

INDIAN BANK – SRI LANKA BRANCH

FINANCIAL STATEMENTS

31 MARCH 2025

INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT OF INDIAN BANK - SRI LANKA BRANCH

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Indian Bank - Sri Lanka Branch ("The Bank") which comprise the statement of financial position as at 31 March 2025, and the Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity and Statement of Cashflows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 March 2025 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 Bank 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.

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.

(Contd...2/-)



**Shape the future
with confidence**

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank 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.
- 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.

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 Branch.

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.

20 June 2025
Colombo

Indian Bank - Sri Lanka Branch

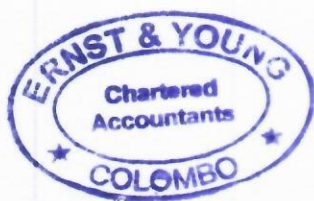
STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2025

	Note	2025 LKR	2024 LKR
Interest income		2,652,148,431	2,851,216,732
Less: Interest expenses		(618,622,242)	(487,856,506)
Net interest income	4	<u>2,033,526,189</u>	<u>2,363,360,226</u>
Fee and commission income		155,872,899	130,948,079
Less: Fee and commission expenses		(4,064,502)	(3,450,906)
Net fee and commission income	5	<u>151,808,396</u>	<u>127,497,173</u>
Other operating income	6	<u>10,405,225</u>	<u>240,480,912</u>
Total operating income		<u>2,195,739,810</u>	<u>2,731,338,310</u>
Impairment charge for loans and other losses	7	<u>(33,823,393)</u>	<u>160,804,901</u>
Net operating income		<u>2,161,916,417</u>	<u>2,892,143,211</u>
Personnel expenses	8	(149,908,318)	(160,331,432)
Depreciation and Amortization Expenses	9	(25,714,918)	(25,688,528)
Other operating expenses	10	<u>(198,104,057)</u>	<u>(155,979,245)</u>
Operating profit before VAT and SSCL on financial services		<u>1,788,189,123</u>	<u>2,550,144,006</u>
Financial services VAT and SSCL	11	<u>(172,817,294)</u>	<u>(259,096,179)</u>
Operating profit after VAT and SSCL on financial services		<u>1,615,371,829</u>	<u>2,291,047,827</u>
Income tax credit / (expenses)	12	<u>(207,749,791)</u>	<u>(309,768,246)</u>
Profit for the year		<u><u>1,407,622,038</u></u>	<u><u>1,981,279,581</u></u>

All values are in Sri Lankan Rupees (LKR), unless otherwise stated. Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 08 to 41 form an integral part of these financial statements.



Indian Bank - Sri Lanka Branch

STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 March 2025

	2025 LKR	2024 LKR
Profit for the year	1,407,622,038	1,981,279,581
Other comprehensive income not to be reclassified to profit or loss		
Re-measurement of post employment benefit obligation	(934,184)	(869,479)
Deferred tax impact on above	280,255	(260,844)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	<u>(653,929)</u>	<u>(1,130,323)</u>
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Gain / (loss) on re-measuring fair value through other comprehensive assets	5,170,889	4,622,721
Exchange gain/ (loss)	<u>(501,705,682)</u>	<u>(1,591,187,422)</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<u>(496,534,793)</u>	<u>(1,586,564,701)</u>
Other comprehensive income for the year	<u>(497,188,722)</u>	<u>(1,587,695,024)</u>
Total comprehensive income for the year	<u>910,433,316</u>	<u>393,584,557</u>

All values are in Sri Lankan Rupees (LKR), unless otherwise stated. Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 08 to 41 form an integral part of these financial statements.



Indian Bank - Sri Lanka Branch

STATEMENT OF FINANCIAL POSITION

As at 31 March 2025

	Note	2025 LKR	2024 LKR
Assets			
Cash and cash equivalents	13	139,558,339	210,259,022
Balances with Central Bank of Sri Lanka	14	84,599,755	79,811,176
Placements with banks	15	18,949,600,146	1,104,113,918
Derivative financial assets	16	7,997,700	30,827,500
Loans and advances at amortized cost	17	16,487,326,427	26,718,065,919
Financial investments at fair value through other comprehensive income	18	18,925,548	14,277,468
Other financial assets at amortized cost	19	2,273,799,730	4,419,737,244
Property, plant and equipment	20	41,094,152	43,814,785
Deferred tax assets	21	6,299,922	-
Right of Use Assets	22	9,999,174	24,727,985
Other assets	23	174,368,602	49,997,885
Total assets		38,193,569,494	32,695,632,903
Liabilities			
Due to banks	24	6,675,831,510	1,752,619,569
Due to other customers	25	8,081,518,468	8,508,302,117
Retirement benefit obligation	26	11,805,351	13,216,916
Current tax liability	27	379,035,868	265,331,310
Other liabilities	28	29,111,154	21,470,848
Lease Creditor	21	13,565,311	31,057,681
Central office current account	29	408,577,780	411,206,025
Deferred tax liability	22	-	8,737,702
Total liabilities		15,599,445,441	11,011,942,169
Equity			
Assigned capital	30	1,740,882,500	1,740,882,500
Statutory reserve fund	31	884,822,955	628,641,414
Retained earnings	32	14,619,118,497	13,401,547,351
Foreign currency translation reserve	33	5,270,610,130	5,772,315,812
Fair value reserve	34	13,919,768	8,748,879
ECL Rserve	35	64,770,202	131,554,780
		22,594,124,052	21,683,690,736
		38,193,569,494	32,695,632,903
Commitments and contingencies	36	12,385,929,994	7,888,149,324

Ms. Romain Dias
Compliance Officer

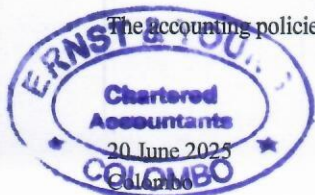
The Management of the Bank is responsible for these financial statements. Signed and on behalf of the Board by;

Mr. Gautam Kumar
Assistant General Manager

Mr. Monandoss
Chief Executive Officer

All values are in Sri Lankan Rupees (LKR), unless otherwise stated. Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 08 to 41 form an integral part of these financial statements.



Indian Bank - Sri Lanka Branch

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2025

	Assigned capital LKR	Statutory reserve fund LKR	Fair value reserve LKR	Retained earnings LKR	Foreign currency translation reserve LKR	ECL Reserve LKR	Total LKR
Balance as at 01 April 2023	1,740,882,500	589,015,822	4,126,158	11,537,238,874	7,363,503,234	55,339,593	21,290,106,180
Profit for the year	-	-	-	1,981,279,581	-	-	1,981,279,581
Other comprehensive income	-	-	4,622,721	(1,130,323)	(1,591,187,422.00)	-	1,587,695,024
Total comprehensive income	1,740,882,500	589,015,822	8,748,879	13,517,388,132	5,772,315,812	55,339,593	21,683,690,736
Transfer to statutory reserve fund	-	39,625,592	-	(39,625,592)	-	-	-
Transfer to ECL Reserve	-	-	-	(76,215,188)	-	76,215,188	-
Balance as at 31 March 2024	1,740,882,500	628,641,414	8,748,879	13,401,547,351	5,772,315,812	131,554,780	21,683,690,736
Balance as at 01 April 2024	1,740,882,500	628,641,414	8,748,879	13,401,547,352	5,772,315,812	131,554,780	21,683,690,737
Profit for the year	-	-	-	1,407,622,038	-	-	1,407,622,038
Other comprehensive income	-	-	5,170,889	(653,929)	(501,705,682)	-	(497,188,722)
Total comprehensive income	1,740,882,500	628,641,414	13,919,768	14,808,515,461	5,270,610,130	131,554,780	22,594,124,053
Transfer to statutory reserve fund	-	256,181,541	-	(256,181,541)	-	-	-
Reversal from ECL Reserve	-	-	-	66,784,578	-	(66,784,578)	-
Balance as at 31 March 2025	1,740,882,500	884,822,955	13,919,768	14,619,118,498	5,270,610,130	64,770,202	22,594,124,052

All values are in Sri Lankan Rupees (LKR), unless otherwise stated. Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 08 to 41 form an integral part of these financial statements.



Indian Bank - Sri Lanka Branch

STATEMENT OF CASH FLOWS

Year ended 31 March 2025

	Note	2025 LKR	2024 LKR
Cash flows from operating activities			
Profit before tax		1,615,371,829	2,291,047,827
Adjustments for:			
Non-cash items included in the profit before tax	38.1	277,444,485	228,710,269
Changes in operating assets	38.2	(63,435,878)	(4,230,058,252)
Changes in operating liabilities	38.3	4,871,476,851	(4,244,461,343)
Dividend income	6	(3,385,794)	(1,499,060)
Income tax/WHT/ VAT on FS and SSCL paid	27	(901,840,787)	(459,624,087)
Operating lease rental paid	21.2	(19,830,600)	(19,147,500)
Gratuity paid	26	(4,980,330)	-
Net cash generated from / (used in) operating activities		<u>5,770,819,777</u>	<u>(6,435,032,146)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	20	(10,553,780)	(6,939,976)
Investment in financial assets at amortized cost	19	2,145,937,514	(674,616,541)
Investments in fair value through OCI assets	18	(4,648,080)	(4,911,381)
Dividends received	6	3,385,794	1,499,060
Net cash generated from/ (used in) investing activities		<u>2,134,121,449</u>	<u>(684,968,838)</u>
Net increase / (decrease) in cash and cash equivalents		7,904,941,225	(7,120,000,984)
Effect on exchange rate changes		(501,705,682)	(1,591,187,422)
Cash and cash equivalents at the beginning of the year		1,314,372,941	10,025,561,348
Cash and cash equivalents at the end of the year		<u>8,717,608,485</u>	<u>1,314,372,941</u>
Cash and cash equivalents at the end of the year			
Cash and cash equivalents	13	139,558,339	210,259,022
Placements with banks (Maturity in three months)	15	8,578,050,146	1,104,113,919
		<u>8,717,608,485</u>	<u>1,314,372,941</u>

All values are in Sri Lankan Rupees (LKR), unless otherwise stated. Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 08 to 41 form an integral part of these financial statements.



1. CORPORATE INFORMATION**1.1 Domicile and Legal form**

Indian Bank - Sri Lanka branch, ("The Bank") is a licensed commercial Bank established under the banking Act No. 30 of 1988. It is a foreign branch of Indian Bank, which is incorporated in India.

The registered office and the principal place of business is at No.356, Galle Road, Colombo 03.

1.2 Principal activities and nature of operations

During the year, the principal activities of the bank are banking and related activities such as accepting deposits, personal banking, trade financing, off shore banking, resident and non resident foreign currency operations, money remittance facilities, dealing in government securities etc.

The Bank provides a comprehensive range of financial services encompassing personal, investment and private banking trade service.

