)	(6,220)	(147,727)
Closing balance as at 31								
December	116,608	1,563	764	118,936	95,881	30,151	15,745	141,777

46.2 Capital commitments

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000

Approved and contracted for

Capital commitments for new system implementation and others (Intangibles)	252,063	56,253	252,063	56,253
Total	252,063	56,253	252,063	56,253

Approved but not contracted for

Capital commitments for new system implementation and others (Intangibles)	10,831	73,107	10,831	73,107
Total	10,831	73,107	10,831	73,107

Total capital commitments	262,894	129,360	262,894	129,360
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46.3 Litigations against the Bank and the Group

Litigation is a common occurrence in the Banking industry due to the nature of the business undertaken. The Bank has established and legal protocol for dealing with such legal claims. Once professional advice has been obtained on the certainty of the outcome and the amount of damages reasonable estimated, the Bank makes adjustments to account for any adverse effect which the claims may have on its financial standing. The Bank is of the opinion that litigation which is currently pending will not have a material impact on the reported financial results or the future operations of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

46. CONTINGENT LIABILITIES AND COMMITMENTS (CONTD.)

46.3 Litigations against the Bank and the Group (Contd.)

46.3.1 BANK

Legal Status	Case No.
a. Cases filed against the Bank	
District Courts	21/24/DSP, 22/24/DSP, 51/24/DSP, 73/24/DSP, 104/24/DSP, 180/24/DSP, 202/24/DSP 19658/P, 19761/P, 2980/24/L, 2135/24/T, 186/SPL, CG/76/24 220/24/DSP, 221/24/DSP, 563/24/DSP, 562/24/DSP
Commercial High Courts	03/24/MR
High Courts of Civil Appeal	WP/HCCA/COL/199/24, NCP/HCCA/ANP/68/23/LA, HCCA/38/24/RA
Supreme Court	SC/HC/LA/38/2024, SC/HC/LA/106/2024
Labour Courts	L.T.21/Add/1935/2024, HC/LTA02/2024 (LT/6E/7777/20)

b. Tax assessments

The Bank has ongoing tax assessments. Based on the assessment carried out by the Management these cases are only possible, but not probable, that the action will succeed. Accordingly, no provision for any liability has been made in these Financial Statements.

46.3.2 UB Finance PLC

Legal Status	Case No.
Cases filed against the Company over the repossession of vehicles and loan facilities in District court	
- District Court - Colombo	DSP/0222/10, DMR 925/17, DMR 3085/22
- Commercial High Court of Civil Appellate - Colombo	WP/HCCA/COL/101/19(F)
- District Court - Kandy	DMR/830/20
- District Court - Homagama	21096/MR
- District Court - Elpitiya	1966-M
- District Court - Galle	SP 4034
- District Court - Mathara	SP 1305
- District Court - Gampaha	SPL 19/2023
- District Court - Gampaha	SPL 120/2022
Actions filed against the Company regarding Joint Venture Projects over the construction matters, advance payments, possession of project properties and unpaid bills.	
- High Court - Civil - Colombo	HC/CIVIL/177/10
- Supreme Court - Colombo	SC/CHC/APPEAL/54/2019
- District Court - Colombo	DMR/1615/17, DLM/000148/2017
- District Court - Kaduwela	L/533/15,
- District Court - Negombo	8164/L, SPL 3579/17
Cases filed against the Company over the Fixed Deposit matters and Unpaid Deposits.	
- District Court - Colombo	DTS/279/08
- Commercial High Court of Civil Appellate - Colombo	WP/HACCA/COL/LA/77/18
- Commercial High Court - Colombo	CHC/503/15MR, CHC/533/15MR, CHC/535/15MR, CHC/536/15MR
- Supreme Court - Colombo	SC/HCCA/LA/NO139/2020, SC/Appeal/53/23
Actions filed against the Company with respect to mortgaged property, court orders, title of property.	
- District Court - Panadura	2121/P
- District Court - Attanagalla	1547/L, 1558/20L
- District Court - Kurunegala	9369/23 L
Cases Filed Against the Company by the employees	
- Magistrate Court - Fort	LB 76305
- Court of Appeal - Fort	CA(Writ) 315/2011
- Supreme Court - Colombo	SC/App/26/2014
- Labur Commissioner	CE/D6/04/61/2016

47. ASSET PLEDGED

As at 31 December	Note	BANK				
		2024				
		Encumbered		Unencumbered		Total
		Pledged as collateral	Other	Available as collateral	Other	
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cash and cash equivalents	21	-	-	3,736,158	-	3,736,158
Balances with Central Bank of Sri Lanka	22	-	375,596	-	-	375,596
Placements with Banks	23	-	-	1,135,072	-	1,135,072
Reverse repurchase agreements	24	-	-	562,470	-	562,470
Derivative financial instruments	25	-	-	44,429	-	44,429
Financial assets at fair value through profit or loss	26	948,000	-	3,936,509	-	4,884,509
Financial assets at amortised cost - loans and advances to customers	27	-	-	81,202,856	-	81,202,856
Financial assets at amortised cost - debt and other instruments	28	5,809,980	-	17,053,776	-	22,863,756
Financial assets at fair value through other comprehensive income	29	7,401,500	-	15,920,897	-	23,322,397
Total		14,159,480	375,596	123,592,167	-	138,127,243

As at 31 December	Note	BANK				
		2023				
		Encumbered		Unencumbered		Total
		Pledged as collateral	Other	Available as collateral	Other	
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Cash and cash equivalents	21	-	-	3,181,546	-	3,181,546
Balances with Central Bank of Sri Lanka	22	-	484,876	-	-	484,876
Placements with Banks	23	-	-	3,618,819	-	3,618,819
Reverse repurchase agreements	24	-	-	2,989,653	-	2,989,653
Derivative financial instruments	25	-	-	28,856	-	28,856
Financial assets at fair value through profit or loss	26	1,095,000	-	5,400,860	-	6,495,860
Financial assets at amortised cost - loans and advances to customers	27	-	-	69,143,302	-	69,143,302
Financial assets at amortised cost - debt and other instruments	28	15,235,499	-	15,610,285	-	30,845,784
Financial assets at fair value through other comprehensive income	29	10,411,994	-	9,824,970	-	20,236,964
Total		26,742,493	484,876	109,798,291	-	137,025,660

NOTES TO THE FINANCIAL STATEMENTS

47. ASSET PLEDGED (CONTD.)

As at 31 December	Note	GROUP				
		2024				
		Encumbered		Unencumbered		Total
		Pledged as collateral	Other	Available as collateral	Other	
		LKR '000	LKR '000	LKR '000	LKR '000	
Cash and cash equivalents	21	-	-	4,333,380	-	4,333,380
Balances with Central Bank of Sri Lanka	22	-	375,596	-	-	375,596
Placements with Banks	23	-	-	1,135,072	-	1,135,072
Reverse repurchase agreements	24	-	-	562,470	-	562,470
Derivative financial instruments	25	-	-	44,429	-	44,429
Financial assets at fair value through profit or loss	26	948,000	-	4,046,837	-	4,994,837
Financial assets at amortised cost - loans and advances to customers	27	1,652,242	-	88,232,891	-	89,885,133
Financial assets at amortised cost - debt and other instruments	28	5,809,980	-	18,064,398	-	23,874,378
Financial assets at fair value through other comprehensive income	29	7,401,500	-	15,952,410	-	23,353,910
Total		15,811,722	375,596	132,371,887	-	148,559,205

As at 31 December	Note	GROUP				
		2023				
		Encumbered		Unencumbered		Total
		Pledged as collateral	Other	Available as collateral	Other	
		LKR '000	LKR '000	LKR '000	LKR '000	
Cash and cash equivalents	21	-	-	3,329,804	-	3,329,804
Balances with Central Bank of Sri Lanka	22	-	484,876	-	-	484,876
Placements with Banks	23	-	-	3,618,819	-	3,618,819
Reverse repurchase agreements	24	-	-	2,989,653	-	2,989,653
Derivative financial instruments	25	-	-	28,856	-	28,856
Financial assets at fair value through profit or loss	26	1,095,000	-	5,511,034	-	6,606,034
Financial assets at amortised cost - loans and advances to customers	27	-	-	77,435,192	-	77,435,192
Financial assets at amortised cost - debt and other instruments	28	15,235,499	-	18,061,890	-	33,297,389
Financial assets at fair value through other comprehensive income	29	10,411,994	-	9,846,828	-	20,258,822
Total		26,742,493	484,876	120,822,076	-	148,049,445

Financial assets are pledged as collateral as part of sales and repurchases, securities borrowing and securitisation transactions under terms that are usual and customary for such activities. The tables above sets out the availability of the Bank's financial assets to support future funding.

48 RELATED PARTY DISCLOSURES

The Bank carries out transactions in the ordinary course of business on an arm's length basis at market rates with related parties as defined in LKAS 24 - "Related Party Disclosures".

The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Bank and is comparable with what is applied to transactions between the Bank and its unrelated customers.

48.1 Parent and Ultimate controlling party

The Bank's immediate parent is Culture Financial Holding Limited which is registered in the Cayman Islands. The ultimate parent is CG Corp Panama which is registered in Panama. Neither the immediate nor the ultimate parents publish consolidated financial statements to the public.

48.1.1 Transactions with Culture Finance Holding Limited (Immediate parent)

For the year ended 31 December	2024	2023
	LKR '000	LKR '000
Dividend Paid	-	-

48.2 Transactions with Key Management Personnel (KMPs)

As per Sri Lanka Accounting Standard - LKAS 24 - "Related Party Disclosures", Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank. Accordingly, the Bank's KMPs include the Board of Directors of the Bank, key employees of the Bank holding directorships in subsidiary companies of the Bank and KMPs of the immediate parent and ultimate parent company.

48.2.1 Compensation of Key Management Personnel

For the year ended 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Short term employee benefits	99,576	68,796	157,931	106,568
Post employment benefits	8,268	6,039	14,797	10,538
Other long term benefits	49,477	12,470	49,477	12,470
Total	157,321	87,305	222,205	129,576

The Bank does not have any Non-Recurrent Related Party Transactions under CSE Listing rules. The aggregated value of Recurring transaction(s) does not exceed 10% of Gross Income.

48.2.2 ESOP granted to KMPs

For the year ended 31 December	2024	2023
	LKR '000	LKR '000
No of Options Outstanding at the beginning of the period	2,729	2,729
No of Options Granted during the period	-	-
No of Options Outstanding at the end of the period	2,729	2,729

In addition to the above, the Bank has also provided non-cash benefits such as vehicles, insurance for Key Management Personnel in line with the approved benefit plan of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

48 RELATED PARTY DISCLOSURES (CONTD.)

48.3 Transactions, arrangements and agreements involving KMPs and their Close Family Members (CFMs)

CFMs of KMPs are those family members who may be influential over KMPs in their dealing with the entity. They may include KMPs' domestic partner and children, children of KMPs' domestic partner and dependants of the KMP or the KMPs' domestic partner.

48.3.1 Transactions with Key Management Personnel and their Close Family Members of the Bank

The following table provides the aggregate amount of transactions, which have been executed with Key Management Personnel for the financial year.

Items in the Statement of Financial Position

As at 31 December	2024			2023		
	Limit*	Closing Balance	Average Balance	Limit*	Closing Balance	Average Balance
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000

Assets

Financial assets at amortized cost - loans and advances to Customers	3,500	11,319	12,515	4,000	13,927	11,192
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Liability

Financial liabilities at amortised cost - Due to customers	-	38,891	22,386	-	6,285	1,704
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* The above limit relate only to Credit Cards and Overdrafts which has a closing balance of LKR 3.5 Mn as at 31 December 2024 (2023: 1.8 Mn) All financial assets are settled by way of cash payments. Except for credit cards, all other financial assets are secured.

The Bank does not have any Non-Recurrent Related Party Transactions under CSE Listing rules. The aggregated value of Recurring transaction(s) does not exceed 10% of Gross Income.

Items in the Statement of Profit or Loss

For the year ended 31 December	2024	2023
	LKR '000	LKR '000
Interest Income	566	511
Interest Expense	1,196	142

The Bank does not have any Non-Recurrent Related Party Transactions under CSE Listing rules. The aggregated value of Recurring transaction(s) does not exceed 10% of Gross Income.

48 RELATED PARTY DISCLOSURES (CONTD.)

48.4 Transactions with other related parties

The following table shows the outstanding balance and the corresponding interest during the year.

48.4.1 Transactions with subsidiaries

Items in the Statement of Financial Position

As at 31 December	2024			2023		
	Limit**	Closing Balance	Average Balance	Limit	Closing Balance	Average Balance
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000

Assets

Financial assets at amortized cost - loans and advances to customers	125,000	300,808	63,848	125,000	-	86,581
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Liability

Financial liabilities at amortised cost - Due to customers	-	10,835	79,969	-	30,619	102,400
Repurchased agreements	-	-	-	-	-	22,340

** The above limit relate only to Overdrafts which has a closing balance of LKR 0.07 Mn as at 31 December 2024 (2023 - Nil)

All financial assets are settled by way of cash payments. All financial assets are secured.

The Bank does not have any Non-Recurrent Related Party Transactions under CSE Listing rules. The aggregated value of Recurring transaction(s) does not exceed 10% of Gross Income.

Items in the Statement of Profit or Loss

For the year ended 31 December	2024	2023
	LKR '000	LKR '000
Interest Income	1,816	24,043
Interest Expense	2,602	9,344
Other Expense	113	433

The Bank does not have any Non-Recurrent Related Party Transactions under CSE Listing rules. The aggregated value of Recurring transaction(s) does not exceed 10% of Gross Income.

NOTES TO THE FINANCIAL STATEMENTS

48 RELATED PARTY DISCLOSURES (CONTD.)

48.4 Transactions with other related parties (Contd.)

48.4.2 Transactions with Other Related Entities

Items in the Statement of Financial Position

As at 31 December	2024			2023		
	Limit*	Closing Balance	Average Balance	Limit	Closing Balance	Average Balance
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000

Assets

Financial assets at amortized cost - loans and advances to customers	170,000	218,317	223,050	30,000	232,172	232,607
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Liability

Financial liabilities at amortised cost - Due to customers	-	1,156	1,370	-	-	1
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* The above limit relate only to Overdrafts which has a closing balance of LKR 28 Mn as at 31 December 2024. (2023 - 30 Mn)

All financial assets are settled by way of cash payments. All financial assets are secured.

The Bank does not have any Non-Recurrent Related Party Transactions under CSE Listing rules. The aggregated value of Recurring transaction(s) does not exceed 10% of Gross Income.

Items in the Statement of Profit or Loss

For the year ended 31 December	2024	2023
	LKR '000	LKR '000
Interest Income	22,265	5,338
Interest Expense	9	-

Terms and conditions of transactions with related parties

The above-mentioned outstanding balances arose from the ordinary course of business. The interest rates charged to and by related parties are at market rates.

The Bank does not have any Non-Recurrent Related Party Transactions under CSE Listing rules. The aggregated value of Recurring transaction(s) does not exceed 10% of Gross Income.

48.4.3 Transactions with the Bank's Private Provident Fund

The Employees' Private Provident Fund of the Bank is managed by a Committee of Trustees appointed by the members. The Bank has contributed a sum of LKR 231 Mn to the Fund for the year ended 31 December 2024 (2023 - LKR 209 Mn). Fund has invested a sum of LKR 1,095 Mn with the Bank as at 31 December 2024 (2023 : LKR 856 Mn). During the year, Bank has incurred sum of LKR 49 Mn (2023 : LKR 186 Mn) as interest expense.

49. SEGMENT INFORMATION

An operating segment is a component of the Group that engages in business activities to earn revenues and incur expenses including revenue and expenses that relate to transactions with any of the Group's other components. The operating results of the each of the segment is reviewed regularly by the management to make decisions about the resources allocated to each segment and assess its performance, and for which discrete financial information is available.

For management purposes, the Bank has identified four business segments as Corporate Banking, SME, Retail and Treasury.

Management monitors the operating results of its business units separately for the purpose of making decisions about the resource allocation, performance evaluation, etc. Segment performance is evaluated based on operating profits or losses and the customer ROE calculations. Income taxes are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis similar to transactions with third parties.

The following table summarises the income, expenses, total assets, total liabilities and cash flows of the Group's operating segments.

For the year ended 31 December	Corporate		SME		Retail		Treasury		Other		Other Groups		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
Net Interest Income	699,533	1,414,611	624,450	646,517	1,426,070	1,878,026	391,913	400,488	1,680,127	1,839,847	794,452	994,924	5,616,545	7,174,413
Other Income	326,452	321,943	218,979	243,878	637,787	698,446	850,835	513,531	17,107	30,635	233,368	194,951	2,284,528	2,003,386
Total Net Income	1,025,985	1,736,554	843,429	890,395	2,063,857	2,576,472	1,242,748	914,019	1,697,234	1,870,481	1,027,820	1,189,876	7,901,073	9,177,798
Less : Expenses including impairments	198,143	1,149,222	752,641	1,246,067	1,589,352	1,658,755	149,570	(104,044)	2,982,343	2,814,372	858,920	818,555	6,530,968	7,582,928
Impairment	95,459	1,050,318	58,823	574,944	(16,084)	275,113	-	(222,726)	7,231	(33,097)	36,635	95,923	182,064	1,740,474
Depreciation & amortisation	834	836	1,119	1,329	23,859	23,578	1,046	525	787,474	740,073	81,052	66,432	895,383	832,774
Other expenses	101,850	98,068	692,699	669,794	1,581,578	1,360,064	148,524	118,158	2,187,638	2,107,396	741,232	656,200	5,453,521	5,009,680
Segmental Results	827,842	587,332	90,788	(355,671)	474,505	917,717	1,093,177	1,018,063	(1,285,109)	(943,891)	168,901	371,321	1,370,105	1,594,870
Less: VAT and SSCL on Financial Services													636,692	694,003
Less: Taxation													433,687	436,980
Profit after Taxation													299,726	463,887
Additions to property, plant and equipments and right of use assets													1,247,536	551,664
additions to intangible assets													686,845	35,530
Total additions to non-current assets													1,934,381	587,194
Other Information														
Segment Assets	38,820,723	32,295,934	29,949,469	21,913,820	18,574,710	13,712,865	49,893,383	60,488,391	-	-	11,320,924	11,762,151	148,559,208	140,173,161
Unallocated													7,035,013	7,158,628
Consolidated Total Assets													155,594,221	147,331,789
Segment Liabilities	12,154,143	10,487,275	20,885,776	17,365,751	71,824,007	58,502,703	14,058,717	25,342,562	-	-	13,548,765	12,623,205	132,471,407	124,321,495
Unallocated													2,913,986	3,403,851
Consolidated Total Liabilities													135,385,393	127,725,346
Cash flow from operating activities	(1,603,385)	3,000,157	(1,318,091)	1,538,291	(3,225,348)	4,451,241	(1,942,137)	1,579,105	(2,652,397)	3,231,536	(3,433,012)	4,266,584	(14,174,371)	18,066,914
Cash flow from investing activities	(216,991)	(24,098)	(178,381)	(12,356)	(436,496)	(35,753)	6,860,946	(14,340,092)	1,171,306	(2,945,954)	(54,854)	865,134	7,145,530	(16,493,117)
Cash flow from financing activities	-	-	-	-	-	-	2,351,543	558,269	-	-	431,003	(274,402)	2,782,546	283,867

NOTES TO THE FINANCIAL STATEMENTS

50. EVENTS AFTER THE REPORTING PERIOD

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. No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements.

51. FAIR VALUE OF ASSETS AND LIABILITIES

51.1 Assets and liabilities recorded at fair value

Derivative financial instruments

Derivative products are forward foreign exchange contracts which are valued using a valuation technique with market-observable inputs. The most frequently applied valuation techniques include forward pricing models. The model incorporates various inputs including foreign exchange spot and forward premiums.

Financial assets at fair value through profit or loss

Financial assets held for trading, which primarily consist of Government debt securities, quoted equities and investments in units are measured at fair value.

Government debt securities are valued using yield curves published by the Central Bank of Sri Lanka. For quoted equities and investments in units are valued using market price in active markets as at the reporting date.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income, which primarily consist of quoted and unquoted equities, and investment in units and Government debt securities.

Government debt securities are valued using yield curves published by the Central Bank of Sri Lanka. Investment in units and quoted equities are valued using market prices in the active markets at the reporting date.

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Bank uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair values are determined according to the following hierarchy:

Level 1 – quoted market price (unadjusted) financial instruments with quoted prices in active markets.

Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments are valued using models where all significant inputs are observable.

Level 3 – valuation technique with significant unobservable inputs: This category includes all instruments valued using valuation techniques where one or more significant inputs are unobservable.

51. FAIR VALUE OF ASSETS AND LIABILITIES (CONTD.)

51.1 Assets and liabilities recorded at fair value (Contd.)

BANK

As at 31 December	Note	2024			
		Level 1	Level 2	Level 3	Total
		LKR '000	LKR '000	LKR '000	LKR '000
Financial assets measured at fair value					
Derivative financial instruments					
- Forward foreign exchange contracts	25	-	2,309	-	2,309
- Currency SWAPs	25	-	42,120	-	42,120
Financial assets at fair value through profit or loss					
- Sri Lanka Government securities	26.1	4,384,380	-	-	4,384,380
- Investment in units	26.2	500,129	-	-	500,129
Financial assets at fair value through other comprehensive income					
- Sri Lanka Government securities	29.1	23,319,867	-	-	23,319,867
- Unquoted equity securities	29.2	-	-	2,530	2,530
Total financial assets measured at fair value		28,204,375	44,429	2,530	28,251,335
Financial Liabilities measured at fair value					
Derivative financial instruments					
- Forward foreign exchange contracts	25	-	12,112	-	12,112
- Currency SWAPs	25	-	10,050	-	10,050
Total financial liabilities measured at fair value		-	22,162	-	22,162

BANK

As at 31 December	Note	2023			
		Level 1	Level 2	Level 3	Total
		LKR '000	LKR '000	LKR '000	LKR '000
Financial assets measured at fair value					
Derivative financial instruments	25				
- Forward foreign exchange contracts	25	-	7,376	-	7,376
- Currency SWAPs	25	-	21,480	-	21,480
Financial assets at fair value through profit or loss					
- Sri Lanka Government securities	26.1	2,891,294	-	-	2,891,294
- Investment in units	26.2	3,604,566	-	-	3,604,566
Financial assets at fair value through other comprehensive income					
- Sri Lanka Government securities	29.1	20,234,434	-	-	20,234,434
- Unquoted equity securities	29.2	-	-	2,530	2,530
Total financial assets measured at fair value		26,730,294	28,856	2,530	26,761,680
Financial Liabilities measured at fair value					
Derivative financial instruments					
- Forward foreign exchange contracts	25	-	361	-	361
- Currency SWAPs	25	-	56,408	-	56,408
Total Financial Liabilities measured at fair value		-	56,769	-	56,769

NOTES TO THE FINANCIAL STATEMENTS

51. FAIR VALUE OF ASSETS AND LIABILITIES (CONTD.)

51.1 Assets and liabilities recorded at fair value (Contd.)

GROUP

As at 31 December	Note	2024			
		Level 1	Level 2	Level 3	Total
		LKR '000	LKR '000	LKR '000	LKR '000
Financial assets measured at fair value					
Derivative financial instruments					
- Forward foreign exchange contracts	25	-	2,309	-	2,309
- Currency SWAPs	25	-	42,120	-	42,120
Financial assets at fair value through profit or loss					
- Sri Lanka Government securities	26.1	4,384,380		-	4,384,380
- Investment in units	26.2	610,457	-	-	610,457
Financial assets at fair value through other comprehensive income					
- Sri Lanka Government securities	29.1	23,319,867	-	-	23,319,867
- Equity securities - Unquoted	29.2		-	34,043	34,043
Total financial assets measured at fair value		28,314,704	44,429	34,043	28,393,176
Financial Liabilities measured at fair value					
Derivative financial instruments					
- Forward foreign exchange contracts	25	-	12,112	-	12,112
- Currency SWAPs	25	-	10,050	-	10,050
Total financial liabilities measured at fair value		-	22,162	-	22,162

GROUP

As at 31 December	Note	2023			
		Level 1	Level 2	Level 3	Total
		LKR '000	LKR '000	LKR '000	LKR '000
Financial assets measured at fair value					
Derivative financial instruments					
- Forward foreign exchange contracts	25	-	7,376	-	7,376
- Currency SWAPs	25	-	21,480	-	21,480
Financial assets at fair value through profit or loss					
- Sri Lanka Government securities	26.1	2,891,294	-	-	2,891,294
- Investment in units	26.2	3,714,740	-	-	3,714,740
Financial assets at fair value through other comprehensive income					
- Sri Lanka Government securities	29.1	20,234,434	-	-	20,234,434
- Equity securities - Unquoted	29.2	-	-	24,388	24,388
Total financial assets measured at fair value		26,840,468	28,856	24,388	26,893,712
Financial Liabilities measured at fair value					
Derivative financial instruments					
- Forward foreign exchange contracts	25	-	361	-	361
- Currency SWAPs	25	-	56,408	-	56,408
Total Financial Liabilities measured at fair value		-	56,769	-	56,769

51. FAIR VALUE OF ASSETS AND LIABILITIES (CONTD.)

51.1 Assets and liabilities recorded at fair value (Contd.)

51.2 Fair value of financial assets and liabilities not carried at fair value

Financial assets at amortised cost - loans and advances

The financial assets at amortised cost - loans and advances to customers comprise of both fixed rate loans and floating rate loans. Majority of the floating rate loans can be re-priced in a predetermined frequency, while for fixed rate loans, the loan contract allows the Bank to change the contracted rate if there is a material difference between the contracted rate and the market rate. The carrying value of floating rate loans generally approximates the fair value due to the effect of re-pricing while the fair value of loans and receivables to customers with a residual maturity of less than one year generally approximates the carrying value, subject to any significant movement in credit spreads.

The estimated fair value of loans and receivables with a residual maturity of more than one year, is the present value of future cash flows expected to be received from such financial assets are calculated based on interest rates at the reporting date for similar types of loans and receivables.

Financial assets at amortised cost - debt and other instruments

Financial assets at amortised cost - debt and other instruments consist of debenture investments, Sri Lanka development bonds and fixed deposits which are subsequently measured at amortised cost. Fair value of these financial assets are valued using discounted cash flow technique. Inputs in to the valuation techniques includes interest rates, repayment period and current market rates.

Financial liabilities at amortised cost - Due to customers

The fair value of customer deposits which are repayable on demand or have a remaining contractual maturity of less than one year, approximates to the carrying value of such deposits. The fair value of customer deposits with a contractual maturity of more than one year, is estimated as the present value of future cash flows expected from such deposits calculated based on interest rates at the reporting date for similar types of deposits. For financial assets and financial liabilities that have short term maturity, it is assumed that carrying amounts approximates their fair value. This assumption is applied for following assets and liabilities which are short-term maturity or re-price to current market rates.

Assets	Liabilities
Cash and cash equivalents	Repurchased agreements
Balances with Central Bank of Sri Lanka	Savings and demand deposits in "Financial liabilities at amortised cost - Due to customers"
Placements with Banks	Other financial liabilities
Reverse repurchased agreements	
Other financial assets	

NOTES TO THE FINANCIAL STATEMENTS

51. FAIR VALUE OF ASSETS AND LIABILITIES (CONTD.)

51.2 Fair value of financial assets and liabilities not carried at fair value (Contd.)

BANK

As at 31 December	2024				
	Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
	LKR '000	LKR '000	LKR '000	LKR '000	

Financial assets

Financial assets at amortised cost - loans and advances to customers	-	87,285,436	-	87,285,436	88,264,533
Financial assets at amortised cost - debt and other instruments	23,143,525	-	-	23,143,525	22,863,756
Total	23,143,525	87,285,436	-	110,428,961	111,128,289

Financial liabilities

Due to Banks	-	7,996,693	-	7,996,693	7,996,693
Financial liabilities at amortised cost - Due to customers	-	77,728,425	-	77,728,425	77,604,164
Total	-	85,725,118	-	85,725,118	85,600,857

BANK

As at 31 December	2023				
	Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
	LKR '000	LKR '000	LKR '000	LKR '000	

Financial assets

Financial assets at amortised cost - loans and advances to customers	-	69,565,785	-	69,565,785	69,143,302
Financial assets at amortised cost - debt and other instruments	30,381,864	-	-	30,381,864	30,845,784
Total	30,381,864	69,565,785	-	99,947,649	99,989,087

Financial liabilities

Due to Banks	-	3,375,823	-	3,375,823	3,375,823
Financial liabilities at amortised cost - Due to customers	-	64,918,628	-	64,918,628	64,506,386
Total	-	68,294,451	-	68,294,451	67,882,209

51. FAIR VALUE OF ASSETS AND LIABILITIES (CONTD.)

51.2 Fair value of financial assets and liabilities not carried at fair value (Contd.)

GROUP

As at 31 December	2024				
	Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
	LKR '000	LKR '000	LKR '000	LKR '000	

Financial assets

Financial assets at amortised cost - loans and advances to customers	-	96,426,592	-	96,426,592	97,836,327
Financial assets at amortised cost - debt and other instruments	24,154,147	-	-	24,154,147	23,874,378
Total	24,154,147	96,426,592	-	120,580,739	121,710,705

Financial liabilities

Due to Banks	-	8,214,285	-	8,214,285	8,215,859
Financial liabilities at amortised cost - Due to customers	-	84,824,282	-	84,824,282	84,495,353
Other borrowed funds	-	350,322	-	350,322	407,128
Total	-	93,388,889	-	93,388,889	93,118,340

GROUP

As at 31 December	2023				
	Fair Value				Carrying Value
	Level 1	Level 2	Level 3	Total	
	LKR '000	LKR '000	LKR '000	LKR '000	

Financial assets

Financial assets at amortised cost - loans and advances to customers	-	77,963,717	-	77,963,717	77,435,192
Financial assets at amortised cost - debt and other instruments	32,833,468	-	-	32,833,468	23,874,378
Total	32,833,468	77,963,717	-	110,797,185	101,309,570

Financial liabilities

Due to Banks	-	3,442,119	-	3,442,119	3,442,119
Financial liabilities at amortised cost - Due to customers	-	72,950,881	-	72,950,881	71,943,336
Other borrowed funds	-	-	-	-	-
Total	-	76,393,000	-	76,393,000	75,385,455

NOTES TO THE FINANCIAL STATEMENTS

52. MATURITY ANALYSIS OF ASSET AND LIABILITIES

52.1 BANK

As at 31 December	2024			2023		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Assets						
Cash and cash equivalents	3,736,158	-	3,736,158	3,181,546	-	3,181,546
Balances with Central Bank of Sri Lanka	122,782	252,814	375,596	148,647	336,229	484,876
Placements with Banks	1,135,072	-	1,135,072	3,618,819	-	3,618,819
Reverse repurchased agreements	562,470	-	562,470	2,989,653	-	2,989,653
Derivative financial instruments	44,429	-	44,429	28,856	-	28,856
Financial assets at fair value through profit or loss	2,467,180	2,417,329	4,884,509	5,506,464	989,396	6,495,860
Financial assets at amortised cost - loans and advances to customers	47,282,393	33,920,463	81,202,856	39,815,807	22,391,951	62,207,758
Financial assets at amortised cost - debt and other instruments	11,668,774	11,194,982	22,863,756	23,045,634	7,800,150	30,845,784
Financial assets at fair value through other comprehensive income	11,101,357	12,221,040	23,322,397	16,941,282	3,295,682	20,236,964
Investments in subsidiaries	-	3,043,405	3,043,405	-	2,814,347	2,814,347
Goodwill and intangible assets	-	1,615,188	1,615,188	-	1,210,845	1,210,845
Property, plant and equipment and Right of use assets	-	2,109,613	2,109,613	-	1,584,821	1,584,821
Deferred tax assets	-	582,376	582,376	-	827,216	827,216
Other assets	1,699,313	14,534	1,713,847	1,085,658	1,474,716	2,560,374
Total assets	79,819,929	67,371,744	147,191,673	96,362,366	42,725,353	139,087,719
Liabilities						
Due to Banks	4,974,089	3,022,603	7,996,693	1,734,235	1,641,588	3,375,823
Derivative financial instruments	22,162	-	22,162	56,769	-	56,769
Repurchased agreements	13,197,001	-	13,197,001	25,431,273	-	25,431,273
Financial liabilities at amortised cost - Due to customers	96,753,769	6,986,815	103,740,584	86,169,780	1,814,941	87,984,721
Current tax liability	34,978	-	34,978	363,738	-	363,738
Other liabilities	984,823	1,375,074	2,359,897	1,373,221	1,238,148	2,611,369
Total liabilities	54,475,078	72,876,236	127,351,315	115,129,016	4,694,677	119,823,693
Maturity gap	(36,146,893)	55,987,249	19,840,358	(18,766,650)	38,030,676	19,264,026
Cumulative gap	(36,146,893)	19,840,356		(18,766,650)	19,264,026	

52. MATURITY ANALYSIS OF ASSET AND LIABILITIES (CONTD.)

52.2 GROUP

As at 31 December	2024			2023		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Assets						
Cash and cash equivalents	4,333,380	-	4,333,380	3,329,804	-	3,329,804
Balances with Central Bank of Sri Lanka	122,782	252,814	375,596	148,647	336,229	484,876
Placements with Banks	1,135,072	-	1,135,072	3,618,819	-	3,618,819
Reverse repurchased agreements	562,470	-	562,470	2,989,653	-	2,989,653
Derivative financial instruments	44,429	-	44,429	28,856	-	28,856
Financial assets at fair value through profit or loss	1,967,050	3,027,787	4,994,837	5,616,637	989,397	6,606,034
Financial assets at amortised cost - loans and advances to customers	59,528,597	30,356,536	89,885,133	44,362,946	25,195,956	69,558,902
Financial assets at amortised cost - debt and other instruments	12,679,396	11,194,982	23,874,378	25,497,239	7,800,150	33,297,389
Financial assets at fair value through other comprehensive income	11,101,357	12,252,553	23,353,910	16,941,282	3,317,540	20,258,822
Investments in real estate	12,000	34,225	46,225	12,000	52,478	64,478
Goodwill and intangible assets	-	1,941,454	1,941,454	-	1,541,836	1,541,836
Property, plant and equipment and Right of use assets	-	2,530,960	2,530,960	-	1,900,736	1,900,736
Deferred tax assets	-	654,579	654,579	-	975,965	975,965
Other assets	1,181,861	679,937	1,861,798	1,181,859	1,493,760	2,675,619
Total assets	92,668,394	62,925,827	155,594,221	103,727,742	43,604,047	147,331,789
Liabilities						
Due to Banks	5,049,854	3,166,004	8,215,859	1,800,531	1,641,588	3,442,119
Derivative financial instruments	22,162	-	22,162	56,769	-	56,769
Repurchased agreements	13,197,001	-	13,197,001	25,431,273	-	25,431,273
Financial liabilities at amortised cost - Due to customers	101,292,953	9,336,304	110,629,257	90,799,739	4,591,595	95,391,334
Financial liabilities at amortised cost - Other borrowed funds	91,128	316,000	407,128	-	-	-
Current tax liabilities	36,285	-	36,285	365,484	-	365,484
Other liabilities	1,787,223	1,090,478	2,877,701	1,609,961	1,428,406	3,038,367
Total liabilities	112,717,086	22,668,307	135,385,393	120,063,757	7,661,589	127,725,346
Maturity gap	(28,808,212)	49,017,038	20,208,828	(16,336,015)	35,942,458	19,606,443
Cumulative gap	(28,808,212)	20,208,826		(16,336,015)	19,606,443	

NOTES TO THE FINANCIAL STATEMENTS

53. RISK MANAGEMENT

53.1 Introduction

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities.

Effective capital and risk management is fundamental to the business activities of the Bank. It is managed in terms of regulatory capital. The enhanced minimum capital and liquidity requirements are defined under Pillar I of Basel II namely credit, market and operational risk are linked to regulatory capital, whilst other risks under Pillar II namely, concentration risk, reputation risk, strategic risk, compliance risk, interest rate risk in the Banking books, credit concentration risk and liquidity risk are linked to internal capital, which both put together is termed as economic capital.

The business risks such as changes in the environment, technology and industry are primarily addressed through the Bank's strategic planning process. Industry specific changes are also reviewed and presented on a need basis by the credit risk management unit and are tabled at the Executive Risk Management Committee.

53.1.1 Risk management structure

The Board of Directors is responsible for the overall capital and risk management approach and for approving the risk management strategies and principles.

A Board appointed supervisory committee called "Integrated Risk Management Committee (IRMC)" has the responsibility to monitor and oversee the overall risk process within the Bank.

The IRMC has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. IRMC is also responsible for managing risks and monitoring risk levels and reports on quarterly basis to the Board.

The Risk Management Department (RMD) is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with the IRMC to ensure that procedures are compliant with the overall framework.

The RMD is also responsible for monitoring compliance with risk principles, policies and limits across the Bank. This unit ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported on daily/ monthly/ quarterly basis, where necessary, to the IRMC or its sub committees, and the relevant actions are taken to address exceptions and any areas of weakness.

The Bank's policy is that risk management processes throughout the Bank are audited annually by the internal audit function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal audit discusses the results of all assessments with management, and reports its findings and recommendations to the Board Audit Committee.

53.1.2 Risk measurement and reporting systems

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors and Risk Committees. These reports include aggregate credit exposures, credit concentration, operational risk, market risk, liquidity ratios and stress tests. On a quarterly basis, detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis. The Board receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Bank.

All risk related policy/frameworks including a well documented Integrated Risk Management Framework are uploaded in the Bank's Intranet which are being viewed by all staff at all levels for a comprehensive understanding of the Bank's risk appetite and the overall risk management of the Bank.

Briefings are also given to other relevant members of the Bank on the utilisation of market limits, proprietary investments and liquidity, plus any other risk developments.

53. RISK MANAGEMENT (CONTD.)

53.1 Introduction (Contd.)

53.1.3 Risk mitigation

As part of its overall risk management, the Bank uses various processes and instruments to manage exposures resulting from credit risks, changes in interest rates, foreign currencies, equity risks, and exposures arising from transactions.

The Bank actively uses collateral to reduce its credit risks.

53.1.4 Excessive risk concentration

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines, including concentration limits to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

53.1.5 The impact of current economic outlook on the business/operations and risk management of the Bank

The economic situation in the country has shown signs of economic recovery from the latter of year 2023 with the gradual increase in economic activities under low interest rate and single digit inflationary regime. Despite these changes in the macroeconomic situation in the country, the Bank continued to manage the impairment provision on loans and advances by prudently.

A detailed assessment was carried out for individually significant customers and recognized considerable impairment allowances for customers with the potential risk of default. Key underlying assumptions such as the period of security realization etc were revised to reflect the current economic condition.

The Bank revisited the weightages assigned for the multiple economic scenarios under Economic Factor Adjustment (EFA) and further increased the weightage assigned to the worst-case-scenario in the immediate next two years and assumed a gradual decrease thereafter considering the stress in the current macro-economic condition. Further, macro-economic variables such as GDP growth, inflation rate, interest rate, exchange rate etc, used in the EFA model were also revised to reflect the most recent economic data.

The Bank continued to consider Construction as a Risk elevated industry and provide impairment allowances through a case-by-case analysis of such facilities.

53.2 Credit risk

Credit risk is the risk of financial loss for the Bank if a borrower or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and receivables to customers/other Banks and investments in debt securities. In addition to the credit risk from direct funding exposure, the Bank would also be exposed to indirect liabilities such as Letter of credit, guarantees, etc. which would carry credit risk.

The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counter parties and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of borrowers, including regular collateral revisions. Bank uses a risk rating process to rate the borrowers according to its risk profile. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

A structured and standardised credit approval process is in place including a procedure for credit appraisal and borrower risks rating. Credit authority lies with the Board of Directors, Board Credit Committee, Executive Credit Committee and members of the management as per the assigned limits on delegated credit authority. All credit facilities are required to be reviewed annually. Also Bank's borrower risk rating system forms an integral part of the evaluation of credit proposals and assists the approval authorities to assess the creditworthiness of the borrowers. Bank's systems for credit evaluation and decision making are independent from collateralisation albeit collateral helps to mitigate credit risk.

The Risk Management Department reviews credit facilities before and after sanctioning of facilities. Under pre-sanction evaluation, RMD independently reviews credit facilities. This independent review covers all new facilities or enhancements/renewals over an approved threshold and provides credit risk opinion/recommendation.

In the post sanctioning review of credit facilities, the Loans Review Manager (LRM) reviews among other things, the disbursements, perfection of collateral and repayments are in accordance with the terms of approval. A separate loan review policy approved by the Board of Directors is in place.

NOTES TO THE FINANCIAL STATEMENTS

53. RISK MANAGEMENT (CONTD.)

53.2 Credit risk (Contd.)

53.2.1 Impairment assessment

The methodology of the impairment assessment has explained in the Note 4.8 under summary of significant accounting policies.

53.2.1.1 Analysis of the total impairment for expected credit losses is as follows;

Bank

As at 31 December	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000

Financial assets at amortised cost -

Loans & advances	873,007	503,095	5,685,575	7,061,677	454,378	1,124,029	5,357,137	6,935,544
Contingent liabilities & commitments	118,672	1,563	764	120,999	101,583	26,652	1,149	129,384
Total	991,679	504,658	5,686,339	7,182,676	555,961	1,150,681	5,358,286	7,064,928

Group

As at 31 December	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000

Financial assets at amortised cost -

Loans & advances	956,860	547,156	6,447,178	7,951,194	532,272	1,200,700	6,143,318	7,876,290
Debt & other Instruments	-	-	-	-	-	-	-	-
Contingent liabilities & commitments	116,608	1,563	764	118,936	104,222	21,810	15,745	141,777
Total	1,073,468	548,719	6,447,942	8,070,130	636,494	1,222,510	6,159,063	8,018,067

53.2.1.2 Movement of the total allowance for expected credit losses during the period (This includes financial instruments at amortised cost and contingent liabilities and commitments).

	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Opening balance as at 1 January	7,064,928	5,575,078	8,018,067	6,612,217
Net charge for the year	138,008	1,637,732	162,569	1,725,515
Write-offs during the year	(20,261)	(147,882)	(110,506)	(319,665)
Balance as at 31 December	7,182,676	7,064,928	8,070,130	8,018,067

53. RISK MANAGEMENT (CONTD.)

53.2 Credit risk (Contd.)

53.2.1 Impairment assessment (Contd.)

53.2.1.3 Sensitivity analysis: impact of staging of loans on collective impairment

As explained in Note 4.7.1, the Bank/Group categorises its loans into stage 1, stage 2 and stage 3 when determining the collective impairment provision under SLFRS 9. The sensitivity of collective impairment provision to staging of the loans is given below:

If all loans and advances currently in stage 2, were moved to stage 1, the ECL provision of the Bank as at 31 December 2024 would have reduced by 3.1% (2023: 9.6%) for loans and advances.

If all loans and advances currently in stage 1, were moved to stage 2, the ECL provision of the Bank as at 31st December 2024 would have increased by 233.16% (2023: 149%) for loans and advances.*

* Total Composition of Stage 1 exposure is 71.22% out of the total exposure. The management believes that a movement of the entire stage 1 exposure to stage 2 is highly unlikely.

53.2.1.4 Sensitivity analysis: Impact on collective impairment (loans & advances, credit related commitment & contingencies) due to changes in forward looking information

A 1% change in the EFA for 2024 would have changed the collective impairment provision of the Bank as follows as at 31 December 2024.

Change in Economic Factor adjustment

	2024				
	Sensitivity effect on the Statement of Financial Position Increase / (Decrease) in Impairment Provision				Sensitivity effect on profit Increase / (Decrease)
	Stage 01	Stage 02	Stage 03	Total	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Increase of 1%	7,695	683	-	8,378	(8,378)
Decrease of 1%	(7,695)	(683)	-	(8,378)	8,378

	2023				
	Sensitivity effect on the Statement of Financial Position Increase / (Decrease) in Impairment Provision				Sensitivity effect on profit Increase / (Decrease)
	Stage 01	Stage 02	Stage 03	Total	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Increase of 1%	3,907	1,859	-	5,766	(5,766)
Decrease of 1%	(3,907)	(1,859)	-	(5,766)	5,766

NOTES TO THE FINANCIAL STATEMENTS

53. RISK MANAGEMENT (CONTD.)

53.2 Credit risk (Contd.)

53.2.2 Credit-related commitments risks

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure customer's liquidity needs. Letters of credit and guarantees commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods or contract financing. Such commitments risks are mitigated by collateral cover, regular review of unfunded limits and exposures similar to review of funded limits and exposures.

53.2.3 Analysis of risk concentration

The Group's concentrations of risk are managed by client/counterparty, by geographical region and by industry sector. Risk is monitored and managed against Board approved limits for industry sector and individual/group exposures.

The following table shows the risk concentration by industry for the components of the Statement of Financial Position;

BANK

As at 31 December	2024							
	Financial Services	Government	Consumer	Retail and Wholesale	Construction	Manu-facturing	Service	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial assets								
Cash and cash equivalents	3,736,158	-	-	-	-	-	-	3,736,158
Balances with Central Bank of Sri Lanka	-	375,596	-	-	-	-	-	375,596
Placements with Banks	1,135,072	-	-	-	-	-	-	1,135,072
Reverse repurchased agreements	562,470	-	-	-	-	-	-	562,470
Derivative financial instruments	44,429	-	-	-	-	-	-	44,429
Financial assets at fair value through profit or loss	500,130	4,384,380	-	-	-	-	-	4,884,509
Financial assets at amortised cost - loans and advances to customers	5,908,355	-	13,384,253	17,381,122	6,513,502	13,869,237	24,146,388	81,202,856
Financial assets at amortised cost - debt and other instruments	-	22,863,756	-	-	-	-	-	22,863,756
Financial assets at fair value through other comprehensive income	2,530	23,319,867	-	-	-	-	-	23,322,397
Other financial assets	-	-	-	-	-	-	36,493	36,493
Subtotal	11,889,144	50,943,599	13,384,253	17,381,122	6,513,502	13,869,237	24,182,882	138,163,737
Undrawn loan commitments	347,882	-	4,552,622	2,182,231	177,835	1,570,127	1,291,440	10,122,137
Guarantees	2,786,514	-	971,505	2,645,244	858,832	719,895	1,590,672	9,572,662
Letters of credit	-	-	-	1,267,416	65,120	2,136,603	133,032	3,602,171
Acceptances	-	-	1,326,937	510,376	6,456	236,602	26,709	2,107,080
Other contingent items	10,600,826	-	797,970	230,267	-	239,795	1,249	11,870,107
Subtotal	13,735,222	-	7,649,034	6,835,534	1,108,243	4,903,022	3,043,102	37,274,157
Total	25,624,366	50,943,599	21,033,287	24,216,656	7,621,745	18,772,259	27,225,984	175,437,894

53. RISK MANAGEMENT (CONTD.)

53.2 Credit risk (Contd.)

53.2.3 Analysis of risk concentration (Contd.)

BANK

As at 31 December	2023							
	Financial Services	Government	Consumer	Retail and Wholesale	Construction	Manu-facturing	Service	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial assets								
Cash and cash equivalents	3,181,546	-	-	-	-	-	-	3,181,546
Balances with Central Bank of Sri Lanka	-	484,876	-	-	-	-	-	484,876
Placements with Banks	3,618,819	-	-	-	-	-	-	3,618,819
Reverse repurchased agreements	2,824,326	165,122	205	-	-	-	-	2,989,653
Derivative financial instruments	28,856	-	-	-	-	-	-	28,856
Financial assets at fair value through profit or loss	3,604,565	2,891,295	-	-	-	-	-	6,495,860
Financial assets at amortised cost - loans and advances to customers	1,579,619	-	9,754,972	12,164,869	6,649,111	10,704,660	21,354,527	62,207,758
Financial assets at amortised cost - debt and other instruments	-	30,845,784	-	-	-	-	-	30,845,784
Financial assets at fair value through other comprehensive income	2,530	20,234,434	-	-	-	-	-	20,236,964
Other financial assets							62,869	62,869
Subtotal	14,840,261	54,621,511	9,755,177	12,164,869	6,649,111	10,704,660	21,417,396	130,152,985
Undrawn loan commitments	446,119	-	3,462,365	2,160,681	552,683	1,629,908	1,117,562	9,369,318
Guarantees	2,615,957	-	1,240,899	1,919,512	1,140,770	912,706	942,949	8,772,793
Letters of credit	-	-	-	793,305	479,078	814,443	262,685	2,349,511
Acceptances	-	-	2,506,001	568,597	124,733	287,139	-	3,486,470
Other contingent items	8,080,813	-	1,258,152	72,167	-	128,481	11,087	9,550,700
Subtotal	11,142,889	-	8,467,417	5,514,262	2,297,264	3,772,677	2,334,283	33,528,792
Total	25,983,150	54,621,511	18,222,595	17,679,131	8,946,375	14,477,337	23,751,679	163,681,777

NOTES TO THE FINANCIAL STATEMENTS

53. RISK MANAGEMENT (CONTD.)

53.2 Credit risk (Contd.)

53.2.3 Analysis of risk concentration (Contd.)

GROUP

As at 31 December	2024							
	Financial Services	Government	Consumer	Retail and Wholesale	Construction	Manu-facturing	Service	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial assets								
Cash and cash equivalents	4,333,380	-	-	-	-	-	-	4,333,380
Balances with Central Bank of Sri Lanka	-	375,596	-	-	-	-	-	375,596
Placements with Banks	1,135,072	-	-	-	-	-	-	1,135,072
Reverse repurchased agreements	562,470	-	-	-	-	-	-	562,470
Derivative financial instruments	44,429	-	-	-	-	-	-	44,429
Financial assets at fair value through profit or loss	610,457	4,384,380	-	-	-	-	-	4,994,837
Financial assets at amortised cost - loans and advances to customers	7,121,039	-	17,134,389	18,420,147	7,083,049	14,666,059	25,460,450	89,885,133
Financial assets at amortised cost - debt and other instruments	-	23,874,378	-	-	-	-	-	23,874,378
Financial assets at fair value through other comprehensive income	2,731	23,319,867	-	-	-	-	31,312	23,353,910
Other financial assets	14,592	-	-	-	-	-	43,549	58,141
Subtotal	13,824,129	51,954,180	17,134,348	18,420,106	7,083,008	14,666,018	25,535,270	148,617,305
Undrawn loan commitments	224,945	-	4,552,623	2,182,231	177,835	1,570,127	1,291,439	9,999,200
Guarantees	2,786,514	-	971,504	2,645,244	858,832	719,895	1,590,673	9,572,662
Letters of credit	-	-	-	1,267,416	65,120	2,136,603	133,032	3,602,171
Acceptances	-	-	1,326,937	510,376	6,456	236,602	26,709	2,107,080
Other contingent items	10,600,826	-	797,970	230,267	-	239,795	1,249	11,870,107
Subtotal	13,612,285	-	7,649,034	6,835,534	1,108,243	4,903,022	3,043,102	37,151,220
Total	27,436,414	51,954,180	24,783,382	25,255,640	8,191,251	19,569,040	28,578,372	185,768,525

53. RISK MANAGEMENT (CONTD.)

53.2 Credit risk (Contd.)

53.2.3 Analysis of risk concentration (Contd.)

GROUP

As at 31 December	2023							
	Financial Services	Government	Consumer	Retail and Wholesale	Construction	Manu-facturing	Service	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial assets								
Cash and cash equivalents	3,329,804	-	-	-	-	-	-	3,329,804
Balances with Central Bank of Sri Lanka	-	484,876	-	-	-	-	-	484,876
Placements with Banks	3,618,819	-	-	-	-	-	-	3,618,819
Reverse repurchased agreements	2,824,326	165,122	205	-	-	-	-	2,989,653
Derivative financial instruments	28,856	-	-	-	-	-	-	28,856
Financial assets at fair value through profit or loss	3,714,739	2,891,295	-	-	-	-	-	6,606,034
Financial assets at amortised cost - loans and advances to customers	2,752,738	-	12,883,523	13,188,831	7,006,823	11,226,542	22,500,445	69,558,902
Financial assets at amortised cost - debt and other instruments	-	33,297,389	-	-	-	-	-	33,297,389
Financial assets at fair value through other comprehensive income	2,731	20,234,434	-	-	-	-	21,657	20,258,822
Other financial assets	-	-	-	-	-	-	82,104	82,104
Subtotal	16,272,013	57,073,116	12,883,728	13,188,831	7,006,823	11,226,542	22,604,206	140,255,259
Undrawn loan commitments	332,565	-	3,462,692	2,202,051	552,683	1,635,343	1,144,615	9,329,949
Guarantees	2,615,957	-	1,240,899	1,919,512	1,140,770	912,706	942,948	8,772,792
Letters of credit	-	-	-	793,305	479,078	814,443	262,685	2,349,511
Acceptances	-	-	2,506,001	568,597	124,733	287,139	-	3,486,470
Other contingent items	8,080,813	-	1,258,152	72,167	-	128,481	11,087	9,550,700
Subtotal	11,029,335	-	8,467,744	5,555,632	2,297,264	3,788,112	2,361,335	33,489,422
Total	27,301,348	57,073,116	21,351,472	18,744,463	9,304,087	15,004,654	24,965,541	173,744,681

53.2.4 Credit quality per segments, industry and asset classes

Credit risk exposure analysis

The below tables summaries the quantitative summary of aggregate credit risk exposures of financial assets at fair value through other comprehensive income and financial assets at amortised cost that reconciles to the Statement of Financial Position.

The disclosures also includes credit risk likely to arise from off- balance sheet commitments by category;

NOTES TO THE FINANCIAL STATEMENTS

53. RISK MANAGEMENT (CONTD.)

53.2 Credit risk (Contd.)

53.2.4 Credit quality per segments, industry and asset classes (Contd.)

As at 31 December	2024							
	BANK				GROUP			
	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
By portfolio								
Placements with Banks	1,135,072	-	-	1,135,072	1,135,072	-	-	1,135,072
Reverse repurchased agreements	562,470	-	-	562,470	562,470	-	-	562,470
Derivative financial instruments	44,429	-	-	44,429	44,429	-	-	44,429
Financial investments at fair value through profit or loss	4,884,509	-	-	4,884,509	4,994,837	-	-	4,994,837
Loans and advances	61,991,584	7,137,655	12,073,617	81,202,856	68,344,634	8,421,775	13,118,724	89,885,133
Term loans	37,957,725	5,577,192	10,447,976	53,982,893	40,691,636	6,001,655	11,050,291	57,743,582
Overdrafts	7,221,462	581,082	395,504	8,198,048	7,221,463	581,082	395,504	8,198,049
Trade finance	9,231,834	858,584	817,802	10,908,220	9,231,834	858,584	817,802	10,908,220
Lease and hire purchase	1,085,108	-	59,967	1,145,075	3,235,389	735,001	479,468	4,449,858
Factoring	241,110	25,816	21,713	288,639	241,110	25,816	37,804	304,730
Credit cards	3,105,290	92,218	322,321	3,519,829	3,105,290	92,218	322,321	3,519,829
Other	3,149,055	2,763	8,334	3,160,152	4,617,912	127,419	15,534	4,760,865
Financial assets at amortised cost - debt and other instruments	22,863,756	-	-	22,863,756	23,874,378	-	-	23,874,378
Financial assets at fair value through other comprehensive income	23,322,397	-	-	23,322,397	23,353,910	-	-	23,353,910
Other financial assets	36,493	-	-	36,493	58,141	-	-	58,141
Subtotal	114,840,710	7,137,655	12,073,617	134,051,982	122,367,871	8,421,775	13,118,724	143,908,370
Undrawn loan commitments	10,113,033	9,104	-	10,122,137	9,990,096	9,104	-	9,999,200
Guarantees	9,308,233	108,561	155,867	9,572,661	9,308,233	108,561	155,867	9,572,661
Letters of credit	3,602,171	-	-	3,602,171	3,602,171	-	-	3,602,171
Acceptances	2,107,081	-	-	2,107,081	2,107,081	-	-	2,107,081
Other contingent items	11,870,107	-	-	11,870,107	11,870,107	-	-	11,870,107
Subtotal	37,000,625	117,665	155,867	37,274,157	36,877,688	117,665	155,867	37,151,220
Total	151,841,335	7,255,320	12,229,484	171,326,139	159,245,559	8,539,440	13,274,591	181,059,590
By industry segment								
Construction	5,594,651	1,088,888	938,209	7,621,748	5,917,175	1,157,763	1,116,357	8,191,295
Consumer	18,809,453	520,929	1,813,039	21,143,421	21,478,722	1,128,411	2,286,424	24,893,557
Financial services	21,730,668	46,627	779	21,778,074	22,858,243	80,613	39,495	22,978,351
Manufacturing	17,122,754	283,418	1,352,129	18,758,301	17,606,564	462,006	1,486,552	19,555,122
Service	19,424,729	3,047,797	5,278,653	27,751,179	20,559,770	3,218,107	5,340,325	29,118,202
Wholesale & retail trade	18,591,076	2,267,661	2,846,675	23,705,412	19,246,459	2,492,540	3,005,438	24,744,437
Government	50,568,004	-	-	50,568,004	51,578,626	-	-	51,578,626
Total	151,841,335	7,255,320	12,229,484	171,326,139	159,245,559	8,539,440	13,274,591	181,059,590
By province								
Central	1,794,552	127,952	291,951	2,214,455	2,503,135	323,982	354,014	3,181,131
Eastern	633,383	33,722	14,622	681,727	777,308	63,471	39,660	880,439
North Central	460,554	152,431	156,348	769,333	1,001,613	258,000	192,342	1,451,955
North Western	3,224,246	128,335	397,841	3,750,422	3,435,132	194,252	481,930	4,111,314
Northern	1,762,033	41,655	32,048	1,835,736	1,762,033	41,655	32,048	1,835,736
Sabaragamuwa	1,452,264	20,945	489,591	1,962,800	2,004,299	208,316	536,782	2,749,397
Southern	2,900,816	263,914	451,420	3,616,150	4,266,890	560,540	597,735	5,425,165
Uva	514,629	26,452	130,163	671,244	514,629	26,452	130,163	671,244
Western	137,961,478	6,459,914	7,735,245	152,156,637	141,843,140	6,862,772	8,379,662	157,085,574
Outside Sri Lanka	1,137,380	-	2,530,255	3,667,635	1,137,380	-	2,530,255	3,667,635
Total	151,841,335	7,255,320	12,229,484	171,326,139	159,245,559	8,539,440	13,274,591	181,059,590

53. RISK MANAGEMENT (CONTD.)

53.2 Credit risk (Contd.)

53.2.4 Credit quality per segments, industry and asset classes (Contd.)

As at 31 December	2023							
	BANK				GROUP			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
By portfolio								
Placements with Banks	3,618,819	-	-	3,618,819	3,618,819	-	-	3,618,819
Reverse repurchased agreements	2,989,653	-	-	2,989,653	2,989,653	-	-	2,989,653
Financial assets at amortised cost								
-Loans and advances to customers	39,793,489	12,580,080	9,834,189	62,207,758	43,947,597	14,079,187	11,532,118	69,558,902
Term loans	21,728,413	11,356,620	8,248,656	41,333,689	23,851,392	11,889,429	9,182,436	44,923,257
Overdrafts	6,477,251	846,662	375,218	7,699,132	6,477,251	846,662	375,218	7,699,132
Trade finance	7,200,071	74,404	888,754	8,163,228	7,200,071	74,404	888,754	8,163,228
Lease and hire-purchase	-	63,038	7,171	70,209	1,191,055	880,361	650,106	2,721,522
Factoring	30,185	33,616	21,195	84,996	30,185	36,252	60,112	126,548
Pawning & gold loans	577,170	3,976	2,271	583,417	1,386,719	144,395	84,567	1,615,681
Credit cards	2,681,233	201,764	290,925	3,173,922	2,681,233	201,764	290,925	3,173,922
Staff loans	1,099,167	-	-	1,099,167	1,129,691	5,921	-	1,135,612
Financial assets at amortised cost - debt and other instruments	30,845,784	-	-	30,845,784	33,297,388	-	-	33,297,388
Financial assets at fair value through other comprehensive income	20,236,964	-	-	20,236,964	20,258,822	-	-	20,258,822
Other financial assets	62,869	-	-	62,869	82,104			82,104
Subtotal	97,547,578	12,580,080	9,834,189	119,961,848	104,194,384	14,079,187	11,532,118	129,805,689
Undrawn loan commitments	9,162,390	206,929	-	9,369,319	9,089,870	212,027	28,050	9,329,948
Guarantees	8,583,678	33,088	156,025	8,772,790	8,583,678	33,088	156,025	8,772,790
Letters of credit	2,349,511	-	-	2,349,511	2,349,511	-	-	2,349,511
Acceptances	3,005,540	370,554	110,376	3,486,470	3,005,540	370,554	110,376	3,486,470
Other contingent items	9,550,701	-	-	9,550,701	9,550,701	-	-	9,550,701
Subtotal	32,651,820	610,571	266,401	33,528,792	32,579,300	615,669	294,451	33,489,421
Total	130,199,398	13,190,652	10,100,590	153,490,640	136,773,684	14,694,856	11,826,569	163,295,109
By industry segment								
Construction	6,157,186	1,818,080	971,110	8,946,375	6,250,540	1,896,104	1,157,444	9,304,087
Consumer	14,794,408	1,342,025	2,086,164	18,222,595	16,635,973	2,075,044	2,640,457	21,351,472
Financial services	18,443,181	889,301	824	19,333,307	19,456,256	909,299	27,517	20,393,073
Manufacturing	12,588,019	235,059	1,654,259	14,477,337	12,770,697	344,911	1,889,045	15,004,654
Service	15,497,563	5,266,685	2,987,427	23,751,679	16,130,774	5,574,661	3,260,101	24,965,541
Wholesale & retail trade	11,638,824	3,639,502	2,400,807	17,679,131	11,997,622	3,894,837	2,852,005	18,744,463
Government	51,080,218	-	-	51,080,218	53,531,822	-	-	53,531,822
Total	130,199,398	13,190,652	10,100,590	153,490,640	136,773,684	14,694,856	11,826,569	163,295,109
By province								
Central	1,219,554	166,778	311,865	1,698,197	1,605,852	387,281	453,513	2,446,646
Eastern	327,240	3,729	15,764	346,733	426,975	51,456	47,027	525,459
North Central	273,814	58,113	234,327	566,254	532,756	174,955	324,329	1,032,040
North Western	2,101,786	227,871	462,238	2,791,895	2,343,627	308,512	563,007	3,215,146
Northern	1,192,674	49,627	40,032	1,282,333	1,192,674	49,627	40,032	1,282,333
Sabaragamuwa	955,645	112,100	466,338	1,534,083	1,223,507	212,471	532,331	1,968,309
Southern	2,030,091	334,926	550,001	2,915,018	2,658,190	668,541	787,196	4,113,928
Uva	226,530	20,815	138,103	385,448	226,530	20,815	138,103	385,448
Western	118,253,245	9,427,956	7,881,922	135,563,123	122,944,754	10,032,461	8,941,031	141,918,246
Outside Sri Lanka	3,618,819	2,788,737	-	6,407,556	3,618,819	2,788,737		6,407,556
Total	130,199,398	13,190,652	10,100,590	153,490,640	136,773,684	14,694,857	11,826,569	163,295,109

NOTES TO THE FINANCIAL STATEMENTS

53. RISK MANAGEMENT (CONTD.)

53.2 Credit risk (Contd.)

53.2.5 Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities
- For commercial lending, charges over real estate properties, inventory and trade receivables, etc.
- For retail lending, mortgages over residential properties, etc.