2. GENERAL INFORMATION**2.1 Basis of preparation****Statement of compliance**

The financial statements of the bank have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRs and LKASs) issued by The Institute of Chartered Accountants of Sri Lanka (ICASL).

The preparation and presentation of financial statements are also in compliance with the requirements of the Companies Act No. 07 of 2007 and requirements of Banking Act No.30 of 1988 and amendments thereto. The details of material accounting policies are disclosed in note 03.

Authorization of financial statements

The financial statement for the year ended 31 March 2025 were approved and authorized for issue by the management on 20 June 2025.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the Statement of financial position.

- i. Derivative assets and derivative liabilities held for risk management are measured at fair value.
- ii. The liability for defined benefit is recognized as the present value of the defined benefit gratuity obligation.
- iii. Financial assets available for sale are measured at fair value.

2.3 Functional and presentation currency

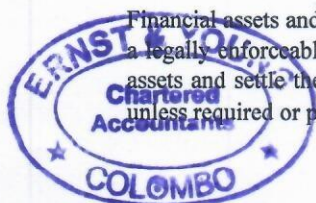
These financial statements are presented in Sri Lankan Rupees, which is the bank's functional currency and has been rounded to the nearest Sri Lankan Rupee.

2.4 Presentation of financial statements

The assets and liabilities of the bank presented in its statement of financial position are grouped by nature and listed in order that reflects their relative liquidity and maturity pattern.

Each material class of similar items is presented separately in the financial statements. items of dissimilar nature or functions are presented separately, unless they are immaterial.

Financial assets and 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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of comprehensive income unless required or permitted by any accounting standard or interpretation.



2.5 Use of estimates and judgments

2.5.1 General

The preparation of the financial statements 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 and expenses. The use of available information and application of judgments are inherent in the formation of estimates; actual results in the future may differ from estimates upon which financial information is prepared.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates in subsequent financial year, if any, are recognized prospectively.

Management believes that bank's critical accounting policies where judgment is necessarily applied are those which relate to the impairment of loans and advances, valuation of financial instruments, deferred tax assets and provisions for liabilities.

Further information about key assumption concerning the future and other key sources of estimated uncertainty are set out in the notes to the financial statements.

2.5.2 Significant accounting estimates and assumptions

2.5.2.1 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Where the fair values of financial assets and financial liabilities recorded in the Statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and inputs such as discount rates.

The Bank regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Bank assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Bank uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

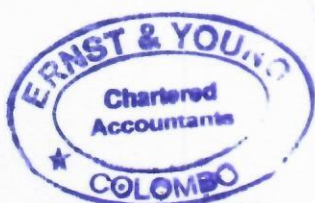
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Bank recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.



2.5.2.2 Impairment losses on loans and advances

The measurement of impairment losses both SLFRS 9 across all categories of financial assets requires judgement, 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.

As per SLFRS 9, the Bank's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL model that are considered accounting judgments and estimates include:

- The Bank's criteria for qualitatively assessing whether there has been a significant increase in credit risk and if so allowances for financial assets 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 statistical formulas and the choice of inputs;
- Determination of associations between macro-economic inputs, such as GDP growth, and the effect on Probability of Default (PDs), Exposure At Default (EAD) and Loss Given Default (LGD);
- It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary

2.5.3 Impairment on other financial assets

The Bank reviews its debt securities classified as amortized cost at each reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances. From 1st April 2018, with the adoption of SLFRS 9 equity instruments are not subjective for impairment assessment.

2.5.4 Taxation

The Bank is subject to income tax and other taxes including VAT and NBT on financial services. Significant judgment was required to determine the total provision for current, deferred and other taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS in the Financial Statements and the taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these Financial Statements. The Bank recognized assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

2.5.5 Retirement benefit obligation

The cost of the defined benefit gratuity plan is determined using projected unit credit method. The projected unit credit method involves making assumptions about discount rates, future salary increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty see Note 26 for the assumptions used.

2.5.6 Changes in accounting policies and disclosures

The Bank has consistently applied the Accounting Policies to all periods presented in these Financial Statements.

2.5.7 Going concern

The management of the bank has made an assessment of the bank's ability to continue as a going concern and it is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore they are not aware of any material uncertainties that may cast significant doubt upon the bank's ability to continue as a going concern. Therefore the financial statements continue to be prepared on the going concern basis.



2.5.8 Commitment and contingencies

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 recognized in Statement of Financial Position but are disclosed unless they are remain.

2.5.9 Comparative information

The accounting policies have been consistently applied by the bank with those of the previous years other than changes disclosed in above note 2.5.6.

2.5.10 Transfer pricing regulation

Bank is subject to income taxes and other taxes including transfer pricing regulations. Prevailing uncertainties with respect to the interpretation of respective transfer pricing regulations, necessitated using management judgement to determine the impact of transfer pricing regulations. Accordingly critical judgements and estimates were used in applying the regulations in aspects including but not limited to identifying associated undertakings, estimations of the respective arm's length prices and selection of appropriate pricing mechanism. The current tax charge is subject to such judgments. Differences between estimated income tax charge and actual payable may arise as a result of management's interpretation and application of transfer pricing regulations.

3. MATERIAL ACCOUNTING POLICIES**3.1.1 Interest income and expense**

Interest income and expense for all interest - bearing financial instruments are recognized in 'Interest income' and 'interest expense' in the income statement using the effective interest rate of the financial asset or financial liabilities to which they relate.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, bank estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective interest includes all transaction cost, premiums or discounts and fees paid by the bank that are an integral part of the effective interest rate. Transaction cost include incremental cost that are directly attributable to the acquisition or issue of financial assets or liability.

Interest income on individually significant impaired financial assets (loans and advances, and held to maturity debt instruments listed in the CSE) whose impairment is assessed individually, is calculated by applying the original effective interest rate of the financial assets to the carrying amount as reduced by any allowance for impairment. Thus changes in impairment allowances assessed individually and attributable to time value are reflected as a component of interest income.

3.1.2 Fee and commission

Fee and commission income and expense that are an integral part of the effective interest rate of a financial instrument are included in the measurement of the effective interest rate.

Other fees and commission income are recognized as the related services are performed.

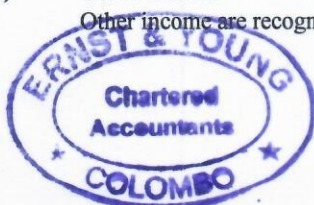
Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the service are

3.1.3 Other income**(a) Dividend income**

Dividend income from shares is recognized when the bank's right to receive the payment is established.

(b) Other income

Other income are recognized on accrual basis.



3.1.4 Foreign currency translation

The Financial Statements are presented in Sri Lankan rupees (LKR) which is the Bank's functional and presentation currency.

3.1.4.1 Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the spot middle rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the financial position date should be translated to Sri Lankan Rupees at the closing rate of exchange rate ruling at the date. The foreign currency gain or loss on monetary items and all differences should be taken to the income statement. Foreign currency differences arising on translation of available for sale financial instruments shall be recognized to in Other Comprehensive Income statement. Non-monetary assets measured in terms of historical cost in foreign currency should be translated using the exchange rate at the date of the transaction.

Non-monetary items that should be measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency should be translated using the spot exchange rates at the date when the fair value was determined.

3.1.5 Expenditure recognition

Operating expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income in arriving the profit for the year.

3.2 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognized from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership.

The corresponding cash received is recognized in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within "Cash collateral on securities lent and repurchase agreements", reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR.

When the counterparty has the right to sell or re-pledge the securities, the Bank reclassifies those securities in its Statement of financial position to 'Financial assets at fair value through profit and loss as appropriate.

3.3 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include highly liquid investment that are readily convertible to known amounts of cash and which are subject to and insignificant risk of change in value. Such investments are normally those with three months or less than three months maturity from the date of acquisition.

Cash and cash equivalents include cash balances, short-term funds and money at call and short notice.

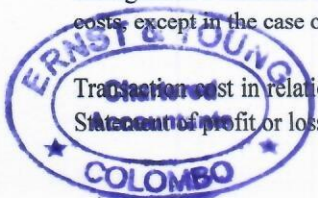
3.5 Financial instruments**3.5.1 Initial recognition, classification and subsequent measurement****3.5.1.1 Date of recognition**

All financial assets and liabilities, with the exception of loans and advances to customers and balances due to depositors are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Bank recognizes balances due to customers when funds are transferred to the Bank.

3.5.1.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt through the Statement of profit or loss.



3.5.1.3 'Day 1' Profit or loss

When the transaction price of the instrument differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognizes the difference between the transaction price and fair value (a 'Day 1' Profit or Loss) in 'Net trading income'

3.5.1.4 Classification and subsequent measurement of financial assets

As per SLFRS 09, the Bank classify all of its financial assets based on the business model for managing the assets and the assets' contractual terms measured at either; the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- Amortized Cost
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit or Loss (FVTPL)

3.5.1.5 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. The Bank'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

The business model assessment is based on reasonably expected scenarios without taking into account "worse case" or "stress case" scenarios. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank 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.

3.5.1.6 The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of the financial assets to identify whether they meet the "Solely the Payment of Principle and Interest" (SPPI) criteria.

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 an example, if there are repayments of principal or amortization 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 Bank 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.

3.5.1.7 Classification and subsequent measurement of financial liabilities

As per SLFRS 09, Bank classifies financial liabilities as "Financial liabilities measured at amortized cost". The subsequent measurement of financial liabilities depends on their classification.



3.5.1.8 Reclassification of financial assets and financial liabilities

As per SLFRS 09, the Bank reclassifies its financial assets subsequent to the initial recognition when an only when the business model for managing such financial assets is changed. Such reclassification is applied prospectively from the reclassification date. Financial liabilities are not reclassified.

3.5.1.9 De-recognition of financial assets and financial liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- The Bank has transferred substantially all the risks and rewards of the asset or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.5.2 Definition of default and cure

A default shall be considered to have occurred in regard to a particular obligor when either or both of the following have taken place;

(a) it is considered that the obligor is unlikely to pay its credit obligations to the bank, without recourse by the institution to actions such as realizing security.

(b) The obligor is past due more than 90 days on any material credit obligation to the bank,

The Bank considers a financial instrument as defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether an individually significant customer is in default, the Bank also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Bank 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 Bank's policy to consider a financial instrument as "cured" and therefore reclassified out of Stage 3 when none of the default criteria have been present and the borrower is no longer considered as non performing in accordance with the Directives of the Central Bank.

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.

However there are two exceptions to the general ECL approach above:

For purchased or originated credit-impaired financial assets (POCI), the carrying amount must always reflect the lifetime expected credit losses; and

For trade receivables, SLFRS 09 provides an option to apply a simplified approach that reflects a lifetime ECL.