The Bank also obtains guarantees from parent companies for loans to their subsidiaries. Management monitors the market value of collateral, and will request additional collateral in accordance with the underlying agreement.

It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

The Bank also makes use of netting agreements with borrowers with whom a significant volume of transactions are undertaken. Although on Statement of Financial Position netting arrangements may significantly reduce credit risk, it should be noted that Credit risk is eliminated only to the extent that amounts due to the same borrower will be settled after the assets are realised that the documentation are legally enforceable.

The tables on the following pages show the maximum exposure to credit risk by class of financial assets. They also show the total fair value of collateral, any surplus collateral and the net exposure to credit risk.

53.2.5.1 Maximum and net exposure to credit risk by class of financial assets

BANK

As at 31 December	2024											
	Value of collateral and credit enhancements held											
	Maximum Exposure to Credit Risk	Documentary Bills (Excluding Export Bills Purchased)	Stocks, Bonds, Debentures, Life Policies	Fixed, Savings and Other Deposits	Foreign Currency Deposits	Stock in Trade	Immovable Property Plant and Machinery	Leasing and Hire Purchase Agreements	Movable Property	Trust Certificates, Other Securities	Gold	Net Exposure
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Placements with Banks	1,135,072	-	-	-	-	-	-	-	-	-	-	1,135,072
Reverse repurchased agreements	562,470	-	-	-	-	-	-	-	-	562,470	-	-
Derivative financial instruments	44,429	-	-	-	-	-	-	-	-	-	-	44,429
Financial assets at fair value through profit or loss	4,884,509	-	-	-	-	-	-	-	-	-	-	4,884,509
Financial assets at amortised cost - loans and advances to customers	88,264,533	11,157,220	132,807	8,940,939	1,359,318	4,387,499	23,709,898	1,197,339	742,668	3,668,446	2,117,924	30,850,475
Financial assets at amortised cost - debt and other instruments	22,863,756	-	-	-	-	-	-	-	-	-	-	22,863,756
Financial assets at fair value through other comprehensive income	23,322,397	-	-	-	-	-	-	-	-	-	-	23,322,397
Other financial assets	36,493	-	-	-	-	-	-	-	-	-	-	36,493
Total financial assets	141,113,659	11,157,220	132,807	8,940,939	1,359,318	4,387,499	23,709,898	1,197,339	742,668	4,230,916	2,117,924	83,137,131

53. RISK MANAGEMENT (CONTD.)

53.2 Credit risk (Contd.)

53.2.5 Collateral and other credit enhancements (Contd.)

53.2.5.1 Maximum and net exposure to credit risk by class of financial assets (Contd.)

BANK

As at 31 December	2023											
	Value of collateral and credit enhancements held											
	Maximum Exposure to Credit Risk	Documentary Bills (Excluding Export Bills Purchased)	Stocks, Bonds, Debentures, Life Policies	Fixed, Savings and Other Deposits	Foreign Currency Deposits	Stock in Trade	Immovable Property Plant and Machinery	Leasing and Hire Purchase Agreements	Movable Property	Trust Certificates, Other Securities	Gold	Net Exposure
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Placements with Banks	3,618,819	-	-	-	-	-	-	-	-	-	-	3,618,819
Reverse repurchased agreements	2,989,653	-	-	-	-	-	-	-	-	2,989,653	-	-
Derivative financial instruments	28,856	-	-	-	-	-	-	-	-	-	-	28,856
Financial assets at fair value through profit or loss	6,495,860	-	-	-	-	-	-	-	-	-	-	6,495,860
Financial assets at amortised cost - loans and advances to customers	69,143,302	8,312,523	32,201	7,383,830	154,556	1,076,352	20,192,066	140,445	805,037	4,345,410	584,675	26,116,206
Financial assets at amortised cost - debt and other instruments	30,845,784	-	-	-	-	-	-	-	-	-	-	30,845,784
Financial assets at fair value through other comprehensive income	20,236,964	-	-	-	-	-	-	-	-	-	-	20,236,964
Other financial assets	62,869	-	-	-	-	-	-	-	-	-	-	62,869
Total financial assets	133,422,107	8,312,523	32,201	7,383,830	154,556	1,076,352	20,192,066	140,445	805,037	7,335,063	584,675	87,405,358

GROUP

As at 31 December	2024											
	Value of collateral and credit enhancements held											
	Maximum Exposure to Credit Risk	Documentary Bills (Excluding Export Bills Purchased)	Stocks, Bonds, Debentures, Life Policies	Fixed, Savings and Other Deposits	Foreign Currency Deposits	Stock in Trade	Immovable Property Plant and Machinery	Leasing and Hire Purchase Agreements	Movable Property	Trust Certificates, Other Securities	Gold	Net Exposure
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Placements with Banks	1,135,072	-	-	-	-	-	-	-	-	-	-	1,135,072
Reverse repurchased agreements	562,470	-	-	-	-	-	-	-	-	562,470	-	-
Derivative financial instruments	44,429	-	-	-	-	-	-	-	-	-	-	44,429
Financial assets at fair value through profit or loss	4,994,837	-	-	-	-	110,328	-	-	-	-	-	4,884,509
Financial assets at amortised cost - loans and advances to customers	97,836,327	11,157,220	132,807	10,108,224	1,359,318	4,387,499	23,711,428	4,859,678	3,038,846	4,504,712	3,706,909	30,869,686
Financial assets at amortised cost - debt and other instruments	23,874,378	-	-	-	-	-	-	-	-	-	-	23,874,378
Financial assets at fair value through other comprehensive income	23,353,910	-	-	-	-	-	-	-	-	-	-	23,353,910
Other financial assets	58,141	-	-	-	-	-	-	-	-	-	-	58,141
Total financial assets	151,859,564	11,157,220	132,807	10,108,224	1,359,318	4,497,827	23,711,428	4,859,678	3,038,846	5,067,182	3,706,909	84,220,125

NOTES TO THE FINANCIAL STATEMENTS

53. RISK MANAGEMENT (CONTD.)

53.2 Credit risk (Contd.)

53.2.5 Collateral and other credit enhancements (Contd.)

53.2.5.1 Maximum and net exposure to credit risk by class of financial assets (Contd.)

GROUP

As at 31 December	2023												
	Value of collateral and credit enhancements held												
	Maximum Exposure to Credit Risk	Documentary Bills (Excluding Export Bills Purchased)	Stocks, Bonds, Debentures, Life Policies	Fixed, Savings and Other Deposits	Foreign Currency Deposits	Stock in Trade	Immovable Property Plant and Machinery	Leasing and Hire Purchase Agreements	Movable Property	Trust Certificates, Other Securities	Gold	Net Exposure	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Placements with Banks	3,618,819	-	-	-	-	-	-	-	-	-	-	-	3,618,819
Reverse repurchased agreements	2,989,653	-	-	-	-	-	-	-	-	2,989,653	-	-	-
Derivative financial instruments	28,856	-	-	-	-	-	-	-	-	-	-	-	28,856
Financial assets at fair value through profit or loss	6,606,034	-	-	-	-	110,174	-	-	-	-	-	-	6,495,860
Financial assets at amortised cost - loans and advances to customers	77,435,192	8,312,523	32,201	8,271,997	154,556	1,076,352	20,193,559	3,159,483	2,726,543	5,297,055	1,636,818	-	26,574,105
Financial assets at amortised cost - debt and other instruments	33,297,389	-	-	-	-	-	-	-	-	-	-	-	33,297,389
Financial assets at fair value through other comprehensive income	20,258,822	-	-	-	-	-	-	-	-	-	-	-	20,258,822
Other financial assets	82,104	-	-	-	-	-	-	-	-	-	-	-	82,104
Total financial assets	144,316,869	8,312,523	32,201	8,271,997	154,556	1,186,526	20,193,559	3,159,483	2,726,543	8,286,708	1,636,818	90,355,955	

There are no changes to the collateral policies or quality of the collaterals held. Further the Bank does not provide impairment for loans secured by cashbacked collaterals, staff loans secured by terminal benefits and financial assets designated as fair value through other comprehensive income, where investments are made in Government securities.

53. RISK MANAGEMENT (CONTD.)

53.2 Credit risk (Contd.)

53.2.5 Collateral and other credit enhancements (Contd.)

53.2.5.2 Collateral and other credit enhancements

The table below summarises the Bank's collateral for loans and advances to customers by stage classification;

As at 31 December	2024											
	Gross Carrying Amount				Collateral				Net Exposure			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000

BANK

Term loans	38,559,108	6,030,775	14,614,743	59,204,626	21,540,338	5,408,002	8,879,845	35,828,185	17,018,770	622,773	5,734,898	23,376,441
Overdrafts	7,284,861	594,339	1,444,860	9,324,060	5,100,895	366,313	566,707	6,033,915	2,183,966	228,026	878,153	3,290,145
Trade finance	9,407,633	871,449	878,138	11,157,220	9,407,633	871,449	878,138	11,157,220	-	-	-	-
Lease and hire purchase	1,093,926	-	103,413	1,197,339	1,093,926	-	103,413	1,197,339	-	-	-	-
Factoring	251,528	27,380	123,592	402,501	210,302	19,307	46,691	276,300	41,226	8,073	76,901	126,200
Pawning	2,111,817	2,763	3,345	2,117,924	2,111,817	2,763	3,345	2,117,925	-	-	-	-
Credit cards	3,118,269	114,044	586,114	3,818,427	64,568	997	6,169	71,734	3,053,701	113,047	579,945	3,746,693
Staff loans	1,037,447	-	4,989	1,042,436	726,456	-	4,984	731,440	310,991	-	5	310,996
Grand total	62,864,589	7,640,750	17,759,194	88,264,533	40,255,935	6,668,831	10,489,292	57,414,058	22,608,654	971,919	7,269,902	30,850,475

GROUP

Term loans	41,323,162	6,474,090	15,446,580	63,243,831	24,528,069	5,819,787	9,656,907	40,004,763	16,795,093	654,303	5,789,673	23,239,069
Overdrafts	7,284,861	594,339	1,444,860	9,324,060	5,100,895	366,313	566,707	6,033,915	2,183,966	228,026	878,153	3,290,145
Trade finance	9,407,633	871,449	878,138	11,157,220	9,407,633	871,449	878,138	11,157,220	-	-	-	-
Lease and hire purchase	3,286,530	754,154	840,399	4,881,083	3,286,530	754,154	820,524	4,861,208	-	-	19,875	19,875
Factoring	251,528	27,380	353,754	632,663	210,302	19,307	155,553	385,162	41,226	8,073	198,201	247,500
Pawning & gold loans	3,564,972	131,554	10,384	3,706,909	3,564,972	131,554	10,384	3,706,910	-	-	-	-
Credit cards	3,118,269	114,044	586,114	3,818,427	64,568	997	6,169	71,734	3,053,701	113,047	579,945	3,746,693
Staff loans	1,064,537	1,921	5,675	1,072,134	738,859	1,453	5,417	745,729	325,678	468	258	326,404
Grand total	69,301,492	8,968,931	19,565,904	97,836,327	46,901,828	7,965,014	12,099,799	66,966,641	22,399,664	1,003,917	7,466,105	30,869,686

NOTES TO THE FINANCIAL STATEMENTS

53. RISK MANAGEMENT (CONTD.)

53.2 Credit risk (Contd.)

53.2.5 Collateral and other credit enhancements (Contd.)

53.2.5.2 Collateral and other credit enhancements (Contd.)

As at 31 December	2023											
	Gross Carrying Amount				Collateral				Net Exposure			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000

BANK

Term loans	21,998,219	12,350,659	12,086,023	46,434,901	10,466,729	7,508,152	9,359,245	27,334,126	11,531,490	4,842,507	2,726,778	9,100,775
Overdrafts	6,538,975	902,539	1,459,699	8,901,213	4,375,563	561,723	737,911	5,675,196	2,163,412	340,816	721,788	3,226,017
Trade finance	7,299,171	77,070	936,282	8,312,523	7,299,171	77,070	936,282	8,312,523	-	-	-	-
Lease and hire purchase	-	83,942	56,503	140,445	-	83,942	56,503	140,445	-	-	-	-
Factoring	31,808	36,288	121,564	189,660	10,425	8,895	44,828	64,148	21,383	27,393	76,736	125,511
Pawning	578,398	3,976	2,301	584,675	578,398	3,976	2,301	584,675	-	-	-	-
Credit cards	2,702,128	249,636	528,955	3,480,719	80,234	1,672	5,763	87,668	2,621,894	247,964	523,192	3,393,049
Staff loans	1,099,166	-	-	1,099,166	828,313	-	-	828,313	270,853	-	-	270,853
Grand total	40,247,865	13,704,110	15,191,327	69,143,302	23,638,833	8,245,430	11,142,833	43,027,096	16,609,032	5,458,680	4,048,494	26,116,206

GROUP

Term loans	24,157,232	12,919,216	13,284,315	50,360,763	12,403,478	8,071,439	10,496,693	30,971,610	11,753,754	4,847,777	2,787,620	19,389,153
Overdrafts	6,538,975	902,539	1,459,699	8,901,213	4,375,563	561,723	737,910	5,675,196	2,163,412	340,816	721,788	3,226,017
Trade finance	7,299,171	77,070	936,282	8,312,523	7,299,171	77,070	936,282	8,312,523	-	-	-	-
Lease and hire purchase	1,223,696	934,092	1,024,481	3,182,269	1,220,184	934,092	1,006,701	3,160,977	3,513	-	17,780	21,292
Factoring	31,808	39,417	352,635	423,860	10,425	8,895	153,651	172,971	21,383	30,522	198,984	250,889
Pawning & gold loans	1,396,341	151,785	89,070	1,637,196	1,396,341	151,774	88,703	1,636,818	-	11	367	378
Credit cards	2,702,128	249,636	528,955	3,480,719	80,234	1,672	5,763	87,669	2,621,894	247,965	523,193	3,393,050
Staff loans	1,130,517	6,132	-	1,136,649	841,840	1,483	-	843,323	288,677	4,649	-	293,326
Grand total	44,479,868	15,279,887	17,675,437	77,435,192	27,627,236	9,808,148	13,425,706	50,861,090	16,852,633	5,471,740	4,249,732	26,574,105

53. RISK MANAGEMENT (CONTD.)

53.2 Credit risk (Contd.)

53.2.6 Concentration by location

Concentration by location for loans and advances is measured based on the location of the customer centre that granted the facility, which has a high correlation with the location of the borrower except for loans granted by the Foreign Currency Banking Unit (FCBU). Concentration of loans and advances by location is given below.

BANK

As at 31 December	2024		2023	
	LKR '000	%	LKR '000	%
Central	1,890,617	2%	1,400,327	2%
Eastern	635,563	1%	316,896	1%
North Central	702,932	1%	507,438	1%
North Western	3,279,230	4%	2,326,436	4%
Northern	1,647,559	2%	1,107,211	2%
Sabaragamuwa	1,699,671	2%	1,145,816	2%
Southern	2,927,616	4%	2,142,445	3%
Uva	537,076	1%	330,625	1%
Western	67,882,592	84%	52,930,564	85%
Total	81,202,856	100%	62,207,758	100%

GROUP

As at 31 December	2024		2023	
	LKR '000	%	LKR '000	%
Central	2,857,293	3%	2,148,776	3%
Eastern	834,274	1%	495,621	1%
North Central	1,385,555	2%	973,224	1%
North Western	3,640,121	4%	2,749,687	4%
Northern	1,647,559	2%	1,107,211	2%
Sabaragamuwa	2,486,269	3%	1,580,044	2%
Southern	4,736,632	5%	3,341,070	5%
Uva	537,076	1%	330,625	0%
Western	71,760,355	80%	56,832,644	82%
Total	89,885,133	100%	69,558,902	100%

NOTES TO THE FINANCIAL STATEMENTS

53. RISK MANAGEMENT (CONTD.)

53.2 Credit risk (Contd.)

53.2.7 Stage wise movement of loans and advances and contingent liabilities and commitments

53.2.7.1 Stage wise movement of gross carrying values of loans and advances

	BANK				GROUP			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
Gross carrying amount 1 January 2024	40,247,865	13,704,110	15,191,327	69,143,302	44,479,867	15,279,887	17,675,438	77,435,192
Current status of new assets originated	51,344,386	2,327,051	107,475	53,778,911	56,306,196	3,068,372	185,634	59,560,202
Assets derecognised	(26,362,522)	(3,778,662)	(142,310)	(30,283,494)	(28,975,593)	(4,810,602)	(1,046,119)	(34,832,314)
Transfers to Stage 1	2,042,755	(1,884,844)	(157,911)	-	2,244,607	(2,072,839)	(171,768)	-
Transfers to Stage 2	(714,740)	904,082	(189,342)	-	(984,502)	1,212,060	(227,558)	-
Transfers to Stage 3	(217,208)	(3,118,001)	3,335,209	-	(378,081)	(3,195,825)	3,573,906	-
Amounts written off	-	-	(20,259)	(20,259)	-	-	(110,506)	(110,506)
Other adjustments*	(3,475,947)	(512,986)	(364,995)	(4,353,927)	(3,391,002)	(512,122)	(313,123)	(4,216,247)
Gross carrying amount 31 December 2024	62,864,589	7,640,750	17,759,194	88,264,533	69,301,492	8,968,931	19,565,904	97,836,327

	BANK				GROUP			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
Gross carrying amount 1 January 2023	49,348,264	12,309,587	11,152,641	72,810,492	53,814,842	13,982,142	14,406,121	82,203,105
Current status of new assets originated	25,887,563	5,473,331	1,222,102	32,582,996	28,573,754	5,866,076	1,391,321	35,831,151
Assets derecognised	(23,523,455)	(5,362,947)	(1,303,895)	(30,190,297)	(26,248,435)	(5,958,968)	(2,304,614)	(34,512,017)
Transfers to Stage 1	281,997	(247,867)	(34,130)	-	589,653	(423,922)	(165,731)	-
Transfers to Stage 2	(5,570,046)	5,764,751	(194,705)	-	(5,999,080)	6,360,829	(361,749)	-
Transfers to Stage 3	(1,126,385)	(3,298,810)	4,425,195	-	(1,295,754)	(3,614,446)	4,910,200	-
Amounts written off	-	-	(147,882)	(147,882)	-	-	(319,665)	(319,665)
Other adjustments*	(5,050,073)	(933,935)	72,001	(5,912,007)	(4,955,112)	(931,824)	119,554	(5,767,382)
Gross carrying amount 31 December 2023	40,247,865	13,704,110	15,191,327	69,143,302	44,479,868	15,279,887	17,675,437	77,435,192

* This includes the effect of interest accrual utilisation, repayments as well as movement in foreign exchange rates.

53. RISK MANAGEMENT (CONTD.)

53.2 Credit risk (Contd.)

53.2.7 Stage wise movement of loans and advances and contingent liabilities and commitments (Contd.)

53.2.7.2 Stage wise movement of impairment for loans and advances

	BANK				GROUP			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
As at 1 January 2024	454,378	1,124,029	5,357,137	6,935,544	532,272	1,200,700	6,143,318	7,876,290
Current stage of new assets originated	677,476	205,214	6,150	888,840	743,896	232,649	207,698	1,184,243
Assets derecognised or repaid	(254,026)	(512,071)	(229,469)	(995,566)	(301,130)	(573,575)	(377,247)	(1,251,952)
Effect of remeasurement/ additional impairment	(178,951)	213,611	218,458	253,118	(178,953)	213,611	218,461	253,119
Transfers to Stage 1	190,559	(161,287)	(29,272)	-	173,180	(152,772)	(20,408)	-
Transfers to Stage 2	(12,877)	66,464	(53,587)	-	(9,123)	58,432	(49,309)	-
Transfers to Stage 3	(3,552)	(432,865)	436,417	-	(3,282)	(431,889)	435,171	-
Amounts written off	-	-	(20,259)	(20,259)	-	-	(110,506)	(110,506)
As at 31 December 2024	873,007	503,095	5,685,575	7,061,677	956,860	547,156	6,447,178	7,951,194

	BANK				GROUP			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
As at 1 January 2023	564,018	760,997	3,758,834	5,083,849	684,488	924,066	4,491,433	6,099,987
Current stage of new assets originated	269,880	639,124	41,572	950,576	312,670	655,641	128,497	1,096,808
Assets derecognised or repaid	(209,021)	179,616	(377,780)	(407,185)	(283,194)	86,530	(618,896)	(815,560)
Effect of remeasurement/ additional impairment	(111,743)	99,952	1,467,977	1,456,186	(111,126)	104,785	1,821,061	1,814,720
Transfers to Stage 1	66,575	(37,391)	(29,184)	-	42,043	(21,909)	(20,134)	-
Transfers to Stage 2	(90,640)	124,236	(33,596)	-	(85,932)	86,918	(986)	-
Transfers to Stage 3	(34,691)	(642,505)	677,196	-	(26,677)	(635,331)	662,008	-
Amounts written off	-	-	(147,882)	(147,882)	-	-	(319,665)	(319,665)
As at 31 December 2023	454,378	1,124,029	5,357,137	6,935,544	532,272	1,200,700	6,143,318	7,876,290

There are no contractual amount outstanding on financial assets that have been written off during the year and that is still subject to enforcement activity (2023 : Nil).

NOTES TO THE FINANCIAL STATEMENTS

53. RISK MANAGEMENT (CONTD.)

53.2 Credit risk (Contd.)

53.2.7 Stage wise movement of loans and advances and contingent liabilities and commitments (Contd.)

53.2.7.3 Stage wise movement of gross carrying values of credit related contingent Liabilities and commitments

	BANK				GROUP			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
Gross carrying amount 1								
January 2024	23,121,722	637,223	267,550	24,026,495	23,168,501	520,821	310,198	23,999,520
Current status of New assets originated	15,180,923	70,225	-	15,251,148	15,180,923	70,225	-	15,251,148
Assets de-recognised	(13,879,698)	(442,454)	(98,503)	(14,420,655)	(14,011,481)	(378,467)	(141,151)	(14,531,099)
Transfers to Stage 1	150,837	(140,900)	(9,937)	-	150,837	(140,900)	(9,937)	-
Transfers to Stage 2	(190,834)	193,313	(2,479)	-	(190,835)	193,314	(2,479)	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
Other Adjustments*	(513,770)	(198,182)	-	(711,952)	(553,765)	(145,768)	-	(699,533)
Gross carrying amount 31								
December 2024	23,869,180	119,225	156,631	24,145,036	23,744,180	119,225	156,631	24,020,036

	BANK				GROUP			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
Gross carrying amount 1								
January 2023	27,621,786	1,548,729	195,106	29,365,621	27,546,796	1,564,231	232,894	29,343,921
Current status of New assets originated	13,413,749	349,810	95,958	13,859,517	13,413,749	349,810	95,958	13,859,517
Assets de-recognised	(17,461,256)	(1,450,068)	(117,698)	(19,029,022)	(17,497,776)	(1,461,465)	(143,968)	(19,103,209)
Transfers to Stage 1	108,617	(103,709)	(4,908)	-	105,709	(102,887)	(2,822)	-
Transfers to Stage 2	(273,823)	274,461	(638)	-	(148,823)	148,353	471	-
Transfers to Stage 3	(99,243)	-	99,243	-	(99,243)	12	99,231	-
Other Adjustments*	(188,108)	18,000	487	(169,621)	(151,911)	22,767	28,434	(100,710)
Gross carrying amount 31								
December 2023	23,121,722	637,223	267,550	24,026,495	23,168,501	520,821	310,198	23,999,520

*This includes the effect of subsequent utilization or settlements as well as movement in foreign exchange rates.
The amount presented above are only related undrawn credit facilities subject to impairment

53. RISK MANAGEMENT (CONTD.)

53.2 Credit risk (Contd.)

53.2.7 Stage wise movement of loans and advances and contingent liabilities and commitments (Contd.)

53.2.7.4 Stage wise movement of impairment values of credit related contingent Liabilities and commitments

	BANK				GROUP			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
As at 1 January 2024	101,583	26,652	1,149	129,384	104,222	21,810	15,745	141,777
Current status of New assets originated	62,462	260	-	62,722	62,462	260	-	62,722
Assets de-recognised	(44,587)	(10,590)	(543)	(55,720)	(47,226)	(14,088)	(15,139)	(76,453)
Effect of remeasurement/ additional impairment	(16,618)	1,073	158	(15,387)	(18,682)	9,414	158	(9,110)
Transfers to Stage 1	15,931	(15,931)	-	-	15,931	(15,931)	-	-
Transfers to Stage 2	(99)	99	-	-	(99)	99	-	-
Transfers to Stage 3	-	-	-	-	-	-	-	-
As at 31 December 2024	118,672	1,563	764	120,999	116,608	1,563	764	118,936

	BANK				GROUP			
	Stage1	Stage2	Stage3	Total	Stage1	Stage2	Stage3	Total
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
As at 1 January 2023	177,946	81,315	9,243	268,504	181,485	86,054	21,965	289,504
Current status of New assets originated	48,251	3,854	384	52,489	48,251	3,854	384	52,489
Assets de-recognised	(118,603)	(74,347)	(6,910)	(199,860)	(122,042)	(77,964)	(15,351)	(215,357)
Effect of remeasurement/ additional impairment	14,458	(4,264)	(1,943)	8,251	15,874	(8,673)	7,940	15,141
Transfers to Stage 1	1,496	(1,486)	(10)	-	1,298	(1,481)	183	-
Transfers to Stage 2	(21,479)	21,580	(101)	-	(20,158)	20,020	138	-
Transfers to Stage 3	(486)	-	486	-	(486)	-	486	-
As at 31 December 2023	101,583	26,652	1,149	129,384	104,222	21,810	15,745	141,777

NOTES TO THE FINANCIAL STATEMENTS

53. RISK MANAGEMENT (CONTD.)

53.3 Liquidity risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Hence, the Bank may be unable to meet its payment obligations when they fall due under both normal and stressed circumstances. It is managed by Assets and Liability Committee (ALCO) using various statistical analysis using both current and stressed scenarios. To limit this risk, the management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity consistently through ALCO. The Bank has developed internal control processes and contingency funding plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains portfolio of highly-marketable and diverse assets assumed to be easily liquidated in the event of an unforeseen interruption of expected cash flows. Further, the Bank has committed lines of credit that could be utilised to meet liquidity needs. Also, the Bank maintained a statutory deposit with the Central Bank of Sri Lanka equivalent to of customer rupee deposits. Liquid assets consists of cash, short term placements and liquid debt securities available for immediate sale.

Management has considered different possible outcomes to assess the possible impact from the current economic outlook to the Bank's operations and forecasted cash flows. The Management is of the view that the negative impacts would not pose any additional stress on the Bank's ability to maintain its liquidity ratios which is well above the regulatory requirements. The Bank has increased its liquidity buffers on a prudent basis and maintained a strong excess liquidity position.

53.3.1 Liquidity risk management

Liquidity measurement is measured through stock and flow approaches.

- (a) **Stock approach** – Under the stock approach, liquidity is measured in terms of key ratios which portray the liquidity stored in the Statement of Financial Position.
- (b) **Flow approach** – Banks should prepare a statement of maturities of assets and liabilities placing all cash inflows and outflows in the time bands according to the residual time to maturity.

Liquid assets ratio	BANK	
	2024	2023

Liquidity Coverage Ratio (%) (Minimum Requirement : 100%)

- Rupee (%)	565.9%	795.4%
- All Currency (%)	486.6%	787.7%
Net Stable Funding Ratio (%) - (Minimum Requirement : 100%)	136.0%	110.7%

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023

Advances to deposits ratio

Year end	85.1%	78.6%	88.4%	81.2%
Maximum	86.0%	81.1%	89.4%	83.6%
Minimum	80.9%	75.9%	83.6%	80.2%
Average	84.4%	78.1%	87.5%	81.3%

Net loans to assets

Year end	55.2%	44.7%	57.8%	47.2%
Maximum	55.2%	53.0%	57.8%	56.2%
Minimum	51.8%	44.7%	54.4%	47.2%
Average	53.0%	48.7%	55.6%	51.4%

53. RISK MANAGEMENT (CONTD.)

53.3 Liquidity risk (Contd.)

53.3.2 Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities as at 31 December. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayments on the earliest date it could be required to pay and the table does not reflect the expected cash flows indicated by its deposit retention history.

BANK

As at 31 December	2024					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000

Financial assets

Cash and cash equivalents	3,736,158	-	-	-	-	3,736,158
Balances with the Central Bank of Sri Lanka	375,596	-	-	-	-	375,596
Placements with Banks	-	1,135,072	-	-	-	1,135,072
Reverse repurchased agreements	-	562,470	-	-	-	562,470
Derivative Financial Instruments	-	44,429	-	-	-	44,429
Financial assets at fair value through profit or loss	-	1,285,881	1,349,054	2,651,234	-	5,286,169
Financial assets at amortised cost - loans and advances	9,511,076	48,408,693	12,113,984	19,406,858	15,924,145	105,364,756
Financial assets at amortised cost - debt and other instruments	-	6,254,978	6,795,729	11,095,909	2,310,552	26,457,168
Financial assets at fair value through other comprehensive income	-	3,582,465	8,844,843	14,709,826	10,169	27,147,303
Other Financial assets	-	27,252	290	8,601	349	36,492
Total undiscounted financial assets	13,622,830	61,301,240	29,103,900	47,872,428	18,245,215	170,145,613

Financial liabilities

Due to Banks	39	3,423,970	1,861,125	641,335	2,603,010	8,529,440
Derivative financial instruments	-	22,162	-	-	-	22,162
Repurchased agreements	-	14,476,130	16,673	-	-	14,492,803
Financial liabilities at amortised cost - Due to customers	23,766,928	49,541,594	37,891,018	9,482,943	7,030	120,689,513
Other financial liabilities	-	386,544	236,210	453,333	316,290	1,392,377
Total undiscounted financial liabilities	23,766,967	67,850,400	40,005,026	10,577,611	2,926,330	145,126,334

NOTES TO THE FINANCIAL STATEMENTS

53. RISK MANAGEMENT (CONTD.)

53.3 Liquidity risk (Contd.)

53.3.2 Analysis of financial assets and liabilities by remaining contractual maturities (Contd.)

BANK

As at 31 December	2023					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000

Financial assets

Cash and cash equivalents	3,181,546	-	-	-	-	3,181,546
Balances with the Central Bank of Sri Lanka	-	74,324	74,323	224,153	112,076	484,876
Placements with Banks	-	3,618,819	-	-	-	3,618,819
Reverse repurchased agreements	2,166,771	823,728	-	-	-	2,990,499
Derivative Financial Instruments	-	24,658	4,198	-	-	28,856
Financial assets at fair value through profit or loss	3,604,565	1,261,951	994,227	1,197,955	-	7,058,698
Financial assets at amortised cost - loans and advances	12,571,592	22,479,975	12,223,778	17,999,412	13,121,734	78,396,491
Financial assets at amortised cost - debt and other instruments	-	10,463,456	14,752,903	7,567,802	4,176,991	36,961,152
Financial assets at fair value through other comprehensive income	-	10,391,250	8,576,436	3,754,606	163,819	22,886,111
Other Financial assets	-	46,951	500	14,818	600	62,869
Total undiscounted financial assets	21,524,474	49,185,112	36,626,365	30,758,746	17,575,220	155,669,917

Financial liabilities

Due to Banks	22,019	310,543	1,461,761	177,968	1,463,621	3,435,912
Derivative financial instruments	-	56,769	-	-	-	56,769
Repurchased agreements	-	32,790,947	502	-	-	32,791,449
Financial liabilities at amortised cost - Due to customers	24,692,986	38,318,808	26,001,388	3,060,065	-	92,073,247
Other financial liabilities	-	561,387	148,735	562,817	266,823	1,539,762
Total undiscounted financial liabilities	24,715,005	72,038,454	27,612,386	3,800,850	1,730,444	129,897,139

53. RISK MANAGEMENT (CONTD.)

53.3 Liquidity risk (Contd.)

53.3.2 Analysis of financial assets and liabilities by remaining contractual maturities (Contd.)

GROUP

As at 31 December	2024					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000

Financial assets

Cash and cash equivalents	4,333,380	-	-	-	-	4,333,380
Balances with Central Bank of Sri Lanka	375,596	-	-	-	-	375,596
Placements with Banks	-	1,135,072	-	-	-	1,135,072
Reverse repurchased agreements	-	562,470	-	-	-	562,470
Derivative financial instruments	-	44,429	-	-	-	44,429
Financial assets at fair value through profit or loss	-	1,286,307	1,349,054	2,827,787	-	5,463,148
Financial assets at amortised cost - loans and advances to customers	9,511,076	50,988,551	16,740,393	20,406,858	17,924,145	115,571,023
Financial assets at amortised cost - debt and other instruments	-	6,347,537	6,932,201	11,095,909	2,310,552	26,686,199
Financial assets at fair value through other comprehensive income	-	3,696,622	8,905,134	14,912,431	40,478	27,554,665
Other financial assets	-	28,952	9,290	18,601	1,298	58,141
Total undiscounted financial assets	14,220,052	64,089,940	33,936,072	42,261,586	20,276,473	181,784,123

Financial liabilities

Due to Banks	39	3,511,182	1,959,135	799,995	2,603,010	8,873,361
Derivative financial instruments	-	22,162	-	-	-	22,162
Repurchased agreements	-	14,797,727	-	-	-	14,797,727
Financial liabilities at amortised cost - Due to customers	23,766,928	55,920,582	42,613,236	10,530,199	7,030	132,837,975
Financial liabilities at amortised cost - Other borrowed funds	-	128	96,735	323,821	-	420,684
Financial liabilities at amortised cost - Other borrowed funds	-	386,544	248,165	453,333	709,215	1,797,257
Total undiscounted financial liabilities	23,766,967	74,638,325	44,917,271	12,107,348	3,319,255	158,749,166

NOTES TO THE FINANCIAL STATEMENTS

53. RISK MANAGEMENT (CONTD.)

53.3 Liquidity risk (Contd.)

53.3.2 Analysis of financial assets and liabilities by remaining contractual maturities (Contd.)

GROUP

As at 31 December	2023					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000

Financial assets

Cash and cash equivalents	3,329,804	-	-	-	-	3,329,804
Balances with Central Bank of Sri Lanka	-	74,324	74,323	224,153	112,076	484,876
Placements with Banks	-	3,618,819	-	-	-	3,618,819
Reverse repurchased agreements	2,166,771	823,728	-	-	-	2,990,499
Derivative financial instruments	-	24,658	4,198	-	-	28,856
Financial assets at fair value through profit or loss	3,714,740	1,261,951	994,227	1,197,955	-	7,168,873
Financial assets at amortised cost - loans and advances to customers	12,571,592	26,558,441	14,118,882	22,036,781	13,191,157	88,476,853
Financial assets at amortised cost - debt and other instruments	-	11,586,050	16,081,913	7,567,802	4,176,991	39,412,756
Financial assets at fair value through other comprehensive income	-	10,391,250	8,576,436	3,754,606	185,677	22,907,969
Other financial assets	-	63,121	1,332	15,988	1,663	82,104
Total undiscounted financial assets	21,782,907	54,402,342	39,851,311	34,797,285	17,667,564	168,501,409

Financial liabilities

Due to Banks	88,316	310,543	1,461,761	177,968	1,463,621	3,502,209
Derivative financial instruments	-	56,769	-	-	-	56,769
Repurchased agreements	-	32,790,947	502	-	-	32,791,449
Financial liabilities at amortised cost - Due to customers	24,662,650	40,967,039	29,519,458	5,849,909	-	100,999,056
Financial liabilities at amortised cost - Other borrowed funds	-	-	-	-	-	-
Other financial liabilities	-	656,266	207,083	616,812	369,687	1,849,848
Total undiscounted financial liabilities	24,750,966	74,781,564	31,188,804	6,644,689	1,833,308	139,199,331

53. RISK MANAGEMENT (CONTD.)

53.3 Liquidity risk (Contd.)

53.3.3 Contractual maturities of contingent liabilities and commitments

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

BANK

As at 31 December	2024					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Commitments						
Undrawn overdraft	6,442,875	-	-	-	-	6,442,875
Commitments for unutilised facilities	3,759,617	-	-	-	-	3,759,617
Total	10,202,492	-	-	-	-	10,202,492
Contingent Liabilities						
Acceptances	2,107,374	-	-	-	-	2,107,374
Guarantees	2,166,471	3,683,826	3,483,356	242,726	-	9,576,379
Documentary credit	106,858	3,525,165	6,780	-	-	3,638,804
Forward contracts	-	10,290,065	-	-	-	10,290,065
Spot contracts	-	54,689	-	-	-	54,689
Forward bonds	-	216,302	-	-	-	216,302
Other contingent items	1,175,727	78,222	55,103	-	-	1,309,051
Total	5,556,430	17,848,269	3,545,239	242,726	-	27,192,664
Total commitments and contingent liabilities	15,758,922	17,848,269	3,545,239	242,726	-	37,395,156

BANK

As at 31 December	2023					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Commitments						
Undrawn overdraft	5,914,340	-	-	-	-	5,914,340
Commitments for unutilised facilities	3,559,847	-	-	-	-	3,559,847
Total	9,474,187	-	-	-	-	9,474,187
Contingent Liabilities						
Acceptances	3,488,830	-	-	-	-	3,488,830
Guarantees	1,918,031	2,761,234	3,697,351	399,868	-	8,776,484
Documentary credit	398,358	1,535,139	434,477	-	-	2,367,974
Forward contracts	3,605,090	3,451,193	62,708	-	-	7,118,991
Spot contracts	499,129	-	-	-	-	499,129
Forward bonds	440,537	-	-	-	-	440,537
Other contingent items	1,376,329	112,215	3,500	-	-	1,492,044
Total	11,726,304	7,859,781	4,198,036	399,868	-	24,183,989
Total commitments and contingent liabilities	21,200,491	7,859,781	4,198,036	399,868	-	33,658,176

NOTES TO THE FINANCIAL STATEMENTS

53. RISK MANAGEMENT (CONTD.)

53.3 Liquidity risk (Contd.)

53.3.3 Contractual maturities of contingent liabilities and commitments (Contd.)

GROUP

As at 31 December	2024					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Commitments						
Undrawn overdrafts	6,317,874	-	-	-	-	6,317,874
Commitments for other unutilised facilities	3,759,618	-	-	-	-	3,759,618
Total	10,077,492	-	-	-	-	10,077,492
Contingent liabilities						
Acceptances	2,107,374	-	-	-	-	2,107,374
Guarantees	2,166,473	3,683,824	3,483,356	242,726	-	9,576,379
Documentary credit	106,858	3,525,165	6,780	-	-	3,638,803
Forward contracts	-	10,290,065	-	-	-	10,290,065
Spot contracts	-	54,689	-	-	-	54,689
Forward bonds	-	216,302	-	-	-	216,302
Other contingent items	1,175,727	78,222	55,103	-	-	1,309,052
Total	5,556,432	17,848,267	3,545,239	242,726	-	27,192,664
Total commitments and contingent liabilities	15,633,924	17,848,267	3,545,239	242,726	-	37,270,156

GROUP

As at 31 December	2023					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Commitments						
Undrawn overdrafts	5,887,362	-	-	-	-	5,887,362
Commitments for other unutilised facilities	3,559,848	-	-	-	-	3,559,848
Total	9,447,210	-	-	-	-	9,447,210
Contingent liabilities						
Acceptances	3,488,830	-	-	-	-	3,488,830
Guarantees	1,918,031	2,761,234	3,697,351	399,868	-	8,776,484
Documentary credit	398,358	1,535,139	434,477	-	-	2,367,974
Forward contracts	3,605,090	3,451,193	62,708	-	-	7,118,991
Spot contracts	499,129	-	-	-	-	499,129
Forward bonds	440,537	-	-	-	-	440,537
Other contingent items	1,376,329	112,215	3,500	-	-	1,492,044
Total	11,726,304	7,859,781	4,198,036	399,868	-	24,183,989
Total commitments and contingent liabilities	21,173,514	7,859,781	4,198,036	399,868	-	33,631,199

53. RISK MANAGEMENT (CONTD.)

53.4 Market risk

Market risk is defined as the risk of losses in on or off balance sheet positions arising from movements in market price. The market risk comprises of interest rate risk, foreign exchange risk, equity price risk and commodity price risk. Other risks such as volatility risk and basis risk are integral parts of these risk types. The Bank classifies exposures to market risk into either trading or non trading portfolios and manages each of those portfolios separately. The market risk for the trading portfolio is marked to market on a daily basis. Non-trading positions are managed and monitored using other sensitivity analyses on a monthly basis.

53.4.1 Market risk – trading (including financial assets and financial liabilities designated at fair value through profit or loss)

The trading book is marked to market on a daily basis by the Treasury Mid Office (TMO) which is independent from Treasury front office and reports to the Chief Risk Officer. Various Board approved limits pertaining to market risk are also monitored on a daily basis by the TMO.

53.4.2 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments impacting the Statement of Profit or Loss and the economic value of equity. The Board has established limits on the non-trading interest rate gaps for stipulated periods.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for a year. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

53.4.2.1 Interest rate sensitivity analysis

The following table demonstrates the sensitivity of the Bank's profit before tax to reasonable possible changes in interest rate with all other variables held constant.

2024	Increase/(Decrease) in basis points	BANK	GROUP
		Sensitivity of effect on Profit/(Loss) and equity - LKR	Sensitivity of effect on Profit/(Loss) and equity - LKR
Rate sensitive assets	100 / (100)	695 Mn / (695 Mn)	744 Mn / (744 Mn)
Rate sensitive liabilities	100 / (100)	(847 Mn) / 847 Mn	(895 Mn) / 895 Mn
Net effect		(152 Mn) / 152 Mn	(152 Mn) / 152 Mn

2023	Increase/(Decrease) in basis points	BANK	GROUP
		Sensitivity of effect on Profit/(Loss) and equity - LKR	Sensitivity of effect on Profit/(Loss) and equity - LKR
Rate sensitive assets	100 / (100)	812 Mn / (812 Mn)	863 Mn / (863 Mn)
Rate sensitive liabilities	100 / (100)	(849 Mn) / 849 Mn	(874 Mn) / 874 Mn
Net effect		(37Mn) / 37Mn	(11 Mn) / 11 Mn

NOTES TO THE FINANCIAL STATEMENTS

53. RISK MANAGEMENT (CONTD.)

53.4 Market risk (Contd.)

53.4.2 Interest rate risk (Contd.)

53.4.2.2 Interest rate risk exposure

The table below analyses the Bank's interest rate risk exposure on financial assets and financial liabilities. The Bank's financial assets and financial liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

BANK

As at 31 December	2024					
	Carrying Amount	Interest Sensitive				Non Interest Sensitive
		Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	
		LKR '000	LKR '000	LKR '000	LKR '000	
Financial assets						
Cash and cash equivalents	3,736,158	-	-	-	-	3,736,158
Balances with Central Bank of Sri Lanka	375,596	-	-	-	-	375,596
Placements with Banks	1,135,072	1,135,072	-	-	-	-
Reverse repurchased agreements	562,470	562,470	-	-	-	-
Derivative financial instruments	44,429	-	-	-	-	44,429
Financial assets at fair value through profit or loss	4,884,509	727,522	1,239,528	2,417,330	-	500,129
Financial assets at amortised cost - loans and advances to customers	81,202,856	44,375,374	10,868,455	15,219,266	10,739,761	-
Financial assets at amortised cost - debt and other instruments	22,863,756	5,795,476	5,873,298	10,158,581	1,036,401	-
Financial assets at fair value through other comprehensive income	23,322,397	3,196,396	7,904,961	12,212,075	6,435	2,530
Other financial assets	36,493	-	-	-	-	36,493
Total	138,163,736	55,792,310	25,886,242	40,007,252	11,782,597	4,695,335
Financial liabilities						
Due to Banks	7,996,693	3,291,491	1,682,598	552,072	2,470,532	-
Derivative financial instruments	22,162	-	-	-	-	22,162
Repurchased agreements	13,197,001	13,197,001	-	-	-	-
Financial liabilities at amortised cost - Due to customers	103,740,584	61,070,495	27,690,470	6,980,483	6,332	7,992,804
Other financial liabilities	1,375,702	-	-	-	-	1,375,702
Total	126,332,142	77,558,987	29,373,068	7,532,555	2,476,864	9,390,668
Interest rate sensitivity gap		(21,766,677)	(3,486,826)	32,474,697	9,305,733	

53. RISK MANAGEMENT (CONTD.)

53.4 Market risk (Contd.)

53.4.2 Interest rate risk (Contd.)

53.4.2.2 Interest rate risk exposure (Contd.)

BANK

As at 31 December	2023					
	Carrying Amount	Interest Sensitive				Non Interest Sensitive
		Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000

Financial assets

Cash and cash equivalents	3,181,546	-	-	-	-	3,181,546
Balances with Central Bank of Sri Lanka	484,876	-	-	-	-	484,876
Placements with Banks	3,618,819	3,618,819	-	-	-	-
Reverse repurchased agreements	2,989,653	2,989,653	-	-	-	-
Derivative financial instruments	28,856	-	-	-	-	28,856
Financial assets at fair value through profit or loss	6,495,860	5,506,464	-	989,396	-	-
Financial assets at amortised cost - loans and advances to customers	62,207,758	29,982,572	9,833,235	14,585,391	7,806,560	-
Financial assets at amortised cost - debt and other instruments	30,845,784	9,886,388	13,159,246	6,413,115	1,387,035	-
Financial assets at fair value through other comprehensive income	20,236,964	9,743,008	7,198,274	3,198,575	94,577	2,530
Other financial assets	62,869	-	-	-	-	62,869
Total	130,152,985	61,726,904	30,190,755	25,186,477	9,288,172	3,760,677

Financial liabilities

Due to Banks	3,375,823	330,039	1,404,196	177,967	1,463,621	-
Derivative financial instruments	56,769	-	-	-	-	56,769
Repurchased agreements	25,431,273	25,431,273	-	-	-	-
Financial liabilities at amortised cost - Due to customers	87,984,721	62,571,647	23,598,133	1,814,941	-	-
Other financial liabilities	1,539,762	-	-	-	-	1,539,762
Total	118,388,348	88,332,959	25,002,329	1,992,908	1,463,621	1,596,531
Interest rate sensitivity gap		(26,606,055)	5,188,426	23,193,569	7,824,551	

NOTES TO THE FINANCIAL STATEMENTS

53. RISK MANAGEMENT (CONTD.)

53.4 Market risk (Contd.)

53.4.2 Interest rate risk (Contd.)

53.4.2.2 Interest rate risk exposure (Contd.)

GROUP

As at 31 December	2024					
	Carrying Amount	Interest Sensitive				Non Interest Sensitive
		Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial assets						
Cash and cash equivalents	4,333,380	-	-	-	-	4,333,380
Balances with Central Bank of Sri Lanka	375,596	-	-	-	-	375,596
Placements with Banks	1,135,072	1,135,072	-	-	-	-
Reverse repurchased agreements	562,470	562,470	-	-	-	-
Derivative financial instruments	44,429	-	-	-	-	44,429
Financial assets at fair value through profit or loss	4,994,837	727,522	1,239,528	2,417,330	-	610,457
Financial assets at amortised cost - loans and advances to customers	89,885,133	46,988,326	12,540,268	19,591,954	10,764,585	-
Financial assets at amortised cost - debt and other instruments	23,874,378	6,147,420	6,531,975	10,158,581	1,036,402	-
Financial assets at fair value through other comprehensive income	23,353,910	3,196,396	7,904,961	12,212,075	6,435	34,043
Other financial assets	58,141	-	-	-	-	58,141
Total	148,617,346	58,757,206	28,216,732	44,379,940	11,807,422	5,456,046
Financial liabilities						
Due to Banks	8,215,859	3,311,006	1,738,848	689,572	2,470,532	5,901
Derivative financial instruments	22,162	-	-	-	-	22,162
Repurchased agreements	13,197,001	13,197,001	-	-	-	-
Financial liabilities at amortised cost - Due to customers	110,629,257	62,187,589	31,113,076	9,329,972	6,332	7,992,288
Financial liabilities at amortised cost - Other borrowed funds	407,128	128	91,000	316,000	-	-
Other financial liabilities	1,797,256	-	11,954	-	-	1,785,302
Total	134,268,663	78,695,724	32,954,878	10,335,544	2,476,864	9,805,653
Interest rate sensitivity gap		(19,938,518)	(4,738,146)	34,044,396	9,330,558	

53. RISK MANAGEMENT (CONTD.)

53.4 Market risk (Contd.)

53.4.2 Interest rate risk (Contd.)

53.4.2.2 Interest rate risk exposure (Contd.)

GROUP

As at 31 December	2023					
	Carrying Amount	Interest Sensitive				Non Interest Sensitive
		Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Financial assets						
Cash and cash equivalents	3,329,804	-	-	-	-	3,329,804
Balances with Central Bank of Sri Lanka	484,876	-	-	-	-	484,876
Placements with Banks	3,618,819	3,618,819	-	-	-	-
Reverse repurchased agreements	2,989,653	2,989,653	-	-	-	-
Derivative financial instruments	28,856	-	-	-	-	28,856
Financial assets at fair value through profit or loss	6,606,034	5,616,638	-	989,396	-	-
Financial assets at amortised cost - loans and advances to customers	69,558,902	33,228,252	11,134,694	17,353,126	7,842,830	-
Financial assets at amortised cost - debt and other instruments	33,297,389	9,886,389	15,610,850	6,413,115	1,387,035	-
Financial assets at fair value through other comprehensive income	20,258,822	9,743,008	7,198,274	3,198,575	94,577	24,388
Other financial assets	82,104	-	-	-	-	82,104
Total	140,255,259	65,082,759	33,943,818	27,954,212	9,324,442	3,950,028
Financial liabilities						
Due to Banks	3,442,119	396,335	1,404,196	177,968	1,463,620	-
Repurchased agreements	56,769	-	-	-	-	56,769
Financial liabilities at amortised cost - Due to customers	25,431,273	25,431,273	-	-	-	-
Financial liabilities at amortised cost - Other borrowed funds	95,391,334	62,571,647	28,228,092	4,591,595	-	-
Other financial liabilities	1,849,848	-	-	-	-	1,849,848
Total	126,171,343	88,399,255	29,632,288	4,769,563	1,463,620	1,906,617
Interest rate sensitivity gap		(23,316,496)	4,311,530	23,184,649	7,860,822	

NOTES TO THE FINANCIAL STATEMENTS

53. RISK MANAGEMENT (CONTD.)

53.4 Market risk (Contd.)

53.4.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on positions by currency. In accordance with the Bank's policy, positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained with established limits.

The below tables show the currencies to which the Bank had significant exposures as at 31 December 2024 and 2023 and the impact on gain/losses if the market exchange rates increase/decrease by 5%. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Sri Lanka Rupee, with all other variables held constant on the Statement of Profit or Loss and equity.

BANK

As at 31 December	2024		2023	
Foreign exchange position	Net Overall Long	Net Overall Short	Net Overall Long	Net Overall Short
	LKR '000	LKR '000	LKR '000	LKR '000
Currency				
AED	-	-	6,174	-
AUD	-	(1,868)	-	(2,860)
EUR	9,832	-	-	-
GBP	7,666	-	2,871	-
JPY	6,720	-	-	-
SGD	2,918	-	1,340	-
USD	-	(1,748,471)	-	(151,241)
Main Currency Total	27,136	(1,750,339)	10,385	(154,101)
Other Currencies	1,846	(92)	4,491	(3)
Grand Total	28,982	(1,750,431)	14,876	(154,104)
Net Total		(1,721,449)		(139,228)

BANK

Impact on Statement of Profit or Loss due to Exchange Rate Shocks	2024		2023	
	Net Open Position LKR '000	Impact on Statement of Profit or Loss for the year ended 31 December LKR '000	Net Open Position LKR '000	Impact on Statement of Profit or Loss for the year ended 31 December LKR '000
5%	(1,807,521)	(86,072)	(146,189)	(6,961)
10%	(1,893,594)	(172,145)	(153,150)	(13,923)
(5%)	(1,635,377)	86,072	(132,266)	6,961
(10%)	(1,549,304)	172,145	(125,305)	13,923

53. RISK MANAGEMENT (CONTD.)

53.5 Equity price risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. The exposure to equity price risk by the Group is immaterial.

53.6 Country risk

Country risk is the risk that an occurrence within the country could have an adverse effect on the Group directly by impairing the value of the Group or indirectly through an obligor's inability to meet its obligations to the Group.

Generally these occurrences relate, but are not limited to sovereign events as defaults or restructuring; political events such as contested elections, restrictions on currency movements, non-market currency convertibility, regional currency conflicts, economic contagion from other events such as sovereign default issues or regional turmoil, Banking and currency crisis and natural disasters.

53.6.1 Geographical analysis

BANK & GROUP

As at 31 December	2024					
	Asia	Europe	America	Australia	Middle East	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balances with foreign Banks	46,816	103,698	236,343	19,888	-	406,745
Placements with Banks	375,847	759,225	-	-	-	1,135,072
Financial assets at amortised cost - loans and advances to customers	2,530,255	-	-	-	-	2,530,255
Total	2,952,918	862,923	236,343	19,888	-	4,072,072

BANK & GROUP

As at 31 December	2023					
	Asia	Europe	America	Australia	Middle East	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balances with foreign Banks	42,104	310,457	331,189	18,154	4,558	706,462
Placements with Banks	-	422,455	3,196,363	-	-	3,618,819
Financial assets at amortised cost - loans and advances to customers	2,788,737	-	-	-	-	2,788,737
Total	2,830,841	732,913	3,527,552	18,154	4,558	7,114,018

Except for the above, the Bank does not carry any other financial asset or financial liability outside Sri Lanka.

NOTES TO THE FINANCIAL STATEMENTS

54. CAPITAL

The Bank maintains adequate capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the local banking supervisor, Central Bank of Sri Lanka. The adequacy of the Bank's capital is monitored using the rules and ratio established by the Basel Committee on Banking Supervision.

54.1 Capital management

The Bank manages its equity capital in line with the regulatory requirements.

The Bank's capital management objectives can be summarised as follows;

- Maintain sufficient capital to meet minimum regulatory capital requirements.
- Hold sufficient capital to support the Bank's risk appetite over and above the minimum regulatory requirements.
- Provide additional capital to business segment of the Bank to achieve the overall strategic objectives.

54.2 Regulatory capital

The Central Bank of Sri Lanka (CBSL) sets and monitors capital requirements for licensed commercial Banks in Sri Lanka based on the BASEL framework. Accordingly, commercial Banks in Sri Lanka need to maintain minimum capital adequacy ratios as specified in the CBSL guidelines. The Bank is well above the minimum requirements.

As per the letter from the Governor of CBSL dated 23rd May 2022, the Bank was required to comply with the enhanced capital requirement of LKR 20 Bn by the end of 2023. As per the letter from the Director of Bank Supervision of CBSL dated 13th December 2024, the Bank was provided an extension till 31 December 2025 to comply with the enhanced capital requirement.

BANK

As at 31 December	2024		2023	
	Actual	Required	Actual	Required
Common Equity Tier 1 (CET1) Capital (LKR '000)	14,775,811	N/A	14,543,447	N/A
Tier 1 Capital (LKR '000)	14,775,811	N/A	14,543,447	N/A
Total Capital (LKR '000)	15,742,925	N/A	15,374,697	N/A
Risk Weighted Assets (LKR '000)	94,670,047	N/A	84,402,833	N/A
Common Equity Tier 1 Capital Ratio (%)	15.6%	7.0%	17.2%	7.0%
Tier 1 Capital Ratio (%)	15.6%	8.5%	17.2%	8.5%
Total Capital Ratio (%)	16.6%	12.5%	18.2%	12.5%

GROUP

As at 31 December	2024		2023	
	Actual	Required	Actual	Required
Common Equity Tier 1 (CET1) Capital (LKR '000)	17,100,703	N/A	16,573,039	N/A
Tier 1 Capital (LKR '000)	17,100,703	N/A	16,573,039	N/A
Total Capital (LKR '000)	18,132,523	N/A	17,462,251	N/A
Risk Weighted Assets (LKR '000)	101,371,429	N/A	90,592,063	N/A
Common Equity Tier 1 Capital Ratio (%)	16.9%	7.0%	18.3%	7.0%
Tier 1 Capital Ratio (%)	16.9%	8.5%	18.3%	8.5%
Total Capital Ratio (%)	17.9%	12.5%	19.3%	12.5%

55. RECLASSIFICATION OF COMPARATIVE INFORMATION

The comparative information is reclassified to conform to the current year's classification in order to provide a better presentation.