For Indian Bank Sri Lanka mainly General expected credit loss approach is applicable since simplified and lifetime ECL for purchased or originated credit impaired financial assets (POCI) are not applicable.



3.5.3 Significant increase in credit risk

The Bank considers that a significant increase in credit risk occurs no later than when contractual payments are equal to or more than 30 days past due. Where there is a significant increase in credit risk the Bank uses lifetime ECL model to assess loss allowances instead of 12-months ECL model.

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12month ECL or LTECL, the Bank assesses whether there has been a significant increase in the credit risk since initial recognition.

SLFRS 9 impairment model uses a "three-stage" approach for estimating expected losses on the basis of changes in credit quality since initial recognition.

Stage 1 - When loans are originated or purchased, the Bank recognizes an allowance based on 12 months ECLs are recognized in profit or loss and a loss allowance is established collectively. Stage 1 loans also contain the facilities which are reclassified from Stage 2 since the credit risk has improved.

Stage 2 - When a loan credit risk increases significantly, the Bank records an allowance for the Life Time Expected Credit Loss (LTECL), which performed collective basis. The Bank apply the internal ratings for the corporate portfolio and Days past Dues (DPD) data for retail portfolio in the stage evaluations. Further, in the absence of any other leading indicators, 30 days past due presumption as significant increase in credit risk is taken. Stage 2 loans also include facilities, which are reclassified from stage 3 since the credit risk has improved.

Stage 3 - When a loan is considered to be credit impaired, contain objective evidences of incurred loss, the Stage 3 assessment performed either individually or collectively. The Bank considers all Stage 3 loans of retail segment, as non performing and individually assessed. Bank considers Internal Rating of "SB 16" are as stage 03 loans for the corporate loans which are collectively assessed and allowance for the LTECL with probability of default at 100% is recorded .

Investment - financial instrument with an external rating grade of "investment grade" is an example of an instrument that may be considered to have low credit risk." Therefore facilities with BBB or higher grades considered as low credit risk. In the case of sovereign bonds issued by the Government, denominated in USD, bonds with a rating of until B+, have been classified under Stage1 being sovereign bonds issued by the Sri Lankan Government.

3.5.4 Movement between the stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above.

3.5.5 Probability of default (PD) estimation

Probability of default is computed using transition matrix and SLFRS 9 require point-in-time (PIT) PDs. Therefore, TTC PDs would need to be converted to PIT PDs.

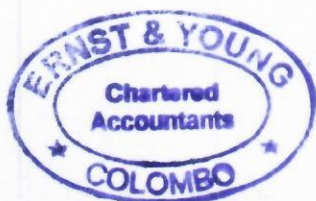
PDs for Retail segment are computed using a net flow based on days past due information for past years and establish default rates based on historical information. Then the Default rates regressed with macro-economic variable GDP and developed a model to predict the credit index for future periods. In order to get the forward looking PD, TTC PD is adjusted by the Vasicek.

PDs for Retail segment are computed using transition matrix based on ratings migration for past period was used to establish through-the-cycle PD (TTC PD) and establish credit index based on the historical information.

3.5.6 Exposure at default computation (EAD)

The exposure at default (EAD) represents the gross carrying amount of the financial instrument subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

The Bank determines EADs by modeling 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 bank's models.



3.5.7 Loss given default (LGD)

The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral.

These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realized from any collateral held. Historically collected loss data is used for LGD calculation and involves a wider set of transaction characteristics. It is usually expressed as a percentage of the EAD.

Since the Bank does not have enough history to establish LGD, regulatory LGD of 45% is taken for loans and detail security analysis to be performed and cash backed loans to be removed from ECL computation.

3.5.8 Forward looking information

In its ECL models, the Bank relies macro economic variable GDP as the economic inputs.

Vasicek Approach

As the default data set is low or near zero for the investment portfolio, external ratings shall be used for assessment of forward looking PD's to estimate ECL:

Further, for corporate loan portfolio, where historical migration from ratings to default categories are not observed, internal rating data is used based on the mapping to external ratings.

The 12 month PD (TTC) estimates will be obtained from external ratings (e.g. S&P's ratings) corresponding to the external ratings of the instrument. The recent TTC PD shall have to be extracted each year against each external rating grade.

The forecasted PIT PDs will be estimated based upon the Vasicek single factor model by establishing a link between TTC PDs and various macroeconomic factors of all the countries in which the Bank has exposure under its investment portfolio.

The inputs and models used for calculating ECL 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 ensure completeness and accuracy, the Bank obtains the above data from third party sources (e.g: International Monetary Fund).

3.5.9 Calculation of ECLs for individually significant loans

The Bank first assesses ECLs individually for financial assets that are individually significant to the Bank. In the event the Bank determines that such assets are not impaired (Not in stage 3), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of 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 are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment is only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

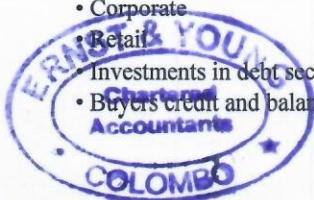
When ECLs are determined for individually significant financial assets, following factors are considered:

- Aggregate exposure to the customer including any undrawn exposures.
- The realizable value of security (or other credit mitigants) and likelihood of successful repossession.
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flows to service debt obligations.
- The amount and timing of expected receipts and recoveries.
- The likely deduction of any costs involved in recovery of amounts outstanding;

3.5.10 Grouping financial assets measured on collective basis

The Bank calculates ECLs either on a collective or an individual basis. The Bank categorise the collective impairment exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, as described below:

- Corporate
- Retail
- Investments in debt securities
- Buyers credit and balances with Banks



3.5.11 Other financial liabilities

Other financial liabilities include the following items:

- 3.5.11.1** Financial guarantee contracts issued by the Bank are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less
- 3.5.11.2** Bank borrowings are initially recognized at fair value net of any transaction costs directly measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.
- 3.5.11.3** Other payables and other short-term monetary liabilities, which are initially recognized are at fair value and subsequently carried at amortized cost using the effective interest method.

3.6 Property, plant and equipment**(a) Recognition**

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

(b) Measurement

All Property, plant and equipment is initially recorded at cost and subsequently at cost less depreciation and less any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items and also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(c) Subsequent cost

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate only when it is probable that future economic benefit associated with the item will flow to the bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All repairs and maintenance costs are charged to statement of comprehensive income during the financial period in which they are incurred.

(d) Depreciation

Depreciation is calculated on a reducing balance method over the use full life of the asset commencing from when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. The rate of depreciation are as follows.

Item	Rate
Office equipment	15%
Furniture and fittings	10%
Computers and accessories	25%
Motor vehicles	20%

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

(e) Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no economic benefits are expected.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

3.7 Inventories

Inventories such as stationary stocks are valued at lower of the cost and net realizable value ,after making due allowances for obsolete and slow moving items.

3.8 Other assets

Other current assets include advances, deposits and prepayments. Advances and Deposits are carried at historical value less impairment and amortized over the period during which it is utilized.

3.8.1 Right of use assets

Rented office premises of the Bank recognized as Right of use assets as per the guidelines in SLFRS 16 "Leases".

Accordingly, the Bank opted to measure the right-of-use asset at an amount equal to the lease liability, on a lease-by-lease basis, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of financial position immediately before the date of initial application.

3.9 Liabilities and provision**3.9.1 Liabilities**

Liabilities stated under current liabilities in the balance sheet are those expected to fall due within one year from the balance sheet date. Item stated as long term liabilities are those expected to fall due at any point of time after one year from the

3.9.2 Other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables are measured at cost.

3.9.3 Provisions

Provisions are recognized when the bank has a present obligation (legal and constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount can be estimated reliably. The expenses relating to any provision is presented in profit or loss. Provisions are not recognized for future operating losses. If the effect of the time value of money is material, provision are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

3.9.3.1 Taxation

Income tax expense comprises current and deferred tax.

(a) Current taxes

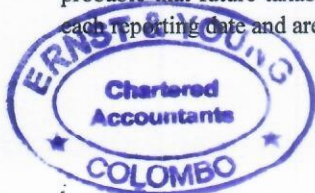
The provision for income tax is based on the element of income and expenditure as reported in the financial statements and computed in accordance with the provision of the Inland Revenue Act No.24 of 2017.

Current income tax assets and liabilities for the current and prior years are measured at the amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue.

(b) Deferred taxation

Deferred taxation is provided using the liability method, providing for temporary differences between the carrying amounts of Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.



(c) **Value added tax on financial services**

VAT on financial services is calculated at the rate of 18% in accordance with the provisions of the value added tax Act no.14 of 2002 and amendments thereto.

The value base for the Value added tax for the bank is the adjusted accounting profit before tax and emoluments of employees. The adjustment to the accounting profit before tax is for economic depreciation computed on prescribed rates instead of the rates adopted in the financial statements.

3.9.3.2 **Employee benefits**

(a) **Provision for retiring gratuity**

Provision has been made for Retiring Gratuity under the payment of Gratuity Act No.12 of 1983 to all employees who have completed a continuous period of 01 year service from 01.04.2008 and measure the liability based on the Gratuity formula as recommended by the LKAS 19.

The amount provided is not externally funded or actually valued.

(b) **Defined contribution plans - EPF & ETF**

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The Bank contributes 12% and 3% of gross emoluments of employees to the Employees' Provident Fund and to the Employees' Trust Fund respectively.

3.10 **Events after the reporting date**

All material events occurring after the balance sheet date have been considered and where necessary adjustments to or disclosures have been made in the respective notes to the financial statements.

3.11 **Contingencies and unrecognized contractual commitments**

Contingencies are possible assets or obligations that arise from past event and would be confirmed only the occurrence or non occurrence of uncertain future events, which are beyond the bank's control.

3.12 **Risk management**

3.12.1 **Risk management structure**

The Board of directors has the authority to determine the overall risk management framework for the bank and has the responsibility to oversee the effective implementation of risk management strategies. Accordingly, the Board has appointed the Integrated Risk Management Committee which has the responsibilities to monitor the overall risk process within the Bank.

The Board Integrated Risk Management Committee (BIRMC) is responsible to provide a direction on the risk management process and formulation of policies and procedures for the ratification by the Board of directors and the implementation of such policies and procedures and ensuring that all operations are within the guidelines and policies set by the board.

The established policies, procedures and decision making process are integrated in to the daily operation of Licensed Commercial Bank. A risk management process through the bank is audited annually by the Internal audit function, which examines both the adequacy of procedures and the Bank's compliance with the procedures. Internal audit discusses the results of all assessments with the management, and reports its findings and recommendations to the audit committee.

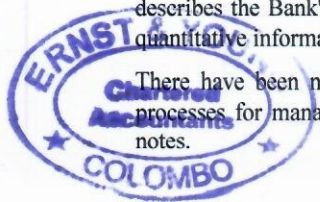
The BIRMC is comprised of two non-executive Directors, one of whom chairs the meetings and the Director/ CEO, senior management staff that attended meetings were senior manager -operations, senior manager finance, senior manager corporate -relations, manager credit and manager IT.