	BANK			GROUP		
	Balance Before Reclassification	Reclassification	Balance After Reclassification	Balance Before Reclassification	Reclassification	Balance After Reclassification
	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000	LKR'000
Net fair value gains/ (losses) from financial instruments at fair value through profit or loss	237,059	(181,216)	55,843	237,059	(181,216)	55,843
Net gains/(losses) from derecognition of financial investments	-	456,200	456,200	-	456,907	456,907
Net gains/(losses) from financial assets at fair value through other comprehensive income	274,984	(274,984)	-	275,691	(275,691)	-

56. SELECTED PERFORMANCE INDICATORS / KEY FINANCIAL DATA

	2024	2023
Regulatory Capital Adequacy (LKR in Millions)		
Common Equity Tier 1	14,776	14,543
Tier 1 Capital	14,776	14,543
Total Regulatory Capital	15,743	15,375
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital (%) (Minimum Requirement : 7%)	15.6%	17.2%
Tier 1 Capital Ratio (%) (Minimum Requirement : 8.5%)	15.6%	17.2%
Total Capital Ratio (%) (Minimum Requirement : 12.5%)	16.6%	18.2%
Basel III Leverage Ratio (Minimum Requirement : 3%)	8.3%	8.4%
Regulatory Liquidity Requirement		
Liquidity Coverage Ratio (%) (Minimum Requirement : 100%)		
- Rupee (%)	565.9%	795.4%
- All Currency (%)	486.6%	787.7%
Net Stable Funding Ratio (%) - (Minimum Requirement : 100%)	136.0%	110.7%
Assets Quality		
Impaired Loans (Stage 3) to Total Loans, Ratio (%)	12.3%	12.5%
Impairment (Stage 3) to Stage 3 Loans, Ratio (%)	32.0%	35.3%
Income & Profitability		
Net Interest Margin (%)	3.4%	4.7%
Return on Assets (before Tax) (%)	0.8%	1.0%
Return on Equity (after tax) (%)	1.5%	2.0%
Cost to Income Ratio (%)	80.4%	63.2%
Memorandum Information		
Credit Rating	BBB-(Ika)	BBB-(Ika)
Number of Employees	1,189	1,221
Number of Branches	61	63

10 YEARS AT A GLANCE

	2024	2023	2022
	LKR '000	LKR '000	LKR '000
Operating Results			
Gross income	16,450,687	22,410,834	18,966,036
Interest income	14,008,163	20,216,418	16,728,096
Interest expense	9,181,644	13,926,221	10,914,005
Net interest income	4,826,519	6,290,197	5,814,091
Non interest income	2,051,106	1,807,433	1,935,554
Share of profit of equity accounted investees, net of tax	(1,471)	57,499	(136,361)
Operating expenses (Including impairment & VAT)	6,218,879	7,374,885	7,256,855
Profit before taxation	657,278	780,244	356,428
Income tax expense	357,076	401,038	42,240
Profit/ (loss) after income tax	300,202	379,206	314,188
Assets			
Cash & balances with Central Bank	3,736,158	3,181,546	8,001,623
Placement with Banks	1,135,072	3,618,819	1,659,589
Reverse repurchased agreements	562,470	2,989,653	375,582
Derivative financial instruments	44,429	28,856	14,794
Financial investments at fair value through profit or loss	4,884,509	6,495,860	1,648,699
Financial investments - held for trading	-	-	-
Financial assets at amortised cost - loans and advances to customers	81,202,856	62,207,758	67,726,643
Financial assets at amortised cost - debt and other instruments	22,863,756	30,845,784	35,889,996
Other loans and receivables	-	-	-
Financial investments - held to maturity	-	-	-
Financial investments at fair value through other comprehensive income	23,322,397	20,236,964	5,286,053
Financial investments - available for sale	-	-	-
Current tax asset	-	-	-
Investments in subsidiaries	3,043,405	2,814,347	2,761,747
Goodwill and intangible assets	1,615,188	1,210,845	1,459,304
Property, plant and equipment and Right of use assets	2,109,613	1,584,821	1,710,640
Deferred tax asset	582,376	827,216	483,966
Other assets	1,713,847	2,560,374	2,464,317
Total Assets	147,191,673	139,087,719	129,482,953
Liabilities			
Due to Banks	7,996,693	3,375,823	2,601,475
Derivative financial instruments	22,162	56,769	-
Repurchased agreements	13,197,001	25,431,273	12,551,812
Due to customers	103,740,584	87,984,721	92,591,545
Other borrowed funds	-	-	-
Current tax liabilities	34,978	363,738	276,181
Deferred tax liabilities	-	-	-
Other liabilities	2,359,897	2,611,369	2,649,109
Total Liabilities	127,351,318	119,823,693	110,670,122
Shareholder's funds			
Stated capital	16,334,782	16,334,782	16,334,782
Share warrants	65,484	65,484	65,484
Reserves	3,440,092	2,863,760	2,412,565
Total Equity	19,840,358	19,264,026	18,812,831
Total Equity and liabilities	147,191,673	139,087,719	129,482,953
Share information			
Earnings per share	0.28	0.35	0.29

	2021	2020	2019	2018	2017	2016	2015
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
	10,978,924	13,370,190	14,712,069	13,910,425	11,937,763	8,545,874	5,005,441
	9,146,880	11,179,991	12,956,243	12,142,268	10,498,284	7,223,212	4,155,484
	4,889,654	7,310,035	8,477,329	8,490,006	7,452,377	4,716,433	2,133,782
	4,257,226	3,869,956	4,478,914	3,652,262	3,045,907	2,506,779	2,021,702
	1,637,914	2,020,293	1,541,680	1,632,999	1,329,731	1,230,599	788,737
	66,038	(28,945)	103,823	34,614	55,801	76,696	43,069
	4,981,839	4,922,372	4,932,816	4,542,481	3,897,321	3,378,139	2,618,262
	979,339	938,933	1,191,601	777,394	534,118	435,935	235,246
	214,420	362,397	481,254	304,846	73,500	(15,244)	13,296
	764,919	576,536	710,347	472,548	460,618	451,179	221,950
	3,815,070	3,127,818	5,033,057	7,137,798	8,483,417	4,994,490	2,811,325
	118,969	15,747	94,257	3,265,425	716,147	2,819,628	284,078
	1,000,505	-	426,823	417,146	1,795	2,137	1,513,425
	26,402	38,189	6,230	34,274	2,760	15,412	13,481
	2,575,616	7,143,403	3,228,565	2,863,121	-	-	-
	-	-	-	-	5,949,023	1,346,932	8,463,807
	67,835,059	67,517,674	77,358,301	73,749,208	70,577,923	55,438,415	40,095,332
	17,157,602	21,168,076	13,441,040	16,567,940	-	-	-
	-	-	-	-	9,609,639	7,747,231	5,721,549
	-	-	-	-	2,546,553	140,231	140,529
	18,249,861	19,385,038	17,503,245	17,735,959	-	-	-
	-	-	-	-	16,453,207	16,520,365	8,356,130
	-	-	1,148	336,167	436,279	268,456	208,404
	2,905,051	882,478	912,268	835,373	1,262,612	940,027	883,378
	1,318,660	1,314,234	1,329,791	1,202,532	1,220,999	1,151,033	1,118,200
	1,763,340	1,317,789	1,482,366	789,158	888,359	897,371	913,814
	351,256	-	-	115,596	-	82,534	-
	1,288,710	1,032,828	936,568	870,457	858,695	644,247	475,910
	118,406,101	122,943,274	121,753,659	125,920,154	119,007,408	93,008,509	70,999,362
	6,056,855	9,980,590	11,475,176	9,348,209	17,208,641	12,160,244	6,945,249
	22,327	8,313	4,515	71,750	4,867	3,976	2,860
	8,662,744	10,205,564	12,116,040	17,585,912	10,381,193	10,256,670	8,242,551
	83,416,119	82,383,852	76,532,012	79,251,073	70,325,594	51,841,372	37,652,508
	-	-	1,242,450	1,234,220	1,224,812	-	-
	365,844	262,689	-	-	-	-	-
	-	53,841	62,299	-	144,922	-	30,089
	1,956,993	1,958,408	2,810,711	1,801,642	1,859,682	1,663,030	1,212,916
	100,480,882	104,853,257	104,243,203	109,292,806	101,149,711	75,925,292	54,086,173
	16,334,782	16,334,782	16,334,782	16,334,782	16,334,782	16,334,782	16,334,782
	65,484	65,484	65,484	65,484	65,484	65,484	65,484
	1,524,953	1,689,751	1,110,190	227,082	1,457,431	682,951	512,923
	17,925,219	18,090,017	17,510,456	16,627,348	17,857,697	17,083,217	16,913,189
	118,406,101	122,943,274	121,753,659	125,920,154	119,007,408	93,008,509	70,999,362
	0.71	0.53	0.65	0.43	0.42	0.41	0.20

QUARTERLY PERFORMANCE OF THE BANK

Quarterly Performance of the Bank	2024			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4
For the Quarter ended (LKR'000)				
Net interest income	1,362,390	1,181,230	1,029,297	1,253,602
Non Interest Income	507,025	444,520	510,939	588,620
Impairment for Loans and Other Losses	295,283	67,209	(142,049)	(78,542)
Total Operating Expenses	1,293,610	1,290,659	1,447,666	1,495,592
Share of Profit of equity accounted investees, net of tax	(4,050)	(17,364)	11,426	8,517
Profit before value added tax (VAT) on financial services & SSCL	276,472	250,518	246,045	433,689
Tax expenses	(227,820)	(226,809)	(201,721)	(250,172)
Profit After Tax	48,652	23,709	44,324	183,517
As at the Quarter ended (LKR'000)				
Total Assets	128,534,527	142,754,517	142,474,546	147,191,673
Financial assets at amortised cost - loans and advances to customers	66,742,830	73,977,268	75,744,514	81,202,856
Financial liabilities at amortised cost - Due to customers	91,489,266	95,012,483	96,328,261	103,740,584
Total equity attributable to equity holders of the Bank	19,358,140	19,371,913	19,329,537	19,840,353
Regulatory Capital Adequacy (%)				
Common Equity Tier 1 Capital Ratio	15.9%	15.2%	16.0%	15.6%
Tier 1 Capital Ratio	15.9%	15.2%	16.0%	15.6%
Total Capital Ratio	16.9%	16.2%	17.1%	16.6%
Leverage Ratio	9.9%	8.2%	8.1%	8.3%
Regulatory Liquidity (%)				
Net Stable Funding Ratio	145.2%	116.6%	130.3%	136.0%
Liquidity Coverage Ratio - All Currency	727.9%	588.8%	649.7%	486.6%
Asset Quality (%)				
Stage 3 Ratio	11.4%	10.8%	13.2%	12.3%
Impairment (Stage 3) to Stage 3 Loans Ratio	36.7%	37.5%	32.2%	32.0%
Profitability (Annualised) (%)				
Interest Margin	4.1%	3.6%	3.4%	3.4%
Return on Assets (Before Tax)	0.4%	0.3%	0.3%	0.8%
Return on Equity (After Tax)	1.0%	0.8%	0.8%	1.5%
Ordinary share information (LKR)				
Last traded Price	9.4	9.8	9.5	11.7
High	10.1	10.6	9.8	12.2
Low	9.0	9.2	8.5	9.2

INVESTOR RELATIONS

The Bank believes that timely and detailed disclosure of corporate information enables investors to obtain sufficient and reliable knowledge about companies in order to make informed economic decisions. Hence, the Bank endeavours to ensure the timeliness, transparency, fairness, and continuity in disclosing information on the current performance, strategic direction, governance, risk management and future business prospects of the Bank, to the shareholders, investors, and other stakeholders.

The Bank's policy on information disclosures is to disclose information in a proactive manner. In addition to disclosures that are mandated by laws and regulations, including information

about financial results, and decisions and events likely to influence investment decisions, the Bank also proactively discloses other information that it finds to be important or beneficial to its stakeholders.

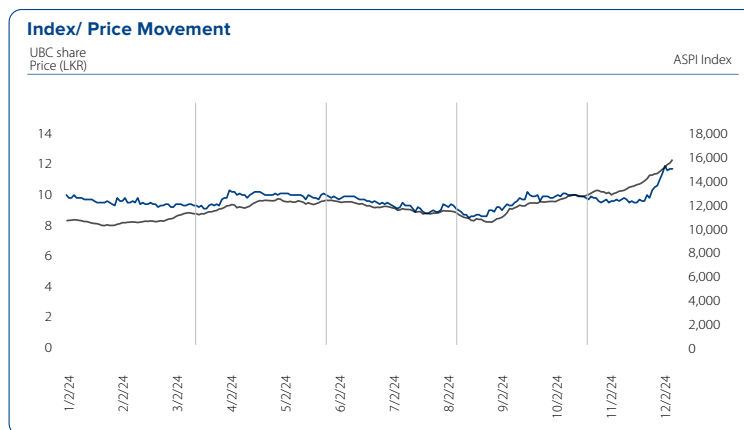
The Bank also actively engages in constructive dialogue with shareholders, investors, securities analysts and other concerned parties, and uses the opinions received and other feedback as a reference for its management to improve its corporate value. Through such information disclosure and communication, the Bank enhances the transparency of its management and strives to maintain and improve its corporate trust.

This section of the Annual Report deals with the mandatory disclosures that the Bank is required to make in line with applicable rules and regulations and also intends to provide additional information to support investors in their decision making process.

1. STOCK EXCHANGE LISTING

The issued ordinary shares of the Bank are listed on the Main Board of the Colombo Stock Exchange (CSE) under the ticker symbol 'UBC'. Summary of trading activity and daily prices of shares and debentures are published in most daily newspapers, including Daily FT, Daily News, The Island and Daily Mirror.

2. MOVEMENT IN ORDINARY VOTING SHARES OF THE BANK DURING THE YEAR 2024



3. SHARE INFORMATION

There were 27,706 Shareholders as at 31st December 2024 (2023:28,338) distributed as follows,

3.1 Shareholder Distribution

Share Range	31 December 2024				31 December 2023			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
1-1000	24,355	87.91	3,466,874	0.32	24,799	87.51	3,554,579	0.33
1001-10000	2,392	8.63	8,702,672	0.80	2,503	8.83	9,052,410	0.86
10001-100000	774	2.79	22,108,850	2.04	841	2.97	24,584,874	2.27
100001-1000000	156	0.56	45,181,285	4.17	164	0.58	45,069,593	4.16
1000001-10000000	23	0.08	62,927,971	5.81	25	0.09	66,946,977	6.18
10000001-& Above	6	0.03	941,170,686	86.86	6	0.02	934,349,905	86.20
Total	27,706	100.00	1,083,558,338	100.00	28,338	100.00	1,083,558,338	100.00

INVESTOR RELATIONS

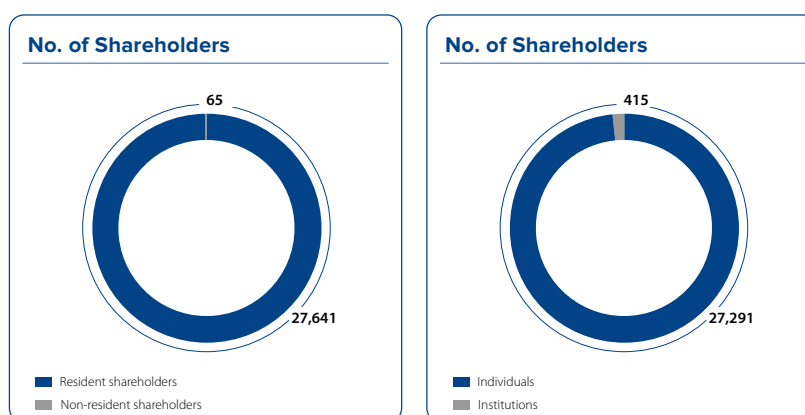
3.2 Analysis of Shareholders

Resident / Non-Resident

	31 December 2024			31 December 2023		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Resident shareholders	27,641	238,878,029	22.04	28,269	238,845,683	22.04
Non-resident shareholders	65	844,680,309	77.96	69	844,712,655	77.96

Individuals / Institutions

	31 December 2024			31 December 2023		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individuals	27,291	122,869,606	11.34	27,901	123,853,167	11.44
Institutions	415	960,688,732	88.66	437	959,705,171	88.56



4. SHARE TRADING

4.1 Market

	2024	2023	2022	2021	2020
No. of transactions	3,524,067	3,618,960	6,057,233	8,131,508	3,070,021
No. of shares traded	23,249,694,068	16,988,827,390	29,047,818,242	59,771,688,538	21,348,728,655
Value of shares traded (LKR Mn)	537,635	410,629	686,602	1,173,157	396,881

4.2 Bank

	2024	2023	2022	2021	2020
No. of transactions	8,685	14,550	12,100	25,061	17,337
No. of shares traded	45,039,420	138,833,763	85,033,261	203,014,713	115,528,897
Shares traded as a % of total shares in issue	4.16	12.81	7.85	18.74	10.66
Average daily turnover (LKR Mn)	1.92	5.82	3.15	11.23	6.00
Value of shares traded (LKR Mn)	460	1,420	735	2,695	1,254

5. Top 20 shareholders, Market Capitalization and Minimum Public holding as at 31 December 2024

5.1 Top 20 Shareholders

No.	Shareholder name	31 December 2024		31 December 2023	
		No. of Shares	Ratio (%)	No. of Shares	Ratio (%)
1	Culture Financial Holdings Ltd	767,558,888	70.84	767,558,888	70.84
2	Vista Knowledge Pte Ltd	64,677,973	5.97	64,677,973	5.97
3	Senthilverl Holdings (Pvt) Ltd	40,717,124	3.86	33,779,967	3.12
4	Associated Electrical Corporation Ltd	30,446,137	2.81	30,446,137	2.81
5	Mr. D.A.J. Warnakulasuriya	19,862,730	1.83	19,862,730	1.83
6	Mr. C.P.A. Wijeyesekera	18,375,314	1.70	18,375,314	1.70
7	Ashyaki Holdings (Pvt) Ltd	7,792,806	0.72	7,792,806	0.72
8	Mr. S. P. Khattar	7,323,365	0.68	7,323,365	0.68
9	Mrs. P.D.A. S Beruwalage	7,114,591	0.66	-	-
10	L. P Hapangama	6,372,242	0.59	6,121,975	0.57
11	Mr. A.I.T. Hettiarachchi	3,848,735	0.36	3,848,735	0.36
12	Ajita De Zoysa & Company Limited	3,110,183	0.29	3,110,183	0.29
13	Andaradeniya Estate (Pvt) Ltd	3,099,273	0.29	3,099,273	0.29
14	Commercial Agencies (Ceylon) Ltd	2,973,748	0.27	2,973,748	0.27
15	Ravindra Erle Rambukwella	2,710,000	0.25	2,750,748	0.25
16	Mr. D. E. J Melder	1,848,694	0.17	2,613,000	0.24
17	Mr. K. C Vignarajah	1,532,632	0.14	1,848,694	0.17
18	Mr. A. M. Weerasinghe	1,500,000	0.14	1,600,000	0.15
19	Dr. T. Senthilverl	1,488,748	0.14	1,500,000	0.14
20	Mrs. Priyani Dharshini Ratnagopal	1,373,164	0.13	1,500,000	0.14
		993,726,347	91.84	980,783,536	90.55
	Total No. of shares registered	1,083,558,338	100.00	1,083,558,338	100.00
	Total No. of shares unregistered	-	-	-	-
	Total No. of shares issued	1,083,558,338	100.00	1,083,558,338	100.00
	Shares held by Directors	-	-	-	-
	Shares held by Institutions	960,688,732	88.66	959,705,171	88.56
	Balance held by Public	122,869,606	11.34	123,853,167	11.43
	Total No. of shares issued	1,083,558,338	100.00	1,083,558,338	100.00
	Shares held by Public	315,989,650	29.16	315,989,150	29.16
	Shares held by Directors and Related Parties	767,568,688	70.84	767,569,188	70.84
	Total No. of shares issued	1,083,558,338	100.00	1,083,558,338	100.00

INVESTOR RELATIONS

5.2 Market Capitalization and Minimum Public Holding

	31 December 2024
Market Capitalization (LKR)	12,677,632,554.60
Public Holding percentage	29.1622%
Float adjusted market capitalisation	3,697,076,560.84
No. of shareholders representing public holding	27,699
Required minimum public holding percentage under option 4 of rule 7.13.1 (a) of the Listing Rules of the CSE	10%

The Minimum Public Holding of Union Bank of Colombo PLC as at 31 December 2024 complied with option 4 of rule 7.13.1(a) of the Listing Rules of the CSE.

6. Dividends

Year	Total Dividend Paid LKR Mn	Dividend per Share LKR	Dividend Payout Ratio
2012 Final	122	0.35	39
2013 Final	87	0.25	77
2015 Final	44	0.04	23
2016 Final	109	0.10	24
2017 Final	109	0.10	25
2019 Final	152	0.14	25
2020 final	141	0.13	24

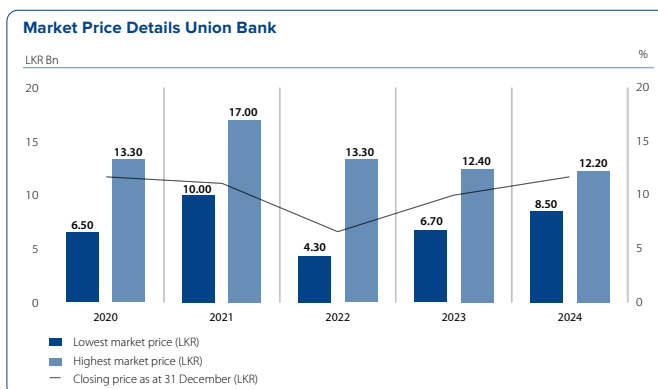
7. EARNINGS

7.1 Value Creation for Shareholders

	2024	2023	Change %
Net asset value per share (LKR)	18.31	17.78	2.98
Group earnings per share - Basic (LKR)	0.27	0.42	-35.71
Market price per share as at 31 December (LKR) closing	11.70	10	17

7.2 Market Value

	2024	2023	2022	2021	2020
Lowest market price (LKR)	8.50	6.70	4.30	10.00	6.50
Highest market price (LKR)	12.20	12.40	13.30	17.00	13.30
Closing price as at 31 December (LKR)	11.70	10.00	6.60	11.10	11.70



8. DIRECTORS' SHAREHOLDING INCLUDING THE CHIEF EXECUTIVE OFFICER

None of the Directors, including the Chief Executive Officer, held any shares in the Bank as at 31 December 2024.

9. MATERIAL FORESEEABLE RISK FACTORS

Information relating to the material foreseeable risk factors, that require disclosures in terms of Rule No. 7.6 (vi) of the Listing Rules of the CSE are discussed in the Section on 'Risk Management' on pages 161 to 180

10. MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS PERTAINING TO THE BANK

There were no material issues pertaining to employees and industrial relations pertaining to the Bank that occurred during the year 2024 which require disclosure.

11. CREDIT RATINGS

Fitch – BBB- (Ika)

12. COMPLIANCE REPORT ON THE CONTENTS OF ANNUAL REPORT IN TERMS OF THE LISTING RULES OF THE CSE

We are pleased to inform you that the Bank has fully complied with all applicable requirements of Section 7.6 of the Listing Rules of the CSE on the contents of the Annual Report and Accounts of a listed entity. The table below provides details of the relevant sections of this Annual Report where specified information is disclosed together with page references for the convenience of the readers.

INVESTOR RELATIONS

Rule No.	Disclosure Requirements	Section Reference	Page/s
7.6 (i)	Names of persons who held the position of Directors during the financial year	Annual Report of the Board of Directors on the Affairs of the Company	149
7.6(ii)	Principal activities of the Bank and its subsidiaries during the year and any changes therein	Note 1.2 of the Accounting Policies Annual Report of the Board of Directors on the Affairs of the Company	197 146
7.6(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held as at the end of the financial year	Item 5.1 of the 'Investor Relations'	337
7.6(iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement.	Item 5.2 of the 'Investor Relations'	338
7.6(v)	Directors' and Chief Executive Officer's holding in shares of the Bank	Item 8 of the 'Investor Relations' Annual Report of the Board of Directors on the Affairs of the Company	339 151
7.6(vi)	Information pertaining to material foreseeable risk factors	Item 9 of the 'Investor Relations'	339
7.6(vii)	Details of material issues pertaining to employees and industrial relations	Item 10 of the 'Investor Relations'	339
7.6(viii)	Extents, locations, valuations and the number of buildings of the land holdings and investment properties as at the end of the financial year	Note 34 to the Financial Statements on 'Property, Plant & Equipment' and 'Right of use Assets'	257 to 261
7.6(ix)	Number of shares representing the stated capital as at the end of the financial year	Note 42 to the Financial Statements on 'Stated Capital'	272
7.6(x)	A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings as the end of the financial year	Item 3.1 of the 'Investor Relations'	335
7.6(xi)	Ratios and market price information on:		
	Equity: Dividend per share, Dividend payout ratio, Net asset value per share, Market value per share (highest and lowest values during the financial year and the value as at the end of the financial year)	Financial Highlights Statement of Financial Position Items 6 and 7 of the Investor Relations	8 192 338
	Debt: Interest rate of comparable Government security, Debt/equity ratio, Interest cover, Quick asset ratio, market prices and yield during the year (highest and lowest prices and last traded price)	Not applicable as the Bank has not issued any listed debt securities.	N/A
	Changes in credit ratings	Item 11 of the 'Investor Relations'	339
7.6(xii)	Significant changes in the Bank's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value as at the end of the year	Note 34 to the Financial Statements on 'Property, Plant & Equipment' and 'Right of use of Assets'	257 to 261
7.6(xiii)	Details of funds raised through an Initial Public Offering and/or a further issue of Securities during the financial year	Not applicable as no funds were raised by the Bank through an Initial Public Offering and/or a further issue of Securities during the year.	N/A
7.6(xiv)	Information in respect of Employee Share Option, Share Purchase Schemes:	Note 44 to the Financial Statements.	274 to 275
	The number of options granted to each category of Employees during the financial year.	No options were granted during the Financial Year.	274 to 275

Rule No.	Disclosure Requirements	Section Reference	Page/s
	Total number of options vested but not exercised by each category of Employees during the financial year.	No options were vested and exercised during the Financial Year.	274 to 275
	Total number of options exercised by each category of Employees and total number of shares arising therefrom during the financial year.	No options were exercised by employees during the Financial Year.	274 to 275
	Options cancelled during the financial year and the reasons for such cancellation.	No cancellations were reported during the Financial Year.	274 to 275
	The exercise price.	No options were exercised by employees during the Financial Year.	274 to 275
	A declaration by the Directors of the Bank confirming that the Bank or any of its subsidiaries has not, directly or indirectly provided funds for the ESOP.	Annual Report of the Board of Directors on Affairs of the Company.	153
7.6(xv)	Disclosures pertaining to Corporate Governance Practices in terms of Section 9 of the Rules	Annual Report of the Board of Directors on Affairs of the Company Corporate Governance Report Profiles of the Board of Directors Report of the Board Audit Committee Report of the Human Resources and Remuneration Committee Notes to the Financial Statements.	146 to 154 101 to 111 86 to 89 133 to 135 143 197
7.6(xvi)	Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower	The Bank did not have any related party transactions exceeding this threshold as at end of 2024.	N/A

CONTACT INFORMATION

Monday to Friday
8.30 a.m. to 5.00 p.m.
+94 11 2374100

COMPANY SECRETARY

Union Bank of Colombo PLC
No.64, Galle Road, Colombo 3,
Sri Lanka.

USEFUL LINKS

UBC share price, announcements, financials,
company profile, quotes, charts:
Colombo Stock Exchange
<http://www.cse.lk>

Ratings:

Fitch Ratings Lanka Limited
<http://www.fitchratings.lk>

CBSL (Weekly economic indicators)

<https://www.cbsl.gov.lk/en/statistics/economic-indicators/weekly-indicators>

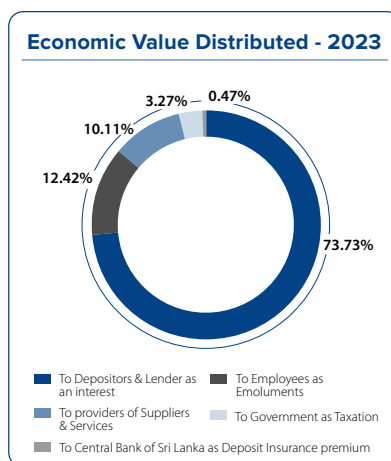
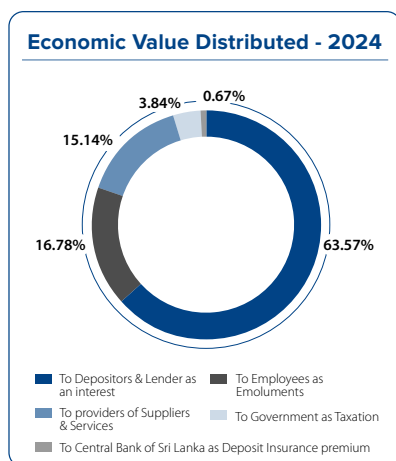
Union Bank of Colombo PLC

www.unionb.com

DIRECT ECONOMIC VALUE GENERATED & DISTRIBUTED

Disclosure 201-1

For the year ended 31st December	2024	2023
	LKR '000	LKR '000
Direct Economic Value Generated		
Interest Income	14,008,163	20,216,418
Net Fee Commission Income	1,152,379	1,199,809
Net fair value gains/ (losses) from financial instruments at fair value through profit or loss	133,668	55,843
Net gains/(losses) from financial investments	737,131	456,200
Other Operating Income	27,926	95,582
	16,059,267	22,023,852
Economic Value Distributed		
To Depositors & Lender as an interest	9,181,644	13,926,221
To Employees as Emoluments		
- Salary, bonus & contribution plans	1,815,982	1,862,168
- Benefits	608,004	483,721
To providers of Suppliers & Services	2,186,180	1,909,897
	13,791,810	18,182,007
To Government as Taxation		
Corporate Tax	227,369	773,219
VAT on Financial Services	482,440	537,239
Social Security Contribution Levy	67,006	74,617
Crop Insurance Levy	3,006	3,217
Stamp duty & other local taxes	1,977	2,426
To Central Bank of Sri Lanka as Deposit Insurance premium	96,281	88,147
	878,079	1,478,864
Economic Value Retained	1,389,378	2,362,981



REPURCHASE AND REVERSE REPURCHASE TRANSACTIONS IN SCRIPLESS TREASURY BONDS AND SCRIPLESS TREASURY BILLS

Directive No. 1 of 2019, issued by the Central Bank of Sri Lanka, requires licensed Banks/primary dealers to disclose following additional information on repurchase and reverse repurchase transactions in scripless treasury bonds and bills

Carrying value of securities allocated for repurchase transactions

BANK

As at 31 December	2024		2023	
	Amortised Cost	Fair Value	Amortised Cost	Fair Value
	LKR '000	LKR '000	LKR '000	LKR '000
Repurchase agreements	13,178,867	14,304,520	25,431,273	26,268,177

Market value of securities received for reverse repurchase transactions

Securities purchased under agreements to resell at a specified future date are not recognised in the Statement of Financial Position. The consideration paid including accrued interest is recorded in the Statement of Financial Position within "Reverse repurchase agreements"

BANK

As at 31 December	2024		2023	
	Amortised Cost	Fair Value	Amortised Cost	Fair Value
	LKR '000	LKR '000	LKR '000	LKR '000
Reverse repurchase agreements	562,470	630,864	2,989,653	3,229,270

Bank's policy on haircuts for repurchase and reverse repurchase transactions

According to the Bank's internal policies, minimum haircuts applicable for each maturity bucket as at 31 December 2024 is given below. The haircuts applied meet the minimum haircut requirements imposed by the Directive No. 1 of 2019

Remaining term to maturity of the eligible security	Repurchase Transactions	Reverse Repurchase Transactions
Up to 1 year	10%	10%
More than 1 year and up to 3 years	10%	10%
More than 3 years and up to 5 years	10%	10%
More than 5 years and up to 8 years	10%	10%
More than 8 years	12%	12%

PILLAR III MARKET DISCLOSURES

KEY REGULATORY RATIOS - CAPITAL AND LIQUIDITY

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023
Regulatory Capital (LKR '000)				
Common Equity Tier 1	14,775,811	14,543,447	17,100,703	16,573,039
Tier 1 Capital	14,775,811	14,543,447	17,100,703	16,573,039
Total Capital	15,742,925	15,374,697	18,132,523	17,462,251
Regulatory Capital Ratios (%)				
Common Equity Tier 1 Capital Ratio (Minimum Requirement as per Basel III - 7%)	15.61%	17.23%	16.87%	18.29%
Tier 1 Capital Ratio (Minimum Requirement as per Basel III - 8.5%)	15.61%	17.23%	16.87%	18.29%
Total Capital Ratio (Minimum Requirement as per Basel III - 12.5%)	16.63%	18.22%	17.89%	19.28%
Leverage Ratio (Minimum Requirement - 3%)	8.33%	8.39%	9.09%	9.01%
Regulatory Liquidity				
Liquidity Coverage Ratio (%) (Minimum Requirement - 100%)				
Rupee	565.92%	795.41%		
All Currency	486.62%	787.67%		
Net Stable Funding Ratio (%) (Minimum Requirement - 100%)				
	136.02%	110.66%		

BASEL III COMPUTATION OF CAPITAL RATIO

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Common Equity Tier I (CETI) Capital after adjustments	14,775,811	14,543,447	17,100,703	16,573,039
Total Common Equity Tier I (CET1) Capital	19,840,358	19,264,026	19,696,743	19,090,840
Equity capital or stated capital/assigned capital	16,334,782	16,334,782	16,334,782	16,334,782
Reserve fund	292,152	277,142	319,758	304,748
Published retained earnings/(Accumulated retained losses)	2,771,202	2,461,628	2,537,465	2,203,461
Published accumulated other comprehensive income (OCI)	333,875	83,899	346,111	96,135
General and other disclosed reserves	108,347	106,575	108,347	106,575
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	-	-	50,280	45,139
Total adjustments to CET1 Capital	5,064,547	4,720,579	2,596,040	2,517,800
Goodwill (net)	-	-	113,031	113,031
Other intangible assets (net)	1,615,194	1,210,845	1,828,430	1,428,804
Deferred tax assets (net)	582,377	827,216	654,579	975,965
Significant investments in the capital of financial institutions where the Bank owns more than 10 per cent of the issued ordinary share capital of the entity	2,866,977	2,642,087	-	-
Shortfall of capital in financial subsidiaries	-	40,430	-	-
Additional Tier 1 (AT1) Capital after adjustments	-	-	-	-
Total Additional Tier 1 (ATI) Capital	-	-	-	-
Instruments issued by consolidated Banking and financial subsidiaries of the Bank and held by third parties	-	-	-	-
Total adjustments to AT1 Capital	-	-	-	-
Regulatory adjustments applied to AT1 due to insufficient Tier 2 capital to cover adjustments	-	-	-	-
Tier 2 Capital after adjustments	967,114	831,250	1,031,821	889,212
Total Tier 2 Capital	967,114	831,250	1,031,821	889,212
Impairment provision	967,114	831,250	1,031,821	889,212
Instruments issued by consolidated Banking and financial subsidiaries of the Bank and held by third parties	-	-	-	-
Total adjustments to Tier 2 Capital	-	-	-	-
Investments in the capital of financial institutions and where the Bank own more than 10 per cent of the issued capital carrying voting rights of the issuing entity	-	-	-	-
CET1 Capital	14,775,811	14,543,447	17,100,703	16,573,039
Total Tier 1 Capital	14,775,811	14,543,447	17,100,703	16,573,039
Total Capital	15,742,925	15,374,697	18,132,523	17,462,251

PILLAR III MARKET DISCLOSURES

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Total Risk Weighted Assets (RWAs)	94,670,047	84,402,833	101,371,429	90,592,063
RWAs for Credit Risk	77,369,125	66,500,023	82,545,643	71,136,950
RWAs for Market Risk	7,939,872	9,019,033	8,160,527	9,239,381
RWAs for Operational Risk	9,361,050	8,883,777	10,665,259	10,215,732
CET1 Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs)(%)	15.61%	17.23%	16.87%	18.29%
of which : Capital Conservation Buffer (%)	2.50%	2.50%	2.50%	2.50%
of which : Countercyclical Buffer (%)	-	-	-	-
of which : Capital Surcharge on D-SIBs (%)	N/A	N/A	N/A	N/A
Total Tier 1 Capital Ratio (%)	15.61%	17.23%	16.87%	18.29%
Total Capital Ratio (including Capital Conservation Buffer, Countercyclical Capital Buffer & Surcharge on D-SIBs)(%)	16.63%	18.22%	17.89%	19.28%
of which : Capital Conservation Buffer (%)	2.50%	2.50%	2.50%	2.50%
of which : Countercyclical Buffer (%)	-	-	-	-
of which : Capital Surcharge on D-SIBs (%)	N/A	N/A	N/A	N/A

BASEL III COMPUTATION OF LEVERAGE RATIO

As at 31 December	BANK		GROUP	
	2024	2023	2024	2023
	LKR '000	LKR '000	LKR '000	LKR '000
Tier 1 Capital	14,775,811	14,543,447	17,100,703	16,573,039
Total Exposure	177,313,358	173,354,149	188,184,412	183,850,002
On-balance sheet items (excluding Derivatives and Securities Financing Transactions, but including collateral)	141,419,625	131,351,585	152,290,678	141,798,426
Derivative exposures	14,658,948	9,676,458	14,658,948	9,676,458
Securities Financing Transaction exposures	14,336,731	26,025,607	14,336,732	26,025,607
Other off -balance sheet exposures	6,898,054	6,300,500	6,898,054	6,349,512
Leverage Ratio, (%) (Tier 1 Capital /Total Exposure)	8.33%	8.39%	9.09%	9.01%

BASEL III COMPUTATION OF NET STABLE FUNDING RATIO

As at 31 December	BANK	
	2024	2023
	LKR '000	LKR '000
Total available stable funding (ASF)	106,035,831	94,070,367
Total required stable funding (RSF)	77,957,965	85,010,758
Required stable funding - On balance sheet assets	77,184,701	84,265,131
Required stable funding - Off balance sheet items	773,264	745,627
Net Stable Funding Ratio, (%) (Total available stable funding / Total required stable funding)*100	136.02%	110.66%

BASEL III COMPUTATION OF LIQUIDITY COVERAGE RATIO - BANK

As at 31 December	2024		2023	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
	LKR '000	LKR '000	LKR '000	LKR '000
Total stock of High-Quality Liquid Assets (HQLA)	40,024,265	38,970,417	30,840,039	30,156,938
Total Adjusted Level 1A Assets	40,024,265	40,024,265	29,738,602	29,738,602
Level 1 Assets	38,970,417	38,970,417	29,220,717	29,220,717
Total Adjusted Level 2A Assets	-	-	1,101,437	936,221
Level 2A Assets	-	-	1,101,437	936,221
Total Adjusted Level 2B Assets	-	-	-	-
Level 2B Assets	-	-	-	-
Total Cash Outflows	133,602,466	22,492,342	113,551,503	15,314,524
Deposits	81,462,616	7,263,233	71,804,711	6,290,184
Unsecured wholesale funding	24,871,553	13,058,240	15,628,486	7,443,856
Secured funding transaction	-	-	-	-
Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations	27,050,402	1,952,974	26,040,055	1,502,233
Additional requirements	217,895	217,895	78,251	78,251
Total Cash inflows	21,858,429	14,483,997	23,846,924	16,482,973
Maturing secured lending transactions backed by collateral	2,901,893	2,901,893	2,238,837	2,238,837
Committed facilities	-	-	-	-
Other inflows by counterparty which are maturing within 30 days	18,496,311	11,550,808	20,877,380	14,223,165
Operational deposits	428,929	-	709,736	-
Other cash inflows	31,296	31,296	20,971	20,971
Liquidity Coverage Ratio,(%)(Stock of High Quality Liquid Assets/ Total Net Cash Outflows over the Next 30 Calendar Days)*100		486.62%		787.67%

PILLAR III MARKET DISCLOSURES

MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

As at 31 December	2024	
	BANK	GROUP
	LKR '000	LKR '000
Description of the Capital Instrument	-	-
Issuer	-	-
Unique identifier	-	-
Governing Law(s) of the instrument	-	-
Original Date of issuance	-	-
Par Value of instrument	-	-
Perpetual or dated	-	-
Original maturity date (if applicable)	-	-
Amount recognised in regulatory capital*	15,742,925*	18,132,523*
Accounting classification (equity/liability)	Equity	Equity
Issuer Call subject to prior supervisory approval	-	-
Optional call date, contingent call dates and redemption amount	-	-
Subsequent call dates, if applicable	-	-
Coupons/Dividends	-	-
Fixed or floating dividend/coupon	-	-
Coupon rate and any related index	-	-
Non-cumulative or cumulative	-	-
Convertible or Non-Convertible	-	-
If convertible, conversion trigger (s)	-	-
If convertible, fully or partially	-	-
If convertible, mandatory or optional	-	-
If convertible, conversion rate	-	-

Note :

* Tier 1 & Tier 2 Instruments other than equity have not been issued.

CURRENT AND FUTURE CAPITAL REQUIREMENT

Overview of capital planning and assessment process	The capital management plan of the Bank is integrated with the Bank's rolling strategic plan and the Internal Capital Adequacy Assessment Process (ICAAP). In the planning process, the Bank is actively realigning portfolios to optimise capital utilisation.
Material risk exposures in line with the strategic plan	The strategic plan is sensitive to the stability of external variables such as GDP, interest rates, exchange rates and also tax regulations.
Current and future capital needs, anticipated capital expenditure and desirable capital level	As per the letter from the Director of Bank Supervision of CBSL dated 13th December 2024, the Bank was provided an extension to comply with the enhanced capital requirements of LKR 20 Bn. and exercise the existing share warrants by 31st December 2025.
Internal and external capital sources	The primary source of capital is the internally generated reserves.
Assessment of the adequacy of the Bank's capital commensurate with all material risks and other capital needs in relation to its current and future activities. General contingency plan for dealing with divergences and unexpected events such as raising additional capital, restricting business activities or using risk mitigation techniques.	The Bank monitors the capital adequacy ratios on a regular basis and ensures that it operates well above the regulatory minimum requirements. Any shortfall to meet the above said minimum capital requirement will be generated through the above mentioned sources.

CREDIT RISK UNDER STANDARDISED APPROACH-CREDIT RISK EXPOSURES AND CREDIT RISK MITIGATION (CRM) EFFECTS

As at 31 December 2024	BANK					
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post (CCF) and CRM		RWA and RWA Density	
	On-Balance Sheet Amount	Off-Balance Sheet Amount	On-Balance Sheet Amount	Off-Balance Sheet Amount	RWA	RWA Density
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	%
Claims on Central Government and Central Bank of Sri Lanka	23,239,352	-	23,239,352	-	-	-
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks exposures	1,564,001	5,573,183	1,564,001	111,464	421,203	25.14%
Claims on financial institutions	5,303,016	546,355	5,303,016	4,326	3,771,589	71.06%
Claims on corporates	28,910,821	16,565,037	28,910,821	5,319,463	29,368,856	85.80%
Retail claims	14,734,237	10,191,073	10,940,506	1,588,211	8,965,325	71.56%
Claims secured by residential property	9,435,664	-	9,435,664	-	8,271,265	87.66%
Claims secured by commercial real estate	6,477,934	-	6,477,934	-	6,477,934	100.00%
Non-Performing Assets (NPAs)	12,066,997	-	12,066,997	-	15,622,779	129.47%
Higher-risk categories	176,428	-	176,428	-	441,070	250.00%
Cash Items and other assets	13,390,404	-	7,177,647	-	4,029,104	56.13%
Total	115,298,854	32,875,648	105,292,366	7,023,464	77,369,125	73.48%

As at 31 December 2024	GROUP					
	Exposures before Credit Conversion Factor (CCF) and CRM		Exposures post (CCF) and CRM		RWA and RWA Density	
	On-Balance Sheet Amount	Off-Balance Sheet Amount	On-Balance Sheet Amount	Off-Balance Sheet Amount	RWA	RWA Density
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	%
Claims on Central Government and Central Bank of Sri Lanka	24,249,974	-	24,249,974	-	-	-
Claims on Foreign Sovereigns and their Central Banks	-	-	-	-	-	-
Claims on Public Sector Entities	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Banks	-	-	-	-	-	-
Claims on Banks exposures	2,115,903	5,573,183	2,115,903	111,464	531,584	25.12%
Claims on financial institutions	5,005,957	546,355	5,005,957	4,326	3,474,531	69.41%
Claims on corporates	28,910,821	16,565,037	28,910,821	5,319,463	29,368,856	101.58%
Retail claims	21,322,987	10,191,073	17,529,257	1,588,211	12,761,031	72.80%
Claims secured by residential property	9,613,234	-	9,613,234	-	8,445,847	87.86%
Claims secured by commercial real estate	6,477,934	-	6,477,934	-	6,477,934	100.00%
Non-Performing Assets (NPAs)	13,112,308	-	13,112,308	-	16,794,878	128.08%
Higher-risk categories	31,513	-	31,513	-	47,269	150.00%
Cash Items and other assets	15,218,037	-	7,837,576	-	4,643,713	59.25%
Total	126,058,668	32,875,648	114,884,477	7,023,464	82,545,643	71.85%

Note : RWA Density-Total RWA/Exposures post CCF and CRM

PILLAR III MARKET DISCLOSURES

CREDIT RISK UNDER STANDARDISED APPROACH: EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS

As at 31 December 2024		BANK						
Asset Classes	Risk Weight	Post CCF & CRM						Total Credit Exposures Amount LKR '000
		0%	20%	50%	75%	100%	150%	
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
Claims on Central Government and Central Bank of Sri Lanka		23,239,352	-	-	-	-	-	23,239,352
Claims on Foreign Sovereigns and their Central Banks		-	-	-	-	-	-	-
Claims on Public Sector Entities (PSEs)		-	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Banks(MDBs)		-	-	-	-	-	-	-
Claims on Banks exposures		-	1,575,077	10,771	-	67,246	22,371	1,675,465
Claims on financial institutions		-	-	3,071,504	-	2,235,837	-	5,307,342
Claims on corporates		-	3,739,154	3,740,211	-	26,750,920	-	34,230,285
Retail claims		462,147	1,652,432	-	7,087,197	3,326,941	-	12,528,717
Claims secured by residential property		-	-	1,791,384	-	7,644,280	-	9,435,664
Claims secured by commercial real estate		-	-	-	-	6,477,934	-	6,477,934
Non-Performing Assets (NPAs)		-	-	64,535	-	4,826,361	7,176,100	12,066,997
Higher-risk categories		-	-	-	-	-	176,428	176,428
Cash items and other assets		3,148,544	-	-	-	4,029,104	-	7,177,647
Total		26,850,043	6,966,663	8,678,405	7,087,197	55,358,624	7,198,471	112,315,831

As at 31 December 2024		GROUP						
Asset Classes	Risk Weight	Post CCF & CRM						Total Credit Exposures Amount LKR '000
		0%	20%	50%	75%	100%	150%	
		LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	
Claims on Central Government and Central Bank of Sri Lanka		24,249,974	-	-	-	-	-	24,249,974
Claims on Foreign Sovereigns and their Central Banks		-	-	-	-	-	-	-
Claims on Public Sector Entities (PSEs)		-	-	-	-	-	-	-
Claims on Official Entities and Multilateral Development Banks(MDBs)		-	-	-	-	-	-	-
Claims on Banks exposures		-	2,126,978	10,771	-	67,246	22,371	2,227,366
Claims on financial institutions		-	-	3,071,504	-	1,938,779	-	5,010,283
Claims on corporates		-	3,739,154	3,740,211	-	26,750,920	-	34,230,285
Retail claims		1,877,815	1,805,352	-	12,107,360	3,326,941	-	19,117,468
Claims secured by residential property		-	-	1,795,981	-	7,817,253	-	9,613,234
Claims secured by commercial real estate		-	-	-	-	6,477,934	-	6,477,934
Non-Performing Assets (NPAs)		-	-	162,343	-	5,422,479	7,527,485	13,112,308
Higher-risk categories		-	-	-	-	-	31,513	31,513
Cash items and other assets		3,193,864	-	-	-	4,643,713	-	7,837,576
Total		29,321,653	7,671,484	8,780,810	12,107,360	56,445,265	7,581,369	121,907,941

COMPLIANCE WITH ANNUAL REPORT DISCLOSURE REQUIREMENTS OF CENTRAL BANK OF SRI LANKA

Given below is the state of compliance with the Disclosure requirements specified by the Central Bank of Sri Lanka for the preparation of Annual Financial Statements of Licensed Commercial Banks.

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	
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.	N/A
(ii) Reclassifications of financial instruments from one category to another.	Note 28.1.1
(iii) Information about financial assets pledged as collateral and about financial or non-financial assets held as collateral.	Note 47
(iv) Reconciliation of the impairment allowance account for credit losses by class of financial assets.	Note 27.5.2
(v) Information about compound financial instruments with multiple embedded derivatives.	N/A
(vi) Breaches of terms of loan agreements.	N/A
1.2 Statement of Comprehensive Income	
1.2.1 Disclosures on items of income, expense, gains and losses	Note 6,7,8, 9,10,11,12,13,14 & 15
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 or loss.	Note 7
(ii) Fee income and expense.	Note 8
(iii) Amount of impairment losses by class of financial assets.	Note 12
(iv) Interest income on impaired financial assets.	Note 7.1
1.3 Other disclosures	
1.3.1 Accounting policies for financial instruments	Note 3.2, 3.4, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9
1.3.2 Financial liabilities designated as at FVTPL	
(i) If a Bank is presenting the effects of changes in that financial liability's credit risk in other comprehensive income (OCI):	N/A
(a) Any transfers of the cumulative gain/loss within equity during the period, including the reasons for the transfers;	
(b) If the liability is derecognised during the period, then the amount (if any) presented in OCI that was realised at derecognition;	
(c) Detailed description of the methodologies used to determine whether presenting the effects of changes in a liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss; and	
(ii) Detailed description, if the effects of changes in a liability's credit risk are presented in profit or loss.	

1.3.3 Investments in equity instruments designated as at FVOCI		
(i) Details of equity instruments that have been designated as at FVOCI and the reasons for the designation;	} Note 29	
(ii) Fair value of each investment at the reporting date;		
(iii) Dividends recognised during the period, separately for investments derecognised during the reporting period and those held at the reporting date;		
(iv) Any transfers of the cumulative gain or loss within equity during the period and the reasons for those transfers;		
(v) If investments in equity instruments measured at FVOCI are derecognised during the reporting period,		
(a) reasons for disposing of the investments;		
(b) fair value of the investments at the date of derecognition; and		
(c) the cumulative gain or loss on disposal.		
1.3.4 Reclassifications of financial assets		
(i) For all reclassifications of financial assets in the current or previous reporting period:	Note 28.1.1	
- date of reclassification;		
- detailed explanation of the change in the business model and a qualitative description of its effect on the financial statements; and		
- the amount reclassified into and out of each category.		
(ii) For reclassifications from FVTPL to amortised cost or FVOCI:	N/A	
- the effective interest rate (EIR) determined on the date of reclassification; and		
- the interest revenue recognised.		
(iii) For reclassifications from FVOCI to amortised cost, or from FVTPL to amortised cost or FVOCI:	Note 28.1.1	
- the fair value of the financial assets at the reporting date; and		
- the fair value gain or loss that would have been recognised in profit or loss or OCI during the reporting period if the financial assets had not been reclassified.		
1.3.5 Information on hedge accounting		N/A
1.3.6 Information about the fair values of each class of financial asset and financial liability, along with:		
(i) Comparable carrying amounts.	Note 51	
(ii) Description of how fair value was determined.	Note 51	
(iii) The level of inputs used in determining fair value.	Note 51	
(iv) Reconciliation of movements between levels of fair value measurement hierarchy, additional disclosures for financial instruments for which fair value is determined using level 3 inputs.	Note 51	
(v) Information if fair value cannot be reliably measured.	N/A	
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		Note 53 - Risk Management
2.1.2 Management's objectives, policies, and processes for managing those risks		Note 53.1 - Risk Management
2.1.3 Changes from the prior period		Note 53 - Risk Management
2.2 Quantitative disclosures		
2.2.1 Summary of quantitative data about exposure to each risk at the reporting date.		Note 53 - Risk Management
2.2.2 Disclosures about credit risk, liquidity risk, market risk, operational risk, interest rate risk and how these risks are managed.		

COMPLIANCE WITH ANNUAL REPORT DISCLOSURE REQUIREMENTS OF CENTRAL BANK OF SRI LANKA

	(i) Credit Risk	<p>Note 27 and Note 28 Note 4.8 - Impairment of Financial Assets and Note 53.2 – Risk Management</p>
	(a) Maximum amount of exposure (before deducting the value of collateral), description of the collateral, information about credit quality of financial assets that are neither past due nor impaired and information about credit quality of financial assets.	
	(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.	
	(c) Information about collateral or other credit enhancements obtained or called.	
	(d) Credit risk management practices:	
	<ul style="list-style-type: none"> - Information about credit risk management practices and how they relate to the recognition and measurement of expected credit losses (ECL), including the methods, assumptions and information used to measure ECL. 	
	<ul style="list-style-type: none"> - Quantitative and qualitative information to evaluate the amounts in the financial statements arising from ECL, including changes and the reasons for those changes. 	
	<ul style="list-style-type: none"> - How the Bank determines whether the credit risk of financial instruments has increased significantly since initial recognition, including whether and how financial instruments are considered to have low credit risk, including the classes of financial instruments to which the low credit risk exception has been applied; and the presumption that financial assets with contractual payments more than 30 days past due have a significant increase in credit risk has been rebutted; 	
	<ul style="list-style-type: none"> - The Bank's definitions of default for different financial instruments, including the reasons for selecting those definitions; 	
	<ul style="list-style-type: none"> - How instruments are grouped if ECL are measured on a collective basis; 	
	<ul style="list-style-type: none"> - How the Bank determines that financial assets are credit-impaired; 	
	<ul style="list-style-type: none"> - The Bank's write-off policy, including the indicators that there is no reasonable expectation of recovery; and 	
	<ul style="list-style-type: none"> - How the modification requirements have been applied, including how the Bank determines whether the credit risk of a financial asset that has been modified while subject to a lifetime ECL allowance has improved to the extent that the loss allowance reverts to being measured at an amount equal to 12-month ECL and monitors the extent to which the loss allowance on those assets subsequently reverts to being measured at an amount equal to lifetime ECL. 	
	e) ECL calculations	<p>Note 27 Note 4.8</p>
	<ul style="list-style-type: none"> - Basis of the inputs, assumptions and the estimation techniques used when, 	
	<ul style="list-style-type: none"> <ul style="list-style-type: none"> • estimating 12-month and lifetime ECL; 	
	<ul style="list-style-type: none"> <ul style="list-style-type: none"> • determining whether the credit risk of financial instruments has increased significantly since initial recognition; and 	
	<ul style="list-style-type: none"> <ul style="list-style-type: none"> • determining whether financial assets are credit-impaired. 	
	<ul style="list-style-type: none"> - How forward-looking information has been incorporated into the determination of ECL, including the use of macro-economic information; and 	
	<ul style="list-style-type: none"> - changes in estimation techniques or significant assumptions made during the reporting period and the reasons for those changes. 	
	(f) Amounts arising from ECL	

	<ul style="list-style-type: none"> - Provide reconciliation for each class of financial instrument [Financial assets measured at AC, Financial assets mandatorily measured at FVOCI, Loan commitments when there is an obligation to extend credit (except those measured at Fair Value through Profit or Loss), Financial guarantee contracts (except those measured at Fair Value through Profit or Loss), Lease receivables within the scope of LKAS 16: Leases, Contract assets within the scope of SLFRS 15: Revenue from contracts with customers etc.] of the opening balance to the closing balance of the impairment loss allowance. 	Note 27 Note 4.8
	<ul style="list-style-type: none"> - Explain the reasons for changes in the loss allowances in the reconciliation. 	
	(g) Collaterals	
	<ul style="list-style-type: none"> - Amount that best represents the Bank's maximum exposure to credit risk at the reporting date, without taking account of any collateral held or other credit enhancements; 	
	<ul style="list-style-type: none"> - Narrative description of collateral held as security and other credit enhancements (except for lease receivables), including: <ul style="list-style-type: none"> • discussion on the nature and quality of the collaterals held; • explanation of any significant changes in quality as a result of a deterioration or changes in the Bank's collateral policies during the reporting period; • information about financial instruments for which the Bank has not recognised a loss allowance because of the collateral; • quantitative information about the collateral held as security and other credit enhancements; • Information about the fair value of the collateral and other credit enhancements, or to quantify the exact value of the collateral that was included in calculation of ECL. 	Note 53.2
	(h) Written-off assets	
	<ul style="list-style-type: none"> - Contractual amount outstanding of financial assets written off during the reporting period that are still subject to enforcement activity. 	
	(i) 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.	Market disclosures – page 356
	(ii) Liquidity Risk	
	(a) A maturity analysis of financial assets and liabilities.	Note 53.3 – Risk Management
	(b) Description of approach to risk management.	Note 53.3 – Risk Management
	(c) 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.	Market disclosures – page 356
	(iii) Market Risk	
	(a) A sensitivity analysis of each type of market risk to which the entity is exposed.	Note 53.4
	(b) Additional information, if the sensitivity analysis is not representative of the entity's risk exposure.	N/A
	(c) 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.	
	(iv) Operational Risk 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.	Note 53 and Market disclosures - Page 356

COMPLIANCE WITH ANNUAL REPORT DISCLOSURE REQUIREMENTS OF CENTRAL BANK OF SRI LANKA

	(v) Equity risk in the Banking book	N/A
	(a) Qualitative disclosures	
	<ul style="list-style-type: none"> Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons. 	
	<ul style="list-style-type: none"> Discussion of important policies covering the valuation and accounting of equity holdings in the Banking book. 	
	(b) Quantitative disclosures	
	<ul style="list-style-type: none"> 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. The types and nature of investments The cumulative realised gains/(losses) arising from sales and liquidations in the reporting period. 	
	(vi) Interest rate risk in the Banking book	Note 53.4.2 - Risk Management
	(a) Qualitative disclosures Nature of interest rate risk in the Banking book (IRRBB) and key assumptions	
	(b) Quantitative disclosures 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	Risk management
3.	Market Disclosures	
	3.1 Regulatory Requirements on Capital and Liquidity	
	(i) Key Regulatory Ratios - Capital and Liquidity	Page 344
	(ii) Basel III Computation of Capital Ratios	Page 345
	(iii) Basel III Computation of Liquidity Coverage Ratio	Page 347
	(iv) Main Features of Regulatory Capital Instruments	Page 348
	3.2 Risk Weighted Assets (RWA)	
	(i) Summary Discussion on Adequacy/Meeting Current and Future Capital Requirements	Page 348
	(ii) Credit Risk under Standardised Approach: Credit Risk Exposures and Credit Risk Mitigation (CRM) Effects	Page 349
	(iii) Credit Risk under Standardised Approach: Exposures by Asset Classes and Risk Weights	Page 350
	(iv) Market Risk under Standardised Measurement Method	Page 351
	(v) Operational Risk under Basic Indicator Approach/ The Standardised Approach/ The Alternative Standardised Approach	Page 351

GRI CONTENT INDEX

Statement of use	Union Bank Colombo Plc has reported in accordance with the GRI Standards for the period 1 January 2023 to 31 December 2023.					
GRI 1 used	GRI 1: Foundation 2021					
GRI STANDARD	DISCLOSURE	DESCRIPTION	LOCATION	OMISSION REQUIREMENT(S)	REASONS	EXPLANATION
General disclosures						
GRI 2 : General Disclosures 2021	The organization and its reporting practices					
	Disclosure 2-1	Organizational Details	Inner Back Cover, 6			
	Disclosure 2-2	Entities included in the organization's sustainability reporting	6, 51			
	Disclosure 2-3	Reporting period, frequency and contact point	4, 5			
	Disclosure 2-4	Restatements of Information	4			
	Disclosure 2-5	External Assurance	5, 357-361			
	Activities and workers					
	Disclosure 2-6	Activities, value chain and other business relationships	18-19, 42-45, 53, 72			
	Disclosure 2-7	Employees	56-57			
	Disclosure 2-8	Workers who are not employees	58			
	Governance					
	Disclosure 2-9	Governance Structure and composition	102			
	Disclosure 2-10	Nomination and selection of the highest governance body	103, 104, 105, 106			
	Disclosure 2-11	Chair of the highest governance body	102, 106-108			
	Disclosure 2-12	Role of the highest governance body in overseeing the management of impacts	103			
	Disclosure 2-13	Delegation of responsibility for managing impacts	39-40, 106, 109			
	Disclosure 2-14	Role of the highest governance body in sustainability reporting	103			
	Disclosure 2-15	Conflicts of interest	110			

GRI CONTENT INDEX

Statement of use	Union Bank Colombo Plc has reported in accordance with the GRI Standards for the period 1 January 2023 to 31 December 2023.					
GRI 1 used	GRI 1: Foundation 2021					
GRI STANDARD	DISCLOSURE	DESCRIPTION	LOCATION	OMISSION REQUIREMENT(S)	REASONS	EXPLANATION
	Disclosure 2-16	Communication of critical concerns	111			
	Disclosure 2-17	Collective knowledge of the highest governance body	105			
	Disclosure 2-18	Evaluation of the performance of the highest governance body	105			
	Disclosure 2-19	Remuneration policies	125, 143			
	Disclosure 2-20	Process to determine remuneration	125			
	Disclosure 2-21	Annual total compensation ratio	-		*	**
	Strategies, policies and practices					
	Disclosure 2-22	Statement on sustainable development strategy	15			
	Disclosure 2-23	Policy commitments	125,131			
	Disclosure 2-24	Embedding policy commitments	125, 131			
	Disclosure 2-25	Processes to remediate negative impacts	132			
	Disclosure 2-26	Mechanisms for seeking advice and raising concerns	132, 176			
	Disclosure 2-27	Compliance with laws and regulations	74			
	Disclosure 2-28	Membership associations	77 - 78			
	Stakeholder Engagement					
	Disclosure 2-29	Approach to stakeholder engagement	23			
	Disclosure 2-30	Collective bargaining agreements	65			

*Confidentiality Constraints

**The Disclosure required sensitive information relevant to individuals, therefore its not possible to disclose

GRI STANDARD	DISCLOSURE	DESCRIPTION	LOCATION	OMISSION		
				REQUIREMENTS	REASON	EXPLANATION
GRI 3 : Material Topics 2021	Disclosure 3-1	Process to determine material topics	26			
	Disclosure 3-2	List of material topics	27			
	Disclosure 3-3	Management of material topics	27-31			
Topic Specific Disclosures						
GRI 201 : Economic Performance 2016	Disclosure 201-1	Direct economic value generated and distributed	342			
	Disclosure 201-2	Financial implications and other risks and opportunities due to climate change	36, 38			
	Disclosure 201-3	Defined benefit plan obligations and other retirement plans	268 - 271			
GRI 204 : Procurement Practices 2016	Disclosure 204- 1	Proportion of spending on local suppliers	72			
GRI 206 : Anti-Competitive Behavior 2016	Disclosure 206- 1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	74			
GRI 207 : Tax 2019	Disclosure 207-1	Approach to Tax	222			
	Disclosure 207-2	Tax governance, control and risk management	222			
	Disclosure 207-3	Stakeholder engagement and management of concerns related to Tax	23			
	Disclosure 207-4	Country by Country Reporting	222			
GRI 302 : Energy 2016	Disclosure 302-1	Energy consumption within the organization	81			
	Disclosure 302-3	Energy intensity	81			
GRI 401 : Employment 2016	Disclosure 401-1	New employee hires and employee turnover	60			
	Disclosure 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	64			
	Disclosure 401-3	Parental Leave	66			

GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	DESCRIPTION	LOCATION	OMISSION		
				REQUIREMENTS	REASON	EXPLANATION
GRI 402 : Labor/ Management Relations 2016	Disclosure 402-1	Minimum notice periods regarding operational changes	32			
GRI 403 : Occupational Health and Safety 2018	Disclosure 403-2	Hazard identification, risk assessment, and incident investigation	65			
	Disclosure 403-3	Occupational health services	65			
	Disclosure 403-6	Promotion of worker health	65			
	Disclosure 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	65			
GRI 404 : Training and Education 2016	Disclosure 404-1	Average hours of training per year per employee	61			
	Disclosure 404-2	Programs for upgrading employee skills and transition assistance programs	61, 62			
	Disclosure 404-3	Percentage of employees receiving regular performance and career development reviews	64			
GRI 405 : Diversity and Equal Opportunity 2016	Disclosure 405-1	Diversity of governance bodies and employees	57			
	Disclosure 405-2	Ratio of basic salary and remuneration of women to men	63			
GRI 406: Non Discrimination 2016	Disclosure 406-1	Incidents of discrimination and corrective actions taken	66			
GRI 408 : Child Labor 2016	Disclosure 408-1	Operations and suppliers at significant risk for incidents of child labor	59			
GRI 409 : Forced or Compulsory Labor 2016	Disclosure 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	59			

GRI STANDARD	DISCLOSURE	DESCRIPTION	LOCATION	OMISSION		
				REQUIREMENTS	REASON	EXPLANATION
GRI 417 : Marketing and Labelling 2016	Disclosure 417-1	Requirements for product and service information and labelling	69			
	Disclosure 417-2	Incidents of non-compliance concerning product and service information and labelling	74			
	Disclosure 417-3	Incidents of non-compliance concerning marketing communications	74			
GRI 418 : Customer Privacy 2016	Disclosure 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	74			

INDEPENDENT ASSURANCE REPORT ON SUSTAINABILITY REPORTING



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Independent practitioner's assurance report to the Board of Directors of Union Bank of Colombo PLC on the Sustainability reporting criteria presented in the Integrated Annual Report FY 2024

Scope

We have been engaged by Union Bank of Colombo 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 Union Bank of Colombo PLC's Economic, Environment, Social and Governance (EESG) indicators (the "Subject Matter") contained in Union Bank of Colombo 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 Union Bank of Colombo PLC

In preparing the Subject Matter, Union Bank of Colombo 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.