The committee oversees the risks of the bank by assessing market, credit, liquidity, operational, compliance, and reputational and strategic risks regularly, reviews and monitors the functions and the effectiveness of committees such as ALCO and Credit to manage the risks of the bank within the set limits.

It also has established a compliance function to access the bank's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies in all areas of business operations.

In common with all other business, the bank is exposed to risks that arise from its use of financial instruments. This note describes the Bank's objectives, policies and process for managing those risk and the methods used to measure them. Future quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Bank's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in notes.



3.12.2 Credit risk

Credit risk is the risk that the bank will incur a loss because its customer or counter parties fail to discharge their contractual obligations. The bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, including regular collateral revisions. The collection patterns are analyzed regularly and any irregularities and unusual delays of collections are followed up immediately.

3.12.3 Impairment assessment

For accounting purposes, the bank uses an incurred loss model for the recognition of the losses on impaired financial asset. This means that losses can only be recognized when objective evidence of a specific loss event has been observed. Triggering event include the following.

- Significant financial difficulty of the customer
- A breach of contract such as a default of payment
- Where the bank grants the customer a concession due to the customer experiencing financial difficulty
- It becomes probable that the customer will enter bankruptcy or other financial reorganization
- Observable data suggests that there is a decrease in the estimated future cash flows from the loans

This approach differs from the expected loss model used for regulatory capital purposes in accordance with GSL directions which are based on Basel II.

3.12.4 Individually assessed allowances

The bank determines the allowances appropriate for each significant loan or advance on an individual basis, including any overdue payment of interest, credit rating downgrades, or infringement of original terms of the contract. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty, projected receipts and the expected payouts, the availability of other financial report, the realizable value of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless

3.12.5 Collectively assessed allowances

Allowances reassessed collectively for losses on loans and advances and for held to maturity debt investments that are not individually significant loans and advances that have been assessed individually and found not to be impaired.

The bank generally bases its analyses on historical experience. However, when there are significant market developments, regional etc., the Bank would include macro economic factors within its assessments. These factors include, depending on the characteristics of the individual or collective assessment: unemployment rates, current levels of bad debts, changes in laws, charges in regulations, bankruptcy trends, and other consumer data. The bank may use the aforementioned factors as appropriate to adjust the impairment allowances.

Allowances are evaluated separately at each reporting date with each portfolio.

The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments. The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evidence in the individual loans assessments. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilization, loan to collateral ratios and expected receipts and recoveries once impaired) or economic data (such as current economic conditions, unemployment levels and local or industry-specific problems). the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. Local management is responsible for deciding the length of this period, which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Bank's overall policy.



3.12.6 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 lease and hire purchase facilities the underlying asset of the facility
- For securities lending and reverse repurchase transactions, cash or securities
- For commercial lending, charges over real estate properties
- For detail lending, mortgages over residential properties

Management monitors the market value of collateral, and will request additional collateral in accordance with the underlying

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 event where Bank occupies the repossessed asset the transfer is made at the fair value of the asset.

3.12.7 Liquidity risk and funding management

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. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency 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 a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. In accordance with the Bank's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, to reflect market conditions. Net liquid assets consist of cash, short-term bank exposures and liquid debt securities available for immediate sale, less deposit for banks and other issued securities and borrowings due to mature within the next month.

Analysis of financial assets and liabilities by remaining contractual maturities presented in note 39 to these financial

3.12.8 Market risk

Market risk arises mainly from differences in the timing and/or magnitude of interest rate revision between assets and liabilities (interest rate risk), or from changes in the prices of equity and debt securities (price risk) or from changes in the foreign exchange rates (foreign exchange risk). Market risk could impact a bank mainly in two ways; viz., loss of cash flows or loss of economic value. Market risk can arise from traded market risk, which is associated with the trading book and non traded market risk, which is associated with the banking book.

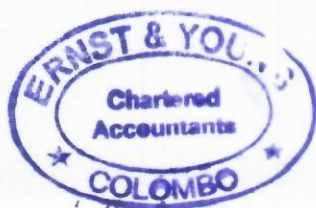
3.12.9 Interest rate risk

Interest rate risk can be termed as the risk of loss in the net interest income (earnings perspective) or the net worth (economic value perspective) due to adverse changes in the market interest rates.

While the sources and applications of FCBU are linked to LIBOR as a mark-up, the deposits of domestic unit carry a fixed interest rate while the advances are a mark-up over the monthly average weighted prime lending Rate. This, therefore, carries an inherent interest rate risk.

The ALCO (asset liability committee) shall be entrusted with the task of managing the Balance Sheet from the interest rate risk perspective. This shall thus include pricing of deposits and advances, product-profile mix and the desired mix of incremental assets and liabilities.

It shall also review the implementation of the decisions of the previous ALCO meetings and the progress made thereon. The Committee shall meet every month or at such shorter frequencies as may be deemed necessary and minutes sent to CO (Corporate office): international division.



3.12.10 Foreign currency risk

The risks in foreign exchange are market risks like movement of exchange rates, interest rates, swap differences, liquidity crunch (which again affects interest rates) and also credit risk like default by the counter-party and asset-liability mismatch in a currency. These risks are sought to be mitigated by fixing appropriate limits on open positions, day light positions and counter-party limits.

With no trading activity contemplated for Colombo branch, the activities shall be mainly confined to merchant cover operations and managing liquidity.

Daylight limit: It is the maximum permissible overbought or oversold position, in any currency, the branch can have at any point of time, during the day. Excess in the daylight positions, on account of merchant operations, has to be brought within limits immediately and the fact should be reported to Corporate Office for ratification, at the end of the day. This limit is quantified in the Risk management policy for forex operations formulated by CO - international division.

Overnight position limit : The ideal position at the end of the day would be a square position in all the currencies. However this is not always, practicable due to small positions of non-marketable lots. Such positions, which are kept open overnight, are subject to the overnight Position limits prescribed by the corporate Office. As the risk element is higher in overnight positions, the overnight exchange positions should be kept to BAREST MINIMUM or at such levels within the overnight position limit where the dealer is confident of earning exchange profit. This limit is quantified in the risk management policy for forex operations formulated by CO - international division.

Counterparty Bank limits (Bank-wise Limits) : It is the maximum amount of exposure the branch can have at any point of time with a PARTICULAR BANK. The bank-wise limits are as set out in the risk management policy formulated by CO - international Division and reviewed every year. The branch management must ensure strict compliance with limits set out in the policy and report any excesses for confirmation as spelt out in the policy. This limit is quantified in the risk management policy for forex operations formulated by CO - international division.

3.12.11 Equity risk

Equity prices risk is the risk of losses in the mark to market equity portfolio due to the decline in the market prices. The direct exposure to the equity prices arises from available - for - sale equity portfolio.

Major investments made by the branch are towards meeting the statutory requirements of central bank of Sri Lanka while a small portion has been made in shares.

Any investment in shares requires prior approval from CEO.

MTM (Mark to Market) valuation as on the balance sheet date should be done.

3.13 New and Amended Accounting Standards that are Issued, but Not Yet Effective as at Reporting Date

The new and amended standards that are issued, but not yet effective to the date of issuance of these financial statements are disclosed below.

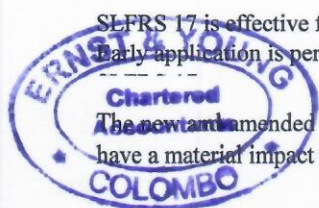
SLFRS 17 Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. 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) 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

The new and amended standards that are issued, but not yet effective to the date of issuance mentioned above are noted to not have a material impact to the Financial Statements of the Bank.



3.14 Compliance with prudential requirements

As a licensed commercial bank incorporated outside Sri Lanka, Indian Bank – Sri Lanka Branch continues to ensure full compliance with the prudential requirements, regulations, and laws issued by the Central Bank of Sri Lanka and other Compliance with the Banking Act Directions on Corporate Governance, Risk Management, and Anti-Money Laundering (AML)/Countering the Financing of Terrorism (CFT);

Timely and accurate submission of regulatory returns and disclosures.

Internal Control Measures:

The Bank has implemented a comprehensive internal control framework, periodically reviewed by the Corporate Office. Internal and external audits have been conducted regularly to identify any gaps and ensure continuous improvement.

Details of Penalty(ies) imposed on Bank during the year

Non-Compliance:

Director FIU, Central Bank of Sri Lanka, vide their letter dated 18.12.2024, has imposed a monetary penalty for non-adherence to the provisions of the Financial Transactions Reporting Act, No. 6 of 2006 (FTRA) of Sri Lanka and rules, regulations issued

- Failure to report financial transactions beyond the threshold limit (excess of LKR 1 Mio) in 10 transactions.

- Failure to maintain an updated list of designated persons, groups, and entities issued under United Nations Regulations No. 1 of 2012, United Nations Regulations No. 2 of 2012, and United Nations (Sanctions in relation to Democratic People's

Number of Instances: 1

Quantum of Penalty: LKR 2 Million

Amount was remitted to CBSL on 31.12.2024

Corrective measures undertaken:

We have immediately escalated the matter to our Corporate Office, Chennai, India and the same has been seriously viewed by our Top Management. We had a detailed discussion on our action plan to comply with the provided recommendations.

To rectify immediate pendencies and recommendations of the Director, Financial Intelligence Unit, to ensure prompt reporting in the future and to have a robust AMLOCK system (transaction monitoring system) in place, we have formed a Special Task Force (Team) to handle all the FIU related observations and recommendations of the Director, FIU. The prime task of the team is to ensure timely reporting of all FIU related submission in the future and rectification of deficiencies observed.

3.15 Capital Requirement under Basel III

The Bank's capitalstructure according to the Banking Act Direction No. 01 of 2016 on Capital Requirement under Basel III for Licensed Commercial Banks (LCB) and Licensed Specialized Banks (LSB) is revised in to Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital. Common Equity Tier 1 (CET 1) Capital of the Bank comprises;

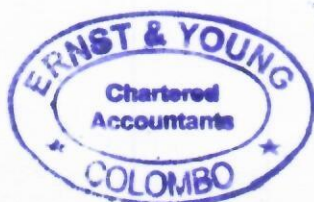
- Stated Capital
- Retained Earnings after appropriation
- Statutory Reserve Fund

At present Bank has no instrument eligible for Additional Tier 1 (AT1) Capital.

Tier 2 Capital Consist of,

- Eligible Subordinated Debt (limited to 50% of CET 1 Capital)
- 100% of impairment for assets in Stage 1 & 50% of impairment for assets in Stage 2 under SLFRS subject to maximum limit of 1.25% RWA in Credit Risk
- Approved Revaluation Surpluses on Freehold Land and Building (Subject to a discount of 50%)

As per the regulatory directive maximum eligible Tier 2 capital is capped at 100% of CET1 Capital.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

4. NET INTEREST INCOME	Note	2025 LKR	2024 LKR
Interest income	4.1	2,652,148,431	2,851,216,733
Interest expenses	4.2	(618,622,242)	(487,856,506)
		<u>2,033,526,189</u>	<u>2,363,360,227</u>
4.1 Interest income		2025 LKR	2024 LKR
Treasury bills		455,145,622	496,194,712
Interest on cash and cash equivalents		10,221,599	11,620,887
Placements with banks		485,382,093	416,674,924
Loans and receivables to customers		1,701,399,117	1,926,726,210
Debentures		-	-
		<u>2,652,148,431</u>	<u>2,851,216,733</u>
4.2 Interest expenses		2025 LKR	2024 LKR
Due to banks		216,574,875	69,634,174
Due to other customers		399,709,137	414,280,400
Interest expense on Lease Creditors		2,338,230	3,941,932
		<u>618,622,242</u>	<u>487,856,506</u>
5. NET FEE AND COMMISSION INCOME		2025 LKR	2024 LKR
Fee and commission income	5.1	155,872,899	130,948,079
Fee and commission expenses	5.2	(4,064,502)	(3,450,906)
		<u>151,808,396</u>	<u>127,497,173</u>
5.1 Fee and commission income		2025 LKR	2024 LKR
Fee on loans processing		13,912,665	15,105,560
Commission trade and remittances		17,454,898	33,691,447
Commission on guarantees		23,460,380	20,295,394
Commission on miscellaneous		23,767,564	1,060,794
Commission on adv-bills (Imports)		8,421,755	2,096,048
Commission on FOBC/FIBC/BP		32,737,570	35,369,821
Commission on DDs,MTs and TTs		10,131,075	15,548,239
Commission on LCs		25,986,992	7,780,776
		<u>155,872,899</u>	<u>130,948,079</u>
5.2 Fee and commission expenses		2025 LKR	2024 LKR
Fee and commission expenses		4,064,502	3,450,906
		<u>4,064,502</u>	<u>3,450,906</u>



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

6. OTHER OPERATING INCOME

	2025 LKR	2024 LKR
Recovery of nostro service charges	1,452,604	1,184,418
Recovery of postages	1,518,385	2,866,944
Recovery of SWIFT charges	3,323,476	3,706,790
Unpaid interest on deposits	9,663	-
Rent on lockers	505,590	455,000
Dividend income from available for sale financial assets	3,385,794	1,499,060
Profit on revaluation of foreign exchange	-	229,738,859
Recovery of minimum balance charges	170,075	189,629
Others	39,638	840,213
	<u>10,405,225</u>	<u>240,480,913</u>

6.1 Net gain / (loss) from trading

Bank does not engage in foreign currency trading activity for Sri Lankan operations. Hence no profits are operational on foreign currency trading activity.

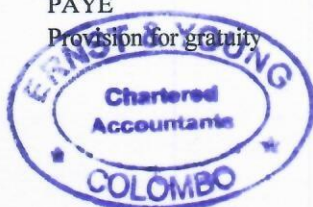
7. IMPAIRMENT (CHARGES) / REVERSAL

	2025			
	Stage 01 LKR	Stage 02 LKR	Stage 03 LKR	Total LKR
Loans and advances at amortized cost	39,856,834	(5,336,223)	(67,761,514)	(33,240,903)
Placements with banks	(118,431)	-	-	(118,431)
Equity instruments at amortized cost	-	-	-	-
Loan commitments and financial guarantee contracts	(464,059)	-	-	(464,059)
	<u>39,274,344</u>	<u>(5,336,223)</u>	<u>(67,761,514)</u>	<u>(33,823,393)</u>

	2024			
	Stage 01 LKR	Stage 02 LKR	Stage 03 LKR	Total LKR
Loans and advances at amortized cost	7,264,079	(713,587)	100,387,271	106,937,763
Placements with banks	179,882	-	-	179,882
Equity instruments at amortized cost	-	-	53,897,475	53,897,475
Loan commitments and financial guarantee contracts	(210,218)	-	-	(210,218)
	<u>7,233,743</u>	<u>(713,587)</u>	<u>154,284,746</u>	<u>160,804,902</u>

8. PERSONNEL EXPENSES

	2025 LKR	2024 LKR
Salary and bonus	59,444,898	67,596,747
Allowances	23,682,108	24,134,343
Other personnel cost	24,657,359	26,258,464
Contributions to EPF and ETF	7,528,620	7,909,184
PAYE	28,330,544	29,304,933
Provision for gratuity	6,264,789	5,127,761
	<u>149,908,318</u>	<u>160,331,432</u>



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

9. DEPRECIATION AND AMORTIZATION EXPENSES

	2025 LKR	2024 LKR
Depreciation of Property, plant & Equipment	10,986,106	10,959,717
Amortization of right of use Assets	14,728,811	14,728,811
	<u>25,714,918</u>	<u>25,688,528</u>

10. OTHER OPERATING EXPENSES

	2025 LKR	2024 LKR
Value Added Tax (General)	5,832,136	3,501,839
Establishment Expenses	34,356,008	47,916,860
Deposit Insurance Premium	8,104,191	8,021,777
Office Administration Expenses	56,643,360	59,066,428
Auditors remuneration	9,240,339	4,943,028
Crop insurance	17,374,149	12,663,609
Professional & Legal Expenses	2,863,215	890,344
Other Overhead Expenses	15,133,058	11,973,360
License fee paid to Central Bank of Sri Lanka	7,002,000	7,002,000
Loss on revaluation of foreign exchange	41,555,602	-
	<u>198,104,057</u>	<u>155,979,245</u>

11. FINANCIAL SERVICES VAT AND SSCL

	2025 LKR	2024 LKR
Current year value added tax on financial services	166,007,848	227,764,783
Current year SSCL on financial services	6,809,446	31,331,396
	<u>172,817,294</u>	<u>259,096,179</u>

12. INCOME TAX EXPENSES / (CREDIT)

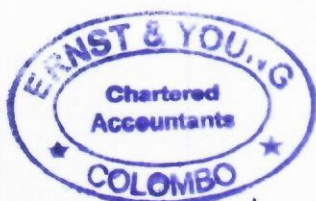
	2025 LKR	2024 LKR
Income tax provision for the year	222,507,160	387,317,441
Provision on assessments for previous years	-	(70,171,751)
Deferred tax provision / (reversal) for the year	(14,757,369)	(7,377,444)
	<u>207,749,791</u>	<u>309,768,246</u>

Note 12.1

Provision for taxation is made on the basis of the accounting profit for the year as adjusted for taxation purpose in accordance with the provisions of the Inland Revenue Act No.24 of 2017 and the amendments thereto, at 30%

12.1 Reconciliation for income tax expenses with accounting profit

	2025 LKR	2024 LKR
Profit / (loss) before income tax	1,788,189,123	2,550,144,006
Add : Disallowed expenses	569,325	352,698
Less: Allowable expenses and exempted items	1,047,067,915	1,259,438,568
Taxable income / (Tax loss)	<u>741,690,533</u>	<u>1,291,058,136</u>
Tax Payable @ 30%	<u>222,507,160</u>	<u>387,317,441</u>



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

13. CASH AND CASH EQUIVALENTS

	2025 LKR	2024 LKR
Cash in hand	26,680,102	36,122,497
Balances with banks	27,878,238	49,136,525
Money at call and short notices	85,000,000	125,000,000
	<u>139,558,339</u>	<u>210,259,022</u>

14. BALANCES WITH CENTRAL BANK OF SRI LANKA

	2025 LKR	2024 LKR
Statutory deposits with Central Bank of Sri Lanka	84,599,755	79,811,176
	<u>84,599,755</u>	<u>79,811,176</u>

Balances with Central Bank of Sri Lanka represents the cash balances that is required to be maintained as per the provisions of Section 93 of the Monetary Law Act. The minimum cash reserve requirement on rupee deposit liability was 2% as at 31 March 2024 (31 March 2023 - 4%).

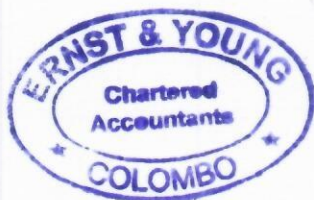
15. PLACEMENTS WITH BANKS

	2025 LKR	2024 LKR
Placements with branches, banks and other financial institutions in Sri Lanka (Maturity in three months)	8,578,372,908	1,103,909,588
Placements with branches, banks and other financial institutions in Sri Lanka (Maturity in more than three months)	10,371,550,000	-
Less: Accumulated impairment	(322,762)	204,331
	<u>18,949,600,146</u>	<u>1,104,113,919</u>

Note 15.1

15.1 Accumulated impairment on placements with banks

	2025 LKR	2024 LKR
Balance at the beginning of the year	204,331	384,213
Charge/(write back) to income statements	118,431	(179,882)
	<u>322,762</u>	<u>204,331</u>
Balance at the end of the year	<u>322,762</u>	<u>204,331</u>



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

15. PLACEMENTS WITH BANKS (Contd...)

15.2 Stage-wise analysis of impairment on placements with banks

	2025			
	Stage 01 LKR	Stage 02 LKR	Stage 03 LKR	Total LKR
Placements with banks as at 31 March	8,578,372,908	-	-	8,578,372,908
Less: Provision for impairment	(322,762)	-	-	(322,762)
	<u>8,578,050,146</u>	<u>-</u>	<u>-</u>	<u>8,578,050,146</u>

	2024			
	Stage 01 LKR	Stage 02 LKR	Stage 03 LKR	Total LKR
Placements with banks as at 31 March	953,669,498	-	-	953,669,498
Less: Provision for impairment	(204,330)	-	-	(204,331)
	<u>953,465,168</u>	<u>-</u>	<u>-</u>	<u>953,465,167</u>

16. DERIVATIVE FINANCIAL ASSETS

	2025 LKR	2024 LKR
Forward foreign exchange contracts	7,997,700	30,827,500
	<u>7,997,700</u>	<u>30,827,500</u>

17. LOANS AND ADVANCES AT AMORTIZED COST

	2025 LKR	2024 LKR
Gross loans and advances	19,408,920,286	29,606,418,876
Less : Accumulated impairment	(2,921,593,860)	(2,888,352,957)
	<u>16,487,326,427</u>	<u>26,718,065,919</u>

Note 17.1

17.1 Accumulated impairment on loans and advances at amortized cost

	2025 LKR	2024 LKR
Balance at the beginning of the year	2,888,352,957	2,995,290,720
Charge to income statements	33,240,903	(106,937,763)
	<u>2,921,593,860</u>	<u>2,888,352,957</u>