Union Bank of Colombo PLC's responsibilities

Union Bank of Colombo 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 Union Bank of Colombo PLC on 17 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

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, B Vasanthan ACA ACMA, W D P L Perera ACA

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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.

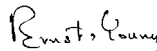
Emphasis of matter

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 Union Bank of Colombo PLC for the year ended 31 December 2024, in order for it to be in accordance with the Criteria.


28 February 2025
Colombo

GLOSSARY OF FINANCIAL TERMS

A

Acceptances

The signature on a bill of exchange indicates that the person to whom it is drawn accepts the conditions of the bill. In other words a bill of exchange that has been accepted.

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis

Recognition of the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalents.

Actuarial Gain/Loss

Gain or Loss arising from the difference between estimates and actual experience in a Company's Pension Plan.

Additional Tier 1 Capital (AT1)

Additional Tier 1 is a component of Tier 1 capital that comprises of securities that are subordinated to most subordinated debt, which have no maturity and their dividends can be cancelled at any time.

Advances to Deposit Ratio (ADR)

Total Loans and Advances expressed as a percentage of total deposit portfolio of the Bank

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Amortised Cost

The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or in collectability.

Amounts Due to Customers

Money deposited by account holders. Such funds are recorded as liabilities.

Asset and Liability Committee (ALCO)

A risk-management committee in a Bank that generally comprises the senior-management levels of the institution. The ALCO's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure. Among the factors considered are liquidity risk, interest rate risk, operational risk and external events that may affect the Bank's forecast and strategic balance-sheet allocations.

Assets Pledge

Asset used as collateral for a loan. A pledged asset is transferred to the lender from the borrower to secure the debt. Ownership of the asset remains with the borrower during the loan period.

Associates

An entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Available For Sale Financial Assets

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss

Average Weighted Deposit Rate (AWDR)

AWDR is calculated by the Central Bank monthly based on the weighted average of all outstanding Interest-bearing deposits of commercial Banks and the corresponding Interest rates.

Average Weighted Prime Lending Rate (AWPLR)

AWPLR is calculated by the Central Bank weekly based on commercial Banks' lending rates offered to their prime customers during the week

B

Basel III

The BCBS issued the Basel III rules text, which presents the details of strengthened global regulatory standards on Bank capital adequacy and liquidity

Basis Point (BP)

One hundredth of a percentage point, i.e., 100bp equals 1%, used in quoting movements in interest rates, security yields, etc

Bill of Exchange

A signed, written, unconditional order one person (the drawer) directing another person (the drawee) to pay a specified sum of money to the order of the third person (the Payee). The terms bills of exchange and drafts are often used interchangeably.

Bills of Collection

A bill of exchange drawn by an exporter usually at a term, on an importer overseas and brought by the exporter to his Bank with a request to collect the proceeds.

Bonus Issue

The issue of new shares to existing shareholders in proportion to their shareholdings. It is a process for converting a company's reserves (in whole or part) in to issued capital and hence does not involve an infusion of cash.

Business Model Assessment

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

Call Deposits or Call Money

Deposits or funds lent out which are repayable on demand.

C

Capital Adequacy Ratio

The percentage of risk-adjusted assets supported by capital as defined under the framework of risk-based capital standards developed by the Bank for International Settlement (BIS) and as modified to suit local requirements by the Central Bank of Sri Lanka.

Capital Conservation Buffers (CCBs)

These are mandatory capital buffers that Banks should build up during normal times (i.e. outside the period of stress) which can be drawn down during a stressed period.

Capital Gain (Capital Profit)

The gain on the disposal of an asset calculated by deducting the cost of the asset from the proceeds received on its disposal.

Capital Reserves

Capital Reserves consist of revaluation reserves arising from revaluation of properties owned by the Bank and Reserve Fund set aside for specific purposes defined under the Banking Act, No 30 of 1988 and shall not be reduced or impaired without the approval of the Monetary Board.

Cash Equivalents

Short-term highly liquid investments that are readily convertible to known amounts of cash and which subject to an insignificant risk of changes in value.

Cash Flows

Cash flows are inflows and outflows of cash and cash equivalents.

Cash Generating Unit (CGU)

The smallest group of assets that independently generates cash flow and the cash flow is largely independent of the cash flows generated by other assets.

Ceded Insurance Arrangements

An arrangement where an insurance company passes the part or all of its risks from its insurance policy portfolio to a reinsurance firm.

Collective Impairment

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Collectively Assessed Loan Impairment Provisions

Also known as portfolio impairment provisions. Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses that has been incurred but has not yet been identified at the reporting date. Typically, assets within the consumer banking business are assessed on a portfolio basis.

Commercial Paper (CP)

An unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities. The debt is usually issued at a discount, reflecting prevailing market interest rates.

Commitment To Extend Credit

Credit facilities available to clients either in the form of loans, bankers' acceptances and other on-balance sheet financing or through off-balance sheet products such as guarantees and letters of credit.

Commitments

Credit facilities approved but not yet utilized by the clients at the date of Statement of Financial Position.

Common Equity Tier I (CET I) Capital

Consists of stated capital, other capital and revenue reserves. CET I is the element of capital which has the highest quality and the most effective in absorbing losses.

Comprehensive Income

The change in equity of a business enterprise during a period from non-owner sources. This includes all changes in equity during a period except those resulting from investments by owners and distributions to the owners. Comprehensive income equals net income plus other comprehensive income.

Consolidated Financial Statements

Consolidated financial statements are the financial statements of a Group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of single economic entity.

Contingencies

A condition or situation existing at the date of the Statement of Financial Position where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

Contract

An agreement between two or more parties that creates enforceable rights and obligations

Contractual Maturity

Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.

Control

Control is the power over an investee, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its powers over the investee to affect the amount of the investor's returns.

Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

GLOSSARY OF FINANCIAL TERMS

Correspondent Bank

A Bank in a foreign country that offers banking facilities to the customers of a Bank in another country.

Cost Method

A method of accounting whereby the investment is recorded at cost. The Income Statement reflects income from the investment only to the extent that the investor receives distributions from accumulated net profits of the investee arising subsequent to the date of acquisition.

Cost to Income Ratio

Operating expenses excluding impairment for loans and receivables and other losses as a percentage of total operating income.

Country Risk

The risk that a foreign government will not satisfy its obligations or obstructs the remittance of funds by debtors, either for financial reasons (transfer risk) or for other reasons (political risk)

Credit Rating

An evaluation of a corporate ability to repay its obligations or likelihood of not defaulting carried out by an independent rating agency.

Credit Risk

Credit risk or default risk is most simply defined as the potential that a borrower or counter party will fail to meet its obligations in accordance with agreed terms and conditions.

Credit Risk Mitigation

A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantee and credit protection.

Currency Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency SWAPs

The simultaneous purchase of an amount of a currency for spot settlement and the sale of the same amount of the same currency for forward settlement

Customer Deposits

Money deposited by account holders. Such funds are recorded as liabilities.

D

Dealing Securities

These are marketable securities acquired and held with the intention to resale over a short period of time.

Debt Restructuring/Rescheduling

This is when the terms and provisions of outstanding debt agreements are changed. This is often done in order to improve cash flow and the ability of the borrower to repay the debt. It can involve altering the repayment schedule as well as debt or interest charge reduction.

Deferred Taxation

Sum set aside in the Financial Statements that may become payable/ receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

Defined Benefit Obligation

The costs of the defined benefit plans and the present value of its obligations are determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and possible future gratuity increases, if any.

Delinquency

A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as 'Arrears'

De-minimis

Features that could impact the cash flows of a financial asset by a de-minimis amount both on a period by period basis and cumulatively.

Density ratio

Risk-weighted assets expressed as a percentage of total exposure.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition

Removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Derivatives

A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (e.g., an interest rate).

Diluted Earnings Per Share

The earnings per share that would result if all dilutive securities were converted into common shares

Discount Rate

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value

Dividend Cover

Profit after tax divided by gross Dividend. This ratio measures the number of times dividend is covered by the current year's distributable profits.

Dividend Payout Ratio

It is the percentage of earnings paid to shareholders in dividends

Dividend Yield

Dividend earned per share as a percentage of its market value.

Documentary Credit (L/Cs)

Written undertakings by a Bank on behalf of its customers (typically an importer), favouring a third party (e.g. an exporter) where the third party could get paid up to a stipulated amount by fulfilling specific terms and conditions. Such undertakings are established for the purpose of facilitating trade.

Documentary Letters Of Credit

Commercial letters of credit provided for payment by a Bank to the name beneficiary usually the seller of merchandise, against delivery of documents specified in the credit.

Documentary Letters of Credit (LCs)

Written undertakings by a Bank on behalf of its customers, authorising a third party to draw on the Bank up to a stipulated amount under specific terms and conditions. Such undertakings are established for the purpose of facilitating international trade.

Domestic Debt Optimisation Program

The Domestic Debt Optimisation (DDO) program in Sri Lanka is a government initiative to manage and reduce the country's domestic debt amidst a severe economic crisis. It includes restructuring the terms of government bonds, with options like extending the repayment period and reducing the interest rates, to make debt repayment more manageable.

E

Earnings Per Share (EPS)

Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue.

Earnings Yield

Economic Value Added (EVA)

A measure of productivity which takes into consideration cost of total invested equity.

Effective Interest Rate (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate a shorter period to the net carrying amount of the financial asset or financial liability.

Effective Tax Rate (ETR)

Provision for taxation including deferred tax divide by the profit before taxation.

Embedded Derivatives

Equity Instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity Method

This is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss of investor includes the investor's share of the profit or the loss of the investee.

Equity Risk

The risk arising from positions, either long or short, in equities or equity-based instruments, which create exposure to a change in the market price of the equities or equity instruments.

ESOP (Employee Share Option Plan)

A method of giving employees shares in the business for which they work

Events after the Reporting Period

Events after the Reporting Period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue.

ex-dividend date

The first date that a share trades without the (i.e. "ex") dividend

Exercise Price

The fixed price at which an option holder can buy or sell the underlying.

Expected Credit Loss (ECL)

Expected credit loss is outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include, The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Life Time Expected Credit Loss (LTECL) basis.

The segmentation of financial assets when their ECL is assessed on a collective basis. Development of ECL models, including the various formulas and the choice of inputs. Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on Probability of Defaults (PDs), Exposure at Defaults (EADs) and Loss Given Defaults (LGDs).

Exposure

A claim, contingent claim or position which carries a risk of financial loss.

Exposure at Default (EAD)

Gross carrying amount of financial instruments subject to impairment calculation.

F

Fair Value

Fair Value is the amount for which an asset could be exchanged or liability settled between a knowledgeable willing parties in an arm's length transaction.

Fair Value Adjustment

An adjustment to the fair value of a financial instrument which is determined using a valuation technique (level 2 and level 3) to include additional factors that would be considered by a market participant that are not incorporated within the valuation model.

GLOSSARY OF FINANCIAL TERMS

Fair Value through Other Comprehensive Income (FVOCI)

Financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Fair Value Through Profit or Loss

A financial assets/liability: Acquired/ incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of profit taking or derivative (except for a derivative that is a financial guarantee contract).

Finance Lease

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over and agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee

Financial Asset

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Financial Asset or Financial Liability at Fair Value through Profit or Loss

Financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as 'at fair value through profit or loss'

Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

FVOCI include debt and equity instruments measured at fair value through other Comprehensive income. A debt instrument is measured at FVOCI, if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual

terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Equity investments may be irrevocably classified as FVOCI when they meet the definition of Equity under LKAS 32 Financial Instruments: Presentation, and are not held for trading.

Financial Assets Measured At Amortised Cost

A financial asset is measured at amortised cost if the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial Guarantee Contract

A Financial Guarantee Contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial Instrument

Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Liability

A contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

FINANCIAL RISK

The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates or credit rating or credit index

Firm Commitment

A Firm Commitment is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.

Float Adjusted Market Capitalisation

Float adjusted market capitalisation is the market value of public shareholding of the listed entity.

Forborne Loans

The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy.

Foreign Exchange Income

The gain recorded when assets or liabilities denominated in foreign currencies are translated into Sri Lankan Rupees on the reporting date at prevailing rates which differ from those rates in force at inception or on the previous reporting date. Foreign exchange income also arises from trading in foreign currencies

Foreign Exchange Profit

Profit earned on foreign currency transactions arising from the difference in foreign exchange rates between the transaction/last date of the Statement of Financial Position and the settlement/date of the Statement of Financial Position. Also arises from trading in foreign currencies.

Forward Exchange Contract

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

Forward Looking Information

Incorporation of macroeconomic scenarios into the impairment calculations.

G

Gearing

Long term borrowings divided by the total funds available for shareholders.

General Provisions

General Provisions are established for all Loans and Advances for anticipated losses on aggregate exposures where credit losses cannot yet be determined on an individual facility basis in accordance with the Regulatory directives.

Global Reporting Initiative (GRI)

The GRI is an international independent standards organisation that helps businesses, governments, and other organisations understand and communicate their impacts on issues such as climate change, human rights, and corruption. GRI promotes sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

Goodwill

An intangible asset that represents the excess of the purchase price of an acquired company over the value of the net assets acquired.

Gross Dividend

The portion of profits distributed to the shareholders including the tax withheld

Gross Dividends

The portion of profit inclusive of tax withheld distributed to shareholders

Group

A group is a parent and all its subsidiaries and associates.

Guarantees

A promise made by a third party (Guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfil the contractual obligations.

H

Hedging

A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements (Interest Rate, Prices and Commodities, etc.).

Held for Trading

Debt and equity investments that are purchased with the intent of selling them mwithin a short period of time (usually less than one year).

High Quality Liquid Assets (HQLA)

Assets that can be easily and immediately converted into cash at little or no loss of value, can be readily sold or used as collateral to obtain funds in a range of stress scenarios, and are unencumbered, i.e., without legal, regulatory or operational impediments.

Historical Cost

Historical cost is the original nominal value of an economic item

Impaired Loans

Loans where the Group does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

I

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Impairment Allowances

Management's best estimate of losses incurred in the loan portfolios at the reporting date.

Impairment Charges for Loan Losses

Amounts set aside against possible losses on loans, receivables and other credit facilities as a result of such facilities becoming partly or wholly uncollectable.

Incremental Borrowing Rate

The rate Bank uses to discount the future lease liabilities in recognition of Lease rentals and Right-of-Use assets.

Incremental Cost

Costs that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Incurred But Not Enough Reported (IBNER)

The reserves for claims that become due with the occurrence of the events covered under the insurance policy, but have not been reported yet

Incurred But Not Reported (IBNR)

An estimate of the liability for claim-generating events that have taken place but have not yet been reported to the insurer or self-insurer.

Individual Impairment

Reviewing individually significant loans and receivables at each reporting date to assess whether an impairment loss should be recorded in the Statement of Profit or Loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss.

Individually Impaired Asset Cover

Impaired Assets Cover is the ratio of Individual impairment provision to total individually impaired assets.

Individually Significant Loan Impairment Provisions

Also known as specific impairment provisions. Impairment is measured individually for assets that are individually significant to the Group. Typically, assets within the corporate banking business of the Group are assessed individually.

GLOSSARY OF FINANCIAL TERMS

Individually Significant Loans

Exposures which are above a certain threshold decided by the Bank's management which should be assessed for objective evidence, measurement, and recognition of impairment on an individual basis.

Insurance Risk

Risk, other than financial risk, transferred from the holder of a contract to the issuer.

Intangible Asset

An identifiable non-monetary asset without physical substance held for use in the production / supply of goods / services or for rental to others or for administrative purposes.

Integrated Reporting

A methodology of reporting an organisation's strategy, governance, financial performance and prospects in relation to the creation of value over the short, medium and long term in its economic, social and environmental context.

Interest Cover

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

Interest Earning Assets

Assets on which the Bank earns interest are considered as interest earning assets. These includes Loans and Advances, placements with Banks, other interest bearing trading and non trading investments

Interest Margin

Net interest income expressed as a percentage of interest earning assets

Interest Rate Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates

Interest Rate SWAP

Arrangement whereby one party exchanges one set of interest payments for another.

Interest Spread

This represents the difference between the average interest rate earned and the average interest rate paid on funds.

Investment Properties

Investment property is property held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both, rather than for use or sale.

Investment Securities

Securities acquired and held for yield or capital growth purposes and are usually held to maturity.

J

Joint Control

Joint control is the contractually agreed sharing of the control over an economic activity and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Joint Venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control

K

Key Management Personne

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, Including any Director (whether Executive or otherwise) of that entity and key employees who are holding directorships in subsidiary companies and other key employees who meet the criteria mentioned above.

L

LCR Definition

With the introduction of Basel III rules on Liquidity Risk Management LCR has been identified as a key policy measured to further strengthen the liquidity risk management to

promote a more resilient banking sector. LCR is expected to improve the banking sector's ability to absorb shocks arising from financial and economic stress, thus, reducing the risk of spillover from the financial sector to the real economy. LCR represents the Ratio of Stock of high quality liquid assets available to total net cash outflows over next 30 calendar days.

Level 1 – Quoted Market Price

Financial instruments with quoted prices for identical instruments in active markets.

Level 2 – Valuation Technique Using Observable Inputs

Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 –Valuation Technique with Significant Unobservable Inputs

Financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

Leverage Ratio

The leverage ratio measures how leveraged a Bank capital is in relation to its consolidated assets, derivatives exposures and off-balance sheet items. The leverage ratio constrains the

degree to which the Bank can leverage its capital and improve the extent to which it can sustain negative shocks to its balance sheet.

Liability Adequacy Test (LAT)

Assessment on each reporting date whether the recognised insurance liabilities are adequate, using current estimates of future cash flows under the insurance contract.

Life Time Expected Credit Losses (LTECL)

The expected credit losses that result from all possible default events over the expected life of a financial instrument.

Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other Banks, Bills of Exchange and Treasury Bills and Bonds.

Liquidity Risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Loans And Advances/Receivables

Non derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intended to sell immediately or in the near term and designated as fair value through profit or loss or available for sale on initial recognition.

Loans and Receivables

Non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans Payable

Loans payable are financial liabilities, other than short term trade payables on normal credit terms.

Loan-to-value ratio (LTV)

The LTV ratio is a mathematical expression, which expresses the amount of first mortgage lien as a percentage of the total appraised value of real property. The LTV ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

Loss Given Default (LGD)

The estimated ratio (percentage) of the loss on an exposure to the amount outstanding at default (EAD) upon default of counterparty.

M

Market Capitalisation

The value of a company obtained by multiplying the number of issued shares by its market value as at a date.

Market Risk

This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Market Risk Premium

The market risk premium is the difference between the expected return on a market portfolio and the risk-free rate. The market risk premium is equal to the slope of the security market line (SML), a graphical representation of the capital asset pricing model (CAPM).

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the decisions of users of Financial Statements.

Minority Interest

The interest of individual shareholders, in a company more than 50% of which is owned by a holding company.

Moratorium Period

A moratorium period is a period during a loan term when the borrower is not obligated to make a payment. It is a waiting period before the borrower starts making fixed monthly payments.

N

Net Accommodation

Total net accommodation computed by deducting from the total accommodation, the cash collateral and investments made by such related parties in the Bank's share capital and debt instruments with a maturity of five years or more.

Net Asset Value Per Share

Shareholders' Funds excluding preference shares if any, divided by the number of ordinary shares in issue.

Net Interest Margin (NIM)

The margin is expressed as net interest income divided by average interest earning assets.

Net Open Position

Net Open Position or "NOP" means the net sum of all foreign currency assets and liabilities of a financial institution, inclusive of all of its spot and forward transactions and off balance sheet items in that foreign currency.

Net Premium Method

A Net Premium Valuation is an actuarial calculation, used to place a value on the liabilities of a life insurer.

Net Stable Funding Ratio (NSFR)

NSFR measures the amount of longer term stable sources of funding employed by a Bank relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations.

Net-Interest Income

Net-Interest Income (NII)

The difference between what a Bank earns on assets such as loans and securities and what it pays on 220 liabilities such as deposits refinance Union Bank of Colombo PLC funds and inter-Bank borrowings.

Non – Genuine

A cash flow characteristic that affects the instrument's contractual cash flows only on the occurrence of an event that is extremely rare, highly abnormal and very unlikely to occur.

Non Controlling Interest (NCI)

Non controlling interest is the equity in a subsidiary not attributable, directly or indirectly to a parent.

Non-Performing Loans (NPL)

A loan or an receivables placed on cash basis (i.e., Interest income is only recognised when cash is received) because, in the opinion of management, there is reasonable doubt regarding the collectability of principal or interest.

GLOSSARY OF FINANCIAL TERMS

Non-Performing Loans Cover (NPL Cover)

Cumulative loan provision as a percentage of total non-performing loans (net of interest in suspense).

Nostro Account

A Bank account held in foreign country by a domestic Bank, denominated in the currency of that country. Nostro accounts are used to facilitate the settlement of foreign exchange trade transactions.

NPL Ratios

Total non-performing loans and receivables (net of interest in suspense) divided by total loans and receivables portfolio (net of interest in suspense)

O

Off-Balance Sheet Transactions

Transactions that are not recognised as assets or liabilities in the statement of financial position, but which give rise to contingencies and commitments

Onerous Contract

A type of contract where the costs involved with fulfilling the terms and conditions of the contract are higher than the amount of economic benefits received

Open Credit Exposure Ratio

Total net non-performing Loans (Stage 3) and Advances expressed as a percentage of regulatory capital base.

Operational Risk

Operational risk refers to the losses arising from fraud, negligence, oversight, human error, process errors, system failures, external events, etc.

P

Parent

A parent is an entity that has one or more subsidiaries.

Past Due

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Price Earnings Ratio (P/E Ratio)

The current market price of the share is divided by the earnings per share.

Probability of Default (PD)

The probability that an obligor will default within a given period of time.

Provision Cover

Total provisions for loan losses expressed as a percentage of net non-performing loans and advances before discounting for provisions on non-performing loans and advances.

Prudence

Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

R

Ratio of Impaired Loans and Advances

Ratio for Impaired Loans and Advances is the ratio of gross impaired Loans and Advances portfolio as a percentage of gross Loans and Advances.

Regular Way Trades

A type of trade that is settled through the regular settlement cycle required for the particular investment being traded. The settlement cycle is the time that the regulations of the securities market allows for the buyer to complete payment and for the seller to deliver the goods being purchased

Related Parties

Parties where one party has ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Related Party Transaction (RPT)

RPT is a transfer of resources, services or obligations between a reporting entity and a related party, regardless whether a price is charged

Repurchase Agreement

This is a contract to sell and subsequently repurchase government securities at a given price on a specified future date.

Re-scheduled Credit Facilities

Re-scheduled credit facilities are facilities which the original repayment terms have been amended due to deterioration in credit quality, while the respective facility is in the 'Non Performing' status as defined in the relevant regulatory directions

Return On Average Assets (ROA)

Net income expressed as a percentage of average total assets.

Return On Average Equity (ROE)

Net income, less preferred share Dividend if any, expressed as a percentage of average ordinary shareholders' equity.

Revenue Reserve

Reserves set aside for future distribution and investment.

Reverse Repurchase Agreement

Transaction involving the purchase of government securities by a Bank or dealer and resale back to the seller at a given price on a specific future date.

Right-of-Use Assets

Right-of-Use Assets include assets recognised at the present value of future lease rentals less any amortisation and impairment accumulated at the date of reporting.

RIGHTS ISSUE

Issue of shares to the existing shareholders at an agreed price, generally lower than market price.

Risk Weighted Assets

On-Balance Sheet assets and the credit equivalent of Off-Balance Sheet assets multiplied by the relevant risk weighting factors.

S

Segment Reporting

Disclosure of the Bank's assets, income and other information, broken down by activity and geographical area

Segmental Analysis

Analysis of financial information by segments of an enterprise specifically industries in which it operates.

Shareholders' Funds

Total of issued and fully paid share capital and capital and revenue reserves.

Significant Increase In Credit Risk (SICR)

According to SLFRS 9, an entity should assess whether the risk of default on a financial Instrument has Increased significantly since Initial recognition. The assessment should consider reasonable and supportable Information that is relevant and available without undue cost or effort. There is a rebuttable presumption in the standard that the credit risk on a financial asset has Increased significantly since Initial recognition when contractual payments are more than 30 days past due.

Significant Influence If an entity holds, directly or indirectly (e.g. through subsidiaries), 20% or more of the voting power of the investee, it is presumed that entity has significant influence it can be clearly demonstrated otherwise.

Single Borrower Limit

A percentage of total capital.

Solely Payments Of Principal And Interest Test (SPPI)-

Classification decision for non- equity financial assets under SLFRS 9

Specific Impairment Provisions

Impairment is measured individually for loans that are individually significant to the Bank.

Statutory Reserve Fund

A capital reserve created as per the provisions of the Banking Act No. 30 of 1988.

Stage 1 Financial Assets

When financial assets are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 also includes facilities where the credit risk has improved and the loan has been reclassified from Stage 2. This includes financial assets the credit risk of which have not been significantly increased since the origination.

Stage 2 Financial Assets

Financial assets that have shown a significant increase in credit risk since origination are considered as a stage 2 financial asset. The Bank records an allowance for the LTECLs on stage 2 assets. These include financial assets where the credit risk has improved and the assets that have been reclassified from Stage 3.

Stage 3 Financial Assets

Credit impaired financial assets are considered as stage 3 assets. The Bank records an allowance for the LTECLs for Stage 3 assets.

Stage 3 Loans (Impaired Loans) to Total Loans Ratio

This ratio shows impaired Loan & Advances (Stage 3), net of Stage 3 impairment provisions, as a percentage of total on balance sheet credit facilities and their respective undrawn amounts.

Stage 3 Provision Cover

Stage 3 provision cover is calculated by dividing Loans & Advances impairment (Stage 3) by stage 3 Loans & Advances.

Stakeholders

Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by the organisation's activities, products, and services; and whose actions can reasonably be expected to affect the ability of the organisation to successfully implement its strategies and achieve its objectives. This includes entities or individuals whose rights under law or international conventions provide them with legitimate claims vis-à-vis the organisation.

Standing Deposit Facility

Standing Deposit Facility allows the Central Bank of Sri Lanka to absorb liquidity from commercial Banks without giving government securities in return to the Banks. In this sense, the Standing Deposit Facility (SDF) is a collateral free arrangement that CBSL need not give collateral for liquidity absorption.

State-Owned Enterprise

A state-owned enterprise is a legal entity that is created by a government in order to partake in commercial activities on the government's behalf.

Statutory Reserve Fund

A reserve created as per the provisions of the Banking Act No. 30 of 1988.

Subsidiary Company

A subsidiary is an enterprise that is controlled by another enterprise (known as the parent).

Substance Over Form

The consideration that the accounting treatment and the presentation in Financial Statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

SWAPS (Currency)

The simultaneous purchase of an amount of a currency for spot settlement and the sale of the same amount of the same currency for forward settlement. Alternatively a simultaneous spot sale and forward purchase of a currency.

GLOSSARY OF FINANCIAL TERMS

T

Tier 1 Capital

a) Common Equity Tier 1 (CET1)

This is a component of Tier 1 capital that consists mostly of common stock held by a Bank

b) Additional Tier 1 Capital (AT1)

This is similar to CET 1, but may additionally include non-redeemable non-cumulative preferred stock.

Tier 1 Capital - Additional Tier 1 (AT1)

Additional tier 1 capital (at1) is a component of tier 1 capital, distinct from common equity tier 1 (cet1) capital. It comprises capital instruments that are not included in cet1. These at1 instruments are subordinated to most other types of debt and have characteristics such as no fixed maturity and the flexibility for the issuing Bank to cancel dividends at any time without triggering a default. At1 plays a supplementary role in a Bank's overall capital structure, providing additional financial resilience and capacity to absorb losses. Tier ii capital Consists of the sum total of revaluation reserves, general provisions, hybrid capital instruments and approved subordinated debentures.

Tier 2 Capital

This is the secondary component of a Bank's capital, in addition to Tier 1 capital, that makes up a Bank's required reserves. Tier 2 capital is designated as supplementary capital, and it is composed of items such as revaluation reserves, undisclosed reserves, hybrid instruments and subordinated term debt.

Total Capital (Capital Base)

Capital base is summation of the core capital (Tier I) and the supplementary capital (Tier II).

Total Impairment Provision Cover Ratio

Total Impairment Cover depicts total impairment provision of Loans and Advances as a percentage of Total Gross Loans and Advances.

Total Regulatory Capital

Regulatory capital of licensed Banks will consist the following

Transaction Costs

Incremental costs that is directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Transfer Pricing Arrangement

Transfer pricing involves the terms and prices at which related parties sell (or should sell) goods or services to each other. When the parties are located in different taxing jurisdictions, opportunities exist for the movement of income to a lower-taxing jurisdiction. A transfer pricing arrangement is developed to combat potential losses of income tax revenue.

Twelve Month Expected Credit Losses (12mECL)

12mECLs are expected credit losses that result from all possible default events over a 12 month period. Stage 1 assets are subject to 12mECLs.