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

17. LOANS AND ADVANCES AT AMORTIZED COST (Contd...)

17.2 Stage-wise analysis of impairment on loans and advances at amortized cost

	2025			
	Stage 01 LKR	Stage 02 LKR	Stage 03 LKR	Total LKR
Gross loans and advances as at 31 March	16,482,398,219	10,103,735	2,916,418,332	19,408,920,286
Less: Provision for impairment	(17,641,788)	(6,049,810)	(2,897,902,262)	(2,921,593,860)
	<u>16,464,756,431</u>	<u>4,053,925</u>	<u>18,516,071</u>	<u>16,487,326,427</u>

	2024			
	Stage 01 LKR	Stage 02 LKR	Stage 03 LKR	Total LKR
Gross loans and advances as at 31 March	26,742,761,901	7,666,058	2,855,990,917	29,606,418,876
Less: Provision for impairment	(57,498,622)	(713,587)	(2,830,140,748)	(2,888,352,957)
	<u>26,685,263,279</u>	<u>6,952,471</u>	<u>25,850,169</u>	<u>26,718,065,919</u>

17.3 Analysis of loans and advances by product

	2025 LKR	2024 LKR
Loans against deposits	113,327,371	28,498,679
Overdrafts	2,446,751,668	2,504,617,492
Trade finance	7,892,437,764	18,852,896,034
Staff loans	5,169,940	6,479,803
Bills negotiated	1,691,979,919	1,306,932,748
Housing Loan	129,421,379	150,336,793
Personal Loan	114,002,176	1,364,563
Medium-term	6,403,658,740	1,383,232,317
Long-term	604,297,379	5,361,006,486
Vehicle Loan	7,873,950	11,053,961
Gross total	<u>19,408,920,286</u>	<u>29,606,418,876</u>

17.4 Analysis of loans and advances by currency

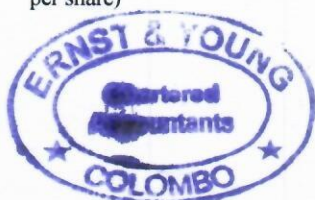
	2025 LKR	2024 LKR
Sri Lanka rupee	9,784,337,395	29,416,718,713
United states dollar	9,624,582,891	98,589,473
EURO	-	91,110,690
Gross total	<u>19,408,920,286</u>	<u>29,606,418,876</u>

18. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

		2025 LKR	2024 LKR
Investment in quoted equity securities	Note 18.1	15,895,548	11,247,468
Investment in unquoted equity securities	Note 18.2	3,030,000	3,030,000
		<u>18,925,548</u>	<u>14,277,468</u>

18.1 Investment in quoted equity securities

	2025 LKR	2024 LKR
'149,958 Nos of DFCC shares Market value @ LKR 106/- per share (31.03.2025 @ LKR 106 per share)	15,895,548	11,247,468
	<u>15,895,548</u>	<u>11,247,468</u>



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

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

18.2 Investment in unquoted equity securities	2025 LKR	2024 LKR
Lanka Clear (Pvt) Ltd	1,000,000	1,000,000
Lanka Financial Services Bureau	2,000,000	2,000,000
CRIB	30,000	30,000
	<u>3,030,000</u>	<u>3,030,000</u>

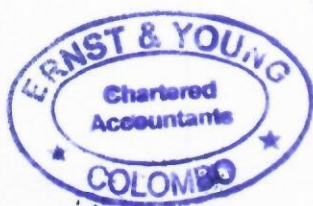
According to the available market information as at 31 March 2024, the fair value of "Equity Securities - Un quoted" equal to the carrying value LKR 3,030,000/- (2023 LKR 3,030,000/-) of such financial instruments.

19. OTHER FINANCIAL ASSETS AT AMORTIZED COST

	2025 LKR	2024 LKR
Treasury bills	2,215,532,040	4,322,096,047
	<u>2,215,532,040</u>	<u>4,322,096,047</u>
Foreign currency convertible bonds	591,868,701	599,799,965
Less: Impairment provision	(591,868,701)	(599,799,965)
	-	-
Accrued interest on treasury bills	58,267,689.78	97,641,197
	<u>58,267,689.78</u>	<u>97,641,197</u>
Net investments	<u>2,273,799,730</u>	<u>4,419,737,244</u>

20. PROPERTY, PLANT AND EQUIPMENT

	Furniture & Fittings LKR	Office Equipment LKR	Motor Vehicle LKR	Computer & Accessories LKR	Total LKR
Cost					
Balance as at 1st April 2024	11,617,573	7,377,828	4,414,900	119,230,755	142,641,056
Additions	258,000	825,000	-	9,470,780	10,553,780
Disposal / Written off	-	(718,026)	-	-	(718,026)
	<u>11,875,573</u>	<u>7,484,802</u>	<u>4,414,900</u>	<u>128,701,535</u>	<u>152,476,810</u>
Balance as at 31 March 2025					
Accumulated depreciation					
Balance as at 1st April 2024	7,629,441	4,550,553	4,338,271	82,308,006	98,826,271
Depreciation for the year	354,266	513,922	15,326	10,083,900	10,967,414
Disposal	-	(227,531)	-	-	(227,531)
	<u>7,983,707</u>	<u>4,836,944</u>	<u>4,353,597</u>	<u>92,391,906</u>	<u>109,566,154</u>
Balance as at 31 March 2025					
Net book value on 31.03.2024	<u>3,988,132</u>	<u>2,827,275</u>	<u>76,629</u>	<u>36,922,749</u>	<u>43,814,785</u>
Last year depreciation adjustment					1,816,504
Net book value on 31.03.2025	<u>3,891,866</u>	<u>2,647,858</u>	<u>61,303</u>	<u>36,309,629</u>	<u>41,094,152</u>



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

21. RIGHT OF USE ASSETS**21.1 Movement of right of use assets**

	2025 LKR	2024 LKR
Cost		
Balance as at 1 April	78,913,592	73,644,056
Previous year addition got reversed	(5,269,536)	-
Addition during the year	-	5,269,536
Cost as at 31 March	73,644,056	78,913,592
Accumulated Amortisation		
Balance as at 1 April	54,185,607	39,456,796
Previous year addition got reversed	(5,269,536)	-
Charge for the year	14,728,811	14,728,811
Balance as at 31st March	63,644,882	54,185,607
Net Book Value as at 31 march	9,999,174	24,727,985

21.2 Movement of lease liabilities

	2025 LKR	2024 LKR
Balance as at 1 April	31,057,681	46,263,249
(-) Payment to Lease Creditor	(19,830,600)	(19,147,500)
	11,227,081	27,115,749
Accretion of interest (Note 21.2.1)	2,338,230	3,941,932
Balance at the end of the year	13,565,311	31,057,681

21.2.1 Interest in suspense - Operating Leasehold building

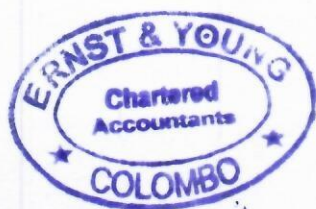
	2025 LKR	2024 LKR
Balance at the beginning of the year	2,302,744	6,244,676
Charged to profit or loss	35,486	(3,941,932)
Balance at the end of the year	2,338,230	2,302,744

22. DEFERRED TAXATION**22.1 Deferred tax assets**

	2025 LKR	2024 LKR
Balance at the beginning of the year	(8,737,702)	(1,099,414)
Provision / (transfer) to income statement	14,757,369	(7,377,444)
Provision / (transfer) to items included in other comprehensive income	280,255	(260,844)
Balance at the end of the year	6,299,922	(8,737,702)

22.2 Deferred tax liability

	2025 LKR	2024 LKR
Balance at the beginning of the year	-	-
Provision / (transfer) to income statement	-	-
Provision / (transfer) to items included in other comprehensive income	-	-
Balance at the end of the year	-	-
Net deferred tax asset / (liability)	6,299,922	(8,737,702)



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

22. DEFERRED TAXATION (Contd...)**22.3 Composition of deferred tax assets and liabilities**

	2025		2024	
	Temporary difference	Tax effect	Temporary difference	Tax effect
	LKR	LKR	LKR	LKR
Deferred tax assets				
Defined benefit obligation	11,805,351	3,541,605	12,579,524	3,773,857
Right of Use Asset	3,566,138	1,069,841	-	-
Impairment	(23,691,598)	7,107,479	-	-
Deferred tax liabilities				
Property, plant and equipment	(18,063,347)	(5,419,004)	16,244,240	4,963,845
	<u>(26,383,457)</u>	<u>6,299,922</u>	<u>28,823,764</u>	<u>8,737,702</u>

23. OTHER ASSETS

	2025	2024
	LKR	LKR
Festival advance	512,800	1,225,000
Advance payment of tax	1,409,457	-
Other Refundable Deposit	5,331,595	6,142,594
Other Assets	167,114,750	42,630,292
	<u>174,368,602</u>	<u>49,997,886</u>

24. DUE TO BANKS

	2025	2024
	LKR	LKR
Borrowings from branches	6,371,095,000	-
Borrowings from foreign banks	-	601,242,309
Borrowings From Banks	300,000,000	1,150,588,219
Interest Accrued on borrowings	4,736,510	789,041
	<u>6,675,831,510</u>	<u>1,752,619,569</u>

25. DUE TO OTHER CUSTOMERS

	2025	2024
	LKR	LKR
Total amount due to other customers	8,081,518,468	8,508,302,117
	<u>8,081,518,468</u>	<u>8,508,302,117</u>

25.1 Product wise analysis of due to other customers balance

	2025	2024
	LKR	LKR
Demand deposits	1,902,674,765	1,027,605,982
Savings deposits	410,449,125	604,993,918
Savings deposit foreign currency	389,933,696	312,791,893
Fixed deposit foreign currency	2,261,762,514	4,055,841,938
Fixed deposits - maturity	416,719,804	1,292,257,664
Fixed deposits - others	167,082,883	174,670,533
Recurring deposits	4,398,210	5,430,736
Unclaimed deposits	5,087,381	5,124,616
Short term deposits	2,523,410,090	1,029,584,837
	<u>8,081,518,468</u>	<u>8,508,302,117</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

25. DUE TO OTHER CUSTOMERS (Contd...)

25.2 Currency wise analysis of due to other customers

	2025 LKR	2024 LKR
Sri Lankan Rupees	2,184,429,940	3,714,295,001
United state dollars	5,896,325,126	4,793,382,303
GBP	99,642	104,915
EURO	663,759	519,898
	<u>8,081,518,468</u>	<u>8,508,302,117</u>

26. RETIREMENT BENEFIT OBLIGATION

	2025 LKR	2024 LKR
Balance at the beginning of the year	13,216,916	11,278,879
Provision / (reversal) made during the year	3,568,765	1,938,037
Payment made during the year	(4,980,330)	-
Balance at the end of the year	<u>11,805,351</u>	<u>13,216,916</u>

Note 26.1

26.1 Provision / (reversal) made during the year

	2025 LKR	2024 LKR
Interest cost	1,652,115	703,483
Current service cost	982,466	365,075
	<u>2,634,581</u>	<u>1,068,558</u>
(Surplus) / deficit	934,184	869,479
	<u>3,568,765</u>	<u>1,938,037</u>

26.2 The principle financial assumptions used are as follows :

	2025	2024
Long term interest rate	11.00%	14.00%
Future salary increment rate	20.00%	10.00%
Staff turnover ratio	19.20%	8.00%
Retirement age	55	60

27. CURRENT TAX LIABILITY

	2025 LKR	2024 LKR
Balance at the beginning of the year	265,331,310	185,202,913
Provision made for the year	388,515,008	387,317,441
Provision made for previous year assessments	455,319,505	(70,171,751)
Payment made for the current year	(199,064,911)	(59,141,182)
	<u>910,100,912</u>	<u>443,207,421</u>
Payments made during the year	-	-
Income tax paid	(291,985,177)	(174,008,072)
Withholding tax paid during the year	(220,230,718)	(4,643,620)
Balance at the end of the year	<u>397,885,017</u>	<u>264,555,729</u>
Social Security Contribution Levy (SSCL)		
Provision made for the year	6,809,446	28,198,314.00
Less: SSCL Payments for the year	(25,658,595)	(27,422,733.00)
Payable at the end of the year	<u>379,035,868</u>	<u>265,331,310</u>



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

28. OTHER LIABILITIES

	2025 LKR	2024 LKR
Pay orders	1,387,240	977,994
Accrued expenses	25,506,681	17,275,824
Other payable	2,087,880	870,052
Impairment provision for off balance sheet credit exposures	129,352	-
ESC payable	-	2,346,978
	<u>29,111,154</u>	<u>21,470,848</u>

28.1 Provision for value added tax on financial services

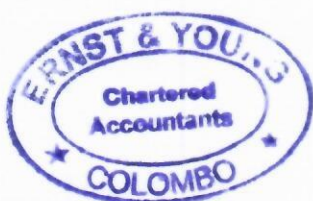
	2025 LKR	2024 LKR
Balance at the beginning of the year	1,289,950	(24,079,756)
Payments made for the previous year	-	(19,840,486)
	<u>1,289,950</u>	<u>(43,920,242)</u>
Provision made for the current year	166,007,848	227,764,783
Payments made during the year	(164,901,386)	(226,474,833)
	<u>2,396,412</u>	<u>1,289,950</u>

29. CENTRAL OFFICE CURRENT ACCOUNT

	2025 LKR	2024 LKR
Payable for administration and head office expenses	408,577,780	411,206,025
	<u>408,577,780</u>	<u>411,206,025</u>

30. ASSIGNED CAPITAL

	2025 LKR	2024 LKR
Assigned capital	1,740,882,500	1,740,882,500
	<u>1,740,882,500</u>	<u>1,740,882,500</u>



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

31. STATUTORY RESERVE FUND

	2025 LKR	2024 LKR
Balance at the beginning of the year	628,641,414	589,015,822
Transfer during the year	256,181,541	39,625,592
Balance at the end of the year	884,822,955	628,641,414

Statutory reserve fund is maintained as per the statutory requirement in terms of section 20(1) and (2) of the Banking Act No.30 of 1988. The fund is built by transferring sum equivalent to not less than 5% of the Profit after tax or any profits are transferred until the fund equals to 50% of the banks stated capital. Thereafter a further sum equal to the 2% of profit after tax is transferred until the fund equals to the stated capital of the bank.

32. RETAINED EARNINGS

	2025 LKR	2024 LKR
Balance at the beginning of the year	13,401,547,351	11,537,238,872
Profit for the year	1,407,622,038	1,981,279,581
Other comprehensive income for the year	(653,929)	(1,130,323)
Transfer to statutory reserve fund	(256,181,541)	(39,625,592)
Transfer to other ECL Reserve	66,784,578	(76,215,188)
Balance at the end of the year	14,619,118,497	13,401,547,351

33. FOREIGN CURRENCY TRANSLATION RESERVE

	2025 LKR	2024 LKR
Balance at the beginning of the year	5,772,315,812	7,363,503,234
Transfer during the year	(501,705,682)	(1,591,187,422)
Balance at the end of the year	5,270,610,130	5,772,315,812

34. FAIR VALUE RESERVE

	2025 LKR	2024 LKR
Balance at the beginning of the year	8,748,879	4,126,158
Transfer during the year	5,170,889	4,622,721
Balance at the end of the year	13,919,768	8,748,879

35. ECL RESERVE

	2025 LKR	2024 LKR
Balance at the beginning of the year	131,554,780	55,339,593
Reversal during the year	(66,784,578)	76,215,188
Balance at the end of the year	64,770,202	131,554,780

As per the Banking Act Direction No. 13 of 2021, Licensed banks shall maintain a minimum Stage 1 impairment ratio of 0.5% as a percentage of total Stage 1 credit facilities. In instances where a licensed bank does not maintain a minimum Stage 1 impairment ratio of 0.5% as a percentage of total Stage 1 credit facilities, such deficit shall be required to be maintained in a special reserve account against equity.

36. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the bank makes various commitments and incurs certain contingent liabilities with legal recourse to its

Contingent liabilities	2025 LKR	2024 LKR
Guarantees	6,684,101,523	6,719,087,336
Letter of credit	527,265,690	356,517,502
Other contingent items	4,915,401,701	361,780,005
Undrawn loan commitments	259,161,081	450,764,481
	12,385,929,994	7,888,149,324



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

37. RELATED PARTY DISCLOSURES

The Bank carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24- "Related Party Disclosures". Loans and advances to all staff members including Key Management Personnel (KMP) are at uniformly applicable concessionary rates.

37.1 Key management personnel

Key management personnel (KMP) include the key management of the bank, having authority for planning & controlling the activities of the entity directly and indirectly. The KMP of the Branch is the Chief Executive Officer (CEO), Assistant General Manager, Risk Officer and Compliance Officer .

	2025 LKR	2024 LKR
Short term employee benefits	45,042,534	58,764,628
Deposits received from KMP's	4,557,192	2,210,278

37.2 Transactions with Branches

Statement of Financial Position - Bank

Liabilities

Borrowing from branches

6,371,095,000

-

Income Statement

Interest Expenses - Borrowing from branches

111,091,312

40,060,417

38. NOTES TO THE STATEMENT OF CASH FLOWS

38.1 Non cash items included in the profit before tax

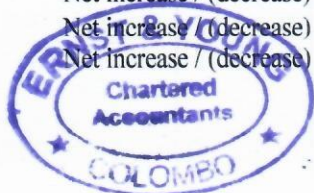
	2025 LKR	2024 LKR
Depreciation on property, plant and equipment	10,986,106	10,959,717
Amortization of right to use assets	14,728,811	14,728,811
Loss / (profit) on revaluation of foreign currency	41,555,602	(229,738,859)
Operating lease interest	(35,486)	3,941,932
Impairment charge / (reversal) on placements	118,431	179,882
Impairment charge / (reversal) on loans and advances	33,240,903	106,937,763
Impairment charge / (reversal) financial assets at amortized cost	-	53,897,475
Impairment charge / (reversal) on loan commitments and guarantee contracts	464,059	(210,218)
Provision for gratuity	3,568,765	1,068,558
Provision for financial service VAT and NBT	172,817,294	266,945,208
	277,444,485	228,710,269

38.2 Change in operating assets

Net (increase) / decrease in loans and receivables to customers	10,414,443,617	(4,253,568,206)
Net (increase) / decrease in other assets	(124,370,716)	(18,885,925)
Net (increase) / decrease in balance with central bank	(4,788,579)	73,223,379
Net (increase) / decrease in derivative financial instrument	22,829,800	(30,827,500)
Net (increase) / decrease in placements	(10,371,550,000)	-
	(63,435,878)	(4,230,058,252)

38.3 Change in operating liabilities

Net increase / (decrease) change in deposits from banks	5,106,916,068	(5,126,469,013)
Net increase / (decrease) change in deposits from customers	(243,079,522)	991,233,589
Net increase / (decrease) change in other liabilities	7,640,306	(109,225,919)
	4,871,476,851	(4,244,461,343)



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

39. CAPITAL COMMITMENTS

There were no material capital commitments as at 31 March 2025.

40. EVENTS AFTER THE REPORTING DATE

No circumstances have arisen after the reporting date which would require adjustment to or disclosure in the Financial statements.

41. MATURITY ANALYSIS

An analysis of the assets and liabilities based on the remaining period at the reporting date to the respective contractual maturity dates is as follows.

31 March 2025

	Up to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
	LKR	LKR	LKR	LKR	LKR
Assets					
Interest bearing assets					
Cash and cash equivalents	-	-	-	-	-
Placements with Banks	8,578,050,146	-	-	10,371,550,000	18,949,600,146
Loans and advances at amortized cost	10,717,302,884	3,150,937,398	2,192,697,283	426,388,862	16,487,326,427
Other financial assets at amortized cost	-	2,273,799,730	-	-	2,273,799,730
	19,295,353,029	5,424,737,128	2,192,697,283	11,112,446,271	37,710,726,302
Non-interest bearing assets					
Cash and cash equivalents	139,558,339	-	-	-	139,558,339
Balance with Central Bank of Sri Lanka	84,599,755	-	-	-	84,599,755
Derivative financial assets	-	-	7,997,700	-	7,997,700
Financial assets through Other comprehensive income	-	-	-	18,925,548	18,925,548
Deferred tax assets	-	6,299,922	-	-	6,299,922
Right of Use Assets	-	9,999,174	-	-	9,999,174
Other assets	-	1,922,257	-	172,446,344.94	174,368,602
Property, plant and equipment	-	-	-	41,094,152	41,094,152
	84,599,755	18,221,353	7,997,700	232,466,045	482,843,192
Total assets	19,379,952,784	5,442,958,480	2,200,694,983	11,112,446,271	38,193,569,494
Liabilities					
Interest bearing liability					
Due to Banks	6,675,831,510	-	-	-	6,675,831,510
Due to other customers	699,237,879	27,904,923	2,289,373,303	5,065,002,362	8,081,518,468
	7,375,069,389	27,904,923	2,289,373,303	5,065,002,362	14,757,349,978
Non interest bearing liability					
Assigned capital	-	-	-	1,740,882,500	1,740,882,500
Statutory reserve	-	-	-	884,822,955	884,822,955
Retained earnings	-	-	-	14,619,118,497	14,619,118,497
Foreign currency translation reserve	-	-	-	5,275,781,019	5,275,781,019
Other reserves	-	-	-	78,689,970	78,689,970
Current tax liability	-	379,035,868	-	-	379,035,868
Retirement benefit obligation	-	11,805,351	-	-	11,805,351
Lease Creditor	-	13,565,311	-	-	13,565,311
Central office current account	-	-	-	408,577,780	408,577,780
Other liabilities	-	29,111,154	-	-	29,111,154
	-	433,517,684	-	23,007,872,721	23,441,390,405
Total liabilities	7,375,069,389	461,422,607	2,289,373,303	28,072,875,084	38,198,740,383