U

Undrawn Credit Lines

Credit facilities approved but not yet utilised by the clients as at the end of the reporting period

Unearned Premium Reserve

The premium corresponding to the time period remaining on an insurance policy.

Unit Trust

An undertaking formed to invest in securities under the terms of a trust deed.

Unsecured

Repayment of the principal and interest not being secured by any specific asset

Useful Life

Useful life is the period over which an asset is expected to be available for use by an entity or the number of periods production or similar units expected to be obtained from the assets by an entity.

V

Value Added

Value of wealth created by providing banking and other related services less the cost of providing such services.

Value-at-Risk (VaR)

A measure of the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g., rates, prices, volatilities) over a specified time horizon and to a given level of confidence.

W

Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

Y

Yield Curve

A yield curve is a line that plots yields (interest rates) of bonds having equal credit quality but differing maturity dates. The slope of yield curve gives an idea of future interest rate changes and economic activity. There are three main types of yield curve shapes; normal (upward sloping curve), inverted (downward sloping curve) and flat.

Yield to Maturity

Discount rate at which the security's present value of future payments would equal the security's current price.

ABBREVIATIONS

AC	Amortised Cost
ADB	Asian Development Bank
AED	United Arab Emirates Dirham
AGM	Annual General Meeting
ALCO	Assets and Liabilities Committee
AML	Anti Money Laundering
ASPI	All Share Price Index
ATM	Automated teller machine
AWPLR	Average Weighted Prime Lending Rate
BAC	Board Audit Committee
BCC	Board Credit Committee
BCP	Business Continuity Plan
BIA	Basic Indicator Approach
BIS	Bank for International Settlements
BNO	Bank Notes Operation
CAPEX	Capital Expenditure
CAR	Capital Adequacy Ratio
CASA	Current Accounts and Savings Accounts
CBSL	Central Bank of Sri Lanka
CCB	Capital Conservation Buffer
CCF	Credit conversation Factor
CCTV	Closed-Circuit Television
CDS	Central Depository Systems
CEO	Chief Executive Officer
CETI	Common equity tier
CFM	Close Family Members
CFO	Chief Financial Officer
CGU	Cash Generating Units
CRM	Credit Risk Mitigation
CRO	Chief Risk Officer
CSD	Corporate Sustainability Department
CSE	Colombo Stock Exchange
CSR	Corporate Social Responsibility
DBU	Domestic Banking Unit
DDO	Domestic Debt Optimisation
DoS	Data Leakage, denial of Service attacks
DPD	Days Past Due
DRP	Disaster Recovery Plan
D-SIB	Domestic systemically important Bank
EADs	Exposure at Defaults
ECC	Executive Credit Committee
ECL	Expected Credit Loss
EIR	Effective Interest Rate
EPF	Employees' Provident Fund
EPS	Earnings Per Share
ERMC	executive Risk Management committee
ESG	Environmental, Social and Governance
ESMS	Environmental and Social Management System
ESOP	Employee Share Option Plan

ETF	Employees' Trust Fund
FCBU	Foreign Currency Banking Unit
FCY	Foreign Currency
FIS	Fixed Income Securities
FRMC	Fraud Risk Management Committee
FVOCI	Fair Value through Other Comprehensive Income
FVPL	Fair Value Through Profit or Loss
FX	Foreign Exchange
FY	Financial Year
GBP	British Pound Sterling
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
HHI	Herfindahl-Hirschman Index
HQLA	High quality liquid assets
HR	Human Resources
HRRC	Human Resources & Remuneration Committee
IAD	Internal Audit Department
ICAAP	Internal Capital Adequacy Assessment Process
ICOFR	Internal Control Over Financial Reporting
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IMF-EFF	International Monetary Fund-Extended Fund Facility
IRMC	Integrated Risk Management Committee
IRR	Interest Rate Risk
IRRB	Interest rate risk in banking books
ISC	Information Security Committee
ITSC	Information Technology Steering Committee
JPY	Japanese Yen
KMP	Key Management Personnel
KRI	Key Risk Indicators
LCB	Licensed Commercial Bank
LCR	Liquidity Coverage Ratio
LGDs	Loss Given Defaults
LKR	Sri Lankan Rupee
LMS	Learning Management System
LTECL	Lifetime Expected Credit Loss
LTV	Loan to Value Ratio
Mn	Million
MTM	Mark to Market
NC	Nomination Committee
NII	Net Interest Income
NIM	Net Interest Margin
NOP	Net Open Position

NPA	Non Performing Assets
NPCF	Non performing credit facilities
NPL	Non-Performing Advances/Non-Performing Loans
NSFR	Net Stable Funding Ratio
OMC	Outsourcing Management Committee
OPD	Outpatient Department
ORMC	Operational Risk Management Committee
PAT	Profit After Tax
PBT	Profit Before Tax
PCI-DSS	Payment Card Industry Data Security Standard
PD	Probability of Defaults
PLC	Public Limited Company
POCI	Purchased or Originated credit impaired (Financial Assets)
RCSA	Risk and Control Self-Assessment
RHS	Right Hand Side
ROA	Return on Assets
ROE	Return on Equity
RPT	Related Party Transactions
RPTRC	Related Party Transactions Review Committee
RSA	Rate Sensitive Assets
RWA	Risk Weighted Assets
SDFR	Standing Lending Facility Rate
SDG	Sustainable Development Goals
SEC	Securities and Exchange Commission of Sri Lanka
SLDB	Sri Lanka Development Bond
SLFRS/LKAS	Sri Lanka Accounting Standards
SME	Small and Medium Enterprises
SOAT	Statement of Alternative Treatment
SPPI	Solely Payments of Principal and Interest
SSCL	Social Security Contribution Levy
SWIFT	Society for Worldwide InterBank Financial Telecommunications
SWOT	Strengths, Weaknesses, Opportunities and Threats
T-BILL	Treasury Bill
USD	United States Dollar
UX	User Experience
VAPT	Vulnerability Assessment and Penetration Testing
VaR	Value at Risk
VAT	Value Added Tax
VATFS	Value Added Tax on Financial Services
w.e.f	With Effect From
YoY	Year on Year
12mECL	12 months Expected Credit Loss

BRANCH NETWORK

	Branch	Address	Telephone
1	Head Office	64, Galle Road, Colombo 3.	011 2374100
2	Akuressa	50A, D. C. Wanigasekara Mawatha, Akuressa.	041 2284672
3	Ambalangoda	118, Galle Road, Ambalangoda.	091 2256420
4	Ambalantota	133/1, Hambantota Road, Ambalantota.	047 2225642
5	Anuradhapura	38, Main Street, Anuradhapura.	025 2224888
6	Attidiya	126, Main Street, Attidiya.	011 2761292
7	Badulla	81, Bank Road, Badulla.	055 2224657
8	Balangoda	167/B, Barnes Rathwattha Mawatha, Balangoda.	045 2289455
9	Bandarawela	348, Badulla Road, Bandarawela.	057 2221808
10	Batticaloa	03, Station Road, Batticaloa.	065 2228512
11	Borella	40, Gnanartha Pradeepa Mawatha, Colombo 8.	011 2672404
12	Chilaw	50, Colombo Road, Chilaw.	032 2224556
13	Chunnakam	118, Sir P. Ramanathan Road, Chunnakam.	021 2240930
14	Dambulla	723, Anuradhapura Road, Dambulla.	066 2285511
15	Elpitiya	40, Ambalangoda Road, Elpitiya.	091 2291695
16	Embilipitiya	58, Main Street, Pallegama, Embilipitiya.	047 2230761
17	Galle	143, Main Street, Galle.	091 2247307
18	Gampaha	170A, Colombo Road, Gampaha.	033 2248813
19	Gampola	121, Kandy Road, Gampola.	081 2353785
20	Ganemulla	367/B3, Kadawatha Road, Ganemulla.	033 2250170
21	Horana	41, Panadura Road, Horana.	034 2263156
22	Ibbagamuwa	48, Aluth Mawatha, Ibbagamuwa.	037 2057177
23	JaEla	151/B, Colombo Road, Ja-Ela.	011 2228573
24	Jaffna	398, Hospital Road, Jaffna.	021 2224567
25	Kadawatha	315F, Kandy Road, Kadawatha.	011 2927716
26	Kandy	165, D. S. Senanayake Veediya, Kandy.	081 2224500
27	Kegalle	340, Kandy Road, Kegalle.	035 2223605
28	Kohuwala	96B, Dutugamunu Street, Kohuwala.	011 2813693
29	Kollupitiya	51A, Ananda Coomaraswamy Mawatha, Colombo 3.	011 2565475
30	Kotahena	16A, Kotahena Street, Colombo 13.	011 2448825
31	Kuliyapitiya	203, Hettipola Road, Kuliyapitiya.	037 2284446

	Branch	Address	Telephone
32	Kurunagala	11, Rajapihilla Road, Kurunagala.	037 2225419
33	Maharagama	140, High Level Road, Maharagama.	011 2088800
34	Mannar	66, Main Street, Mannar.	023 2251343
35	Marawila	44, Chilaw Road, Marawila.	032 2252522
36	Matara	17, Station Road, Matara.	041 2228442
37	Matugama	121/B, Agalawatta Road, Matugama.	034 2248555
38	Medawachchiya	40, Kandy Road, Medawachchiya.	025 2245580
39	Minuwangoda	68, Veyangoda Road, Minuwangoda.	011 2299277
40	Moratuwa	729, Galle Road, Moratuwa.	011 2642502
41	Narammala	64, Kuliyapitiya Road, Narammala.	037 2248710
42	Nawala	232, Nawala Road, Nawala.	011 2806987
43	Nawalapitiya	21, Dolosbage Road, Nawalapitiya.	054 2050722
44	Negombo	387, Main Street, Negombo.	031 2238299
45	Nugegoda	114, Stanley Thilakaratne Mawatha, Nugegoda.	011 2832323
46	Old Moor Street	343, Old Moor Street, Colombo 12.	011 2399994
47	Panadura	495, Galle Road, Panadura.	038 2237098
48	Pelawatte	966, Pannipitiya Road, Pelawatte.	011 2785337
49	Peradeniya	921, Peradeniya Road, Kandy.	081 2068440
50	Pettah	111, Main Street, Colombo 11.	011 2321139
51	Pilimathalawa	211/A, Colombo Road, Pilimathalawa.	081 2575901
52	Piliyandala	71, Moratuwa Road, Piliyandala.	011 2606152
53	Rajagiriya	115, Old Kotte Road, Rajagiriya.	011 2075566
54	Ratmalana	143C, Mount City, Galle Road, Ratmalana.	011 2730860
55	Ratnapura	109, Main Street, Ratnapura.	045 2224422
56	Trincomalee	306, Central Road, Trincomalee.	026 2226505
57	Vavuniya	124, Bazaar Street, Vavuniya.	024 2225612
58	Warakapola	238B, Kandy Road, Warakapola.	035 2268226
59	Wattala	258, Negombo Road, Wattala.	011 2980731
60	Wellawatte	605, Galle Road, Colombo 6.	011 2553223
61	Wennappuwa	33, Colombo Road, Wennappuwa.	031 2253543

NOTICE OF MEETING

UNION BANK OF COLOMBO PLC

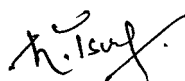
(PB 676 PQ)

Notice is hereby given that the 30th Annual General Meeting of Union Bank of Colombo PLC (the Company) will be held on 27th March 2025 at 10.00 a.m. at the Auditorium of Sri Lanka Foundation Institute at No.100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 07 for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company along with the Statement of Audited Accounts for the year ended 31st December 2024 together with the Report of the Auditors thereon.
2. To re-elect Mr. Nirvana Kumar Chaudhary as a Director in terms of Article 89 of the Articles of Association of the Company who retires by rotation at this Annual General Meeting in terms of Articles 88(i) read together with Article 89 of the Articles of Association of the Company.
3. To re-elect Mr. Malay Mukherjee as a Director in terms of Article 89 of the Articles of Association of the Company who retires by rotation at this Annual General Meeting in terms of Articles 88(i) read together with Article 89 of the Articles of Association of the Company.
4. To re-elect Mr. Sanjay Pokhrel as a Director in terms of Article 89 of the Articles of Association of the Company who retires by rotation at this Annual General Meeting in terms of Articles 88(i) read together with Article 89 of the Articles of Association of the Company.
5. To elect Mr. Dinesh Stephen Weerakkody as a Director who was appointed to the Board to fill up a casual vacancy in the Board subsequent to the last Annual General Meeting in terms of Article 95 of the Articles of Association of the Company.
6. To elect Dr. Dharmasri Kumaratunge as a Director who was appointed to the Board to fill up a casual vacancy in the Board subsequent to the last Annual General Meeting in terms of Article 95 of the Articles of Association of the Company.
7. To elect Mr. Mahesh Nanayakkara as a Director who was appointed to the Board to fill up a casual vacancy in the Board subsequent to the last Annual General Meeting in terms of Article 95 of the Articles of Association of the Company.
8. To grant approval to the Board to determine and make any donations, contributions and subscriptions as it may consider appropriate for the financial year 2025 and up to the date of the next Annual General Meeting.
9. To re-appoint Messrs. Ernst & Young, Chartered Accountants as Auditors of the Company for the ensuing year and to authorize the Board to determine their remuneration.
10. To consider adopting the following as a special resolution:

The extension of the exercise period of the two hundred and eighteen million two hundred and eighty one thousand two hundred and fifty (218,281,250) unlisted warrants ("Warrants") that have been issued to Culture Financial Holdings Ltd ("Culture") on 30th September 2014, which is due to expire on 31st March 2025, by a further nine months (i.e. until 31st December 2025), be and is hereby approved.

By order of the Board



Laswie Tsung

Company Secretary

Colombo

28 February 2025

Notes:

1. A Shareholder unable to attend the Meeting is entitled to appoint a Proxy to attend and vote in his/her/its place.
2. A Proxy need not be a Shareholder of the Company.
3. A Shareholder wishing to vote by proxy at the meeting may use the Form of Proxy enclosed.
4. In order to be valid, the completed Form of Proxy must be lodged at the registered office of the Company at No. 64, Galle Road, Colombo 03 not less than thirty six (36) hours before the time appointed for the holding of the meeting.

FORM OF PROXY

I/We, of

being a Shareholder/Shareholders of Union Bank of Colombo PLC hereby appoint Mr/Mrs/Miss

(holder of NIC No.) of(or failing him)

Mr. Dinesh Weerakkody	of No 43 A, Sumangala Mawatha, Colombo 08 or failing him
Mr. Nirvana Chaudhary	of No. 64, Galle Road, Colombo 03 or failing him
Mr Dilshan Rodrigo	of No.135A, Ruhunupura, Robert Gunawardena Mawatha, Battaramulla or failing him
Ms. Dilshani Wijayawardana	of No. 40/15, Park Road, Colombo 05 or failing her
Mr. Ahamed Sabry Ibrahim	of No.5, Park Avenue, Borella, Colombo 08 or failing him
Mr. Malay Mukherjee	of No. 64, Galle Road, Colombo 03 or failing him
Mr. Sanjay Pokhrel	of No. 64, Galle Road, Colombo 03 or failing him
Dr. Dharmasri Kumaratunge	of No 74/14, Thaladena, Malabe or failing him
Mr. Mahesh Nanayakkara	of No. 163 Polhengoda Road, Colombo 05

as my/our proxy to represent me/us and to speak and vote whether on a show of hands or on a poll for me/us on my/our behalf at the Annual General Meeting of Union Bank of Colombo PLC to be held on 27th March 2025 at 10.00 a.m. at the Auditorium of Sri Lanka Foundation Institute at No. 100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 07 and at any adjournment thereof.

	For	Against
1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company along with the Statement of Audited Accounts for the year ended 31st December 2024 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. Nirvana Kumar Chaudhary as a Director in terms of Article 89 of the Articles of Association of the Company who retires by rotation at this Annual General Meeting in terms of Articles 88(i) read together with Article 89 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. Malay Mukherjee as a Director in terms of Article 89 of the Articles of Association of the Company who retires by rotation at this Annual General Meeting in terms of Articles 88(i) read together with Article 89 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. Sanjay Pokhrel as a Director in terms of Article 89 of the Articles of Association of the Company who retires by rotation at this Annual General Meeting in terms of Articles 88(i) read together with Article 89 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To elect Mr. Dinesh Stephen Weerakkody as a Director who was appointed to the Board to fill up a casual vacancy in the Board subsequent to the last Annual General Meeting in terms of Article 95 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6. To elect Dr. Dharmasri Kumaratunge as a Director who was appointed to the Board to fill up a casual vacancy in the Board subsequent to the last Annual General Meeting in terms of Article 95 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
7. To elect Mr. Mahesh Nanayakkara as a Director who was appointed to the Board to fill up a casual vacancy in the Board subsequent to the last Annual General Meeting in terms of Article 95 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
8. To grant approval to the Board to determine and make any donations, contributions and subscriptions as it may consider appropriate for the financial year 2025 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
9. To re-appoint Messrs. Ernst & Young, Chartered Accountants as Auditors of the Company for the ensuing year and to authorize the Board to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
10. To consider adopting the following as a special resolution: The extension of the exercise period of the two hundred and eighteen million two hundred and eighty one thousand two hundred and fifty (218,281,250) unlisted warrants ("Warrants") that have been issued to Culture Financial Holdings Ltd ("Culture") on 30th September 2014, which is due to expire on 31st March 2025, by a further nine months (i.e. until 31st December 2025), be and is hereby approved.	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this day ofTwo Thousand and Twenty Five.

Signature

Notes:

- Instructions as to completion appear overleaf.
- Please indicate with 'X' in the space provided, how your Proxy is to vote on the Resolutions. If no indication is given, the Proxy in its discretion will vote as it thinks fit.

FORM OF PROXY

INSTRUCTIONS FOR COMPLETION

1. The full name and the registered address of the shareholder appointing the Proxy should be legibly entered in the Form of Proxy, duly signed and dated.
2. The completed Form of Proxy should be forwarded to the Company Secretary via email address csd@unionb.com or via fax to +94 112374190 or handed over/ posted to the Company Secretary, Union Bank of Colombo, No. 64, Galle Road, Colombo 03 not less than thirty six (36) hours before the time appointed for the holding of the Meeting. No registration of proxies will be accommodated after this deadline.
3. The Proxy shall –
 - (a) in the case of an individual, be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
 - (b) in the case of a company or corporate body, either be under its Common Seal or signed by its attorney or by an officer on behalf of the Company or corporate body in accordance with the Articles of Association or the Constitution of that Company or corporate body.

The Company may but shall not be bound to, require evidence of the authority of any such attorney or officer.
 - (c) in the case of joint holders, be signed by the joint holder whose name appears first in the Register of Members.
4. Every alteration or addition to the Proxy must be duly authenticated by the full signature of the shareholder signing the Proxy. Such signature should as far as possible be placed in close proximity to the alteration or addition intended to be authenticated.
5. Please indicate with an 'X' in the space provided how your Proxy is to vote on the resolution. If no indication is given, the Proxy will vote as it thinks fit.

Please fill the details:

**Share Certificate No./
CDS Account No.**

:

Name

:

Address

:

Jointly with

:

National Identity Card No/s.

Passport No/s of the shareholders :

STAKEHOLDER FEEDBACK FORM

We welcome your valuable feedback on this Integrated Annual Report, on our commitments and performance. Please complete the following and return this page to:

Union Bank of Colombo PLC

Company Secretarial Division,
No. 64, Galle Road,
Colombo 03,
Sri Lanka.

Name :

Permanent Mailing Address :

Contact number – (Tel) :

(Fax) :

E-mail :

Queries / Comments

Recommendations

FORM OF REQUEST

To:

Company Secretary

Union Bank of Colombo PLC

No. 64, Galle Road, Colombo 03.

Email: csd@unionb.com

Fax: (+94) 11 2374190

Dear Sir/Madam,

Request for a printed copy of the Annual Report- 2024 of Union Bank of Colombo PLC

With reference to the Circular to Shareholders dated 28th February 2025, I/we hereby request you to please forward to me/us a printed copy of the Annual Report of Union Bank of Colombo PLC for the year 2024.

Full Name of the Shareholder/s

Jointly with

Address of the Shareholder/s

National Identity Card No/s. Passport

No/s of the shareholder/s

Company Registration No.

CDS Account No.

Contact Telephone No.

.....
Signature of the Shareholder/s

.....
Date

Notes:

1. Kindly perfect the Form of Request by filling in legibly your full name, address and the National Identity Card Number/Passport Number and by signing in the space provided and filling in the date of signature.
2. Please email or deliver the completed Form of Request to the Company Secretary at the address given above or forward via facsimile to +94 11 2374190
3. If the Form of Request is signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Form of Request.
4. If the request is made by a Company/Corporation this Form must be executed as per the Articles of Association of the Company/ Corporation either under the Common Seal or by a duly authorised officer of that Company/Corporation.
5. In the case of a joint shareholding, the request should be signed by the joint holder whose name appears first in the Register of Members.

CIRCULAR TO SHAREHOLDERS

UNION BANK OF COLOMBO PLC

Extension of the exercise period of the Warrants issued to Culture Financial Holdings Ltd.
(Company Registration No. PB 676 PQ)
No. 64, Galle Road, Colombo 03

Dear Shareholder/s,

I. EXTENSION OF THE EXERCISE PERIOD OF THE WARRANTS ISSUED TO CULTURE FINANCIAL HOLDINGS LTD

1. INTRODUCTION

As you are aware, on 30th September 2014, Union Bank of Colombo PLC, (the Company) issued 218,281,250 unlisted warrants ("Warrants") to Culture Financial Holdings Ltd ("Culture") with the primary objective of enabling the holder thereof i.e. Culture, to support the future capital requirements of the Company and to meet any regulatory requirements related to minimum capitalisation.

As per the terms of issue thereof, each Warrant confers the holder of that Warrant with the right to subscribe to one (1) new ordinary voting share of the Company within a period of six (6) years from issue of the Warrant at a consideration of LK 16.00 per share. The exercise period for the Warrants accordingly was due to expire on 30th September 2020.

However, Culture made a request to the Company to extend the exercise period of the Warrants until 30th September 2022 and to revise the exercise price of the Warrants to be a price equivalent to the average closing price per share for the five day period that immediately precedes the exercise of Warrants.

As the Company was in compliance with the minimum capital and other prudential requirements imposed by the Central Bank of Sri Lanka ("CBSL") in terms of the Banking Act No. 30 of 1988 and the Company had no expansion or growth plans that required capital infusion until 30th September 2022, the Company approved and on obtaining approval and confirmation of regulatory authorities recommended to you the extension of the exercise period of the

Warrants and the revision of the exercise price of the Warrants as aforesaid and you approved same by way of a special resolution passed at the Extraordinary General Meeting on 28th September 2020. As per the approval, the exercise period of the Warrants was due to end on 30th September 2022.

Subsequently, the Company approved and on obtaining approval of the regulatory authorities recommended to you another extension of the exercise period of the Warrants, which you approved by way of a special resolution passed at the Extraordinary General Meeting on 31st August 2022. As per the approval, the exercise period of the Warrants was extended to 31st March 2024.

The Company thereafter obtained further regulatory approval and based on this confirmation, recommended a further extension of the exercise period of the Warrants. This extension was approved by you through a special resolution passed at the Annual General Meeting on 28th March 2024, extending the exercise period to 31st March 2025.

2. EXTENSION OF THE EXERCISE PERIOD OF THE WARRANTS

CG Capital Partners Global Pte. Ltd, being the new shareholders of Culture, whilst confirming its commitment to provide the required capital to enable the Company to meet the requirement in the eventuality of the Company not being able to comply with the minimum capital requirement has requested that the exercise period of the Warrants be extended by further one year (i.e. until 31st March 2025) in order to enable Culture to assist the Company in meeting its capital and funding requirements at the relevant time to comply with any applicable regulatory requirements and/or implement expansion or growth plans.

Given that the exercise of the Warrants is a right vested in the holder thereof and not an obligation, the extension of the exercise period will ensure the Warrant holder is able to continue to support the Company, in a financially viable manner, with capital, as required.

The Board of Directors of the Company, having considered Culture's request, obtained the approval from the regulatory authorities and the shareholders of the Company, to extend the exercise period of the Warrants by a further one (1) year (i.e. until 31st March 2025).

Subsequently, the Board of Directors of the Company decided to request an additional nine (9) month extension of the exercise period of the Warrants, extending it to 31st December 2025.

3. APPROVALS AND CONFIRMATIONS FROM REGULATORY AUTHORITIES

3.1 Approval of the Central Bank of Sri Lanka ("CBSL")

The Company sought approval from the CBSL for the proposed extension of the exercise period of the Warrants as aforesaid. The Governing Board of the Central Bank of Sri Lanka by its letter dated 13th December 2024 granted approval to extend the period to exercise the existing Warrants to 31st December 2025 subject to obtaining approval from the Securities and Exchange Commission of Sri Lanka.

3.2 Approval of the Securities and Exchange Commission of Sri Lanka ("SEC")

By its letter dated 27th August 2014, the SEC conveyed to the Company its decision to grant the approval under section 29A of the Securities Exchange Commission of Sri Lanka Act No. 36 of 1987 (the "SEC Act") for the Company to issue the Warrants to Culture as per the terms and conditions applicable to the Warrants subject to

CIRCULAR TO SHAREHOLDERS

the consent and the approval of the Central Bank of Sri Lanka (the “CBSL”) and the shareholders of the Company, respectively. In terms of the said approval, the terms of the issue of the Warrants cannot be changed/varied without the prior approval of the SEC.

Accordingly, the Company noting the approval of the SEC granted on 08th June 2020 for the extension of the exercise period of the Warrants up until 20th September 2022 and the revision of the exercise price of the Warrants, sought the approval of the SEC for the extension of the exercise period of the Warrants for a period of one and a half (1 ½) years (i.e. 31st March 2024) and the SEC by its letter dated 30th June 2022 informed the Company that it has no objection for the extension of the exercise period of the Warrants provided that the Company;

- i. Informs the shareholders and the investors of the rationale for revising the exercise period; and
- ii. Informs the shareholders and the investors of any change to future prospects of the Company arising from the proposed change to the exercise date of the Warrants.

Subsequently, the Company sought the approval of the SEC for the extension of the exercise period of the Warrants for a period of one (1) year (i.e. 31st March 2025) and the SEC by its letter dated 05th February 2024 informed the Company that it has no objection for the extension requested to extend the exercise period of the Warrants by a further period of one (1) year i.e. until 31st March 2025 subject to the Company,

- i. Obtaining the approval of the shareholders
- ii. Obtaining the approval of the Central Bank of Sri Lanka
- iii. Informing the shareholders and investors of the basis/rationale for revising the exercise period
- iv. Informing the shareholders and investors of any change to future prospects of the Company allowing investors to make an informed investment decisions in light of proposed change to exercise date

- v. Taking necessary actions to keep the market informed via an immediate market announcement in relation to (i) (ii) (iii) and (iv) above and
- vi. Ensuring compliance with all other applicable Rules and Regulations in this regard.

Subsequently, the Company sought approval from the SEC for an additional nine month extension of the exercise period of the Warrants, extending it until 31st December 2025. Shareholder approval will also be sought for this extension, subject to receiving SEC approval prior to the Annual General Meeting.

4. COMPLIANCE WITH THE LAW

4.1 Compliance with the provisions of the Listing Rules of the Colombo Stock Exchange (“CSE”)

Rule 5.10.1(iv) of the CSE Listing Rules provides that the tenure of the Warrants to be issued by the Company must not exceed two (2) years from the date of issue. However, the SEC by its letter dated 30th April 2014 waived the application of the Rule 5.10.1(iv) of the CSE Listing Rules in respect of the issue of the Warrants, allowing the Company to issue the Warrants with a tenure of up to six (6) years from the date of the issue and subsequently approved on 08th June 2020 a further extension of the Warrants up until 30th September 2022.

Subsequently at the request of the company SEC by their letter dated 30th June 2022 consented to a further extension of the exercise period till 31st March 2024 and by their letter dated 05th February 2024 informed the Company that it has no objection for the extension of the exercise period of the Warrants until 31st March 2025.

As stated in section 3.1 of this Circular, the Company has sought approval from the SEC for an additional nine month extension of the exercise period of the Warrants, extending it until 31st December 2025. Shareholder approval will also be sought for this extension, subject to receiving SEC approval prior to the Annual General Meeting.

4.2 Compliance with the Companies Act No. 7 of 2007 (the “Companies Act”)

In terms of section 51(2) of the Companies Act, the Board of Directors has decided to extend the exercise period of the Warrants.

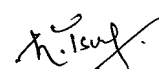
II. ANNUAL GENERAL MEETING

Accordingly, at the Annual General Meeting of the shareholders scheduled for 10.00 a.m. on 27th March 2025, as per the attached Notice of Meeting, the approval of the shareholders’ will be sought to extend the exercise period of the Warrants, as aforementioned.

Please contact the following staff members of the Company between 8.30 a.m. to 4.30 p.m. on any working day, if you need any assistance/clarification with regard to this circular or any other document attached thereto.

Name	Contact Number	Email Address
Ms. Saraniya Paramalingam	(0094) 11 2374100 Ext. 2911	Saraniyap@unionb.com
Ms. Ruwani Perera	(0094) 11 2374100 Ext. 2912	ruwanip@unionb.com
Ms. Prasadini Illukkumbura	(0094) 11 2374100 Ext. 2913	Prasadinin@unionb.com

By order of the Board



Laswie Tsung
Company Secretary
Colombo
28 February 2025

CORPORATE INFORMATION

NAME OF THE COMPANY

Union Bank of Colombo PLC

LEGAL FORM

A Public Limited Liability Company incorporated in Sri Lanka under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 7 of 2007. Listed as a public quoted Company on the Colombo Stock Exchange. A Licensed Commercial Bank under the Banking Act No. 30 of 1988.

DATE OF INCORPORATION

2nd February 1995

COMPANY REGISTRATION NUMBER

PB 676 PQ

REGISTERED OFFICE

No. 64, Galle Road, Colombo 03, Sri Lanka.

Tel : +94 11 2374100

Fax : +94 11 2337818

E-mail : info@unionb.com

Website : www.unionb.com

SWIFT CODE

UBCL LK LC

VAT REGISTRATION NUMBER

134005610-7000

AUDITORS

M/s. Ernst & Young,
Chartered Accountants,
Rotunda Towers,
109, Galle Road,
Colombo 03.

BOARD OF DIRECTORS

Dinesh Weerakkody - Chairman

Nirvana Kumar Chaudhary - Deputy Chairman

Dilshan Rodrigo - Executive Director/Chief Executive Officer

Malay Mukherjee

Sanjay Pokhrel

Dilshani Gayathri Wijayawardana

Ahamed Sabry Ibrahim

Dharmasri Kumaratunge

Mahesh Nanayakkara

COMPANY SECRETARY

Laswie Tsung



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