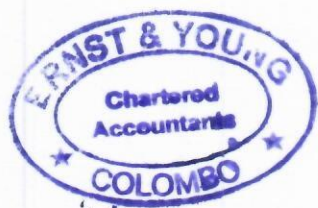
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

41. MATURITY ANALYSIS (Contd...)

31 March 2024

	Up to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Total
Assets	LKR	LKR	LKR	LKR	LKR
Interest bearing assets					
Cash and cash equivalents	100,000,000	-	-	-	100,000,000
Placements with Banks	9,803,548,536	-	-	-	9,803,548,536
Loans and advances at amortized cost	11,744,831,762	7,952,876,794	2,398,624,488	368,164,670	22,464,497,714
Other financial assets at amortized cost	3,745,120,703	-	-	-	3,745,120,703
	25,393,501,001	7,952,876,794	2,398,624,488	368,164,670	36,113,166,952
Non-interest bearing assets					
Cash and cash equivalents	122,012,812	-	-	-	122,012,812
Balance with Central Bank of Sri Lanka	153,034,555	-	-	-	153,034,555
Derivative financial assets	-	-	-	-	-
Financial assets through Other comprehensive income	-	-	-	9,366,087	9,366,087
Deferred tax assets	-	-	-	-	-
Right of Use Assets	-	-	-	-	-
Other assets	937,980	24,079,756	6,094,225	-	31,111,961
Property, plant and equipment	-	-	48,179,841	-	48,179,841
	153,972,535	24,079,756	54,274,066	9,366,087	363,705,256
Total assets	25,547,473,536	7,976,956,550	2,452,898,554	377,530,757	36,476,872,208
Liabilities					
Interest bearing liability					
Due to Banks	6,879,088,582	-	-	-	6,879,088,582
Due to other customers	3,266,039,113	4,038,220,973	212,808,443	-	7,517,068,529
	10,145,127,695	4,038,220,973	212,808,443	-	14,396,157,111
Non interest bearing liability					
Assigned capital	-	-	-	1,740,882,500	1,740,882,500
Statutory reserve	-	-	-	589,015,822	589,015,822
Retained earnings	-	-	-	11,537,238,872	11,537,238,872
Foreign currency translation reserve	-	-	-	7,363,503,234	7,363,503,234
Other reserves	-	-	-	-	-
Current tax liability	-	185,202,913	-	-	185,202,913
Retirement benefit obligation	-	-	-	-	-
Lease Creditor	-	-	-	-	-
Central office current account	-	-	-	-	-
Other liabilities	11,898,818	-	-	-	11,898,818
	11,898,818	185,202,913	-	21,230,640,428	21,427,742,159
Total liabilities	10,157,026,513	4,223,423,886	212,808,443	21,230,640,428	35,823,899,270



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

42. ANALYSIS FOR CREDIT RISK AND LIQUIDITY RISK

42.1 Credit quality by class of financial assets

As at 31 March 2025	Neither past due nor impaired	Past due	Impaired	Total
	LKR	LKR	LKR	LKR
Cash and cash equivalents	139,558,339	-	-	139,558,339
Balance with Central Bank of Sri Lanka	84,599,755	-	-	84,599,755
Placement with Banks	18,949,922,908	-	(322,762)	18,949,600,146
Derivative financial instruments	7,997,700	-	-	7,997,700
Loans and advances at amortized cost	16,492,501,954	2,916,418,332	(2,921,593,860)	16,487,326,427
Financial assets at fair value through other comprehensive income	18,925,548	-	-	18,925,548
Other financial assets at amortized cost	3,097,430,280	-	591,868,701	2,505,561,579
Total	38,790,936,484	2,916,418,332	(2,330,047,921)	38,193,569,494

Overdue					
	Less than 30 days	30-60 Days	60-90 Days	More than 90 days	Total
As at 31 March 2025	LKR	LKR	LKR	LKR	LKR
Loans and advances at amortized cost (Gross)	16,461,909,615	20,488,604	10,103,735	2,916,418,332	19,408,920,286
Other financial assets at amortized cost (Gross)	2,273,799,730	-	-	591,868,701	2,865,668,431
	18,735,709,345	20,488,604	10,103,735	3,508,287,033	22,274,588,717

As at 31 March 2024	Nether past due nor impaired	Past due	Impaired	Total
	LKR	LKR	LKR	LKR
Cash and cash equivalents	210,259,022	-	-	210,259,022
Balance with Central Bank of Sri Lanka	79,811,176	-	-	79,811,176
Placement with Banks (Gross)	1,104,113,918	-	-	1,104,113,918
Derivative financial assets	30,827,500	-	-	30,827,500
Loans and advances at amortized cost (Gross)	26,718,068,919	3,329,538,850	(3,329,538,850)	26,718,068,919
Financial assets at fair value through other comprehensive income	14,277,468	-	-	14,277,468
Other financial assets at amortized cost (Gross)	4,419,737,244	-	-	4,419,737,244
Total	32,577,095,247	3,329,538,850	(3,329,538,850)	32,577,095,247

Overdue					
	Less than 30 days	30-60 Days	60-90 Days	More than 90 days	Total
As at 31 March 2024	LKR	LKR	LKR	LKR	LKR
Loans and advances at amortized cost (Gross)	23,854,408,944	7,666,058	-	2,855,990,917	26,718,065,919
Other financial assets at amortized cost (Gross)	4,419,737,244	-	-	-	4,419,737,244
	28,274,146,188	7,666,058	-	2,855,990,917	31,137,803,163



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

42. ANALYSIS FOR CREDIT RISK AND LIQUIDITY RISK (Contd...)

42.2 Concentration of credit risk by sectors

	2025 LKR	2024 LKR
Agriculture and fishing	1,354,878,909	2,457,997,187
Engineering and building	138,564,400	364,187,774
Manufacturing	1,189,159,868	2,735,245,947
Tourism	7,283,517	7,122,690
Transport	753,388,210	11,253,570
Construction	36,902,491	566,119,183
Traders	3,154,601,617	1,749,751,999
Other	12,774,141,275	18,826,387,569
Net Loans & Advances	19,408,920,286	26,718,065,919

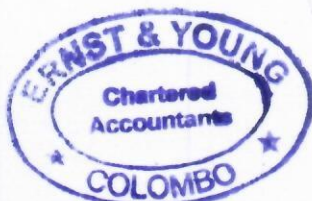
42.3 Maximum exposure to credit risk

As at 31 March 2025	Maximum exposure to credit risk LKR	Collateral value LKR	Net exposure LKR
Cash and cash equivalents	139,558,339	-	139,558,339
Balance with Central Bank of Sri Lanka	84,599,755	-	84,599,755
Placement with Banks	2,215,532,040	-	2,215,532,040
Derivative financial instruments	7,997,700	-	7,997,700
Loans and advances at amortized cost	19,408,920,286	19,408,920,286	-
Financial assets through other comprehensive income	18,925,548	-	18,925,548
Other financial assets at amortized cost	2,273,799,730	-	2,273,799,730
Total	24,149,333,398	19,408,920,286	4,740,413,112

As at 31 March 2024	Maximum exposure to credit risk LKR	Collateral value LKR	Net exposure LKR
Cash and cash equivalents	210,259,022	-	210,259,022
Balance with Central Bank of Sri Lanka	79,811,176	-	79,811,176
Placement with Banks	1,104,113,918	-	1,104,113,918
Loans and advances at amortized cost	26,718,065,919	26,718,065,919	-
Financial investments at fair value through other comprehensive income	14,277,468	-	14,277,468
Other financial assets at amortized cost	4,419,737,244	-	4,419,737,244
Total	32,577,092,247	26,718,065,919	5,859,026,328

42.4 Analysis of financial instrument by measurement basis

	2025 LKR	2024 LKR
Assets		
Cash and cash equivalent	139,558,339	210,259,022
Balances with central bank	84,599,755	79,811,176
Placements with banks	18,949,600,146	1,104,113,918
Derivative financial assets	7,997,700	30,827,500
Loans and advances at amortized cost	16,487,326,427	26,718,065,919
Financial assets at fair value through other comprehensive income	18,925,548	14,277,468
Other financial assets at amortized cost	2,273,799,730	4,419,737,244
	37,961,807,645	32,577,092,247
Liabilities		
Due to banks	6,675,831,510	1,752,619,569.00
Due to other customers	8,081,518,468	8,508,302,117
	14,757,349,978	10,260,921,686



STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2025

43. SELECTED PERFORMANCE INDICATORS/ KEY FINANCIAL DATA


	2025 LKR	2024 LKR
Regulatory Capital Adequacy		
Common Equity Tier 1 Capital	12,718,905,934	14,211,128,999
Total Tier 1 Capital	12,718,905,934	14,211,128,999
Total Capital	12,739,572,934	14,268,984,999
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital (%) (Minimum Requirement 7%)	53.54%	52.81%
Tier 1 Capital ratio (%) (Minimum Requirement 8.5%)	53.54%	52.81%
Total Capital Ratio % (Minimum Requirement 12.5%)	53.62%	53.02%
Basel III Leverage Ratio (Minimum Requirement 3%)	25.40%	32.92%
Regulatory Liquidity Requirement		
Liquidity Coverage ratio (%) (Minimum requirement 100%)		
Rupee (%)	318%	452.00%
All Currency (%)	358%	172.17%
Net Stable Funding Ratio (%) - (Minimum requirement 100%)	117%	108.00%
Assets Quality (Quality of Loan Portfolio)		
Impaired Loans (Stage 03) to Total loans, Ratio (%)*	0.10%	-
Impairment (Stage 3) to Stage 3 Loans, Ratio (%)*	99.37%	100%
Profitability		
Net Interest Margin (%)	5.59%	7.51%
Return on Assets (Before Tax) (%)	4.63%	7.07%
Return on Equity (%)	6.77%	8.25%
Memorandum Information		
Credit Rating	BBB-	BBB-
Number of Employees	25	21
Number of Branches	2	2

*Including Undrawn Portion of Credit

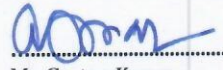
CERTIFICATION:

We, the undersigned, being the Chief Executive Officer and the Assistant General Manager of Indian Bank- Sri Lanka Branch jointly certify that:

- (a) The above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka;



 Mr. M. Chandoss
 Chief Executive Officer



 Mr. Gautam Kumar
 Assistant General Manager

